

Q2 2020 Earnings Call

Company Participants

- Raoni Lapagesse, Chief Financial Officer & Investor Relations Officer

Other Participants

- Gustavo Oliveira
- Irma Sgarz
- Joseph Giordano
- Luiz Guanais
- Tobias Stingelin

Presentation

Operator

Good afternoon, and thank you for standing by. Welcome to B2W Companhia Digital Second Quarter 2020 Earnings Conference Call. Here, today with us our Mr. Raoni Lapagesse, B2W Digital's CFO and IRO. It's important to remind you that today's event is supported by a PPT presentation available at ri.b2w.digital.

We'd like to inform you that today's call is being recorded and at this time all participants are in a listen-only mode. After that, we will open for question-and-answer when additional instructions will be provided. (Operator Instructions). A replay of this event will be made available for a week shortly after it ends.

Before proceeding, we'd like to clarify that any forward-looking statements made during this conference call regarding B2W's business prospects, financial and operating targets are based on beliefs and assumptions of the company's management, as well as on information currently available. Forward-looking statements are not guarantee of performance. They involve risks and uncertainties and assumptions, and therefore they depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may affect B2W's future performance and could lead to results that differ materially from those expressed in such forward-looking statements.

Now, I'd like to turn the call to Mr. Raoni Lapagesse. Please Mr. Lapagesse, you can start.

Raoni Lapagesse {BIO 20391786 <GO>}

Good afternoon, everyone. And thank you for being here with us to discuss our second quarter results in 2020. We started our three years strategic plan 2020 through 2022. And

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the objective is to continue to accelerate our growth and to continue generating cash. The first half of the year is a time where we faced a very challenging scenario because of the COVID-19 pandemic, which brought many lessons and also motivated us to become even more agile, always seeking more innovation and creativity to generate value for the client and for society as a whole.

In light of that, before we start our presentation, I'd like to thank our team for their engagement, their enthusiasm to always service our clients. Important numbers we will show today, and all the measures and actions put in place in such a short period of time given such adversity was only possible because of the highly qualified team, which dedicated its time and effort to ensure our clients were serviced in a safe and a fast way. I'm very proud to be part of this team and to be able to represent them here today.

I'll start our presentation on Slide number 2, where I will comment on our initiatives to face the COVID-19 situation. From early on in February, we have put together a crisis committee to monitor the daily evolution and the impacts coming from pandemic to promote quick actions, prioritizing necessary measures to preserve the health of our employees and clients. And also to ensure that we were playing our social role as a company.

The committee's actions were systematized around four main pillars; helping people, optimizing operations on top of a solid cash management, communication and collaboration. Important measures were put in place including several initiatives, internal, and also partnerships with external agencies, which to-date have exceeded BRL62 million, including services in logistics and transportation of PPEs coming from China, the construction of a field hospital in Rio and donations done through AME, through our campaign, AmeFazerSuaParte.

With our focus on people and business, we created a company called Sell with us and to support local commerce to foster the sellers' sales. And the functionality on the AME to receive the emergency benefit from the government. We continue to prioritize care with our team, with 92% of our associates working from home and massive testing.

Moving on to Slide number 4. We'll comment on the results for Q2 2020, a quarter where we delivered a strong growth level and also profitability and cash generation. Q2 GMV totaled BRL6.7 billion, the highest quarterly sales of our history, exceeding results reached in the fourth quarter of last year, a period where we concentrate the main sales events such as Black Friday and Christmas.

When compared with the second quarter 2019, we have added BRL3 billion in the quarter, a growth of 72%. The nominal EBITDA totaled BRL184.7 million, up 67.6% or BRL74.5 million, higher than the second quarter of 2019. In the second quarter of this year, we generated BRL72.5 million in cash, a tenfold increase when compared to the second quarter of last year. It's important to emphasize that even facing the gradual reopening of retail, sales in July and early August of this year are accelerated with no signs of slowing down. Which comes to prove that the second quarter 2020, more than an exceptional quarter, was also an important turning point in our growth trajectory.

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Now moving on to Slide number 5, we'll see a snapshot of our marketplace growth. The GMV for marketplace presented a strong acceleration, reaching BRL4.1 billion in the second quarter, up 79.4%. At the end of June, we reached a base of 69,800 sellers, which accounts for an increase of 125% when compared to the base of 31,000 sellers we had last year in the same quarter. In the quarter, we had a record in new sellers, with 45,600 new sellers, out of which 14,400 are already connected and making their sales through our platform. The total of available offers saw a growth of 226% when compared to the second quarter of last year, boosted by the marketplace and reaching a level of 39.8 million of offered items.

