Q4 2012 Earnings Call

Company Participants

- Adalberto Santos, CFO and IRO
- Jose Gallo, CEO
- Unidentified Speaker, Unknown

Other Participants

- Andrea Teixeira, Analyst
- Fabio Monteiro, Analyst
- Gustavo Oliveira, Analyst
- Irma Sgarz, Analyst
- Juliana Rozenbaum, Analyst
- Ricardo Boiati, Analyst
- Robert Ford, Analyst

Presentation

Operator

Good afternoon, ladies and gentlemen. and thank you for waiting. Welcome to Lojas Renner's conference call to discuss results of the Fourth Quarter of 2012.

We would like to inform all participants that this conference call is being recorded and simultaneously translated. The slides of this call are being presented on the Internet on www.lojasrenner.com.br in the Investor section on the webcast platform.

Reminding you that questions will be taken by telephone and by the platform. We would also like to inform you that participants are in a listen-only mode during the Company's presentation. And then we will start our Q&A session when further instructions will be supplied. (Operator Instructions)

Before we proceed, we would like to clarify that any statements that might be made during this conference call referring to the Company's business outlook, projections and financial and operating targets are based on beliefs and assumptions of the Lojas Renner's top management and also information currently available to the Company. Future considerations are no guarantee of performance. They involve risks, uncertainties and assumptions because they refer to future events and depend on circumstances that might or might not occur.

Investors must understand that general economic conditions and industry conditions and other operating factors might affect future outcomes of the Company and lead to results which differ materially from those expressed in these future considerations. Now, I would like to ask Mr. Adalberto Santos, CFO, to take the floor. Mr. Santos, you may proceed. Thank you, very much.

Adalberto Santos {BIO 16803045 <GO>}

Thank you, very much for being here with us to disclose these results for the Fourth Quarter 2012 our CEO, Mr. Gallo; Mr. Luciano Agliardi, our Controller of Office; and Paula Picinini, our IR Management and New Business Manager.

We will have a slightly different format this quarter to make our presentation more objective and more direct. So that we can have more Q&A planned.

We will have a quick look perspective of the quarter. And there was some -- we had thought that there will be a recovery and also competition, the outlook regarding world economy, China and industrialization, et cetera. And with the leverage -- the apparel industry has high stock levels reflecting a very competitive environment. And this is actually what happened. And as it stands, we had a very warm winter as well.

Now, in the First Quarter, we see that the macro environment is improving. But with tax and interest rates which are low -- lower have brought a tax too on our business as well. We know that it is challenging. But our business is very resilient and very consistent from several points of view.

Our nominal sales for apparel and footwear is 6.4% We also had an evolution of same-store sales (inaudible) of Camicado and we are opening new stores and Blue Steel. In the Third Quarter we presented a good progress.

Now, let's go straight on to the presentation. I would like to give you some more specific elements that were highlighted in the Fourth Quarter. On chart 3, on the Fourth Quarter, we had an increase of 21.8% of net revenues from merchandise sales; Renner same-store sales growing 12.4%. Gross margin expansion is 1percentage points and operating expenses dilution of minus 0.9%. Financial service growth is 60% and bad debt on financial services once again on minimum historical levels.

And merchandise sales have grown. Net revenue is much better, increasing 19.5%, sales with Renner same-store sales growing 8.8%. Financial services results of BRL148.9 million, 19% higher than 2011, non-performance at the minimum historical levels. Growth in total adjusted EBITDA of 20.6% with a total adjusted EBITDA margin of 0.1percentage points higher than the previous year, reaching 20.6%.

35 new stores were opened, being 24 Renner, 10 Camicado and 1 Blue Steel. And we started to roll out very important projects to gain efficiency and sustain the expansion plan; implementation of the shared services center, inauguration of the Rio de Janeiro Distribution Center and acceleration of the remodeling plan.

On page 5, we have net revenue --- page 6, from merchandise sales in the Fourth Quarter, 21.8% increase, BRL1,184.3 million. And a growth of 12.4%. And same-stores sales 8.8%. So assertiveness and strategy successful launch of the collections. Initial results of the projects designed to improving the shopping experience and at the end of the year, some improved macroeconomic conditions have led to these improvements.

On page 7, we have the chart of gross profits and gross margins. In the Fourth Quarter of the gross margin, we have 53.8% and annually 52.5% to 53.3%, also including Camicado; the suitable inventory management and lower cost of cotton in domestically supplied items and imports and better negotiations in the domestics and international markets.

