

## Q1 2017 Earnings Call

### Company Participants

- Fabio da Silva Abrate, Companhia Digital

### Other Participants

- Fábio Monteiro, Analyst
- Irma Sgarz, Equity Analyst
- Joseph Giordano, Senior LatAm Healthcare Analyst
- João Mamede, Head of Retail and Consumer Goods and Research Analyst
- Maria Paula Cantusio, Banco de Investimento S.A., Research Division
- Tobias Stingelin, Director

### Presentation

#### Operator

Good afternoon. And thank you for waiting. Welcome to the conference call organized by the B2W Digital conference to discuss the results of the First Quarter of 2017.

We have Mr. Fabio Abrate, CFO, Investor Relations Director of B2W with us. And also Mr. Murilo Corrêa, CFO, Investor Relations Director of Lojas Americanas.

To persons following this call, we will suggest you use the supporting presentation available at [www.b2wdigital.com](http://www.b2wdigital.com). We would like you to know that this event is being recorded. (Operator Instructions) The replay of this call will be made available immediately after the call for 1 week.

Before we proceed, we would like to make clear that statements made during this call regarding B2W business perspectives, financial and operational projections and goals reflect the company's core beliefs and premises as well as available data, such considerations are not performance guarantees even they refer to future events, they involve risks and premises and therefore, depend upon circumstances that may or may not come to it. Investors must understand that general economic conditions, sector-specific conditions and other operational factors may impact the future performance of B2W Digital and lead to results that are materially different from those expressed in such considerations.

I would like to hand over to our speaker. So that he can begin the presentation. Mr. Abrate, you may proceed.

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

Good morning, ladies and gentlemen. And thank you, all for attending this call. During this presentation, we shall discuss the results obtained during the First Quarter of 2017 with operational highlights and our investments. After the presentation, we will have a Q&A session.

I would like to take the opportunity to congratulate all mothers for the upcoming Mother's Day which we celebrate next Sunday.

The First Quarter of this year reflects the decision of B2W Digital to accelerate the transition of its business model from e-commerce Direct Sales/1P to the hybrid digital platform model combination of Direct Sales/1P, Marketplace/3P and Services which will be operated by dominant global players. This movement allow us to leverage on investments to offer the best purchase experience in Brazil and also allow us to expand margins to accelerate our profitability.

The rapid growth of Marketplace, which has grown 122%, is representative of 28.9% of the total GMV, with 14.8% point in the order of 2.9 million of items of gross sales, 172%, allowed the company to intensify the migration of items and lines from 1P to 3P. Over the course of 2017, the focus of the company's investment will be directed through an exponential growth of marketplace, reaching a participation greater than 30% and accelerated migration of items and lines from 1P to 3P using the operational structure.

So as a result of the actions that are being undertaken show significantly reduced the cash consumption in 2017. This is an important movement so that the company can become self-sustainable.

We will now begin our presentation on Slide 3, where we look at our highlights of the period. Total GMV reached BRL 2,668,000,000 with a growth of 8.4%. This result was boosted by Marketplace, which recorded BRL 772 million in GMV with a growth of 121.8% reaching 28.9% of participation in total GMV.

Unlocking the transaction of traffic from mobile, the first trimester -- quarter of the year 50.6% of access to site were performed from smartphones. And as a reward to the hard work of all the company to offer the best Brazilian Internet experience we have conquered 1,196,000 new customers over the last 12 months.

On Slide 4, we see the migration of sales from 1P to 3P, the gross revenue, which reflect the sales of merchandise in 1P, had a reduction BRL 177 billion in the First Quarter of the year. On the other hand, sales from Marketplace has accelerated and reached BRL 172 billion, with an increase of BRL 424 million in the period, a clear effect of acceleration of 3P and the deceleration of 1P allowed the company to grow 1. -- 8.4% in total GMV, which is above the 8.1% growth of the market.

And Slide 5. We would like to highlight that the migration process of sales from 1P to 3P with deceleration of the sales did not impact the position of our market share, in the First

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Quarter we have 25.3%. These results were boosted by the growth of 122% of Marketplace.