On the next slide we'll be addressing the operating highlights. Slide number 6 then, our total traffic in our sites exceeded 1 billion visits in the second quarter of this year, accounting for a growth of 102% when compared to the same quarter of last year. We have reached a base of 19.3 million active clients this June, which was boosted by the additional 5.1 million new clients in the last 12 months. Total orders in the second quarter of 2020 saw a growth of 95%, these are the second quarter of last year, that result was boosted by an increase in purchase frequency and by new clients that we gained in this quarter. The total units sold saw a growth of 171% when compared to the same period of last year.

Moving on to Slide number 8, we'll comment on the evolution of our engagement indicators, and also behavior indicators on the part of clients. As we can see, our engagement indicators have improved consistently throughout the second quarter, with a bounce rate coming down by 5.6 percentage points, the time on site growing by 0.5 minutes and the page view per-user increasing by 2.1.

The evolution under those indicators has a great correlation with expressed increase in the search for different products and designs. Besides the growth in the categories, 1P generated an expressed increase in purchase frequency with a number of clients with two or more orders growing by 1.6%, whereas the same indicators for new clients saw a growth of 217% in the quarter.

On Slide number 9, we highlight our multimodal platform for LET'S. In Q2, we delivered orders on the same day for 1P and 3P. Today, we're going to see up to 48% -- reached 246%, including 1P and 3P. Today, we have the fastest delivery sales in Brazil. We understand that we still have a lot of ground to cover, especially in terms of delivery terms for the 3P.

This way we'll accelerate our fulfillment model, which we connects approximately a 1,000 sellers with operations in Rio and Sao Paulo. Until the end of the year, we want to have over 5,000 connected sellers in our operation. And we expect to be present in five states; Sao Paulo, Rio, Minas, Pernambuco and Rio Grande do Sul. With this, we'll advance in our objective of delivering more than 50% of all orders on the same day by 2022.

On Slide number 10, we highlight our commitment to -- of offering the best user experience in the Brazilian internet, especially today when clients need convenience and safety to meet their consumption needs. This quarter what sets us apart is increased our

volume of sales and they were key for our better services. Whereas the market saw a strong deterioration of satisfaction indicators, our brands saw an expressive increase in FPS. They are the only ones in e-commerce among large operations with the RA 1000 seal, the highest reputation level in the Reclame Aqui website.

Observing the assessments of our brands, the Reclame Aqui site and our competitors, we can see that the average score for B2W came to 8.6 in 1P and 7.9 in 3P. Whereas our competitor A scored 6.5 and competitor of B, 7.8; and competitor C, 6.6% in 1P and 6.9 in 3P. In other words on top of our 1P score being in a different league. Our 3P score isolated was higher than all of the scores filed by our competitions, whether in 1P, 3P or hybrid models.

On Slide 11, we highlight the categories that saw higher growth in sales in Q2. The market category grew by 612%, toys grew by 215%, fashion grew by 184%, consumer goods for the home saw an evolution of 169%. Baby items saw a growth of 107%.

On Slide 12, we see the evolution of the Americanas Mercado. In Q2, the market category was the largest in the company in terms of units sold in the quarter, all 10 products among the best sellers for B2W were items for fruits and vegetables, totaling more than 3 million units sold. That result reflects the closing of the integration process of the Now grocery store and the launch of the Americanas market, allowing clients to buy online all grocery items, including fresh produce with a customized experience for that category.

The strong growth that we saw shows the potential of our business model for online groceries and stores in Brazil, opening up a new avenue of growth and offering a higher assortment and reaching 90 million of our active clients in the company, this way we'll start the expansion of our market with Mercado, including a partnership with Gropo Big, which will allow us to offer our services to clients across different states in Brazil.

We'll now comment on the main highlights of our mobile platform. On Slide 14, we see the evolution of downloads in our apps. In Q2, our apps had 18.9 million downloads, a growth of 318% vis-a-vis the 4.5 million that we filed in Q2 2019. The first half of this year downloads totaled 30.6 million, up 306% vis-a-vis 7.5 million posted last year in the first half of the year.

The Americanas app was -- came number one in terms of downloads in Brazil, both in Q2 and in the year-to-date for the second half, for the first half, rather. This way, as we show in Slide 15, our apps reached an installed base of 47.2 million at the end of Q2. In June 20, our user base for our apps totaled 37.6 million, up 20.6 million vis-a-vis the 70 million we had in June last year. Thus, our mobile traffic represented 81.5% of total visits, representing a growth of 6.9 percentage points when compared to Q2, '19.

