

Y 2020 Earnings Call

Company Participants

- Daniela Bretthauer, Director of Investor Relations
- Orivaldo Padilha, Vice President of Finance and Investor Relations Officer
- Roberto Fulcherberguer, Chief Executive Officer
- Unidentified Speaker

Other Participants

- Danniela Eiger, Analyst
- Eric Huang, Analyst
- Guilherme Assis, Analyst
- Gustavo Oliveira, Analyst
- Irma Sgarz, Analyst
- Olivia Petronilho, Analyst
- Richard Cathcart, Analyst
- Robert Ford, Analyst
- Ruben Couto, Analyst
- Tobias Stingelin, Analyst

Presentation

Daniela Bretthauer {BIO 13380169 <GO>}

Good afternoon. Welcome everyone to the Closure Results for the Fourth Quarter of 2020 at Via Varejo. I'm Daniela Bretthauer, the Director of IR, and I joined Via Varejo in the end of the year. We decided to migrate to this video conferencing format since the pandemic scenario is uncertain and we feel this format can bring us closer. At this moment, everyone is connected as listening -- just listening, but after the presentation, we'll open up to Q&A, which can be done by video chat or phone through dial-in. But we would like that when you do have a question by video, please open up your camera. This video conference is being recorded. And an important notice to new -- to journalists, if you have any questions, send them to our email address at imprensa@viavarejo.com.br, we will answer ASAP. The presentation and the slides will be controlled by our team and transmitted simultaneously online through our website -- our IR website, and we will have simultaneous translation in English as well, which will also be transmitted and broadcasted on YouTube in Portuguese.

Before we move on, I'd like to clarify that possible declarations that could happen during the teleconference related to any perspectives for the business and the company must

be considered expectations only and forecasts that are based on the intentions and beliefs, as well as expectations of the Directors in regards to the future of the company.

These expectations are highly -- highly depend on shifts in the market, the economic performance, the Brazilian economy, the retail industry and the international markets and the effect of the pandemic towards the business, which are thus subject to changes. In this video conference, we have Roberto Fulcherberguer, our CEO; and Padilha, our CFO. They will be talking about the main highlights in the fourth quarter and the year 2020.

Now, I'll pass on the word to Roberto, he is the CEO of Via Varejo to start the presentation.

Roberto Fulcherberguer {BIO 17276995 <GO>}

Thank you, Danny. Good afternoon, everyone. I hope you are all doing well and healthy, and I'd like to all thank you for being here during our call. The year 2020 was certainly historical, not only for Brazilians, but all over the world. It was a year of a lot of uncertainty, losses and challenges for people and companies. In a single year, the company reinvented all of its operation, implemented and deployed many projects, and we increased our competitive advantage in this new scenario of a unified retail, where the physical online world operate in an integrated manner.

On slide two, I would like to share some of the main highlights for 2020. We are digital, there is no doubt. The sales on the digital channel represented almost 50% of the company's GMV. The gross GMV was BRL12.8 billion in the fourth quarter, an increase of 31% and about BRL39 billion in 2020 with an evolution of 21%. We also had a robust growth in our e-commerce platform from 112% in the fourth quarter and with 174% in 2020 with a growth of 84% in the fourth quarter and 90% in the overall year. These numbers give us the certainty that we are on the right track and that the turnaround has already begun successfully.

On slide three, I'm going to highlight some of our main deliverables, the online salesperson strategy, Me Chama no Zap was developed in record timing and it was fundamental to leverage our digital sales. We have an army of over 20,000 sales reps and they were able to deliver BRL2.8 billion in sales even with all of the restrictions and lockdowns that happened and that continued to happen. Just in the fourth quarter, Me Chama no Zap was able to sell over BRL1 billion. This is a very important differential that no one else in the market has. We are very well prepared in the year 2021 to continue to grow earnings share when compared to the last year and the beginning of the pandemic.

Now an important asset, our customers, they've also evolved in the last year. Their participation of mobile on our sales reached 70% leveraged by the new versions of the apps for Casas Bahia and Pontofrio and also by the launch of the Extra Pontocom. Our customers are at the center of our strategy. And this obsession in working with them better and better can be noticed in the evolution of our NPS indicators on our -- at our stores and on our website.

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We also had significant improvements in the Reclame Aqui ranking, and -- as you can notice. Our logistical network is a huge differential with ASAPLog we acquired in April 2020 already has over 200,000 delivery trucks around Brazil, and it's still one of the best last mile operators in the country. It can also work with third-parties in many different categories, including clothing, cosmetics, consumer goods and other categories with national coverage.

At the end of February, we're able to deliver over 40% of all of the orders in 24 hours, and in 48 hours, about 60% of everything we had transacted. All of this was done with a cost reduction and greater efficiency. Now in the fourth quarter, the same-day delivery that happened at the same day represent already 15% of all of our online sales. So from everything we sell online, 15% is already delivered on the same day all over Brazil regardless of whether the item is light or heavy, this is a differential. And especially when we think about heavy stuff, selling ice cream and delivering it quickly is easy, but selling the refrigerator that's going to be storing that ice cream and delivering in the same day is difficult and expensive challenge. So this -- these investments are already supported by the current numbers, with the expected growth for 2021, we will take advantage even more of our installed capacity, accelerating the productivity gains.

An important -- another important strength is our offering of financial services through banQi. We finished the year with an increase of our payment book by BRL1 billion with a final portfolio of BRL6.4 billion. I don't know if you see -- remember, but when we started off, we said that strength of this company was the payment booklet and that we were going to leverage this. Another important good news is that we have pre-approved limits of BRL11 billion. So we have a ensured sale of BRL11 billion for our pre-approved customers.

And also with the co-brand card, the volume of credit was increased by BRL7 billion. So our policies for approval and for provisioning are still extremely conservative, which explains a drop in the default indicators, which can be presented by the over 30 [ph] and over 90 [ph] indexes, reduction of 29%, which was back to the pre-pandemic levels. BanQi will be an important player in our strategy for financial inclusion. We were able to digitalize the entire credit approval process from the concession till the receipt of the installment. Even the famous Casas Bahia payment booklet was reinvented, the Credario and it's already available digitally. We finished the year with about BRL2 billion under management with 1.8 million accounts opened and about 300 million PDVs.

So even if we consider the control of Airfox, ASAPLog and I9XP, a company that specialized in the development of technology for e-commerce. And we should also mention our stake at Distrito, a innovation hub for start-ups. We -- now in June 2020, the company reopened to the public fee -- public market with a follow-up -- follow-on of BRL4.5 billion. This operation received the award of the best follow-on offering in Latin America by Latin Finance. All of these acquisitions that I just mentioned, we were able to leverage our strategy and should contribute a lot to new market share gains in 2021.

On slide four, you can notice that quarter by quarter, we have been growing above market levels. On average, our growth was two times greater than the market according to the data. We were -- from Compre & Confie, we were able to gain about four

percentage points in market share. As I mentioned, our speed in adapting to this new scenario and the launch of the online sales team was fundamental for this big turnover.

In the fourth quarter, the online sales team reached 21% of our total sales. The improvement in the product mix and more availability of products were also fundamental to help us gain share. Our customers are becoming more and more multi-channel. And these customers that are more digital spent two times more and come back with a lot more frequency. Our penetration in higher income clients also doubled in the end of last year due to the strength of our strategy, our commercial strategy and also the good acceptance of our brands. The repositioning campaign of the Bahianinho for Casas Bahia was absolute success. We have customers from many different social levels and age groups.

