

## Q2 2018 Earnings Call

### Company Participants

- Fabio da Silva Abrate, Chief Financial Officer

### Other Participants

- Fabio Monteiro, Analyst
- Guilherme Assis, Analyst
- Julia Faga, Analyst
- Olivia Petronilho, Analyst

### Presentation

#### Operator

Ladies and gentlemen, thank you for waiting. Welcome to B2W Companhia Digital Conference Call to discuss the results regarding Second Quarter of 2018. We have here with us Mr. Fabio Abrate, CFO and Investor Relations Officer of B2W; and Mr. Carlos Padilha, CFO and Investor Relations Officer of Lojas Americana.

To follow-up our conference call, we suggest using the support presentation which is available at [ri.b2w.digital](http://ri.b2w.digital). We'd like to inform that this event is being recorded, and all participants will be only listening to the conference call during the Company's presentation in listen mode. Then, we are going to begin with our Q&A session and further information will be provided. (Operator Instructions) The replay of the event will be available soon after its closure for a period of one week.

Before proceeding, we would like to clarify that any statements made during this conference call regarding B2W's business prospects, projections and operational and financial goals are based on the beliefs and promises of the Company's Board of Directors as well as on information currently available.

Forward looking statements are no guarantee of performance, as they refer to future events, they involve risks, uncertainties and assumptions and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, as well as industry conditions and other operating factors may affect the future performance of B2W Digital and lead to results that may differ materially from those expressed in such considerations.

I would like now to hand it over to our speaker, who will begin the presentation. Please, Mr. Fabio Abrate, you may proceed.

## **Fabio da Silva Abrate** {BIO 17940993 <GO>}

Good afternoon, ladies and gentlemen. Thank you for attending our conference call. First, I would like to wish a Happy Father's Day, that will be celebrated next Sunday.

Now we will begin the presentation by the management message this quarter. Following the transition period 2017 of the three year strategic plan 2017 to 2019, the Company's 2018 initiatives are focused on the growth of GMV Total through a hybrid digital platform model, 1P + 3P + Services with continued market growth. As a reflection of these actions, the second quarter of 2018 we saw the acceleration of the GMV total growth, market share gains, 25% of B2W versus 13% of market according to the e-bit and the continued cash reduction. The marketplace continues to grow rapidly reaching BRL5.9 billion GMV in the last 12 months, up 95.2%.

The market share -- marketplace in GMV Total was 47.2% in the second quarter 2018 and is expected to represent more than 50% in 2018. Another highlight was the acceleration of the new sellers entry rate, they added 3.3 thousand new sellers growing 3.3 times when comparing to the thousand sellers that they connected in the second quarter 2017. As a result of the evolution of our business model, the Company presented another quarter of significant progress in the cash generation trajectory, reducing by BRL328 million, the cash burn in the second quarter 2018, which totaled BRL34 million, a reduction of 91% in relation to the BRL362 million recorded in the second quarter 2017.

With the result achieved in the second quarter 2018, the Company presented a positive cash generation of BRL42 million in the last 12 months, an evolution of BRL1.7 billion versus cash burn recorded in the same period of the previous year. The customer focus continues to be the main driver of all the Company's activities and investments. In this context, LET'S, a shared management platform for the logistics and distribution assets of B2W and Lojas Americanas, continues to build a flexible model fulfillment -- Flexible Fulfillment Platform with the objective of maximizing each Company's competencies to capture all the opportunities of a cross-platform operation. The O2O - Online to Offline initiatives announced in the first quarter 2018 continue to accelerate, boosting continuous service level improvement and the growth of GMV Total.

In the second quarter 2018, we launched the Fast Delivery program and Direct Collect, the country's largest first mile start-up in June 2018, IF - Innovation and Future, officially launched AME Digital, B2W Digital payments account which will revolutionize the way people relate to money. The AME Digital app has recorded a volume of 5,000 downloads a day and in the less 60 days more than 300,000 accounts have been opened.

Throughout 2018, this new business of the Company will gain even more representation, with a fantastic roadmap of new service launches and functionalities. Lastly, B2W Digital was elected the most innovative Company in Brazil in the Commerce category by Valor Inovacao Brasil that is initiated by Valor Economico newspaper and the consulting firm PwC Strategy.

