Q4 2017 Earnings Call

Company Participants

- Felipe Corage Negrão, Chief Financial & Investor Relations Officer
- Flavio Dias Fonseca da Silva, Online Business Unit Officer
- Peter Paul Lourenço Estermann, Chief Executive Officer

Other Participants

- Guilherme Assis, Analyst
- Gustavo Piras Oliveira, Analyst
- Irma Sgarz, Analyst
- Joseph Giordano, Analyst
- Marco Calvi, Analyst
- Maria Paula Cantusio, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good afternoon, ladies and gentlemen, and thank you for waiting. Welcome to Via Varejo's Conference Call to Discuss the Results for the Fourth Quarter of 2017. This event is being broadcast simultaneously via webcast and it may be accessed at www.viavarejo.com.br/investorrelations with the respective presentation. The slide selection will be managed by you. The replay facility for this call will be available on the website.

We would like to inform you that the company's press release about the results is also available on the IR website. This event is being recorded and all participants will be in listen-only mode during the company's presentation. Afterwards, we will have a Q&A session when further instructions will be given.

Before proceeding, we would like to clarify that forward-looking statements that might be made during this call in relation to Via Varejo's business outlook, operating and financial projections and targets, our beliefs and assumptions of the company's management as well as information currently available.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions as they refer to future events, and therefore, depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may affect the future performance of Via Varejo and lead to results to differ materially from those expressed in such forward-looking statements.

Now we would like to turn the floor over to Mr. Peter Estermann, CEO of the company.

Peter Paul Lourenço Estermann {BIO 15380447 <GO>}

Good afternoon, everyone. Today, we have beside Felipe our CFO; our online IT and Marketing Director, Marcelo Lopes; Infrastructure and Logistic Officer, Paulo Naliato; Brick-and-Mortar Stores Officer, Vitor Fagá; Furniture Officer, (00:02:13), our People and Sustainability Manager. It's with great pleasure that we announce today the results of the fourth quarter and the whole year of 2017 of Via Varejo.

I would like to remind you that in the fourth quarter, we completed one year of operations integrated between our brick-and-mortar and online stores. After the process of integration, we concluded in 2017 a whole series of projects and initiatives that made it possible for us to achieve an important evolution in our financial indicators, our operating indicators and also client service indicators. And as a highlight, I would like to mention that we closed the year with double-digit growth in our sales in both channels.

We expanded our market share gains based on the data surveyed by GFK also in the two channels. We improved our EBITDA margin gradually and consistently in all the quarters of the year and the fourth quarter had a margin of 7% and the year with 6.1% margin with an adjusted EBITDA of BRL 1.58 billion, and also growth of 354 bps when compared to 2016. The company also delivered a net income of BRL 197 million in 2017, vis-à-vis, a pro forma loss of BRL 1 billion in 2016.

We closed the year with a strong financial and with the continuous evolution of our operating cash flow and positive dynamics of our working capital. And Felipe will talk about the results of the fourth quarter soon after I end my opening remarks. And before giving the floor to Felipe, I would like to mention a few points that we consider as being fundamental in 2017 and that allowed us to go in great strides in our digital transformation strategy in 2017.

We did a lot and we will be doing even more in 2018. We are very well prepared to guarantee the deliveries that are part of our planning. The whole team knows their specific responsibilities and we devoted ourselves in the last quarter to detail our actions and guarantee all the necessary resources, so that once again, we may deliver a year with many realizations and positive results. With the online channels and the brick-and-mortar stores now integrated, we implemented a multichannel strategy that allowed us to adopt a pricing policy under the assortment policy that is much more assertive, therefore, having a positive impact not only on our sales but also on our margins. Besides the integration, the channels allowed us to extend our product portfolio that is offered to our client, increasing our volume, the volume slowed (00:05:47) and with an even closer relationship with our suppliers.