So it's a real democratization or accessibility of our strategy. We were able to resume our opening of new stores in 2021 and we will be opening 120 stores, 15 were already opened in January and February. The focus will be in the North and Northeast regions, where our market share is still very much below our real potential, especially when compared to our presence in the Southeast region. We have room to double the number of stores in this region.

I would also like to share some information that reinforces our expansion in this region. So productivity per square meter in the recently launched stores in the Northeast is 40% above the company's average. And we were able to close down 32 stores in the fourth quarter, and we had already mentioned that we would be closing about 100 stores, but we are assessing in the first quarter how many would still need to be closed. This is because we are renegotiating all of the rent, and in some cases, we are very successful, which removes the need to close down these stores. I would also like to present the new visual identity of the Shopping Mall stores with a greater emphasis on technology, such as what you're looking at in this screen. So we're strongly working on different initiatives to accelerate our marketplace and really win. We will win in the marketplace this year.

On slide seven, we highlight some of these efforts. Constant improvements in the onboard process with an important reduction in the term for admitting new sellers. We already have the new onboard version, I have a little video to demonstrate this as well, but to sum it up in three minutes, a seller can sign up and start up a new store operation with us. I'm going to show you the video and you'll understand a little better. For your store to be on common sell on the Casas Bahia app, my store is on and I don't have to pay anything, my store is on with Casas Bahia. With the presence of Casas Bahia, you can expand your business, you can sell to all over Brazil. With the logistical advantages on Casas Bahia in three minutes, you can register your store and we'll have more than 20,000 salespeople working with you. I work and I sell on WhatsApp. My store is on with Casas Bahia. Well, you could see on the video that we certainly are calling the sellers here.

We have an onboarding process that is extremely accelerated. In three minutes, the seller can sign up. We have this film on Open TV, with them we're calling new sellers around social media and specialized media and also with over 40,000 email marketing efforts to specific sellers environment to Via Varejo. So certainly we have got into a strong acceleration journey. So we are focused on expanding our portfolio, participating in new

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categories and new items. So just in the month of February, we were able to add on about 1 million SKUs in our platform. Launches of special deals and special promotional tools and improvement in the product tracking system, modifications on the delivery dates and cancellations, a new visual for the process to register project -- products, updating prices and inventories, major offering of delivery services sales in the marketplace. And we're also going to expand our relationship in the banQi with some storeowners in the marketplace with some corporate bank accounts and other financial services, such as the payment booklet for the marketplace customers.

So on slide eight, we also want to highlight some of banQi's differentials, an important tool for financial inclusion for Level D and C. We already have over BRL2.3 million [ph], we have 1.8 million accounts active and BRL2.3 billion under management. This is about -- the TPV is around BRL300 million and PIX already represents 11% of this. We have a complete digital account including payment services and a QR code to over 7 million facilities already accept banQi as a payment method. So with this integration of the Casas Bahia stores, making it possible to cash money and also deposit money at any of the stores all of the days in the week.

Now I want to pass on the word to Padilha, our CFO, so that he can go into the financial highlights. Padilha?

Orivaldo Padilha {BIO 21118157 <GO>}

Thank you, Roberto. The numbers for 2020 are the results of our determination and the success of the strategy we adopted. On slide 10, I have some of the data of the fourth quarter and the year of 2020 according to the accounting criteria, I want to highlight the evolution of our gross GMV. So in the fourth quarter, growth was up 31% to about BRL12.7 billion (sic), and in the year, this was 21%, so to almost BRL39 billion. The gross profit increased 30% to BRL2.8 billion with a gross margin of 30.5%. And the overall year, the increase of the gross margin was four percentage points to 32.8%. The EBITDA went from a negative number in the fourth quarter of 2019 to BRL545 million in the fourth quarter and it almost doubled to level of almost BRL3 million [ph]. This shift in the profitability can be observed in the net profit that went from major losses in 2019 to robust profits of over BRL1 billion in 2020.

On slide 11, I can represent some of the reconciliation of the non-recurring effects for the main lines in our results. So that you can match the performance, the operational and accounting performance in the quarter. Here on slide 12, we have the highlights of the quarter and the year from the operational perspective. So the gross GMV performance as I mentioned in the previous slide with the gross margin adjusted for non-recurring effect was 29.2%, one percentage point lower, which is explained by the shift in the channel mix with greater participation in the e-commerce in the total sales.

The adjusted EBITDA was BRL709 million, 13% higher compared to the last year, with an EBITDA margin adjusted of 7.5%, which represents good control on expenses. In the fourth quarter, we had net revenue, net profit, sorry, reaching BRL209 million with a net margin of 2.2%. In 2020, we had a shift in the losses almost BRL0.5 billion to profit of BRL167 million.

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Now I would like to mention in greater detail some points about our financial strategy on slide 13. In the year of 2020, the financial results were negative by BRL697 million, 27% lower year-by-year, and as a percentage of net revenue was 2.4%. And then during the third -- the fourth quarter, we had written the policy of discount of receivables on credit cards but at a lower proportion due to the improvement in our capital structure due to the follow-on offering.

We finished the quarter with a cash position of BRL8.5 billion or BRL9.3 billion if you include the value of the anticipation for supplier. Our net cash is BRL4 billion considering the non-deducted portfolio. And the financial leverage indicator adjusted for the last 12 months was 1.4 times. So basically stable compared to the previous year.

In slide 14, I would like to mention some of the production indicators and the performance of our payment booklet. Well, the performance of the portfolio had an evolution to BRL6.4 billion, we had a major improvement in indicators such as delays in the second semester, so that we closed the year with a reduction in all of the delays over 30 [ph] over 90 [ph] and over 60 [ph] with 29% at the PDD, The level resumed to the levels pre-pandemic.

Now I pass the word back on to Roberto as he talks about some final indicators when it comes to ESG practices.

Roberto Fulcherberguer {BIO 17276995 <GO>}

Thank you, Padilha. In the environmental field even with a very challenging year with stores closed down and many different restrictions in the operation of our stores, we reinforced our reverse logistics programs. So when we think about emissions, we're able to have significant reduction with the reorganization of Via Varejo's logistics based on a mini-hub system with ASAPLog using lighter vehicles reducing the number of displacements or trip of trucks to be able to make products to reach our customers.

The number of used appliances and electronics collected at the stores was tripled, reaching a total of 400 -- and -- collection points and we continue to invest in renewable energy sources. We disclosed yesterday our Annual Sustainability Report. To download this report completely, you can access our Investor Relations website at Via Varejo. We continue to see major opportunities for growth for Via Varejo in 2021 and intense potential for value generation. We're proud of our evolution and we will deliver even more. I would like to finish this presentation by mentioning some of the important strategic leverages for 2021. We will win the game in the marketplace with a big scope of services provided to our sellers, that's it guys.

We are starting with a major focus on marketplace because we want to win. We're going to expand our market share, and we're going to leverage our logistics through ASAPLog providing solutions to -- for the light and heavy products, such as deliveries on the same day all over the country, and a full scope of services to collect and distribute and store products for our sellers. So we're going to win our share in high volume categories and increase our share in higher income customers.

So here it's very important to major leverages, furniture and mattress, so replace the third and fourth places, they don't even get close to our position. So we have even more room for leveraging this. We're going to be focused on the North and Northeast for new store openings, and we're going to accelerate our credit offerings through payment booklets, the digital model, offering credit to our customers in the marketplace and through our co-brand cards, and finally, we're going to be growing above the market level.

So I'm going to complete this presentation, and now we would like to open up to Q&A.