And the distance between Digital's and the second place keeps on increasing going to -- from 2.9% point in the first semester of 2016 to 10.4% points in the First Quarter of 2017.

On Slide 6. We see the Digital Platform and virtuous cycle of B2W. The company has the best Internet branch Americanas.com, Submarino, Shoptime and Sou Barato. And the Marketplace operation in rapid growth. The platform, which was viewed over the last few years allow B2W to offer technological services, logistic services, distribution services, customer services and customer finance. And traffic, our brands are labeled at 314 million visitors in the First Quarter of 2017. We have connected to the platform more than 300 new sellers increasing our segment 42%. The digital platform of B2W accelerated the cycle of value-creation connecting more suppliers and sellers and increasing our assortment and offers and attracting more and more customers.

On Slide 7, we highlight the rapid growth of Marketplace. In only three years, Marketplace reached 2.6 billion GMV over the last 12 months, with a growth of 131%. In the First Quarter of 2017, the Marketplace reached the participation of 28.9% of total GMV and a growth of 14.8% points compared to the First Quarter of the previous year.

Over the course of this quarter, we got more than 200 new sellers, increasing the base to more than 5,000 sellers on the platform. As a consequence, Marketplace has more than 2.9 billion items offered to customers with a growth of 173%. Over the course of 2017, the investments of the company will be directed to the exponential growth of Marketplace, which shall reach the participation level of the total GMV in the year that is a relevant part of the company strategy. So Marketplace will greatly contribute to the growth and profitability.

In Slide 8, we find out some of the new partnerships of Marketplace. In line with the strategy of each of the -- of integrating new shop owners of different sizes and different sectors, the B2W Marketplace closed partnerships with important stores, such as Dafiti, which is fashion, Marabraz and Etna, which are specialized in deco and furniture, Atlas and Colormaq, which are experts in the electro domestic market. The B2W Marketplace offers the best offer of value to the sellers who can access the brand with the best reputation on the Internet and a highly qualified traffic to leverage the sales. The sellers also counts the support of the platform in terms of service of technology, logistics and distribution of B2W to deliver the best purchase experience to the clients.

Now on Slide 9. We now show you the partnership between B2W Digital and the Stanford University. The partnership, the aim of the partnership is to develop projects in machine learning and algorithms to optimize the marketing campaigns and it has been carried out in a partnership with the artificial intelligence lab of that university, which is led by Professor Andrew, founder of Google Brain and co-founder of Coursera.

On Slide 10, we point out the partnership between B2W and BNDES to allow the use of the BNDES Card as a means of payment in the website B2W company, our corporate

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website, which is now the first electronic trade. But first to accept the card. The BNDES Card has BRL 58 billion of pre-approved credit and accounted for BRL 5.6 billion in transactions in 2016. The integration of systems provides a faster and more automatic process of the card accounting for a higher volume of transactions. Until that point, transactions could only be carried out after direct negotiations between the interested parties on the portal of the BNDES operation cards -- card operations. The partnership is strategic in the agenda, in the modernization and the technological modernization of the systems of BNDES that offers an opportunity to create solutions of finance and to allow the use of the card in different areas.

The client that already has the opportunity to use this card on the sites of B2W companies are very satisfied with the ease and the speed of the purchasing process.

On Slide 11, we point out the leadership position of B2W and the migration of e-commerce to m-commerce, reflecting a transformation in the behavior of the clients, the access by means of smartphones rose significantly and already represent 50.6% of the traffic in the First Quarter. An important tool to increase the conversion of clients who access this site via smartphone, these apps are very important. And the last 12 apps -- in 12 months, the 4 apps of B2W, Americanas, Submarino, Shoptime and Sou Barato reached more than 5.5 million of downloads, which represents a growth of 46%.

On Slide 12, we point out that B2W is still recognized as the best company in terms of client service. Throughout the First Quarter of 2017, the brands of B2W Digital maintained the highest levels of reputation in the site particularly in the Aqui while our competitors are still showing poor performance in this website. On 1P, B2W has an average grade of 7.4, while our competitors have an average rate of 4. In the indicator solution, B2W reached 90%, while the websites of our competitors reached 66%.

