# CFA Institute Research Challenge
hosted by
CFA Society Brazil
Team 2

The CFA Institute Research Challenge is a global competition that tests the equity research and valuation, investment report writing, and presentation skills of university students. The following report was prepared in compliance with the Official Rules of the CFA Institute Research Challenge, is submitted by a team of university students as part of this annual educational initiative and should not be considered a professional report.

## Disclosures:

**Ownership and material conflicts of interest**

The author(s), or a member of their household, of this report does not hold a financial interest in the securities of this company. The author(s), or a member of their household, of this report does not know of the existence of any conflicts of interest that might bias the content or publication of this report.

**Receipt of compensation**

Compensation of the author(s) of this report is not based on investment banking revenue.

**Position as an officer or a director**

The author(s), or a member of their household, does not serve as an officer, director, or advisory board member of the subject company.

**Market making**

The author(s) does not act as a market maker in the subject company's securities.

**Disclaimer**

The information set forth herein has been obtained or derived from sources generally available to the public and believed by the author(s) to be reliable, but the author(s) does not make any representation or warranty, express or implied, as to its accuracy or completeness. The information is not intended to be used as the basis of any investment decisions by any person or entity. This information does not constitute investment advice, nor is it an offer or a solicitation of an offer to buy or sell any security.

# Is Lojas Renner The Right Fit?

CFA Research Challenge Team 2

## Equity Research | Nov. 16th, 2025

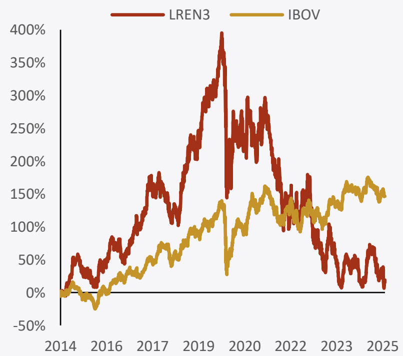
| RECOMMENDATION | SELL |
|---|---|
| **12M Price Target** | **BRL 12.96** |
| Current Price | BRL 15.16 |
| Downside | 14.5% |
| Ticker | B3: LREN3 |

### STOCK DATA

| | |
|---|---|
| Sector | Apparel Retail |
| Market Cap (mm) | BRL 16,074 |
| Enterprise Value (mm) | BRL 14,807 |
| LTM Performance | +1.13% |
| Avg. Daily Volume (#) | 9,028,824 |

*Last Update: 11/14/2025*

### Exhibit 01: LREN3 Performance vs IBOV (%)




*Source: Factset*

### Exhibit 02: Financial Ratios

| Ratios[1] | 2025E |
|---|---|
| Sales / M² - BRL | 18,088 |
| Net Debt / EBITDA | (0.68x) |
| EV / EBITDA | 3.66x |
| Price / Earnings | 9.10x |
| ROIC | 12.8% |
| ROE | 13.4% |

*Sources: Company, Team 2. Note: (1) Pre IFRS-16*

## EXECUTIVE SUMMARY

We are initiating coverage of Lojas Renner (B3: LREN3) with a **SELL** recommendation and a target price of BRL 12.96. This price is derived from a DCF approach on the company's projected FCFF, implying a 14.5% downside on the last closing price (11/14/2025). Our recommendation is supported by three main pillars, underpinning a forecasted EBITDA CAGR of 8.8% for 2025-2027E (vs. 10.1% consensus): (i) A highly competitive environment, constraining operations and pressuring margins; (ii) a mature company with limited growth potential, increasingly shifting toward a street-store model that lies outside of its historical core positioning in shopping centers; and (iii) the management misalignment with shareholders and Realize's loss of strategic relevance, leading us to believe that Renner will not be able to return to its high profitability level.

### 1. Overdressed Market: Competitive Landscape Affecting Operations

The Brazilian apparel landscape presents a severe and escalating structural challenge to Renner's operations and future growth. The threat of new entrants evolved from a risk to an actual headwind, with Zara and H&M as the case of an international brands chasing the upper-bound consumers, and Shein, which surfed the digitalization trend to quickly take market share from the e-commerce, already positioning itself as the second largest retailer in the country (7.5% of apparel market). In our view, this intense competition disrupts Renner's traditional operational model. The current macroeconomic environment, where apparel inflation is tracking lower than the IPCA, already pressures the company's ability to pass on expenses and maintain margins. This challenge is severely compounded by the surge of low-priced cross-border digital platforms, whose average prices are around 46% lower than peers (Appendix Z). We believe that any attempt by Renner to maintain its historical ticket growth above overall inflation will simply accelerate the loss of price-sensitive consumers, making it unreasonable. Accordingly, the incapacity to fully pass on prices to incorporate expenses favors a margin compression tendency, inherent to the national retail sector. Although Renner can still achieve gains in market share by enduring headwinds and increasing physical capillarity, we believe this pace of growth is unsustainable, as Renner is now facing the full force of digital competition.

### 2. Limited Expansion: The King is Out of Moves

The historically successful mall-based expansion model of Renner needs a strategic pivot toward a street-store presence in smaller cities – a strategy we believe is unlikely to replicate past profitability. Over 58 years, the company's growth to 701 stores was fundamentally dependent on the shopping center boom, where it consolidated its 'anchor store' status, benefiting from a relatively lower rent expense and excellent points of sale, resulting in a minimal footprint of only 50 street stores. With the pool of viable mall locations now decreasing, this high expansion cycle is approaching maturation. Consequently, Renner's focus is shifting to street stores in municipalities with around 50,000 inhabitants. However, our proprietary geospatial analysis indicates this new frontier offers limited potential, with an estimated 89 new stores: 21 inside shopping malls and 68 street stores. It is worth noting that these 21 new mall stores are located in regions with a slightly lower purchasing power population profile (Appendix W). Therefore, the strategy that made Renner the biggest retailer in Brazil is reaching its natural limit, making future growth contingent upon a new street-store model that we assess is unlikely to deliver the high profitability claimed by the company (Appendix AD).

### 3. Past Its Prime: Renner is Trailing Far Behind

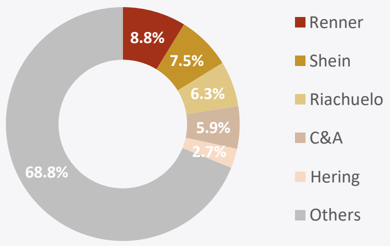
Renner is facing a gradual erosion of its historical track record of high profitability and strong growth. In addition to the competitive landscape and limited expansion, this transformation also stems from (i) the misalignment of the company's management goals with shareholders'; and (ii) an obsolescence of Realize's business model. The management turnover, particularly the departure of José Galló, was accompanied by an implicit shift in the company's compensation policy. When compared with the former board in 2019, we observe an increase in the fixed portion of compensation (22% vs. 40%), nearly doubling the fixed amount per director (1,175 BRL k vs. 2,650 BRL k), higher than its peers (Appendix U). Furthermore, this increase coincided with a decline and stabilization of Return on Invested Capital (ROIC) at 8.6% in 2024 (7.8% lower than in 2019), signaling a misalignment of management and shareholders interests. In addition, the lack of competitive benefits of Realize leads us to see a limited upside in it, as the cards' penetration is consistently falling since 2005 and past due receivables rates increasing significantly to dangerous levels (≈25%). What it once was a competitive advantage supporting retail, now it seems to be having some friction with it. Combining poor management incentives with a decline in Realize penetration with higher credit risk leads us to believe that the company will not be able to recover the prime position it achieved in the past.

## KEY FINANCIALS

| Operational and Financial Data | | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Revenue | [BRL mm] | 13,271 | 13,648 | 14,436 | 15,951 | 17,146 | 18,256 | 19,298 | 20,283 | 21,089 | 21,899 | 22,739 | 23,548 | 24,351 |
| Y/Y | [%] | | 2.8% | 5.8% | 10.5% | 7.5% | 6.5% | 5.7% | 5.1% | 4.0% | 3.8% | 3.8% | 3.6% | 3.4% |
| Gross Profit | [BRL mm] | 7,985 | 8,221 | 8,742 | 9,807 | 10,489 | 11,250 | 11,863 | 12,456 | 12,943 | 13,426 | 13,927 | 14,406 | 14,878 |
| Adj. EBITDA* | [BRL mm] | 1,753 | 1,430 | 1,937 | 2,479 | 2,549 | 2,885 | 3,101 | 3,294 | 3,450 | 3,599 | 3,758 | 3,910 | 4,005 |
| Net Income | [BRL mm] | 1,292 | 976 | 1,197 | 1,405 | 1,386 | 1,634 | 1,827 | 2,035 | 2,228 | 2,415 | 2,591 | 2,753 | 2,863 |
| Margins | | | | | | | | | | | | | | |
| Gross Margin | [%] | 60.2% | 60.2% | 60.6% | 61.5% | 61.2% | 61.6% | 61.5% | 61.4% | 61.4% | 61.3% | 61.2% | 61.2% | 61.1% |
| EBITDA* | [%] | 13.2% | 10.5% | 13.4% | 15.5% | 14.9% | 15.8% | 16.1% | 16.2% | 16.4% | 16.4% | 16.5% | 16.6% | 16.4% |
| Net Margin | [%] | 9.7% | 7.2% | 8.3% | 8.8% | 8.1% | 8.9% | 9.5% | 10.0% | 10.6% | 11.0% | 11.4% | 11.7% | 11.8% |
| Operations | | | | | | | | | | | | | | |
| Same Store Sales | [%] | 18.5% | 0.2% | 7.5% | 9.0% | 5.6% | 4.3% | 3.9% | 4.1% | 3.8% | 3.8% | 3.8% | 3.7% | 3.6% |
| Sales Area Adj for Mat. | [m²] | 790,886 | 792,949 | 798,097 | 808,879 | 833,075 | 855,414 | 877,112 | 891,638 | 898,613 | 904,328 | 908,917 | 910,668 | 911,560 |
| Productivity | [BRL] | 16,780.1 | 17,211.5 | 18,088.5 | 19,719.4 | 20,581.1 | 21,342.1 | 22,001.9 | 22,748.3 | 23,468.9 | 24,215.6 | 25,017.2 | 25,858.2 | 26,713.8 |
| Y/Y | [%] | | 2.6% | 5.1% | 9.0% | 4.4% | 3.7% | 3.1% | 3.4% | 3.2% | 3.2% | 3.3% | 3.4% | 3.3% |

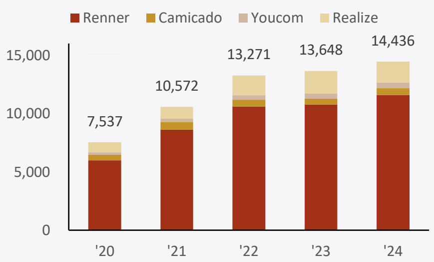
*Disregarding IFRS-16 effects*

### Exhibit 03: Market Share (%) – 2024



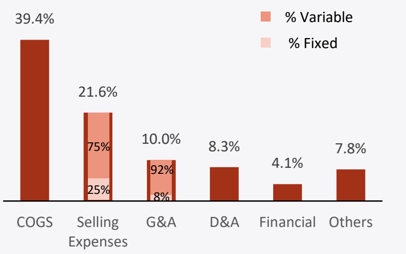

*Source: Euromonitor*

### Exhibit 04: Net Revenue (BRL mm)



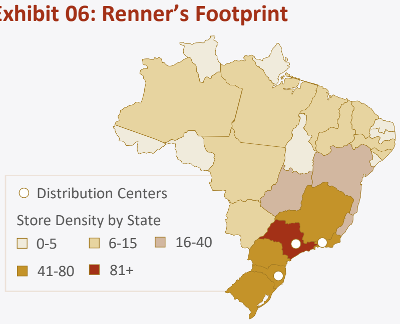

*Source: Company*

### Exhibit 05: Cost Structure (% of Revenue)



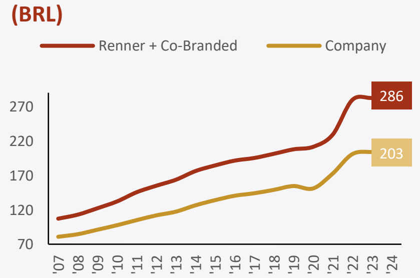

*Source: Company*

### Exhibit 06: Renner's Footprint



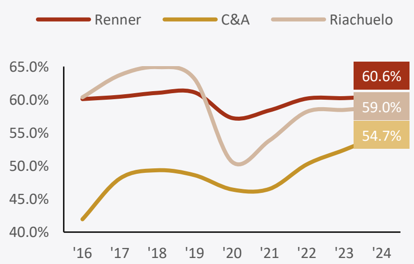

*Source: Company, Team 2*

### Exhibit 07: Average Ticket Comparison (BRL)




*Source: Company*

### Exhibit 08: Gross Margin (%)




*Source: Companies*

## BUSINESS OVERVIEW

Lojas Renner (B3: LREN3) is Brazil's leading apparel retailer, with an estimated 8.8% share of the formal fashion segment (Exhibit 03). Founded in 1922 in Porto Alegre (RS) by A.J. Renner, as a family-owned men's clothing manufacturer and, over the decades, it transformed into a benchmark in Brazilian apparel retail, with a presence of 701 stores across Latin America (Argentina, Brazil and Uruguay). Its core business, Lojas Renner, is based on the sale of clothing items acquired from an extensive supplier base. In addition to this, the company also owns (i) Youcom, a clothing brand focused on the young generation; (ii) Camicado, a store specializing in home appliances; (iii) Ashua, a plus size brand; (iv) Repassa, which resells used clothing, and (v) Realize CFI, its financial arm. This ecosystem of operations is supported by its logistics organization, focused on three distribution centers across Brazil, located in São Paulo, Rio de Janeiro, and Santa Catarina.

### How Renner Works: Value Chain

Renner's model revolves around product creation, sourcing, retail execution, and financial services. The company does not manufacture but rather designs and curates' collections fabricated by third-party suppliers under its quality and sustainability standards. Revenue comes mainly from the sale of private-label apparel and accessories, complemented by income from its financial arm, Realize. Profitability relies on three drivers: (i) merchandise margin, driven by design, sourcing and pricing discipline; (ii) operating leverage, sustained by scale in logistics and store productivity; and (iii) financial income, from Realize's financial products. Sourcing follows a hybrid model, with about 60% of products supplied domestically for agility and 40% imported, mostly from Asia, to optimize costs and scale. Product design and planning are centralized in Porto Alegre. Together, these stages form an integrated value chain, from design and supplier development to logistics and financial services, through which Renner captures value at every step.

### From Stores to Streams: Operating Business Model

Renner organizes its operations into five business fronts: (i) Core Fashion, which comprises the Lojas Renner, (ii) Satellite Brands, including Youcom, Ashua, and other smaller brands, (iii) Home & Decoration, the Camicado ecosystem, (iv) Digital Initiatives, with Repassa, and (v) Financial Services, the financial arm where Realize operates (Appendix V). The company's main focus remains on fashion retail, while it attempts to use other fronts for diversification; however, these remain marginal in total revenue (avg. 20% '20-'24) (Exhibit 04). Importantly, Renner operates under an omnichannel model, with e-commerce accounting for 14% of total sales in 2024 (despite Renner's market share in e-commerce being only 3.2%), reinforcing the integration between physical and digital channels.

**(i) Core Fashion:** With more than 80% of net revenue in 2024, this is the backbone of Renner's ecosystem. Composed solely of Lojas Renner, the company is the leader in the sector, selling products from more than 20 brands, targeting classes C+ to A-, across all ages and styles.

**(ii) Satellite Brands:** This segment refers to other brands owned by Renner that do not target the general public; rather, they have a specific target clientele. Among them is Youcom, focused on Generation Z apparel, with 139 stores. Another example is Ashua, which targets the plus-size apparel market and has 19 stores (integrated with Renner's main stores). Together, this segment accounts for just over 4% of revenue, representing a less significant branch for the company today.

**(iii) Home & Decoration:** Camicado is the part of Renner dedicated to furniture and household items. Its audience is broad, covering the entire income spectrum. Regarding the consolidated figures, it has been losing significance due to store closures, decreasing from 7% of total sales in '20 to 4% in '24.

**(iv) Digital Initiatives:** Comprises Repassa, Renner's recommerce platform, and marketplaces (Alameda & Camicado). Alameda Renner lists over 70k products from 240 sellers, while Repassa redirected 406k clothing items in 2024. Though financially marginal, these verticals strengthen Renner's ESG footprint and expand assortment without inventory risk.

**(v) Financial Services:** It is Renner's financial arm, responsible for offering private-label (Cartão Renner) and co-branded (Meu Cartão) credit cards, personal loans, and insurance. In addition, the benefits offered by Realize intend to retain clients, in which the average ticket from financial services customers is, on average, 40% higher than non-financial services customers (Exhibit 07), due to the higher intention to spend and using benefits for it, such as extended installment options and cashback on the first online purchase. The company operating this arm is Realize, which accounts for 12% of total sales, with this participation remaining stable in recent years.

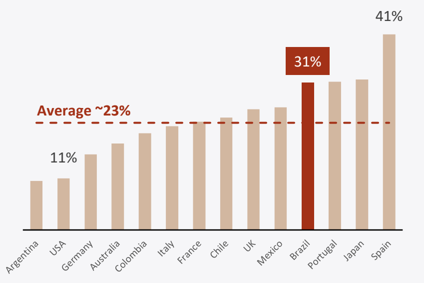
### The Economics of Style: Renner's Cost Structure

In a competitive and scale-dependent apparel market, profitability hinges on efficiency in sourcing and inventory management. In 2024, COGS totaled BRL 5.7 bn, with a 60.6% gross margin (Exhibit 08) supported by lower markdowns and faster inventory days (down 9 days YoY) driven by logistics optimization and improved demand forecasting. Selling expenses (BRL 3.1 bn and 21.6% of revenue) are mostly driven by personnel and store occupancy, consistent with Renner's brick-and-mortar operating model, where physical stores remain the core of customer experience and cost structure (Exhibit 05). Freight efficiencies, supported by logistics improvements have sustained operating leverage – with marketing expenses remaining broadly stable at around 3.1% of revenue since 2021, reflecting consistent brand investment and cost discipline. In 2024, EBIT rose 41.6% YoY versus 5.8% revenue growth (7.2x leverage), largely driven by margin recovery from a weaker 2023 base and sustained cost discipline.

### Omnichannel Backbone: Operating Model & Logistics

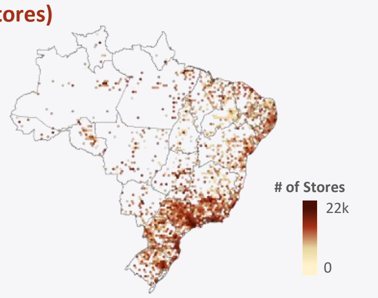
Renner's logistics structure connects its three main distribution centers, Cabreúva (SP), São José (SC) and Rio de Janeiro (RJ), ensuring national coverage and store replenishment (Exhibit 06). The Cabreúva facility, inaugurated in 2022, is among the largest apparel logistics hubs in Latin America, with 160,000 m² of capacity, BRL 1.2 bn investment, and has become the company's main omnichannel hub, automating fulfillment and store supply, operating under a 100% SKU-based model, which manages each item individually across channels to optimize inventory and reduce markdowns. Since its launch, Renner achieved a 28-day reduction in inventory days (avg. '20-'21 vs. '22-'25) while C&A reduced only 9 days and Riachuelo increased by 5, evidencing a stronger operational gain. The new setup also enabled a 30-40% reduction in delivery lead times, with more than half of e-commerce orders reaching customers within two days.

Exhibit 09: Top 5 Players Share (%)



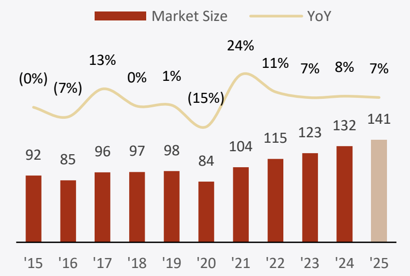

Source: Euromonitor

Exhibit 10: Market Distribution (# of stores)



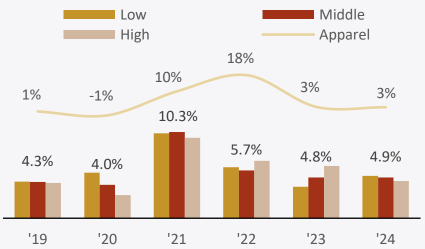

Source: IBGE, Team 2

Exhibit 11: Market Size (BRL bn)



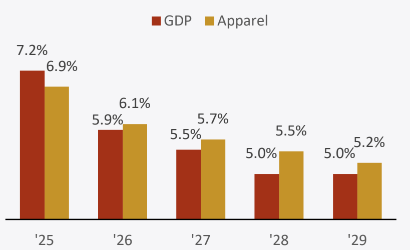

Source: Euromonitor

Exhibit 12: Inflation By Class vs Apparel (%)



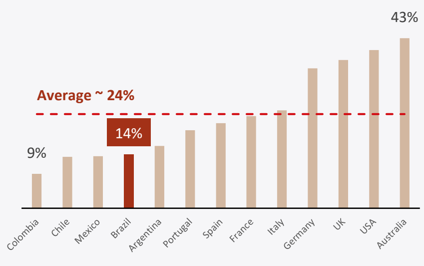

Source: IBGE

Exhibit 13: GDP x Apparel YoY (%)




Sources: Euromonitor, Market Consensus

Exhibit 14: E-commerce penetration (%)




Source: Euromonitor

## INDUSTRY OVERVIEW

The Brazilian apparel retail sector is unique. Despite having a higher concentration than other countries around its main players, it also possesses fierce competition among these peers, competing for collections and white space for store expansion. The current market leader is Renner, with an estimated share of 8.8%, followed by Riachuelo, C&A, and Shein, the most relevant player in e-commerce.

### National Particularity

The Brazilian retail fashion market remains relatively concentrated among a few major firms (Exhibit 09). Unlike the modest dominance observed with Zara in Spain (26% market share) or Uniqlo in Japan (17% market share), countries where a single profitable company was established without significant threats, Renner has not achieved a comparable level of leadership in Brazil, limiting the industry's evolution toward single-brand predominance. However, the company has also avoided the hyper-competitive dynamics typical of the U.S. (HHI of 45) or Chinese (HHI of 23) markets, where numerous players create a fragmented and crowded competitive environment (for comparison, Brazil HHI is 243). Consequently, Renner's national growth has taken place within a moderately competitive setting, primarily facing C&A and Riachuelo as main rivals for customers and collections in a relatively less aggressive landscape.

**Implications for Renner:** Positive, because this historical formation process allowed the company to increase its relevance in the market without facing significant penalties from collection mistakes or occasional poor capital allocations.

### Geography

The apparel industry in Brazil follows the general localization trend observed in the services and industrial sectors, with retail stores predominantly concentrated in the Southeast region, particularly around São Paulo and Southern States (Exhibit 10). This geographic concentration enables the sector to have stores strategically positioned close to the largest consumer markets. However, this also creates a risk of market saturation, forcing companies to consider expanding into less attractive regions, mainly targeting Brazil's interior areas.

**Implications for Renner:** Negative, as the company may be forced to reduce the quality of its location portfolio by expanding into less attractive regions, potentially reducing sales volumes, margins, and profitability.

### Exposure to Macroeconomic Factors

The apparel retail sector is closely tied to the broader retail market and highly sensitive to economic crisis, as seen during the COVID-19 pandemic, when the market contracted by 14.7%, regaining its previous size by 2021 (Exhibit 11). Additional factors such as interest rates and inflation directly affect sales by reducing household consumption, while a high Selic rate increases default risk, which pressures the financial performance of companies operating their own financial services, such as Renner's Realize system.

**Implications for Renner:** Positive, as historically the company has been able to grow its market share and lose less margins during crises, thanks to its national size and profitability, which allowed it to hold up better than others (Appendix S).