On the next slides we'll be talking about AME, our FinTech and mobile platform, and also the Americanas Universe. On Slide 16, we saw the progress in the number of downloads for the AME app. In the middle over two years of operation, AME Digital exceeded 10 million downloads, and continues to gain traction both under Americanas and B2W on us,

and over 1.7 million outlets both in brick and mortar and digital off us. Including important partnerships such as with BR, which will be highlighted in the on the next slide.

Currently, AME is active as a payments means in digital world with more than 4,000 gas stations under the BR flag. In for 45 days BRL100 million has been reached and over 1 million transactions through QR code. The success of that partnership shows the quick growth of AME on off us, which by June accounted for 6% of new accounts which were created in the period.

Moving on to Slide 18, we highlight the most recent novelties. The prepaid card which expands acceptance across all network for Mastercard, allowing users to use their portfolio of balance both in physical stores and online, and also allows for withdrawals in ATMs across Brazil. On top of that, AME has announced the expansion of its offer of financial solutions, with the creation of the credit market place. Through the platform, clients can now contract personalized loans in a very fast and simple way, and a 100% digital.

Currently, it's possible to contract personal loans offered by partners including the Bcredi, Creditas, Jeitto and Rebel, with no risk of credit for AME. Another piece of good news was the launch in June of the Scan&Go which allows clients and scan the barcode at stores and pay for them through the app, without having to go to the cashier to do so. On the next month, AME will have an incredible road map of new things as they continue to explore its business plan in a very accelerated manner.

On the next slides we will comment on our O2O initiatives, online to offline. On slide 20, we highlight the growth of 127% of O2O which reach a GMV of BRL920 million in the second quarter of 2020. And below, we'll highlight some of those initiatives.

Pegue na loja hoje, Click & Collect as we call it, in 2019 we became the largest pickup point network in Brazil, and in Q2 we reached 9,075 connected points, including Americanas, sellers and partner points that operated over 5,000 cities in Brazilian and offer access to over 99% of the Brazilian population. The Click & Collect now is available at 320 -- 3,200 rather stores, Americanas and sellers, allowing clients to buy online online and pick it up to one hour. Up to one hour, without having to pay for freights. This mode is growing is fast and has filed over 300,000 orders in Q2. And ship from store available in 1,702 Americanas stores and was expanded to seller's stores B2W marketplace, allowing deliveries on the same day, leaving from the 4,000 different stores.

This way, on Slide 21, we highlight the launch of the marketplace Local. Local Marketplace which uses the concept of neighborhood to deliver broader assortment and connecting over 4,000 physical stores, which through a ship from store model can deliver products to clients in up to two hours.

Throughout the quarter, we conducted several partnerships to connect stores and store owners to our platform including Ame fuels, Ancar, BR Malls, BR Mania, Delivery Center, Multiplan among others. Together they hold over 20,000 physical stores. The creation of the Local Marketplace also allowed us to accelerate our penetration in new segments,

which have high purchase frequency as can be seen in our restaurants category, which already has several important fast food chains connected such as McDonald's and Bob's.

To operate all those those initiatives and offer increasingly shorter delivery terms. We continue to invest in our AME Flash, our crowdshipping platform, which already has 80,000 independent delivery personnel and operate in over 700 cities.

In the next slides, we'll be talking about the capital increase which was announced in July 2020. On July the 21, 2020, we had put in capital increase, private capital increase at BRL4 billion, which will allows us to execute our aggressive growth plan, including organic expansion, partnerships and potential strategic acquisitions.

With the operation and a pro-forma view at the end of June, our our cash position -- net cash position would total BRL4.4 billion. That movement does not change our commitment in continuing to generate cash, but on the other side, it will allow us to have a higher execution speed, so they we can continue revolutionizing e-commerce in Brazil.

In Slide 24, we highlight our pathway towards value generation. The results we have reached and the several opportunities which have presented themselves. This is very motivated and exciting to anticipate our strategic plan 2020 to 2022, and start a new growth journey, which will be exponential in the expansion and monetization of our digital platform.

This new still journey will develop and expand our outreach, increasing scale and speed in new categories, generating growth, profitability, and the network effect in our e-commerce ecosystem, and also in our Americanas Universe. This way we continue to offer the best purchase experience to clients, which is key for us to continue to generate value to our shareholders.

These were the main remarks I had to make relative to our performance in Q2. We'll now have our Q&A session to address questions and comments you may have. Thank you very much.