On page 8, this chart is about operating expenses. In the Fourth Quarter it increased 18% less therefore than the revenue and also as a percentage on net revenues, which has dropped from 31.8% to 30.7%. Annually, we have a dilution of 35.5% to 35.3%, with greater operating leverage at recently remolded and inaugurated stores associated to a stringent control of expenses compensating additional expenses with the distribution centers. So this will improve also in the Second Quarter.

On page 9, we have the retail EBITDA, a growth of 28.5% in the quarter to BRL259.6 million and a percentage point of 21.9% -- of net revenue to 21.9%. In the annual figures, a growth of 21% of BRL565.6 million, this from 16.1% to 16.3%. So we have two important non-comparable points. First of all, the profit sharing programs and in 2012 the (inaudible). And we have the non-comparables and these figures are as you see.

On page 10, we have our financial services, the highlights of which are, well, first of all are cards, BRL38.4 million (sic; see slide 10 "BRL34.4 million") compared with BRL7 million in 2011. Losses have been controlled and revenues both in the quarter and operating expenses closing at 3.1% and with the development of the results in the First Quarter, almost (inaudible) to the year, 19% was the growth in the retail of the cards.

On page 11, the Renner Cards bad debts. This is a private label card. As you can see, it's quite a low level. The next page, personal loans, we have 3.6%, which is the same as the private label cards at the lowest level of our historic series.

On page 13, adjusted total EBITDA and adjusted total EBITDA margin, BRL292.3 million. And annually a growth of 20.6% to a total of 714.4% (sic; see slide 13 "BRL714.4 million"), growing from 20.5% in 2011 to 20.6% in 2012. We have BRL36 million in non-comparable expenses.

On page 14, we have the net financial result, which goes from expenses of BRL6.1 million in 2011 to BRL50.4 million in 2012 and BRL25 million in Fourth Quarter of 2012. The lower financial revenues during the course of the year is due to lower cash position and lower interest rates. Higher financial expenses due to the new capital structure and two non-recurring factors; financial expenses related to the end of tax credits on imports through the state of Santa Catarina and non-recurring financial expenses due to the change in foreign exchange hedge instruments for imported products brought an extra expense. And in the Q&A we can elaborate on this.

On the chart on page 15, we have our net income. And we have a negative financial result in the depreciation that percentage wise is better than last year's, from 12.2% to 12.5%. Annually there has been an increase of 5.5% from 11.6% in 2011 to 10.3% in 2012. And in 2012 we had the opening of 24 Renner stores, one Blue Steel and 10 Camicados, the remodeling of 24 Renner stores, seven of which were large ones and the conclusion of the Rio de Janeiro distribution center.

The total invested is BRL382.3 million, below the BRL420 million forecasted and in view of the new investments of Renner. New businesses we have an opening of new stores and as business grows, we increased our openings. So for Blue Steel, we will open one more new store, a total of four stores with an area of 147.6 square meters and net revenue of BRL6.6 million and gross margin 58.3%.

Camicado, opening of 10 new stores, a total of 40 stores with an area of 20.7 thousand square meters, net revenues, BRL158.6 million, an increase of 21.8% and gross margin of 42.8%, lower than the 43% of last year. We will elaborate this also in the Q&A. Our virtual store has a net revenue of BRL20.7 million, an increase of 111.6%, which accounts for 6% now of Renner sales.

On page 19, we have some awards, which are important. I will just mention a few. First place in retail category of Melhores e Maiores da Exame Magazine 2012. First place in retail category of Melhores da Dinheiro from the Revista Isto E Dinheiro. First place in apparel retail category of As Empresas mais Admiradas no Brasil. First place in fashion category of Epoca Negocios 360 degrees in Revista Epoca Negocios. And an important award, featured in Corporate Governance 2012 from the As Melhores Companhias para os Acionistas, the best companies for shareholders, 2012, publicly held companies.

On page 20, we have here some outlook for the Company. And then I would like to ask Gallo to take the floor and he will talk to you about long-term ideas. We expect an expansion of the areas to grow 15% and 25 to 30 Renner, 10 Blue Steel, 6 to 10 Camicado an increase of CapEx. And in term of sales, our expectation is that we have a higher level in 2012 and for 2013. In the First Quarter of 2015, we will have -- we will benefit from the effect of the measures implemented in the first quarter.