Questions And Answers

Operator

Thank you. Now we're going to begin our session with questions and answers. We have provided multi-channels, so that you can make your questions, but the access through the video conference is limited to a few participants that are already connected through this channel. Questions through chat may be submitted at any moment. (Operator Instructions) For questions on video, please select the icon called Join Q&A, where there is a finger up on the top side of the screen. Remember to open up your mics and activate your cameras from now on. Our first question comes from Guilherme Assis from Safra. You may go.

Q - Guilherme Assis {BIO 16143141 <GO>}

Hello, good afternoon, everyone. Good afternoon, Roberto, Padilha, Danny, thank you for this question. I have two main questions. One is that we are experiencing an uncertain moment in the economy now, and so I would like to understand you guys' perspectives for 2021? I think it's very clear to see your focus on the marketplace. If you could maybe give us some info on how the performance has been after the closure of the quarter, because we had the phase-out of the corona voucher and we also have a lot of uncertainty in the macroeconomic scenario. So I want to understand if you guys have seen, for example, that the end of the corona voucher had some impact in your sales after Christmas, for example, and New Year? This is my question.

And also my second question, it's also pretty clear to see that you guys have a strategy now to have this new platform with the marketplace, and you guys have also described all of the initiatives and the strategic focuses to be able to leverage sales in the marketplace. We also see that the competitive environment is a little more intense now. We've seen competitors like B2W shifting their commercial policy to be able to also leverage growth and MELI also announced some intense investments to be able to set up a fulfillment platform as well, and as well as in MercadoPago with about BRL10 million in -- BRL10 billion in investments in Brazil. How do you imagine this competitive environment and how do you respond to it to be able to deliver the growth that you guys are expecting for the marketplace?

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Good afternoon, Guilherme, thank you for your question. Thank you for being here on our call. Well, about 2021, we began the year in January and February and we are at the same

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growth rhythm as we had in the fourth quarter. So we continue to grow significantly. We are still gaining market share, and we continue to gain market share at levels that are very similar to what we demonstrated here. Now about corona voucher and its impact on our business, it's important to highlight that in the third quarter, corona voucher was 100%, in the fourth quarter, it was about half. And when we migrate to January and February, we still have no impact due to the growth that we continue to work on in January and February. We were very attentive to who was receiving and how they were using, most of this was used for food actually. So almost 50%, and it was more -- there was greater penetration in the North and Northeast, where we still have lower penetration and we're going to revert it with the launch of new stores, but we also had this important benefit.

I could say that the absence of this corona voucher in our business did not have much of an impact. We continue to gain market share and selling well now in January and February. About the year overall, yes, it is a more complex year, but we are very optimistic. I think everything we planted in 2020 kind of led to this path for this year and gives us the chance to compete a lot more in this market and continue to win over share. We will continue to win share quarter by quarter this year.

Now about more intense competition, I think it would be important here to highlight because there are some players that leave 1P, go back to 1P, we're already used to this kind of dynamic. There's players that go back to 1P and then they burn cash very quickly, this already happened, it's not the first time, we know exactly how to deal with this. And all of our strategy for negotiation with industry, we already have basically the whole year plans. We have a lot of share to -- co -- eliminate or reduce any kind of aggressive competition that we can monitor.

This has not impacted our business up until now. So these free trans -- free transportation practices and all of that do not impact our business, and so I believe we're very well structured. The investments you mentioned, for example, with like BRL10 billion for MELI, when you read their interview, you can see that it's not necessarily investments, there is a lot of expenses involved.

And if you were to compare that with us, our -- ours is probably about 30% higher than that, right, if you compare what's included in those BRL10 billion. So we respect our competitors, but Via Varejo is -- Via Varejo that has been involved a lot more. If we were to consider logistics, for example, we are already doing what no one else does. We are already doing like 15% of everything that's delivered online basically happening on the same day regardless of if it's a light or heavy item. So for heavy items, I would risk to say that no one else in the market can do. We do this all over Brazil and all of the markets and all the regions. Another example is that in the past year, it's not like we have the conditions to deliver all over Brazil. We delivered 99.9% of the municipalities last year, maybe like five municipalities we were not able to reach or even calling around, so we can deliver some products in these municipalities also. So this is ready already.

And if we consider same-day delivery, we're still in version number one, we have another three versions to get in this semester. So this version considers four distribution centers and 200 stores from the 1,100 [ph] stores that are mini-hubs. So we're going to evolve in a number of stores, and then you can imagine the potential of where these 15% can

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reach. Another thing is that we already have in the third quarter in our pipeline that we're not going to be talking about same-day delivery anymore, we're going to be talking about same-hour delivery.

We're going to have ultra express delivery. And we're going to be delivering in the same moment when the -- when the order is completed. So with all of this, my investments, and this is important to be clear is that we're investing in technology, but all of the assets are already here, they were already here actually. What we were doing in this turnaround was to connect all of these things and place them and make them work. So we definitely have what it takes to compete. No one has more aggressive rate chart as we do because of everything we already do all over Brazil. So I would say is that what was done so far has not affected our competitive advantage. And if it does affect in any way, we have a lot of assets and room for maneuvers at shift in different areas and, well, operate even better than what's set in the market.

Q - Guilherme Assis {BIO 16143141 <GO>}

Well, just some follow-up, Roberto. We can see that you guys continue to have healthy margins, while other players are talking about improving service levels, giving up some margin to be able to fund their growth initially and then reach profitability in the future. But how can you see -- consider this -- all of this, I think you guys mentioned this now at the end of the answer, right, that you have this room, a little room, but how do you imagine this dynamic, the competitiveness, and the fact that you guys still have a margin that's a bit above of what we see in competition. Of course, there are services, financial services and other things, but do you think that at some moment you guys could maybe give up a bit of margin to be able to fight this kind of competition if it's very intense to be able to continue growing and gaining market share as you have done?

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Well, Guilherme, here is some good news. Everyone's like burning down margins to improve the services, but I already have this level of service. So the assets are already here, we just have to move a little more here that way, but it's already happening. And we were able to win over a lot of market share. We were able to evolve strongly in the service level and we didn't give up margins through this. When we look at the competition, we see some competitors that have been opening up giving up margins quarter by quarter and then some there's going to be a limit, right, that is the moment where you can't give up that much more.

And so we are already balancing our growth here without giving up any kind of margins, and we have other competitors that never made money. So the marketplace in Brazil, no one makes money like this year in Brazil. We are really focused on evolving in the marketplace, making money, and we have the necessary attributes to do this.

Q - Guilherme Assis {BIO 16143141 <GO>}

That's clear. Thank you very much.

Operator

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Ladies and gentlemen, I'd like to remind you that to have any questions by video, please click on the Join Q&A item on the upper right side of your screen. We'll move on with the question from Danniela Eiger.

Q - Danniela Eiger {BIO 20250080 <GO>}

Good afternoon. Thank you, everyone. Congratulations on your results. I have two questions. The first one is about the impact of non-recurring elements in this quarter, we saw about BRL550 million in net adjustments in operational expenses considering SG&A and others. I want to understand what kind of expenses they are, if you could give us some more details on what was what?

And also another point that I wanted to understand is the impact of the recent decision about default with ICMS by the Supreme Court and how this impacts you, if you have already had any kind of -- if you've been affected by this financially and what this could represent to your operation? And the third one is another question about the video that you presented, you guys mentioned about zero commission, what is this zero commission exactly for a salesperson? Thank you.

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Thank you, Danniela for your questions. I'll pass it on to Padilha to answer the first ones and I'll answer the last one.