Our Click&Collect that we have been mentioning quite often is implemented in 100% of our stores since February 2017 and it allowed us to achieve very important increases in – a big optimization in our logistic costs and the Click&Collect already represents over 27% of our online shopping marketplace continues to grow very strongly and we closed the year, growing 36%, vis-à-vis 2016.

And with our strategy of full commerce, we will be using our competitive advantages in order to generate value and make it feasible to grow when we are sure that we will be growing even more. We will be offering exclusive advantages to our sellers in a very accessible manner and a differentiated manner in 2019 (00:07:00), already some of them in the second half of 2018. And we firmly believe in this new platform because we will be able to offer our sellers. As I said during our last call, the credibility of our brand and our client base, which is the biggest in the Brazilian retail with over 16 million clients, our credit expertise, our portfolio financial services, and the infrastructure, and the penetration of our brick-and-mortar stores and also our logistics.

Competitive advantage is that no other player in the market has in Brazil with this scale and with this quality. So, in this half year, we'll be finishing the rollout of the MOVVE 2.2 (sic) [MOVVE 2.0] (00:07:52) with two very important drivers that you are familiar with, but I would like to mention here again, which is the new incentive model for the sales team, which is already with 450 stores and that will be in 100% of stores by the end of April this year. And the new selling system that will be implemented end-to-end in our stores by the end of the first half of this year. Both the new incentive model and the new selling system will be contributing with the improvement and the shopping experience felt by the client and improving the conversion rate, so a higher volume of businesses and also improving the gross margin of the company.

With all that, our expectation for 2018 is bullish, especially because of our clear view of the strategy of digital transformation that we will be implementing. And by the way, I would like to inform that the 80 stores in the smart model that we talked about are going very well. We already have 10 stores implemented with results even more positive than the business plan and the digital store in the Vila Olímpia shopping store, shopping mall, and the learning curve for the other stores of the company with very good positive surprises and the end of the rollout of the MOVVE 2.0 and the long tail of Internet and brick-and-mortar stores already in the second half of this year with a very good expectation for our sales people and the expansion of our premium stores, 67 stores to 100 by December 2018, and the acceleration in our marketplace platform.

And just to conclude my part of the presentation this year 2018, we will be concluding all the fundamental work for our platform. So that, in 2019, we may further accelerate our growth and become the biggest digital platform in the Brazilian retail.

Now I would like to turn the floor over to Felipe and he will be talking about the details of our results.

Felipe Corage Negrão {BIO 20496721 <GO>}

Good afternoon, and thank you for your presence. Let's talk about our results and the business perspective. On slide number 5, in the fourth quarter of 2017, we delivered growth and market share gain both in the brick-and-mortar and online market. In the physical brick-and-mortar, same-store sale growing by 14.8% online, 21.6% increase in gross GMV. And with a very important event in this quarter, we gained market share with a lower investment in margin and even more important offering a level of service that no other retail company in Brazil can offer, the guaranteed delivery. We deliver the products – either we deliver on time or it will go for free. And in 2018, it will be possible for us to have an optimized traffic in our stores by means of activating our communication and personalized campaigns for each one of our clients.

The Click&Collect reached 27% of online sales in the main categories and important for us to have a more loyal and satisfied client with a lower logistic cost and higher efficiency in our services making the transaction much more profitable and we closed the year with 970 stores. And in 2018, we will be opening about 80 stores, smart stores, technologically more advanced with multifunction people and multichannel processes.

On slide number 6, the evolution of integration of our activities is online and brick-and-mortar stores led us to have a very good improvement in our gross margin, going from 28.8% to 32.1% in the fourth quarter of 2017. The effect of our operating leverage and control of our expenses on the other hand reduced our SG&A as a percentage of our net revenue from 27% to 25.4%. As a consequence with expressive improvement in our EBITDA margin from 2.2% to 7%, vis-à-vis last year, MOVVE 2.0 will allow us in 2018 to obtain margin and conversion gains by means of making more information available to our people and variable compensation also more aligned in order to reach our objectives.

