Q2 2020 Earnings Call

Company Participants

- Fabio Adegas Faccio, Chief Executive Officer & Interim Chief Information Officer
- Laurence Beltrao Gomes, Chief Financial Officer & Investor Relations Officer
- Paula Picinini, Investor Relations & New Businesses Officer

Other Participants

- Analyst

Presentation

Operator

Good afternoon, everyone. Let us proceed to Lojas Renner's webcast. And before we start, I would like to make a short disclaimer. First of all, this webcast is being recorded and simultaneously translating. You may access the slide presentation in our Investor Relations website and the webcast platform at the MZiQ platform. All questions must be sent via chat at this platform. Questions from journalists may be forward to our press office at +5511-3165-9586.

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

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This is our disclaimer and I'll give the floor over to Laurence. And after the presentations, we will proceed to the Q&A session.

Laurence Beltrao Gomes {BIO 15361799 <GO>}

Thank you, Paula. Good afternoon, everyone. First, I would like to thank you very much for joining us this afternoon in our release conference call. Here with me, we have Fabio and Paula, and we will also entertain your questions through the chat in the bottom of the platform.

This second quarter was absolutely unusual in terms of results, in addition to all of the issues related to the temporary shutdown of our stores that had a negative impact in our results but we were also successful in recognizing credits stemming from the exclusion of ICMS from the PIS and COFINS calculation base, which benefited our EBITDA and our net income.

This quarter, we also recognized this benefit in two of the main accounting lines where we posted around BRL700 million in other operating results and BRL500 million as financial income. However, it's also important to make a few comments about our operation and the numbers that were published yesterday. There are four main operating accounts and I wish therefore to mention them.

First of all, I would like to comment on our sales. We had a net revenue of BRL540 million, 73.3% lower vis-a-vis the same period of the year before. This was obviously impacted by the fact that for almost the entire month of April, all of our stores were shut down, and they were gradually reopened in May, but it was only by the end of June that we reached 412 stores in average.

In addition to a lower number of units, we were also impacted by a significant reduction in the limited working hours of the stores due to restrictions of days and working hours imposed by local authority, combined yet with the effects of a lower traffic in the store.

Now when we look at the monthly performance, we had a declining performance, we pay a network [ph] performance as the stores resumed their operations. In April -- at the end of the month of April, only 10% of the stores were open, but in June, 69% of the stores were already open. Our sales in July continue to evolve, and in August, we were already overperforming in the last few days of the month. We were even above our original plan for 2020 when before COVID.

On the e-commerce side, digital sales perform way above our initial forecast. All of our channel initiatives that were adopted, all of the improvements and developments on the digital side, allowed us to reach 36% of sales in the quarter through all of our digital means. This is 36% by the traditional dress, we grew only 25% in April due to all of the operating investments. And our (inaudible) then the social distancing requirements that were made necessary, but in June, we were able to post growth of 214% in that channel.

In August, we were -- we went even further because now we are going to evolve of our stores in operation and we continue to grow more than 200%. Another important part about was our gross margin that as of April was 11.6%, because we increased the promotion of our winter items. And since April, we offered 30% discounts on these items, and as the stores were reopening, we also marked down the transition items from March and April.

At Renner, the gross margin was 12.7 percentage points, lower when compared to the second quarter of '19, whereas Youcom experienced a reduction of 8.5 percentage points. Camicado on the other hand, posted a reduction in gross margin of only 1 percentage points which help from the commercial management improvement process and also our efforts to adjust our inventories and the mix of products for sale.

We understand that all of these measures of anticipated markdowns in relation to the competition are very assertive in our internal indicators and talking back down pointed to more mature gains than the peer. The commercial decision that we made in April also allowed us to adjust our inventories between the second and the third quarter of 2020. Therefore, in the fourth quarter, we will be able to reach a more normalized level of margins with the new collection as the highlight. Customer response to the newly-arrived items to the stores has been very positive, and this certainly encourages to see even better performance at the end of April.