A - Orivaldo Padilha {BIO 21118157 <GO>}

Thank you, Danniela. I'll talk about default. Actually, a very important decision for retail, for electronics and for Via Varejo, this is the same thing due to the importance of the electronic commerce, we stopped paying two taxes, now we only pay one. And its impact for Via Varejo is strategically more important because we made some decisions, and the legal and technical sphere doing the process. We have a process under progress -- lawsuit that's under progress, and so this Supreme Court decision is more favorable for Via Varejo. This is an important impact that's recurring in about 100 bps, and our margin that can be applied in greater competitive advantage from now on.

It's important to also mention that the recent decisions from just the judicial power in Brazil also brought in another competitive advantage, which is what we call subvention. So everything that has an incentive also has incentives for all of the taxes, not only those direct impact -- direct taxes, which brought in an important impact in our income tax and social contribution with 40 bps that are recurrent. And so the two impact together that are recurring from January onwards with an default since January represent about 140 bps in our competitive advantage when it comes to this.

And this is one of the most relevant points. Now about your first question, the company has legacy and we have been working on this. And in the case of the most relevant contingency, which is labor liabilities and we already reduced about 50% of the volume of losses that we had in the company in the past. And this is an important adjustment to consider the current risk. Obviously we also know and this administration has been able to

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bring in other benefits that more than offset this increase in the risks and the labor liabilities.

So, obviously, this can, I don't know if you were in the Investor Day in November 2019, when we talked about this a lot. But we disclosed that the company had other credits, and we are bringing this intern -- internalizing this, these are materializing themselves, and these are very important because they provide high liquidity. We're talking about two and a half years to be able to monetize 100% of these credits. And we've been able to balance this out in a very significant way with a positive balance. So about the commissioning, it's on the video, you can -- it's really that, so we are providing the opportunity with the small sellers registering zero commission during three months. And this is a huge opportunity for small sellers to come to Via Varejo and connect with our platform, and so that they can also experiment our ecosystem and that we can promote loyalty. So that's really it. It's limited to three months. So far there is nothing new. We actually even have retailers that give sellers cash back. We at this moment proposing these three months.

The good news is that the onboarding of sellers is something that we kind of left aside in the second semester in order to focus on 1P. And as I had already mentioned, the focus this year is marketplace. The acquisition we had (inaudible), we brought a team of over 100 professionals that are specialized in e-commerce and marketplace and they added up to our team. We quickly completed the onboarding process and we completed the year with 10,000 sellers on the 31st of December. We finished February with 15,000 sellers. And we still hadn't included this promotion, nothing was in the year, we only have this new platform.

And now I could say that the rhythm of onboarding in these sellers considering that they're able to create their store in just three minutes were doing per day while we're doing a full month. So there is no more limitation, we can onboard sellers, exponentially, we have intense work done, the sign-up. One of the important assets that this company has is really is brands, so we don't want to put them at risk. So we have some important control with the new sellers entering, but we have no more limitations. We quickly reach the seller volumes that competition has, if this is interesting to us.

Q - Danniela Eiger {BIO 20250080 <GO>}

Thank you, excellent, very clear.

Operator

Thank you, Danniela. We're going to move on now with Ruben Couto.

Q - Ruben Couto {BIO 20636571 <GO>}

Good morning, everyone. I want to talk about the marketplace still. It's clear that this is a central strategy for you guys, but how can you ensure the same level of service that you just have at 1P with all this onboarding of the sellers that you guys are accelerating a lot? And can you also talk about this Envias Platform and when we should imagine some kind of significance in 3P, with this platform, have you guys considered the hypothesis of some

incentives for sellers to bring them into the platform, we -- what should we expect for the rest of this year?

A - Unidentified Speaker

Well, thank you, Ruben for your question. I want to start talking about Envvias, which is really talking about how we're going to maintain the standard of quality in our business. So it's already operational, and the second phase of Envvias is already available, which is Envvias Collector. And when the seller performs a sale, I collect this, place this in our -- my logistical structure and finalized delivery. So more and more we are operating with the sellers' logistics and this is just the beginning. We have a very important journey up ahead with the evolution in Envvias, and we already have the two main points that guarantee the level of service.

And another important detail is that ASAPLog already has a huge amount of delivery people connected and they are already all over Brazil. So ASAPLog is not only operating for Via Varejo, it really combines with the logistical strategy of Via Varejo, so they will be major operator for other players out of our ecosystem. For example, today we already operate, for example, (inaudible) and other brands, and we are strongly active in the logistical development, so that we can ensure this quality.

Now when it comes to incentives for the sellers, I can tell you the following. The success we are having with onboarding sellers without working on anything similar to what was done in the market, we are proposing to give -- with the success we're having, I think we're not going to need to create incentives. I think that actually, as I mentioned, just look at the balance, no one makes money with the marketplace, and it seems almost like the more cash you burn, the more the company's price goes up, here we kind of believe in the opposite.

So we think that you need to give money as well, but we have attributes as well. So whose purely marketplace that really depends on commissions only eventually may have problems if this start with a commission war. But we are very well prepared to unbury just a little time through banQi, we can have our payment booklet providing credit also to marketplace items. And so all of you guys know how profitable our payment booklet is and how well controlled the default rates are. So here you can see only the positive numbers, that's an important source of revenue and our logistics as well. So I don't need to have investments to improve my logistical quality. The logistics I have already ready and it's already participating in my results.

So as I add on more and more sellers that are operating with my logistics, I just optimize my costs, I don't increase costs, I just reduce the average cost of my business. And then, of course, we can have costs that are extremely accessible with our freight making a lot of money. So I would say the following, for those who are purely marketplace operators and really rely on the commission, they can have problems because if we need to do something here with in regards to commissions in the long run, this will not affect our results in anyway.

Q - Ruben Couto {BIO 20636571 <GO>}

Thank you, this is clear, very much.

Operator

Next question comes from Eric Huang, Eleven Financial.

Q - Eric Huang {BIO 15952625 <GO>}

Hello, I'm so sorry, if you had a problem with my video, sorry, it's not appearing, but thank you for answering my question. Also in regards to the marketplace, you guys mentioned in your release about the expansion of your product portfolio. So we want to understand what would be considered priority segments when it comes to the increase in the portfolio? We saw an acquisition by one of your competitors have a player connected to the food retail segment. Would it make sense for you guys to do something like that?

And also a second question is about inventory. We -- you guys ended up the fourth quarter with a very robust inventory, you guys mentioned some lack of supply risks. So I want to understand if there's some specific item, where you see this, and if these supply risks could affect these sellers in the 3P is just going to lead to any kind of negative impact?

A - Unidentified Speaker

Well, thank you. Eric, your video just appeared, now we you. Well, what -- in regards to the product portfolio and assortment, just in the month of February, we were able to add on 1 million SKUs in our marketplace, now we already have 11 million. And with this accelerated onboarding process, we will be having this infinite shelf in the next month. So in another two months or three months, we'll have a assortment without owing other players anything. When it comes to food, well, Eric, me and Padilha -- we already went to the -- through the food sector. We know about the challenges in operating with perishable goods for example. So, at this moment, we are not looking at the food sector. We think that there is a risk worsening our services, but circumstantially, this does not mean that we will look at this.

And I think that instead of us doing this directly, we do not plan or we don't have the ego wanting to do everything. So we really believe in partnerships, who knows in the nearby future, we can have some partnerships. And then just about plugging into the ecosystem and from 90-day, you'll have the necessary assortment and portfolio. So we don't see a challenge, but it's not a priority at the moment. We do believe that there are many other intelligent ways and less risky ways to work with consumers to be able to win over recurring, and that's what everyone is searching for at the end of the day. We consider that's something very important.