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Turning to slide 3, we will comment on the main highlight of the second quarter 2018. In the quarter, the Company's GMV growth was strong 25% versus a growth of 13.2% of the market. B2W's market share expanded 2.6 percentage points from 24.4% in the second quarter 2017 to 27% in the second quarter 2018. The GMV of the marketplace recorded BRL1.5 billion, growing 85.3% and reaching 47.2% share in the Total GMV.

The B2W Digital platform has attracted more and more customers and sellers thus during the second quarter, we connected more than 3.3 thousand sellers, a new record. B2W delivery by Entrega, B2W our proprietary platform which operates and controls the marketplace deliveries connected 3.6 thousand sellers in the quarter, and already serviced 11,300 sellers, which represents more than 73% of the Company sellers space.

Turning to slide 4, where we will comment on the significant evolution in cash -- generation. In the second quarter 2018, the Company presented a growth of 91% in cash burn a reduction of 328 million versus the second quarter 2017. I would like to remind you that, that the way to capture all the fact, cash generation is measured by the variation of the net debt always disregarding possible resources of capital increase operations.

Turning to slide 5, we highlight the evolution in cash generation in the last 12 months, as a consequence of the -- evolution of the business model, the Company generated BRL42 million in -- of cash in the last 12 months with significant evolution when compared to the cash consumption of BRL1.6 billion recorded in the same period of the previous year. The reduction between the period was BRL1.7 billion.

On slide 6, we would like to highlight the rapid development of the marketplace. In the second quarter 2018, the marketplace recorded GMV of 1.5 billion, a growth of 85.3% reaching 47.2% share of the Total GMV. In the view of the last 12 months, the GMV of the marketplace reached BRL5.9 billion a growth of 95.2% over the same period of the previous year.

On slide 7, we highlight the growth of B2W's seller base. (inaudible) beginning of the operation and at the end of 2014, B2W marketplace has connected more than 15.1 thousand sellers. This rapid evolution reflects the high level of attractiveness of our digital platforms. Sellers are increasingly excited to be part of B2W's marketplace, which offers access to the higher traffic on the market and the brands with a best reputations on the Internet.

Even with a record expansion of the base of sellers, we remain rigorous in selecting those who sell on our platforms since the reputation and the quality of our partners are important evaluation factors and are in line with our beloved objective of creating the largest and best marketplace in Brazil. We are proud to be able to provide support to the sellers so that they can grow and develop together with B2W. We have a partnership relationship with sellers where everyone wins, the client, the seller and the Company. And there is way marketplace B2W base together the best sellers on the market in a reliable platform where customers can buy their favorite product, knowing their origin and quality.

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On slide 8, we highlight the significant growth of the B2W website assortment. Over the last four years, we have shown an exponential growth in the base of sellers and also a significant evolution and the operational indicators of the sellers that who are already connected. As a result of their first assortment of products are SKUs offered customers show the strong evolution going from a base of 800,000 SKUs in -- October 2014 to 6.4 million at the end of June 2018, 5.6 million added to the period.

The extension of the assortment is a fundamental pillar of our value generation cycle and consolidates the perception that our brand can -- where customers can buy everything positioning us as a one-stop shop with exponential of number of items offered the challenge of giving more visibility to the customers of the assortment available on our site came up and that ways throughout the first half 2018, we intensified our marketing efforts to this end. These actions have already begun to show excellent returns with increased traffic, more frequent purchases and also an increased number of items in the customer's shopping bag.

Slide 9, we highlight the official launch of AME Digital, our B2W Digital payments account. AME is an initiative of IF or Innovation and Future and we revolutionized the way people relate to money. Initially AME Digital customer and they buy on Americanas.com or Shoptime with many more benefits, also Transferir and receipting [ph] resources or through the smartphone using keyword go technology. With AME all transactions are handled in a practical modern and secure fashion.

Slide 10, we highlight evolution of AME digital. On June 5th, we officially launched AME including payment option on Americanas.com website in order to be the best payment options for the site both for spot purchase or a payment in installments. Initial results exceeded all expectations. Thus so in June on the 28th, we also launched AME and Shoptime using the strength of our TV channel to demonstrate live, the advantages of using AME. AME's share of total payments mailed on website has been gaining relevance day after day. Since this initial launch and the app has recorded a volume of 5,000 downloads on a daily basis. In the past 60 days it has already surpassed the mark of 300,000 new accounts. Throughout 18, this new business of the Company will be even more representation with a fantastic roadmap of new service launch and functionality.