Questions And Answers

Operator

(Question And Answer)

(Operator Instructions) Questions received through the webcast platform will be answered by the IR team after this conference ends. First question Luiz Guanais from BTG Pactual. You can proceed, sir.

Q - Luiz Guanais

Good afternoon, Raoni. I have two questions. First, can you please add some color on investments on new categories, both the 1P and 3P? And what can we expect regarding the acquisition cost and CapEx? Second question, you touched a little bit on the local marketplace, so can you please also elaborate on AME Flash? What are your expectations for the next quarter's? Thank you.

A - Raoni Lapagesse {BIO 20391786 <GO>}

As to your first question about categories, it's important to highlight that throughout the last year's we have been investing strongly in building our digital platform. And especially while the last cycle we conducted adjustments in our business model to allow for a better combination between 1P and 3P, that combination that we have today generates a network effect, which is quite powerful and allows us to have speed and scale to explore new categories, to your point now, but also new business models.

All businesses we put into the platform today, and you mentioned the Local Marketplace, but there are other examples, we have the acquisition of the Now grocery network and a series of other services we've been offering through the platform. Those businesses use and benefit from that network effect we generate in a very fast manner. At the same time, they contribute significantly to strengthen our business, because once we have more assortment, even at the app and the website we attract more clients, we have attract more recurrences, in other words, clients come back more frequently which, of course, is very attractive to bring in sellers, partners, suppliers, and that reinforces this virtuous cycle.

When we look at the past months, we have really sped up the penetration in new categories. And I can tell you, I can safely tell you that looking forward we see even more opportunity to do that even more expeditely. Today, it's a no-brainer actually, it's simply a matter of plugging in your businesses and then scale them up very fast, because the platform is already in place and it's working really well.

In that respect, what I can highlight for you is that there are some categories which are priority for us. And I can list, for example, Mercado or market, fashion, health, pet shop. And when we look at those categories, which we understand our priorities, we see that for the coming years we see a potential market of around a BRL100 billion. So when you remember e-commerce in Brazil in 2019, we're talking about a second e-commerce.

Last year, that's what the revenue was for the e-commerce in Brazil, so we have an opportunity which as big as a whole new e-commerce for those categories, millions and millions available going forward. So we want -- the answer is, yes, we want to accelerate our penetration in those categories with scale, speed, as I said. And to do that, there are a couple of ways around that, for some categories we understand that the best format is to have an organic expansion of our business. As we have already announced recently, for some categories we see a big opportunity to develop strategic partnerships, new segments such as restaurants for example, the local marketplace also allows us to do that through partnerships.

And of course, we might address other categories well, but given their respective specificities it would make sense for us to analyze potential acquisitions. So the way we

will capture those BRL 100 million in e-commerce, it will be broken down in those fronts. Organic expansion, number one; strategic partnerships and potential acquisitions.

As for the acquisition front, it makes sense for us to look at the Now market, which is the recent acquisition we made for which we have collected fantastic results so far. So we bought the Now grocery network in January. We completed the onboarding very fast, and we launched the platform right after that. So it's six months in operation for the Now Supermarket as an integrated partner, and it's scaled really, really fast. They grew 7-fold when we compare year-on-year and quarter-on-quarter. And as I highlighted in the presentation today, it is already the highest category in units sold for B2W.

The Now grocery store is a great example of how whatever we plug in and which is new, has a very good chance of scaling up very fast. Just as an example, in terms of potential for the Now Supermarket chain, and the results were very, very significant. In this second quarter of 2019, the three best selling items on our site were J5, the Galaxy J6, and Motorola cell phone. Very traditional category in Brazil of cell phones.

When you look at the second quarter 2020, the best selling items for our B2W cycle, tomato, bananas and wines. So it was quite an impressive turnaround in terms of assortments from cell phones to produce. So that shows that clients already look at us as a reference for a long tail products, grocery products. And our awareness has also grown exponentially for that. So when we combine all them, we are quite optimistic to continue accelerating around other segments and other categories.

As for your second question about the Ame Flash, which is our crowdshipping operation. It is totally connected to LET'S, which allows us to operate in a multi-motor way, with the fastest delivery terms in Brazil as we highlighted, 30% of the orders are delivered the same day. We closed in December 2019 with 800 delivery people, and throughout 2020 we have increased the development of the platform reaching to 17,000 delivery people in May, and now in June have reached the level of 30,000 delivery people who are connected.

To be able to speed that up this year, we implemented some partnerships with other platforms through crowd shipping. But today when you look at that number, 20,000, 30,000; 77% of them are connected directly to Ame Flash, which allows us to have a very large coverage in over 700 cities.