In the next month, we -- we will have something that's very disruptive. And we believe that this will add on a lot of value and new business opportunities, I can't mention this exactly at this moment, but we believe that there are other ways that are more efficient for our business model here to bring in recurring. Now when it comes to inventory, certainly, we finished the year with an inventory at a very relevant level due to the lack of supply scenario, but the good news is that we still have a good inventory. Of course, there are

some problems with supply in some categories, but in our case here, we do not have any situation that generates a direct impact on our sales.

What could happen is that maybe inside one category, for example, will have 10 models, I have eight instead, but we were not in any way lack supplies for any of our categories. So we have been moving on with significant growth in the two months of the first quarter and we are still gaining share. And it's important to mention that we are gaining share, and our market share measurement is with by GfK, which are the tools that basically we can steady everyone in the market. We -- it's important to mention that we don't exchange data with EBIT Nielsen. So whoever is using EBIT Nielsen to compares comparing with their own selves because there's very few retailers in this platform. We are one of the biggest in the 1P segment. We are not in this platform, we could be in the future, but currently we're not. So we're using Compre & Confie and GfK, which everyone is operating with.

Q - Eric Huang {BIO 15952625 <GO>}

Okay, that's very clear. Thank you so much.

Operator

Thank you, Eric. We're going to move on now with the question from Richard, please, you may move on.

Q - Richard Cathcart {BIO 16457807 <GO>}

Good morning, good afternoon, everyone. I have another question about logistics. You demonstrated some relevant advances in the release mentioning about up to 60% of the deliveries in 48 hours. I wanted to talk about free transportation which competitors are maybe investing more. So I wanted to understand how much this represents in your business and how important this is to you? And what you guys are expecting or how you guys imagine this in regards to free transportation, free freight costs and regards to the marketplace as this gains scale throughout this year?

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Well, thank you for this question. In regards to free freight, yes, we are monitoring what's happening. This has been working ever since the fourth quarter, this is basically giving us zero impact in our sales, so we are growing and we continue to gain market share. We're not having impact, it's not impacting our business, what happens with the free freight costs from competitors. If we're going to do something like this in the marketplace with like free shipping, if there is someone with the capacity to do this with very low cost, it's us, right, because we already have the network all over Brazil.

So just adding on more stuff into this network and optimizing it more, so adding more stuff into this is going to lead to relatively cheap marginal cost. So we're going to keep up in June, but we're going to make money here. If it's not necessary, we won't do it, but if necessary, we have the logistical network to do this, and there are attributes that I have already mentioned, for example, to make money in the marketplace. Once again, I think it's important that Via Varejo as a marketplace is not a plan or a dream, it already became

a reality. We are already active in marketplace. We are growing strongly now in this semester in the marketplace. And as we add on more sellers and the sellers enter this ecosystem, we will earn a lot more depth. Another important point is that we are very passionate with our service. It's in our DNA to work with our customers and sellers, for us, they're not retailers, they're clients, and they need to be very well serviced and there need to be an ecosystem working for them, and that's what they're going to have here.

So they will have all of the -- Via Varejo ecosystem with over 20,000 salespeople through the Me Chama no Zap selling for them. So I think no one in the market has this kind of possibility currently, with the strength we have through the Me Chama no Zap, just check out the numbers that this already represents. So our logistical structure will be available. They'll have their -- our payment booklet and all of the traffic we already have, and our 20,000 salespeople working on the marketplace as well.

So we have a trend and a relationship we want to build with the seller, which is different than the purely commercial relationship in the market. We want to really build a relationship where the seller is our customer. So we have many possibilities for success without having to throw away so much money as the market has been recently.

A - Orivaldo Padilha {BIO 21118157 <GO>}

I just wanted to add on to Roberto's answer. We -- in the presentation, we presented the Me Chama no Zap participation, but this is the general participation. So it's also participating in the marketplace. We didn't strategically disclose share, but I can mention that it is very relevant. So the online salesperson that also sold about BRL2.8 billion in 2020 also sold the marketplace, and it's already relevant. So we have an ecosystem that is very interesting, and we have many differentials here to be able to really enter the marketplace with a lot of strength.

Q - Richard Cathcart {BIO 16457807 <GO>}

Great. If I could maybe just have some quick follow-up about the marketplace. You mentioned in your presentation that this year you're going to be winning over the marketplace gain, but what are the metrics that we should consider throughout the year? Is this purely growth? Is it GMV, the number of sellers or a combination maybe of everything?

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

I think it's a combination of all of this, Richard. What really interests us at the end of the day is GMV and the recurrence of this is going to add on to our business. So the number of sellers is just a consequence maybe with 30,000 sellers, we can already have this maybe with 80,000. It's really going to depend. We're going to assess it as we escalate. And with the amount and the sellers that are most important for us and our ecosystem. So I think it's a set of factors that will define our success rate at the end of the year.

Q - Richard Cathcart {BIO 16457807 <GO>}

Thank you, excellent. Thank you, Roberto.

Operator

We move on with the video question of Tobias Stingelin. You may proceed.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Hello, Roberto, Danny and Padilha, congratulations for the results. It was an impressive year, but now shift a bit and talk about physical retail. So where are we at when it comes to the turnaround of the physical retail? It was very clear to see that you wanted to stabilize e-commerce then you focus a lot on 1P, but now -- have -- you guys already talked about closing 100 stores by opening 120, but I want to understand these main variables and how you are considering physical retail? That's the first question.

And then the second one, if I could mention is if anyone falls in the pair of shoe, they look at this sector they're going to think it's successful because the number of sales in the market are very strong, but that doesn't -- it's not in line with the economy, fortunately, the pandemic had some shifts and habits, you guys even talked about corona voucher was also relevant. But this growth in market share, what -- where do they come from? You don't need to give me a specific number, but how can we understand, because I imagine that the market as a whole is not growing as much as your numbers, so if you could give us some context, I thought the markets growing five [ph] and we're growing this much because it's very significant? Thank you very much.

A - Unidentified Speaker

Hi, Tobias, I'm sorry to interrupt you. Now just because my camera is not appearing, I'm so sorry, for some reason my camera is not appearing here. We can see you, but we have your images. So thank you very much. So let's start off by the physical stores, right. So I'd say that, for example, we had some basic renovation work in all of them, we've already corrected them, and this took place in the first six months to eight months of our management. We understood when the Me Chama no Zap started that we could start maybe solving some aspects of the number of stores. So we announced about up to 100 stores, we closed 30, we shouldn't reach those 100. We are renegotiating some contracts for rentals with basically all of the stores and we've been very successful on this. So some stores we were going to close, but when we are able to see such a reduction, it doesn't make sense.

So at this -- in this aspect, maybe there's another 30 or 40 stores and this balance that we should still close. We went back to the expansion plan. The company had stopped the expansion of the pandemic. So we have 120 stores this year, 15, we've already launched. We'll add on a lot to the North and Northeast. And there's pure sales market share because these are markets where we're not present yet. And the good news is that the stores we launched have 40% higher productivity compared to the other stores we already have.

So we're very precise. We had some competitors that were swimming on their own, now that's done. Traditionally, we sell two times more than competition, and we're not going to give this up, we're going to continue to search for this. So I could say that physical stores, we have a turnaround done, but, of course, the physical store we have currently is

not behind when compared to the other stores, but we have a plan for normal renovation work that's like maintenance and we -- as we perform more maintenance, we already add on, this is already included into the new standards. And as we perform the more intense renovation work, we adjust the stores to the new standards.