The third item that I would like to highlight, refers to our operating expenses where we were very agile in terms of adjusting our costs and due to our strong culture to perform our budget, which was very favorable at this time. Even though we experienced an abrupt drop in sales, we were able to follow the reduction of expenses, by the same token, our SG&A presented a reduction of 38% in the second quarter and in April alone, when all of our stores were shut down, we were able to reach an a reduction of more than 40%.

For the following months, we will continue to focus in controlling our budget and focus in ensuring the growth of sales in both channel, both online and offline. From now on, all of our stores have been reopened, and we see the normalization of store traffic which will gradually allow us to resume our profitability through our operating leverage.

Finally, I would also like to highlight our results in financial product, which was BRL43 million with a reduction of 42% vis-a-vis 2019. Considering the current scenario, we were able to maintain our conservative position and even with better performance as -- when compared to what we initially anticipated, we continue with good provisions and higher coverage when compared to historical levels. Revenues in the period did not grow as much due to a lower number of new loans especially in our Private Label card.

In terms of net losses, the increase was due to higher levels of portfolio coverage that went from 13.1% at the second quarter '19 to 23.7% in the second quarter of 2020 due to uncertainties and the macroeconomic landscape, and the aging of the portfolio itself.

On the private label side, we had the effect of the carryover in the transactions that were then being accounted for at Realize as of April 2019. It's also important to emphasize that revenues from now on will be impacted by lower credit originations that occur in the second and third quarters of the year, when the stores were closed and also due to lower spending in the Co-Branded during this period of social distancing.

As of the third quarter of 2020, delinquency is under control, and with adequate provisioning levels in relation to estimated losses, our efforts are now more focused on the origination of credits through the operations in the stores and also due to the launching of several actions and campaigns that seek at increasing our credit or loan portfolio benefiting from improvements and also products that we are launching, particularly after the digitization process of loans and an enormous learning curve based on the new behavior of consumers.

So these were my initial comments. And now, I'll give the floor to Fabio for his remarks. And at the end of his presentation, we will be available to take your questions.

Fabio Adegas Faccio {BIO 19664887 <GO>}

Good afternoon, everyone. Before we begin the Q&A, I would also like to thank you all for your interest in our conference call and I would also like to take this opportunity to make a few comments. We understand that we are now going through a moment where we are resuming or going back to business as usual. So I will talk a little bit about the past quarter, but I would talk about what the future holds. You may be certain that this was one of the most challenging period that we have ever experienced, our team has been through other challenging periods but this year's unprecedented time.

We made decisions based on our convictions, our values, and we were quick to react and we reacted in a very responsible way to overcome the initial phase of the pandemic and be ready to face unprecedented future. We've been going through restrictions for the past five months in terms of circulation and social distancing. But rest assured that that made us more resilient, stronger, quicker and better. Through our ecosystem, we exchanged experiences, we advanced the series of initiatives that are already benefiting all of our businesses, but they will even benefit us further in the future. And together with RFID and the construction of our new DC, and just by chance yesterday, I visited the site, and construction is well advanced. And all of that combined with our digital initiatives and all of the improvements we made, we'll certainly increase our productivity and it gives us more speed.

As Laurence already said, our digital sales are increasing more than 200% in August, even with 100% of the stores already opened. This led us to be for another year, we were the recipient of the (inaudible) award in the diamond category as one of the most cherished stores by our customers. During this period in the last few months, we tripled the number of new customers, and almost half of our sales are now done through our app. In fact, our app is one of the most downloaded apps in the segment with more than 1.3 million monthly downloads. In a few weeks, it was the most downloaded app. And conversion also almost doubled in the last few months and active customers tripped in size.

Our customers are already responsible for half of our digital sales. WhatsApp sales on the other hand are also growing day after day and they are already available in 70 stores, and we already increased revenues by four-folds since the beginning of the operation. This tool has been well accepted by our clients and we experienced a 30% conversion in the context we received with a higher average ticket when compared to the stores. It is a intermediary point between digital and physical sales. This has been a very well accepted means of selling.