The indicator where the client evaluates if he would purchase again from that brand, B2W sites reached 77%, while the website of the competitors reached only 42%. The Marketplace of B2W still has a gap regarding the level of service relating our direct -- in relation to our direct sales. And we understand this as an opportunity to improve and to offer services to the sellers so that we offer better operations, who can also reach best consumer service levels. It is important to qualify that our indicators in the Marketplace are higher than those of our competitors regardless if they -- we consider Marketplace platforms or direct sales.

Our 3P has a grade of 5.4, a solution index of 77% and an index of return to business of 55%. The Marketplace of the competitors is evaluated with 3.4%, 55% and 37%, respectively.

With this, B2W Digital confirms its #1 position in regards to client support and direct sales in the Marketplace.

Now on Slide 13. We would like to point out the reduction of the CapEx and the evolution of the coverage index of CapEx by EBITDA, which are important to measure the cash generation of the company. On the First Quarter 2017, CapEx reduced in 49%, going from

BRL 129.2 million in the First Quarter of 2016 -- 2016 to BRL 65.4 million in the First Quarter of 2017. The CapEx as a % of total GMV reduced from 5.6% to 2.5% in the First Quarter of 2017. With this the coverage of CapEx by EBITDA evolved from 98% in the First Quarter 2016 to 168% in the First Quarter 2017.

Finally, we would like to thank all our partners for their dedication. They are part of the best digital team in Latin America. We have got -- we also thank our suppliers for the partnership, our sellers on the Marketplace for choosing our platform and our shareholders for the trust and most of all our clients for their preference.

These were the main comments regarding our report in the First Quarter 2017. And now I will open for question-and-answers. So that I can answer any questions that you have. In order to participate, we would -- so that everyone can participate, please hold your comments or your questions short. Now we would like to open the session -- the Q&A session. (Operator Instructions)

## Questions And Answers

### Operator

(Operator Instructions) Our first question comes from Fábio Monteiro from BTG Pactual.

### Q - Fábio Monteiro

I would like to explore this acceleration in the phaseout of the B2C and the 1P to the Marketplace. I would like to make 2 questions regarding this. One of them is regarding your cash -- capital, could you please explain in more detail what the acceleration of the phaseout impacts in this turn -- in the cash turnover and is there any seasonal influence in the First Quarter? And I will make the next question later on.

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

Our management decided to accelerate this process, this change process in the business model from the e-commerce to the hybrid platform -- digital platform model. This change was only possible because of the Marketplace performance. So despite only -- being only three years old, Marketplace has had a very good performance as you could have observed in the first semester -- in the First Quarter of 2017, was a growth of 120 -- 122 total GMV of the company. This was as Marketplace caused us to accelerate this migration process from certain items and certain lines from 1P to 3P. The collateral effect of this process, as you will notice, is associated with the cash turnover. This cash consumption that we observed in the First Quarter of this year, where most of this can be explained by the variation of the cash consumption, there are 2 effects in this. The first effect is the seasonal effect. Keeping in mind that the Fourth Quarter of 2016 was very strong and was still very -- we were very strong in 1P. And now, in the First Quarter, we're still paying for the sales of the last quarter. In addition to this seasonal effect, we also have the phaseout effect of certain items and certain lines. And this happened because of the transitions from 1P to 3P. And this caused a deceleration in sales, you notice that the storage levels are still higher than what we consider adequate and there is also a side effect on our suppliers because payments arise and storage was not generated at the same pace.

However, this impact that we noticed in the First Quarter 2017, we would like to recover this throughout the year 2017.

### Q - Fábio Monteiro

I understand. And how about the gross margin, because, I think this is part of the same topic. I would like to understand, considering that the Marketplace margin is still stable and I believe not many changes happened in Marketplace. I understand that in -- on B2C, we may have had some pressure. And I would like to expand, if this will happen and if you accelerated the same-store products that you're not selling anymore, the items in particular, I would like to discuss the gross margins a little bit.