### Customer Profile

The sector serves a wide range of income segments, with companies like Riachuelo and C&A targeting lower-income consumers, while others such as Zara and Azzas focusing on the high-income bracket. In this context, Renner positions itself between these extremes, leaning towards the lower-income segment, covering classes from A- to C+ (which represents 21% of the Brazilian population). Consumers in these segments tend to be less sensitive to price changes, making their purchase preferences less affected by economic crises and volatility. However, despite the company covering a broad economic spectrum, the sector still predominantly concentrates on the mass segment (78% of the population), consisting of individuals who are more price elastic and ultimately shape the sector's performance. Consequently, different market players respond differently to economic fluctuations, as each income class experiences distinct inflationary impacts within the economy (Exhibit 12).

**Implications for Renner:** Negative, because despite seemingly diversifying its risk by selling to different types of customers with varying elasticities, its revenue remains concentrated in the C+ segment (81% of its potential clientele), exposing a limited actual diversification and having the highest propensity to migrate to new low-costs, such as Shein.

### E-Commerce Channel

Historical and projected data indicate that the sector's relevance within Brazil's GDP is structurally stable, with growth expected to lag nominal GDP in the coming years (Exhibit 13). However, within this stable overall sector growth, there is a projection for the retail e-commerce revenue to double by 2027, mainly driven by the clothing segment. Currently, the Brazilian e-commerce channel accounts for 14% of total sales, and comparative data with developed countries show that Brazil still has a low level of digital penetration in the sector, indicating significant room for growth (Exhibit 14).

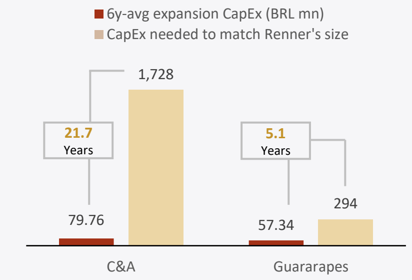
**Implications for Renner:** Negative, because this opportunity has been largely captured by major Asian online players, particularly Shein, which by 2024 already controlled 37.8% of Brazilian online apparel sales, nearly ten times Renner's share (Appendix N), due to Renner's failure to engage the target audience and transition to digital.

### Logistics

A key recent trend has been the modernization of logistics infrastructure, driven by significant investments from major players. These efforts aim to enhance store supply chains by shifting from a pure push model to a hybrid push-and-pull system (Appendix R), alongside broader SKU tagging and automation. These improvements have increased sector's inventory turnover by more than 12% and margins by over 4%, thereby strengthening competitiveness against smaller brands that lack the financial resources to implement such upgrades (Appendix S).

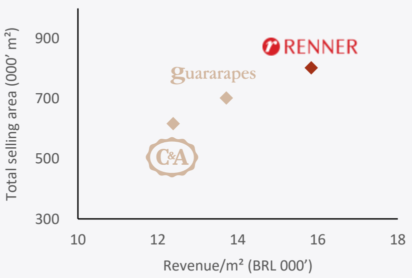
**Implications for Renner:** Negative, because competitors are making efforts to achieve the logistical leadership that allowed Renner to recently stand out as a benchmark of efficiency, while the company needs to focus its spending on maintaining its fixed assets generated through innovation, leaving it with little room to innovate again due to the limited differentiation the sector allows.

**Exhibit 15: Renner's Size MOAT**



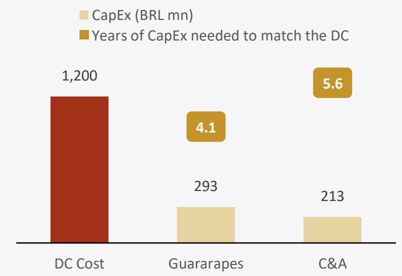

*Source: Companies*

**Exhibit 16: Revenue Per M²**



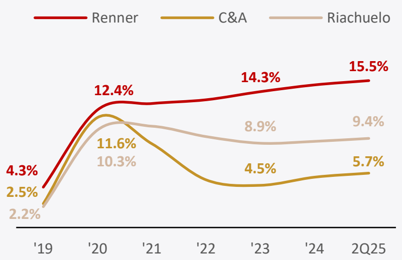

*Source: Companies*

**Exhibit 17: DC CapEx x Peers' Yearly Avg**



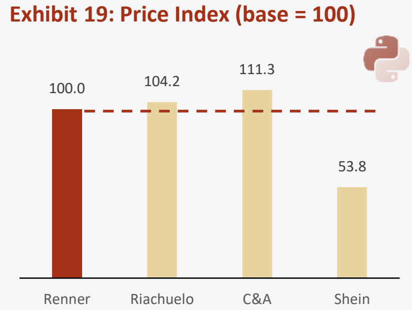

*Source: Companies*

**Exhibit 18: E-commerce Penetration (%)**



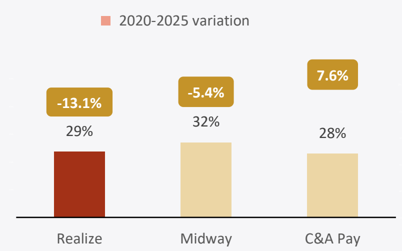

*Source: Companies*

**Exhibit 19: Price Index (base = 100)**




*Source: Team 2*

**Exhibit 20: Private Label + Co-Branded Credit Card Penetration (%)**




*Source: Companies*

# COMPETITIVE POSITIONING

Renner translates its nationwide scale into its main competitive edge, achieving the highest recognition, positioning, and investment capacity among domestic peers. However, the company faces growing challenges ahead, with intensifying and uneven e-commerce competition, and limited growth avenues in its core physical operations. We believe that, in the long term, Renner will preserve its leadership in apparel retail but will experience headwinds as the sector shifts toward digitalization and the company encounters increasingly even competition.

## Economies of Scale

Renner's primary competitive advantage stems from its market-leading scale. The company's moat remains robust: even if Renner's growth were to stagnate, our estimates suggest that Riachuelo, the second fastest-growing company in the sector, would require over 5 years to reach its current size, while C&A would need more than 21 years (Exhibit 15). Moreover, Renner's advantages go beyond size: even under a scenario of scale parity with peers, the company consistently delivers superior profitability per square meter (Exhibit 16). This outperformance is driven by an optimized logistics network and an agile fast-fashion model that together sustain higher operational and financial efficiency in the national context. As the sector's main player, the company leverages its position to: (i) build top-tier brand recognition, (ii) enhance supplier bargaining power, and (iii) drive market consolidation, enduring the sector's headwinds.

**(i) Brand Recognition:** Compared with other mid to low-income retailers, Renner achieves the highest brand awareness across all age groups, with products widely perceived as offering one of the best cost-benefit ratios in the market (Appendix AC).

**(ii) Bargaining Power:** The resilience of Renner's gross margin through price evidences its supply chain strength. We understand that the company's ability to secure long-term, favorable contracts with local and international suppliers acts as a natural hedge against price changes, while also sustaining profitability and reinforcing its position as the sector leader (Exhibit 8). When compared to its closest horizontally integrated peer (C&A), Renner maintains, on average, a 17.1 days lower DPO, demonstrating its supply chain efficiency.

**(iii) Market Consolidation:** With superior scale and greater financial flexibility, Renner can withstand industry headwinds that disproportionately impact smaller players. This dynamic supports a natural path of market consolidation, allowing Renner to capitalize on downturns and gain incremental market share through consistent reinvestment and higher capex capacity. However, we believe that their brick-and-mortar stores are reaching saturation regarding physical expansion: with most shopping malls already being occupied by a Renner store, street expansion poses a limit for its top-line growth and profitability.

## Pioneering Logistics

Recent investments in the Cabreúva distribution center have positioned Renner as a logistics leader among peers. The facility stands as the largest and most advanced in Latam fashion retail, fully operating under the SKU model. In terms of capacity, Renner is positioned ahead of its competitors: while its hub offers a storage area of approximately 160,000 m², C&A's four distribution centers combined reach only about 120,000 m² in total. Riachuelo, in turn, operates its largest logistics facility in Guarulhos, with 100,000 m² of capacity. In our view, this investment represents not only an operational advantage but also a temporary competitive moat (Appendix AE). Our analysis shows that replicating the Cabreúva distribution center would require its peers to invest over 4 years of combined logistics and IT CapEx (Exhibit 17). However, this amount is effectively lower as these competitors have already started logistics innovations (C&A operates with 40% SKU since 2022 and Riachuelo plans to invest 110 BRL mm in the next year). Consequently, these peers would only need to enhance their distribution centers, thereby reducing Renner's temporary advantage. From a production standpoint, we understand that Riachuelo remains better positioned in vertical integration, fully controlling its manufacturing process, while Renner and C&A rely on fragmented supplier networks.

## Uneven Playing Field in E-commerce

The COVID-19 pandemic catalyzed the sector's migration to e-commerce, lifting digital sales penetration by nearly 8.5% on average and reshaping revenue structures. Riding this shift, Renner doubled down on its omnichannel strategy, leveraging its logistics backbone to expand online sales, while competitors like Riachuelo and C&A appeared to reorient focus toward physical stores after the reopening (Exhibit 18). Despite this progress, Renner faces a structural disadvantage in digital retail. Shein has captured over 37% of Brazil's online apparel market by leveraging tax exemptions on low-value cross-border shipments, enabling aggressive pricing and rapid brand awareness. Even with recent import tax revisions, Shein maintains a cost advantage that poses a long-term challenge to Renner's digital ambitions. Therefore, considering the long-term scenario of retail digitalization, the native-digital Shein is better positioned for growth. This is driven by its strong brand recognition as an e-commerce platform (Appendix AC) and a significantly lower price proposition compared to national brands (Exhibit 19). Renner, on the other hand, may struggle to navigate the online transition due to its brand's strong association with brick-and-mortar operations (Appendix AC) and prices that are markedly higher for a price-sensitive consumer class.

## Financial Services and Ecosystem

Major fashion retailers have used financial services to strengthen customer engagement and boost profitability. This model helps to raise average ticket size through accessible credit and generates alternative revenue from interest and fees. However, the post-pandemic macro environment exposed vulnerabilities: high interest rates and rising household indebtedness led to record default levels, with non-performing loans averaging 30% of credit portfolios by mid-2023. This crisis forced retailers to reassess their credit strategies, revealing a new competitive order.

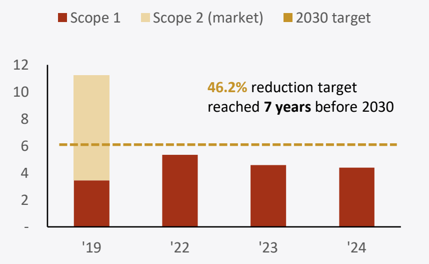
**(i) Benchmark:** In our view, Midway (Riachuelo) has emerged as the best-positioned player, with the highest revenue contribution and 32% private-label card penetration (Exhibit 20). Realize (Renner) remains a close contender, with 29% penetration and superior monetization, as the average ticket for cardholders is roughly 40% higher than for non-card customers, while offering lower interest rates than its competitor. Meanwhile, C&A Pay remains in an earlier stage of development, still focused on expanding its penetration in total sales while facing rising default rates. Despite these individual achievements, the strategic relevance of in-house financing appears to be fading.

### Exhibit 21: ESG Scoreboard

| | RENNER | C&A | Guararapes |
|---|---|---|---|
| **Team 2** | **4.3** | **4.1** | **3.6** |
| ESG Risk | Low Risk | Medium Risk | Medium Risk |
| Bloomberg | 4.02 | 5.36 | 3.77 |
| LSEG | 91 | 58 | 46 |
| CDP Climate | 7 | 5 | 8 |
| S&P Rank | 99 | 71 | 63 |

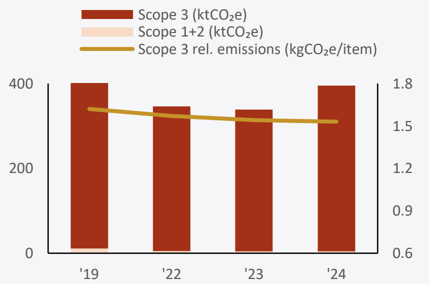
*Sources: Bloomberg, CDP, LSEG, Sustainalytics, S&P, Team 2*

### Exhibit 22: Emissions Path (kt$CO_2$e)



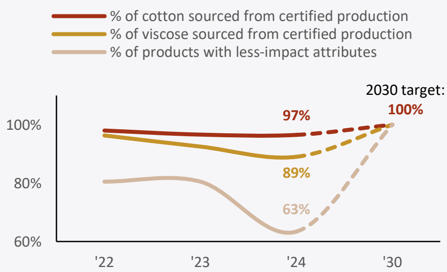

*Sources: Bloomberg, Company*

### Exhibit 23: Scope 3 Trajectory and Target




*Sources: Bloomberg, Company*

### Exhibit 24: Material Transition (%)



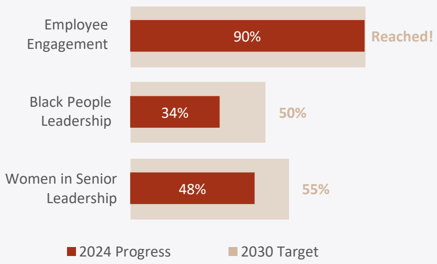

*Source: Company*

### Exhibit 25: Supply Chain Management

| Performance level | % of total suppliers (Tier 1 + 2) | |
|---|---|---|
| **Alfa**: Protagonist | **2.5%** | High performance: 50.5% |
| **Beta**: Model | **8.3%** | |
| **A**: High management | **39.7%** | |
| **B**: Medium management | **29.5%** | Low performance: 34.2% |
| **C**: Low management | **4.2%** | |
| **D**: Insufficient management | **0.5%** | |
| Unrated | **15.3%** | |

*Source: Company*

### Exhibit 26: Social Advancement (%)




*Sources: Bloomberg, Company*

**(ii) The road ahead:** Recent data shows that private-label card penetration has been in a steady decline for over two decades (Exhibit 20), as retailer-driven credit offerings struggle to compete with broader financial market alternatives. Therefore, while Midway currently leads the segment and Realize remains well positioned to sustain Renner's ecosystem, the long-term growth outlook for financial services is limited.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE FRAMEWORK

Lojas Renner's value proposition rests on its ESG benchmark status (Exhibit 21), validated by external metrics such as the Dow Jones Sustainability Index (ninth consecutive year) and an AA MSCI rating. We argue, however, that this leadership is a consensus fully priced in, which introduces an asymmetric downside risk as the market prices in towards perfection. While the 'E' (Environmental) and 'S' (Social) pillars remain robust, our analysis identifies growing practical risks in the 'G' (Governance) pillar. Our proprietary ESG Index (Appendix AH) highlights that while Renner's governance structure is excellent on paper, its integration of ESG metrics into compensation has not been sufficient to ensure long-term management alignment. Any failure to maintain this impeccable governance standard is a negative catalyst that the consensus ignores.

### Environmental

**Decarbonizing the Chain:** Renner's environmental agenda starts by fixing what it directly controls and then expands to where the impact truly lies. In stores and offices, electricity is now 100% sourced from renewables, bringing market-based Scope 2 to zero. Equipment renewal, HVAC and LED retrofits, fleet upgrades, and refrigerant management define a predictable glidepath for operational emissions. Scope 1 fell to roughly 4.4 kt$CO_2$e in 2024 (from 5.3 kt in 2022). Location-based Scope 2 totaled 13.3 kt$CO_2$e in 2024 but is neutralized under market-based accounting (Exhibit 22). This operational backbone, together with the fully automated Cabreúva DC, ship-from-store, and click-and-collect, also reduces split shipments, last-mile intensity, and markdown-driven waste.

**Tackling Scope 3:** The harder challenge, and the one that matters most for apparel, is upstream. Scope 3 accounts for 392 kt$CO_2$e (2024) and concentrates in purchased goods and services, wet processing, logistics, and end-of-life (Exhibit 23). Renner's SBTi-validated decarbonization plan acknowledges this reality and directs effort toward supplier chemistry and water, energy efficiency, transport modes, and lighter packaging. Programs convert measurement into action: more partners now run Scope 1–2 inventories; renewable energy adoption is rising; suppliers classified as intensive migrate to low-water processes; and more products are designed for life extension.

**Water & Chemistry:** Because water and chemicals drive both environmental risk and brand safety in fashion, Renner treats them as process controls rather than campaigns. Designers are guided by a low-water product framework; stores deploy water-reduction devices; and suppliers are trained, tested and audited against a strengthened Restricted Substances Manual aligned with ZDHC. By 2024, 47% of stores had devices installed and 32% of total items met low-water criteria, and suppliers generating effluents reported 100% compliance with applicable regulation while the RSL review advanced.

**Materials Transition:** Renner has already shifted its core fibers to near-full certification and steadily broadened the share of "less-impact" products, with a clear glidepath to 2030 (Exhibit 24). The product engine now designs for durability and recyclability from the start, while circularity is built into the model: Repassa extends garment life and keeps value in the loop, differentiating Renner among peers.

**Supplier Responsibility:** Renner extends its management focus beyond compliance to proactive supplier capability-building through its Rede Responsável (Responsible Network) program. This initiative fosters continuous improvement by engaging partners that represent 84% of national purchase volume, focusing on the highest-impact suppliers. The program yields quantifiable results: by 2024, 58.6% of participants used low-impact renewable energy, 48.3% conducted Scope 1 and 2 GHG inventories, and 47% of relevant pieces (national jeans and twill) met low-water-consumption criteria. Renner's approach mitigates upstream environmental risks and builds a more resilient production ecosystem. Supplier oversight mirrors the in-house stance: resale vendors undergo socio-environmental audits; new partners are evaluated on human rights; unannounced visits occur; and remediation plans are mandatory for critical non-compliance.

**Toward Zero Waste:** Waste and packaging close the loop operationally. In 2024, Renner recycled or recovered 97.93% of operational waste and earned Zero Waste certification for the São José DC, consistent with its commitment to divert over 90% from landfill by 2030. Packaging is tilted toward paper and certified inputs - 94% of store/DC materials are paper/cardboard, 61% of plastics are recyclable, 83.2% of stores use FSC-certified bags - and logistics reuse is systemic (2.69 million boxes were reused at the hub in 2024).

### Social

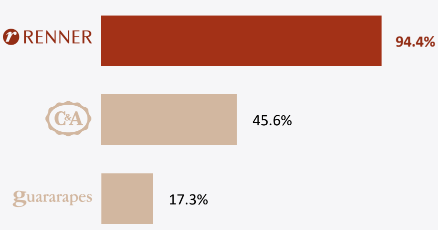
**Capability Flywheel:** On the social side, Renner focuses on scale, capability, and inclusion, deliberately in that order. With more than 22,000 employees in Latin America, engagement has held at 90%, and 98% of the workforce completed culture, service and fashion pathways via Renner University in 2024. Leadership programs such as "Escola de Líderes" combine coaching, mentoring, and executive education; 64% of leadership roles were filled internally, and retention reached 96% - the kind of people engine that supports consistent service quality and product cadence across channels.

**Inclusion and Accountability:** The Plural Program structures four pillars: gender, race, people with disabilities, and LGBTQIAPN+, with 2030 targets of 55% women in senior leadership and 50% Black representation in overall leadership (Exhibit 26). In 2024, 5.1% of employees self-declared a disability, while anti-racism pathways and inclusive recruiting advanced. Awareness is driven by initiatives like Our Women Are Our Strength and Pride Month. The company also participates in the Platform Living Wage Financials. Through the Renner Institute, it has invested for 16 years in the social inclusion of women in fashion. During the 2024 floods in Rio Grande do Sul, donations and employee support were mobilized at scale, showing Renner's commitment to social responsibility.

### Governance

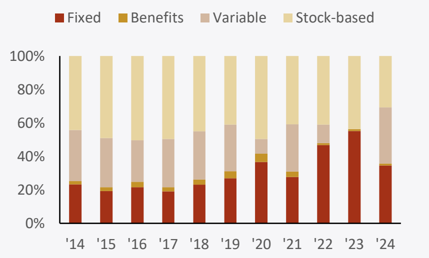
**A best-in-class framework facing scrutiny:** Renner's governance framework is, on paper, a benchmark for the Brazilian market. As a "Novo Mercado" company with 100% common shares and no controlling shareholder, Renner maintains dispersed ownership (Exhibit 27) and a fully independent eight-member board, 37.5% female, with a clear separation between Chair and CEO (Appendix AG).

**Exhibit 27: Free Float (%)**



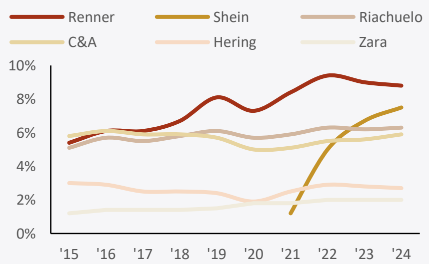

*Sources: Company, FactSet*

**Exhibit 28: Executive Compensation (%)**



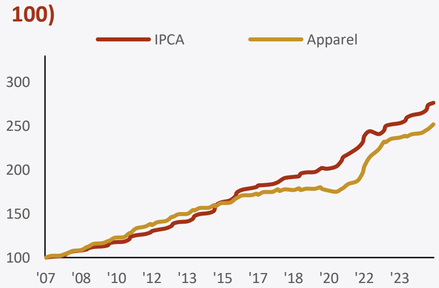

*Sources: Bloomberg, Company*

**Exhibit 29: Historical Market Share (%)**



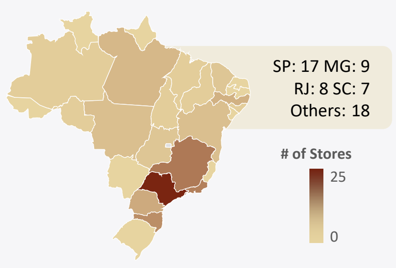

*Source: Euromonitor*

**Exhibit 30: IPCA x Apparel (index 2007 = 100)**



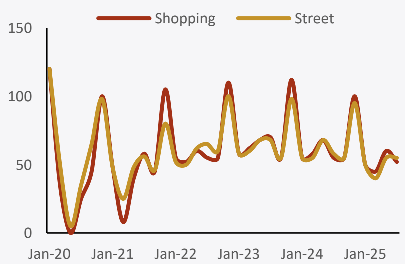

*Sources: Company, IBGE*

**Exhibit 31: Number of new stores (#)**




*Source: Company, Team 2*

**Exhibit 32: People Flow (Jan/19 = 100)**




*Source: HIPartners, Team 2*

This structure is supported by three core committees: Audit & Risk, People & Sustainability, and Strategy & Digital Transformation, designed to ensure robust oversight. While this framework has historically been a key pillar of the company's success, recent shifts in management and incentive structures now put its effectiveness to the test.

**Pay for performance – a model in question:** The alignment of the company's incentive model with long-term value creation has become a point of concern. A historical analysis of the executive compensation structure (Exhibit 28) reveals a worrying trend: a gradual erosion of the pay-for-performance principle. Over the last decade, the fixed component of executive pay has materially increased as a percentage of the total package, consequently reducing the weight of variable and stock-based incentives tied directly to results. This structural shift weakens the alignment between management rewards and shareholder returns, as a larger portion of compensation is now guaranteed irrespective of the company's performance. While Renner incorporates ESG metrics into its variable pay, their nominal 5% weighting is overshadowed by the dilution of performance-linked incentives. This trend suggests a governance framework that, despite its appearance, may be losing the mechanisms to enforce rigorous capital discipline and truly reward long-term value creation.

## INVESTMENT SUMMARY

### THESIS 1 – Overdressed Market: Competitive Landscape Affecting Operation

The apparel retail industry is one of the most competitive globally, marked by low entry barriers and compressed margins due to limited product differentiation. In this context, Brazil's market is relatively concentrated compared to global standards, yet competition remains intense – posing a structural challenge for Renner (Appendix Y).

