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CORPORATE FINANCE

# Lojas Renner S.A.

Economic and Financial Valuation Report  
(Free translation of the original issued in Portuguese)

Advisory

April 4<sup>th</sup>, 2011



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To the Board of Executive Officers  
**Lojas Renner S.A.**  
Porto Alegre, RS, Brasil

April 4<sup>th</sup>, 2011

Attention: Mr. Gildo Melo da Silva

Dear Sirs,

In accordance with the terms of our proposal for professional services dated March 14<sup>th</sup>, 2011 and subsequent understandings, we have performed a financial and economic valuation of **Maxmix Comercial Ltda.** on the base date of December 31<sup>st</sup>, 2010.

Note: This document is a free translation of the original document, dated April 4<sup>th</sup>, 2011, issued in Portuguese. In case of any discrepancy, the Portuguese version prevails.

We considered that, with the delivery of this report, the services which are the subject of our contract are fully concluded.

Very truly yours,

**Luis Augusto Motta**  
*Partner*

KPMG Corporate Finance Ltda., uma sociedade simples brasileira, de responsabilidade limitada, e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Corporate Finance Ltda., a Brazilian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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# 1. Introduction

## Background (Source: Lojas Renner)

- Lojas Renner (“Renner” or “Customer”) is the second largest clothing department store network in Brazil, with a total of 134 stores, a sales area of 274.7 thousand square meters and over twelve thousand employees.
- Renner is consummating the acquisition of Maxmix Comercial Ltda. (“Camicado” or “Company”), which is a company with the following main characteristics:
  - Gross revenue of over R\$150 million;
  - 27 stores in São Paulo, Rio de Janeiro, in the Middle-West and South regions and in Minas Gerais;
  - One Distribution Center;
  - 850 employees; and
  - No financial products.
- It should be emphasized that the Company does not have audited financial statements.
- In this context, we were engaged to perform the economic-financial valuation of Camicado.

## Objective

- The purpose of our work was to perform an independent economic-financial valuation of Camicado in order to comply with the provisions of Article 256 of the Corporation Law and with Exhibit 19 of CVM Regulation No. 481.

- For that purpose, we developed the procedures described in section “Scope” of this proposal and fulfilled the requirements set forth by the specific legislation as well as the limitations described in said section.

## Valuation criteria

- The Discounted Cash Flow (“DCF”) was the criteria adopted to estimate the value of Camicado.
- DCF criteria is described on Chapter 2 of this report.

## Sources of information

- The base date considered for the valuation was December 31<sup>st</sup>, 2010.
- This valuation was mainly based on the following information:
  - Non-audited historical analytical balance sheets of the Company on December 2008, 2009 and 2010.
  - Internal documents prepared by Renner’s management team.
  - Information obtained through interviews with Renner’s management team.
  - Market research on the sector of the Company provided by Renner’s management team.

## Scope

- The scope of this work comprised the following main procedures:
  - Interviews with Renner’s management team to obtain information regarding the Company’s background and prospects;
  - Analysis of the trial balances related to the last 3 fiscal exercises of the Company;
  - Analysis and discussions of Camicado’s financial projections and corresponding assumptions provided by Renner’s management team;

# 1. Introduction (cont.)

- Analysis of market data, provided by Renner's management team, and a comparison of these figures with the data publicly published by or available from class entities;
- Estimate of the discount rate to be applied in the valuation;
- Business modeling of Camicado's operations; and
- Sensitivity analysis on relevant assumptions.

## Important notes and scope limitations

- The valuation and the financial projections are substantially based on assumptions and information provided by Renner's management team and discussed with KPMG.
- Valuations in general present significant degrees of subjectivity. Furthermore, the projections and assumptions used in valuations are based in future expectations, which could be confirmed or not, in view of the fact that projected events may not occur, due to a number of exogenous economic and operating factors. Thus, there are no guarantees that any assumptions, estimates, projections, results or conclusions presented in the valuation report will be effectively observed and/or verified, in its entirety or partially. The figures observed in the future may be different and the differences may be significant. These possibilities are not a bias or a defect of the valuation process and are recognized as part of its nature.
- It is also emphasized that it is in the nature of financial models of valuation by discounted cash flow that any and all assumptions alter the value estimated for the company that is being valued. Such possibility does not represent a negligence of the valuation, but it is recognized by the market as part of the nature of the process to value a company by the discounted cash flow criteria. Thus, it is impossible for KPMG, as an evaluator, to assume responsibility or be held responsible for any divergences between the projected future results and those effectively assessed a posteriori due to the variances in the market conditions and in the business of the valued company.

- Any future investors, whether in the Company, or in any other entity, that may directly or indirectly invest in the Company, must conduct their own analyses as to the convenience or opportunity of making such investment and should consult their own legal, tax and financial consultants in order to establish their own opinions on the opportunity in an independent way.
- During our work, we carried out some verification procedures deemed appropriate in the valuation context. However, it must be pointed out that this work should not be interpreted as an auditing work in accordance with generally accepted auditing procedures, and must not be interpreted as such.
- KPMG is not responsible for the integrity, sufficiency and accurateness of the information provided by Renner's management team and the Company, and in any event will be responsible for any damages or losses resultant from the lack of information.

## Subsequent events

- The discounted cash flow criteria is based on the equity position of the Company, as of December 31st, 2010 (valuation base date), and on information obtained before the issuance of this report.
- We emphasize that relevant events that have taken place between the base date of the valuation and the issuance date of this report, and which were not brought to the attention of KPMG, may affect the value estimated for the Company.
- KPMG was not hired to update this report after its issuance date.

## Free translation

- This summary report is a free translation to English (requested by Renner's management team) of the report issued in Portuguese. If there are any discrepancies or differences between the versions, the version in Portuguese will prevail.