So Ame Flash, with that level of scalability, early on allowed us to connect 100% of Americans across the country. And then we could have a rollout to sellers in marketplace to create the marketplace Local, which is same model which is quite disruptive. Because at the end of the day, it offers a lot of convenience with two hour delivery terms. As I said, today we have 4,000 stores which are connected to that model. We have already announced several partnerships which, combined, have a potential to add 20,000 new stores through our local marketplace model.

And with that, it also allowed us to penetrate in other segments such as food delivery under our restaurants category. So, we are quite happy with Ame Flash's development. It

has been a key point for us to change our level of operations in Brazil. And also, the industry in Brazil, we deliver, as I said, 30% of our orders are same day orders, but our aim is that by 2022 to have over 50% of our orders being delivered on the same day. And Ame Flash in that respect is essential for us to reach that objective.

Q - Luiz Guanais

Okay, good Raoni. Thank you for the answer.

A - Raoni Lapagesse {BIO 20391786 <GO>}

No, thank you for participating.

Operator

Our next question comes from Tobias from Citibank. Please you can proceed.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Hello, Raoni. First of all, congratulations. And my question, you are growing very fast, but when we look on the second quarter we also had this organic growth and the tail growth, and there are things that you started doing now. So perhaps I would expect also more of a traditional leveraging. I understand that you also invested on media, but can you please tell us a little bit about that? What did you do, did you decide to actually expedite the process on those channels?

A - Raoni Lapagesse {BIO 20391786 <GO>}

Hello, Tobias. Thank you for your question. Great point that you raised. Well, number one, I have to highlight that in this quarter, unlike what we saw out in the market, we delivered a good combination of growth and profitability and cash generation. When we look at the GMV, we grew 72% in GMV and we grew in both platforms with a higher growth in 3P, which saw an interesting growth, so with that strong performance combined 1P and 3P when you look at the companies nominal EBITDA, it grew by 68%. So it reached BRL165 million, and we generated BRL72 million in cash, which is a 10-fold figure when we compare to the numbers posted last year. So that tripod has always been our focus and will continue to be so, exponential growth combined with profitability and cash generation.

We understand we can't only generate that combination because of investment and adjustments we made to the platforms throughout the years. As for expenses specifically in this quarter, they reflect, number one, investments in marketing, and that investment is not really related to bringing clients to the website. Clients came to our website because we are a reference for purchases, and we are increasingly so always also for long tail. I just mentioned that, and you can see that clearly when you see the best-selling items changing from last year to this year.

So, we are becoming a benchmark for anything. You can buy anything from our website. But through that period, we have to invest in awareness, market awareness, awareness of

basic items and other items where we were not seen as a reference before. So, we had to invest on that front. Yes, the quarter was phenomenal in relation to our mobile platform. We added over 20,000 of MoU in terms of year-on-year, that's a legacy for the next quarter. So a client who, today, has our app they will become recurrent once they have the app downloaded. And that will reflect in growth in the coming quarters as well. So as to marketing expenses, that's what I had to say in terms of rationale.

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Now another important point to raise and to comment on the lower operating leverage in the quarter is because of our positioning of exploring the quarter in to better serve clients. We will not even look at it saying, well, we're going to have good sales, we're going to have good margins because we'll leverage those sales, but then we might lose that client tomorrow, that's not how we look at it, we look at it in the long run. So our concern was to better service clients.

Number one, with quick deliveries, with good assortment, with a very excellent after sale service. Then if you look at the Reclame Aqui, the Complain Here, we are way better than other players in 1P, 3P or hybrid. So it's clear that we have been servicing our clients in an excellent manner. And then, Tobias, a well serviced client they will always come back, they become loyal, they become recurrent.

So we highlighted one of the numbers also during the presentation, which is fitting to my answer to your question, which is the following. When you look at new clients with two or more orders, we grew by more than 200%. What does that mean? It means that new clients, those clients coming in now during the pandemic, they are using B2W for the first time to meet basic consumption needs, they are coming back more frequently than our usual clients. So that will also reflect in an important legacy for the coming quarters for the coming years.

So in summary, as a final message, a takeaway message for you to take home from my answer is that, those investments will allow us to maintain those clients buying from us in the long run. So more than an exceptional sales quarter, it is like I said, a turning point for us in our growth journey. Thank you.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Well. In taking advantage of what you mentioned about growth and margins, and you mentioned the margins in the second quarter, and we will probably see a decrease. But do you consider growing and also increasing margins? What do you see with regards to that?