Turning to slide 11. We will now go over LET'S evolution. The shared management platform for logistics and distribution assets of B2W and Lojas Americanas. LET'S continues to accelerate the construction of Flexible Fulfillment Platform to maximize the competencies of each Company and capture every opportunity of a cross-platform operation. Online-Offline initiatives announced in the 1Q18 are going through fast developing, driving continuous improvement in service level and growth of Total GMV.

Slide 12 now, we will only make comments on the evolution of this initiative. Click & Collect is now available in 580 stores, we used to have 400 stores in the 1Q18 and it includes the assortment of sellers connected to B2W delivering the service will be present in 800 stores by the end of the year, being the only model of Click & Collect with presence in all states of Brazil.

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Click & Collect Now was released in June '18 as a pilot at 10 stores. In August '18 it's already available in 100 stores and by the end of the year, the operation will be presenting more than 1,000 stores. This initiative provided any physical store is considered a seller in the B2W marketplace and the product can be collected from the store inventory within 1 hour after online purchase.

In the 1Q17, Lojas Americanas was connected to B2W's marketplace providing products to be delivered in the State of Rio de Janeiro, Sao Paulo and Minas Gerais. In the 1Q18 -- the 2Q18, the assortment available in the program increased by 67% reaching more than 10,000 items as opposed to 6,000 items in the 1Q18. By the end of '18, deliveries will be expanded to all Brazilian states and the assortment will reach 14,000 items.

Slide 13. We will now make comments on the launch of Fast Delivery. The program launched by LET'S will reduce by 50% on average delivery times for 1P and 3P items, from sellers connected to B2W delivery. Fast Delivery sets a new format for the freight menu with a total of seven options. We have Click & Collect Now, where the product is picked and provided to be collected within 1 hour in-store and it's those spaces of Brazil.

Click & Collect with in-store deliveries within 48 hours and also serves the Main Capital cities. For Sao Paulo and Rio, we have two hour deliveries, up to 8 hour same day and up to 24 hours. For Sao Paulo, Rio, Minas Gerais, Parana, Santa Catarina, we ground this to run in local. We also offer two day deliveries up to 48 hours and also standard delivery throughout Brazil delivered within seven days.

On slide 14, I will make comments about the launch of Direct Collect. Direct Collect is the largest first mile start-up in the country and it will collect products sold by sellers, small and medium size sellers from the marketplace. The new service will allow more sellers to be connected to B2W delivery reducing delivery times, improving the buying experience and increasing sales. Direct Collect is connected to B2W delivery, which already offers four different service options to suit the needs of different vendor profiles.

Slide 15. We would like to highlight the quick evolution of B2W delivery, which is a platform that operates and controls B2W marketplace deliveries. The service launch of the March '17 has 11,300 connected sellers, amounting to 73% of the total base of sellers. In the end of '17, B2W delivery has been integrated into our prime loyalty program and sellers can sell their products to members of the program with fast delivery, high level of service and free shipping costs.

Slide 16. We would like to highlight that B2W continues to be recognized as having the best customer service. In Reclame Aqui, Companhia B2W has an average rating of seven, while -- whereas, our competitors rank 5.6. 3P has a rating of 5.9 as opposed to competitors' marketplace is rated as -- 4.9. Our marketplace rating has been progressing but still presents a service -- level of service gap in relation to the evolutions of our direct sale. And it really offers a great opportunity for improvement and offer our service to sellers to improve their operations which can also reach good levels of customer care and good grade. Therefore, B2W delivery continues to grow rapidly contributing to an improvement in 3P service level.

Finally, we would like to thank the dedication of all members who are part of the best digital team in Latin America. We are also grateful to our ventures for the partnership, Marketplace vendors for choosing our platform, our shareholders for trusting us and especially our customers who are preferring to buy from us. These were my main comments concerning our performance in the second quarter and the first half of '18.

Now I would like to open for the Q&A session so that we can -- may answer your questions and considerations. For everyone to participate, we would like you to be brief in your comments. Thank you.

## Questions And Answers

### Operator

Ladies and gentlemen, we can now begin the Q&A session. (Operator Instructions) Our first question comes from Fabio Monteiro, BTG Pactual. You may proceed, sir.