On slide number 7, in 2017, our gross margin went from 29.7% to 31.8%. SG&A going down from 27.5% to 26.1% and EBITDA went up from 26% (sic) [2.6%] (00:13:35) to 6.1%. This is a very important achievement for a company that integrated both operations only 14 months ago.

On slide number 8, in the fourth quarter of 2017, net financial expense from 5.5% of net income to 2.6%, coming from the better cash and the lower CDI, net income of the company was positive by BRL 129 million, vis-à-vis, a pro forma loss of BRL 251 million in the same period in 2016.

On slide 9, net financial expense from 4.6% of the net financial result going to 3% in 2017. Net income from a loss of BRL 1 billion in 2016 going to a positive net income of BRL 195 million in 2017.

On slide 10, the company keeps its sound financial structure coming from a high cash generation and excellent working capital management. Net cash adjusted by our receivables grew by BRL 677 million reaching BRL 4.5 billion. It's important to mention that we are working with a higher level of inventory in order to further decrease – and we are prepared for a good selling scenario for the next few months because we consider that the market is better and also with gains of market share, I would like to remind you that our inventory is financed by our suppliers.

And now I would like to open for questions.

Q&A

Operator

Joseph Giordano from JPMorgan would like to ask a question.

Q - Joseph Giordano {BIO 17751061 <GO>}

Good afternoon, everyone, and thank you for the question. I have three questions in fact. The first one is the following. I would like to understand on the gross margin side, how do you see the competitive advantage and if the market is less (00:16:15) than last year whether this has been helping? And as a potential driver for the year, do you believe there will be a healthier market, so to say? And the second question has to do with marketplace investments. I would like to understand incremental CapEx. How much will you be needing to support all the initiatives that you mentioned at the beginning? And lastly, an update about your labor issues, you have a lot of provisions and they are decreasing. So when will we go back to a normal level for provisions?

A - Peter Paul Lourenço Estermann {BIO 15380447 <GO>}

Joseph, thank you for your questions. Regarding the market, if we compare the market with the beginning of 2017, the market was highly competitive. I think you remember that there were some payers in the market that were facing, let's say, the (00:17:20). But over the year, the market started to adjust itself gradually. And today, we consider that the market is quite healthy, exception made to one event that happened at the end of the year with inventories and by one of our competitors that exited afterwards. The market is very calm and Via Varejo is very well positioned, vis-à-vis, our competitive capacity show we have no concern whatsoever or significant concern regarding any changes in the competitive scenario this year.

Regarding marketplace. You asked about our investments in marketplace and we said that we intent to invest BRL 506 million in 2018. This is our estimate. And of the BRL 506 million, BRL 250 million more or less will be invested in IT project. And these are the project that will be sustaining the whole digital transformation and all this move that we are making in order to create this platform. This is very significant and in our view, this project that are already very detailed. We believe that the CapEx is enough in order to support what we are going to do this year. And the remainder BRL 150 million should go to the extension of our brick-and-mortar stores and the maintenance of the stores that we have already implemented, and the remainder for some strategic projects that we have especially in logistics.

Regarding the labor question, Filipe will answer.

A - Felipe Corage Negrão {BIO 20496721 <GO>}

Good afternoon. 2015 and 2016, we had a situation that brought about a very high labor cost in 2017. And in 2018, we will still have this level of course then what are our initiatives in order to bring this down as of 2019. We had restructuring during 2015 and 2016 and this will not happen - this did not happen in 2017 and of course naturally we will be a reduction in expenses and another point is that there is an improvement in all internal processes of the company in order to end the tail of this program. And the third point regarding our inventory, we have a task force in our legal department and all the work had done on this. And lastly, the new labor law will help us a lot from now on. Once the workers can no longer bring a suite against the company for any reason and this is a situation that will be better for the company.

Q - Joseph Giordano {BIO 17751061 <GO>}

Thank you very much, Felipe.

Operator

Marco Calvi from Itau BBA would like to ask a question.