A - Raoni Lapagesse {BIO 20391786 <GO>}

Tobias, another great buy. But when we look forward, when we look ahead, that tripod that I mentioned still holds. We continue to grow fast. And as I said, we see a turning point here for us to go after an exponential growth, combined with profitability. And above all, cash generation. I want to make a point of insisting on that, I want to repeat that. I mentioned that in the presentation, and when we talked about capital increase we are committed to cash generation in this business.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Thank you very much.

A - Raoni Lapagesse {BIO 20391786 <GO>}

Well, thank you.

Operator

Our next question comes from Irma Sgarz from Goldman Sachs. Please Irma go ahead.

Q - Irma Sgarz {BIO 15190838 <GO>}

Good morning, and thank you. My question is on top of Tobias' question. So if you can please talk a little bit about the P&A. I understand that you also invested a little bit more on structure and I'd like to understand how do you see that? And then I have a second question later on.

A - Raoni Lapagesse {BIO 20391786 <GO>}

Thank you, Irma, for participating. As for G&A, it's important to remember, this is a very atypical quarter. We have been having more expenses right now, while our teams are working from home but we do have other expenses. Testing for example, expenses related to maintaining our teams' safe working from home, and that's our number one priority. And you also have growth, which is gigantic from the first quarter to the second quarter.

We moved from 26% growth in the first quarter to a growth of 72% in the second quarter. It was a very fast growth rate, and when we have that level of speed of acceleration, sometimes you cannot structure expenses at the same speed, you have extra hours, extra time, expenses, which are linked to this fast growth, when compared to what we had planned for early in the year.

Q - Irma Sgarz {BIO 15190838 <GO>}

Perfect. My second question is about foods grocery. You now have this partnership with Now, so when we look forward in the mid-term and when you think about scaling up this platform, do you think that it would make sense to also add some other fresh products?

A - Raoni Lapagesse {BIO 20391786 <GO>}

Irma, thank you for your second question. As for food items, I recall some of the main items I mentioned today, the market category is the largest one in terms of items sold. It also saw the highest growth of GMV, it grew 7-fold as I mentioned. We bought Now grocery chain in January. The operation has already been onboarded at 100%, mini app, Ame, everything across the platforms. I also highlighted the fact that there was a change, the best selling items for the company in the first half are produce items, and I highlighted the difference of change from smartphones to tomato online. So all of that shows that they have found a very scalable model.

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And then we can offer a real true market to clients, new supermarket with a fresh produce, same day delivery, great service. So we are actually meeting clients' needs at a moment where they most need that kind of a service, an excellent service. So we found a way to meet clients' needs, we found a scalable model, but in our opinion, given all that, it makes no sense for us to seek another model. We have already found the model. The idea now is to scale it up exponentially. So we made this partnership with the big group and we will be now present in several states, that supermarket model we are operating in is at the local marketplace model. It simply brought into physical stores and because of that we are already close to clients.

So we can offer 100% of the assortment of that particular physical store with a two-hour delivery time, quite scalable. And now with Grupo Big, today, we're limited to Sao Paulo and Rio, but we will expand that across Brazil. Just to give you a follow-up on that. Yesterday we added the first stores of the Grupo Big here in Sao Paulo, both including Sam's Club and the Big stores. We also uploaded stores in Pernambuco under the Bone Bresó [ph] grocery store chain. So we are expanding and we are quite comfortable in working on increasing scale fast, so the offer of fresh items, fast delivery across Brazil, I have no doubt this will set us apart in terms of competition.

Q - Irma Sgarz {BIO 15190838 <GO>}

Great. And do you see new customers coming to your platform to B2W, do you have a number?

A - Raoni Lapagesse {BIO 20391786 <GO>}

It is bringing on new clients, but above all, it's bringing more frequency, more recurrence to our base today. We have a base of over 90 million active clients, clients who have already bought from us. When you look at the users of our apps, we're talking about a number around 37 million of active users via the app. So what we are seeing is a growth in recurrent purchases, higher frequency than an increase in the base. So that's the main highlight. When we look at supermarket category, Irma, the purchase and the frequency average is twice a month. The average frequency twice a month.

Today, in Brazil it's 2x a year for e-commerce as a whole. So that's the largest physical retail category. And I know it only accounts for 1% in terms of revenue, so without a doubt it's going to be one of the categories that will surely grow exponentially in the coming years. And it just goes to prove that the acquisition was quite the right thing to do. And the onboarding was also good and it's already bringing us results.

Q - Irma Sgarz {BIO 15190838 <GO>}

Thank you very much.