40 remodeling of which six large stores and an important item also in the change in headcount and in payrolls. This will have an impact on EBITDA. But on the net income, the net income will drop. But the impact on EBITDA is sure and we expect to continue in the area expansion and with a less cost of EBITDA income of operating expenses, this will continue. Regarding net revenue and once again considering the -- we will continue with our adjustments and continue to adjust those spreads, the implementation of new products to make up for the losses with the drop in the interest rates. For our expectation is to obtain the levels of the margins obtained in 2012.

Camicado is in development and the Blue Steel project, new stores that will be opened. We are talking about 30 plus 24, 54. And they will be maturing, bringing benefits and so we should deliver the same percentage growth as last year. Now I would like to ask Mr. Gallo to take the floor and then we will go on to our Q&A. Thank you.

Jose Gallo {BIO 1822764 <GO>}

Good afternoon, everyone. It is a pleasure to be here talking to you once again, to talk about our strategy, our long-term strategy. For 2013, we start the important growth cycle for the Company with several perspectives that will foresee the development of our business. We will -- for Renner operation we intend to have 408 stores in 2021. For Camicado operations, our target is to have 125 stores in 2021. That's an average of 8 to 10 stores a year.

For e-commerce we expect to reach 5% of the Company's sales for 2021. And it's important to highlight that now, in 2013, we are very close to our breakeven point. You know that the operation is start and we have to do several investments. So in the beginning, it's difficult to have profitability. But we are close to do that this year. We have a specialty chain project with a new brand, a youth fashion. And we will talk about that more.

We also work on our Renner card revitalization. We work with Advantage Club. We are developing new convenience financial products for our customers. And all these initiatives are important to offset the drop in the interest rates that we've been having.

And finally, we have a project related to logistics that have to deal with efficiency gain and sustainability of our growth. We have a logistics project that -- it has been mentioned already we have this started it should be concluded in September in real. We will have the building of our second DC in 2013. And the objectives of the project is to focus on the growth of our chain of stores. But also it's important to say that for our image this is going to be good and also we will be able to avoid markdowns and will eliminate the stock out that sometimes happen in our stores.

Also important is our plan for shared services center. We have implemented that already in our first stage or first phase of it. We are going to the second phase. We are gaining efficiency. We are working in a fair economy and growing operations. Here we aim to reduce and to dilute expenses.

And finally, we have a remodeling plan for the stores. That has been accelerated. We will have 14 major renovation projects for our stores and also we had a total of 40 -- and for the 14 we have major renovations. And in the other ones we have smaller renovation. But also this brings us a very encouraging year ahead.

And finally, I would like to comment on our new chain of youth wear. We're going to launch our own brand. And it has been requested already. This brand is going to be Blue Steel. And I will talk more about this launch soon. But the new name of the brand is going to be YouCom. Now we have four pilot stores. The last one was opened in the Blubon shopping mall in Sao Paulo.

It already has this new concept of stores. We did some adjustments. We have lower operating costs. So lower CapEx. And that's going to allow us a faster expansion. And even -- in the future these lower investments will allow us to fit in the franchise model in a easier way. The CapEx is around BRL400,000 to BRL450,000. It depends on the store.

So in the beginning we had gross sales above what is expected per square meter. It went over our target for this pilot. And that is even higher of several other specialty store chains. So our gross margins with that is above our initial expectation. We didn't expect that in -- also we had only 20% of exclusive items that were more specific for the specialty store in the case of the new chain.

For winter, we will have 60% of exclusivity items for these stores with a higher margin, because we are having items -- specific items at those stores and that's going to be different from other department stores. We intend to open at least 10 stores in 2013. And we have an estimated potential of 400 stores. We would like to highlight that our priority for the next two or three years is to open stores and we want to fill in all available areas with our own stores, with around 120 to 130 square meter these so the stores should be in the shopping malls. And we want to focus mainly in Sao Paulo city and the surroundings. And this store is going to be also from our chain.

So we expect with this new model of business to attract the young people and we expect to have then a lower age at YouCom. We'll have three stores in the first half of 2013. It's still under Blue Steel to really have a critical mass and there is no brand and in July, we will switch to YouCom. And in August with a launching of spring/summer collections, 100% of stores will be YouCOm. So we'll have opening of stores. And from 2014 on, we intend to have 30 stores and -- to grow. That's what I had to bring to you.