#### Q - Fabio Monteiro {BIO 3711690 <GO>}

Good afternoon. Good afternoon, everyone. I have a question related to the evolutions of the cash flow and also related to the main initiatives. In the last 12 months you had a positive free cash flow but every time, the SG&A was very heavy so as to say, you manage to generate cash even though the structure have increased and also the marketplace has increased. What I would like to assume is the rollout of LET'S result very clear to me. But I would like to hear some details on the next steps for AME in terms of products and services and what's the acceptance level like. And also related to the market strategy? And I would also would like to know if you foresee a dilution of fixed costs in the quarters to come? And Obviously with the positive free cash flow for next year? Thank you.

#### A - Fabio da Silva Abrate {BIO 17940993 <GO>}

Hi, Fabio, good afternoon. Thank you very much for your participation.

#### Q - Fabio Monteiro {BIO 3711690 <GO>}

Good afternoon.

#### A - Fabio da Silva Abrate {BIO 17940993 <GO>}

The cash flow evolution of the Company is driven by all the initiatives that we have implemented at B2W and the M&A. So I'd like to remind you that we are in the three-year cycle, up to 2019 and 2017 was of a transition, integrated our model from 1P to 3P and we observed that was a significant evolution in the cash of the Company from a consumption of 1.6 billion to a consumption below 1 billion for 2017, and we started 2018 with different characteristic.

We resume growth, its year of growth, we have been growing 25% in the first quarter 2018 and it's a year where we are going to consolidate this cash reduction, we had a reduction which was very significant when compared to the second quarter 2017, 328 million in

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terms of evolution. And in relation to expenses, it's important to remember that we created marketplace at the end of 2014 and throughout this period, the assortment has increased from 800 items to 6.4 million items. So this evolution in this assortment was driven by the evolution of the sellers from 300 sellers at the end of 2014 to 15.4 thousand sellers now recorded in June 2018. So B2W started to operate a number of new categories.

Average [ph] of the selling item that the customer didn't have available -- they didn't have a brand as a purchase reference. So there is a marketing effort going on at the start of this initiative. So that the customer will buy the new item during the new assortment so we are in the phase of presenting, introducing this new assortment of Americanas.com, Shoptime and Submarino. When we look at the number of expenses of the second quarter 2018 and the SG&A it reached a level of 10.7% of the Total GMV and this was highlighted the way we see it. And this is something that we will produce along the next quarters, and we'll look at all variables, all the results, all the variables combined and so we see what we have been doing in the Company and we come to the conclusion that there has been a consumption of cash -- of the -- in the quarter and also a positive generation of cash, so the Company generated 42 million in cash.

Now answering your second question related to earning. It's important to remember that it's an initiative IF - Innovation and Future, whose objective is to accelerate a disruptive businesses for a larger end for B2W. It's a digital payment accounts that intends to revolutionize the way people relate to money. And we have made a soft launch at the end of April in Americanas.com. We had a group of beta users that we call friendly friends and after the test when after all the improvements that were made to the platform and to be at, we felt comfortable to launch in an official manner at Americanas.com on June the 1st and at Shoptime on the 21st of June.

In this initial phase, the customer can make purchases at those sites, and can also transfer and receive resources in a safe way, is without a doubt, the best way of payment in terms of benefits provided to the clients with advantages in cash back and installment. The launch was a total success for both brands. We -- in the last 60 [ph] days we recorded a significant number of purchases more than 300,000 accounts and we have been recording average volume of \$5,000 a day and all the indicators that we have been monitoring in relation to earning, average ticket, brand share, spending all those items have surpassed our expectation.

And another important point to say is that, from the cash back that has already approved, the sale was also fantastic. So the client is resuming to use the cash back in our machines and the purchase was greater than the cash back that we had approved previously. AME has received the grade of 8.5 in the Reclame Aqui and it also have received other recognitions. So it shows that our client is very happy with this initiative that the Company made.

We are very enthusiastic that this is a new front for the growth of the Company in terms of sales and revenues for B2W and we'd like to remind you that the roadmap of AME is very extensive, new services, new functionalities along 2018, and there are lots of things to come. We are submitting for us to launch and when we go this far, we want to move even

faster of us, of course our major client is Lojas Americanas whose presence is very significant in the -- municipalities of Brazil across Brazil more than 1,300 stores we'll make it able to get even closer to our clients.