Drive-through deliveries have also become quite relevant, because they even -- they expedited further our delivery process and they fostered larger number of e-commerce orders with store pickup. So you have the option of picking up in the store or through the drive-through in the shopping mall. Currently, we have 216 stores offering drive-through services. And since we started with this service, our drive-through deliveries already delivered 13,000 orders.

Digital sales. Given when you go to the store, when the customer buy through our digital channel, and Pague Digital or digital payment when the customer can pay through their own device, these are two things that are performing quite strongly. These two services have been available since 2019. And from then on, we've seen that they have become very important, because they ensure customer enchantment.

Minha Sacola or social sales is another important reality since May. Any person in the country can be an associate. They -- all they have to do is register in the platform and they can make sales and receive a commission. We have over 12,000 people registered and the number of participants more than doubled in the last month.

The shift from store initiative started in March at Renner, and it's based in artificial intelligence that identified by the location of consumer and reserves to the inventory of the stores that are closer to that consumer to reduce the delivery time of items sold through e-commerce, also bringing about more convenience. We are operating with an inventory of 180 stores. And in fact, 180 stores have also operated as a distribution center, and this is available in the main capital for the country. And the expectation, as I said, we will be able to expand that to all of our locations very soon. We are ready to serve all of these locations, but at the time, we are working through these more needed places.

Our orchestrator develop internally in the last two years is already ready to operate. And as we can offer shorter-delivery times, we will have an increase of (inaudible) ship from stores in our own e-commerce sales. Currently, 10% of online orders are already being catered from the stores. And the delivery times that were -- that vary from three to five days in the past, are now two days on average in July and August. We already have other functionalities in the website and (inaudible) specific menu suggestions, comfort items and a virtual dressing room that increases user conversion. We are also developing improvement and new feature to serve our customers even better.

In terms of Youcom and Camicado, we are also introducing new services and improvements, and the same thing we're doing with marketplace of Camicado. We're adding new sellers, but the priority is quality, and therefore, we will bring on board better partners. But that's not all, at Realize, we made several new developments to offer improvements that allow people to pay their payment books digitally, in addition to service improvement that allows customers to ask for new limits in their credit cards to post travel payment [ph] notices. And we have more than 20 million monthly fixing in our logistics, in the number of e-commerce and who has few months both in the website and app. And we are constantly monitor customers and offering services and credit products aligned to our value proposition.

As part of this plan, in September, we will also offer Meu Cartao or Renner Card to all customers in the stores without the need of being holders of the Private Label card. Thus, we'll be able to cater to their needs and to be part of their lives in a more encompassing way. Our Co-Branded card has been a very important loyalty and posted a 10 percentage points improvement in our NPS after it wasn't marked in our app. This was at the highest growth when you look at all of other fashion retailers. We also launched a CDB that was distributed by XP Investimentos that was a pilot plan that will allow us to evolve to another offering of other loan products and investment products, placing Realize more and more precedential likes of our clients.

With this backdrop, we continue to offer a more personalized and efficient communication. Also, we plan to do increase distribution of the company through the use of AI and we already reached 13% in our goal of 17%. And we also have other initiatives to evolve RFID which is important to evolve, and our generals have this allows us to use inventories from the stores. For online sales with the higher safety margin and lower margins of risk, we can therefore use almost the totality of our inventory. Not only that, this will allow customers to make their purchases and pay to their purchases in a more favorite way, including their purchases and making everything virtually.

And in order for all of that to happen, we continue to invest. We invest in the restructuring of our IT team, and they're also distributed through our business areas. But finally, I would like to emphasize that we are always very much engaged looking for alternatives that are best (inaudible) in terms of the environment operating in a more responsible way. We will maintain our plans to keep our plans for 2021 with initiatives or having more a coefficient management of our operations with sustainable products and services and with further engagement of the audience in our (inaudible). Rest assured that we are quite well prepared to navigate through the present and the future.