Q - Marco Calvi {BIO 19854632 <GO>}

Good afternoon. My question is about online. We see GMV growing at 32% and the adjusted net income by the (00:21:09) is 10%. Could you please explain the main reasons for this gap between these two figures? This would help me a lot.

A - Flavio Dias Fonseca da Silva {BIO 18281132 <GO>}

Good afternoon, Marco. This is Flavio Dias, Online Officer. In fact, we see this gap because there are many factor that come into play for this gap from one quarter to the other. They changed their combination, but most of that can be explained by the participation of the take rate and also by the variation that the GMV has, vis-à-vis, the growth of -- and there are other services that already come into play. So it's very difficult for us to make this correlation between one variable and the other. But most of the difference has to do with the difference in the growth between one and three. Thank you.

Operator

Irma Sgarz from Goldman Sachs.

Q - Irma Sgarz {BIO 15190838 <GO>}

Good afternoon. I would like to ask a quick question. No, in fact, I have two questions. One has to do with delinquency that grew a little bit and you said that in the release that it is still as expected or acceptable. But I would like to know the mathematical effect of that on our portfolio. Was it because of that or are you taking more risk in terms of your approval, credit approval? And the other one has to do with the inventories that ended the year at a higher level and you said that this is part of your strategy for 2018, could you tell us about January because January is a month where you have some promotions and some of the players are very traditionally promotional during January, so how do you see that?

A - Felipe Corage Negrão {BIO 20496721 <GO>}

Good afternoon, Irma. About delinquency, in the past, we didn't have the control that we have today. And today, we can work with a lot of control and with a slightly higher level of delinquency, and this does not mean that our profits are going down. If you take 2017, although we had a lower revenue, we had the best result in the payment book operations of the company. If you take the financial services, just to give an idea, in spite of the recession and the crisis that we had in 2014, from 2014 on, we improved the result of our financial services by 50% from 2014 to 2017. So our situation is much better today in terms of delinquency than in the past.

And I will give the phone now to Peter to talk about inventory level.

A - Peter Paul Lourenço Estermann {BIO 15380447 <GO>}

Hi, Irma. Regarding our inventory, you remember that during the last call, we said that we changed our strategy regarding the first quarter of the year. Historically, we didn't have a very strong participation in the big sales of January and in the first quarter, we usually were more cautious, I would say. And then we decided to have a quite different first quarter from the last ones in the last years. And this is the strategy that we implemented and it was very good. We had a very good January, and we believe that the first quarter will be in line with our plan. And our plan is not only to grow top line, but also market share. And we made the decision at the end of last year and in our view it was a very right decision. Thank you.

Operator

Mr. Guilherme Assis from Brasil Plural, wishes to ask a question.

Q - Guilherme Assis {BIO 16143141 <GO>}

Good afternoon, everyone. And thank you for taking my question. Actually, I have two questions. I would like to hear from you about the growth in the services line and your revenue. It has been varying a lot, but it did have an expressive growth in the fourth quarter. I would like to hear more about that, what's included in there, considering that assembly is separated and transportation as well. And so I would like to understand exactly what you have under that services line, financial services, and what else do you have there, and also what is the impact of that in your margin? I would like to hear from you because that helps in the margin in the growth that you had. And if we can expect that this will keep on contributing to the revenue and margin growth? And second question, if you can talk a little bit more about what you have seen in the smart stores? As Peter has mentioned, briefly, that it is above your expectation and that you were even holding back the expansion, can you tell us a little bit more about the expansion performance of the smart stores? That's it. Thank you.

A - Peter Paul Lourenço Estermann {BIO 15380447 <GO>}

Good afternoon, Guilherme. Well, I'll talk about services. Here, we have several initiatives that improved the results of that line and one of them is the operation. As a whole, we have been working to improve the services share, and it's also very important for instance and that happens in premium stores. Today, we are able to provide a much more adequate service that we used it to have before we have several services in those stores.

