

Q3 2021 Earnings Call

Company Participants

- Leonel Dias de Andrade Neto, Chief Executive Officer
- Marcelo Kopel, Chief Financial Officer

Other Participants

- Analyst
- Eric Wang
- Joseph Giordano
- Juan Quiros

Presentation

Operator

Good afternoon, and thank you for standing by. Welcome to the CVC Conference Call to comment on the Third Quarter of 2021. With us today, we have Mr. Leonel Andrade, CEO; and Mr. Marcelo Kopel, Financial -- Chief Financial Officer. We'd like to inform you that this event is being recorded and that all participants will only be on listening mode, during the presentation by CVC Corp Executives. Once the initial presentation is finished, we will start the Q&A session, when new instructions will be provided. (Operator Instructions).

This event is also being broadcast simultaneously over the internet via webcast and can be accessed at www.cvc.com.br/ri, where all participants will be able to control the selection of slides, which are also available for download. The replay of this event will be available shortly after its conclusion.

Before proceeding, it is worth bearing in mind that today's event may contain certain forward-looking statements that may be made during this event relating to CVC Corp's business prospects, projections, operational and financial goals, our current expectations and assumptions of the current management, as well as information on the business and economic conducts currently available to the company. Therefore, considerations about future events and estimates are not a guarantee of performance and involve risks, uncertainties, and assumptions as they refer to future events, and therefore depend on circumstances that may or not occur.

Investors and analysts should understand that general conditions, industry conditions and other operating factors may affect CVC Corp's future results, and may differ materially from those expressed in such future[ph] conditions. And this is the information available or for the third quarter of 2021.

After concluding this legal information, I turn over to Mr. Leonel Andrade, Chief Executive Officer.

Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

Good afternoon, everybody. It is a pleasure to be with you here today. I would like to highlight the performance of the company in the third quarter of 2021 and we are available to eventual questions. I would also like to welcome Marcelo as the new CFO of the company. I am totally convinced that he will do wonderful work in the first meeting together.

And now moving to Page 4 of our presentation. I'm going to talk about the main factors in the third quarter. And the main message here is, how robust the company is and how much when we resumed sales. It was the first quarter we've had in our favor since the beginning of the pandemic and in practice since I arrived at the company. And we have clearly demonstrated that the operational capacity of the company is very robust. We have about 2.5 million of passengers. This quarter has been better than previous quarters and we are almost back to normality when compared to pre-pandemic times. (Technical Difficulty)

Operator

Ladies and gentlemen, please wait. Let's proceed with a backup line. Please proceed.

Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

So, I was talking about how robust and prepared we are to resume our activities. And this is something we had in this quarter be it by means of sales, which had a strong acceleration and also in the number of passengers and boardings when we had 2.5 million passengers boarded. Also, the take rate was very important in this quarter and we're going to get into details later on. This benefited from the B2C boardings and also because of the initiatives we had with better negotiations and B2B acceleration as well. We had a very strong growth this quarter. And because of the current situation with the reserves, boardings and take rate, we have had a two-fold revenue this quarter.

Argentina is this too close for international flights, but domestic tourism is booming because of a series of initiatives be it because of marketing campaigns, and also because of a government program that gives a cash back for domestic travel to encourage domestic tourism.

This quarter, we concluded the remaining payment at Ola, and we now control 100% of the capital of our companies in Argentina, and we'll start having synergistic actions. When we talk about strategic initiatives and I'm going to talk about this later on. We have concluded the capital increase with a reduction in indebtedness and has allowed us to have a better cash position. As to this strategic plan, we are focused on B2B operations and brands. And in October, we launched the new CBC Store on the Paulista Avenue Mall. It is worthwhile visiting it.

We had a cyberattack on October 2nd. Following our protocols and with intense activities with a specialized consultant, we re-established the operation on October 14. When we analyzed our businesses and analyzing the B2C, this whole acceleration we've seen in boardings has led to an increase of 230% in our revenue and this is because of our domestic boardings. International boarding is resuming, sales have started, but we have good expectations that this will lead to good results.

Regarding our agenda. We want our clients to be able to make reservations online and concluding it in the physical world or the other way around. This is a transformation agenda that we're following.

And now regarding this new model for the stores, we will have some changes in the next quarters. When we look at the B2B, we can see strong growth with -- about 95% of bookings in confirmed reserves. We have -- seeing an opportunity to work with more travel agencies throughout this period, and because we have a relevant position in the market this ended up benefiting us. We're also working to unify B2B operations and brand, and it's something that we will see in the next quarter.

And then on the bottom part of the slide when we talk about our contactable clients, we have 24 million clients already included in our basis and they will be contacted with more assertive proposals. We talked about recommendations. We have made recommendations to over 8 million clients in our base with this contactable base. We can be more assertive with our clients. We also have the dynamic pricing; it plays a role. And this is something that we have started doing with our hotel chains.

Now in terms of strategic initiatives, we're talking about culture within our sustainability axis. Learning trail for employees, also we have our first internship program focused on diversity and this is something we want to have as part of our DNA. And Leonel is back now, so he's going to resume the presentation right now. (Technical Difficulty)

Well, I thank you. I think that you can all hear me and I apologize. I had a connection problem. So, whenever we talk about sustainability, I'd like to highlight that we are part of the UN Global Compact and we started our program in our new store to support refugees. We now have one refugee employee from Venezuela. She's working at our store and the idea is to continue supporting this public. And this also enables us to have a multilingual store and they also support us with foreign clients.