So these are my initial comments. And now, we are available for your questions. Thank you very much.

Questions And Answers

Operator

(Question And Answer)

A - Paula Picinini {BIO 19739367 <GO>}

I think we will start first (inaudible). Helena asked about the company's strategy to reduce the inventory level and when do you think we will see a gross margin reaching a more normalized level?

A - Laurence Beltrao Gomes {BIO 15361799 <GO>}

As we said before, we pursue a more aggressive commercial strategy focusing on selling our inventory, but certainly we also looked at our market position. We also understand is that, this was a very assertive decision, given the low flow for traffic in the stores and low activities.

But we are already seeing a recovery in our gross margin level and also we see some positive effect in our inventory levels. And looking forward from (inaudible) as we continue to evolve and launched the new collection and the new collection is already coming to the store.

Some Youcom collections and certainly they are already showing good sign of acceptance and as we get into the new collection at full speed, we can certainly move towards more normalized levels of gross margin. So, this is our view in terms of the trajectory towards normalizing our gross margin looking forward.

A - Paula Picinini {BIO 19739367 <GO>}

Thank you, Laurence. I think now it's a question to (inaudible). Victor from Credit Suisse asks number one about e-commerce it is a channel that picked-up very quickly and part of that comes from customer acquisition and marketing investment.

What is the profitability of the channel? And how do you think this would evolve in the second quarter (inaudible) end of the year? And the second question is, how do you see the capital structure of the company, given the fact that with the reopening of the stores we are now spending more with working capital based in EBITDA that is below the normal levels?

A - Fabio Adegas Faccio {BIO 19664887 <GO>}

Well, I will -- sorry I was not picking up and opening my microphone. I'll start by talking about our digital sales and then Laurence can talk more about the working capital requirement. Sales are picking up even after all the stores were open. We are above 10%, with 100% of the stores fully operational and this just reinstates our belief in omni in the integration of channels.

And by the same token, our financial structure and our results are different when compared to other companies that are 100% online or they're 100% brick and mortar. I think we already talked a few times about that. Usually some people reflect the numbers of an online operation 100% online as though there was a reality of an omni operations across as a digital channel, but that's not the case because these are two different operations I would just give you some examples. Most of our exchanges occur in the stores and this generates traffic in the store. This generates an expense when compared to other companies that are 100% digital.

Another important aspect of the financial (inaudible) when it comes to digital sale is that you generate when you highlight and pick up the store and you generate traffic in the store. The only important aspect is that, we already have 180 stores, shipping from the stores, in terms of volume, but we could also do that from all of our stores, but we are using those that can increase our product (inaudible) we can see an improvement in the stores (inaudible) and this sales as well we see a reduction in the last mile cost, which is one of the highest cost because we have 180 or I'd say 102 DCs in addition to the stores and a digital player does not have that capillarity, 100% digital, because in order to do that, they would have to open new DCs and we already have that.

Therefore, increase of conditional sales does not play against the equation, but on the contrary it plays on the positive side. Victor, in relation to the capital structure, okay for our capital structure is well balanced. I don't think we need to add any additional working capital and we are going towards an increase cash generation looking forward.

Therefore, we don't see any relevant, but more like a balance in terms of our capital structure and as part of that capital allocation and working capital, we see the situation very well balanced in terms of capital structure looking forward.

A - Paula Picinini {BIO 19739367 <GO>}

A question from Tobias Stingelin from Citi. The first question is about the loan portfolio and payments of the loan book have been delayed even after the opening of the stores.

I think Paula's connection is down. We will resume momentarily. Please hold. We do apologize for the inconvenience. We had a question addressed to the (inaudible) from Tobias Stingelin and it relates to sales in August they are about the pre-COVID project. Could you please elaborate on that a bit?

A - Fabio Adegas Faccio {BIO 19664887 <GO>}

Hello, Tobias. Thank you for your question. This gives me the opportunity to clarify what happened. We mentioned just for a few -- in a few days sales in August have been above our sales budget for the year pre-COVID.