**The threat of new entrants:** Nonetheless, this challenge could be compounded by new entrants, particularly those focused solely on e-commerce or consolidated global brands. While companies such as Zara have already stabilized their presence in Brazil, Shein continues to expand rapidly, now ranking as the second-largest player in the market (Exhibit 29), and H&H arises as a new entrant, also leveraging its awareness. Shein's positioning, of significantly lower pricing (Exhibit 19) took advantage of the digitalization trend to gain recognition within lower-bound consumers (Appendix X), challenging the traditional B&M retailers' dominance in Brazil. This case is not isolated, but a concrete example of the distancing from Renner's core business model and the reduction of barriers to entry the sector.

**Operational Competitiveness:** In that sense, the apparel sector typically faces inflation below the broader market average (Exhibit 30). In such an environment, simply passing inflation through prices is insufficient, as costs and expenses tend to rise faster than the average ticket. Looking back, Renner has been able to increase its ticket above IPCA, but the combination of cross-border digital entrants with the continuous transition of the sector to e-commerce poses a threat to the company's capacity on maintaining current profitability. Since continuing to increase prices above inflation would lead to a loss of the more price-sensitive consumers, that are now presented with cheaper online options, we believe that the maintenance of current real prices based on apparel inflation will lead to a margin pressure on the long-term.

**Future Implications:** Renner's recent market share gains stemmed from two main factors: (i) the COVID-19 crisis, which forced the closure of over 35,000 stores nationwide, benefiting the largest and most capitalized players; and (ii) an aggressive physical expansion, which boosted brand visibility and indirectly stimulated e-commerce growth. The company's expansion plan will continue to drive modest market share gains, fueled by its entry into new cities, reaching untapped consumers, and the company's ability to overcome macro headwinds. However, we believe that the ongoing trend of value destruction (Exhibit 38) will be prolonged, leaving the company facing a future of low profitability growth, as the tailwinds from store openings fade and the headwinds from digital competition intensify.

### THESIS 2 – Limited Expansion: The King is Out of Moves

The exhaustion of white space under Renner's old standards will lead to less attractive markets, consequently harming its future profitability.

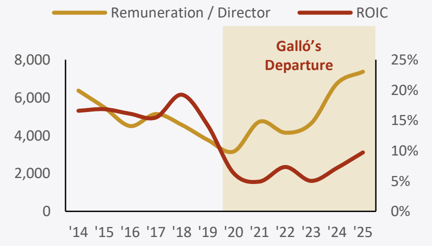
**Renner Expansion:** Renner's core business model is based on shopping centers B&M presence across different municipalities in Brazil, but as the company grew it became more difficult to find prime locations as in the past. Renner's strategy centered on the idea of an "anchor store", which made it an important tenant for shopping centers all over Brazil. This status gave them an edge over smaller "specialty" stores in terms of competition. It allowed more favorable lease terms and superior economies of scale in sourcing, enabling Renner to offer more competitive pricing. The company took advantage of its anchor status during the nationwide boom in shopping malls to get prime locations and put in place a more stable and efficient operational strategy.

**Forecast:** Despite impressive store and profitability growth, current scenario indicates lower available points of sale, especially inside shopping centers. According to our proprietary analysis, based on the company strategy to focus on 50k inhabitants' cities, we matched the macroeconomic profile with the population constraints and concluded that Renner can open only 89 new stores (Renner brand), mainly focused on São Paulo, Rio de Janeiro and Minas Gerais, states that Renner already is a consolidated player (Exhibit 31) (Appendix AA). According to our analysis, Renner can open only 21 more malls stores, and these stores will be in malls with a slightly lower social class public compared to current company average, resulting in a higher risk of execution and demand.

**Street-Store Model:** Naturally, a street store compared to a shopping store is more likely, on average, to have less foot traffic as the street store do not have complementary facilities to the consumer, such as parking, food, accessibility and atmospheric stimuli. Comparing visits in street and mall stores, it is possible to see that on average during peak times, street stores received 12.6% less visits compared to malls (Exhibit 32). Over the past three years, footfall in street stores fell by 12.0%, compared with a 3.1% decline in shopping malls, highlighting lower and more volatile traffic. In addition, street stores operate 21% fewer hours than mall stores do, reducing revenue and, consequently, ROIC (Appendix AD).

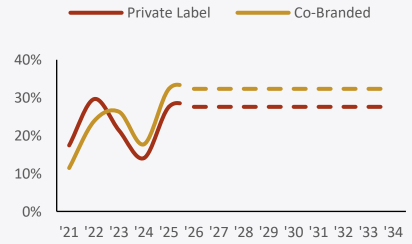
**Rent Expense:** At Renner, since it is a 'anchor store', the rent expense inside shopping malls is considerably lower than specialty stores, ranging between 3%-5% of gross revenue against 10%-15%. Despite this huge advantage on localization and costs, at street stores the rent is not meaningfully lower than in malls; the key gap is foot traffic, which ultimately compresses profitability.

**Exhibit 33: Board's Remuneration (BRL k / member) & ROIC (%)**



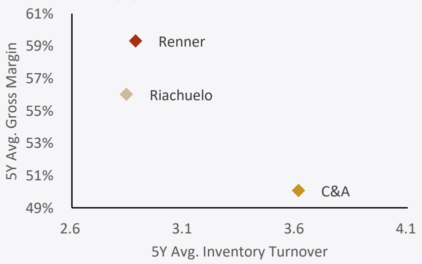

*Source: Company, Team 2*

**Exhibit 34: Stage 3 past due loans of credit operations**



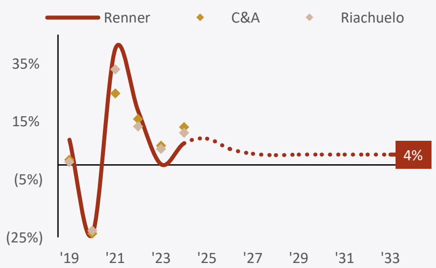

*Source: Company, Team 2*

**Exhibit 35: Gross Margin (%) x Inventory Turnover (x)**



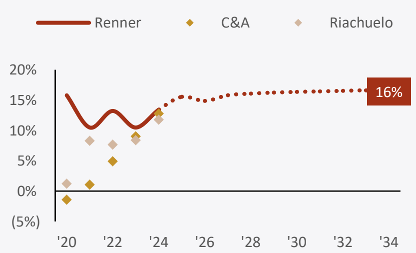

*Source: Companies*

**Exhibit 36: Same Store Sales Growth (%)**



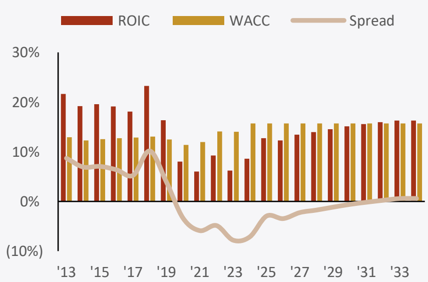

*Source: Companies, Team 2*

**Exhibit 37: Adj. EBITDA[1] Margin (%)**




*Source: Companies, Team 2. Note (1): Pre IFRS-16*

**Exhibit 38: ROIC – WACC Spread (%)**




*Sources: Company, Team 2*

## THESIS 3 – Past Its Prime: Renner is Trailing Far Behind

Despite its leader market position, Renner currently faces the erosion of what was once its hallmark: high profitability and consistent expansion supported by financial services. This shift stems from a combination of management turnover and obsolescence of Realize.

**Management Turnover:** The company's board of directors and executive management have also undergone drastic changes over the last decade. Since 2015, 15 out of 19 board and executive members have departed, including José Galló, the long-time CEO responsible for driving Renner's transformation into Brazil's leading fashion retailer. There have been significant changes in the company's incentive policy, as after Galló left, the company increased the directors' pay even when profitability metrics declined (Exhibit 33, Appendix AB). This is reflected by the fixed portion of the compensation, which is 18% higher than under the previous management (Appendix U). Furthermore, in 2022, Renner introduced its Retention Plan, aimed at retaining talents in critical positions. However, we view this plan as a way to protect the board's compensation from poor decisions that negatively impact the company's bottom line. Importantly, unlike the prior management whose remuneration was positively correlated with total shareholder return (TSR), the current compensation framework increases management pay even when TSR is negative (Appendix L). Thus, we expect that with this new compensation policy, the management would not have the proper incentives to ensure a healthy administration of the company and to restore Renner's profitability to pre-pandemic levels.

**Realize Strategic Role:** Once a key competitive advantage for retaining customers through exclusive payment methods, Realize has lost ground to fintechs like Nubank and Inter offering more attractive credit conditions. These competitors have attracted Renner's best customers, reducing card penetration and leaving a residual portfolio with higher implicit credit risk (Exhibit 34).

**Financial Impact:** The combination of declining governance incentives and limited potential margin gain by Realize, suggests that Renner will not be able to restore its ROIC ('15-'19 avg. 16% vs. '25e-'29e avg. 12%) and ROE (24% vs. 14%) to pre-pandemic levels (Appendix M). However, these metrics are projected to stabilize slightly above its WACC and Ke, respectively, thus limiting its ability to generate value (Exhibit 38).

## FINANCIAL ANALYSIS

Lojas Renner has two peers in the Brazilian market with highly similar business models: C&A and Riachuelo. Both operate apparel retail businesses focused on brick-and-mortar presence across Brazil, complemented by online channels and financial arms offering exclusive payment terms and benefits to customers.

**Gross and EBITDA Margin:** In 2024, the total gross margins of Renner, C&A and Riachuelo were 60.6%, 54.7% and 59.0%, respectively. Therefore, the ability to capture fashion trends quickly and efficiently has a high impact on company performance, directly influencing gross margins and revenue growth. Over the past five years, Renner has demonstrated the ability to sustain a significantly higher gross margin than its peers, with competitive inventory turnover (Exhibit 35), reflecting lower markdowns, efficient in-store allocation, and strong consumer acceptance. Looking at Adjusted EBITDA for IFRS-16 effects (subtracting rent cash expenses), Renner maintains leadership with a 13.4% margin, compared to 12.8% at C&A and 11.8% at Riachuelo, demonstrating higher efficiency in expenses compared to peers.

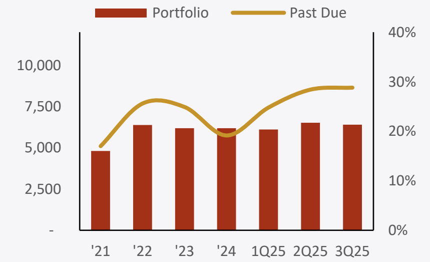
**SSS Growth and Productivity:** Despite its superior margins, Renner has recently underperformed peers in Same Store Sales (SSS) growth (Exhibit 36), after maintaining clear leadership in previous years. In 2023, Renner alleged that a tougher macroeconomic scenario with limited credit availability and lower disposable income made consumers more price-sensitive, affecting potential demand. In 2024, higher temperatures during the first half of the year and temporary delays at the new Cabreúva hub also impacted sales and operational efficiency. In 3Q25, SSS grew a timid 3.1% YoY due to execution issues on inventory replacement and higher temperatures after the summer. In terms of productivity, Renner lagged 1.8% below inflation in the quarter, raising a red flag on the dashboard. While we understand that a part of this impact was outside management's control, Renner appeared to be the most affected among peers by these systemic pressures in the short term. Notwithstanding a slowdown in SSS, in terms of productivity, Renner continues to generate higher sales per square meter than its competitors, generating a higher EBITDA pre IFRS-16 margin (Exhibit 37). We believe this advantage stems from: (i) tailormade product distribution, capturing unique demand patterns and now optimized by the Cabreúva DC; (ii) brand positioning as a "safe" middle-ground option between premium brands such as Zara, and value ones such as Riachuelo (Appendix AC); and (iii) omnichannel strength, as Renner digitalizes physical stores and integrated new technologies leading to a 3x higher spending among omnichannel customers compared to single-channel ones.

**Value Creation in a Highly Competitive Market:** As mentioned, competition is fierce in apparel retail as seen in the sector profit pool (Appendix AB). Calculating Renner's return on invested capital using the asset approach, we find an impressive average ROIC of 18.4% between 2005 and 2019. However, the 2020 pandemic created a structural inflection point for B&M-based retailers and for Renner: returns declined sharply, pushing ROIC to a historic low of 7.2% in 2024, significantly below WACC – for the first time since public records sheet became available (2005) (Exhibit 38). Breaking down ROIC into NOPAT Margin x Invested Capital Turnover (Appendix K), we observe a company that transitioned from exceptional cost efficiency and profitability to a middle ground position in both metrics. The once-clear competitive edge reflected in Renner's ROIC appears to have eroded in the early 2020s.

**Credit:** Historically, Realize has maintained a more conservative stance on credit limits, with total on balance credit representing roughly 50% of available off-balance limits, compared to an average of 88% between 2021 and 2023. In addition, the total portfolio stands at BRL 6.5 bn, increasing just 0.7% since 2022 – reflecting Renner's strategy to stabilize portfolio size while improving asset quality through tighter credit profiling. Despite these efforts, past-due receivables reached 28.8% of total credit in 3Q25, the highest level since 2021 (Exhibit 39), mainly due to the highest default rate of households and exposure to lower-quality credit segments. Also, in terms of write-offs, the company has been ranging around 4%-8% of total credit portfolio per quarter, we understand there was a tougher scenario in the beginning of 2023 (8.2% and 8.4% for Q1 and Q2, respectively) but we do not expect any further spike in write-offs. We see that Renner is currently reorganizing its credit policy to prioritize portfolio quality. Default rates are expected to improve as macro conditions stabilize, though political uncertainty ahead of the 2026 elections remains a risk.

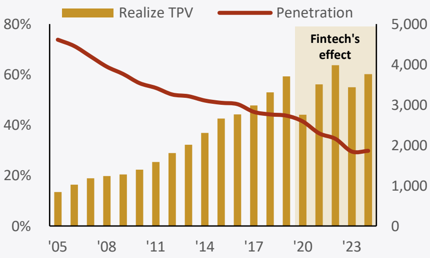
**Cards:** The exclusive financing terms offered through "Meu Cartão" and "Cartão Renner" have not

**Exhibit 39: Credit Porfolio (BRL mm) x Past Due as % of Credit Portfolio**



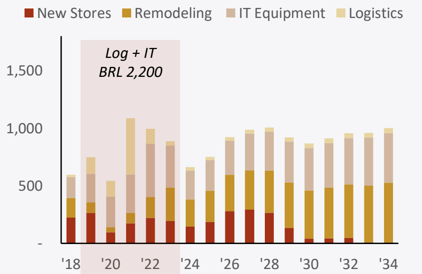

*Sources: Company, Team 2*

**Exhibit 40: Realize TPV (BRL mm) x Cards Penetration (%)**



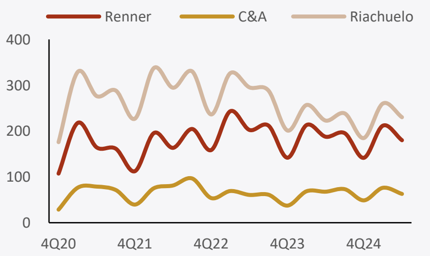

*Sources: Company, Team 2*

**Exhibit 41: CapEx Breakdown (BRL mm)**



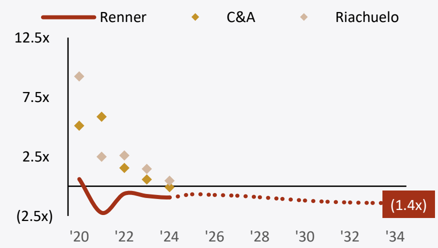

*Source: Company, Team 2*

**Exhibit 42: Cash Conversion Cycle (# Days)**



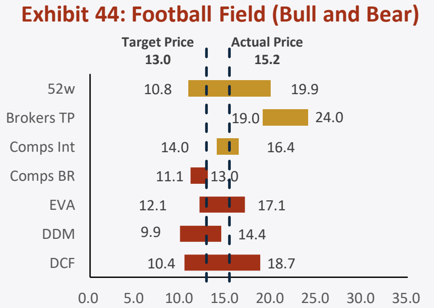

*Sources: Companies, Team 2*

**Exhibit 43: Net Debt/EBITDA¹ (x)**




*Source: Companies, Team 2. Note: (1) Pre IFRS-16*

**Exhibit 44: Football Field (Bull and Bear)**




*Sources: Company, Factset, Team 2*

been sufficient to retain customers within the ecosystem. Card penetration has fallen from over 70% in 2005 to roughly 28% in 3Q25. Adjusting for this decline, Realize's TPV growth has been limited to 3.9% YoY over the past decade. We understand that this erosion reflects the rise of fintech and the relative lack of competitive benefits (Exhibit 40). Nonetheless, the average ticket of cardholders is around 40% higher than of non-card customers. We view this relationship from the opposite angle: the more recurrent the customer, the more they spend, and that is why they use the card, rather than the other way around.

**IOC and Fiscal Benefits:** To remunerate shareholders, Renner consistently distributes around 25% of net income via Interest on Own Capital (IOC) payments, substituting dividends due to ICMS tax benefits. The maximum payable amount is determined by shareholder equity and the TJLP (long-term interest rates). Renner has distributed around 18.5% of the maximum limit in the past five quarters and we expect it will maintain and increase this practice. As IOC is tax-deductible, the benefit applies to the higher of 50% of net income or 50% of shareholder's equity, deducting taxes in the income statement and generating a tax shield.

The ICMS tax incentives Lojas Renner benefits from are state-level fiscal advantages. We expect the company to maintain the IOC tax shield; however, ICMS tax benefits are scheduled for a gradual phase-out starting in 2026 and full expiration by 2033. This will slightly increase the company's effective tax rate but should not be a deal breaker, as it represents approximately 1% of Net Revenue.

**CapEx:** Renner's capital expenditures are segmented by operation line: new stores, remodeling of installations, IT equipment and systems, logistics, and other initiatives. As the company has already expanded into most viable locations, the share of store expansion CapEx has declined over time, giving way to higher investments in IT systems and logistics (Exhibit 41). In 2019, Renner announced its new technological distribution center (Cabreúva), with logistics investments exceeding BRL 900 mm and IT-related investments totaling BRL 1.3 bn between 2019-2022, representing over 20% of net revenue in CapEx. We expect a normalization in logistics and IT CapEx as the DC ramps up, shifting focus toward store remodeling and maintenance rather than aggressive expansion.

**Working Capital:** One of Renner's structural strengths lies in its supplier relationships, reflected in working capital efficiency. The company's DPO is, on average, 10 days shorter than C&A's. In inventory, DIO remains one of the most relevant KPIs in apparel retail. Since the start of the Cabreúva hub ramp-up, Renner has decreased DIO by 7 days, with room for further improvement once fully operational. It still lags slightly behind C&A but remains ahead of Riachuelo. On receivables, the pattern is similar: Renner has lowered DSO through tighter credit exposure and reduced penetration of Renner Cards, though still trailing C&A. As a result, the Cash Conversion Cycle (CCC) in 2024 stood at 182 days for Renner, 53 days for C&A, and 227 days for Riachuelo (Exhibit 42).

**Debt and Cash Position:** Renner has historically maintained a conservative balance sheet. Since 2005, the company has averaged 0.2x ND/EBITDA (pre IFRS-16) and is currently net cash, at (0.5x) ND/EBITDA. This reflects management's conservative approach and its ability to fund operations and expansion primarily through internal cash generation. In 2021, Renner raised BRL 3.9 bn via a follow-on to finance technological upgrades and omnichannel expansion. Compared to peers, Renner remains the most comfortable, while C&A (0.2x) and Riachuelo (0.6x) also maintain low leverage (Exhibit 43).

**Cash Generation:** Renner exhibits strong and recurring cash generation, reflecting efficiency and disciplined capital allocation. The company converted in the last three years, on average, approximately 94% of EBITDA into cash flow from operations (CFO). In 2024, free cash flow (FCF) reached BRL 1,800 mm, equivalent to 12.5% of net revenue and 14.0% in terms of Yield. In our take, with reduced expansion and CapEx normalization, Renner should expect even stronger free cash flow generation going forward.

## VALUATION

We issue our **SELL** recommendation for Lojas Renner (LREN3), with a target price of BRL 12.96, representing a 14.5% downside to the last closing price of 11/14/2025. The valuation is based on a discounted cash flow model incorporating our three catalysts (Appendix F, G). A scenario analysis with different triggering possibilities, a relative valuation (2026 P/E) versus Brazilian peers, a DDM, and an EVA valuation support our recommendation for Renner (Exhibit 44) (Appendix I, J).

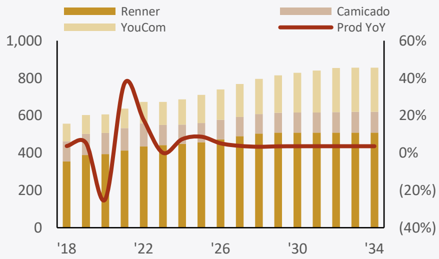
**DCF Overview:** Our DCF model is based on a 10-year nominal projection of Free Cash Flow to Firm (FCFF), adjusted for lease liability payments. We employ a WACC of 15.6%, derived from: (i) a 15.8% Cost of Equity, via CAPM, considering a risk-free rate of 4.25%, equity risk premium of 5.00%, levered beta of 1.22 (Appendix C), country risk premium of 3.34% and a long-term growth rate of 3.5% (long-term Brazilian CPI consensus from Focus, Brazil Central Bank) (Appendix B); (ii) a pre tax Cost of Debt of 14.26% derived from 3Q25 debt position, calculated from 2520 days SWAP DI Pre-Fixed; and (iii) current Renner's capital structure of 96.5% equity, resulting in a nominal WACC of 15.6% post-currency adjustments (Appendix D).

**Store Expansion:** Renner has already passed its peak expansion phase. Based on our proprietary expansion analysis (Appendix AA), we forecast 89 new Renner (21 inside malls and 68 street stores), 9 Camicado, and 112 Youcom stores (Exhibit 45). For conservative purposes, we applied an arbitrary 33% discount to Renner and Youcom to incorporate execution risks, resulting in 59, 9 and, 84 (ex. 10 Youcom guidance for 2025 in the calculations. At the city level, we expect expansion through street and mall stores in municipalities with over 50,000 inhabitants, assuming one new store for every 200,000 inhabitants below saturation benchmarks and with GDP per capita equal or higher the current weighted average (54,000 BRL). These 21 new malls stores present a marginally different demographic and operational profile relative to current mall stores, resulting in a higher risk of underperformance during ramp-up (Appendix W). We incorporate a staged ramp-up of 80–100% over years 1–5, benchmarked to adjusted sales area, which we see as a prudent proxy for Renner's historical maturation dynamics.

**Productivity:** Historically, real sales productivity has been stable. We expect apparel inflation-guided productivity for 4Q25 and a slight increase in 2026, following company guidance. For the long term, we take a conservative stance, assuming Renner fully passes through inflation (100% of Apparel IPCA) without additional spreads.