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## 2. Valuation criteria

- As previously mentioned, the discounted cash flow criteria was adopted in the economic-financial evaluation of Camicado.
- The discounted cash flow criteria is applicable to any company that has a business plan in place which is consistent and achievable. This criteria is especially recommended in relation to companies which have reasonable prospects for expansion or significant changes in profitability parameters from its operations and which business plan is regarded as adequate to enable estimating and measuring these events.
- This criteria also includes the value of intangible assets such as trademarks, customer portfolio, and market share, since these assets can reflect the capacity of the company to generate results.
- The discounted cash flow criteria is based on the concept that the value of a company is directly related to the amounts and periods during which free cash flows, derived from operations, will be available for distribution. Therefore, for the shareholder, the value of the company is measured by the amount of financial resources that are expected to be generated in the future by the business, discounted to present value, to reflect the time and risk associated with the distribution. For the purposes of this valuation, it is considered that 100% of excess cash flows would be available for distribution at the time they are generated.
- Contingent assets, non operating assets and investments are added to the value obtained, as described above, while existing bank debts, loans, contingent liabilities and non operating liabilities are subtracted, when applicable, to arrive at the value of the company (Equity value).
- In order to calculate future cash flows generated by a company's operations, income statements are projected. The projected values of expenses with depreciation and amortization are added to the projected values (since they are non-financial expenses), the projected investments are deducted and the balance of the projected net working capital is added. Other items that affect the company's cash flow are also considered when appropriate.
- However, it is important to point out that the net profit calculated in the income projections should not be compared with the accounting net profit to be reported in subsequent financial years. This is due to the fact, among other reasons, that the effective net income is impacted by non-operating or non-recurrent factors, which (since they are not known in advance) are not considered in the projections, such as occasional revenue, non-operating revenue, revenue and/or expense with monetary and exchange variations, and others.
- The projection of future income statements is for the purpose of calculating the projected cash flows of the company that is being valued and comprises future cash flows available for both shareholders and creditors. At this stage of the valuation, the objective is to estimate the capacity to generate cash from the company's normal operations, in other words, its potential to generate wealth to the providers of capital as a result of its operating characteristics.
- The calculation of the discount rate is a fundamental stage of a valuation. This factor reflects subjective aspects which vary from investor to investor such as cost of opportunity and personal perception of the investment risk involved.
- The WACC (Weighted Average Cost of Capital) is generally used as the discount rate to be applied to the projected cash flows of the company.
- The discount rate is calculated on the basis of a capital structure to be adopted over the long term to finance the operations of the company being valued and based on the average weighted cost of equity capital and the cost of net debt, inherent to the capital structure.

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# 3. Company description

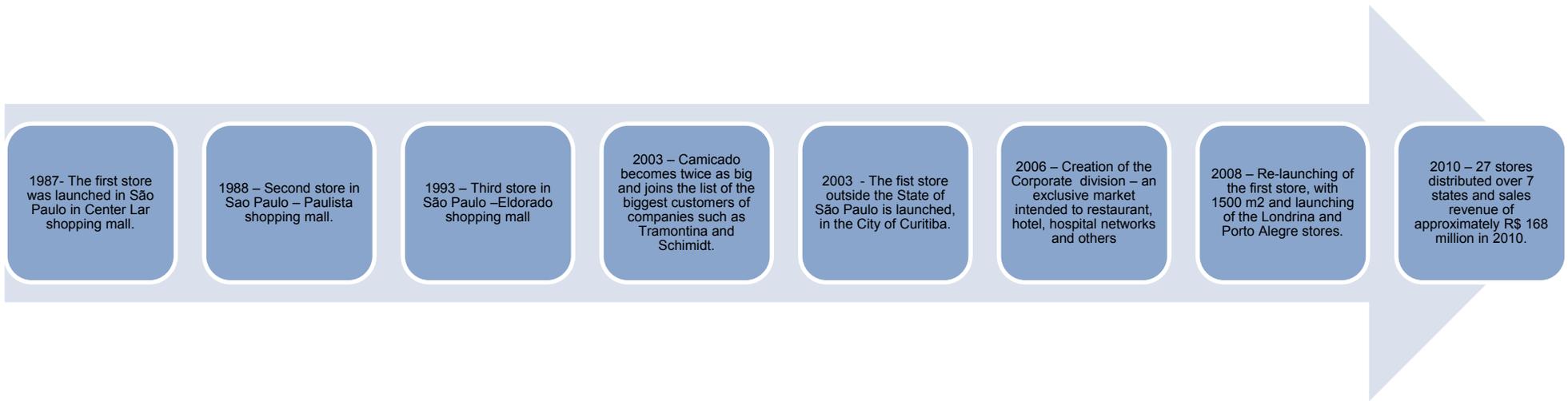
(Source: Lojas Renner / Camicado)

## Company description

- Camicado was created by the son of a Japanese couple, Minolu Camicado, and started as a vegetable stall in a street market in the City of São Paulo. In 1980, after years working as stallkeeper, he decided to open a store in São Paulo, also to sell vegetables, but over the time the shop started to sell toys and other items, such as party supplies and kitchenware.
- In 1987, the Company opened its first Camicado store at Center Lar shopping mall, operating in the segment of home decoration, with a second store being opened in the next year, in Paulista shopping mall. The network increased, as did its product mix, and by the end of the 1990s Camicado became the biggest network of wedding gift registries operating in Brazil, reaching the number of 10 stores in operation.

## Differential

- Camicado operates in the segment “Wedding List”, whereby an engaged couple chooses items out of a variety of bed, bath and kitchen items, kitchenware, decoration and appliances. In the City of São Paulo, Camicado has currently become the leader of the wedding gift registries, with approximately 41 thousand wedding gift registries in 2009 out of a total of 51 thousand weddings recorded in the city.
- As a result of having earned the trust of the consumers, over the years Camicado has created its own brand of products that receive the Camicado Exclusive Seal and are only available at the network stores.
- The Company currently performs e-commerce, thus providing more convenience to its customers. This internet sales segment accounts for approximately 15% of the total sales revenue of the network.
- Currently, an average 6.5 million of people visit the 27 Camicado stores per year.

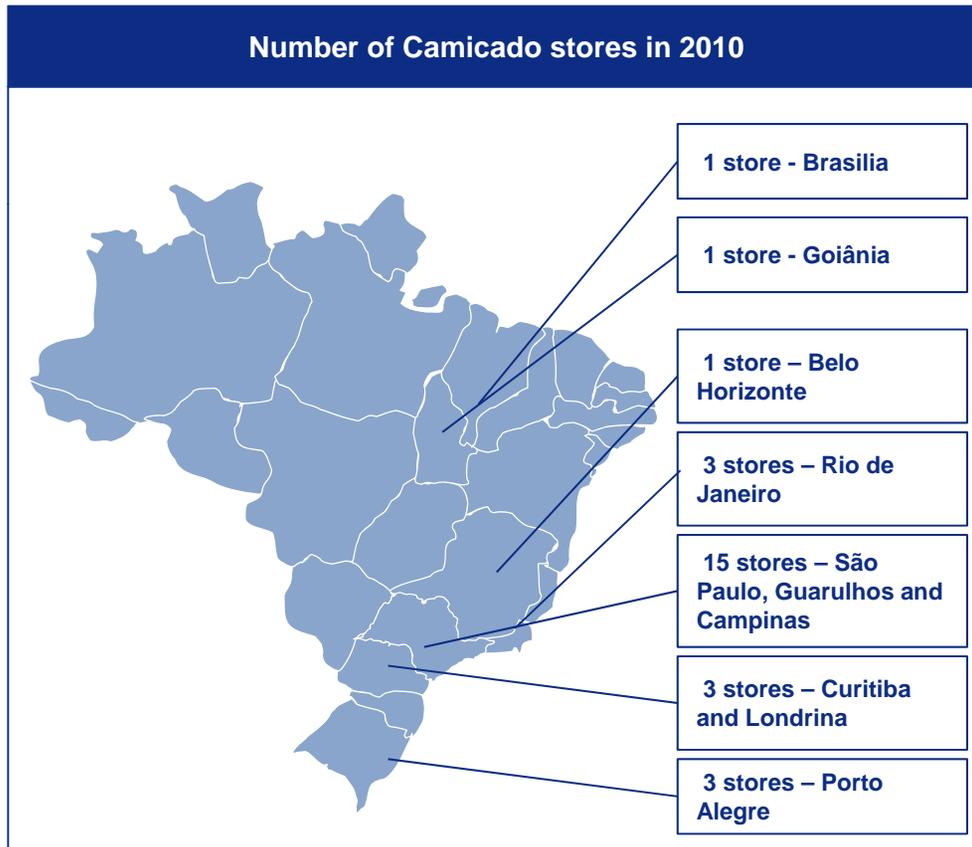


### 3. Company description (cont'd.)

(Source: Lojas Renner / Camicado)