When we refer to a few days, I'm not saying that it happened throughout the entire month. Just to shed some more light there are some municipalities where the stores do not open every day even though 100% of the stores are open.

There are some restrictions about working hours, they're in some instances the working hours are normal and in other instances they are restricted and in some other towns. Some stores do not open every day some of them do not open on Sunday or they open one every other weekend.

What happens is that sales on Mondays and Tuesdays are above normal when we say that in some days we supersede our target even before the COVID period they usually occur on Mondays and Tuesdays and the following days is closed, and on Saturdays and Sundays are slow because in some places the stores are not open.

But on average, we are still slightly below our original budget with a slight (inaudible). Well, it's a very different situation when compared to the first half of the year and this allows us to say that we will soon be very close to the levels prior to COVID-19. Things are improving day after day.

A - Paula Picinini {BIO 19739367 <GO>}

Thank you, Fabio. Now I'll turn the question to Laurence. So what happened in terms of payment delays after the stores were reopened? There is a question by Tobias, thus with

CDB offering and what is the launching strategy for new products and the opportunities with PIX? And if you can talk a little bit about (inaudible).

A - Laurence Beltrao Gomes {BIO 15361799 <GO>}

I think that, first of all, as it's important to say that, we are recovering and resuming our levels of receivables.

We are going back to the historical average, another important point Tobias is that the quality of the new season has improved and on the side of collection, our efficiency index of collection is better when compared to last year. Throughout the first months, we anticipated many initiatives in our collection operation. We digitalized things, we opened more channels, we may use more AI, we revisited our negotiation portal, we also introduced other digital portals, portals from third parties were also introduced in our platform and all of that intended to increase our relationship with our customers.

We also introduced some renegotiation plans offering, special renegotiation terms and they were also successful and impacted our collections in department. We continue evolving in this digitalization journey and Fabio mentioned some of them, even the virtual card or Meu Cartao or Renner Card that performed quite well in the initial weeks and our communication was revisited, it's much more friendly. Our digitalization of (inaudible) means of payment went from 30% to 80% and this was quite an important -- we also introduced insurance at Meu Cartao or Renner Card.

We didn't have that before and this also brings about more variability in addition to an important point mentioned by Fabio, which is that we're also offering Meu Cartao or Renner Card to directly customers through depending on the credit risk of course, they already receive that offer right at the beginning of the transaction.

In addition, we are building our digital account. We are also building up all of those links and all the connection channels with the central bank to be ready for PIX next year which was the instant payment (inaudible) until then we also believe that we will launch our digital account and also our entry PIX. In terms of retailer recently is well advanced to be accepted by PIX and we will we should be ready as soon as -- PIX isn't. I don't know whether I left anything behind or fail to answer.

Q - Analyst

Now, what is the proportion of expense reduction with sales of our recurrent? And what should we think about your cost structure when sales resume to normal levels.

A - Fabio Adegas Faccio {BIO 19664887 <GO>}

Well, thank you for your question. Once we -- we have already reached 100% of our stores have already reopened. So some of our expense lines may be challenging at the moment. We depend on restrictions, there are one-off restriction or geographic restrictions, working hour restriction so that has an impact on our efficiency, given the fact that some regions and geographies have already been back to normal.

We have to look at this on a case by case basis. We are not that -- not extent that because we are offering (inaudible) Renner is one of the companies that invest the most in training and capacity building in the retail area and this is quite important as we are reopening our stores. It is important that all of our employees are ready and operating at full speed to take advantage of this momentum.

But there is one more thing here, because we reviewed all of our expense structure right on the onset of the pandemic, right after the stores were shutdown, that represented a very strong threat in the company and then later on we resumed some initiatives mainly focusing on our restructuring projects and our digitalization projects.

But we do believe that is very encompassing review has been very good, because it allowed us to review and take the second look at the expenses of our business as usual and we saw some opportunity. It's also important to say that this process of expediting this transformation process also carry out or involves some expenses and they mitigate or compensate for the cuts we did in our operation.

