

Operator:

Good afternoon, ladies and gentlemen, and thank you for waiting. At this time we would like to welcome everyone to Lojas Renner's 1Q11 earnings conference call.

We would like to inform you that today's live webcast, including both audio and slideshow, may be accessed through Lojas Renner's website at www.lojasrenner.com.br, in the Investor Relations section at the webcast platform. As a reminder, questions will only be taken by telephone.

We would like to inform you that all participants will be in a listen-only mode during the Company's presentation. Afterwards there will be a Q&A session when further instructions will be given. Should you need assistance during this call, please press *0 to reach the operator.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Lojas Renner's management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events, and therefore they depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions, and other operating factors could also affect the future results of Lojas Renner and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I would like to turn the conference over to Mr. Adalberto Pereira dos Santos, CFO and IRO. Mr. Santos, you may begin.

Adalberto Pereira dos Santos:

Good afternoon. We are gathered here for the disclosure of the 1Q11 results. With me, we have Mr. José Galló, our CEO; Luciano Algliardi, our Controller Officer Manager; and Paula Picinini, our IR Manager.

The 1Q11 was very positive for Renner. Even after the holiday season we practically did not perceive any slowdown in our activities and the company sales remained strong. And this associated to the maintenance of our gross margins from merchandise sales and the good results from financial products allowed us to offset the higher SG&A pressure, because of the higher number of new stores and reached an EBITDA margin practically equal to the 1Q10.

We start our presentation with slide number three. We have the highlights of the period in which we show a growth of the net revenue from merchandise sales which was 17.6%, same-store sales 11.2%, gross margin was kept stable around 53% and results from financial services, R\$38.5 million, with a 46.1% growth.

As a consequence, the Company's total EBITDA reached R\$85.2 million with an EBITDA margin practically stable at 16.4%. Net income for Renner in the 1Q growing by 29%, reaching therefore 9.2% vis-à-vis 8.4% in the previous year.

On slide number four, we have the evolution of the net revenues from merchandise sales, which reached R\$517.7 million, a 17.6% growth. In comparable stores, in the 1Q we

obtained an 11.2% growth, very important when we consider the comparison basis of the 1Q10 when we had already grown 15.1%.

Also on slide number four, to the right, we have the evolution of the net revenue per m², R\$1,883, a 7.2% growth year on year. About 2009, we show a positive evolution of 19.3% and net revenues per m² from R\$1,579 to over R\$1,800.

Going to slide number five, we see on the left the map with the distribution of our stores and distribution centers and on the right the total area, 275,100 m² distributed among 135 stores with an average area of approximately 2,000 m² per store.

On slide number six, we have the gross margin from the retail operation, which was stable at 53%. And this margin level in fact was due to many initiatives adopted over the quarter in order to mitigate the effects of the more expensive raw material, among which better negotiations with our suppliers, improvements in products engineering and the use of alternative materials as well. And finally, a favorable exchange rate variation together with a better imported product mix and price adjustments completed our initiatives in this regard.

Now going to slide number seven. Selling expenses, a 21.9% increase in the 1Q11, going from R\$137.1 million to R\$167 million. As a percentage of the net revenues, expenses represented 32.3% of sales, vis-à-vis 31.1% in the 1Q10. As it was already mentioned, in the 1Q we had higher operating expenses, which impacted the retailing operations margins, and these expenses are due to the faster expansion process and they should trickle down during the next few quarters.

On page number eight, we have G&A expenses, R\$51.5 million or 9.9% of sales, and a 25.8% increase year on year. And these higher expenses also refer to the re-adaptation of the support areas that will give support to the more accelerated growth period as well as the managers and supervisors groups that are being trained for the new stores. And the logistics area also has important adjustments that in a way also impact this group of expenditures.

On slide number nine, we show you the breakdown of results from financial services, which reached R\$31.5 million, a major growth, 46.1% over the R\$26.3 million in the 1Q10, and this improvement is based on the good results reached during the period, especially in the interest bearing 0+8 product and gained from the FIDC, R\$3.2 million, as well as the lower levels of delinquency and provisions as well.

Going to slide number 10, we have the chart with the EBITDA evolution and the EBITDA margin evolution, R\$85.2 million generated in the 1Q11, a 16.5% growth year on year. EBITDA margin, 16.4%, practically in line with 16.6% achieved in the 1Q10. Also, very consistent with our expectations of a lower retail EBITDA, it can be offset with the better results from our financial products area.