#### Regional distribution

- Camicado network currently has 27 stores in 7 states (São Paulo, Rio de Janeiro, Federal District, Rio Grande do Sul, Goiás, Minas Gerais and Paraná), as shown in the map below:

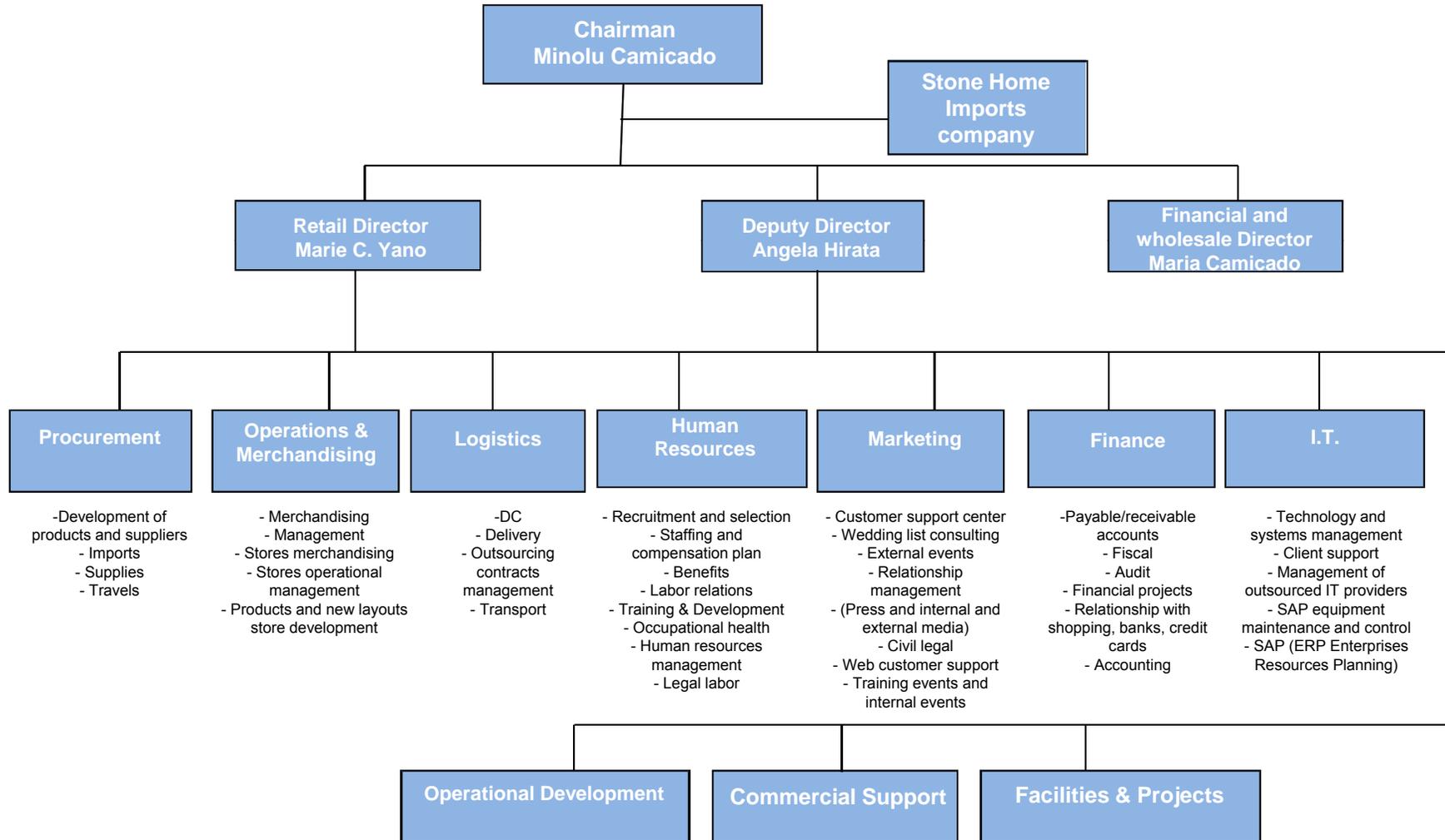


### 3. Company description (cont'd.)

(Source: Lojas Renner / Camicado)

#### Organization chart

- The following is the Company organization chart:



### 3. Company description (cont'd.)

(Source: Lojas Renner / Camicado)

#### Product line

- The Company products are classified as follows:
  - **Bed, kitchen and bath:** This section comprises bath towels, bed sheets, mattress pads, tablecloths, placemats, pillows, and so on.
  - **Decoration:** This section comprises home accents, vases, *bombonieres*, portrait frames, wall clocks and air fresheners.
  - **Portable Electronics:** This section comprises portable electronics devices. Camicado works with blenders, coffee machines, steam irons, grills, among others.
  - **Utensils:** This section comprises essential products for organization, such as silverware holders, cloth and waste baskets; products for cooking, like cutting boards, baking trays, pots/pans and ovenware and kitchenware; and products to serve food, such as trays, snack kits, fondue pots, glasses, jars, cutlery, among others.



#### Main suppliers

- The Company has a large list of suppliers due to the variety of its product mix. We listed some of them below:
  - Tramontina;
  - Brinox;
  - Porcelanas Schmidt;
  - Karsten;
  - Coteminas;
  - Santa Maria;
  - Nadir; and
  - Groupe SEB.