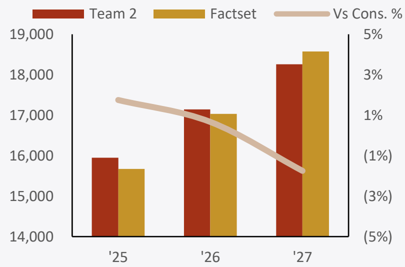
**E-Commerce:** The company's transition toward omnichannel integration supports gradual e-commerce penetration growth, consistent with the post-pandemic trend of 0.70% per quarter. As management highlights similar profitability levels between channels, e-commerce is embedded in total store

**Exhibit 45: Stores Distribution (#) and Nominal Productivity Growth (%)**



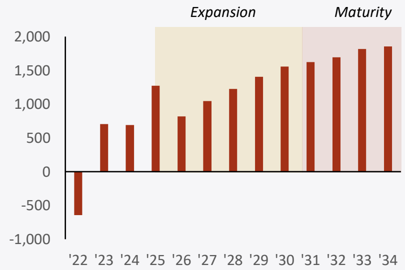

*Source: Company, Team 2*

**Exhibit 46: Revenue Forecast (BRL mm)**



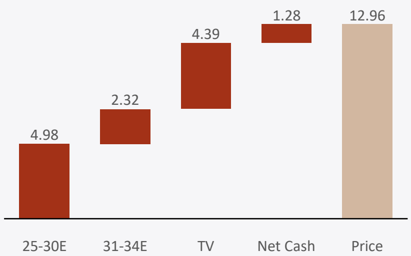

*Sources: FactSet, Team 2*

**Exhibit 47: FCFF Forecast (BRL mm)**



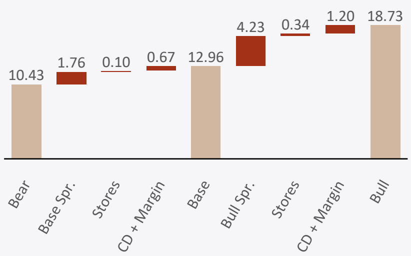

*Source: Company, Team 2*

**Exhibit 48: Value Composition (BRL)**




*Source: Team 2*

**Exhibit 49: Scenario Breakdown (BRL)**




*Source: Team 2*

**Exhibit 50: Comps Table – 2026 P/E**

| Peers Set | BZ Tier 1 | BZ Tier 2 |
|---|---|---|
| Median Comp Set Multiple | 9.16x | 6.91x |
| Implied Price | 12.86 | 9.71 |
| Weight | 75% | 25% |

*Sources: Factset, Team 2*

projections rather than modeled separately, given no direct financial impact.

**COGS:** We project Cost of Goods Sold using historical gross margin averages, adjusting for the expected logistics ramp-up at Cabreúva DC. According to management, this should bring retail gross margin performance closer to 2019 levels around 56%.

**OpEx:** For operational expenses, we segmented selling, general and administrative cash costs into fixed and variable components. Fixed costs account for approximately 18.5% of SG&A, fully indexed to the Brazilian CPI, while variable costs are projected proportionally to net revenue. Due to revenue/m² growing 100% apparel CPI (slightly below total CPI), this results in a 1.1% margin loss over the projected period.

**CapEx:** As previously mentioned, Renner's capital expenditures were primarily focused on store expansion and technology systems. For the coming years, we projected expansion CapEx per new square meter added and maintenance CapEx per mature square meter, both adjusted for construction inflation. Over time, with lower store rollout, the share of expansion CapEx is expected to decline, giving more room to store remodeling and modernization initiatives.

**Realize:** Within Renner's financial arm, card penetration over total sales has been decreasing consistently since 2005. We expect this trend to continue but at a slower pace, given the already saturated payments markets in Brazil. Consequently, we project the credit portfolio of Cartão Renner and Meu Cartão to maintain its historical proportion within total Realize volume, reaching BRL 9.7 bn by 2034, implying a 3.2% CAGR.

### Bull and Bear Assumptions

To better understand the potential impacts of our key assumptions, we conducted scenario analyses for better-than-expected and worse-than-expected outcomes, focusing on (i) store openings; (ii) store productivity, and (iii) gross margin. Under our best case, we see a target price of BRL 18.73, representing a 23.6% upside to the last closing price, while our worst case yielded a target price of BRL 10.43, representing a 31.2% downside to the last closing price (Exhibit 49).

**Bull Case:** In our view, the most favorable scenario assumes a softer macroeconomic environment, allowing for 210 store openings (89 Renner, 9 Camicado and 112 Youcom), combined with higher store productivity, surpassing by 4% Brazilian CPI, as Renner did during periods of greater economic activity. Moreover, faster inventory turnover driven by a quicker DC ramp-up would lift gross margin sooner to 2Q26. Under this scenario, our DCF yields a target price of BRL 18.73, implying a 23.6% upside to the last closing price.

**Bear Case:** Conversely, in a prolonged tougher macro scenario, Renner's ability to spread over on inflation will be limited to -2% until 2029 and 0% beyond. Additionally, we see 37 new Renner stores and 56 new Youcom stores and no Camicado openings. Also, a slower ramp-up of the new DC would delay improvements in inventory turnover and gross margin to 4Q27. Our DCF output for this scenario indicates a Target Price of BRL 10.43, representing a 31.2% downside to the last closing price.

### Relative Valuation

**Overview:** Our relative valuation is based on our 2026 earnings projections. We applied an 8.6x 2026 P/E multiple, calculated from the market consensus across two peer sets, resulting in an equity value of BRL 11.9 bn and a fair value per share of BRL 12.07, representing a 20.4% downside to last closing price (Exhibit 50). Within our base case estimates, we see Renner trading at 9.2x 2026 P/E, below the historical average, which we see as justified given structural changes in the sector and reduced growth outlook.

**Peers Selection:** Identifying comparables for Renner was straightforward given the prevalence of B&M retailers in Brazil with similar business models, often supported by financial arms. Our peer selection was segmented into two weighted tiers reflecting similarity and sector risk: (i) fast-fashion apparel retailers (C&A and Riachuelo) (75%) and (ii) general Brazilian retailers (Alpargatas, Azzas, Grupo SBF and Track and Field) (25%). We excluded international retailers, as we believe they operate in a structurally different market landscape (Appendix E).

**Current Position:** Historically, Renner's NTM P/E has ranged between 13x and 29x, averaging 21x (Appendix H). While the current multiple may seem attractive, it must be interpreted considering the sector's structural margin compression and limited organic growth potential, which have pushed multiples lower across peers. We believe the market already prices in the main catalysts reflected in our DCF assumptions, as our model converges with current market multiples.

## INVESTMENT RISKS

Exploring the upside risks regarding our investment thesis, we understand that Renner is exposed to Business and operational risks (B), Competitive risks (C), Macroeconomic risks (M), and ESG risks (E) that may increase the company's long-term value in different fronts. For this section, we listed the risks in order of impact on valuation within their segments. To complement our analysis, we used a Monte Carlo Simulation (Exhibit 54) (Appendix T), a Tornado Analysis, and a Sensitivity Analysis to terminal growth, WACC, gross margin, and revenue per m² (Exhibits 55, 56), to further understand the impact of these variables on the project's return (Appendix P).

### Business and Operational Risks (B)

**B1. Maintenance of Pricing Power - Risk: Low | Impact on Price: +8.39%**

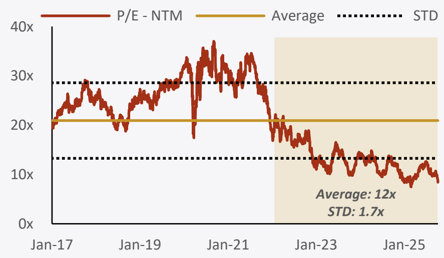
We believe that increased competition will deteriorate Renner's capacity to increase prices over IPCA, pressuring long-term margins. If the company's strategies are perfectly placed, with the competitive pressures not being effective, Renner could maintain its products' aggregate value while fully passing on prices to end consumers. A key signal for this upside risk would be Renner successfully implementing and sustaining real price gains (above apparel inflation) in its key categories without ceding market share to other players. **Valuation:** The increase of net revenue per m² enough to surpass projected IPCA and the consequential maintenance of current expenses' structure would increase target price by 8.39%.

**Mitigation:** As explored in our thesis, increased competition with digital players and national competitors puts imminent pressure on Renner's market share, forcing the company to review its pricing policy to not be deteriorated.

**B2. Excess in Operational Returns From the Cabreúva DC - Risk: High | Impact on Price: +5.20%**

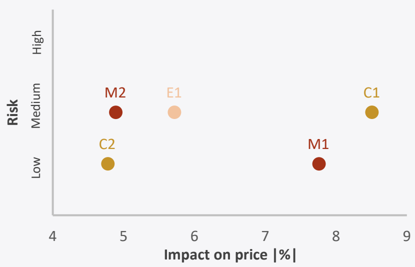
We understand that the Cabreúva DC's ramp-up is close to completion, with less than 10% from its improvements in margins still to be incorporated. However, we lack accuracy to predict the exact

### Exhibit 51: LREN3 Historical P/E NTM (x)




*Source: Factset*

### Exhibit 52: Exogenous Risk Matrix

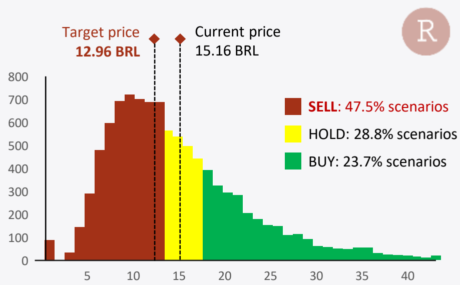



*Source: Team 2*

### Exhibit 53: Endogenous Risk Matrix

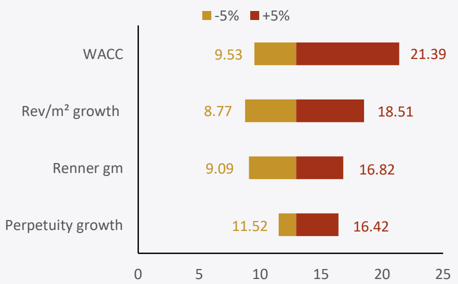

*Source: Team 2*

### Exhibit 54: Monte Carlo Simulation




*Source: Team 2*

### Exhibit 55: Tornado – Target Price (BRL)




*Source: Team 2*

### Exhibit 56: Sensitivity Analysis

| WACC (%) \ Perpetuity Growth Rate (%) | 2.5% | 3.0% | 3.5% | 4.0% | 4.5% |
|---|---|---|---|---|---|
| 14.6% | (13.0%) | (11.7%) | (10.3%) | (8.8%) | (7.2%) |
| 15.1% | (15.1%) | (13.8%) | (12.5%) | (11.0%) | (9.4%) |
| 15.6% | (17.0%) | (15.8%) | (14.5%) | (13.1%) | (11.6%) |
| 16.1% | (18.9%) | (17.8%) | (16.5%) | (15.2%) | (13.7%) |
| 16.6% | (20.7%) | (19.6%) | (18.4%) | (17.1%) | (15.7%) |

*Source: Team 2*

impacts from the most recent logistical investment, creating room for an upside risk with the possibility for greater operational efficiency. **Valuation:** A greater ramp-up of the DC maturation would result in a 1% margin increase in our projections, causing a difference on target price of +5.20%.
**Mitigation:** With the new distribution center already serving 100% of stores, including the digital channels, we believe that most of the results from the investment should already be reflected in the financials, with only some adjustments to be made that can increase its operational efficiency.

**B3. Underestimation of Expansion Plan - Risk: Medium | Impact on Price: +2.54%**
Our base case assumes Renner's physical presence in Brazil is nearing its limit as mall growth stagnates and capillarity throughout the country increases. However, the company's capacity to grow its footprint above our projections, either through a faster international expansion or new domestic stores, would accelerate top-line growth. A key signpost would be an upward revision to official store opening. **Valuation:** The expansion of 3 extra Renner street and mall stores per quarter until 2028 would result in an increase of target price in 2.54%.
**Mitigation:** Mall growth is stagnating, constrained by cities' current infrastructure, population, and purchasing power. Similarly, the street store expansion is unlikely to exceed our projections, as the remaining Brazilian cities with >50,000 inhabitants lack the necessary local demand and income levels to ensure store viability.

## Competitive Risks (C)

**C1. Decreased Competition with National Peers - Risk: Medium | Impact on Price: +8.51%**
We understand that Renner's logistical moat tends to be constantly pressured by its national peers, demanding on the company's financials to maintain its leadership position. However, financial difficulties or simply a lack of investments made by peers may isolate Renner as an undisputed leader regarding operations' efficiency in national territory, reducing its need for CapEx to improve and decreasing consumer acquisition costs, especially within the B&M market. **Valuation:** A decrease of 5% in projected IT and Logistics CapEx, and a lower sales expense as % of revenue in 1% could increase the stock price in 8.51%.
**Mitigation:** We understand this scenario as very unlikely, as the de-leveraging trend within its main competitors creates a healthy financial environment for investments in all fronts, especially logistics, fostering fiercer competition on the near future.

**C2. Slowdown from International Peers - Risk: Low | Impact on Price: +4.78%**
The post-pandemic scenario presented a hostile take of market share by international peers following the digitalization trend. We see Shein positioned to continue to gain share over the next years with the sector continuing to digitalize and its recognition increase. A scenario where competition for cross-border marketplaces slows down becomes favorable for Renner to maintain its leadership in total market share and grow digital operations. Key signs would include tangible regulatory actions impacting cross-border pricing or a noticeable acceleration in Renner's own e-commerce growth. **Valuation:** An increase in 1% of projected e-commerce CAGR, together with an increase of 1% in terminal growth due to reduced competition on long-term drivers increases price by 4.78%.
**Mitigation:** Digital players like Shein present structural financial advantages and a hostile positioning on national territory, and with the native-digital nature, it is extremely difficult for this scenario to materialize. Furthermore, our analysis shows not only the expressive pricing advantage Shein currently holds (Appendix Z), but also its recognition as a marketplace (Appendix AC) as two great barriers to Renner's digital growth.

## Macroeconomic Risks (M)

**M1. Robust Economic Activity - Risk: Low | Impact on Price: +7.76%**
As a discretionary goods retailer, Renner is highly exposed to macroeconomic tailwinds. Controlled inflation expands its margins through lower costs while increasing pricing power as consumer budgets for non-essentials expand. Low unemployment further boosts demand by expanding the customer base and improving overall consumer confidence, leading to accelerated purchases. **Valuation:** A 1% decrease in variable general and administrative expenses as % of revenue, reflecting less inflationary pressures, leads to a +7.76% change in target price.
**Mitigation:** We already project a better economic scenario for Renner in the future in our base case. Considering the projections for the 2026 elections, the current government remains as the favorite for re-election, creating market distrust on a healthy public spending and, consequently, a robust economy.

**M2. Further Improvement of Macroeconomic Scenario - Risk: Medium | Impact on Price: +4.89%**
Although Renner maintains a net cash positioning, sales through financing are a strong top-line driver, also favoring the reduction of default in Realize's credit portfolio and attracting more customers for the financial services. Lower rates than projected on our base case could increase the company's interest-bearing sales and favor default rates. **Valuation:** Increasing interest bearing sales volume by 1% of the total and decreasing write-offs % of total credit portfolio by 0.5% results in a positive impact on valuation of 4.89%.
**Mitigation:** Our base case valuation is already anchored on the current market projections for the yield curve. This upside scenario would require a significant positive deviation from this consensus, which we view as unlikely.

## ESG Risks (E)

**E1. Consumer Shifts to Sustainability – Risk: Medium | Impact on Price: +5.72%**
As a retailer with an ESG-compliant supply chain, Renner is well positioned for a shift in consumer needs for more sustainable products, especially generation Z (strongly connected to Shein). A major social or environmental scandal from a key competitor could accelerate consumer demand for responsible fashion. This kind of shift could increase the company's digital operations opening space for extra market share gain on the future. A key signal would be management highlighting outsized growth from its sustainable collections or its Repassa e-commerce platform, signaling a tangible shift in consumer demand. **Valuation:** Increasing e-commerce sales CAGR by 2% in our projections, reflecting the "stolen" consumers from fast fashion digital retailers, increases the target price in 5.72%.
**Mitigation:** Our base case assumes competition will remain primarily price-centric especially considering lower consumer classes (C and D), the target audience of Shein and other digital marketplaces. This upside scenario requires an abrupt structural shift in consumer behavior, which we view as unlikely in the short term.

# Appendix A: Renner's Financial Statements – Income Statement, Balance Sheet, and Cash Flow Statement

| Income Statement | Units | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net Revenue** | [BRL mm] | 13,271 | 13,648 | 14,436 | 15,951 | 17,146 | 18,256 | 19,298 | 20,283 | 21,089 | 21,899 | 22,739 | 23,548 | 24,351 |
| Merchandise | [BRL mm] | 11,530 | 11,643 | 12,630 | 13,928 | 15,144 | 16,188 | 17,179 | 18,091 | 18,838 | 19,600 | 20,393 | 21,158 | 21,923 |
| Services | [BRL mm] | 46 | 63 | 42 | 23 | - | - | - | - | - | - | - | - | - |
| Financial Services | [BRL mm] | 1,695 | 1,942 | 1,764 | 2,000 | 2,001 | 2,068 | 2,119 | 2,192 | 2,252 | 2,299 | 2,346 | 2,390 | 2,428 |
| **Cost of Sales and Services** | [BRL mm] | (5,286) | (5,427) | (5,694) | (6,143) | (6,656) | (7,007) | (7,435) | (7,827) | (8,146) | (8,473) | (8,812) | (9,142) | (9,473) |
| Cost of Goods Sold | [BRL mm] | (5,157) | (5,294) | (5,639) | (6,148) | (6,681) | (7,032) | (7,461) | (7,854) | (8,174) | (8,501) | (8,841) | (9,171) | (9,503) |
| Cost of Services | [BRL mm] | (20) | (27) | (17) | (12) | - | - | - | - | - | - | - | - | - |
| Cost of Financial Services | [BRL mm] | (110) | (106) | (38) | 17 | 25 | 26 | 26 | 27 | 28 | 28 | 29 | 29 | 30 |
| **Gross Profit** | [BRL mm] | 7,985 | 8,221 | 8,742 | 9,807 | 10,489 | 11,250 | 11,863 | 12,456 | 12,943 | 13,426 | 13,927 | 14,406 | 14,878 |
| Goods Sold | [BRL mm] | 6,373 | 6,349 | 6,991 | 7,780 | 8,463 | 9,156 | 9,719 | 10,237 | 10,663 | 11,099 | 11,552 | 11,987 | 12,420 |
| Services | [BRL mm] | 26 | 36 | 25 | 11 | - | - | - | - | - | - | - | - | - |
| Financial Services | [BRL mm] | 1,585 | 1,836 | 1,726 | 2,017 | 2,026 | 2,094 | 2,145 | 2,219 | 2,280 | 2,327 | 2,375 | 2,420 | 2,458 |
| **Operating Expenses** | [BRL mm] | (6,577) | (7,332) | (7,483) | (7,968) | (8,612) | (9,077) | (9,517) | (9,932) | (10,253) | (10,582) | (10,927) | (11,262) | (11,648) |
| Selling | [BRL mm] | (2,829) | (2,945) | (3,119) | (3,397) | (3,625) | (3,862) | (4,088) | (4,311) | (4,508) | (4,708) | (4,918) | (5,126) | (5,336) |
| General and Administrative | [BRL mm] | (1,296) | (1,416) | (1,447) | (1,573) | (1,687) | (1,817) | (1,942) | (2,066) | (2,174) | (2,285) | (2,401) | (2,517) | (2,633) |
| Depreciation and Amortization | [BRL mm] | (994) | (1,050) | (1,198) | (1,312) | (1,463) | (1,559) | (1,657) | (1,745) | (1,806) | (1,864) | (1,926) | (1,990) | (2,053) |
| Other Operating Income / (Expenses) | [BRL mm] | (467) | (577) | (761) | (743) | (820) | (854) | (882) | (916) | (945) | (969) | (993) | (1,017) | (1,038) |
| Losses on Receivables, Net | [BRL mm] | (992) | (1,343) | (957) | (942) | (1,017) | (985) | (946) | (894) | (821) | (756) | (689) | (613) | (588) |
| Equity Pick-ups | [BRL mm] | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **EBIT** | [BRL mm] | 1,407 | 889 | 1,259 | 1,839 | 1,877 | 2,173 | 2,347 | 2,525 | 2,690 | 2,844 | 3,000 | 3,145 | 3,230 |
| Financial Result | [BRL mm] | (23) | (48) | 62 | (100) | (22) | 6 | 40 | 91 | 134 | 176 | 211 | 238 | 258 |
| **EBT** | [BRL mm] | 1,384 | 841 | 1,321 | 1,740 | 1,854 | 2,178 | 2,387 | 2,616 | 2,823 | 3,020 | 3,211 | 3,383 | 3,488 |
| Taxes | [BRL mm] | (93) | 136 | (124) | (334) | (469) | (544) | (560) | (581) | (595) | (605) | (619) | (630) | (625) |
| **Net Income** | [BRL mm] | 1,292 | 976 | 1,197 | 1,405 | 1,386 | 1,634 | 1,827 | 2,035 | 2,228 | 2,415 | 2,591 | 2,753 | 2,863 |
| **Adjusted EBITDA** | [BRL mm] | 2,463 | 2,104 | 2,650 | 3,191 | 3,374 | 3,768 | 4,043 | 4,310 | 4,538 | 4,752 | 4,971 | 5,181 | 5,331 |

| Balance Sheet | Units | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash & Cash Equivalents | [BRL mm] | 2,848 | 2,532 | 1,926 | 1,998 | 1,994 | 2,372 | 2,944 | 3,580 | 4,217 | 4,767 | 5,207 | 5,572 | 5,765 |
| Trade Accounts Receivable | [BRL mm] | 6,525 | 6,639 | 6,903 | 6,913 | 7,419 | 7,826 | 8,194 | 8,512 | 8,742 | 8,970 | 9,201 | 9,410 | 9,609 |
| Inventories | [BRL mm] | 1,837 | 1,774 | 1,930 | 1,981 | 2,006 | 1,957 | 1,913 | 1,937 | 2,016 | 2,096 | 2,180 | 2,261 | 2,343 |
| Recoverable Taxes | [BRL mm] | 1,004 | 546 | 414 | 460 | 500 | 534 | 567 | 597 | 622 | 647 | 673 | 698 | 724 |
| Other Current Assets | [BRL mm] | 829 | 700 | 1,144 | 264 | 264 | 264 | 264 | 264 | 264 | 264 | 264 | 264 | 264 |
| Property and Equipment | [BRL mm] | 2,831 | 2,890 | 2,900 | 2,900 | 2,992 | 3,108 | 3,202 | 3,183 | 3,107 | 3,071 | 3,068 | 3,055 | 3,070 |
| Right of use | [BRL mm] | 2,610 | 2,397 | 2,253 | 2,260 | 2,584 | 2,888 | 3,172 | 3,438 | 3,681 | 3,908 | 4,123 | 4,329 | 4,526 |
| Intangible | [BRL mm] | 1,639 | 1,702 | 1,613 | 1,542 | 1,516 | 1,514 | 1,530 | 1,560 | 1,597 | 1,641 | 1,691 | 1,745 | 1,802 |
| Other Non-Current Assets | [BRL mm] | 1,026 | 1,310 | 1,282 | 1,299 | 1,299 | 1,299 | 1,299 | 1,299 | 1,299 | 1,299 | 1,299 | 1,299 | 1,299 |
| **Total Assets** | [BRL mm] | 21,149 | 20,491 | 20,365 | 19,615 | 20,574 | 21,761 | 23,085 | 24,368 | 25,544 | 26,662 | 27,706 | 28,632 | 29,401 |
| Suppliers | [BRL mm] | 1,624 | 1,790 | 1,807 | 2,096 | 2,278 | 2,398 | 2,544 | 2,678 | 2,787 | 2,899 | 3,014 | 3,127 | 3,240 |
| Obligations with Card Administrators | [BRL mm] | 2,465 | 2,526 | 2,610 | 2,392 | 2,556 | 2,683 | 2,796 | 2,890 | 2,952 | 3,013 | 3,074 | 3,125 | 3,173 |
| Taxes obligations | [BRL mm] | 567 | 411 | 545 | 618 | 672 | 707 | 751 | 790 | 822 | 855 | 889 | 923 | 956 |
| Social and labor obligations | [BRL mm] | 305 | 323 | 488 | 480 | 521 | 549 | 582 | 613 | 638 | 663 | 690 | 715 | 741 |
| Other Current Liabilities | [BRL mm] | 2,045 | 2,442 | 2,196 | 562 | 562 | 562 | 562 | 562 | 562 | 562 | 562 | 562 | 562 |
| Financing Lease | [BRL mm] | 2,190 | 2,009 | 1,848 | 2,610 | 2,672 | 2,735 | 2,792 | 2,848 | 2,905 | 2,964 | 3,025 | 3,087 | 3,149 |
| Other Non-Current Assets | [BRL mm] | 1,866 | 942 | 97 | 389 | 188 | 141 | 141 | 141 | 141 | 141 | 141 | 141 | 141 |
| **Total Liabilities** | [BRL mm] | 11,061 | 10,443 | 9,592 | 9,147 | 9,449 | 9,775 | 10,167 | 10,521 | 10,807 | 11,097 | 11,395 | 11,680 | 11,962 |
| Capital | [BRL mm] | 9,022 | 9,022 | 9,541 | 9,545 | 9,545 | 9,545 | 9,545 | 9,545 | 9,545 | 9,545 | 9,545 | 9,545 | 9,545 |
| Treasury Shares | [BRL mm] | (553) | (166) | (154) | (1,003) | (1,003) | (1,003) | (1,003) | (1,003) | (1,003) | (1,003) | (1,003) | (1,003) | (1,003) |
| Capital Reserve | [BRL mm] | 119 | 129 | 166 | 187 | 187 | 187 | 187 | 187 | 187 | 187 | 187 | 187 | 187 |
| Profit Reserve | [BRL mm] | 1,383 | 1,035 | 1,079 | 1,404 | 2,061 | 2,922 | 3,853 | 4,783 | 5,672 | 6,501 | 7,246 | 7,887 | 8,374 |
| Other comprehensive income | [BRL mm] | 116 | 28 | 141 | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 |
| Retained Earnings (Accumulated Deficit) | [BRL mm] | - | - | - | 294 | 294 | 294 | 294 | 294 | 294 | 294 | 294 | 294 | 294 |
| **Shareholder's Equity** | [BRL mm] | 10,088 | 10,047 | 10,773 | 10,468 | 11,125 | 11,986 | 12,917 | 13,847 | 14,736 | 15,565 | 16,310 | 16,951 | 17,438 |