I think from now on and as our operations go back to normal, our expense levels should go back to a more normalized levels, but with that caveat that was -- that we were very stringent and it was very -- we were very diligent when we reviewed our expenses back in April and at the end of March and beginning of April.

A - Paula Picinini {BIO 19739367 <GO>}

Thank you. I think now, Fabio, you can answer this question from Irma from Goldman Sachs and it's about taking about the restructuring project now single customer review.

Could you elaborate a bit -- and in terms of the new digital customer, can you confirm that these are not customers from physical store? Also here I would like to add further question from Joe Giordano from JP Morgan. Can you describe the profile of this new online customer? If you could also talk a bit more about the average ticket? And also about what do you plan to do to retain these new customers once you have a more normalized landscape?

A - Fabio Adegas Faccio {BIO 19664887 <GO>}

I mean the middle part of the question was cut off, but let me start by talking about new customers and as the part of the ticket, I didn't get it. Well, considering a profile this new online customer what could you say about the ticket and items for chart.

Okay. I think Irma began asking about this single customer view. All of our data leg is ready. We already work with the referral part and suggestion omni recommendations and suggestions -- most recommendation or referral engines online. We have an omni (inaudible). So we look at the customer in a very unique fashion. Customer could be buying online or in the brick-and-mortar store. We are now understanding customers consumption and we can track back the entire journey of the customer no matter what channel he or she uses.

They are decreasing the contact frequency and then the contact which for certain is that, we have (inaudible) version generating a better sales volume with lower project. So we don't bother them as much and we help them rather than we bother them, and every recommendation generates a higher conversion. This is just an example of additional build up in this new structure which is bringing about their results.

The other aspect refers to the service to be rendered to customers. We understand the entire journey, no matter where they purchase, but we will understand their entire journey, and this will help us to serve them better in every point of contact.

Now, speaking about the entry of new customers, we do have this whole new set of new digital customers. Some customers were already our customers, they bought from our brick-and-mortar stores, but now they are buying from both channels. On average, they have an annual spending with us, three times higher than customer that only uses a single channel, this is really happening with customers that bought from us, but they were not digital customers.

In addition to that, we have the entry of new customers, some only buying online and some buy in both channels, they are now being more, they are now more acquainted with the brand and these customers have a lower ticket. Most of newer digital customers, they do not access as frequently and throughout their lives as a customer they will increase their frequency and increase the ticket once they start buying from both channels then they triple their apparel spending.

But a customer that is already a customer, the increase is consumption and the new only online customers starts not buying that much but throughout their lifetime, they will start buying more as their relationship and their purchasing experience increases, they become more confident and they start buying more.

And your last question Paula -- what was your last question? I miss that last part.

A - Paula Picinini {BIO 19739367 <GO>}

I think you answered all of the questions was we started with the profile and how do you think you can retain these customers?

I think retaining customers has a lot to do with how we serve them and how we can enchant them and offer the products they want. Customer that buy digitally, they buy just a little bit, just to test and then they buy more and more because they like both the product and their experience and then we see their purchasing profile improving. And the way we can retain them is by enchanting them by offering products and services that can really enchant and inspire customers to buy more.

A - Fabio Adegas Faccio {BIO 19664887 <GO>}

I think we'll continue with you. There's a question from (inaudible). How did the pandemic impact our relationship with suppliers and whether the company sees any benefit from getting closer to your suppliers in the last few months?

And the question -- there's another question, whether you intend to have different pricing strategies for online and offline? And what would be your marketing strategy in both channels once the inventory levels go back to normal?

Well, Pedro, thank you for your question. One thing that happened to our chain is that, we were able to strengthen our relationships. This has become very clear every time when we -- certainly, this has not been an easy ride for us or our supplier, but if it wasn't for the pandemic, but the pandemic is around. So that actually made all the necessary efforts to support our suppliers and to keep them very active. Well, certainly if we had better sales or we would have been better, but this was not possible for a whole lot of reasons.