### 3. Company description (cont'd.)

(Source: Lojas Renner / Camicado)

#### Financial statements

- Set below the balance sheet and profit & loss (non audited historical financial information):

Balance sheet (R\$ Thousand)	2009	2010
<b>Assets</b>		
<b>Current</b>	<b>27.641</b>	<b>39.803</b>
Cash and Cash equivalents	591	82
Accounts receivable	10.041	17.008
Others	1.622	1.035
Advances to employees	31	62
Advances to suppliers	48	196
Other advances	1.436	21
Tax credits	62	66
Others credits	45	690
Inventory	15.388	21.677
<b>Non current</b>	<b>3.462</b>	<b>5.575</b>
Investment	5	-
Fixed assets	2.592	2.427
Intangible	865	3.149
<b>Total assets</b>	<b>31.104</b>	<b>45.379</b>
<b>Liabilities &amp; shareholders equity</b>	<b>31.104</b>	<b>45.379</b>
<b>Current</b>	<b>30.336</b>	<b>44.108</b>
Suppliers	24.525	29.809
Labour and fiscal obligations	2.777	3.724
Loans	1.761	7.988
Other payables	1.273	2.587
<b>Non current</b>	<b>-</b>	<b>382</b>
Labour and fiscal obligations	-	382
<b>Shareholders equity</b>	<b>768</b>	<b>888</b>
Capital	570	570
Retained earnings	205	
Retained losses	(8)	(803)
Net profit / (loss)	-	1.121
<b>Total liabilities &amp; shareholders equity</b>	<b>31.104</b>	<b>45.379</b>

Profit & Loss (R\$ Thousand)	2009	2010
<b>Gross sales</b>	<b>163.228</b>	<b>168.721</b>
Deductions	(26.354)	(15.671)
<b>Gross revenues</b>	<b>136.874</b>	<b>153.050</b>
Taxes on sales	(17.811)	(25.439)
<b>Net revenues</b>	<b>119.063</b>	<b>127.611</b>
Cost of goods sold	(80.883)	(75.590)
<b>Gross profit</b>	<b>38.180</b>	<b>52.021</b>
Selling, general & administrative expenses	(39.311)	(51.520)
<b>EBITDA</b>	<b>(1.131)</b>	<b>501</b>
Depreciation and amortization	(493)	(874)
<b>EBIT</b>	<b>(1.624)</b>	<b>(373)</b>
Non operating (expenses) / income	3.112	2.056
<b>EBT</b>	<b>1.488</b>	<b>1.683</b>
Income tax and social contribution	(479)	(562)
<b>Net profit / (loss)</b>	<b>1.009</b>	<b>1.121</b>

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# 4. Assumptions

## Initial considerations

- The assumptions adopted on the projections were provided by the Renner Management and analyzed by KPMG.

## Currency

- The estimates were made using Real as the currency, and were prepared based on the par value for the base date of December 31, 2010.

## Projection period

- From a theoretical point of view, given the continuity of the market of the Company, the projection horizon would extend to infinity. However, due to practical reasons (including the difficulty of estimating parameters for longer periods), we considered a projection horizon limited to a few years, according to the Company's features and current situation, and at the end of such period, a terminal value is added.
- In this valuation study, considering Camicado's features and current situation, we adopted a projection horizon of 10 years (starting in December 31, 2010), and the estimation of the terminal value based on the perpetuity of the normalized cash flow of 2020.
- The terminal value was calculated based on a perpetual future cash flow, on the grounds of the normalized value of the operating cash flow of the last estimated year. Based on the Company characteristics, it was also considered the perpetuity growth of the cash flows after the forecasting horizon, based on the following formula and in the perpetuity growth rate of 50% of the projected Brazilian GDP (2.3% per year):

$$\text{Perpetuity at the end of the last year of the projection} = \frac{\text{Free cash flow for the last normalized year}}{\text{Discount rate} - \text{Perpetuity growth rate}} = \frac{\text{FC}_n \times (1+g)}{(i-g)}$$

## Cash flows discounts over time

- For the year in which the cash flows are generated we considered the assumption that the monthly flows have different values over time. Therefore, the cash flows at the beginning of the year should be discounted for less time than those at the end of the year.
- Consequently, for the purpose of taking this timing impact into consideration, we have adopted a methodology assumption of a flow equal to the sum of all cash flows throughout the year occurring in the middle of the period, i.e., between the beginning and the end of each year to discount the cash flows.

## Subsequent events

- We point out that this evaluation reflects the events occurred between the base date and the date of issuance of this report which were informed to KPMG by the Renner Management. Any relevant facts that occurred during this period and were not informed to KPMG might affect the estimates and the evaluation results. KPMG was not asked to update this report after its issuance date.

## Main considerations

- The valuation of the discounted cash flow was made considering a scenario in which Camicado maintained its current configuration ("status quo"), i.e., not taking into account any possible effects of synergies resulting from a transaction with Renner.

## 4. Assumptions (cont'd.)

### Macroeconomic assumptions

- The Extended National Consumer Price Index (“IPCA”) was used as the basis for the Brazilian inflation. The estimates of Brazilian inflation and the Gross Domestic Revenue (GDP) used in the Camicado projections considered the market assumptions compiled by the Focus Report (issued by the Central Bank) on December 31, 2010 for the 2011-2014 period. As from 2015, these indicators were deemed constant based on the 2014 estimate.
- The macroeconomic assumptions considered in the Company valuation model were the following:

Macroeconomic assumptions	2011	2012	2013	2014
<b>Inflation (IPCA)</b>	5.4%	4.7%	4.5%	4.5%
<b>Gross domestic product (real)</b>	4.5%	4.5%	4.6%	4.7%

Source: Focus report (Central Bank - BACEN)

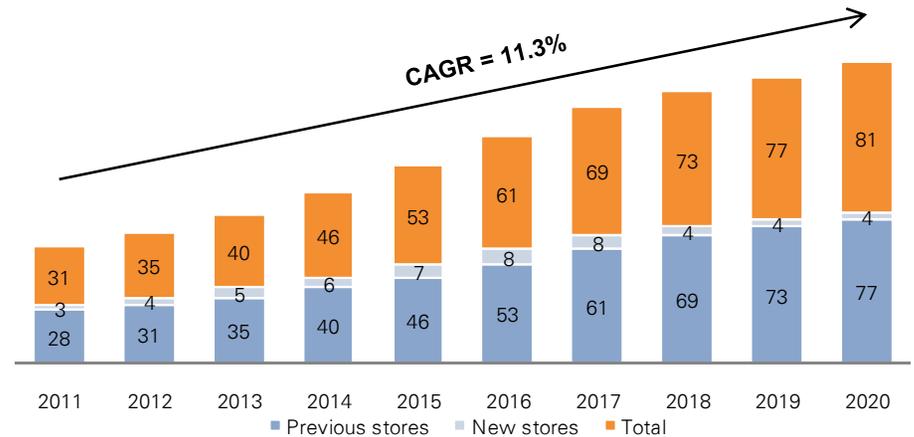
### Operational assumptions

#### Gross revenues

- The gross revenues of Camicado were estimated based on (1) the growth of the number of stores, (2) the estimated annual sales per store, (3) the average price projections.

#### i) Growth in the number of stores:

- The growth of the number of stores was based on the historical growth of the Company and based on future expected growth in the sector, according to the following chart:



#### ii) Estimated annual sales per store:

- The annual sales per store from 2011 on was estimated as R\$ 5.5 million, taking into consideration the historical sales of the Company, as well as a market study prepared by the Brazilian Institute of Public Opinion and Statistics (IBOPE) ordered by the Renner Management. The annual sales per store were restated by the expected Brazilian inflation of each estimate year.
- Based on the annual sales, it was considered that the new stores would have a demand curve of 40% in the first year, which means that, out of the 12 months in a year, these new stores would have approximate sales relating to 4 months and 24 days only. It would be from the second year on that these new stores would reach 100% of their sales capacity.