And now we are available for Q&A session. Thank you.

Questions And Answers

Operator

We'll now start question-and-answer session. We would like to ask you at first ask the questions in Portuguese and after that, we'll have the floor open for questions in English. (Operator Instructions). Ricardo Boiati, Bradesco.

Q - Ricardo Boiati {BIO 16528742 <GO>}

I have a question about the beginning of the year. What is your understanding about these first two months? How do you see the curve and the demand, the collection that is in the stores right now? Do you have any problems with inventory? And also, I would like to know about the competition. And if you are able to have a stronger performance in stores sales and how does the weather impact?

And my second question is about personal loans for private labels. You still have those net losses and I believe -- it was to be expected that those would be a little bit higher. Is that a result of a more conservative approach from the Company? Do you have room for improvement in the card? What is your perspective on that?

A - Unidentified Speaker

Ricardo, answering your first question, in the first month our sales are aligned with the Fourth Quarter of 2012. We already have a good part of our collection in the stores. We have not had problems with inventory. We had a good change of collections. So we are in the beginning.

And the carnival is really when we have more movement and businesses start to heat up. But we are aligned to our Fourth Quarter of '12. And the collection is very interesting. It's very nice. I believe it's going well.

Now let's talk a little bit about loan. At the end of 2011, we reduced some of the rates. And the way we communicate changed as well, it was regionalized, now it's different. We changed some routines. But we are not being more conservative now. We have the same level of approvals that we have in the prior year. And what else can I tell you? Probably -- we are not having adverse conditions. When we have adverse conditions, we have to increase rates to minimize loses.

But when we start lowering rates, we grow in terms of penetrations. Since August of last year, we see an increase in the production of those products around 35%, with no changes in the profile of losses. Especially, when we -- because when we start to have problems, the first indicators come on the first layers. But we did not see anything changing.

Q - Ricardo Boiati {BIO 16528742 <GO>}

So thank you, Gallo. Thank you, Adalberto. So just a quick follow-up to your question, we can understand that this is the normal and expected level and that's what you expect for the products. You don't see the need or you don't see a problem with the personal loan?

So there is no need of increasing the offer of the products and maybe like a little bit of the results, right?

A - Unidentified Speaker

Yes, this is a -- a product that crosses committing product to our customers. So we wanted to grow gradually and slowly, always aligned with our retail proposal. We don't want to be a bank; this is just a convenience for our customers.

Q - Ricardo Boiati {BIO 16528742 <GO>}

Okay, thank you.

Operator

Juliana Rozenbaum, Itau BBA

Q - Juliana Rozenbaum {BIO 2155607 <GO>}

Could you elaborate on the improvement of the gross margin that you have shown us and this margin mostly which is growing. And in spite of all of this changes in logistics and distribution center? So what you found this improvement to? And if it is not all the changes in logistics and distributions, can we expect more improvement in the future when you collect the benefits, when you reap the benefits when you have completed these improvements in the logistic structure?

A - Adalberto Santos {BIO 16803045 <GO>}

This is Adalberto. Well, as you have seen, the gross margin -- well, it also has to do with the price of the cotton and also because of a drop on the rates on the import taxes. And I think that it has a lot to do with this. And these will be gradual improvements through 2013. We will begin to have something stemming from all of this and the logistics project will sustain all of this. We are just starting. What we have had now is greater efficiency and better cost of cotton. And better prices both here and abroad.

Q - Juliana Rozenbaum {BIO 2155607 <GO>}

Now, you spoke about better price for cotton, impacting the imported goods as well. But also you lost the benefits in Santa Catarina and a higher exchange rate. Do you think that the price of the cotton offsets this? What is your strategy for imported goods?

A - Adalberto Santos {BIO 16803045 <GO>}

The increase of the price should continue. We don't expect any difference this year. The price of same goods is of course lower in China. But there is still slower growth. And in 2013, we don't think that there will be much change. But there will be no problem with the cost of products.

Q - Juliana Rozenbaum {BIO 2155607 <GO>}

And regarding the gross margins, Camicado at least I was expecting that we would start seeing improvement, structural improvement of gross margin in Camicado. We have seen the opposite during the year. What is your expectation and when can we imagine an improvement of the gross margin or not? Is the mix with the new stores and the format that these stores are going to take, will this impact the gross margin level?