**Q - Fabio Monteiro** {BIO 3711690 <GO>}

It's clear Fabio. Just another follow-up, very quick. When you commented on the transition of last year, where mortgages repeat, what we saw now is that there was a small drop in the GMV. My follow-up is related to whether we should consider once the growth with IF would be in line with e-commerce line? Thank you.

**A - Fabio da Silva Abrate** {BIO 17940993 <GO>}

Thank you, Fabio for your second question. In fact, the second quarter of the year this is the main semester in terms of sales. We are very enthusiastic with their optimistic. We are growing the total GMV of the Company and without a doubt, the marketplace is the main driver we have been growing at 85% on average and the idea is to move this even faster until the end of the year. In terms of 1P, the comparative basis when we can see that at the first quarter is a basis of downward trend. So there is an opportunity for us to start presenting some level of growth in 1P at -- until the end of the year.

**Q - Fabio Monteiro** {BIO 3711690 <GO>}

Okay, thank you.

**A - Fabio da Silva Abrate** {BIO 17940993 <GO>}

Thank you.

**Operator**

(Foreign Language) Our next question is by Julia Faga from Itau.

**Q - Julia Faga** {BIO 20865300 <GO>}

I would like to know, especially in terms of margins and there have been some market investments and all that. Can you give us an idea about the breakdown what has resulted from your initiatives of the World Cup and would that mean like second semester, what has come front as the second half of the year. Has it come from the marketplace? What would we expect in terms of GMV? So that's my first question. My second question concerns well, and you have talked about all your initiatives concerning multi-channel, logistics of all the mature initiatives, is there any -- KPIs that you would like to tell us about increasing number of users, frequents, additional sales? So those are my two questions.

**A - Fabio da Silva Abrate** {BIO 17940993 <GO>}

Hi, Julia. Good afternoon, thank you for your two questions. Concerning the first question, it's important to observe the gross margin of the Company, this is something that we have been communicating for a while, almost 7 percentage points, when we analyze second quarter '17. We have a lot coming from the marketplace, and also from 1P, which reflects



the new combination between 1P and 3P providing to our customers after an year of transition, which was last year.

When we talk about EBITDA margin, the main impact which has also expanded is assortment. Assortment has impacted it, and I answered to Fabio in the previous question. Our assortment from the beginning of marketplace up to today it has had an exponential growth, it used to be 800,000 items, now we have 6.4 million items in our assortment and in '18, we faced the challenge which is to present a new assortment to our customers.

And SG&A, as overall represented 10.7% of Total GMV. We think that there has been a pick, if we consider the year overall. Therefore, our expectation is to have some dilution considering upcoming quarters, very much aligned with your point and leverage. Second half of the year is when we concentrate most of our sales.

As to your second question, we have set up some of the initiatives promoting channel activities, we have three main initiatives one, Click & Collect going from 4 -- 500 -- 400 stores in the last quarter to 580 stores now in June. Click & Collect Now which is a very interesting service, customers buy online and collect within the hour at the store from the store inventory. We started with 10 stores in June and now in August, we have reached 100 by the end of the year, we are going to reach over 1,000 stores.

And the initiative of having LASA as a seller of our marketplace has also gained more drive. Last quarter we had 6,000 items now, over 10,000 items and by the end of the year, 14,000 SKUs or items. So we think that LASA has huge potential and we will be the greatest seller of our B2W marketplace. Our customers have given us very good feedback, 95% of our customers who use Click & Collect approved liked the operation. When the customer goes to the store to collect the actual item over 50% of them end up buying something there.

In addition to providing service to our customers at their level of convenience, we also generate additional traffic to the stores. So over 50% of the customers end up buying additional items using higher margin items which is wonderful for Lojas Americanas. So we are reeling [ph] into the asset but also the fast delivery which we have announced changing our options of freight and shipping, seven different options and by offering them, we want to reduce the delivery time within 50%. So these are the main initiatives and we are very excited about them.

**Q - Julia Faga** {BIO 20865300 <GO>}

Thank you very much.

**A - Fabio da Silva Abrate** {BIO 17940993 <GO>}

Thank you, Julia.

**Operator**

Our next question comes from Olivia Petronilho of Bank JPMorgan.