On slide 11, we have the net financial results. You can see that on the upper part of the slide. In the 1Q11 we reached net financial revenues of R\$5.8 million. The lower part of the slide we have the cash and cash equivalent on March 31st amounting to R\$505 million. Also the indebtedness of R\$45.7 million and the net cash position amounted to R\$459.3 million at the end of March.

On slide number 12, we see the net income of the Company growing by 29%, amounting to R\$47.6 million with a 9.2% margin that is to say vis-à-vis 8.4% in 2010. ROIC was

4.5%, 0.3 p.p. higher than the 4.2% of the 1Q10. And it is interesting to notice that even with the pressures from the cotton prices and SG&A we reached the best net income and ROIC indices in the last five years in the 1Q.

Slide number 13, investments amounting to R\$24 million, R\$17.8 million for the opening and preparation of new stores. On the right, we have a list with all the stores to be opened over the 1H of this year. In March, we opened the first Blue Steel pilot and for the 2Q11, we estimate nine new stores between compact stores and traditional stores.

On slide number 14, we have the balance sheet of the Company. You see that our inventories went up due to the higher volume of imports that we will have in 2011 and also due to the inventory for new stores that will be unveiled over the next few months, more precisely nine new stores in the 2Q. Please, note that in the 1Q we had some 0+8 operations and past dues on the old financing structure with the use of vendor and in our short-term liabilities we have R\$130 million for this reason. In the long run, R\$341 million of the FIDC and for the other balance sheet accounts we see no significant change.

On slide number 15, we have the cards issued, a record of 17.5 million cards and the evolution of the average ticket for our private increasing by 11%. Now it is R\$128.20. On the right, we show you the share of the Renner card in the total sales, which in the 1Q represented 53.9% of total sales, vis-à-vis 55.9% in the previous year. We believe that this behavior already shows a trend towards stabilization and its share of overall sales.

On slide number 16, we have the number of employees increasing by 13.5% and now we have a 12,719 headcount. And lastly on page 17, we show you the performance of our shares, the LREN3 shares, appreciating by 29.6% vis-à-vis a 2.5% drop of the Ibovespa in the last 12 months.

So, these were my remarks. Now, I would like to remind you that on May 4th, we will have the General Shareholders Meeting to conclude the Camicado acquisition process and the participation of all our shareholders is very important, so that we may guarantee the minimum number of participants to be able to realize the event.

Now we are available to you to answer any questions that you might have. Thank you very much.

Guilherme Assis, Raymond James:

Good afternoon and I have in fact two questions. The first one is about the Blue Steel store, the pilot that you have opened in the 1Q and I would like to know, I know it is too soon maybe, but maybe you could tell us about the performance of the Blue Steel compared to your expectations? This is the first question.

And the second question is the following: I would like to understand the pre-operational expenses that you had due to the acceleration of the opening of new stores. Is there a magic number that we could use in order to estimate how much this represents for a regular store or a traditional store or for a compact store? Is there any guidance that you may give us in order to model this? So, these are my two questions. Thank you much.

Adalberto Pereira dos Santos:

Good afternoon. First about Blue Steel, the project is very incipient still, so we cannot really talk about figures. We are still making the necessary adjustments to the operation.

And I can say that the result is very good so far and our intention is to have three by the end of this year, we might bring forward the unveiling of the two others to the 1Q. And this is the only thing that we can tell you so far. So, people are receiving this new model of store very well.

Regarding the operating expenses, no, there is no magic number. There is something real between R\$500,000 and R\$600,000 that you have and 60 days before you open the store. But the pressure is not related only to the pre-operating costs. The Company went through many adjustments and mainly the logistics area, our distribution centers and technology, legal, accounting, all these areas were submitted to small adjustments in order to be able to support the expansion plan.

Guilherme Assis:

Adalberto, just a follow up on the operating expenses, you talked about between and R\$500,000 and R\$600,000, and this varies a lot whether it is a compact store, a traditional store, is there a variation?

Adalberto Pereira dos Santos:

Maybe the compact store is closer to the lower part of the range and the traditional store closer to the upper limit to the R\$600,000.

Guilherme Assis:

Thank you.

Gustavo Oliveira, UBS:

Good afternoon. My question also has to do with the pre-operating costs. Do you believe that in the 2Q or the 3Q, you will be able to stabilize at least the EBITDA margin vis-à-vis last year? And what is your expectation for the EBITDA margin for the retail operations for the year? Or will your costs decrease only as of 2012?