But as Laurence said, when we talk about margins, we decided to increase our promotions even anticipating promotions (inaudible) competition because we wanted to turn our inventory over and by the same time we wanted to offer new products to our customers. And in terms of our entire chain, we wanted to help our suppliers to supply more not at the level they would wish, but much better than if we just did nothing. We continue to provide technical support , educational, support and also financial support to our suppliers.

We are both supporting them and also offering them financial resources especially to micro companies. We are taking the risk of themselves on pre-paying receivable and mainly we are trying to keep things moving the -- will turn making production arrangements, as soon as possible helping them to support the situation the best possible way.

Certainly, these past months have not been easy for anyone, but all of our suppliers have been very pleased. People have albeit they have paid us many compliments and this has reinforced our partnerships with our suppliers. We do believe that those partnerships will make a lot of difference. How demand is picking up is increasing, consumption is increasing. Not all suppliers will benefit from this increase, because it's not a significant increase, but it's a good increase. Not everyone is prepared, ours are more prepared vis-a-vis the others and our partnership and it will helps us to be better served by them. And they -- because they need to have the necessary production to serve the demand. We have a very competent partnership with our suppliers they are good and also because it's our role we have to help them and this will now make a difference.

A - Paula Picinini {BIO 19739367 <GO>}

Thank you, Fabio. Now we have a question (inaudible) and then I'll jump to the next the last question. (inaudible) from HSBC, asks how is the evolution of digital sales per brand and whether we have anything specific to say about Camicado and the other brands, and what are the opportunities to accelerate Camicado's marketplace opportunities?

A - Fabio Adegas Faccio {BIO 19664887 <GO>}

Digital sales per brand were very similar in terms of growth. They all performed quite well. They all grew three digits. What we notice -- and it's not necessarily in the channel, but in terms of types of projects, there was better sales performance and the demand picked up quickly at Camicado. Camicado, even due to the (inaudible) they experienced better sales. Renner, Youcom they were more similar and all the digital channels grew three digits equally. Well, what else was in that question Paula? I'm sorry.

A - Paula Picinini {BIO 19739367 <GO>}

Camicado's initiatives with marketplace and the online performance.

A - Fabio Adegas Faccio {BIO 19664887 <GO>}

Okay, the brand performance online -- I forgot to refer to Camicado's marketplace. Marketplace of Camicado we accelerated that gradually. We were not in a hurry. We placed layers focusing on quality rather than quantity, because we do not want to have a lot of sellers, a large number of sellers, but we want to have differentials in our sellers.

We could accommodate more sellers than what we have today, but we were looking at compliance and quality and they have to be more lot with our company. We look at all of the contracts, we look at the compliance of the sellers to guarantee a better operation, but things are escalating in a significant way at Camicado and this certainly helps our ecosystem.

Not only we have the sellers offering to our customers but there are still many others things we could do to help our efforts further and this leads to better prices to our customers and better added clients to our company with many opportunities in terms of building up -- coming out of those marketplace. It's beginning quite well but it's still at the beginning.

A - Paula Picinini {BIO 19739367 <GO>}

Thank you Fabio. And now our last question from Andrew Ruben from Morgan Stanley. His question is, what makes us believe so much that we will reinstate, reinforce our target for 2025 working for the 500 stores considering this landscape of uncertainty?

A - Laurence Beltrao Gomes {BIO 15361799 <GO>}

Well, Andrew, in fact, we are very much convinced of that because of our omni model. All of our omni model when we are talking about Renner in terms of the target, it still needs to expand or pick up the branches that is popularity to add more convenience charges. Because full model gives the full experience to customers, they kind of purchase from whatever channel they want, they can pick-up whatever they want. They need convenience, whatever it is, if they want to have quick delivery or to try out the product. So, whenever we talk about Brazil, I'm not even talking about the rest of the Americas, but only referring to Brazil.

Geographically speaking, this is a continent, I mean geographically speaking. So, we need more (inaudible) and we are still far from reaching the volume of stores we would need to be able to give a better experience to our customers. Therefore, we need a better footprint, geographic expansion that if we want to provide a better shopping experience to our customers.

