

Brazil Retail

Feedback from XP Fashion Conference 2026

Cost headwinds in the spotlight; VIVA and ALPA as positive highlights

We hosted the 5th edition of the XP Fashion Conference, with 7 companies present: Alpargatas, Aramis, Azzas 2154, Lojas Renner, Veste, Vivara and Vulcabras. Overall, investors focused on (i) short-term trends, mostly mg dynamics, as we approach Q1 earnings season; (ii) potential impacts from oil's recent hike in freight costs; and (iii) tax reform implications. All in all, VIVA and ALPA stood out in the positive side, with both trying to ease concerns about cost pressure effects on margins, while we expect AZZA to continue to face a challenging short-term momentum on ongoing operational adjustments.

A lot of questions on oil. The only common theme mentioned across most (if not all) meetings was potential headwinds coming from oil's recent hike in results. Overall, companies are still not seeing significant cost pressures coming increased freight costs while some mentioned secondary risks coming from a more inflationary environment.

Tax reform starting to appear. Although relatively incipient, investors are beginning to question companies' preparation ahead of the reform and potential implications for the business. Regarding the latter, disclosure remains limited given the still high level of uncertainty.

Short-term trends always a topic. As we approach Q1 earnings season, investors also tried to get a sense of what to expect, with indications mostly solid, despite cost headwinds.

Strategic updates also shared. The key themes discussed were:

- **ALPA:** oil's recent hike not seen as a material headwind; and positive outlook for 2026 mostly on volume growth pick up in Brazil and acceleration in intl. ops.
- **AZZA:** operational adjustments should remain a headwind to short-term results; further room for SG&A optimization; Hering's inflection closer to 2H/Q4.
- **LREN:** positive outlook for 2026, with guidance reiterated; Zara's price repositioning being monitored while it is still unclear if it is a tactical or structural move; and DC's digital transition not a material ST headwind.
- **VIVA:** mg dynamics on cost pressure, with mgmt. reiterating gross mg should be flattish in Q1/2026; Vivara's price elasticity as a positive surprise but with muted vol. growth in 2026; and cash generation as a highlight of the year, mostly on declining inventories.
- **VULC:** 2026 growth mostly on price/mix, mg expansion supported by optl. efficiencies and cost risks into 2H.

More details per company on the next pages...

Danniela Eiger, CFA

Retail
 dannielaeiger@xpi.com.br

Pedro Caravina

Retail
 pedro.caravina@xpi.com.br

Laryssa Sumer

Retail
 laryssa.sumer@xpi.com.br

Key highlights per company

Alpargatas (Neutral, TP R\$ 15.0/sh)

- Company does not expect material cost headwinds coming from oil's recent hike as there are several mitigators between oil's price hike and its effective impact on ALPA's cost;
- They should conclude their 5-year strategic plan by mid-2026, with a lot of room to grow internationally (Europe as a key priority) while Brazil also offers opportunities;
- See room for flip flops to resume growth in Brazil this year, with a controlled food inflation as a tailwind for consumption dynamics in food retail;
- U.S. 2026 is a transitional year to understand the new business economics, as the company is still fine tuning operational details (e.g., online mgmt. may remain with ALPA).

Aramis (not listed)

- Company continues to deliver solid performance, with top line CAGR above 20% and mg expansion;
- Focus on using technology as a key lever to drive the business operationally by optimizing internal processes, improving customer personalization, etc.;
- Focus on being the ultimate House of Brands for Men Lifestyle, with four BUs currently (Aramis, Urban, Next and Shoes) and goal to add new avenues of growth.

Azzas 2154 (Buy, TP R\$ 40.0/sh)

- Sellout should reach positive grounds in Shoes&Bags in Q1, but sellin dynamics still pressured by Hering, Arezzo and Reserva channel adjustments and Vans' challenges while Fashion Women should decelerate on tough comps;
- Hering's top line to inflect as of 2H (probably Q4) while gross mg should gradually improve throughout the year, with the year-end level closer to the BU's run-rate;
- There is still room for SG&A optimization, with Fashion Men/Women's synergies to be captured in 2026-27 and Shoes&Bags/Basic still in early stages;
- Cash generation as a key focus, with better FCF yoy dynamics expected in Q1.

Lojas Renner (Buy, TP R\$ 22.0/sh)

- Company reiterated its guidance, though noted 1H performance should be below it on tough comps and 2H above it;
- Still unclear if Zara's recent price repositioning is tactical or structural; regardless, LREN continue to monitor it closely though see Zara' price point still higher than LREN's while portfolio adjustments are an additional competitive mitigator;
- Mg expansion supported by price mix, operational efficiencies and SG&A optimization;
- Digital Inventory transition was concluded in early March, and should not be a material headwind to Q1 consolidated figures;
- Renner's expansion should be different from what they have done before as they should work with regional operators that are less structured, Youcom's is easier given its smaller store size and as there still room to expand in traditional malls while Camicado's expansion results from mall operators' demand for home&decor with Capex being mostly financed by them.

Key highlights per company

Veste (not covered)

- Company has been through operational and portfolio adjustments since 2022, and now it is better positioned to capture the benefits from these adjustments;
- Le Lis accounts for 55% of sales and continues to deliver DD growth, with store renovations as a key driver of SSS;
- Mgmt. focus is on organic growth, while keeping sustainable margins/lower markdowns and regaining client base and confidence.

Vivara (Buy, TP R\$ 41.0/sh)

- Company reiterated view that it should keep a flattish gross mg (reported) in 2026, supported by product mix, mark up mgmt., factory efficiencies and product development while EBITDA mg should also be flattish, with some pressure on selling expenses and dilution in G&A;
- Vivara's price elasticity better than expected though with muted volume growth expected in 2026; Life's innovation pipeline to support top line performance;
- Positive levers to support mgs in the short-term and offset lower subventions' headwind;
- Cash generation should be the highlight of the year, mostly on declining inventories.

Vulcabras (Buy, TP R\$ 22.0/sh)

- 2026 should see DD growth, coming mostly from better price/mix, while profitability should still yield from productivity levers, though commodity prices offer a risk for 2H;
- After a still strong promotional environment on early 2026, competition has reached more rational levels in March, while mgmt. remains confident about Corre's launches on Q2;
- The company is aware about potential cost headwinds rising from oil-related prices, with price hikes for 2H being currently evaluated.

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