Third, also important is MOVVE that has been helping us in service providing. MOVVE 2.0 is going to give us an even more significant improvement. We also have a starting of new services. You remember that by the end of the prior year 2016, we did not have the right of selling services at Pontofrio that was an exclusivity of (00:29:02) such as extended warranty and we bought that exclusivity to sell those services. So we launched all the other services that we had at (00:29:14). We also launched them in Pontofrio. So, for instance, (00:29:20) in the past, we only have that insurance for theft and now we also have that insurance for theft and breakdown of the product and that also has increased that share of services in the results. And so we are always analyzing studies to check the commission for insurance. So we have all these initiatives combined. We have a perspective of having more improvements. We work on that both in the operation and we still have a little bit of proximity. We have some new products there. We have new opportunities and we are working on which products we should offer to each clients. And that's going to help us also.

Q - Guilherme Assis {BIO 16143141 <GO>}

On services, still if you can tell me what are the main products there, extended warrantees, (00:30:29) and breakdown insurance, are these the main ones, do you have more, and you rolled that out to Pontofrio as well, and do you think that is also one of the main drivers for this growth? And what is the impact of that in your margin as well? I would like to understand what you are gaining, is that basically the pure margin, is that it?

A - Peter Paul Lourenço Estermann {BIO 15380447 <GO>}

Yes, that's it. It has a little bit of expenses. We have taxes, that's first, and then we have expenses as well. But we have sales, expenses and commissioning and these are the costs that we have for services. You'll the impact on the gross margin and you should check the service net income and you will see that. So, yes, these are the two main services. This is from the company as a whole. The warranties and the insurance now in the stores, the premium stores, we also have a share of installation.

And I think we have great opportunity there to analyze all these other aspects and which are the best services we are able to provide. We have a new product, which is called (00:31:57) very important. But we had a little bit of everything at the end. Really the operation is much better today. We have something that we didn't have in the past, cash services also very important. So it's important because it has grown the services share.

And Guilherme, I will try to answer about the smart and digital stores. As I mentioned, both models both March, we have 10 stores and one digital store. They started with an encouraging performance. But on the other hand, it is too early to talk about performance indicators for these stores right now. We have stores operating with only 30 to 40 days. So I'm sure that by the end of the first quarter of this year, we will have a more detailed idea and we'll be able to talk more about that. But as I said, it's positive (00:33:03) the fact that you will start that operation with better indicators than what we had planned in the beginning. So I think the path is good. The signs are good, but we'll only be able to give you more information at the end of the first quarter, okay.

Q - Guilherme Assis {BIO 16143141 <GO>}

Thank you, Peter.

Operator

(00:33:27) from Citibank has a question.

Good afternoon everyone. I have two questions. One is about stores closing. I would like to listen more about that, stores closed in 2017, and if you have more stores closing, and the reduction of SG&A as a percentage of the revenue in the year or if this is going to be in line with 2017 considering the rolling out of MOVVE 2.0. That's it. Thank you.

A - Peter Paul Lourenço Estermann {BIO 15380447 <GO>}

I will tell you a little bit about stores closing and the stores that we closed in 2017 that was very little. It was really almost nothing. These were stores that we concluded that were not worthwhile having them opened because their results were not the ones expected. We closed during the whole year only 10 stores. And that was a year in which we had strong involvement to have a profitability rebound of several other stores. So we were well succeeded in our work plan for most of the stores in the company and we are not concerned about stores closing because actually our objective is not to close the stores, it's rather to open the stores and to keep the stores that we have profitable. So we look at 2018 with a lot of optimism regarding the performance of our brick-and-mortar stores.

A - Felipe Corage Negrão {BIO 20496721 <GO>}

Good afternoon, about SG&A, I'm sorry we lost the sound. We could not hear the full question.

Q - Operator

Okay, that's fine. So I would like to understand if there is a possibility of finding a reduction of SG&A as a percentage of the yearly revenue because MOVVE 2.0 will be rolled out over 2018?