Operator

Our next question comes from Gustavo Oliveira, UBS. Gustavo go ahead.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Hello, everyone. I'd like to understand a little bit more about the take rate. We know that competitors are changing the take rate. What impact do you see in your pricing strategies? And the second question, Raoni, it's about the growth of the supermarket. You mentioned that this is already the largest category in your 3P. Does that mean that Supermercado Now does it account for the largest GMV? So I'd like just to clarify on that. Because you mentioned that growth.

And my third question, what do you -- what are you doing better than competitors in order to keep these ratings? I checked and you are really one of the largest or the single one that presented increase in the scores when it comes to Reclame Aqui. And so these are my three questions. Thank you.

A - Raoni Lapagesse {BIO 20391786 <GO>}

Hi Gustavo. Thank you for your questions. As for your first point, today we have a great structure which contemplates basically three main factors, that payment installments, the product category; and there's a third one, I can't remember. Now it slipped my mind. But anyway, we have always operated around that model that offers diversification, offers a different take rate depending on the category, depending on what the kind chooses.

And what we've seen in the competition is that they are trying to adjust to this new model, they were navigating by themselves and the business in the market as other marketplace models grew, the competition needed to adjust their rules, their models and that happened with other initiatives as well and they're doing this now concerning take rate. For us nothing changes, our take rate diversifies our value proposition to sellers. And we have a win-win situation. We charge them what makes sense to be charged.

And the relationship needs to be good for both parties in the long run. We don't want to charge more than that. Because you need to allow sellers to grow with us in the long run. We have a very close knit relationship with our sellers, we need to generate better to get and grow together.

And third point, which is the GMV volume, I had forgotten, GMV volume. Categories and the number of installments, that's how we make our offers in terms of pricing for take rate.

After your second point, market growth. It was the biggest selling category in unit items, not in GMV but the number of units sold, that's the largest in the website, 1P and 3P. And it was the category which grew the fastest in GMV year-on-year, under total GMV, of course, you have more traditional categories, for example, last year smartphone contributing significantly to our total GMV. So it is the largest once again in number of units sold.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Just a follow-up. Smartphones, also TVs, Smart TVs, these are -- they represent a large amount in e-commerce. What do you see with regards to competition in your 1P and 3P for these two categories specifically? And I also believe that they are the most important when it comes to Black Friday. So how do you see that?

A - Raoni Lapagesse {BIO 20391786 <GO>}

Okay, Gustavo. To your point now, we have made adjustments and we did it in the past for 1P and 3P. And we focused on 1P where we do really well, where we are better than the others where we have volume and we do better. So we are quite focused on those items. Smartphones are the largest category for 1P. We are the largest smartphone sellers in Brazil and we continue to place our bets on that category, too, and trying to grow it. And we have big plans for that via 1P. For 3P, our focus is on long tail larger assortments and so on.

As for the competition as a whole, and that, of course as with your third question, we have been -- why have we been getting such high scores when compared to the competition? That's because of several different drivers. When you look at the competition as a whole, we observed that there was a great growth in online, which is good for everybody. It'll generate growth potential for everyone and at higher levels than we had expected. As I mentioned, we saw the second quarter as a turning point for e-commerce in Brazil as a whole, and we are quite focused, not only to be having a good Q2, but in attracting clients who become loyal to our platform.

So, it was not just a one-off sales opportunity, we tried to be quite efficient in terms of service to retain those clients. And that's what the moment was asking for. We needed to do that and we did it excellently, I can say. When we look at (inaudible) players, we see that they are all -- all of them who had online operations saw their digital operations growth, because there was a migration between channels. For example, for clothing, apparel and shoes. They grew by three digits from the physical to the online. But when you look at the more direct competitors, it was the same. What we saw, was a migration from one channel to another. So the acceleration of the e-commerce front tried to basically offset losses in physical retail.

And that, Gustavo, it reflects a systemic factor. When you look at the total GMV for those players, they did not grow or grew by little, and we grew by 72% for our total GMV. So share of wallet point of view, what can we see from that point of view? Share of wallet? Those players lost participation, whereas we won participation in clients spending, and we also gained awareness, which once again we reflect big legacy for the coming quarters and coming years.

And as I mentioned in our letter when we look at July and August, we see very strong sales for our businesses. And I believe this will continue -- this is not the same that does not go for other players out there. So when you mix all those ingredients, at the end of the day that reflects the beauty of the Americanas Universe. I have insisted on it, but the second quarter makes it really clear, it's our mission very clear actually. As the competition migrated from online to offline -- sorry, rather from offline to online, at Americanas we already have complementary channels, we never had one channel killing off the other, quite the contrary.