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

You were correct. There is a connection. So basically the impact on the gross margins that we had in the First Quarter, we had 2 effects. The first one is the effect of the phaseout itself and this process of migration. You will eliminate some items, you stop selling them. And you have also an effect sometimes of some items that have a gross margin which is above average. But in a total view, in an overage view this item has poor contribution margins like furniture. Furniture, we have higher gross margin that's below -- above the average of the company. But when you consider the overall sales of contributor these are not very good contributors because you have a high volume. So it's a costly item to store and it's a difficult item to deliver. And given you have a higher ticket, you have to sell this item with higher number of installments and this is reflected in the gross margin due to these categories that apparently are good but when you -- when you look at the complete panel, they are not very good in terms of contribution.

### Q - Fábio Monteiro

I get it. And just to close. I have a final question. I would like to understand what you expect with respect to cash flow dynamics for the Second Quarter and the second semester of 2017. If you can help us to have an idea of this dynamic, considering that in the First Quarter the operational cash flow was about BRL 900 million and the free cash flow a little bit above BRL 1 billion, BRL 1.1 billion. I would like to understand how this can be compensated throughout the year with higher pressure in the second semester with some recovery. I would like you to give us some feedback regarding your views on cash flow this year.

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

Our expectation about the effect we had in the First Quarter, BRL 650 million in cash flow. And this is a pull forward effect and we expect that until the end of the year, we expect to recover the side effect that we had in the First Quarter due to this acceleration, which is a total effect within our business.

### Operator

Our next question is from Joseph Giordano with JP Morgan.

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### **Q - Joseph Giordano** {BIO 20154008 <GO>}

I have some questions related to Marketplace. Of course I don't have all figures to calculate. But I would like to understand the dynamics of take rate over in this transition, just to understand this idea of the company, in the first moment, you have a nice strategy that is a bit more aggressive to attract sellers or if you already once you have a more normal strategy. And the second point I would like to clarify, when we look ahead, it's related to the services you intend to offer for sellers. The customers love seeing greater competitor in 3P. And they charge -- they charge to sell an installment and I would like to understand how you deal with this and I would like to also understand, how you charge for the financing of the sellers -- of the seller. And the second question is related to how we should look the behavior of the take rate as you enter more logistics in your business.

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

The take rate dynamics is more connected to the sellers that we're bringing to our base than the strategy which is aggressive versus our competitors. So depending on the size of the seller and the assortment of the seller we bring to our business, we can analyze things case-by-case and then we deal with each of the sellers. We believe that our value for both of our Marketplace sellers is very different from the value proposal on the Marketplace that we can find in a market. We have the preferred labels and with an Internet, our traffic is highly qualified and also we have a platform, as you mentioned, of services to offer for sellers. We have our platform that was constructed over the last few years to operate our 1P business. But even more to offer quality, to operate with quality in Marketplace. And the need of sellers at the end of the day is the same as our need of concerning e-commerce, because this is the same market and the challenges we face are the same in Brazil, we're very optimistic to offer our capacity, all of our platform to sellers in Marketplace. And obviously these tend to translate into greater profitability over time. With respect to installments and costs and how we charge for the financing within our Marketplace this is a native issue. So 100% of sales in Marketplace, they flow through this B2W when we charge. In our take rate, part of our take rate it exactly should cover the financial costs that we have that is really left with the sellers. So we have these dynamics of payment malls and this is part of our platform.

### **Q - Joseph Giordano** {BIO 20154008 <GO>}

Last question. I would like to understand how you audit the sellers, how is this process, you have very strong labels in Internet and if you have a seller that you don't really know, this can translate into a risk for your label in somebody in Americanas.com. So I would like to know how you select and filter your sellers. And how do you check if the products the seller is selling is compliant with your rules?

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

I think you raised a very important point for us. We are one of the most strict companies in the market regarding the dynamic of the sellers that we include in our platform, in our business, because over time, we have constructed a different reputation compared to other labels compared to our competitors. And our customers want to work with us exactly because we have this reputation and this quality of services. So we cannot risk -- we cannot afford to lose this. We have a very strict process for the inclusion, the entry of a seller and also over time as we work with the seller, because initially, we might have a

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proper rate or a good rate that is interesting for our business. But over time for some reasons, base rate may deteriorate and then we have to take actions to correct this route. And obviously -- and in this rating process, we have a big concern with the product. The product must be a real true Brazilian product. We don't want to have imports along the way and we also have a great concern with all the fiscal issues, the tax-related issues. And this for us is really, really important. To bring a seller to our business, the seller must be good under all of this perspective.