A - Felipe Corage Negrão {BIO 20496721 <GO>}

Well, I will answer your question. Of course, that we have some expectation about the MOVVE 2.0. And our preliminary results are very positive, and yes, we believe there will be some impact in the company's results for 2018 because of the project's rollout for all stores, but we do not have a clear measurement of the impact that we will find. Once again, we'll conclude the rollout of that no incentive model up to April. We will have a new sales source rollout by the end of June. So I believe that in the second half of the year, we will be able to talk a little bit more about that.

Q - Operator

Okay. Thank you very much.

Gabriela Catayama (00:36:42) from UBS has a question.

Q - Gustavo Piras Oliveira {BIO 15129435 <GO>}

Good afternoon. This is Gustavo Oliveira actually from UBS. I would like to understand the gross margin. You mentioned that the effects of some services were positive for the gross margin and you also mentioned that the environment was not as promotional. Is there any other change in the mix that might be happening and that is contributing to the gross margin or a trend that you believe that might be happening over 2018?

A - Peter Paul Lourenço Estermann {BIO 15380447 <GO>}

Gustavo, well, let me say something, it's not that the market is not promotional, the market is still very competitive. What we said is that it's a little bit more calmer or good behavior, so to speak. But some things that happened privileged our group. You have seen what we talked about in the second half of the year about our sales recovery in our furniture being (00:38:00) in the beginning of the year. We had a negative growth in sales. It was around 20% in the beginning of the year, and we ended the year with 10% of growth. So there was a reversal that was very significant. And you know that the furniture category has a positive impact in the gross margin. And also other categories that also have positive effect in the gross margin of the company still have a strong growth, for instance of smartphones. This is one of this group of product. So I think there is a mix effect that also contributed to the growth of our gross margin. And something else that we do have to take into consideration, when we integrate the online channel to the brick-and-mortar channel, we were able to develop an adjusted commercial strategy that had a positive impact in the gross margin of the company.

Q - Gustavo Piras Oliveira {BIO 15129435 <GO>}

It's clear. Thank you. My other question, Peter, and thank you very much. But my other question is about the online area. Do you still have important initiatives there this year? But in 2017, the store has grown at least in net revenue faster. And do you believe that your online will be accelerated this year going over that possible growth of the brick-and-mortar stores? So what do you see there?

A - Flavio Dias Fonseca da Silva {BIO 18281132 <GO>}

Well, I will answer your question and this is Flavio. We had a growth of the online stores. If we look at our year behavior consider the invoice to GMV, this was two digits higher than the brick-and-mortar stores. So we still had an excellent growth in the brick-and-mortar stores and in the online and we gained market share as we said we used the GSK source and also on the online GSK in EBIT. We gained market share on both of them. What's important is to say that this was not our main concern in 2017. Of course, we wanted to grow. We wanted to grow more than the market and we did it. But since the beginning, we positioned ourselves that we wanted to recover the profitability in the online channel. We wanted to grow with profitability, creating an environment that was good for greater growth. Now 2018, 2019 but on a sounder base then that has happened. We expect that 2018 will bring us double-digit growth, higher than the one that we had in 2017, because of what we have done last year, but the figures were higher.

A - Peter Paul Lourenço Estermann {BIO 15380447 <GO>}

Just adding to your answer. If we analyze the fourth quarter, this is much better in the online channel, and at the end of the year, the online had a greater impact in the first quarter. There was a drop in the first quarter and we had increased our margin in that first quarter and we had to do that type of movement in order to grow because to grow with low margin or with losses, that was not our idea, so we wanted the business to be profitable. That's what we have done in the first quarter and then we aimed the greater growth. So that analysis over the year has an impact of the first quarter as well

Q - Gustavo Piras Oliveira {BIO 15129435 <GO>}

It's very clear. Thank you.

Operator

Ms. Maria Paula Cantusio from BDI Investments (00:42:13) would like to ask a question.