## 4. Assumptions (cont'd.)

### iii) Price:

- It was considered the annual growth rate of 2%

### Tax and deductions

- The taxes and deductions were estimated based on the historical percentage observed in the fiscal year ended in December 2010.

### Cost of goods sold

- The costs of the goods sold were estimated from January 2011 to December 2015 based on the expected continuation of operating improvements that have been implemented by Camicado since 2010. The main improvements were the following:
  - Increase of the negotiation power with its suppliers;
  - Reductions in the inventory losses, operating management gains, and improvement of the internal controls as a result of the ERP (integrated business management system) implementation in 2010 (SAP);
  - Inclusion of imported products (products with higher margins) in the Company operations, beginning in 2010; and
  - Increase of the Company professionalization beginning in 2010 with the hiring of an officer to implement changes in the purchase process.

### Operating expenses and other operating revenues

- The operating expenses are composed of:
  - Commercial expenses; and
  - General and administrative expenses.

- The commercial expenses are composed of:
  - Expenses with store employees;
  - Other store expenses;
  - Tax expenses;
  - Credit card fees; and
  - Rents.
- The general and administrative expenses are composed of:
  - General expenses;
  - Advertisement; and
  - Logistics.

### i) Commercial expenses:

- The expenses with the store employees (composed by salaries, FGTS - Government Severance Indemnity Fund, vacation, meal vouchers, among others), other store expenses (composed by packaging, uniforms, travels and lodging, among others) and tax expenses (composed by contributions to trade unions, IOF - tax on financial transactions, IPTU - tax on urban land and property, among others) were estimated from January 2011 to December 2020, based on the growth in the number of stores in the period, added by the expected Brazilian inflation for the period.
- The expenses with credit card fees were estimated from January 2011 to December 2020, based on the expected growth of the gross operating revenue.

## 4. Assumptions (cont'd.)

- Expenses with rents are related to the expenses with payment of the rents of the stores. For the current stores, the agreements currently in effect were considered. For new stores, we considered the growth at the same levels as the growth of the gross operating revenue.

### *ii) General and administrative expenses:*

- General expenses are costs with water and sewage, fuels, electric power, device and equipment lease, accounting services, security services, vehicles, among other expenses, and were estimated from January 2011 to December 2020, based on a 60% growth of the number of stores and the addition of inflation rates.
- The expenses with advertisement and logistics were estimated from January 2011 to December 2020, based on the expected growth of the net operating revenues.

### Depreciation and amortization

- It was considered the depreciation expense of the existing fixed assets, on the base date of this study, accrued by the depreciation of the new investments.
- For existing assets, it was considered the average depreciation rates adopted by the Company per asset category.
- For investments in new stores, it was adopted the average weighted rate of 10.8% per year, based on the expected investments in IT equipment and facilities.
- For investments in maintenance and remodeling of old stores, we used the average weighted rate of 13.5% per year, based on the expected investments in IT equipment, facilities, furniture and utensils.

- For investments in current management, such as logistics, IT and management, we used the average weighted rate of 13.8% per year, based on the expected investments in IT equipment, facilities, furniture, utensils and vehicles.
- On the base date, the Company had an amortization expense balance of R\$ 3.1 million concerning expenses with trademarks and patents and software, which were amortized at the rate of 20% per year.

### Non-operational income/(expenses)

- The non-operating income is basically related to:
  - Financial revenues/(expenses);
  - Royalties and franchises (related to intercompany transfers);
  - Non recurring expense recovery; and
  - Disposal of fixed assets.
- The DCF approach used in this valuation does not consider the estimate of non-operating income and expenses.

### Income tax and social contribution

- For purposes of calculation of the income tax and social contribution of the Company, it was considered the current legislation and the tax system adopted by the Company (Taxable Income).
- The income tax rate considered in the estimate was 15%, limited to the amount of R\$ 240 thousand, and the tax rate of 25% was considered for the exceeding amounts. The social contribution tax rate considered in the estimate was 9%.

## 4. Assumptions (cont'd.)

### Investments

- The composition of the estimated investments is presented below:
  - New stores: Estimated based on the schedule of construction of new stores (described in chapter 5. Evaluation based on the economic value criterion - Gross operating revenue / Growth in the number of stores);
  - Maintenance/remodeling: Estimated based on the expected remodeling and maintenance of 4 stores per year during the estimate period.
  - Current management: These investments refer to (a) logistic improvements in the distribution center for proper operations, (b) investments in information technology relating to continuation of the implementation of the SAP ERP system in years 2011 and 2012, (c) investments in maintenance in the information technology area from 2013 to 2020, and (d) investments in the administrative areas, estimated to support the expected growth in the Company operations.

### Working capital

- The working capital was estimated based on the following accounts and working terms on the base date of December 31, 2010:

Uses	Days	Driver
Cash and cash equivalents	0,2	Days of net revenues
Accounts receivable	48,0	Days of net revenues
Advances to employees	0,2	Days of net revenues
Advances to suppliers	0,6	Days of net revenues
Other advances	0,1	Days of net revenues
Tax credits	0,2	Days of net revenues
Inventory	103,2	Days of cogs

Sources	Days	Driver
Suppliers	142,0	Days of cogs
Labour and fiscal obligations	58,2	Days of cogs
Others	7,3	Days of cogs + operational expenses

## 4. Assumptions (cont'd.)

### Income statements

- The income statements projected for the period from January 2011 to December 2020, are presented below:

R\$ Million Profit and loss	Projected									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Gross sales</b>	<b>193,1</b>	<b>226,0</b>	<b>267,7</b>	<b>319,7</b>	<b>383,4</b>	<b>460,1</b>	<b>548,6</b>	<b>633,5</b>	<b>707,1</b>	<b>786,9</b>
Deductions	(17,9)	(21,0)	(24,9)	(29,7)	(35,6)	(42,7)	(51,0)	(58,8)	(65,7)	(73,1)
<b>Gross revenues</b>	<b>175,2</b>	<b>205,0</b>	<b>242,8</b>	<b>290,0</b>	<b>347,8</b>	<b>417,3</b>	<b>497,6</b>	<b>574,7</b>	<b>641,4</b>	<b>713,8</b>
Taxes on sales	(29,1)	(34,1)	(40,4)	(48,2)	(57,8)	(69,4)	(82,7)	(95,5)	(106,6)	(118,6)
<b>Net revenues</b>	<b>146,1</b>	<b>170,9</b>	<b>202,5</b>	<b>241,8</b>	<b>290,0</b>	<b>348,0</b>	<b>414,9</b>	<b>479,2</b>	<b>534,8</b>	<b>595,2</b>
Cost of goods sold	(84,4)	(96,3)	(111,1)	(129,1)	(150,6)	(180,3)	(214,4)	(247,0)	(274,9)	(305,2)
<b>Gross profit</b>	<b>61,7</b>	<b>74,7</b>	<b>91,4</b>	<b>112,7</b>	<b>139,4</b>	<b>167,7</b>	<b>200,5</b>	<b>232,2</b>	<b>259,9</b>	<b>290,0</b>
Selling, general & administrative expenses	(57,6)	(66,0)	(76,5)	(89,4)	(106,5)	(127,1)	(150,3)	(171,3)	(189,4)	(208,9)
<b>EBITDA</b>	<b>4,1</b>	<b>8,7</b>	<b>14,9</b>	<b>23,3</b>	<b>32,9</b>	<b>40,7</b>	<b>50,2</b>	<b>60,9</b>	<b>70,5</b>	<b>81,1</b>
Depreciation and amortization	(1,7)	(2,1)	(3,1)	(4,1)	(4,8)	(6,3)	(7,9)	(9,8)	(11,0)	(12,3)
<b>EBIT</b>	<b>2,4</b>	<b>6,6</b>	<b>11,8</b>	<b>19,2</b>	<b>28,1</b>	<b>34,3</b>	<b>42,3</b>	<b>51,1</b>	<b>59,4</b>	<b>68,8</b>
Non operating (expenses) / income	-	-	-	-	-	-	-	-	-	-
<b>EBT</b>	<b>2,4</b>	<b>6,6</b>	<b>11,8</b>	<b>19,2</b>	<b>28,1</b>	<b>34,3</b>	<b>42,3</b>	<b>51,1</b>	<b>59,4</b>	<b>68,8</b>
Income tax and social contribution	(0,8)	(2,2)	(4,0)	(6,5)	(9,5)	(11,6)	(14,3)	(17,3)	(20,2)	(23,4)
<b>Net profit / (loss)</b>	<b>1,6</b>	<b>4,4</b>	<b>7,8</b>	<b>12,7</b>	<b>18,6</b>	<b>22,7</b>	<b>27,9</b>	<b>33,7</b>	<b>39,2</b>	<b>45,4</b>

## 4. Assumptions (cont'd.)

### Income statements (cont'd.)

- The vertical analysis of the projected income statement of Camicado from January 2011 to December 2020 are presented below::

Vertical analysis as a % of net revenues	Projected									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Net revenues</b>	<b>100,0%</b>									
Cost of goods sold	-57,8%	-56,3%	-54,9%	-53,4%	-51,9%	-51,8%	-51,7%	-51,5%	-51,4%	-51,3%
<b>Gross profit</b>	<b>42,2%</b>	<b>43,7%</b>	<b>45,1%</b>	<b>46,6%</b>	<b>48,1%</b>	<b>48,2%</b>	<b>48,3%</b>	<b>48,5%</b>	<b>48,6%</b>	<b>48,7%</b>
Selling, general & administrative expenses	-39,4%	-38,6%	-37,8%	-37,0%	-36,7%	-36,5%	-36,2%	-35,7%	-35,4%	-35,1%
<b>EBITDA</b>	<b>2,8%</b>	<b>5,1%</b>	<b>7,4%</b>	<b>9,6%</b>	<b>11,3%</b>	<b>11,7%</b>	<b>12,1%</b>	<b>12,7%</b>	<b>13,2%</b>	<b>13,6%</b>
Depreciation and amortization	-1,2%	-1,2%	-1,5%	-1,7%	-1,6%	-1,8%	-1,9%	-2,1%	-2,1%	-2,1%
<b>EBIT</b>	<b>1,6%</b>	<b>3,9%</b>	<b>5,8%</b>	<b>7,9%</b>	<b>9,7%</b>	<b>9,9%</b>	<b>10,2%</b>	<b>10,7%</b>	<b>11,1%</b>	<b>11,6%</b>
Non operating (expenses) / income	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>EBT</b>	<b>1,6%</b>	<b>3,9%</b>	<b>5,8%</b>	<b>7,9%</b>	<b>9,7%</b>	<b>9,9%</b>	<b>10,2%</b>	<b>10,7%</b>	<b>11,1%</b>	<b>11,6%</b>
Income tax and social contribution	-0,5%	-1,3%	-2,0%	-2,7%	-3,3%	-3,3%	-3,5%	-3,6%	-3,8%	-3,9%
<b>Net profit / (loss)</b>	<b>1,1%</b>	<b>2,6%</b>	<b>3,9%</b>	<b>5,2%</b>	<b>6,4%</b>	<b>6,5%</b>	<b>6,7%</b>	<b>7,0%</b>	<b>7,3%</b>	<b>7,6%</b>

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# 5. Discount rate

## Discount rate methodology

- The discount rate calculation is a fundamental stage in any valuation. This single factor reflects aspects of a subjective and variable nature, which vary from investor to investor, such as cost of opportunity and the specific investment risk perception.

### Cost of capital

The WACC – Weighted Average Cost of Capital was used as the appropriate parameter for calculating the discount rate to be applied to the Company’s free cash flows. The WACC takes a number of financing components into consideration including debt and equity capital used by a company to finance its needs and is calculated according to the following formula:

WACC Weighted Average Cost of Capital		
=		
$D / (D+E)$	x	$Kd \times (1-t)$
+		
$E / (D+E)$	x	$Ke$

#### Whereas:

D = Third-party capital  
 E = Equity capital  
 t = Tax rate  
 Kd = Cost of third-party capital  
 Ke = Cost of equity capital

### Cost of Equity (Ke)

The cost of equity can be calculated using the CAPM model (Capital Asset Pricing Model). Since the Company is based in Brazil, the cost of equity is calculated as follows:

Ke Cost of Equity
=
Rf
+
$\beta \times (E[Rm] - Rf)$
+
Rb
+
Rs
÷
$(1 + Ib) / (1 + Ia)$

#### Whereas:

Rf = Average risk free rate  
 β = Re-leveraged Beta (risk coefficient specific to the Company)  
 E[Rm] = Average long-term return on the US stock market  
 E[Rm] - Rf = Market risk premium  
 Rb = Brazil country risk  
 Rs = Company size premium  
 Ia = Average US long term inflation  
 Ib = Long term Brazilian inflation

## 5. Discount rate (cont'd.)

### Cost of equity

#### Risk free rate

- To estimate the average risk-free return (Rf), it was considered the average return of 30-year US Treasury Bonds ("T-Bond") over the past 24 months (period ended December 31, 2010) of 4.28% (Source: Bloomberg).