**Q - Joseph Giordano** {BIO 20154008 <GO>}

So last question. I would just like to understand, what is the average time to approve a new seller in your basis? I ask because this could be a bottleneck, a potential bottleneck in this moment that you are leveraging the business, some sellers say that it takes more than the average to offer a product on the Marketplace of B2W.

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

Well despite our severity, it is not an extensive program. It is not a bottleneck today. What happened is that there are many people who want to operate on B2W, which is good. But we have a very clear strategy regarding the assortment that we want to have on the website at this moment. So it's a matter of priority. We have a list and we have a target of the sellers that we need to capture in the first moment. This does not mean that other sellers will not be included. It is just a matter of priority -- a priority to talk to our marketing strategy of the Marketplace.

**Operator**

Our next question comes from Irma Sgarz from Goldman Sachs.

**Q - Irma Sgarz** {BIO 15190838 <GO>}

I would like to go back to the first -- to the previous issue, which is the take review. At a certain time, you had a pilot study to segregate and to study this rate that you will offer to the sellers. And which allows the sellers to have -- to discount this rate or not. I would like to understand, where did this pilot go? Where are the results from this pilot? Will you expand this option? And if not, why not? Then I have another question.

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

Well the pilot study is well under way. We have 2 models today. A model that is a take rate for P1, there we charge everything. And the seller receives everything in 15 days intervals and he receives in advance. And we have another model where the seller actually chooses the number of installments that he wants to sell the product and in a second moment, he has the option to discount that receivable. For us it is a competitive advantage because at the end of the day, we have 2 models to please different types of sellers. The model all-in works with a smaller seller and the other model, where -- he -- the seller has the option of anticipating or paying in installments sometimes works better for sellers that are larger. So this is an advantage of our model. And at the end of the day, we have 2 alternatives so that more sellers can participate in our platform.



### Q - Irma Sgarz {BIO 15190838 <GO>}

And the second doubt I have is -- can you separate the take rate of 10% in this package, if I decide to go take a second option and I don't want to have any installments or any discounts and can I compare this with the all-in and the 16%? And where do you book this rate that comes separately from the take rate and the receivables? Is this considered revenue or is this positive in the end financial results? How do you book this?

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

Well in the all-in model, the revenue is booked 100% and as a consequence, it has a 100% impact on EBITDA. And on the B model, we book part of it on gross revenues and if the seller decides to anticipate the receivable is booked on the financial results and we do not disclose the participation of these 2 in our P&L.

## Operator

Our next question is from João Mamede from Santander.

### Q - João Mamede

I would like to understand the development of the fast Marketplace evolution and you did not change your strategy but intensified the advance of Marketplace. Can you explain the costs that are associated with this strategy because you have a very good penetration. And we discussed that and wanted that. In 2016, we had a closure of 20%. In 2017, you already have more 20% in the First Quarter. So I believe that you are evolving very fast, it's associated to the timing. In addition to the cost, which is the timing, which is the new advancement, current of Marketplace. And how will this influence the phaseout of the 1P? What is the development course? I want to know this. What is the development course of the margins and the cash burn in the second semester and for 2018? And second, regarding CapEx, there was a reduction on the first compared to the First Quarter 2016. And you also mentioned last year that you expected BRL 450 million, a little bit more, a little bit less. But if we divide this by 4 we will be much under this value, do you still expect that CapEx of BRL 450 million or would you like to reduce this number?

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

Well the effect of the phaseout basically, it will occur throughout 2017. But the main impact has been on the First Quarter, where we recovered this impact for the next nine months. And the acceleration of the Marketplace caused us to revisit our plan. As you well observed, we reached the share of 30% in the First Quarter 2017. So we are still looking for a participation of over 30% for the full year. And those 50% of participation in Marketplace for 2020, we will reach this in 2018. So basically what I'm telling you is that from our 5-year plan, which was 2016 until 2020, we will probably anticipate this plan by two years. So we are already talking about reaching more than 50% of participation of Marketplace in 2018. And associated with this is our cash consumption. For us, this is our main driver. In 2017, we are going to significantly reduce cash consumption when compared to 2016. And certainly, we will enter 2018 with different financial model. And in a short period of time, we will have a self-sustainable company, which is our main aim.