Even with the digital channel, we always incorporated that into our plans and the pandemic period just enhanced it further. This was accelerated because of the pandemic, but we never exploited the full potential of our stores even because we knew we could grow more. Therefore, it is just the pace of store opening when we put that target. What is the pace of opening new stores we have the potential to do a lot more. We de-accelerated because of the pandemic and some of the construction on new stores had to be interrupted because of COVID-19, so the number of stores that we wanted to open this year we postpone some inauguration to happen this year so it will happen next year.

We pushed the things forward, but if we look in terms of the next five years, we will be able to accommodate everything in figures to come a little bit more stores year after year and we'll keep the pace going till the end of the (inaudible) period. As in fact I think we will need even more than that. So I don't see why we shouldn't do it even because we understand that, we still have important market gains looking forward, given all the initiatives we are focusing on at the moment.

A - Paula Picinini {BIO 19739367 <GO>}

Thank you , Fabio and Laurence. And I think, with that, I would like to thank you all for joining us and we are certainly available to answer any further questions. Now I'll hand the floor back to you for your final remarks.

A - Fabio Adegas Faccio {BIO 19664887 <GO>}

We weren't able to answer all the questions, so if you could just draw a comment and more generally -- generalized comment we take three -- Q3 and Q4 you will probably help to answer other questions. Thank you very much.

Laurence would you like to go first?

A - Laurence Beltrao Gomes {BIO 15361799 <GO>}

When it comes to credit, I think that is (Technical Difficulty) production process within the stores. We then get mobilized to recover more quickly and then we focused more in the origination of our portfolio, looking at the new moment, which is in -- a moment of renewal and digitalization of our products.

In regards to retail or Renner, our structure -- our capital structure as well -- credit, are all open. We are looking for a different moment, now we have more visibility in terms of cash generation and we are now moving towards cash generation in the next coming months moving towards a more normalized scenario. So these are just my final remarks. Thank you very much. Thank you for joining us.

A - Fabio Adegas Faccio {BIO 19664887 <GO>}

I'd like to take this opportunity to say -- maybe a few things that we fail to say, because Laurence talked about (inaudible). In terms of the past scenarios, the current scenario and the scenario looking forward. In terms of the past scenario, we are looking at the second quarter, it's important to (Technical Difficulty) not only we were first retailer to shut down all of our physical stores and gradual reopening that occurred after April 24, and it was a very gradual reopening.

We were also the last one to re-open, we waited between three to five days to reopen the stores after the rest of the market and this also had a negative impact on our sales in the second quarter and this is because we do prioritize the safety of our employees and our customers.

And throughout the second quarter, we were already reopening our stores following the government lifting off of their restrictions after we made sure that everything was safe. So the second part and the third quarter differences, but maybe we could look back we should have been more affected as compared to the other retailers but even though it doesn't seem that happen but we -- I should recall that we had less operational tips compared to the rest of the market.

We started with enhanced promotions. We started with the promotion of right from the beginning to turn over our inventory and customers consuming more of our winter items and now we already have some spring item and then our response to these items have been quite well not only if we are selling more, but the margins are also better.

I would say in a nutshell, the worst is over but we certainly know that we are still going through a very challenging period -- what he talks to controlling the safety and health of people we think that the worst moment is already in the past. Even though we may have some rebounds, they have up in one or another geography. This is already factored in and I don't think it will be in the same magnitude as we experienced in the previous months.

I think that we are better off than we expected. We are more positive looking forward and one thing that I think it's important is that we see even better improvement ahead. We learned a lot, we grew a lot and we improved a lot. We gained a lot in efficiency, productivity, innovation, technology, engagement of our people and we are certainly well prepared to grasp the future enterprise, all the opportunities we see ahead of us.

I would like to thank you very much and I am sure very soon we will have better and better news for you despite of all of the difficulties. Thank you very much, and all the best.