## Q - Olivia Petronilho {BIO 19090195 <GO>}

Good morning. Thank you for taking my question. I have two questions in fact. One is, from the viewpoint of changing from 1P to 3P we saw lot of changes in the working capital. And I would like to know what can we expect for the third quarter 2014? My other question is related to the considering all the initiatives that you commented on at the beginning of the call, the perception of the client in relation to the marketplace. There is the gap -- there is a room to go. But I would like to understand what is missing, so that this gap can be closed and how can those two that you're bringing to the seller and how -- to which degree did you think that those stores are going to solve this problem related to the graph -- and -- gap and just volume?

## A - Fabio da Silva Abrate {BIO 17940993 <GO>}

Thank you, Olivia. Thank you very much for taking part in our call. In relation to the transition, it is completed in 2017. We had about a 2 billion in sales from 1P to 3P, so that we can make an adjustment of the assortment and to have what would be the optimum balance where we can extract the highest value, the highest contribution margin from the items that we will sell using 1P and 3P.

So the reflex -- the natural reflex on the gross margin that move by 6.6 percentage point when we consider 2018 and 2017. And there is a contribution of the marketplace and a contribution of 1P and another natural reflex of this movement is driven by the balance. 1P in the past is to consume cash so the more we grew with the assortments grew concentrated in 1P and when we make the adjustments to the assortment, it would be just natural to expect that the relationship, the balance will be better in terms of the working capital and this ratio would contribute to the cash generation of the Company as well.

In relation to service level, which is your second question. We believe that this gap between 1P, I mean, the gap that we still have in terms of service level from 1P to 2P, this is a great opportunity for us. So in order to capture this opportunity that we launched the B2W delivery in the end of 2017. Slide 13 of the presentation shows clearly the evolution of B2W Entrega delivery along with the last 12 months. So we came from a share of 3% moved to 23% and then on -- in September 2017, 33% of the sellers were using the resource. And in March, we reached 60% and now we reached the level of over 70% of use.

So for 1P, B2W's average [ph] cost before 90% of all deliveries and in the marketplace, we already account for more than 80% and without a doubt, we intend to reach a level higher than 90% and natural consequence of this service provided to our seller is the increase in the quality of services and as a consequence, the growth in the sales.

And when the seller embarks and B2W Entrega or delivery is no longer has to worry about freight. It's B2W that will take this responsibility and will define whether it's going to charge and how much and B2W will define which will be the delivery term. On average, when we look at our seller that is not in the B2W -- Entrega compared to one -- one business, the costs would be about 50% lower and the speed of the delivery would be 50% faster. So the service level is much higher. So we gained the client, we gained the seller and we also have gained as a Company.

So among other services that we have been delivering, we intend to close this gap related to service level. We would also like to remind you that on August 22nd, we have a very important event that will be our second solid of the year and this event will put everyone on board to be on the same pace for the second half of the year, and this is when we are going to have the most important event for the year. We have the anniversaries of the brand, the Black Friday and lastly, we have Christmas.

So this event has the purpose of engaging everyone and above all, the purpose of this event is to show the sellers all the mechanisms, all the services that we can offer so that all this sellers can grow their sales in this very important period of the year. But at the same time, we are going to increase the service level to (inaudible) no client, everyone's invited to take part in this event. It's an open event. You're all invited and we are very enthusiastic about it.

**Q - Olivia Petronilho** {BIO 19090195 <GO>}

I want to make a quick follow-up. You mentioned logistics in the beginning of the year. You have initiative of offering results in your distribution center. Do you have any feedback related to this initiative, may be differences in delivery quality or service level anything related to that? Thank you.

**A - Fabio da Silva Abrate** {BIO 17940993 <GO>}

Thank you for the new question. Insight, this year we will -- hold two sellers a day. One was FFP [ph], the one related to the fulfillment of the sellers, we provide -- we made available the (inaudible) a 100,000 square meters one-fifth of our surge [ph] capacity and in that event we announced that would be made available this -- distribution center for the sellers of the marketplace for free until the end of the year. This was very successful.

And today this distribution center has its capacity of new depth and this makes us very excited to expand even further. And in Sao Paulo, we have 3 -- 10 other distribution centers and we -- have about 10 other centers across Brazil. So we know that we have opportunities in Rio, Minas Gerais. But for the time being, we have no news to share with you in this regard.