Regarding your second issue of the CapEx, CapEx of 2016 was BRL 460 million and for this year, our -- we expect to have a CapEx lower than this BRL 460 million, okay.

### Q - João Mamede

Wonderful, Fabio. Just a follow-up on the first issue. With this anticipation, I would like to understand why are you anticipating, is this associated with the capitalization that you had and that gave you room in your balance sheet to accelerate this?

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

Well the capitalization was very successful with 100% adherence of stakeholders, which reflect our work within the company. And this is part of our plan. There was no other factor. The company has a very clear strategy and a step-by-step adhesion plan and increase the capital BRL 1.2 billion, partly in the First Quarter and partly in the Second Quarter is totally within our plans.

### Operator

Our next question comes from Tobias Stingelin from (inaudible).

### Q - Tobias Stingelin {BIO 18290133 <GO>}

I have a question. I think this was already mentioned but the admission process, with this process, was it better in the First Quarter and is expected to be improving in the Second Quarter? But considering the First Quarter of 2018, we should expect to have the company as expected. So we expect to have the 1P as you wanted to have it, you would like to be in because you really have it chosen, is that how you see it by the First Quarter of 2018?

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

It's a continuous process. So this will be happening over the course of 2017. And the major side effect concerning cash flow happened in the First Quarter. And over the course of the year, we expect to have a recovery. So when we think about 2017, we know we're going to have a different year, a year with lower cash burn compared to 2016. So the company is a bit lighter -- it shall be a bit lighter when it enters 2018 and the progressions are continuous. Though we expect it to have in 2020, like I have said, we expect to reach this in 2018. But again, it's a continuous process. So assessing our profitability dynamics, when we examine ourselves 1P and 3P, one category or line or item that is being phased out, we might reassess this later on due to a different market condition and we may decide to restart the operation of these items. So this is a continuous process of business model progression.

### Q - Tobias Stingelin {BIO 18290133 <GO>}

And just to understand, you said it's your priority, the reduction of your cash consumption or burn. But we're not talking about EBITDA. We're talking about cash generation, because I think it's no use talking about EBITDA. We have to just think about our cash flow and the elements that are involved exactly. We're talking about cash generation and all

the elements involved. And my last question is the process of deleverage of your operations. We have a little margin that we believe to have a reduction and we didn't see this in the First Quarter. And I would like to know what we should expect from now on, you should reduce this fixed expenses structure that was necessary for the IP. But now we should reduce it and you have many times a product and you are selling less. So it's going to take time for you to have a fulfillment and to have the necessary scale. How are you going to manage this?

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

The company is going through rationalizing process concerning expenses due to this new balance between 1P and 3P. So you have a belated effect of some actions that are already being taken in the First Quarter, we could observe the impact on margin and cash flows. And we still didn't observe the actions and -- the impacts in the actions that are being undertaken with respect to expenses. So we are -- as our team is taking everything into account and we are going through rationalizing process when it comes to expenses so that we can have an operational leverage over the next few months.

**Q - Tobias Stingelin** {BIO 18290133 <GO>}

Very good. So we should expect news related to your distribution structures, you're going to reduce you're size, you might efficiently consolidate your size to operate your processes?

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

Yes, eventually.

**Operator**

Our next question is from Paula Cantusio, Banco de Investimento.

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

My question is still related to the last question about your structure, your logistics structure. I would like know if you will be open as a percentage of sellers that is using the services that you offer in the Marketplace, in logistics and technology, pricing, just to understand in how long we should expect a level of sellers or services closer to the level of the services the company provides, this is my first question and I have a second one.