| Cash Flow | Units | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net Income** | [BRL mm] | 1,292 | 976 | 1,197 | 1,405 | 1,386 | 1,634 | 1,827 | 2,035 | 2,228 | 2,415 | 2,591 | 2,753 | 2,863 |
| Adjustments | [BRL mm] | 1,525 | 783 | 416 | 936 | - | - | - | - | - | - | - | - | - |
| Depreciation and amortization | [BRL mm] | 1,041 | 1,098 | 1,244 | 1,346 | 1,463 | 1,559 | 1,657 | 1,745 | 1,806 | 1,864 | 1,926 | 1,990 | 2,053 |
| **Adjusted net income** | [BRL mm] | 3,858 | 2,858 | 2,857 | 3,688 | 2,849 | 3,193 | 3,485 | 3,780 | 4,034 | 4,279 | 4,517 | 4,742 | 4,916 |
| Working Capital | [BRL mm] | (1,488) | 171 | 63 | (482) | (131) | (83) | (22) | (74) | (104) | (103) | (104) | (92) | (87) |
| Others | [BRL mm] | (645) | (459) | (159) | (351) | - | - | - | - | - | - | - | - | - |
| Financial Investments | [BRL mm] | (197) | 83 | (274) | 78 | - | - | - | - | - | - | - | - | - |
| **CF from Operations** | [BRL mm] | 1,528 | 2,653 | 2,487 | 2,932 | 2,718 | 3,110 | 3,463 | 3,706 | 3,929 | 4,176 | 4,413 | 4,650 | 4,829 |
| Acquisitions of fixed and intangible assets | [BRL mm] | (1,105) | (893) | (679) | (783) | (925) | (987) | (1,006) | (922) | (869) | (912) | (957) | (960) | (1,003) |
| Capital paid-up in subsidiaries | [BRL mm] | (85) | (0) | - | - | - | - | - | - | - | - | - | - | - |
| **CF from Investments** | [BRL mm] | (1,190) | (893) | (679) | (783) | (925) | (987) | (1,006) | (922) | (869) | (912) | (957) | (960) | (1,003) |
| Capital increase net of issuance costs | [BRL mm] | 44 | - | - | 4 | - | - | - | - | - | - | - | - | - |
| Share buy-back | [BRL mm] | (454) | (288) | - | (861) | - | - | - | - | - | - | - | - | - |
| Borrowing/amortization of loans and debentures | [BRL mm] | (1,124) | (505) | (941) | (574) | (201) | (47) | - | - | - | - | - | - | - |
| Lease installment payable | [BRL mm] | (678) | (754) | (793) | (732) | (867) | (926) | (988) | (1,043) | (1,085) | (1,127) | (1,171) | (1,214) | (1,257) |
| Interest on capital and dividends paid | [BRL mm] | (764) | (462) | (692) | (673) | (728) | (773) | (896) | (1,105) | (1,338) | (1,587) | (1,846) | (2,112) | (2,376) |
| **CF from Financing** | [BRL mm] | (2,976) | (2,009) | (2,426) | (2,836) | (1,796) | (1,746) | (1,884) | (2,148) | (2,424) | (2,714) | (3,017) | (3,326) | (3,633) |
| FX Variation | [BRL mm] | (2) | (67) | 12 | (10) | - | - | - | - | - | - | - | - | - |
| **Net Change in Cash** | [BRL mm] | (2,641) | (316) | (606) | (696) | (3) | 377 | 573 | 635 | 637 | 550 | 440 | 365 | 193 |
| **Cash EoP** | [BRL mm] | 2,848 | 2,532 | 1,926 | 1,998 | 1,994 | 2,372 | 2,944 | 3,580 | 4,217 | 4,767 | 5,207 | 5,572 | 5,765 |

| Summary | Units | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net Revenue** | [BRL mm] | 11,576 | 11,706 | 12,672 | 13,951 | 15,144 | 16,188 | 17,179 | 18,091 | 18,838 | 19,600 | 20,393 | 21,158 | 21,923 |
| Renner | [BRL mm] | 10,603 | 10,758 | 11,591 | 12,737 | 13,738 | 14,650 | 15,510 | 16,279 | 16,874 | 17,477 | 18,102 | 18,749 | 19,419 |
| Camicado | [BRL mm] | 567 | 521 | 574 | 593 | 627 | 658 | 688 | 720 | 754 | 789 | 825 | 863 | 903 |
| Youcom | [BRL mm] | 406 | 428 | 508 | 621 | 780 | 880 | 982 | 1,093 | 1,210 | 1,334 | 1,465 | 1,545 | 1,600 |
| **Net Revenue Y/Y** | [%] | 21.1% | 1.1% | 8.2% | 10.1% | 8.6% | 6.9% | 6.1% | 5.3% | 4.1% | 4.0% | 4.0% | 3.8% | 3.6% |
| Renner | [%] | 23.1% | 1.5% | 7.7% | 9.9% | 7.9% | 6.6% | 5.9% | 5.0% | 3.7% | 3.6% | 3.6% | 3.6% | 3.6% |
| Camicado | [%] | (12.8%) | (8.2%) | 10.2% | 3.3% | 5.8% | 5.0% | 4.5% | 4.7% | 4.7% | 4.7% | 4.6% | 4.6% | 4.6% |
| Youcom | [%] | 39.4% | 5.5% | 18.6% | 22.3% | 25.5% | 12.9% | 11.6% | 11.3% | 10.7% | 10.3% | 9.9% | 5.4% | 3.6% |
| **Net Revenue Breakdown** | [%] | | | | | | | | | | | | | |
| Renner | [%] | 91.6% | 91.9% | 91.5% | 91.3% | 90.7% | 90.5% | 90.3% | 90.0% | 89.6% | 89.2% | 88.8% | 88.6% | 88.6% |
| Camicado | [%] | 4.9% | 4.4% | 4.5% | 4.2% | 4.1% | 4.1% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.1% | 4.1% |
| Youcom | [%] | 3.5% | 3.7% | 4.0% | 4.5% | 5.1% | 5.4% | 5.7% | 6.0% | 6.4% | 6.8% | 7.2% | 7.3% | 7.3% |
| **Avg. Total Selling Area** | [$m^2$] | 803,722 | 798,987 | 801,470 | 812,011 | 840,332 | 865,968 | 888,904 | 901,597 | 904,716 | 907,836 | 910,956 | 911,765 | 912,245 |
| Renner | [$m^2$] | 732,541 | 731,685 | 733,312 | 740,868 | 765,299 | 787,815 | 807,632 | 817,204 | 817,204 | 817,204 | 817,204 | 817,204 | 817,204 |
| Camicado | [$m^2$] | 51,633 | 45,652 | 43,973 | 43,720 | 44,200 | 44,679 | 45,159 | 45,639 | 46,118 | 46,598 | 47,078 | 47,557 | 48,037 |
| Youcom | [$m^2$] | 19,548 | 21,650 | 24,185 | 27,424 | 30,834 | 33,474 | 36,114 | 38,754 | 41,394 | 44,034 | 46,674 | 47,004 | 47,004 |
| **Sales Area Adj Maturation** | [$m^2$] | 790,886 | 792,949 | 798,097 | 808,879 | 833,075 | 855,414 | 877,112 | 891,638 | 898,613 | 904,328 | 908,917 | 910,668 | 911,560 |
| Renner | [$m^2$] | 720,966 | 725,680 | 730,042 | 738,259 | 759,159 | 778,810 | 797,470 | 808,844 | 812,661 | 815,256 | 816,726 | 817,204 | 817,204 |
| Camicado | [$m^2$] | 50,985 | 46,443 | 44,946 | 44,528 | 44,609 | 44,621 | 44,956 | 45,399 | 45,879 | 46,358 | 46,838 | 47,318 | 47,797 |
| Youcom | [$m^2$] | 18,935 | 20,826 | 23,108 | 26,092 | 29,307 | 31,983 | 34,687 | 37,395 | 40,074 | 42,714 | 45,354 | 46,146 | 46,558 |
| **Net Revenue per $m^2$ Adj. for Maturation** | | 14,839 | 14,847 | 15,935 | 17,355 | 18,353 | 19,099 | 19,741 | 20,375 | 21,017 | 21,719 | 22,474 | 23,247 | 24,061 |
| Renner | [BRL] | 14,900 | 14,913 | 15,930 | 17,335 | 18,260 | 18,976 | 19,589 | 20,189 | 20,793 | 21,458 | 22,175 | 22,945 | 23,763 |
| Camicado | [BRL] | 11,310 | 10,982 | 12,692 | 13,347 | 14,112 | 14,802 | 15,376 | 15,949 | 16,520 | 17,109 | 17,719 | 18,352 | 19,006 |
| Youcom | [BRL] | 22,091 | 21,630 | 22,548 | 25,035 | 27,405 | 28,283 | 29,032 | 29,912 | 30,830 | 31,851 | 32,916 | 33,606 | 34,467 |
| **Number of Store** | [#] | 672 | 673 | 686 | 711 | 740 | 769 | 796 | 815 | 828 | 841 | 854 | 855 | 856 |
| Renner | [#] | 435 | 442 | 448 | 457 | 473 | 489 | 503 | 509 | 509 | 509 | 509 | 509 | 509 |
| Camicado | [#] | 123 | 107 | 103 | 102 | 103 | 104 | 105 | 106 | 107 | 108 | 109 | 110 | 111 |
| Youcom | [#] | 114 | 124 | 135 | 152 | 164 | 176 | 188 | 200 | 212 | 224 | 236 | 236 | 236 |

**Index Proprietary Analysis**

Python Proprietary Analysis Stamp R Studio Proprietary Analysis Stamp *Source: Company, Team 2*

## Appendix B: Cost of Equity (%)

| Ke Build-up | Approach | |
|---|---|---|
| **Risk Free** | US-10Y Average YTD | **4.25%** |
| **Equity Risk Premium** | Duff & Phelps | **5.00%** |
| **Beta** | Bottom-up | **1.22** |
| **Country Risk Premium** | CDS Spread | **3.34%** |
| **FX Variation** | LT Forecast | **1.84%** |
| **Cost of Equity** | CAPM | **15.78%** |

**Methodology:** To estimate Renner cost of equity, we applied the Capital Asset Pricing Model (CAPM), resulting in a cost of equity in BRL of 15.78%. For the build-up, we used a 4.25% risk-free rate, reflecting the average 10Y United States Treasury Bond YTM for 2025. For the Equity Risk Premium, we decided to use the Kroll (Former Duff & Phelps) recommended US ERP which is 5.0%. Renner's Beta was estimated through a bottom-up approach with comparable Brazilian apparel retailers with similar business models and size (Appendix C). The FX variation considers an annualized nominal depreciation rate of the BRL against the USD, with inflation long term projections of 3.87% for Brazil and 2.0% for United States.

*Source: Company, Team 2*

## Appendix C: Beta Calculations

**Methodology:** To estimate Renner beta, we decided to use the bottom-up approach. We gathered data about the regression beta of Brazilian discretionary retail peers against the Ibovespa on a weekly basis 5-year period and unlevered them based on the Debt-to-Equity ratio of each peers and corporate income tax of Brazil (34%). After that, we weighted average the unlevered betas based on LTM revenue and levered considering Renner target capital structure. This way resulted in a 1.22 beta.

| Beta x Ibov | B Lev | D/E | Tax | B Unl | Weight |
|---|---|---|---|---|---|
| Azzas 2154 | 1.24 | 55% | 34% | 0.91 | 26.5% |
| Alpargatas | 1.19 | 10% | 34% | 1.12 | 9.7% |
| C&A | 1.60 | 24% | 34% | 1.39 | 18.0% |
| Guararapes | 1.82 | 42% | 34% | 1.42 | 22.9% |
| SBF | 1.63 | 33% | 34% | 1.34 | 16.5% |
| Vivara | 1.22 | 7% | 34% | 1.17 | 6.5% |
| | | | | | |
| Renner | 1.22 | 0% | 34% | 1.22 | |

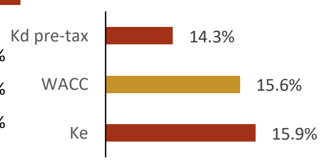
*Source: Company, Team 2*

## Appendix D: Weighted Average Cost of Capital

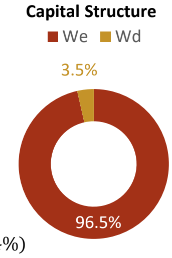
**Cost of Debt Renner**

| Debt | Units | Issuance | Due Date | Index | % | Book Value | Weight |
|---|---|---|---|---|---|---|---|
| Interbank Deposit Certificates (CDI) II | [BRL mm] | 5/30/2025 | 5/31/2027 | CDI | 106.30% | 156.8 | 42.6% |
| Interbank Deposit Certificates (CDI) III | [BRL mm] | 6/27/2025 | 6/28/2027 | CDI | 105.90% | 160.1 | 43.5% |
| Bank Deposit Certificates (CDB) I | [BRL mm] | 7/15/2023 | 6/15/2026 | CDI | 106.50% | 38.3 | 10.4% |
| Bank Deposit Certificates (CDB) II | [BRL mm] | 7/15/2024 | 6/15/2027 | CDI | 104.00% | 12.6 | 3.4% |
| | | | | | | **Pre-Tax Kd** | **14.3%** |

**Summary Discount rates**




**Capital Structure**




$$WACC = We \times Ke + Wd \times Kd \times (1 - 34\%)$$

*Source: Company, Team 2*

## Appendix E: Trading Comps – Relative Valuation

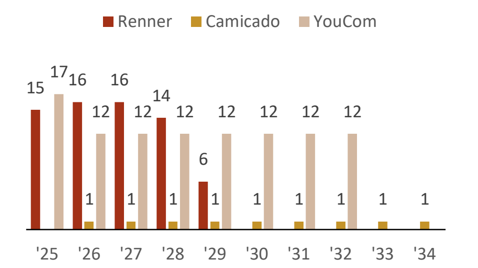
| | Company Name | EV/Revenue 2024A | EV/Revenue 2025E | EV/Revenue 2026E | EV/EBITDA 2024A | EV/EBITDA 2025E | EV/EBITDA 2026E | P/E 2024A | P/E 2025E | P/E 2026E |
|---|---|---|---|---|---|---|---|---|---|---|
| **LREN3-BR** | **Lojas Renner S.A.** | **1.17x** | **1.09x** | **1.00x** | **6.32x** | **5.83x** | **5.36x** | **13.13x** | **10.46x** | **9.50x** |
| Weighted Avg P/E | | | | | | | | | | **8.60x** |
| **Brazilian Peers - Tier 1 (Fast Fashion Retail)** | | | | | | | | | | |
| CEAB3-BR | C&A Modas SA | 0.93x | 0.86x | 0.79x | 4.55x | 4.46x | 4.10x | 11.64x | 9.91x | 9.45x |
| GUAR3-BR | Guararapes Confeccoes S.A. | 0.73x | 0.67x | 0.62x | 4.83x | 4.57x | 4.07x | 21.70x | 11.60x | 8.88x |
| **Average** | | **0.83x** | **0.76x** | **0.70x** | **4.69x** | **4.52x** | **4.09x** | **16.67x** | **10.75x** | **9.16x** |
| **Median** | | **0.83x** | **0.76x** | **0.70x** | **4.69x** | **4.52x** | **4.09x** | **16.67x** | **10.75x** | **9.16x** |
| **Brazilian Peers - Tier 2 (Retailers)** | | | | | | | | | | |
| ALPA4-BR | Alpargatas SA Pfd | 0.96x | 0.88x | 0.82x | 14.10x | 5.28x | 4.39x | 38.63x | 9.77x | 7.59x |
| AZZA3-BR | Azzas 2154 SA | 1.10x | 0.75x | 0.69x | 9.93x | 4.54x | 4.07x | 17.75x | 7.00x | 6.64x |
| SBFG3-BR | Grupo SBF S.A. | 0.80x | 0.75x | 0.68x | 5.23x | 5.93x | 5.15x | 6.43x | 8.79x | 7.19x |
| TFCO4-BR | Track & Field Co | 1.49x | 1.20x | 0.99x | 6.40x | 5.31x | 4.23x | 9.46x | 7.26x | 5.78x |
| **Average** | | **1.09x** | **0.89x** | **0.79x** | **8.91x** | **5.27x** | **4.46x** | **18.07x** | **8.20x** | **6.80x** |
| **Median** | | **1.03x** | **0.82x** | **0.76x** | **8.16x** | **5.30x** | **4.31x** | **13.60x** | **8.02x** | **6.91x** |
| **LatAm Peers** | | | | | | | | | | |
| FALABELLA-CL | Falabella S.A. | 1.50x | 1.39x | 1.32x | 12.48x | 9.52x | 9.08x | 31.72x | 17.09x | 18.39x |
| LIVEPOLC.1-MX | El Puerto de Liverpool SAB de CV | 0.81x | 0.75x | 0.71x | 4.62x | 4.72x | 4.42x | 5.52x | 6.33x | 5.71x |
| RIPLEY-CL | Ripley Corp S.A. | 1.38x | 1.29x | 1.21x | 16.65x | 12.96x | 11.60x | 16.19x | 11.32x | 9.92x |
| **Average** | | **1.23x** | **1.15x** | **1.08x** | **11.25x** | **9.07x** | **8.37x** | **17.81x** | **11.58x** | **11.34x** |
| **Median** | | **1.38x** | **1.29x** | **1.21x** | **12.48x** | **9.52x** | **9.08x** | **16.19x** | **11.32x** | **9.92x** |
| **US Peers** | | | | | | | | | | |
| AEO-US | American Eagle Outfitters, Inc. | 0.91x | 0.91x | 0.89x | 7.28x | 10.08x | 8.91x | 9.02x | 15.11x | 12.13x |
| ANF-US | Abercrombie & Fitch Co. Class A | 0.78x | 0.74x | 0.71x | 4.37x | 4.74x | 4.76x | 5.95x | 7.16x | 7.17x |
| GAP-US | Gap, Inc. | 0.81x | 0.79x | 0.78x | 7.61x | 7.74x | 7.61x | 10.68x | 11.38x | 11.10x |
| ROST-US | Ross Stores, Inc. | 2.55x | 2.43x | 2.31x | 17.75x | 17.65x | 16.38x | 25.17x | 26.06x | 24.15x |
| BURL-US | Burlington Stores, Inc. | 2.16x | 2.00x | 1.83x | 21.67x | 18.66x | 16.11x | 35.43x | 29.30x | 25.22x |
| KSS-US | Kohl's Corporation | 0.53x | 0.59x | 0.60x | 6.90x | 7.77x | 8.01x | 17.99x | 24.33x | 26.97x |
| M-US | Macy's, Inc. | 0.44x | 0.47x | 0.49x | 5.53x | 5.89x | 5.91x | 9.26x | 10.29x | 10.07x |
| TGT-US | Target Corporation | 0.54x | 0.54x | 0.53x | 6.64x | 7.26x | 6.94x | 10.07x | 11.83x | 11.36x |
| **Average** | | **1.09x** | **1.06x** | **1.02x** | **9.72x** | **9.98x** | **9.33x** | **15.45x** | **16.93x** | **16.02x** |
| **Median** | | **0.79x** | **0.77x** | **0.74x** | **7.09x** | **7.76x** | **7.81x** | **10.37x** | **13.47x** | **11.75x** |
| **Europe Peers** | | | | | | | | | | |
| ITX-ES | Industria de Diseno Textil, S.A. | 3.83x | 3.73x | 3.49x | 13.72x | 13.46x | 12.50x | 26.00x | 25.30x | 23.22x |
| HM.B-SE | H&M Hennes & Mauritz AB Class B | 1.34x | 1.37x | 1.35x | 7.86x | 8.01x | 7.47x | 22.31x | 22.60x | 19.36x |
| **Average** | | **2.59x** | **2.55x** | **2.42x** | **10.79x** | **10.74x** | **9.99x** | **24.16x** | **23.95x** | **21.29x** |
| **Median** | | **2.59x** | **2.55x** | **2.42x** | **10.79x** | **10.74x** | **9.99x** | **24.16x** | **23.95x** | **21.29x** |
| **Asian Peers** | | | | | | | | | | |
| 9983-JP | FAST RETAILING CO., LTD. | 5.27x | 5.27x | 4.85x | 23.33x | 23.29x | 21.44x | 41.90x | 41.90x | 41.68x |
| 8227-JP | SHIMAMURA Co., Ltd. | 0.74x | 0.72x | 0.69x | 7.57x | 7.20x | 6.86x | 18.96x | 18.01x | 17.18x |
| 709-HK | Giordano International Limited | | | | | | | 11.22x | 10.68x | 10.14x |
| 7453-JP | Ryohin Keikaku Co., Ltd. | 2.32x | 2.32x | 2.10x | 17.14x | 17.20x | 15.62x | 36.50x | 36.50x | 32.88x |
| **Average** | | **2.78x** | **2.77x** | **2.55x** | **16.01x** | **15.90x** | **14.64x** | **27.15x** | **26.77x** | **25.47x** |
| **Median** | | **2.32x** | **2.32x** | **2.10x** | **17.14x** | **17.20x** | **15.62x** | **27.73x** | **27.26x** | **25.03x** |