A - Unidentified Speaker

Well, let's go back a bit about the loss of incentives. In fact, the impact of this on the annual account -- well, in fact, we are announcing more benefits in Santa Catarina which will offset this. There will not be an impact.

Regarding Camicado what happened last year, in the second half of the year we adjusted the commercial area, separating some segments. There was a learning curve involved. And now we will have a different turnover of each segment, a different turnover. And software will be adjusted. We should feel the impact of this in the First Quarter. The First Quarter will be better than last year. And it will be about 3 or 4percentage points lower than Renner in terms of gross margins.

Q - Juliana Rozenbaum {BIO 2155607 <GO>}

My last question, I didn't understand whether the new brand the new stores will maybe opened with a new brand and will they co-exit? Or is it in July that you are going to change all of them to the new brand and why this strategy? Why not the new stores with a new brand?

A - Unidentified Speaker

Well, the new stores will be still on the Blue Steel brand to develop a critical brand. So we will develop this critical brand, about eight to nine stores. And then we will launch more stores and run a campaign. It in no use running a campaign and people don't find new things immediately. In Sao Paulo we only have two stores for the time being. All the stores will be in Sao Paulo. So we have to wait until we have more stores to launch this campaign.

Q - Juliana Rozenbaum {BIO 2155607 <GO>}

Thank you, Adalberto and Gallo.

Operator

Robert Ford, Merrill Lynch.

Q - Robert Ford {BIO 1499021 <GO>}

Thank you, very much and congratulations on your presentation. About the Club Advantage it seems very interesting in your programs, could you elaborate on this program of your loyalty program, please?

A - Adalberto Santos {BIO 16803045 <GO>}

This is Adalberto speaking. This is certainly a loyalty program as well. But we try and try to understand what has worked and what has not worked in programs implemented not only in our sector. But in other groups as well. And many things did not work and many difficulties. So we are average BRL55 to BRL65. So it's low. And even if you give an advantage, let's say a 5%, you have the possibility of the client accumulating 5% of 150 is 4.50. But they buy four times a year in our store. So they will accumulate BRL100 a year.

So whether you can see the value, it will become something material. And most of the programs are of advantage program -- some of incur in the following problem. They sometimes do not benefit the people directly. So we tried to change this. So the Club Advantage is different. We have a special budget for this and it will bring benefits to the client so that they can realize that there are direct benefits from our card, which has to do with the operation of our store or something promoted by our store.

So this is the general concept and we have about 80,000 cards have already joined the club and our target is 1 million and the clients have been satisfied.

Q - Robert Ford {BIO 1499021 <GO>}

Thank you, very much and congratulations.

Operator

Andrea Teixeira, JP Morgan.

Q - Andrea Teixeira {BIO 1941397 <GO>}

I would like to understand -- well, I think you have been doing very well. I understand you have a good margin for 2013 and I remember that in the prior call, you mentioned that you have this logistic model and I understand that this (inaudible) in Rio went well. But all of that would offset the increase in cost? And also how the fall/winter collection is behaving right now? How is the acceptance?

A - Jose Gallo {BIO 1822764 <GO>}

Andrea, I would love to talk about this collection. But let me address your first question. No, we are not being conservative. If we are working in a positive way and we can talk about a good image, because we are working towards that. We have the cost of electric energy and we also have our payroll, in which we are going to have savings as well.

But on the other hand, we have the pressure of new stores, as I have mentioned. The stores (inaudible) years time to deliver an EBITDA that is lower than the average. So those new stores right now are around 80, we have 80 operations. Camicado is being developed. YouCom is also being developed. The new distribution centers also had expenses. So we ended up having a negative impact on our EBITDA.

If we are able to have the same EBITDA for the same margins from the last year, I believe it's going to be fine. So we are not being conservative. It's really something realistic.

About the collection, we launched our winter collection earlier than other specialty stores that usually launched their own collections. So it has been interesting. It's going well. Our sales are going fine. So everything is working well. I just would like to address that our markdown was not as high as in other areas. We had less products for the mark downs so with that the collection could come in faster and we did have room for that. But everything is going well and fine.

Q - Andrea Teixeira {BIO 1941397 <GO>}

Okay, Gallo. And also coming from a Adalberto's comments, last year you have had a very good positive effect and I understand the negative impact on cost when these things will start to come up in same-store sales. So how this has been evolving along the year? Some stores end up being mature faster? So what is the most productive impact? So how do you become more successful, which are the stores, how is that impacting? I would like to understand how that maturity process works?