Another important piece of information at the store is not only a store, but 100% of our stores are -- pick up from store point. That -- this is a huge differential. So customers can buy and pick up in up to two hours because of the credit card approval process because the item is available as soon as they buy it. So when they buy and they approve their credit, the invoice is already ready and all of our stores are logistical last mile hubs. So we have a lot more productivity in the stores. It's not always the sale, but everything that it represents when it comes to service levels together.

Q - Tobias Stingelin {BIO 18290133 <GO>}

So just one more point. I remember in the beginning, as you're saying, hey, let's go back to retailing, right, you had to shift this -- managers of the store like, oh, let's stabilize VMI, is all of that pretty much solved as your team set up, are you already training new people? I know that there's other elements that were a little more intangible, but also very important?

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Tobias, I jumped this because this is 100% solved. We already have the team we want. It's a real good team, of course, I'm the CEO of the company, but we have -- our sales team is definitely the best in the market, and we have the same level of success in our services online as well. So this is the real show that they're demonstrating on the Me Chama no Zap coming on WhatsApp, this program, this started in the beginning of the pandemic. And if you were to consider just of last quarter, we had BRL1 billion of sales. So people are really very successful. Our sales team is already 100% digital. VMI is also completely stable. We have mobile in the hands of all of the sales team. And they finalize the sale and also the payment booklet and mobile due to the fact that credit approval is normally doesn't have human interaction. So everything is transacting in the hands of the sales team. So is there more room for growth and improvement, yes, constant improvement.

We have lots to do, but the basics are completely already, and we are adding on some improvements that can continue to move us to higher levels compared to the market. Now about market share, I did demonstrate in the graph that we are growing two times above market level. So this is the reality. It's the number as it is. And if we look at GfK, it's higher than that. So we're basically robbing share from everyone.

You've been following us ever since the beginning, and now we really went back to Varejo [ph] the term, which is basically in all of the segments we want to be retailing, right. So we're winning over share in the full market. And I can't tell you exactly who is losing share. I think that the disclosures, the subsequent disclosures will help us understand this, but some small regional players are having more difficulty as those -- those people that depend on our categories, and their marketplaces are also suffering more because we're very precise with industry. We have big players in our segment also suffering. We're winning over some share and there's some areas where these players were basically on

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their own. And now we're reaching this point with online operations and with the stores. So I could say that there is an important mix. If we were to consider the GfK numbers in the last year, obviously, that there is no growth, given that there's major risks, so the market was considering possible anticipation and consumption due to the sale that was being done, but I look at the numbers for the full-year, you won't see any kind of anticipation and consumption, growth was pretty much non-existent. And what we can see is that we did certainly grow and we are continuing to gain market share.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Hey, Roberto, so two last questions. The same market data, do you have this for January and February, what is GfK saying, are they saying that it grew or didn't grow?

A - Unidentified Speaker

With Compre & Confie, I mean, remember, this is what I could say, Tobias, we have the same trend, the market share gains that we've been having. I don't have this number exactly, I could maybe send this later on., but it's pretty much at the same rhythm of last year.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Okay, and the last question, you said you have 15,000 sellers in the year, maybe onboarding every three minutes, but you have a concern also with controlling who enters. So how can you do this? How can I go in, in three minutes and you can still control this, and you say -- you're saying that 50% already is Envias?

A - Unidentified Speaker

Yes, they're already using Envias, and we just launched one week ago the Envias Collector, which is still a small number, we just launched it, but it's going to be ramping up very quickly. So what we had said we were going to be unleashing, we certainly did. So now we have a whole different company and this is already the reality. Now about the control processes. All of the onboarding work is done in three minutes and then they register items, and at the same time, as of all this is happening, we had a lot of robust and AI working and performing this kind of control. So I'm not going to give you complete details about how we do this, but I think there's also some of our business secrets, but the intense control, because one of the most assets, important assets us is our brand and we don't want to risk it.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Okay, great, thank you very much. Congratulations, good afternoon.

A - Unidentified Speaker

Thank you, Tobias.

Operator

Now we'll move on to the question from Olivia Petronilho. Please, you may move on.

Q - Olivia Petronilho {BIO 19090195 <GO>}

Hello, good afternoon. Thank you for my question -- accepting my question. I have two questions. First of all, wanted to continue discuss the 1P aspects of our online, you made it clear that the ideas to grow in the marketplace, but I want to understand how we should consider the 1P assortment because we saw a lot of players giving up part of their summer 1P to transfer this to 3P. So how do you balance this growth as both platforms up ahead?

And the second question still on the growth. The service level, we see the service level is really high in the Reclame Aqui level from your sellers. So you have a factor here, some sellers that were bigger and more professionalized. But I think I want to understand where you have this gap of the service level with them on Reclame Aqui and your own level of service as well. So is there still stuff that we need to adjust in the operation of 1P? And the final question is about banQi. We see significant results in regards to the payment booklet, and I want to understand if you guys have more initiatives now in the short-term, in regards to recurring use such as the wallet and how we can maybe accelerate this?

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Thank you, Olivia for your question. Well, about the composition between 1P and 3P, obviously, we make more money when the item is in our 1P, we're not going to give up profitability, just you have growth in 3P and then make the market happier with it. What we do have is that we have a lot of industry and we basically have like the full operation. So when the item becomes extremely relevant and we understand that it makes sense to have this item in 1P, we migrate it 3P to 1P, because at the end of the day, what we believe in is that what's sustainable about this whole business is that the marketplace does definitely add on a major possibility to improve the recurrence considering the expanded assortments.

But if it's going to be transitioning in 1P or 3P, that's indifferent, what's important is that we want to ensure an assortment and the recurrence. So we consider this as indifferent. In the long run, some will reach the conclusion that it's the obligation to have a marketplace that is functional and what's worth is really the sum of both and the recurrence of the customers they're able to conquer. So we're always going to value what provides more profitability to the company. That's what we're going to be valuing, and I think that's more sustainable for the company's health in the long run.

Now about the service level if I understood correctly, you were talking a bit about our GAAP in regards to competition. Is that it?

Q - Olivia Petronilho {BIO 19090195 <GO>}

Yes, and it was the sellers in the marketplace, yes, compared to marketplace and your own 1P, so I thought your numbers were very interesting. I understand now that you guys have more professionalized history than the avenue of the marketplaces. But I want to understand where the service gap comes from?

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A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Well, we improved basically everything. We reinvented all of the processes in the company. So it was a turnaround, those definitely very complete. When we came here, we had a lot of little faces on the Reclame Aqui. And we started off January 2020 with some of these little yellow faces, and now, we don't have anymore, but Cheetos [ph] already very strong and all of the other ones as well above 7 [ph]. And we've seen some important progress month by month.

So if we were to consider in the last 12 months and the volume of complaints in Reclame Aqui, our brands do not at any moment overcome the number of the complaints in our -- from our competitors, all of them have more complaints than we did. So we had a problem there with the solution, but this is solved. The maximum time for solutions of critical cases are between two days and three days, but most of the cases have a solution that is basically immediate. So that's what has been transferred into this improvement.

So we should see throughout this year some continuity in the improvements of our index, and all of our brands moving along to the maximum level of assessment. And just your last question about banQi, yes, it has been evolving and growing. We're very happy with it. It's already -- already has more than BRL2 billion and managed, and customers are already using banQi to pay for their payment booklet. The arrival of PIX was very positive for banQi. So while we consider the TPV from PIX itself very high, and it's already a complete platform over our Class D when it comes to user friendliness and payment method.