*Source: Factset, Team 2*

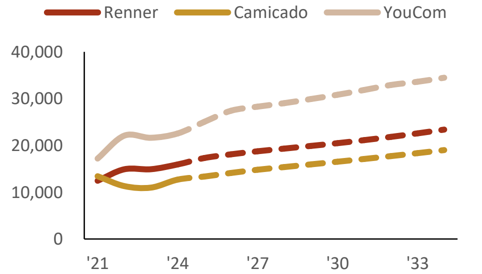
## Appendix F: Valuation Assumptions

| Line Item | Assumptions |
|---|---|
| **Stores** | We assumed the inauguration of 59 new Renner, 9 Camicado and 84 Youcom stores based on our expansion analysis (Appendix AA). The inauguration of Renner will happen until 2Q29, Youcom until 4Q32 and Camicado until 4Q34, for maximizing NPV due to CapEx expenses and ramp-up. Furthermore, we assumed a 5-Year maturation from 80% to 100% potential, adjusting for area. |
| **Revenue/M²** | In line with company guidance, for 2025 we expect prices more aligned with inflation (1% positive spread). For 2026, we see a higher spread (2% positive) due to higher assertiveness of collection and short-term efforts, in line with 2-year average. Beyond 2026 we assumed 0% spread over inflation adopting a more conservative point of view. We adjusted new street stores for working hours. |
| **COGS** | As Renner concluded testing period for new technologies from Cabreúva DC and historically gross margin has not changed significantly, we assumed that it will come back to pre-pandemic levels (1% higher on average), due to higher assertiveness of collections on better distribution of SKU by the DC achieving this by 1Q27. |
| **E-Commerce** | Continuing the trend of gaining share on Renner revenue. Approximately 0.7% per quarter. |
| **SG&A** | Variable: Forecasted as percentage of Net Revenue using past four quarters as base (Selling 16% and G&A 9.8%).<br>Fixed: Forecasted growing annually with Brazilian inflation (IPCA), around 5% per year. |
| **CapEx** | Expansion CapEx calculated using new area added times the cost per square meter (around BRL 10K) quarterly adjusted by INCC (Construction Industry inflation). Maintenance CapEx based on mature selling area (+1 Year) times cost per mature square meter (around BRL 90). As investment cycle in IT Equipment, Systems and Logistics is complete, we assumed past quarter values as percentage of Net Revenue forward. |
| **D&A** | Depreciation of PP&E forecasted as percentage of PP&E BoP. Amortization of intangible assets forecasted as % of Intangibles BoP. Depreciation of RoU forecasted as percentage of RoU BoP. |
| **WC** | Disregarding Realize receivables, we considered 3 years historical average for DSO (3P Credit Card) and DPO (Suppliers); For DIO, we assumed last year data adjusting for the target inventory turnover set by the company (4x until 1Q29). |
| **Dividends and IOC** | In line with the company history, we maintained a distribution of Interest on Own Capital of approximately 55% of Net Income disregarding ICMS subvention. Calculated from the historical distribution over the maximum payable of IOC considering the multiplication of TJLP (Brazil Long Term Interest Rate) by the IoC base (Shareholder's Equity). |
| **Right of Use and Lease Liabilities** | Right of Use asset was forecasted on additions based on historical percentage of Net Revenue of around 5.5%. Lease Liabilities additions are equal to the addition on the Right of Use Asset. The cash amortization is based on average selling area and cost per square meter quarterly adjusted for IGPM (Brazil Rent Inflation). |
| **Debt** | The company is net cash positive and there is no perspective for changes. We assumed a linear amortization of the current debt pre IFRS-16, which is around BRL 400MM, with BRL 60MM due to December 2025. Company is debt free by the end of 1Q27. |
| **Taxes** | For taxes, we assumed the maximum impact of the IOC shield and stock-option expense. In addition, we considered the ICMS Tax Benefit (Inter state tax), which is around 1% of Net Revenue, decreasing linearly overtime until 2033 when it will be 100% extinguished. This results in an average tax rate of 29% over the next 10 years. |
| **Realize** | Realize will continue to lose representativeness on Renner receivables breakdown, maintaining the historical trend of (0.5%) share per quarter, with this being absorbed by other credit cards. We see Realize maintain past year spread over the portfolio, 13% for 'Cartão Renner' and 15% for 'Meu Cartão', which is growing as percentage of LTM Card Sales (despite Realize losing share, the growth of Retail sales counterbalance, helping the credit portfolio). |

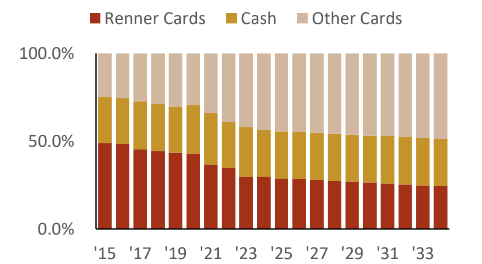
New Store Openings (#)




Revenue / M² Adj for Maturation (BRL)




Realize Payment Breakdown (%)




## Appendix G: FCFF DCF

*Source: Company, Team 2*

| DCF | Units | 2020A | 2021A | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | 2033E | 2034E | TV |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales | [BRL mm] | 7,537 | 10,572 | 13,271 | 13,648 | 14,436 | 15,951 | 17,146 | 18,256 | 19,298 | 20,283 | 21,089 | 21,899 | 22,739 | 23,548 | 24,351 | 0 |
| **EBIT** | **[BRL mm]** | **857** | **814** | **1,407** | **889** | **1,259** | **1,839** | **1,877** | **2,173** | **2,347** | **2,525** | **2,690** | **2,844** | **3,000** | **3,145** | **3,230** | |
| (-) Cash Lease Payments | [BRL mm] | - | - | (678) | (754) | (793) | (732) | (867) | (926) | (988) | (1,043) | (1,085) | (1,127) | (1,171) | (1,214) | (1,257) | |
| (+) D&A RoU Asset | [BRL mm] | | | 494 | 465 | 504 | 519 | 605 | 686 | 762 | 833 | 899 | 959 | 1,016 | 1,071 | 1,122 | |
| **Adjusted EBIT** | **[BRL mm]** | **857** | **814** | **1,224** | **600** | **970** | **1,626** | **1,615** | **1,932** | **2,120** | **2,315** | **2,503** | **2,677** | **2,845** | **3,001** | **3,095** | **3,095** |
| (-) Taxes | | (291) | (277) | (416) | (204) | (330) | (553) | (549) | (657) | (721) | (787) | (851) | (910) | (967) | (1,020) | (1,052) | |
| **NOPAT** | **[BRL mm]** | | | **808** | **396** | **641** | **1,073** | **1,066** | **1,275** | **1,400** | **1,528** | **1,652** | **1,766** | **1,878** | **1,981** | **2,043** | **2,043** |
| (+) D&A (ex, RoU) | [BRL mm] | | | 499 | 585 | 693 | 793 | 859 | 873 | 896 | 912 | 907 | 904 | 910 | 919 | 930 | 1,003 |
| (-) CapEx | [BRL mm] | | | (1,105) | (893) | (679) | (783) | (925) | (987) | (1,006) | (922) | (869) | (912) | (957) | (960) | (1,003) | (1,003) |
| (-) Change in NOWC | [BRL mm] | | | (843) | 618 | 34 | 187 | (183) | (118) | (63) | (111) | (135) | (134) | (137) | (124) | (119) | (119) |
| **FCFF** | **[BRL mm]** | **-** | **-** | **(641)** | **706** | **688** | **1,271** | **817** | **1,043** | **1,226** | **1,406** | **1,555** | **1,624** | **1,694** | **1,816** | **1,852** | **16,513** |
| Time Steps | [#] | | | | | | 0.12 | 1.12 | 2.12 | 3.13 | 4.13 | 5.13 | 6.13 | 7.13 | 8.13 | 9.13 | 9.13 |
| WACC | [%] | | | | | | 15.6% | 15.6% | 15.6% | 15.6% | 15.6% | 15.6% | 15.6% | 15.6% | 15.6% | 15.6% | 15.6% |
| Discount Factor | [x] | | | | | 100.0% | 96.4% | 83.4% | 72.2% | 62.5% | 54.0% | 46.8% | 40.5% | 35.0% | 30.3% | 26.2% | 26.2% |
| **Discounted FCF to Firm** | **[BRL mm]** | | | | | | **1,226** | **682** | **753** | **766** | **760** | **727** | **657** | **593** | **550** | **485** | **4,329** |

| Valuation - DCF Methodology (FCFF) | Units | |
|---|---|---|
| **EV** | **[BRL mm]** | **11,529** |
| (-) Net Debt | [BRL mm] | 1,260 |
| **Equity Value** | **[BRL mm]** | **12,789** |
| Fully Diluted Shares OS | [# mm] | 987.1 |
| **Valuation per Share** | **[BRL]** | **12.96** |
| Share Price at Closing Date | [BRL] | 15.16 |
| Upside (Downside) | [%] | (14.5%) |

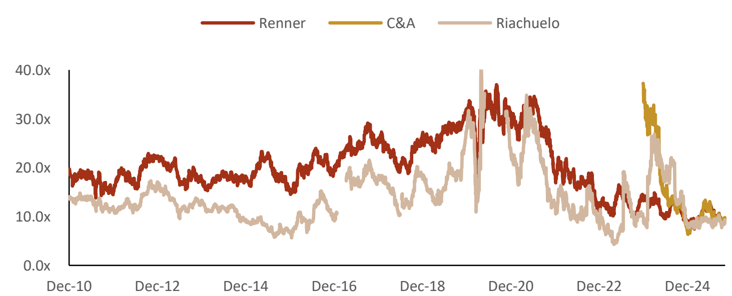
| Intermediate Calculations - DCF | Units | |
|---|---|---|
| **Terminal Growth Rate** | **[%]** | **3.5%** |
| % of Enterprise Value in Explicit Period | [%] | 62.4% |
| % of Enterprise Value in Perpetuity | [%] | 37.6% |

| Implied Multiples | Units | |
|---|---|---|
| EV/EBITDA (FY1 - 2025) | [x] | 3.7x |
| EV/EBITDA (FY1 - 2026) | [x] | 3.5x |
| EV/EBITDA (FY1 - 2027) | [x] | 3.1x |
| P/E (FY1 - 2025) | [x] | 9.1x |
| P/E (FY1 - 2026) | [x] | 9.2x |
| P/E (FY1 - 2027) | [x] | 7.8x |

## Appendix H: Historical Multiples

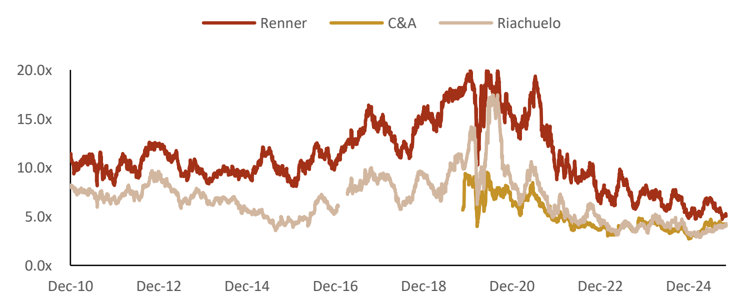
*Source: Company, Team 2*

**Price to Earnings - NTM**



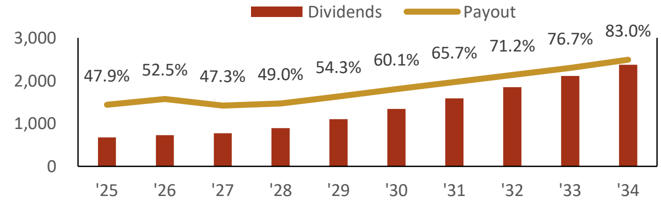

**EV to EBITDA - NTM**

*Source: Factset*



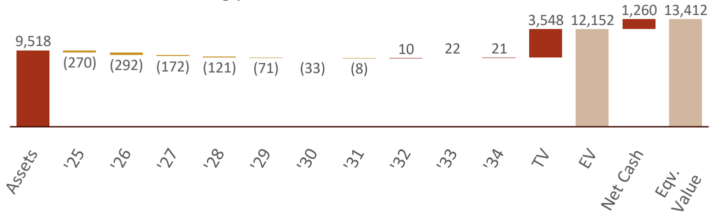
## Appendix I: Discount Dividend Model

We performed an DDM valuation using the company ability to pay Interest on Own Capital. We see Renner distributing an increasing amount of its Net Income up to 83% in 2034 as the company mature and sit on a significant cash position. The IOC is paid upon the calculation base (Shareholders' Equity) and TJLP (Long term Interest Rates). We used a growth rate of 3.5% and a 15.8% Cost of Equity.




## Appendix J: EVA Valuation

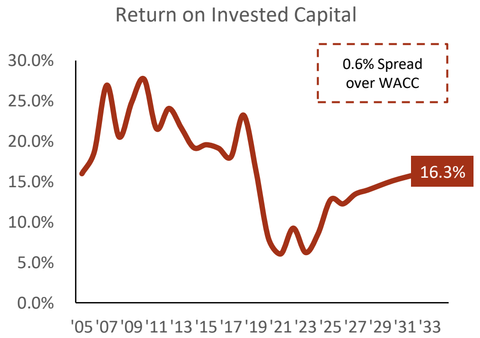
We performed an EVA Valuation to evaluate the difference between ROIC and WACC for the company in the future. We forecast a ROIC to return above WACC in 2032 and stabilizing around 0.6% higher. We summed the current 3Q25 values of Assets in Place (PP&E, NOWC and Leases) and multiplied by ROIC-WACC spread in each year, resulting in a 13.59 BRL target price, representing a 10.4% downside on last closing price.

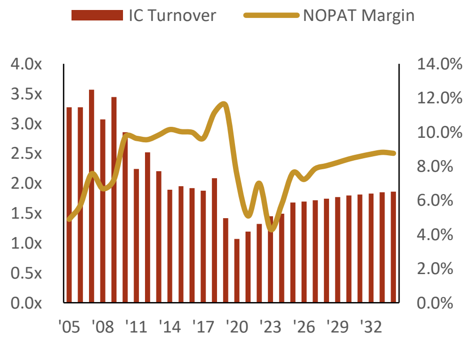



*Source: Team 2*

## Appendix K: Return on Invested Capital

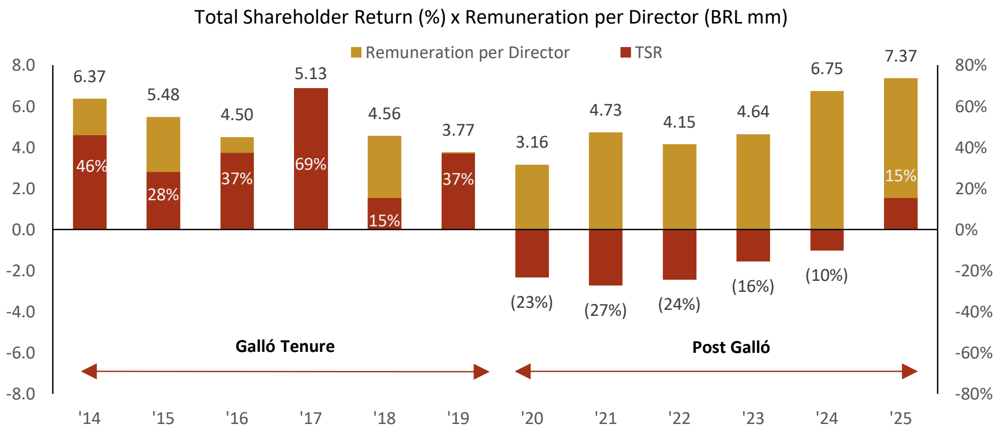
**Methodology:** Historically, Renner had high levels of ROIC derived from both the cost leadership (reflected on IC Turnover) and from differentiation (reflected on NOPAT Margin). As the company grew it became difficult to keep cost leadership, but differentiation has kept Renner returns sustainable. After 2020, with lower margins and IC turnover, Renner begin to deliver returns below WACC for the first time ever. We see this scenario as unlikely to remain in the long term (unsustainable ROIC lower than WACC forever), as we forecast margins gains by less loss on receivables, focused CapEx on new street stores and working capital management. Renner ROIC should surge and stabilize around 16.3%, 0.6% higher than Weighted Average Cost of Capital.




*Source: Companies, Team 2*

## Appendix L: Pay vs. Performance




The Total Shareholder Return (TSR) demonstrates a distinct pattern that contrasts sharply with the tenure of José Galló. During Galló's management, director compensation declined even as shareholders experienced positive returns. However, after Galló's departure from the board, director remuneration started to rise amidst a worsening situation for Renner shareholders. Despite the distribution of substantial dividends and Interest on Capital by the company, the shareholder returns have turned negative, due to a high downside in share price.

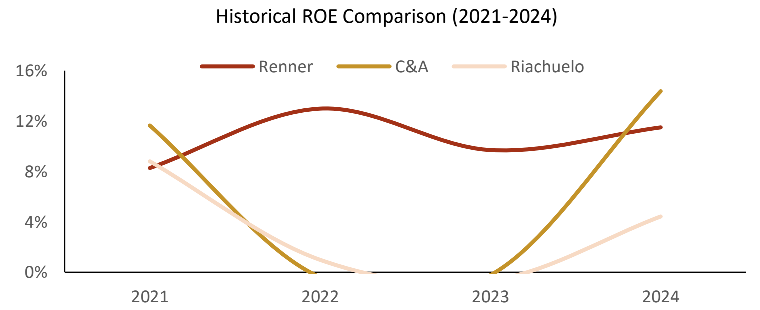
**Methodology:**

$$TSR_t = \frac{(Price_t - Price_{t-1}) + Dividends_t}{Price_{t-1}}$$

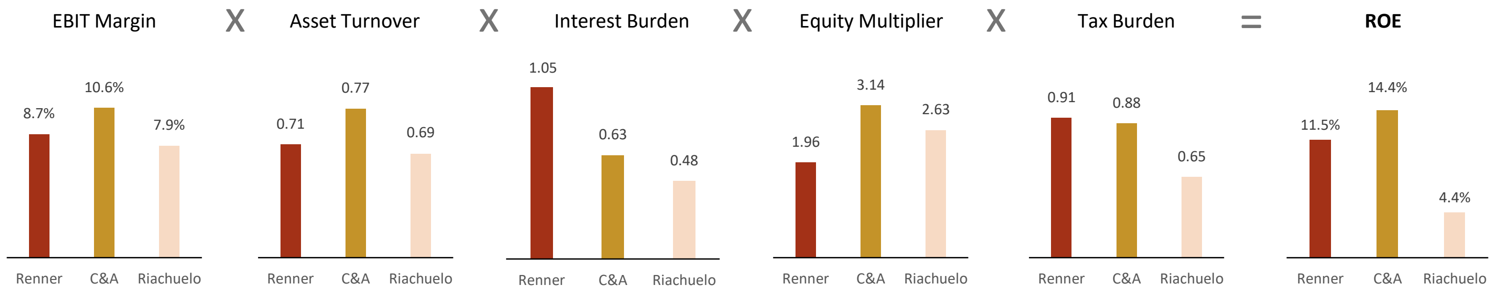
*Source: Companies, Team 2*

## Appendix M: 5-Step DuPont Analysis

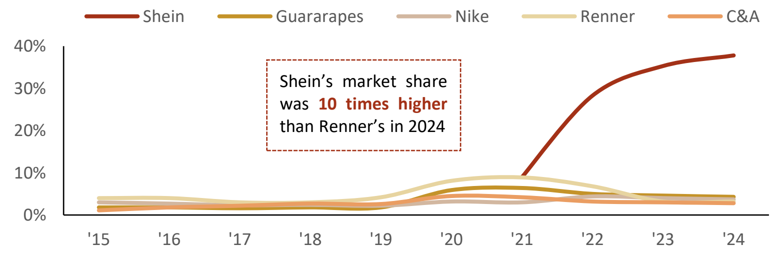
The 2024 DuPont analysis (graphs below) reveals fundamentally distinct strategies, with the ROE trend line (graph on the right) highlighting the critical difference in risk. While C&A recovered from a negative return to the highest among peers, Renner maintained its rentability around 10%, enduring the sector headwinds. The analysis explain the difference between both operations, as C&A's and Riachuelo's high equity multiplier and expressive interest burden reflect a higher-risk model with greater leverage. In contrast, Renner's net-cash positioning provides a positive interest burden that protects its ROE. In summary, the DuPont analysis explained how Renner, as the sector leader and financially healthier company, can endure the negative impacts inherent to the apparel retail sector in Brazil, reinforcing our belief that the company's return tends to normalize positively, but not enough to generate upside.




*Source: Companies, Team 2*



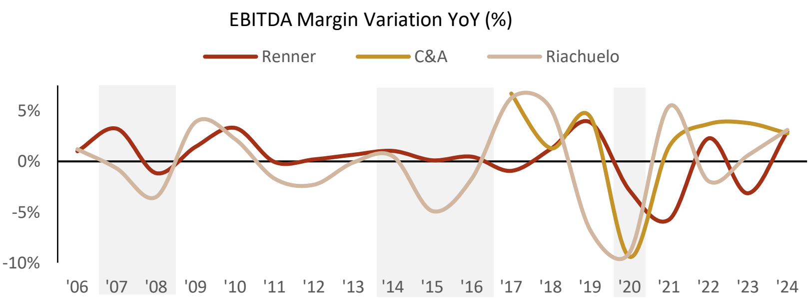
## Appendix N: E-commerce Market Share (%)




*Source: Euromonitor*

Before Shein entered the market in 2021, the structure of the apparel retail sector was stable among the main retailers. However, with the pandemic and changes in consumer behavior, which made it more attractive due to the convenience and ease of online shopping, e-commerce gained significant relevance. In this context, with a brand that attracts the attention of the younger generation, Shein dominated the excess market share, reaching nearly 40% of the total market, a size more than 10 times larger than the largest retailer in the sector in Brazil, Renner. This potential share, if distributed linearly among the 10 largest retail companies in Brazil, would result in an expressive increase of BRL 470 million in Renner's revenue in 2024. This dynamic explains the Chinese retailer's position as the second largest player in the apparel retail market.

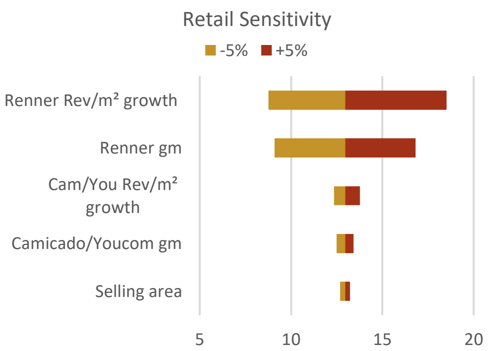
## Appendix O: Crisis Analysis

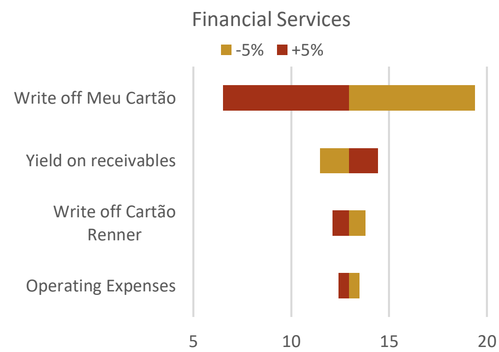


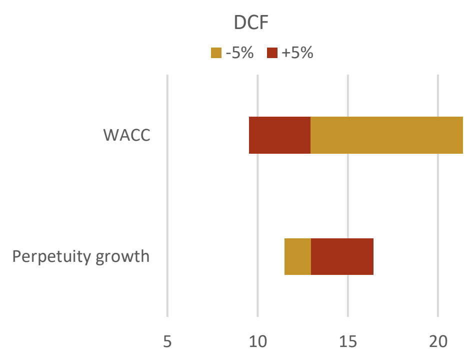

*Source: Companies*

During economic crises, retailers typically experience significant pressure on their EBITDA margins. Historically, Renner has been an exception, recording the smallest margin decrease among Brazil's top three retailers during the 2008, 2015, and 2020 crises. This was especially evident in 2015, when Renner uniquely managed to maintain its margin despite a major recession (Appendix AB). However, this apparent resilience faded during the most recent crisis (the pandemic). Renner was the only company among its peers to continue losing margin in the following year. This suggests the company is now more susceptible to market fluctuations, and its past trend of outperformance during downturns may not continue, indicating it was perhaps more situational than an intrinsic strength.