#### Beta

- Beta is the specific risk coefficient of the shares of a company compared to a market index, which represents the stock market as a whole. In the case of valuations of companies that are listed and have significant negotiations on the stock exchange, the share Beta is calculated by the correlation of weekly returns of that stock compared to the selected market index during a certain period prior to the base date of the valuation.
- In the case of companies that are not listed on the stock exchange, or which do not have significant trading volumes, the company's Beta can be adequately represented by the average beta for the sector in which the company operates. Thus, the average Beta for the sector is calculated based on the average correlations of weekly returns of several companies from the same sector, in relation to the weekly returns of the market index during a certain period.
- For Camicado's beta, we used the betas of comparable companies in the home furnishings and home accessories sector. Camicado's beta was obtained by the average calculation of the unleveraged betas of the comparable companies presented as follows, and resulted in 0.87.

- This beta was re-leveraged based on the average capital structure of Camicado and on the income and social contribution tax rates in effect in Brazil. As a result the beta used in this valuation was 0.90, since the capital structure is mostly made up by equity.

Comparable companies	Leveraged Beta	D/ E	Effective tax rate	Unleveraged Beta
Bed Bath & Beyond Inc.	0,84	0,0%	39%	0,84
Williams-Sonoma, Inc.	0,78	0,7%	35%	0,78
Kirkland's, Inc.	0,99	0,0%	40%	0,99
<b>Average</b>	<b>0,87</b>	<b>0,2%</b>	<b>37,8%</b>	<b>0,87</b>

Unleveraged Beta	% equity	% debt	Effective tax rate	Re-leveraged Beta
<b>0,87</b>	<b>95,4%</b>	<b>4,6%</b>	<b>34,0%</b>	<b>0,90</b>

Source: Bloomberg

#### Market premium

- For the long-term risk premium in the stock market ( $E[R_m] - R_f$ ), it was adopted the annual 4.29% average return above the risk-free rate in Treasury Bonds, for the period between 1928 and 2009. (Source: Aswath Damodaran).

#### Brazilian country risk

- To quantify the risk associated to Brazil ( $R_b$ ), it was considered the average difference of 1.45% for the last 24 months (period ended December 31, 2010), between the yield of Global-Bond 27 and the T-Bond yield. (Source: Bloomberg).

#### Company size risk

- For the company size premium, it was considered a rate of 3.74%, which is applied to medium sized companies. (Source: Ibbotson Associates).

## 5. Discount rate (cont'd.)

### US inflation

- It was considered the annual average long-term inflation in the US (Ia) of 2.06% (Source: Global Financial Data).

### Brazilian inflation

- It was considered long-term annual inflation in Brazil of (Ib) 4.51%, according to market projections compiled by Focus report (issued by the Brazilian Central Bank).

### Cost of debt

- For cost of debt calculation, it was considered a nominal cost of debt before tax of 13.57% calculated based on the weighted average cost of borrowing and financing by Camicado, as reported on the base date. After the tax effect, the nominal cost of debt is of 8.96%.

### Capital structure

- The adopted capital structure was defined based on loans reported in the consolidated balance sheet of Camicado as of December 31, 2010, as the amount of debt, and the Equity Value, as the amount of equity. Therefore, the capital structure calculated was 95.37% equity and 4.63% of debt.

### Discount rate calculation

- The table below presents the calculation of the discount rate (calculated in nominal terms):

Maxmix Comercial Ltda.	
<b>Discount rate - nominal terms</b>	
<b>Cost of equity - Ke</b>	
Risk free rate (Global 30)	4,28%
Beta	0,90
Market premium	4,29%
Country risk associated with Brazil	1,45%
Company's size risk	3,74%
Long-term inflation in the United States	2,06%
Long-term inflation in Brazil	4,51%
<b>Cost of equity (nominal terms in R\$) - Ke (a)</b>	<b>16,04%</b>
<b>Cost of debt - Kd</b>	
Cost of debt - Kd	13,57%
Tax rate	34,00%
<b>Cost of debt (nominal terms in R\$) after tax - Kd (b)</b>	<b>8,96%</b>
<b>WACC</b>	
(c) % Cost of equity	95,37%
(d) % Cost of debt	4,63%
<b>WACC nominal = (a*c)+(b*d)</b>	<b>15,72%</b>

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## 6. Estimate of economic and financial value

### Free operating cash flow of the Company

- Based on the assumptions used, on the discount rate of 15.72% per year (please refer to Chapter V – Discount Rate) and on the information provided by Renner's management team, it was estimated the free operating cash flow and the cash flow discounted at present value, considering the base date of December 31, 2010.
- The cash flow projections for the estimate period and the estimated enterprise value of the Company are presented below:

R\$ Million Free Cash Flow	Projected										Perp.
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
<b>Net profit / (loss)</b>	<b>1,6</b>	<b>4,4</b>	<b>7,8</b>	<b>12,7</b>	<b>18,6</b>	<b>22,7</b>	<b>27,9</b>	<b>33,7</b>	<b>39,2</b>	<b>45,4</b>	<b>45,4</b>
(+) Depreciation and amortization	1,7	2,1	3,1	4,1	4,8	6,3	7,9	9,8	11,0	12,3	12,3
(-) Investments	(6,7)	(8,5)	(9,9)	(11,9)	(14,2)	(16,6)	(17,3)	(10,4)	(10,8)	(11,3)	(12,6)
(+/-) Working capital	(0,8)	(1,1)	(1,4)	(1,8)	(2,2)	(2,2)	(2,6)	(2,7)	(2,4)	(2,6)	(1,6)
<b>Free Operating Cash Flow</b>	<b>(4,2)</b>	<b>(3,1)</b>	<b>(0,3)</b>	<b>3,1</b>	<b>6,9</b>	<b>10,2</b>	<b>15,9</b>	<b>30,5</b>	<b>37,1</b>	<b>43,8</b>	<b>43,6</b>
Mid year period	6,00	18,00	30,00	42,00	54,00	66,00	78,00	90,00	102,00	114,00	
Discount rate	15,72%	15,72%	15,72%	15,72%	15,72%	15,72%	15,72%	15,72%	15,72%	15,72%	
<b>Discounted Free Operating Cash Flow</b>	<b>(3,9)</b>	<b>(2,5)</b>	<b>(0,2)</b>	<b>1,9</b>	<b>3,6</b>	<b>4,6</b>	<b>6,2</b>	<b>10,2</b>	<b>10,7</b>	<b>10,9</b>	

Valuation - Summary	R\$ Million
<b>PV of the Free Operating Cash Flow</b>	<b>41,4</b>
<b>Terminal value calculation</b>	
Terminal value	526,0
Brazilian long term inflation	4,51%
Real perpetuity growth rate "g"	2,3%
Nominal perpetuity growth rate "g"	6,87%
Discount rate	15,72%
<b>PV of the terminal value</b>	<b>131,4</b>

## 6. Estimate of economic and financial value (cont'd.)

### Adjustments of non-operational assets and liabilities

- After calculation of the transaction value, in order to estimate the equity value, it is necessary to take into account certain adjustments related to the liabilities and assets of the Company.
- For the valuation of Camicado, it was considered a negative adjustment of R\$ 8.1 million based on the Balance Sheet of Camicado as of December 31, 2010.
- The adjustments considered in the enterprise value are presented below:

Equity Value calculation	R\$ Million
Discount rate	15,72%
Perpetuity growth rate ("g")	6,87%
Present value of projected cash flows	41,4
Present value of perpetuity	131,4
<b>Enterprise Value</b>	<b>172,8</b>
Adjustments	(8,1)
<b>Equity Value</b>	<b>164,7</b>

Adjustments - Assets / Liabilities	R\$ Millions
(+) Judicial deposits	0,7
(-) Loans	(8,0)
(-) Labour contingencies (ST + LT)	(0,8)
<b>Total</b>	<b>(8,1)</b>

### Sensitivity analysis

- It was developed a sensitivity analysis of the discount rate and perpetuity growth rate ("g"). The impacts obtained for the valuation of the Company are presented below:

Summary - Sensitivity Analysis Equity Value (R\$ Million)						
		Discount rate				
		14,72%	15,22%	15,72%	16,22%	16,72%
Perp. growth ("g")	5,87%	178,6	163,9	150,9	139,2	128,7
	6,37%	187,4	171,5	157,4	144,9	133,7
	6,87%	197,4	180,0	164,7	151,2	139,2
	7,37%	208,7	189,5	172,9	158,2	145,2
	7,87%	221,6	200,4	182,0	166,0	151,9

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## 8. Conclusion

- Based on the objective, scope and criteria adopted in this valuation, the value of the net worth of Camicado on December 31 2010 is comprised in the range between R\$ 156.9 millions to R\$ 172.6 millions.
- As per your request, it was calculated the current value of a potential tax deductibility resultant from the potential premium to be eventually paid by the Company (Brazilian goodwill for tax purposes) based on its future profitability for the purposes of the provisions of CVM Regulation No. 319, in case the requirements of the applicable legislation are complied with, which resulted in a range of values between R\$ 27.0 million and R\$ 29.7 million.

### Important observations

- This report does not represent any price recommendation nor a proposal, request, advice or recommendation by KPMG for acquisition of the Company by Renner and, as such, KPMG shall not be held liable for any decision taken by Renner.
- Renner shall use its own analyses regarding the convenience and opportunity of acquiring the equity control of the Company and shall consult its own legal and financial advisors in order to establish its own opinion about this acquisition.
- The sums of individual amounts presented in this report may differ from the result of the sum presented due to rounding.
- The valuation context considered in this report does not take into account any potential synergies that Camicado may obtain in case its equity control is acquired by Renner. Additionally, the valuation context presented herein does not take into account any synergies that Renner may reach in its own transactions as a result of the acquisition of Camicado.

- KPMG also represents that neither it nor the team in charge of preparing this evaluation has any conflict of interest that might affect the independence required to perform its duties.
- The economic-financial evaluation of Camicado was performed by a qualified team of consultants, and the work was constantly followed and revised by a senior manager. The work team was also composed of a revising partner and an incumbent partner, both experienced in valuations of publicly-held corporations.
- The valuation report was solely approved after the revisions made by the senior manager, the revising partner and the incumbent partner.
- KPMG also represents that it does not have any credit relationship with Renner or Camicado, or any type of business relationship that might affect the result obtained for this valuation.

### Use and disclosure of the report

- This document was prepared for the sole purpose to fulfilling the provisions of Article 256 of the Corporation Law and of the Exhibit 19 of the CVM Regulation No. 481 concerning the acquisition of the equity control of Camicado by Renner.
- We emphasize that in order to fully understand the conclusion of this report, it should be entirely read and, therefore, no conclusions should be taken based on a partial reading of it.

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## Attachment I – *Curricula vitae*



<b>Name</b>	Luis Augusto Motta
<b>Position</b>	Partner, Corporate Finance (M&A), São Paulo – Brazil
<b>Qualifications</b>	MBA in Finance and Controllership - USP, São Paulo Bachelor Accountancy - FCPES - RJ Cândido Mendes
<b>Experience</b>	Luis is partner at KPMG Corporate Finance Ltda. He has wide experience in business modeling, valuation services and corporate restructuring related to corporate finance services, such as mergers and acquisitions advisory. He joined KPMG in São Paulo in 2002. From 1987 to 2002, he worked in the Corporate Finance and Business Advisory departments of Arthur Andersen, as a manager, and subsequently, as director, providing mergers and acquisition services, developing financial and economical valuations, feasibility studies and restructuring services, among others.
<b>Sector of experience</b>	Industrial companies (Food, Beverages, Capital Goods, Auto Parts, among others), Retail, Telecommunications and Information Technology.



<b>Name</b>	Eduardo Navarro Lizana
<b>Position</b>	Senior Manager, Corporate Finance (M&A), Brazil
<b>Qualifications</b>	Bachelor of Business Administration with focus on Finance from FAE Business School – Brazil Executive MBA in Finance from Fundação Getúlio Vargas – Brazil Masters in Business Administration from the University of Bristol – United Kingdom
<b>Experience</b>	Before joining KPMG Corporate Finance, Eduardo developed an international career from 2004 to 2009 working for Lloyds TSB, MoneyGram and AXA. He was responsible for managing business analysis, corporate finance and strategic planning projects in the United Kingdom, Italy, Spain, France and Germany. From 1999 to 2004 he worked for KPMG Brazil in audit and advisory engagements, mainly in the following sectors: financial institutions, agribusiness and consumer goods.
<b>Sector of experience</b>	Financial institutions, retail, industrial and consumer Goods.

# Attachment II – Publicly traded companies valued by KPMG Corporate Finance

- Find below a selected list of publicly traded companies valued by KPMG Brazil over the last few years:
  - Aracruz Celulose S.A.
  - Banco Bandeirantes S.A.
  - Banco Banestado S.A.
  - Banco Bemge
  - Banco do Estado da Bahia
  - Banco do Estado de Goiás
  - Banco do Estado de Pernambuco
  - Banco do Estado do Ceará
  - Banco Itaú S.A.
  - Banco Santander Banespa S.A.
  - Banco Santander Meridional S.A.
  - Banco Santander Brasil S.A.
  - Banco Santander Noroeste S.A.
  - CBV Indústria Mecânica S.A.
  - Ciquine Cia. Petroquímica
  - Centrais Elétricas Cachoeira Dourada S.A.
  - Companhia Bandeirantes de Crédito Financiamento e Investimento S.A.
  - M. Dias Branco S.A. Indústria e Comércio de Alimentos
  - Itaú Seguros S.A.
  - Souto Vidigal S.A.
  - Suzano Bahia Sul Papel e Celulose S.A.
  - Ripasa S. A. Celulose e Papel
  - Tele Centro Oeste Celular
  - Telecomunicações de São Paulo S.A. - Telesp
  - Telefônica Data Brasil Holding S.A.
  - Telesp Celular
  - Vivo Participações S.A.
  - Votorantim Celulose e Papel S.A.



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