But now what we are working on at the end of the third quarter and the beginning of the first, and we are already starting to have personal loans, and that's when we see major differentials, because we're going to have the acquisition costs trending to like zero. So becomes very cheap to acquire customers as well, they already have a financial relationship with us for quite a while. And we have over 30 million customers from the payment booklet, where we have their full profile. As we evolve with the number of customers and this has been growing month by month with a continuous approach. And we start to also have some personal loans using the credit models we already have and the knowledge we already have about this consumer, this -- which should be extremely precise when it comes to low default, we're going to start having more greater potential with banQi. So in our next call, we should have Via Varejo Day in April and banQi will be a specific part of the call, where we will have a separate area -- topic of discussion to talk about banQi, because it's really a unique case. And we're going to be -- we're going to have one of the most powerful FinTechs in Class C here in Brazil.

Q - Olivia Petronilho {BIO 19090195 <GO>}

Great, thank you very much.

Operator

The next question is also coming video from Gustavo Oliveira.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

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Hello, good afternoon, thank you for your question. I have two questions. One, if you guys could still explain the benefits of PIX in this operation, and how this has been impacting your P&L, and also if you maybe if you get to know your customers better with this data and it's really significant, 11% adoption is very significant?

And the second question still about profitability, very clear, that you guys are very confident in regards to OpEx, logistics, marketing. As is mentioned, you really reinvented the platform and you're a lot more confident, but how are you imagining possible gross margin expansions in the business due to greater competitiveness our devaluation in the currency and all the variable that could be impacting your business in 2021?

A - Unidentified Speaker

Well, thank you, Gustavo, great question. But, about PIX -- is -- purchase and recurrence moment, it's very significant and then customers don't have any costs. So it basically increased and has been increasing the use of our system. So it really added on and leveraged everything we already wanted to do in banQi. So we started together with the launch of the PIX, and we've been concrete in some important groups. So it really helps in many different ways with the recurrence as we begin to have personal loan and customers start using this balance, we are going to be present in their day to day relationship. So that need to have recurrence with customers, banQi will already give us a daily update with these consumers and other recurrence is payment booklet. So customers who have like 12 months to 14 months of recurrence with us. And just as we can see some important elements come into our brands in the next month with banQi, there's good step up ahead and so our marketplace for banQi is going to be active.

And certainly we will be building a recurrence ecosystem on banQi as well. And they'll have one brand leveraging the other and that's pretty much a roadmap. So we have a full call just to talk about everything related to the roadmap. And we're going to approach this problem in the Via Varejo Day in April. So about the gross margin, we -- well, the market is pretty intense already, the fourth [ph] quarter was very competitive, the first quarter is also very competitive, and we have been supporting and sustaining our margin levels. So I think that these margin levels that we're seeing we believe are going to be sustainable for the company.

And we are already -- we already have 50% of our sales online, so the margin pressure is already presented, and this is pretty much what we have. So we would not be able to have this margin composition, but we are really seeing any kind of event that would pressure us more than what we're expected, we're used to do. So, we've been able to use all of our intelligence to be able to really handle these issues.

And also our increases, we already transferred some of the price increases. So what was considered with that cost increases already reflected to the final consumer that we're still selling, I can't tell you exactly what was the level of the price increases because that's within our commercial strategy, but we don't have anything locked here. So whatever we already received is already transferred and we have our price in reais, so there is no dollar risks. And eventually, if there is any kind of variation, we're going to sit down with the industry, negotiate and, of course, transfer this to the final consumer cost. So do you have

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any kind of hedge for 2021, well, yeah, I have some orders placed for like 100% of the year in the main industries that we relate with. So in October last year, we already defined the purchase for the full-year. So what I mentioned the huge increase, we consider that. Well, basically, some -- someone asked us once why other guys are able to do it?

Well, that's because the volume I carry in the industry. We have some categories that have about 40% debt. So industry starts off about 40% of the production sold. So industry has significant benefits in this. And they know that what we come -- decide on, we will implement. So we have the necessary logistical capacity to support this, and this is a huge differential. So we see some competitors that have some problems with the day to day operation. We don't have this. We have the necessary logistical capacity. And this kind of differential, we also have -- it's also reciprocal in regards to everything that happened in the price variation. And so the hedge I have is that I've already negotiated through the whole year. So eventually, we might have to sit down and talk about this, but I'm starting off with a business, it's already been defined as a major volume.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Thank you, that's clear.

Operator

All right. Thank you, Gustavo. Now we're going to move on to Bob Ford.

Q - Robert Ford {BIO 1499021 <GO>}

Thank you very much and congratulations on those results, Roberto, and thank you for answering my questions. Roberto, do you think you could give me an update on how you have been developing in the dry grocery and consumer product categories and how important it is in regards to your strategy and your frequency? And when you're talking about new stores, do you think that the performance caused by the -- is caused by the lack of competition or that the performance is leveraged due to greater functionality in the North and Northeast? And how does that shift your CapEx plans for the current base of storage you have?

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Okay, Bobby, thank you for your question. I'm going to start off by the store. The greater productivity that we've had is not because we don't have competition, it's just because we have a very unique operation. So when we look at our average income of store versus the average income in the market, we still collectively we operate better, logistical operation is also very unique and it also helps to leverage this, our payment booklet also helps us. And so all of this said, this ecosystem we have here at Via Varejo really helps us with this advantage. And our team -- our sales team is really unique and this is a major differential for us.

And now we have the success, we're also having this online. So this 20,000 salespeople team all became online. So these are the competitive advantages that the company carries because it operates better than the average market in these items I mentioned.

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So as I launch a store in the North, for example, and the market that we haven't been in before, I already become a recognized brand, there we're already top of mind, in the consumers' mind, because the company discloses Brazil doing over 30 years. So this image is already set up. We reached the consumer and they said, hey, you guys finally made it. So it's a very different relationship. And actually when -- and the opening of the physical stores also leveraging online sales. So we have a very important sector, and in markets we've already entered, we already had Me Chama no Zap working well. We already have some relevance in the market through the Me Chama no Zap, and then we open up the physical store and we have important sales, and online is also selling a lot better.

So, I think of this stat, Bobby, of attributes here is important to consider. So in regards to the CapEx, we'll be opening about 120 stores this year, 15 were already opened. And besides these 120 stores, we have room for another 200 stores in these markets that are close to where we're already headed. So we have a roadmap. The store openings that is going to be followed for the next year. And we have room for expansion in the physical stores with the advantage now that the physical stores are not just stores that are selling, they're also logistics.

And maybe in the North and the Northeast, Bob, we have 150 stores, and we have a potential to double the number of stores there. Our main competitor has doubled the amount of stores as we have in that region. And it's important to mention that these new stores also have product line furniture that's also really unique. So if you add up all the next four positions in the market, they all add up to our numbers, and this is really contributing to our sales on the payment booklet. So it's a really important set of profitability and the new stores are going to help increase the profitability of the company.

Well, it's also important to highlight that online sales in Brazil is between 10% to 12% of the population buys online. So we have like 88% [ph] of people that don't buy online. And we do through the online sales team bring this volume of people into the online environment as well and then we can be there first online experience. So the first experience we'll never forget, right.

So we want to -- we have the chance to really make them loyal at this first experience. And the question about the non-perishables and how we can add, so, other products, right. Well, non-perishable goods, we can already -- we're already selling and we're going to reinforce these categories, if you can make sense. These categories add on to recurrence, but our only concern is the perishable goods, because we think that one thing is if you delay half an hour in the delivery of the refrigerator, but the other thing is, if you delay half an hour in the items that they're going to use for their lunch.