## Appendix P: Model Sensitivity



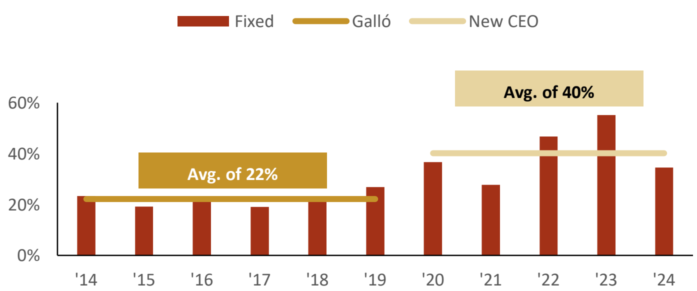




To understand the impact of different metrics in our valuation we conducted a sensitivity analysis with 11 operational and financial premises. For the retail model, Renner's operational metrics are the most relevant to overall value since it represents 91% of total retail top-line. For financial services, the write off % of Meu Cartão, as the most relevant credit portfolio, becomes impactful for share price. However, a 5% increase or decrease represents, on average, a 200% variation in our premises, overestimating the impact of a rise in delinquency. At last, we understand the WACC as an important determinant of share price, but a 5% variation is unlikely to happen.

*Source: Team 2*

## Appendix Q: Shift in Compensation Structure




*Source: Company, Team 2*

Renner's previous management was more closely aligned with shareholder interests. At the time, compensation was more oriented toward the company's profitability targets, as evidenced by the low fixed portion of pay. Recently, the company has started offering a higher fixed salary to its management, averaging 18% more for directors, which has resulted in a nominal increase of 46.4% in total fixed compensation in absolute terms. When comparing salaries and benefits, there is a notable expansion in fixed payments. Among other factors, this increase is mainly due to the new "Talent Retention Plan," which grants a fixed bonus to directors solely for remaining with the company over the next four years. This move runs counter to market suggestions, which favor long-term stock options that incentivize management to increase the market value of the company's shares. Consequently, benefits within the directors' compensation have increased from 12% to 21% of the fixed portion (or from 3% to 9% of the total compensation).

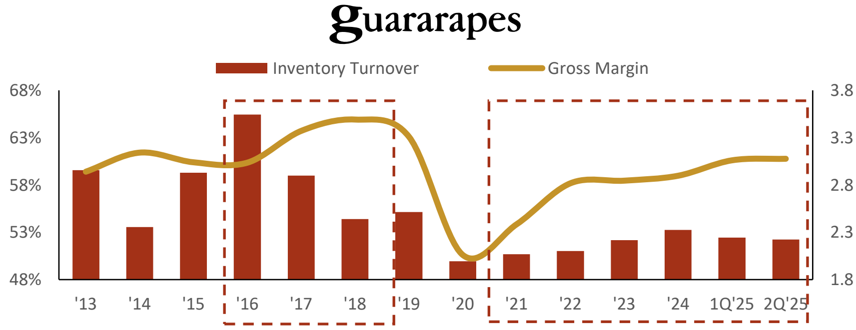
## Appendix R: Push and Push & Pull System

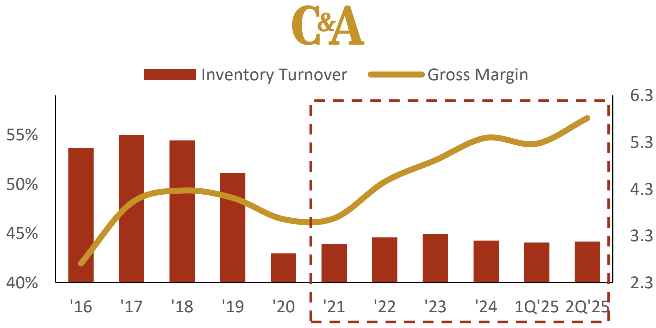
| | Push | Push & Pull (SKUs) |
|---|---|---|
| **Description** | Stores receive **fixed** packs of products, regardless of demand. | Stores order **exact SKUs** based on their specific, individual demand. |
| **Unit** | Pack (e.g., 10 products/pack) | SKU (Individual product) |
| **Stock** | **Store 1 (High Sales):** 10 products<br>**Store 2 (Med Sales):** 10 products<br>**Store 3 (Low Sales):** 10 products<br>**Store 4 (Min Sales):** 10 products | **Store 1 (High Sales):** 12 products<br>**Store 2 (Med Sales):** 10 products<br>**Store 3 (Low Sales)**: 8 products<br>**Store 4 (Min Sales)**: 6 products |
| **Total** | **40** products in inventory | **36** products in inventory |
| **Impact** | Risk of overstock & stockouts | Inventory aligned with demand |

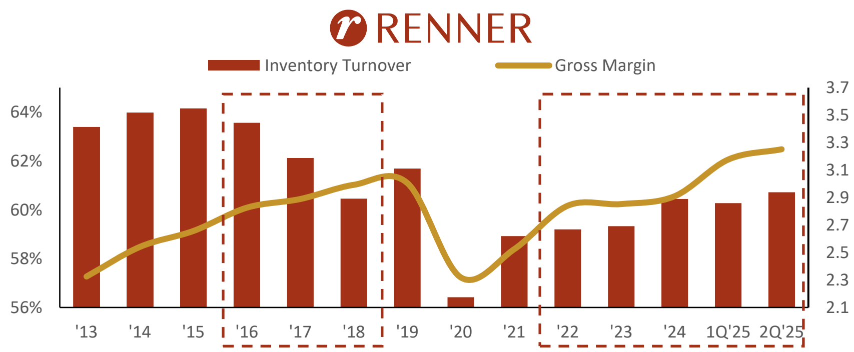
*Source: Company, Team 2*

With the adoption of the Push & Pull model using SKUs, Renner's stores are able to request more accurate quantities based on their specific demand for clothing items, which in turn reduces the necessity for markdowns and minimizes inventory levels. Although the implementation comes with high upfront costs, embracing this new model leads to greater operational efficiency for retailers and provides a competitive advantage within the sector, making this type of innovation a shared objective among industry leaders. Renner made its investment in 2022 (Cabreúva DC), while C&A soon after began its own investment process, at a time when only 40% of their SKUs were included in the strategy. Riachuelo has also started to implement this model, recently increasing its expenditure on logistics to support the transition.

## Appendix S: Logistic Efficiency Analysis



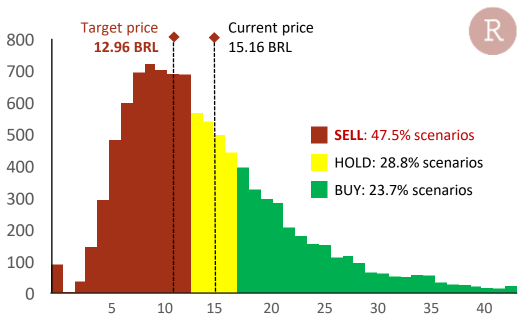




Renner and Riachuelo began their innovation efforts in 2016, introducing improvements in their distribution centers which led to minor enhancements in efficiency. In 2021, C&A intensified its investment in Brazil, increasing Capex by BRL 265 million, with a focus on the supply chain and IT. During the same period, Riachuelo allocated BRL 132 million to store remodels, distribution center upgrades, and IT. However, the most noteworthy transformation came from Renner in 2022, when it constructed its distribution center in Cabreúva at a cost of BRL 1.2 billion, marking the highest logistic expenditure in the sector to date. Unlike the pre-pandemic period, this recent wave of investments has resulted in visibly improved margins, primarily due to the utility of these new logistics networks in supporting e-commerce and the more aggressive implementation of the SKU model.

**Legend:** Logistics innovations ramp-up period

*Source: Companies*

## Appendix T: Monte Carlo Build-Up



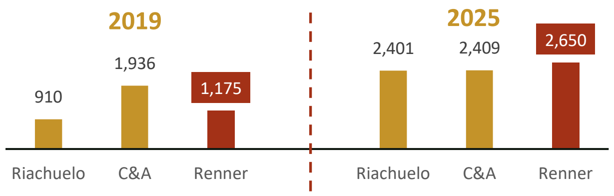

*Source: Team 2*

| Variable | Distribution | Mean | Stdev |
|---|---|---|---|
| Stores Opening | Normal | 67% | 25% |
| Realize Write-off | Normal | 50% | 14% |
| Cost of Equity | Normal | 16% | 3% |

For the Monte Carlo simulation, a normal distribution was assumed for all parameters. The parameters chosen were sensitive points relevant to our valuation, such as the ratio of Renner store openings, the Realize write-off, and our discount rate, Ke. The Renner store number was varied in line with the percentage of openings in our bull case scenario, where Renner would open stores in every potential city in Brazil. Using the mean as the value of our premise, with a standard deviation of 25% for Renner store openings, the historical standard deviation for Realize's write-off, and 3% for the discount rate, we arrived at a sell scenario (price below 14 BRL) in 47.5% of the cases.

## Appendix U: Executive Compensation Analysis

Fixed Compensation per Director in 2019 vs. 2025 (BRL k)




*Source: Companies, Team 2*

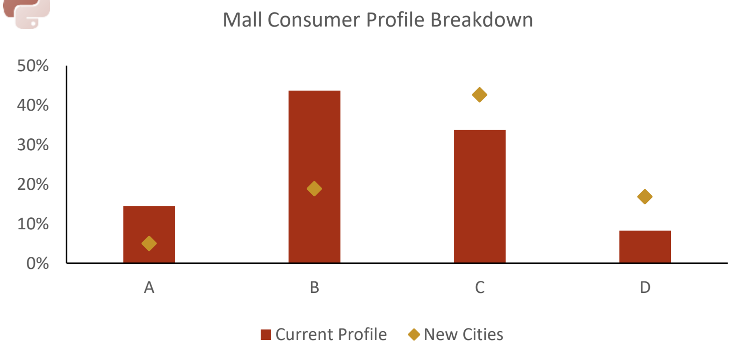
Under the previous management, with Galló as CEO, Renner had the lowest fixed compensation per director (except for Riachuelo, which only had one compensated director), while the company still generated a positive value over its invested capital (2% ROIC-WACC spread), significantly ahead of its peers, as both Riachuelo and C&A displayed negative spreads. However, after the change in management, the company has continuously raised fixed payments, currently holding the highest fixed compensation among its peers by a wide margin, despite a decrease in profitability. Today, the company's return spread stands at negative 5%, matching the rest of the sector. This trend further supports the view that management is increasingly misaligned with the company's interests, in contrast to the previous period.

## Appendix V: Renner's ecosystem overview

Lojas Renner S.A. connects with consumers through a portfolio of seven distinct brands, creating a comprehensive fashion and lifestyle ecosystem. The strategy leverages the scale of the core Renner brand to support and integrate specialized satellite retail operations (Camicado, Youcom, Ashua), a dedicated financial arm (Realize), and enabling platforms for circularity (Repassa) and logistics (Uello). The stated purpose across the portfolio is to enchant the customer.

| | | |
|---|---|---|
| RENNER | The group's core omnichannel fashion and lifestyle retailer, operating in Brazil, Argentina, and Uruguay. Its value proposition is "feminine complicity," offering welcoming experiences and pioneering sustainable, circular collections. | **Consumer brands** Core consumer-facing retail brands, including fashion and home decoration, that drive the majority of group revenue. |
| CAMICADO | A retail network with over 35 years of experience in the "Casa & Decoração" (Home & Decoration) market. It offers a wide variety of products and specializes in gift registries for medium to high-income segments. | |
| YOUCOM | A fashion brand with an urban, "young lifestyle-inspired" style. Operating over 100 stores and a national e-commerce site, its value proposition is to be the "friend brand" (marca amiga) for young people. | |
| ASHUA | A *curve & plus size* fashion brand created in 2016 to inspire female empowerment and diversity. Its value proposition is to "liberate women from stereotypes" through specialized fashion that prioritizes cut, comfort, and style. | |
| repassa | A digital *re-commerce* (resale) platform for apparel, acquired by Renner in 2021. As Brazil's largest online second-hand store, its purpose is to promote conscious, circular fashion by extending the life-cycle of garments. | **Ecosystem Enablers** Strategic platforms and services (Fintech, Re-commerce, Logtech) that enable and support the core retail operations. |
| realize | The ecosystem's financial institution (fintech) supporting the retail operation. Its portfolio includes the "Cartão Renner" (private label), "Meu Cartão" (international credit card), and insurance, integrated into the journey. | |
| UELLO | A native-digital *logtech* (logistics technology) company acquired in 2022. It offers a customized platform for managing urban logistics, specializing in *last-mile* deliveries to enhance the e-commerce experience. | |

## Appendix W: Change in Mall Consumer Profile



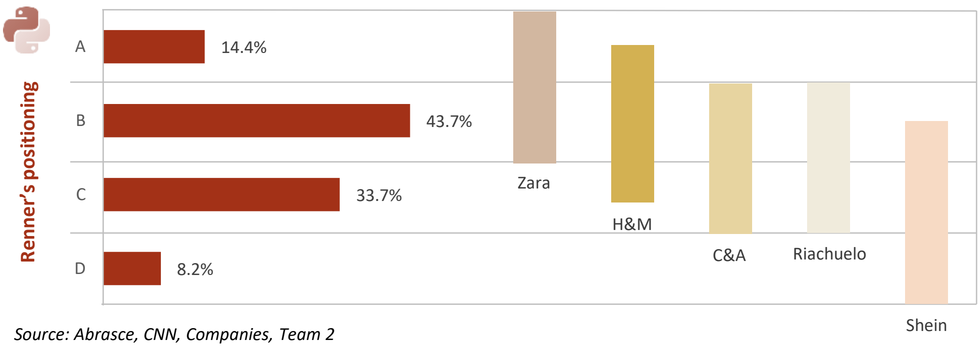

*Source: Team 2*

**Methodology:** To complement our expansion analysis (Appendix AA), we estimated how the consumer profile will change for new Renner stores opening in shopping centers in the targeted cities.

**Results:** Our findings indicate a clear deterioration in purchasing power relative to Renner's current mall footprint. While the existing base is concentrated in B and C income groups (43% and 32%, respectively), the new malls show a pronounced shift toward lower-income consumers: Class C rises to 42%, Class D nearly doubles, and Class B meaningfully declines. Class A compress even further.

This shift could imply in a structurally weaker spending capacity, lower ticket averages, and likely reduced sales productivity per square meter. We did not incorporate these findings in our model but we see as a clear risk for Renner expansion plan.

## Appendix X: Customer Profile Analysis




*Source: Abrasce, CNN, Companies, Team 2*

We conducted a customer profile analysis for Renner based on its mall presence in national territory. Scraping from Abrasce' data base, we were able to quantify a higher presence of classes B and C consumers, similarly to its main Brazilian competitors. However, as stated in our thesis, the lower-bound consumers (from B- to D-) are directly challenged by Shein, and represent above 50% of the total. Therefore, this analysis grounds our assumptions of a stricter pricing policy to deal with digital peers, since more then half of Renner's consumers are being competed for with not only C&A and Riachuelo, but also the new entrant. It is also important to highlight H&M's entrance on the sector, as it leverages a global brand (Zara's strategy) but has a higher overlap in consumers with Renner, challenging for market share on the long-term.

## Appendix Y: Overlap Analysis Summary

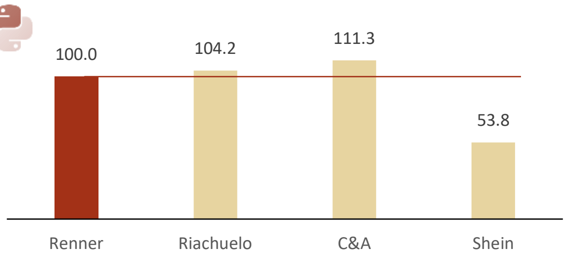
| Radius (km) | With C&A (%) | With Riachuelo (%) | With Both (%) | Isolated (%) |
|---|---|---|---|---|
| 1 | 71.8 | 72.2 | 64.3 | 20.2 |
| 5 | 94.0 | 93.6 | 91.7 | 4.0 |
| 10 | 97.8 | 98.2 | 97.4 | 1.4 |
| 15 | 98.1 | 99.6 | 98.8 | 0.4 |
| 25 | 99.4 | 99.8 | 99.2 | 0 |

*Source: Team 2*

The overlap analysis confirms Renner operates in a highly competitive landscape. While 20.2% of its stores are isolated within a 1 km radius, this isolation plummets to just 4.0% at 5 km. At the 25 km radius, isolation vanishes, with 99.2% of stores facing direct competition from both C&A and Riachuelo. This data underscores the intense market saturation and head-to-head competition defining Renner's footprint.

**Methodology:** A proprietary analysis was conducted using web scraping to collect and analyze store locations. We measured the percentage of Renner stores that had at least one C&A, one Riachuelo, or both competitors present within specified radii (1 km to 25 km) to quantify the degree of competitive overlap and store isolation.

## Appendix Z: Price Index (Renner = 100)



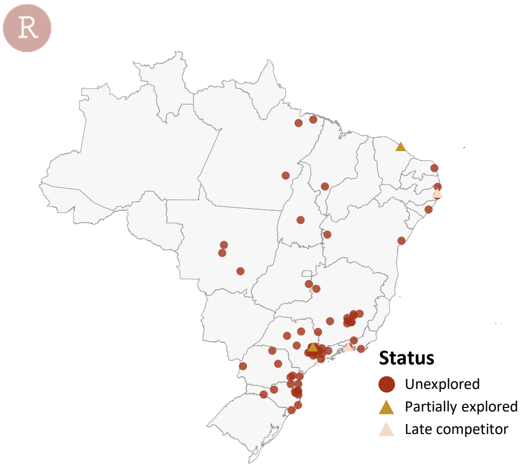

*Source: Companies, Team 2*

Renner offers the lowest prices among the national competitors, with product quality comparable to C&A and Riachuelo, and superior to Shein's lower-quality products. This demonstrates a clear advantage for Renner relative to its national competitors, as it maintains competitive pricing while providing similar quality. However, Renner faces a distinct disadvantage compared to Shein, which, despite its inferior quality, offers even lower prices, making Shein a strong competitor in the budget segment of the market.

**Methodology:** To create the index, we listed 20 products varying from "commoditized" items from more "fashion" ones. This way, by making a detailed description of each product, the comparison became as precise as possible, although Shein's products often lack information on composition and provide considerably lower quality.

| Product | Detailed Description for "Like-for-Like" Comparison | Renner | Riachuelo | C&A | Shein |
|---|---|---|---|---|---|
| 1. Basic White T-shirt | Short sleeve, round neck ("crew neck"), 100% cotton. | 39.90 | 29.99 | 49.99 | 18.99 |
| 2. Ribbed Tank Top | Thin straps, ribbed fabric, cotton with elastane. | 19.90 | 44.99 | 45.99 | 19.99 |
| 3. Skinny Jeans | Skinny fit, high waist, medium blue wash, no rips. | 79.90 | 99.99 | 99.99 | 59.99 |
| 4. Plain Sweatpants | No print, with cuffed ankles and elastic waistband. | 59.90 | 90.99 | 79.99 | 40.99 |
| 5. Black Ribbed Midi Dress | Midi length, ribbed fabric, sleeveless, black color. | 99.90 | 99.99 | 79.99 | 49.90 |
| 6. Traditional Denim Jacket | Traditional blue wash, unlined, with pockets and metal buttons. | 199.90 | 199.99 | 159.99 | 79.90 |
| 7. Basic Denim Shorts | High waist, light wash, no rips. | 99.90 | 99.99 | 69.99 | 49.00 |
| 8. Black Tailored Blazer | Elongated fit, woven fabric (suiting), black color. | 219.90 | 249.99 | 299.99 | 52.00 |
| 9. Basic Black Bodysuit (Polyamide) | No padding, with straps, knit fabric, black color. | 89.90 | 79.99 | 65.99 | 27.99 |
| 10. Black Printed Cotton T-shirt | Cotton, front print of a famous singer. | 79.90 | 44.99 | 39.99 | 57.85 |
| 11. Basic Black T-shirt | Short sleeve, round neck, 100% cotton. | 59.90 | 49.99 | 69.99 | 25.90 |
| 12. Plain Pique Polo Shirt | Plain (one color), pique fabric (textured), with 2 or 3 buttons. | 65.90 | 69.99 | 79.99 | 39.99 |
| 13. Slim Jeans | Slim fit, light blue wash, without many details. | 159.90 | 159.99 | 149.99 | 59.00 |
| 14. Plain Twill Shorts | Twill fabric, basic colors (black), slash pockets. | 85.90 | 76.99 | 69.99 | 35.98 |
| 15. Plain Pullover Hoodie | Closed (no zipper), with hood and kangaroo pocket. | 85.90 | 92.99 | 99.99 | 53.99 |
| 16. White Slim Fit Oxford Shirt | Slim fit cut, oxford fabric, white color. | 159.90 | 159.99 | 159.99 | 89.90 |
| 17. Cotton Boxer Briefs (3-pack) | Boxer style, cotton fabric with elastane, promotional pack. | 69.90 | 55.99 | 59.99 | 35.90 |
| 18. Boys' Sweatshirt Set | Sweatshirt + Sweatpants (1-5 years). | 79.90 | 84.99 | 99.99 | 29.90 |
| 19. Boys' Character T-shirt | Popular licensed character print (5-14 years). | 29.90 | 29.99 | 59.99 | 26.91 |
| 20. Girl's Plain Leggings | Cotton fabric, plain color (black). | 49.90 | 35.99 | 39.99 | 18.99 |

## Appendix AA Expansion Analysis




*Source: Company, Team 2*

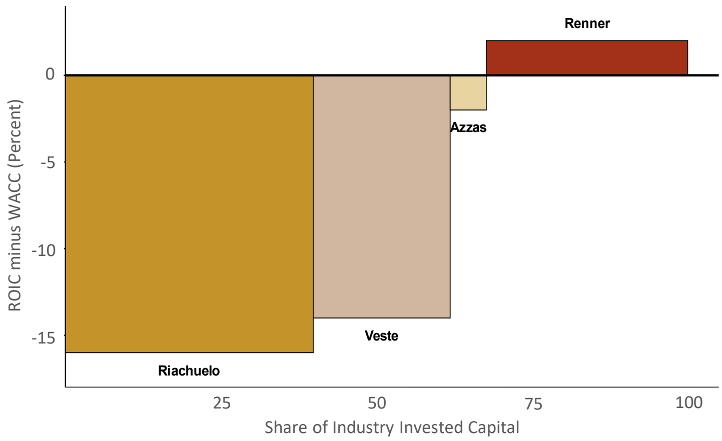
**Methodology:** In order to understand Renner's expansion plan, we conducted a proprietary analysis to determine the potential number of organic store openings. First, we analyzed macroeconomic patterns related to each brand and the company's guidance, mapping every Lojas Renner store and gathering population and GDP data. This data was filtered to remove any city below Renner's target population (50,000 inhabitants) and with a GDP per capita below the weighted average (54,000 BRL). Additionally, to limit the number of stores per city and minimize cannibalization, we calculated a weighted average stores-per-capita metric for Renner, Youcom, and Camicado. In conclusion, we conducted an overlap analysis on these new cities, considering the presence of one or two competitors (C&A and/or Riachuelo), labeling the cities as "Unexplored," "Partially Entered," and "Late Competitor." Finally, we arbitrarily applied a 33% discount for our base case and a 50% discount for our bear case. In addition, if the targeted city has a shopping mall that Renner is not yet present, we assumed the store in that city would be inaugurated on that mall.

**Results:** The analysis identified a potential for 89 new Renner street stores across 73 cities, being 21 inside malls and 68 street stores. The calculation of the stores-per-capita metric also revealed that some cities could support more than one store. Furthermore, the overlap analysis classified these locations based on competitor presence: 69 were "Unexplored" (no C&A or Riachuelo), 2 "Partially Entered" (one competitor), and 2 "Late Competitor" (both competitors). For Camicado, the analysis returned 128 stores, but we believe is unreal due to the brand niche, so, we considered 1 store per year, independently, in line with historic and company management. For Youcom, we see 112 new possible points of sale. This led to the bull case for expanding into all cities. For the base case, a 33% discount was applied (resulting in 59 stores, 9 stores and 84 stores) to adjust for difficulties and competition. The bear case applied a 50% discount, assuming a focused expansion only on "Unexplored" cities.