Adalberto Pereira dos Santos:

Gustavo, we work with this possibility of spending the year with this lower retail margin offset by a higher margin from the financial products. And then we will be able to reach the same total EBITDA that we had last year, and this is also valid for 2012. Maybe depending on what happened in the 2H of this year we will see a better possibility for 2012, but in principle this is what we work with, the same EBITDA for 2012 and 2011, and as of 2013 then we would start the process of decreasing these costs.

Gustavo Oliveira:

So, when you talk about the EBITDA, you are talking about absolute values?

Adalberto Pereira dos Santos:

Percentage, I am talking about the EBITDA margin.

Gustavo Oliveira:

And the second question has to do with imports. They are favorably impacted by the stronger currency in this quarter, and do you believe that you would have gains in gross margin in the 2Q because of that?

Adalberto Pereira dos Santos:

Well, it is very difficult to talk about gains in the gross margin with this kind of scenario. In the 2H I believe it tends to be better, because when you consider the cotton curve, in the future you can see that it will already go down that is to say that cotton prices will probably go down and in March when cotton reach to 229 per pound and then 183 in April, 150 in June, December 120. So, this will contribute. And the same happens with the USD, so you have the USD curve and if you take from last year to now, you see a slight decrease but it is still a decrease. So, in the 2H of the year in principle we will probably have a better result than the 1H in this regard.

Gustavo Oliveira:

Thank you.

Irma Sgarz, Goldman Sachs:

I am sorry, I apologize. I would like to understand the transfer of the higher cotton costs in the 1Q. As far as I understand this was the biggest driver in same-store sales. I would like to know how much you expect traffic to help in the next few quarters and how you see the balance of growth drivers in same-store sales from now on. What about the comparison between traffic and ticket or would it be mostly ticket?

Adalberto Pereira dos Santos:

Irma, we would try to advance a little bit how the way we disclose the tickets in the next few quarters in order to facilitate your analysis. As we do this, based on the average ticket for the card, it varies around 11% and it leads us to believe that this is the price evolution in the store, but it is not.

And I will explain why, the card ticket in fact is a combination of 0+8, which is R\$190, with 0+5, which is much lower, it is around R\$118, and when you do the weighted average you reach the average ticket which is one that you mentioned. And as the share, 0+5 has dropped, the weighted average is hindered because it goes up, 0+8 be maintained at 12%.

So the average is ultimately affected and the effective variation of prices, if you do the adequate breakdown, it was between 9.5% and 10%. We have to remember the following: this quarter was not typical at all, and that benefited us because we had cold coming sooner. So, we had a participation of items for the cold weather and less cold weather items in the 1Q10.

And even that, we had 9.5% effective variation. If you take this price variation, 9.5%, and you subtract same-store sales then you will get to a 1.7% traffic positive. So, we had a driver of traffic as well and we understand that this could be further improved, but it is already a very reasonable level.

Irma Sgarz:

Thank you.

Tobias Stingelin, Santander:

Good afternoon. It is just a quick question about financials, since in 2011 and 2012 this is very important, you still have a very low delinquency level. I would just like to understand probably, are you not worried about the change in the macroeconomic scene? Do you think you might grow quickly, has something changed, would you have to change the provisions? So I would like to understand that a little bit, because the financial part is becoming more and more important. We have a scenario, which is still very good but perhaps the margin might worsen.

Adalberto Pereira dos Santos:

Yes. Thank you for your question. This is a very interesting issue. The financial part is important, it is relevant and becomes more and more relevant, because of the efficiency gains that we have in operations, and although this area has become more and more relevant every half year, our focus is on retail, clothes retail because this is what we know how to do best. This will always be our focus.

So what is new here? You have a lower level of provisions. We will not make that adjustment, at the end of the year, of the coverage. This 1Q we have a coverage adjustment and, thus, this will be our practice until the end of the year. We think that the percentage of between 20% and 30% will be a reasonable level in terms of share of the operation.

When we look ahead on the curves that we have of the portfolio, we see no problem for the 2Q and the 3Q; perhaps there might be some operation towards the end of the year, but I do not think, and I do not believe personally, that there will be any deterioration on the macroeconomic scenario.

We must remember that the Government, what it is trying to do is to bring about a growth of 5.5% to 6%, perhaps to 4%. The inflation, which is discussed today, it is one p.p. above that which was the ideal. If it was 1% below then we would not even be talking about inflation. So we do not see any great catastrophes ahead.