A - Jose Gallo {BIO 1822764 <GO>}

Okay. The maturity process of stores is still like in the past, within three years it's mature and it peaks within five years. The contribution maybe is a little bit lower because we have a larger chain of stores. But it does have a contribution.

Q - Andrea Teixeira {BIO 1941397 <GO>}

Thank you, very much. And Adalberto also has mentioned -- now we had a change in the interest rate, how are you going to work with the cards? Are you offsetting that with volume? So how can you work with it? And what is this scenario -- it is a new scenario now of interest rates?

A - Jose Gallo {BIO 1822764 <GO>}

So I believe we are not going to have any higher rates than those of zero plus eight. But of course we work with the long term and with the interest rates. That's why we developed our products and the zero plus eight itself is always being studied. But we don't intend to have any changes. And it's very interesting that what has happened with personal products.

We show that, yes, it is possible to change those rates by higher volumes. We have discussed that at the end of the last year where we were concerned. But we see that it's possible to have that business the way we want it, 35%-40%. We intent to keep it in 20% with products that support retail and that make sense along with our proposal.

Q - Andrea Teixeira {BIO 1941397 <GO>}

And the credit quality is still improving? I'm sorry, no, question is if the quality of credit in different products is still there and if that is growing? If you have gained at a lower interest rate?

A - Unidentified Speaker

Still then the credit quality is better than ever.

Yes, it is good because we have not changed the credit criteria to sell more. Retail and the personal loans are still there with the same quality. We did not let go of quality. We did not talk about -- then regarding that. So we still have a good margin and we're working well there.

Q - Andrea Teixeira {BIO 1941397 <GO>}

So thank you very much. And congratulations.

Operator

Gustavo Oliveira, UBS.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Till at end of December I would like to understand what is your strategy, if you are going to have any loans from banks?

A - Unidentified Speaker

Yes, we have already and this is being worked on. We are going to replace the credit by this new one and include some portfolios. Even the overdue portfolio that was not included there. So it is being improved.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Okay, thank you very much.

Operator

Fabio Monteiro, BTG Pactual.

Q - Fabio Monteiro {BIO 3711690 <GO>}

I have two questions. One about the Blue Steel. So some questions about the project. I want to know if the collections are going to be similar or the same as those of the Blue Steel and are they going to keep the line -- same line, same target audience? And how quickly will they reach the stores? I understand at the beginning it might be a bit slow in the touch phase. But what is your horizon? When do you think it will achieve this potential of 400 stores?

A - Adalberto Santos {BIO 16803045 <GO>}

This is Adalberto. Well, we already have a team totally separate from Renner to work on this new brand called YouCom, Y-O-U C-O-M, YouCom. And it's a separate collection that's separating everything is separate from Renner. Regarding the target audience, one of the reasons to make up this chain is that we know that department stores, they do receive so many young people. And our target are younger people. Younger than those who generally go into Renner.

So our horizon is much the same as the others. We imagine that by 2021 we will reach this number. That has been mentioned. But next year we should have at least 30 stores, if everything works out as we want it to. And we will give priority to our own stores. And we don't quite know when we'll go into franchising and multi-brands. So we will see what happens.

Q - Fabio Monteiro {BIO 3711690 <GO>}

Thank you, Gallo. Well, I wanted more of a benchmark. Do you have any inspiration for this new brand, anything that you have seen through that drew your attention to develop this here? Or was it something totally spontaneous these specializations? But this concept development, was it inspired on anything, from other countries?

A - Unidentified Speaker

Well, obviously we frequently visit other countries. But it is something very much of our own. And something which we say -- we call the young drive style and something very challenging for this new brand. And it will be positioned between the department store and high-end stores. So it's just in between is where we will situate and sell.

It will have the same sort of lifestyle as Renner. An idea of a store like Wedgeka or -- well, something which we are bringing to Brazil; tropicalizing. So to speak. And before virtual stores we had a little bit of difficulty, we had no scale. But we wanted to bring in very typical things. But we had a good sale per square meter rate. And I think when it is worked hard on, I think it will develop very well.