So since we have logistical complexity and logistics are very expensive, we believe that there may be more efficient ways of doing this and bringing recurrence among our customers, but the non-perishables are really what we're going to be intensifying. So we see this trend at the onboarding of services.

Q - Robert Ford {BIO 1499021 <GO>}

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But, Roberto, are you satisfied with this variety of the consumer goods and how are you scaling this category, please?

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Well, we're not satisfied, Bob. And I think this we should be adding on more sellers to be able to have a better assortment, and this was our limitation. So then, so now in about two months or three months, I'll have the amount of sellers, I need to be able to provide the variety, we want to offer. So we're going to be solving. Just in February we added on 1 million new SKUs in the platform. And just this month of March, we may be working on the onboard that we are not able to do. So we're going to win over the level of assortment that we consider to be ideal. But you imagine this would be the outsourced category, well, some items, Bobby, we could maybe operate with some items through 1P. We already have, for example, diapers, it's being operated through 1P. It's not food, but it's like considers a supermarket item for hygiene and cleaning.

So some items we could eventually operate through 1P. But then now, and since we already have a logistical platform working for the seller, and for the pickup process, I could operate it through 3P, but I could have all the logistics and make it arrive with our speed and quality. So we're going to be making these decisions according to how the process evolves. But there are some items that we want to use on 1P.

Q - Robert Ford {BIO 1499021 <GO>}

Now, I understood your question with depth. Thank you very much, Roberto. Congratulations.

Operator

Thank you. Our next question will be read by Daniela.

A - Daniela Bretthauer {BIO 13380169 <GO>}

Roberto, we have a question from Andrew from Morgan Stanley. He had a problem with the video, so he sent it to us. So we have two questions. One is, if we could discuss the main initiatives to leverage the furniture and mattress category online, and the second one is, how we have been able to bring the higher income customers?

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

We should maybe mention iPhones and all of that. Thank you for the question. And I'll start answering the second one. We had important presence and growth of the customers with higher income throughout the last year and it was more significant in the fourth quarter. So I think that from the moment when these customers are operating online and we have a service level that's almost excellent, there is no reason why our brands never had rejection levels. So if our quality is very good with the assortment, then -- and we're very competitive online and our platform is already basically all redone and has its usability very efficient and we deliver quickly, we have all that attribute that this level and society is searching for, there is no reason why they want to buy with us. And here's a bit of what this represents. So our share in iPhone sales in Brazil is more than half of all the iPhones

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that are sold in Brazil were sold through our brands through the Via Varejo brands. So we have a significant share in the industry and greater added value items. Whether this is because of a greater access to Class Cs with the payment booklet or because we're offering these to A and B Class.

So we have brands that are extremely democratic at Via Varejo. And I think that now they're even more democratic, all of the different social levels can interact with this company and this is a big differential, when we bring from the management level and negotiation level, we have at the industry connected to all of the turnaround in the company and all of the service levels have also improved significantly. So in regards to online furniture, I have some good news. It's going extremely well. It's probably one of the main categories for online.

I don't want to say where is that, because I don't want to give my competitors information, but there is already a significant positioning in the ranking of online participation. And that's excellent news for us because we have the biggest volume of furniture in the market, Bartira is the biggest furniture factory in Latin America. And we have infinite growth in the furniture sector because we have the biggest capacity to supply furniture. So while we did have major difficulties in supplying furniture at the moment within the last quarter, for example, the beginning of this year, we had a factory at our disposal and with a lot of efficiency, we're able to anticipate the negotiation of the wood to be able to produce the furniture and we didn't suffer as much with this lack of supplies.

But I think that our online case for furniture is already Via Varejo, we're already the biggest sales company for furniture. So here you have all the usability and all the modifications that really facilitated building and promoting furniture and then we move on to continuous evolution, there's a lot to be done to add on even more to the sales furniture. So furniture bringing the payment booklet together. And this payment book is functional, we're already offering it to many different consumers. And these set of elements will generate a lot more of a differential also for furniture online.

Operator

So the next question is coming from a participant that's connected by phone, Irma from Goldman Sachs.

Q - Irma Sgarz {BIO 15190838 <GO>}

Thank you. Just two more questions quickly. First from the online deliveries that arrive at the consumers' house, I think it's very clear that you guys have an competitive advantage through the network of stores you guys have and distribution centers. But I wanted to understand from those deliveries that really arrive at the consumers' door, where they're not going to pick up from store, what's the share of deliveries that come directly from the distribution centers from you guys and which ones are going to be operating through the stores, through the inventories or through the trucks that are already connected all the way to the store? And I leave it there for the last mile, so that's the first question. The second question is, if you could maybe give us the CapEx that you guys are considering

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for this year, I think it was very clear that you guys are considering the number of stores, but just maybe in numbers maybe how much you guys feel you're going to be spending on CapEx?

A - Unidentified Speaker

So thank you for your question. In regards to the online deliveries, about half of our deliveries already use our stores as logistical hubs. So that's why there's so much importance in having this asset that we have which gives us a significant advantage. Now I just want to reinforce one point that we are in the first version of the same-day delivery software. During the first semester, we have another two versions, they are not in all of the stores, that already represents 15% of the total deliveries online.

And as I already mentioned in the third quarter, we're going to be prepared to discuss the same-hour delivery. So we are going to be profiling deliveries as soon as consumers confirm orders, in about an hour, they will receive the items at home. So we have the necessary investment levels for this and technologies, we have all the assets for this. Another important part of the information is that we are going to be starting off during the end of March as we look to ESG, I'm really happy to upload the report together with the results. So we're going to be launching by the end of March with some deliveries in electric vehicles as well. And this is very important that we consider all of the best practices and improvements in environment -- in the environment, and we're already starting off in the month of March with delivery with some electric vehicles.

And now about CapEx, I don't think I can provide this guidance. Danny will kick me here if I say this. But it is significantly greater than last year, and we will provide about 60% of this CapEx into technology. So we have significant profit of acceleration. We already have an important shift that gives us the necessary conditions to do all of this. And I think we have an important trend that's happening month by month, that gives us the chance to not be the same as the market, but to see that this combined technology will make it even better than what we have at the market. So, of course, the market is continuing to evolve, but we need to be quicker to evolve quicker than the market.

Q - Irma Sgarz {BIO 15190838 <GO>}

Thank you very much.

A - Unidentified Speaker

Thank you.

Operator

All right. Thank you. At this moment. We finished our session of Q&A. I'll pass on the word to Roberto for his final comments.

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

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All right. Well, first of all, I want to thank you all for having been here. We really evolved, and we tried to make the call very quick, so we could have more time for Q&A to clarify all of your questions. I would like it that all of you could be sure that it's not Via Varejo in the future, Via Varejo is already online, we're already in the future. So we had a lot of questions if we would survive the pandemic, when we come online, it survived, had very significant follow-on work to the companies already online. And it's important because we have about six semester -- six quarters, we've been promising and delivering things.

So it's important to notice the consistency of our promising while we're delivering. I don't think we failed so far. And I'm sure that we're going to be shifting the gain in the marketplace this year. This is already happening. It's already a reality. And I think that what's happening now with the company increase in value is not in line with the actual value of this company, but that doesn't depend on us, but we want -- we need to work hard and deliver excellent results and this is what we're going to continue to do. And we have the expectation that all of your analysts and investors will start to have greater comprehension about the main differentials that this company has, and how this -- how they are the one of the biggest candidates in to be in the top of the game here online, physical and through our FinTech banQi, which is already growing in an accelerating manner. So thank you very much. I hope you guys are all well and healthy. Thank you all.

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