Q - Maria Paula Cantusio {BIO 18652439 <GO>}

Good afternoon. Thank you for answer my question. You mentioned that we are working at a higher inventory level and that you have started the hub stores pilot. First, I would like to know what is the rollout time for the hub stores for the online unit. And if that is going to affect your inventory levels, if that's going to be an additional impact there? And I would like to listen a little bit more about services offers for the sellers. If you are working with a schedule with dates in terms of services for sellers, in addition to what we have already been seen in the market because I want to understand your strategy in terms of the sellers. Thank you.

A - Peter Paul Lourenço Estermann {BIO 15380447 <GO>}

Maria Paula, this is Peter. About the hub stores, we furthered the pilot project. You know that we work with the pilot model. We develop the pilots. We confirm all our assumptions in the pilot and then we quickly start with the rollout. We expect to expedite significantly the rollout during the second half of the year. We'll end the year with that number of hub stores or many hubs as you mentioned. 200, 220 stores that we are going to turn into mini-hubs, so this first half of the year is going to be a pilot one. We will roll out that pilot into a few other stores and then we'll come in with a more aggressive rollout in the future.

Now I will turn the floor to Flavio and then he is going to tell you a little bit more about services.

A - Flavio Dias Fonseca da Silva {BIO 18281132 <GO>}

We are working, Paula, to improve and to expand the services in the marketplace. We were able to do some advancements and progress in 2017. We sell services to the marketplace. We have a good penetration, extended warranty. For instance, we included products from our sellers into our payment list and this is important in terms of recurring revenue for the company. In addition to be an important source to acquire customers and we have no (00:44:50) possibility, which is the sellers to sell their refurbished products in our (00:44:56) website, which is an outlet site. It has been very successful. The seller sales and (00:45:03) already represents 15% of total sales of our business. We are working also to provide other services, logistics, transportation and we are able to offer those to a small number of our partners and we are working to expand that offer. We'll see that mature over the year and also we are working over the year to include our competencies of Click&Collect to provide that to our sellers going into finally with a very important area, which is our payment book.

First, we needed to turn our installment sales and turn that into digital, so that we can offer that to our sellers. I think this will be mature and working at 100% still in 2018. This is a continuous process, but we are focused in expediting the processes. We'll see a lot of new things in the coming months and that's what we are going to be offering to this segment. We have a large number of sellers and partners that are prospects that will come in into this full commerce and that will mature a lot over the year and I expect it to be able to share with you news and results and dates in our next conversation, but that's what we can tell you for now.

Q - Maria Paula Cantusio {BIO 18652439 <GO>}

Thank you very much, Flavio. Peter, I would like to go back to the hub store. Do you foresee any inventory impact because of this rollout of the hub stores or not?

A - Peter Paul Lourenço Estermann {BIO 15380447 <GO>}

We don't see any inventory impact, because at the end, we have that inventory for distribution. So the inventory impact is zero. And we will be improving with hub stores is the delivery. We expected to reduce the delivery time, and basically, half of the time in most of these stores from two days to two hours, and in the remaining of those stores reducing the delivery time from five, four days to 48 hours. So the main competitive advantage of the hub store is the service level for our customers and cost reduction because we will have the decrease of that (00:47:57).

Q - Maria Paula Cantusio {BIO 18652439 <GO>}

Okay. Thank you.

Operator

Now we would like to close our Q&A session. And now we would like to give the floor over to the company for the closing remarks.

A - Peter Paul Lourenço Estermann {BIO 15380447 <GO>}

We reiterate our optimism regarding 2018 considering that our team is better prepared and better structured to deliver what we said that we would be delivering. And I say this because we invested quite a lot of time and replaced all the necessary resources in order to go ahead with our strategy. We have been able to involve our whole team in this transformation model that we are living in the company and we believe that the alignment is very good and everybody is highly committed. As we said before, this is a year of a lot of execution such as was the case in 2017, and our team made it evident that they have a very good execution capacity. And we continue because most of our projects for 2018 have already started in the last quarter of 2017. And they are in line with our deadlines and with our financials, so we are very confident and we started the year on the right foot. And we will continue to be very focused, very disciplined in order to deliver a year with positive results such as was the case with 2017. Thank you very much.