Another point, which is important related to B2W Entrega, we -- are the four options that we offer. One of them is the fulfillment when we provide the storage and -- but we also have other options. And also the last mile for the fulfillment in last mile. And there is another option and the seller we collect from the seller and which is the last mile and the first mile and there is another option, in which the seller has -- there is a drop-off of the item in the hub.

We have 200 hubs across the country and there is a third option in the B2W Entrega that we announced last quarter is the drop-off in one of the Lojas Americanas store. So using Lojas Americanas as the hub. And then we are able to expand significantly all the collection points of those items. And now we have announced the Direct Collect, which is a star-up of first mile start-up that operates for the sellers was small and medium size

sellers. So, regardless the size of the seller we have one option, one service that would fit perfectly to serve the needs of the seller.

**Q - Olivia Petronilho** {BIO 19090195 <GO>}

Thank you for the answers.

**Operator**

The next question comes from Guilherme Assis, Brasil Plural.

**Q - Guilherme Assis** {BIO 16143141 <GO>}

Hi. Good afternoon, everyone. Thank you for answering my question. Fabio, I would like to talk more about fulfillment structure and also monetization. You said Fabio (inaudible) is used off and you are helping sellers in improving service levels and the agreement is that, until the end of the year, you would do it for free. But if you go in those business model, how would that be using the capacity you have. So what would be your -- the capacity to add? How -- have you thought about that? Do you have idle capacity in your distribution center? How much of it can still be used to -- at a service provider to your sellers?

Another question is the following. You calculated the take rate and the take rate is stable is about 10%. With this new services, do you estimate the take rate to grow up or not? And then what would be a reasonable take rate in your opinion? And what about the competition with other players in the market? Do you think that there has been some pressure of negotiation or do you think this is an incentive to bring more sellers to your own basis when discussing take rate? So these are my questions. Thank you.

**A - Fabio da Silva Abrate** {BIO 17940993 <GO>}

Well, Guilherme. Thank you for your question. Monetization of the platform will result from the growth of marketplace. All services that we provide to sellers offering support to sellers for sellers to expand their businesses will help us expand further marketplace, making money by charging for the take rate. So services encourage growth of marketplace and as a consequence, we can make money on our platform charging our base take rate.

A base take rate includes three variables. One of them, size of sellers, the more the sellers sells, the more incentives are given. Secondly, if the sector so what kind of industry, what kind of assortment, let's say, electronics has a take rate lower than what's our -- those hotels session -- facts session and also number of installments. More installments, higher take rates. So, lower take rate. So it depends on those -- detail those I described. Looking back for the last 10 quarters, we've been speeding up marketplace, growth of about 100%. We've been improving the -- service level and maintaining at the same time, our average take rate of about 10%. Regardless of the competitors that we have for '18.

**Q - Guilherme Assis** {BIO 16143141 <GO>}

Okay. Now, looking ahead. The forward-looking. You've been improving your service level and attractiveness level to your sellers. However, you're using an idle capacity, you just filled up a large distribution center in (inaudible) but eventually are you thinking about charging for it. And would we expect then an increase in take rate, because you would be charging for a storage area and things like that?

**A - Fabio da Silva Abrate** {BIO 17940993 <GO>}

Well, services are a separate things on our base take rate. And once again, can we make money here? Absolutely. But the main purpose is to provide support for our sellers so that they can expand their businesses, so that they can make more money, be within our platform. In terms of the capacity, we have opened 100,000 square meters in Sao Paulo, it has been all used up in Sao Paulo, but we think that we could grab up that square meters size in the short-term thinking about expanding free services to others states as well. Specific business that we've been running small pilot project based on the natural evolution of marketplace and its own growth.

**Q - Guilherme Assis** {BIO 16143141 <GO>}

Good, thank you.

**A - Fabio da Silva Abrate** {BIO 17940993 <GO>}

Thank you, Guilherme.

**Operator**

We would like now to close the Q&A session. I would like now to hand it over to Fabio Abrate for his closing remarks.

**A - Fabio da Silva Abrate** {BIO 17940993 <GO>}

Well, thank you all very much for being part of our call. I would like to take this opportunity to invite you to check all the offers that we have in the preferred brands of Shoptime, SouBarato and Americanas, if you have any additional questions, our Investor Relations team is available to answer them. Thank you all very much. Have a nice afternoon.

**Operator**

Our conference call of B2W is closed now. Thank you all very much for your participation and have a nice afternoon. Thank you for using Chorus Call.

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