Q - Fabio Monteiro {BIO 3711690 <GO>}

Thank you, very much. My last question is about the Renner format. I would like to understand the following. The Company in the last few years has been testing some products in some segments like perfumes and accessories. And even third-party brands that you have been selling. So how is this developing? And looking at 2012, what weight does this have in the sales -- let's call it non-Renner. But not only non-Renner. But accessories, perfumes. And as I have said, third-party brands, international or domestic? So I just wanted to understand how important are these products in the Renner format?

A - Unidentified Speaker

Well, perfumes, this is already a tradition in Renner. Renner started 40 years ago and -- selling perfume. We are always bringing in new brands and we are always updating it. Today, we are the top in perfumery and in toiletries. We have the biggest department of all in the country. But as far as new brands go, we don't even have room for new brands.

We are happy with what we have. Example, lingerie, we do have third-parties brands. And some footwear, we sell Nike, for example. But we are not making huge efforts to bring in other brands. We want to do well what we know how to do. And our own brand and better and better collections is coming closer to what the market wants. This is what we desire. Nothing different about it and nothing all that different from 10 years ago.

We will continue to be what we are and we will continue to do what we know how to do well. It's no use inventing a whole lot of new things. You have to hold on to your position.

Q - Fabio Monteiro {BIO 3711690 <GO>}

Well, would you say that you don't have a target for the "non-Renners" to get to X %, 15%-20% of the products or not, just to put in a new brand or fill in a gap or whatever? But this has nothing to do with the strategy, let's say, of bringing in new brands, right, to compliment Renner already has?

A - Unidentified Speaker

Yes, exactly, what I have said. We don't want that. That's not our objective. And there are no really strong brands, domestic brands. And the international brands are really, really expensive. So our business is to do better what we have always been doing, more quickly, more efficiently, best in our business.

Q - Fabio Monteiro {BIO 3711690 <GO>}

Thank you, very much.

Operator

Irma Sgarz, Goldman Sachs.

Q - Irma Sgarz {BIO 15190838 <GO>}

Well, finally that you have better opportunity of a specialty brand just for Blue Steel and that you are going to change the name. Do you foresee a second or third possibility for maybe another segment, maybe another private label that you believe it to be strong enough to work on a specific segment and then also to have a second specialty chain?

And my second question is in the co-branded segment I see here that delinquency has been higher than in other financial products. How do you see that from now on? I believe this is still an ongoing process since you have that maturity process of the portfolio of the products. But I believe that 2013 maybe can be a year that you can compare better with 2012. Do you have room to drop the delinquency rate for that? Thank you.

A - Unidentified Speaker

Good afternoon, Irma. In the short-term we are focusing -- and actually Renner itself what we are doing are several changes that you can go back and check how our status was four years ago and what it is today. So it is inside Renner. But here we have major challenges in terms of remodeling our store environment.

We also have Camicado, a large operation. So in the short and medium-term, we don't have any further plans for that. But we do have some ideas that in the future might become a business.

We are in a learning process in these next two years. We will have now a new experience with Blue Steel and we will see how it goes. But we do have people here always paying attention to new opportunities and the opportunities that might come in the future. So now let me talk a little bit about the co-branded portfolio.

That is our portfolio that is showing the maturity process and we do have the collection related to that portfolio in 2012. We had higher losses and traditionally when we compare it to the market, probably you have a level of loss that was above our other products. Even then when we compare our co-branded with the markets using data by the Central Bank, we see that we are below the market.

So we end up having an overdue that is higher than the other portfolios, as I said. But we should work on that and we are still doing better than the market. And we could reach around BRL200 million in that portfolio and that's going to bring us an important contribution.

Q - Irma Sgarz {BIO 15190838 <GO>}

Thank you.

Operator

(Operator Instructions)

A - Adalberto Santos {BIO 16803045 <GO>}

So I believe we are at the end of our conference. I would like to thank you all for your participation. And we will thank your participation also and your support along the quarter. Thank you, very much for your attention.

And we are in the second month of the year. But last week we had a meeting and every month we have meetings with our main executives to discuss our results, what can be improved. And we do want to have a good result in the year. For that we need to start working in January. That's what we are doing. And, yes -- well, if -- no matter where our economy goes or GDP goes up or down, inflation goes up or down, we are dedicating ourselves to the business and we wanted to make it happen, delivering good results. Thank you, very much.

Operator

Thank you. The conference call from Renner Stores is closed. We thank you all for your participation and have a good afternoon.