The online was a way for us is to service increasingly more clients. And our base, of course, its the largest one in terms of active clients, over 40 million when we combine fiscal NOI. So it has been our strength. And when we look forward for the next month,

next quarter's, let's say, there is a behavioral aspect that will allow us to continue gaining more share of wallet with clients, which is our sustainability in terms of digital growth, which is directly linked with what -- with how each company decided to capture digital store growth.

Our focus was not, one-off, was not promotional. We wanted to focus on good service to clients when they most need it. And why? because we understand that it's part of our social role to service our clients well. Number two, a client that is serviced well will come back. They will generate more growth, more occurrence, more frequency. And the best business model is to have a satisfied client. That's our idea.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Thank you, Raoni. Thank you very much for your very comprehensive answer.

A - Raoni Lapagesse {BIO 20391786 <GO>}

Thank you.

Operator

Our next question comes from Joseph Giordano, JP Morgan. Joseph, please go ahead.

Q - Joseph Giordano {BIO 17751061 <GO>}

Well, good afternoon, everyone. Good afternoon for taking my question. First, when we examine the growth, the very strong growth, can you share a little bit more about the profile of this growth? Do you have new categories? Is it another one of the piece? Is it 1P or 3P? I understand that 1P is strong.

And the second question is about something you mentioned at the very beginning about Ame Digital. So I'd like to have a better understanding about that, you mentioned that almost 40% of volume is off-us. So can you please elaborate on that? And how are you actually managing that? Thank you.

A - Raoni Lapagesse {BIO 20391786 <GO>}

Hi Joseph. Good afternoon. Thank you for your question. As to your first point about July and August sales, we are doing well. There is no sign of slowing down when we compare that with the second quarter, quite the contrary, we continue accelerating, especially in 3P. And when we look at where this growth is coming from, it is coming from better delivery terms, as I said, 30% of our the orders were delivered on the same day and we are growing that number. Also assortment, the market categories is an example, once again, that category has been integrated throughout the quarter, second quarter. Americanas Mercado was launched in the second quarter.

So we continue to see growth at a strong rate in the second quarter and moving forward, and new initiatives of course. Especially when you look at initiatives I mentioned, such as the Local Marketplace, the Life, e-commerce and other initiatives which are already in

place, and we'll share with you as we move forward, they contributed a little relatively, because they were launched throughout the second quarter. So that brings us an expectation of great future growth in the coming quarters, exponential growth as I said.

That's why we made a decision of anticipating our three year strategic plan. We want to see exponential growth sooner. So, our growth comes from good service, fast delivery and a series of initiatives we will be sharing with you, some of you, you already know. But they'll mature through time. That's what I can share with you right now in terms of our performance in the second quarter.

As for your second point about Ame, just a correction, maybe I was not clear. Let me go back to that point. It's not 60% is off-us, we started our migration to off-us, just now in 2020 it has been growing very fast, but it hasn't reached that level. It's not larger than the on-us front, the B2W plays a key role in developing Ame. So, on-us is quite important for our business plan.

So the piece of data that I gave was at 60% of new account, new accounts in July, are being generated by the off-us model. Another piece of data which is quite important and interesting for us as we discuss off-us, we have a partnership with BR, the gas station network, in 45 days. And once again, we are connected only to have gas stations, 4,000. In 45 days we have over a BRL100 million in TPV. That's about BRL1 billion TPV in an annualized terms, just coming from that partnership with BR, the gas station chain, over 1 million transactions. So Ame as a whole gives some strength, both on-us and off-us, and there are big news coming and we will share that with you.

Q - Joseph Giordano {BIO 17751061 <GO>}

Perfect. Thank you.

Operator

With that, we are closing the Q&A session. Now, I'd like to turn it over to Mr.Raoni Lapagesse for his final remarks. Please, Mr.Lapagesse.

A - Raoni Lapagesse {BIO 20391786 <GO>}

Before closing, on slide 26 I would like to invite you to participate in our Summit Go Live, the largest retail and technology event of the year. The topic of co-transformation, it will be a totally online event. And we have the special participation of (inaudible) to talk about transformation and innovation in business. We count on you all on August 28th starting at 2 p.m. The total programming is available at B2W summit.com. Thank you, and have a nice day everyone.

Operator

B2W Digital earnings release call has ended. We wish you all a great day, and thank you for using chorus call. Thank you. Our goal is to create a safe and engaging place for users

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