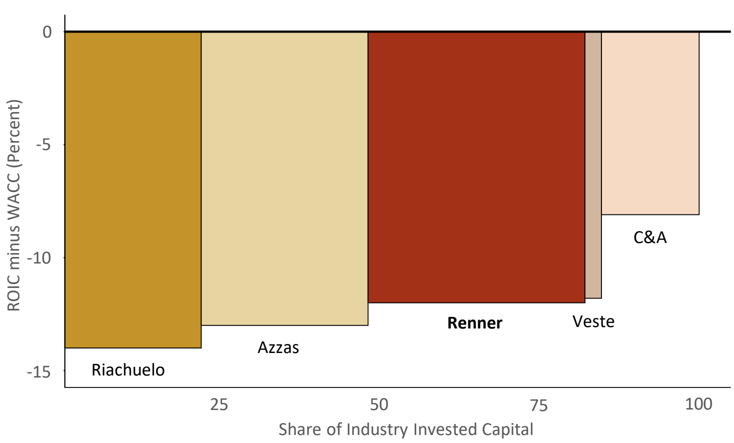
## Appendix AB: Profit Pool

Analyzing how economic profit is distributed among the participants of this industry, we see that Renner was once the leader of the sector in terms of generating excess returns over weighted average cost of capital. In 2015 the company had a ROIC boosted by differentiation and by cost leadership (Appendix K). This scenario changed significantly in the following 10 years with intense competition and structural changes in consumer behavior. This led to every single company in the industry to generate returns below cost of capital.

**Profit Pool - 2015**

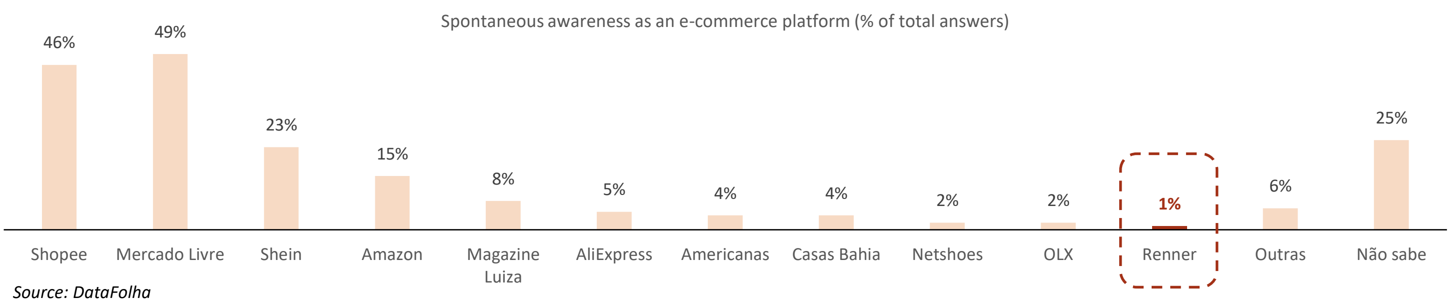



**Profit Pool - 2025**

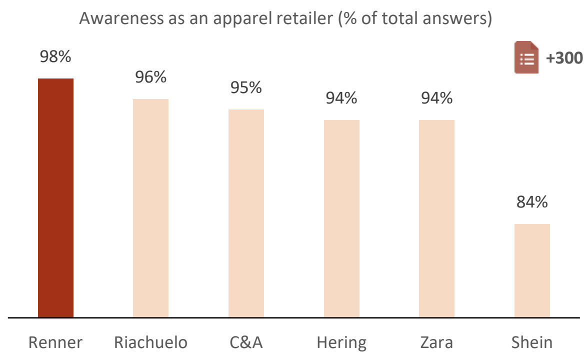



*Source: Bloomberg, Team 2*

## Appendix AC: E-commerce and Retail Brand Awareness




*Source: DataFolha*



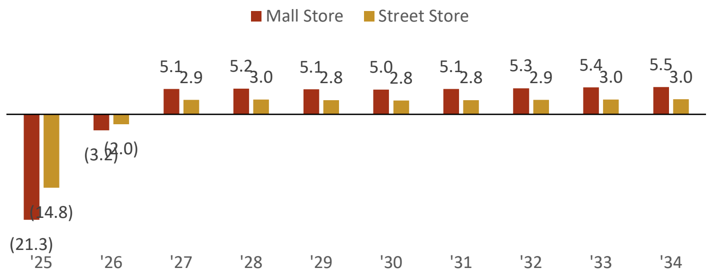

*Source: Team 2*

The transition to e-commerce shaped the sector since the pandemic, and this trend tends to be preserved. Especially when comparing to more developed markets. We believe that current awareness plays a crucial role in capturing the digital share, since it happens in a fast pace, and the e-commerce culture benefits the already stablished companies. This way, we see Renner's presence within the Brick & Mortar operations as near perfection, with almost all of participants in our proprietary research knowing the brand, positioned first when compared to peers (graph on the left). However, we understand that the digitalization of the retail revenue impacts its recognition directly, since its main competitor in the field, Shein, comes as the first apparel retailer and third within all retailers. With this already 23x bigger recognition, Renner's efforts to become an e-commerce company need to be considerably higher, while already in a financial disadvantage to the cross-border peer. On the other hand, none of Renner's national peers appear on the list for top-of-mind (upper graph), demonstrating its leadership in digital efforts against C&A and Riachuelo.

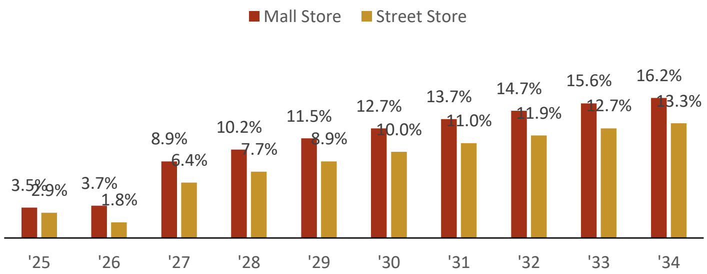
## Appendix AD: Unit Economics

As explored in our thesis, Renner's presence has reached most of available shopping malls, focusing openings on unexplored cities with a street store model. This way, we conducted an interview with Marcos Hirai, president of Brazil's largest apparel association, to understand the difference between both models and explore the financial impact of the new stores. Renner, as the largest player on the sector, has an expressive bargaining power with malls over its rent payment and expansion CapEx, which can be incentivized to attract consumers, leveraging the company's positioning as an "anchor store". These advantages, according to the specialist, could represent rents over 2x smaller than a regular store would pay on the street for the cities with a shopping mall. Regarding the unit's top-line, street stores have 83% of time spent open during the week when compared to mall stores, meaning they generate less revenue on a regular basis. In addition, Renner's stores tend to be considerably bigger in malls (1,775 vs 1,444 m² on average), making it more relevant for consolidated earnings. This way, comparing the added NPV of FCFF of one additional street store (1.21 million BRL) with one additional mall store (7.93 million BRL), there is a clear difference in return. This difference in return will impact Renner's return to past levels of ROIC, making it less profitable when compared to past expansion plans.

Projected FCFF: Mall vs. Street Store




Projected ROIC: Mall vs. Street Store



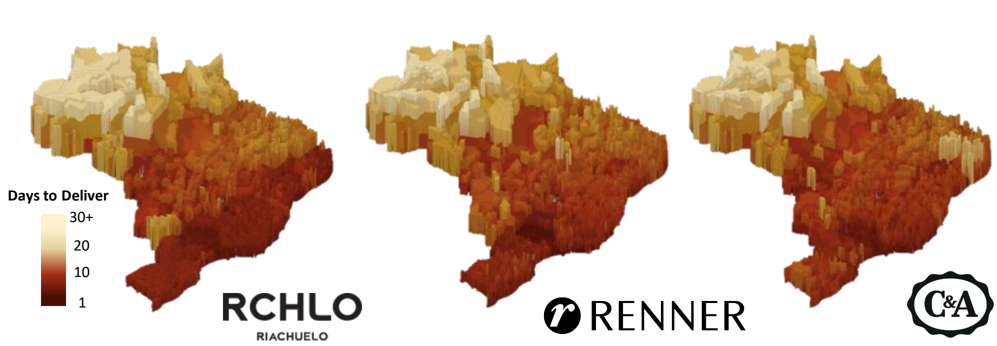

*Source: Opex Retail, Team 2*

## Appendix AE: Regional Distribution of Delivery Performance

Our comparative analysis of "Normal" delivery times across Brazil's three largest fashion retailers reveals a multi-tiered logistical landscape, defined by distinct infrastructure investments and regional strategies. The market is not a uniform race; rather, competitors operate in clearly defined performance tiers.

The "premium" logistics race is a geographic duel between Lojas Renner and C&A. Renner demonstrates robust dominance across Brazil's economic core (the South, Southeast, and Central-West). This performance strongly correlates with its major, automated e-commerce hubs in Cabreúva (SP) and Santa Catarina (SC), resulting in lower median delivery times and greater consistency (a tighter interquartile range) in these key markets.

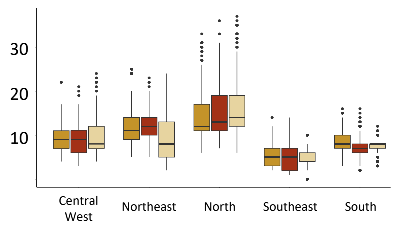
Spatial Comparison: Mean Delivery Time (Business days)




Conversely, C&A shows a clear competitive advantage in the North and Northeast regions. This finding is notable given its SE-based hubs, suggesting C&A employs a more effective long-haul strategy to service the N/NE. Riachuelo establishes the third distinct performance profile. As illustrated in the regional boxplot, its network is characterized not only by higher median delivery times but, more significantly, by a much wider interquartile range across all regions. This high variance suggests a less consistent fulfillment process and a heavier reliance on non-specialized third-party logistics. This positions Riachuelo not as a direct competitor in regional speed, but as a national baseline against which the more optimized networks of Renner and C&A are measured.

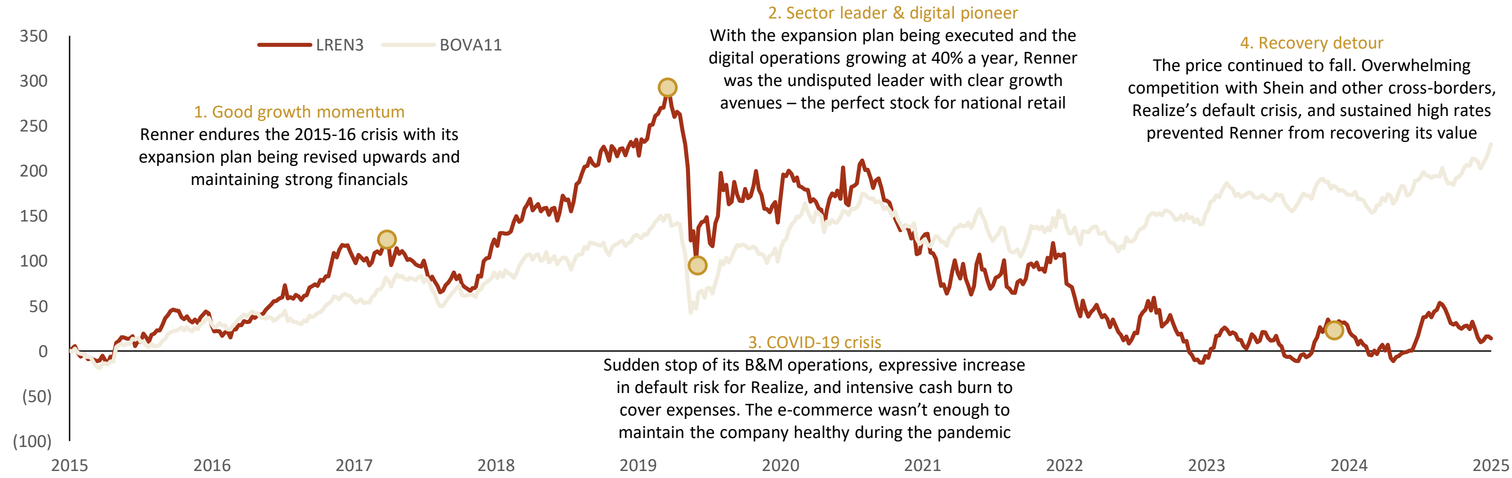
Finally, the analysis reveals a fourth critical finding: vast "tie" zones. In thousands of municipalities, delivery times are identical across two or even all three retailers. This indicates that in these areas, all competitors, regardless of their primary CD infrastructure, ultimately rely on the same third-party provider (likely the national postal service, Correios), turning last-mile logistics into a commodity and neutralizing any individual network advantage.

**Methodology:** This analysis was conducted by comparing over 8,000 e-commerce delivery time quotations for a standard product from Renner and C&A across all Brazilian municipalities. To ensure a true "apples-to-apples" comparison of home delivery logistics, only the "Normal" service type was analyzed, excluding all "Click & Collect" (Retire na Loja) options. This raw data from 8,000+ postal codes was then aggregated by calculating the mean delivery time for each company at the municipality level. The 3D Prism maps, rendered with the *rayshader* package from R, visualize delivery times using both height (taller = slower) and a single, consistent color gradient (Red = Fast, Beige = Slow) to ensure a fair visual comparison.




*Source: Companies, Team 2*

## Appendix AF: 10-year Stock Price Action




*Source: Factset, Team 2*

## Appendix AG: Board of Directors

We classified Renner's management using the framework from Michael Shearn's "The Investment Checklist." The leadership is dominated by homegrown talent (LT1), including the CEO (Fabio Faccio, 25+ industry years) and VPs in core retail areas (Operations, People). This LT1 core is supplemented by hired hands (HH1 / HH2) brought in for functional roles (Finance, Technology). In our view, this composition presents a critical paradox. While a team of company veterans (LT1s) would be expected to champion the firm's long-standing, successful culture (the "Galló way"), our analysis identifies significant cultural and governance departures. This is particularly evident in the recent, controversial changes to executive compensation, raising questions about the strategic direction and alignment this homegrown leadership is truly pursuing.

### Shearn's classification system

OO ←— LT —→ HH

Most knowledgeable and passionate about business — Least knowledgeable and passionate about business

| Classification | Description |
|---|---|
| OO1 | Passionate founder, stakeholder-focused, long-term view. High ownership. |
| OO2 | Owner split between stakeholders and self-interest. Higher pay than OO1. |
| OO3 | Owner focused only on self-interest, ignores stakeholders. Extremely high pay. |
| LT1 | "Homegrown" manager (internally promoted). Risk of failing in the new role. |
| LT2 | Long-tenured external manager, but from the same industry or a competitor. |
| HH1 | "Hired hand" from a related industry. Short-term focused, often a cost-cutter. |
| HH2 | "Hired hand" from a completely unrelated industry. No experience, steep learning curve. |

| Name | Position | Field of expertise | Years of industry experience | Type of manager | Background |
|---|---|---|---|---|---|
| **Fabio Adegas Faccio** | CEO | Business Administration, Retail Management | 25+ | **LT1** | Business Administration graduate (PUC/SP) with an MBA in Retail (FGV/SP). Joined Renner in 1999 as a Trainee and ascended through various management roles (Store Manager, Regional Manager, Stores Director). Served as COO (2015) and Chief Product Officer (2017) before being appointed CEO in April 2019. Previously, was an Admin/Financial Manager at Fasica Construtores (1988-1998). |
| **Fabiana Silva Taccola** | Product and Operations | Data Processing, Financial Products, Operations | 24+ | **LT1** | Data Processing graduate (Mackenzie, 1989). Joined the company in 2012 as General Manager of Financial Products, becoming Director of Financial Products (non-statutory) in 2014. Was responsible for establishing Realize CFI. Took over as Operations Director in 2018 and was appointed VP in May 2025. |
| **Alessandro Santiago Pomar** | Technology and Data | Systems Analysis, IT Management, Digital Transformation | 5+ | **HH2** | Systems Analysis graduate (UCPel, 1994) with an MBA (FGV/SP) and PMDs (IESE, FDC). Over 30 years in IT, including 23 in the Telecom industry (at Oi S.A. and Telefônica S.A., as IT Transformation Director and Architecture/Digital Director). Joined the company in May 2019 as CIO (Technology Director) and was appointed VP in May 2025. |
| **Daniel Martins dos Santos** | Finance, Administration, and Investor Relations | Business Administration, Corporate Finance, Investor Relations | 3+ | **HH1** | Business Administration graduate (USP, 1996) with an MBA (University of Michigan – Ross, 2004) and IBGC certification (2021). Has over 20 years of finance experience at Unilever, serving as VP of Finance (Switzerland), CFO (Spain), and Finance Director (Brazil). Joined Renner as Director in January 2022 and was appointed VP in May 2025. |
| **Regina Frederico Durante** | People, Sustainability, and Institutional Relations | Business Management, People & ESG, Talent Consulting | 10+ | **LT1** | Journalism graduate (Metodista SP) with a postgraduate degree in Business Management (FSA) and an MBA (Ibmec-SP). Began in business (HP Brazil) and moved to HR (Orbitall, Santander, Serasa Experian). From 2012, worked at Korn Ferry International, leading Leadership & Talent practices. Served as a consultant to Renner for 4 years before joining as an executive in 2018. Appointed Director in 2021 and VP in May 2025. |

*Sources: Company, LinkedIn*

## Appendix AH: ESG Proprietary Index

| Index | Criteria | Weight | Renner | C&A | Riachuelo | Grade rationale | Mean | Median |
|---|---|---|---|---|---|---|---|---|
| | **ESG Score** | | **4.3** | **4.1** | **3.6** | | 4.0 | 4.1 |
| **E** | **Environmental** | | | | | | | |
| E1 | Climate & Emissions (GRI 305) | 15% | 4.2 | 3.9 | 3.8 | Emissions reporting quality (Scopes 1-3) and alignment of reduction targets (SBTi). | 4.0 | 3.9 |
| E2 | Sustainable Fibers Mix (GRI 301) | 10% | 4.1 | 4.4 | 3.5 | Penetration of sustainable fibers (certified/recycled) in total mix and clarity of 2030 targets. | 4.0 | 4.1 |
| E3 | Energy & Water Intensity (GRI 302, 303) | 5% | 4.5 | 3.0 | 4.0 | Intensity and reduction trajectory for energy and water consumption. | 3.8 | 4.0 |
| E4 | Chemicals & Effluents (ZDHC) (GRI 306) | 3% | 4.2 | 4.1 | 4.0 | Supply chain (Tiers 1-2) compliance with chemical/effluent standards (ZDHC). | 4.1 | 4.1 |
| E5 | Circularity & Waste (GRI 2-23, 2-27) | 2% | 4.5 | 4.5 | 3.5 | Effectiveness of operational waste management and post-consumer circularity programs. | 4.2 | 4.5 |
| **S** | **Social** | | | | | | | |
| S1 | Supply-chain Labor Compliance (GRI 414-1, 408-1, 409) | 20% | 4.7 | 4.6 | 4.2 | Supply chain due diligence: audit coverage (% ABVTEX), non-conformities, and transparency (Tier 1 list). | 4.5 | 4.6 |
| S2 | DE&I in Leadership (GRI 405-1, 405-2) | 7% | 4.5 | 4.2 | 3.1 | Representation of women & Black/indigenous people in leadership; clarity of public targets. | 3.9 | 4.2 |
| S3 | Worker Health & Safety (GRI 403) | 5% | 4.3 | 4.0 | 4.2 | Effectiveness of safety: TFIR/LTIFR rates, coverage, and Y-o-Y reduction. | 4.2 | 4.2 |
| S4 | Learning & Mobility (GRI 404) | 5% | 4.2 | 3.5 | 3.3 | Investment in talent: average training hours per employee and internal promotion rates. | 3.7 | 3.5 |
| S5 | Community & Customer Impact (GRI 413-1, 203-1) | 3% | 4.8 | 5.0 | 4.8 | Community investment ($/beneficiaries), social programs, and product safety/recall performance. | 4.9 | 4.8 |
| **G** | **Governance** | | | | | | | |
| G1 | Board Independence & Diversity (GRI 2-9, 405-1) | 7% | 4.5 | 4.0 | 2.5 | Board quality: % independence, CEO/Chair separation, and diversity (gender/race). | 3.7 | 4.0 |
| G2 | ESG Oversight & Pay Linkage (GRI 2-12/13, 2-19/20) | 5% | 3.2 | 3.0 | 2.4 | Incentive alignment: ESG Board Committee and % of executive variable pay linked to ESG. | 2.9 | 3.0 |
| G3 | Ethics and Business Conduct (Anti-corruption) (GRI 205) | 2% | 4.5 | 4.0 | 3.6 | Robustness of anti-corruption training and whistleblower channel effectiveness. | 4.0 | 4.0 |
| G4 | Shareholder rights & capital structure (GRI 2-24, 2-25) | 4% | 4.6 | 4.0 | 4.0 | Minority shareholder protection: capital structure (1 share=1 vote) and RPT policy | 4.2 | 4.0 |
| G5 | Transparency & Reporting Quality (GRI 2, 3) | 2% | 4.5 | 4.0 | 3.7 | Reporting quality: Level of external assurance and adherence to GRI/SASB/IFRS. | 4.1 | 4.0 |
| G6 | Pay for Performance Discipline (GRI 2-19, 2-20) | 5% | 2.1 | 3.7 | 3.3 | Pay policy clarity and rigor of executive performance targets. | 3.0 | 3.3 |
| **FC** | **Future commitments** | | | | | | | |
| FC1 | Long-Term Decarbonization Strategy | 33% | 4.6 | 4.2 | 4.1 | Ambition and credibility of long-term decarbonization targets (e.g., validated SBTi). | 4.3 | 4.2 |
| FC2 | Transition to a Circular Economy | 33% | 4.8 | 4.5 | 3.0 | Commitment level (clear targets, $ invested) to a circular economy transition. | 4.1 | 4.5 |
| FC3 | Commitment to a Transparent and Fair Supply Chain | 33% | 4.7 | 3.5 | 3.0 | Commitment to supply chain traceability (beyond Tier 1) and fair pay (living wage). | 3.7 | 3.5 |
| E | Environmental score | | 4.2 | 4.0 | 3.7 | | 4.0 | 4.0 |
| S | Social score | | 4.6 | 4.3 | 3.9 | | 4.3 | 4.3 |
| G | Governance score | | 3.8 | 3.7 | 3.1 | | 3.5 | 3.7 |
| | Present effort (80%) | | 4.2 | 4.1 | 3.7 | | 4.0 | 4.1 |
| | Future effort (20%) | | 4.7 | 4.1 | 3.4 | | 4.0 | 4.1 |
| | **ESG Score** | | **4.3** | **4.1** | **3,6** | | 4.0 | 4.1 |

**Methodology:** Our proprietary ESG index is built upon publicly available sustainability data for the Brazilian fashion retail sector. The framework's criteria are defined by the Global Reporting Initiative (GRI) standards to ensure comprehensive and consistent disclosure analysis. To more accurately capture the sector-specific dynamics, the index introduces a risk-adjustment methodology. Each criterion is assigned a specific weight based on its materiality to the "Apparel, Accessories & Footwear" industry, as defined by the Sustainability Accounting Standards Board (SASB). This weighted-average approach results in a final score that reflects each company's performance on the ESG issues most significant to their operations and long-term value creation.

| Rating | Position | Description |
|---|---|---|
| 1 | Laggard | No evidence of action or disclosure; significant gap versus industry practice or regulation. |
| 2 | Emerging | Initial efforts are visible but lack structure, targets, or significant results. |
| 3 | Average | Performance meets industry benchmarks or minimum regulatory requirements; consistent effort is demonstrated. |
| 4 | Outstanding | Shows above-average dedication and superior results; proactive management and clear strategic integration. |
| 5 | Sector leader | Sets the benchmark through innovation and exemplary performance; demonstrates clear leadership and positive outcomes that create a competitive advantage. |

*Sources: Companies, GRI, Team 2*