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

It's a very good point, Maria Paula. The level of services is something that is vital for us. This is one very big concern that we have. And we have enough capacity to help our sellers to sell more with better level of services. Among our initiatives, you have pointed out some of them and we really do have the capacity to stock sellers merchandise if need be. We have very good popularity of last mile in the platform that we introduced, this is our services that we are already offering for sellers. And we have client and customer services, this is something that we have big recognition for in the market as one of the best companies that when it comes to serve customer services and this is something that

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we can offer and already are offering to some others and more recently, we had launched B2W Delivery, or Integra, which is a delivery service for small or mid-range sellers that are not going to use our services because they are smaller. But now we do have a second alternative to offer for these people, which is the B2W Integra that allows sellers to have a lower cost and then the prices they are going to pay are also going to be smaller and in this manner, we may through our platform manage all of the delivery procedures. And we also have all of this technology-related services that we can offer, pricing intelligence, it's a very big challenge when we have to work with this in the Internet, it is not easy. We collect a lot of data from the market and we use this in our daily routine minute-by-minute. So we have the capacity to offer a lot of intel for sellers. So that the sellers can provide a better price for customers and have bigger sales. And this is going to make us happier and happier because we're going to have more satisfied customers and our sellers are also going to be happy to work with us having big volume of sales. So this is how we see the manner in which our platform may help sellers to sell more with a better level of services.

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

But Fabio, the level of penetration of these services, you're not going to open for sellers, at least not for the moment.

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

Not yet. But we have a very good reception by sellers. Of course, sellers have different needs and then we have these services to offer, we have services that might not be a very good for 1 seller. But they might for other sellers. So we have a range of options of alternatives so that sellers can choose from us according to their need.

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

Can you explore the gross margin dynamics over the quarter? I would like to know more about sales reduction in some categories, where you have apparently greater margin. But at the end, know. And I would like to understand the negative impact in the stock that you had to introduce, a lot of promotions. And what was the negative impact, if there was one with respect to the productive performance on the IP and positive impact on Marketplace, how much compensation you had in this dynamic?

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

As we mentioned, the gross margin for the quarter was really pressured by 2 factors, the first was the phaseout of some items and lines. And once we decided to go on, we have to sell and sometimes we have to be more promotional so to speak to achieve our goals. And the second effect was the dynamics that I have explained that eventually when a class continually has the good gross margin. So if we take only gross margin into account, we can see good results. However, with -- in the all-in, this is not a very good item. So again, furniture as I said, this is a class that has gross margin that's above average. But when we look at all-in, we have a very high storage cost, a very high distribution cost and customers may give most of this back. And this represents even more cost and sometimes this is something that leads us to the need, brings the need of offering installment payments. In this analysis comparing 1P and 3P, we analyze again all of the

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items and we make decisions as we had been. If we have better profitability in Marketplace, we're going to migrate the item to Marketplace. And we have a team that is specialized in this item and we have people that are going to be better than us in regards to this item. So our decisions are based in a very different analysis, item by item.

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

And 1 last question. I would like to know what's your expectation with respect to BNDES Cards. Did you do any mapping of the number of items that you have available that may be purchased with this card? Do you have expectations of say the percentage this represents?

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

Our expectations is maximum with respect to BNDES Card. There was use of cash out of the radar, because we didn't accept the card, there are mini commerce that affected the card to B2W, to increase our sales, cooperative sales website. And we were the first to accepting BNDES Card as a form of payment and we're talking about a card that has BRL 58 billion of approved credit. This is a lot of money. Last year, we had a very weak year so to speak. We had about 6 billion transactions with this card. In 2015, we had 15 billion transactions. So the expectations are the best possible. We are very excited and we believe we have big potential and we are only at the beginning.

**Operator**

We will now close our Q&A session. I would like to hand it over to Dr. Fabio Abrate for his final considerations. Please, Fabio, you may proceed.

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

I would like to thank you for your participation in this teleconference and webcast. And I would like to take the opportunity to invite you to check today the offers in separate brands in the Brazilian Internet and Americanas.com, Shoptime and Sou Barato. If you have any doubts, our Investor Relations team can be contacted. Thank you very much. Good afternoon.

**Operator**

This conference is closed. We would like to thank you for your participation. Have a good afternoon. And thank you for using Chorus Call.

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