Tobias Stingelin:

Well another question, the 0+8, the revenue has grown 80% year to year and you were practically flat with the sales percentage. So, when you compare this, I have not understood exactly how you grew 80%, did you include increase of the spread or could you explain, could you elaborate? Please.

Adalberto Pereira dos Santos:

In fact this growth has to do with the growth of the importance as the 0+5 loses importance, the 0+8 grows. There is no operation particularly that is important. So, the 0+8 becomes more important and also the importance of FIDC. It brought about a gain of net margin to this operation of R\$3.2 million in the quarter.

And this should happen also in the next quarters, an increased revenue from the FIDC, or a cost reduction if you will, of approximately R\$12 million, and basically this is what has affected this operation.

Tobias Stingelin:

Thank you so much.

Gabriella Antici, Goldman Sachs:

I would like to follow up Tobias question. Adalberto, you mentioned that you expect the margin to be flat during 2011, with the retail higher and the financial marginally lower. So, do you think that the provision level this year will be above that of last year, perhaps due to a higher inflation or a drop in the economic growth?

Adalberto Pereira dos Santos:

Well, we are working with the same level of provision. We believe that the size we can see ahead and the curve when we advance towards the fourth quarter we believe that the provisions level will be very close to what it was last year. So far so good, we do not see any deterioration on the credit side or the credit scenario.

Gabriella Antici:

Thank you.

Lore Serra, Morgan Stanley:

Yes. Thank you for taking the question. I also wanted to ask about the financial provisions. And I had two questions, one is: it seems like the personal loan past dues did rise a bit this quarter and I understand it is a small portfolio and it is the first data point, but is there any significance in that to you?

And then the second question I wanted to ask was: when we look at the allowances to past dues, you worked down the allowances to a level that now seem more similar to where you were in 2008 before the crisis. So, at this point should we assume that, and for the past three quarters we have seen more write-offs than provision levels as you have been working down on allowances. Are you now at the right point in terms of where the provisioning levels are, you know, seasonality aside or will you continue to work that allowance account down into the next quarter or two? Thank you.

Adalberto Pereira dos Santos:

The question of the increased loss of the personal loans is because of a change of portfolio. We have an increase of a product, which is the Saque Rápido, this becomes more important, as compared to the longer-term products. It is a riskier product and also obviously has a higher loss, a higher risk.

And in 2008 you asked us well, for the right point, yes we are at the right point. When I said we are now carrying out the corrections in the 1Q, or adjustments, we have no provision for the last quarter, we will be able to follow this quarter by quarter and we feel very comfortable with this level of the 1Q. I think percentage wise, when compared to last

year, I think this will be maintained. We should close the year at levels very similar to last year.

Lore Serra:

And if I could just follow up on the operations. In terms of the SG&A, clearly you have explained some of the increases due to the investments you are making to drive long-term growth and the accelerated store expansion. But if you could just talk a little bit on a sort of existing store basis, is that possible? On sort of an existing store basis, what is the pace of growth of your selling expense on that kind of a basis, could you give us any sense of it?

Adalberto Pereira dos Santos:

Well, Lore, the time for a store to mature is five years, the time for a compact store to mature is three years. So everything has to do with this period of maturation. The first few years of a store you do not, you know, it is not 100% of the expenses or the headcount. This will develop with the stores.

You were asking about the recently opened stores and if it is according to the plan. Yes, they are according to the plan, because we scale the expenses throughout the period, those expenses which have to do with the new stores.

Lore Serra:

No. What I am trying to understand is if you stripped out the new stores, if you stripped out the new investments, what is going on sort of the existing store base, what is the pace of growth in your selling expenses for the stores that are over a year old? That is what I would love to get an understanding of, if it is possible?

Adalberto Pereira dos Santos:

The fixed expenses of our stores are 80%. The growth is exactly in line with the inflation, because this 80%, a large part has to do with labor, which is adjusted to the inflation with a slight margin increase, and rent, which is also corrected according to inflation. So my expense is based according to sales, it grows very much in keeping with inflation. There is nothing more to it than that.

Lore Serra:

Thank you.

Operator:

Thank you very much. So, we come to the end of our Q&A session. I would like to ask Mr. Adalberto to make his final remarks.

Adalberto Pereira dos Santos:

Thank you very much for your participation and our Investment Relations department is always at your disposal, and we hope to see you at the next quarter with positive results. Thank you so much.

Operator:

Lojas Renner's webcast is finished. Thank you so much for your attention, and have a good afternoon.

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