Now, about technology. We have had huge transformations, whose results we will see as of next year. We continue evolving, especially in infrastructure, so that we can create a single front office, both for physical and legal entities and this is something that will take place after the next few quarters. Until the first quarter of next year, we will have transformations in our stores, our B2B, the whole front office and we are also working with new projects and initiatives as mentioned before, VHC, an initiative aligned with modernity. Regarding market trends continue growing. We will now start a quick expansion program of the stores.

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In the next page, Page 7, the new store as mentioned before was inaugurated. I think this store has two important differentials. First of all, it is 100% included in the digital world, there is no paper, and client, service, and transactions are all digitalized with digital content. This is an important incentive for businesses because if I close any other product right now, my stores will have it available and the rollout of this store start now. And we are going to start the year with 15 as promised and the idea is to have the whole out of the over 1,000 stores will take place as planned. Our stores are 100% connected with what is newest in terms of ESG.

Now moving on to the next page. We continue acknowledge as the leading brand in the market, and we were awarded for the 11th consecutive year as the Brazil TOP OF MIND travel agency. We were also awarded by Estadão Marcas as a model company and the best-known company in franchises. This is very important because we are interested in having new franchises on the company so that we can re-establish our network before the pandemic, we had almost 1,400 stores, and today we have about 1,200, a little bit less. And we will have the same network in the near future, but it will be totally connected.

On Page 9, I'd like to highlight how positive the quarter was in terms of volumes both in international travel. Not as strong yet, but domestic travel has been very strong and we have concluded the quarter very little below pre-pandemic levels and international travel since then. Here you can see the numbers until September. But if you take into account October and November, we have significant increases because the markets are now open for the U.S., Argentina, Portugal and others. So, we're basically ready to open for travel and with that, the sales are increasing. And this shows how robust the business is and how much CVC Corp has stood during the pandemic. We maintained 100% of the company operational, which is a competitive advantage now.

So, I'm now going to turn over. And I will be back to you in the end. Thank you very much.

Marcelo Kopel {BIO 16986304 <GO>}

Well, thank you, Leonel. In Slide 11, as we mentioned before, the quarter benefited by the resumption in the sector. And we also had an impact of the second wave. We had a quick advance of vaccination in the third quarter, which was observed in B2B. And we can see low participation in boardings related to sales before the pandemic. And in this quarter, only 25% of the boarding is were for pre-pandemic sales. And these pre-pandemic sales had a worse margin. We also had a higher participation in B2B, with a higher ARR component. And the net amount improved our take rate in 0.5 percentage points.

We also had positive results in other areas, which can be seen in international. It was a growing not as much as domestic travel, but the -- our ticket went from BRL915 to BRL1057 and we expect this to be something that we will see later on.

Argentina had an important contribution with the acceleration in sales. However, the take rate was a little bit lower. Because of the concentration on domestic travel leveraged by government plans.

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Now, going to financial management, I would like to highlight that we concluded the last capital amount, and approximately BRL200 million were used to pay our debt and the rest is available for operating capital. We had a one -- we had a growth quarter-over-quarter which helped us and has an impact on cash, but this is something that we had already anticipated. We want to improve our take rate because with that, we can grow B2C sales and do not need to have as much cash available. And this is something we started in November and it's part of our promotions, our Black Friday promotions and we are monitoring this very closely. The idea here is to give another payment alternative to our clients with better mean values, that can be accessed by payment installments between 12 and 24 installments. So, that we can add new modalities that will increase access to our product and service.

We're talking about a second important corporate rating. We have a connection therewith our vision. In the beginning of the year, looking at our debt profile, the whole activity is aimed at doing it between now and the first quarter next year. When we talk about funding opportunities, I'd like to highlight that we have the lowest gross and net debt. Because of this all, we expect to be in a good position to continue growing, analyzing these opportunities to increase sales, new initiatives, such as loyalty, also an increase in omnichannel and other opportunities that we are analyzing in the market.

And when we analyze the Brazil data, the high -- the highlight, I'm sorry, was the net revenue. It was 82% higher in boardings in B2C and it was even stronger in B2B. So these two factors really pointed in the same direction and enabled us to have this rival edge. So, the companies grew -- the expenses, I'm sorry, grew 2.5%. This is directly related to the expressive growth we had in sales and boardings. So we can say that the fixed expense had a very good behavior in the quarter. All of this combined led our adjusted EBITDA to go from negative BRL82 million to about negative BRL23 million in the quarter, in this last quarter. We have already mentioned how positive sales were for the company, as well as the average ticket and this is something that happens because of the local market dynamic and also the international market.

I would like to talk about the take rate and the B2C with its impact on post-pandemic sales. We also have better margins with freight. We have an opportunity to grow. With this quarter, they represent about 5% of our sales volume in B2C. In addition, the impact we had due to losses caused by cancellations in the second quarter was not repeated here. And therefore, we had an improvement in our take rate. B2B had a significant growth in the quarter. The take rate was better, the growth was robust and we have an opportunity to increase it in air travel, as well as travel by land. And as Leonel mentioned, for October, which is a month that was specifically affected by the cyberattack we had. But we have been working very hard in November and December so that we can resume the previous volumes.

And then finally, I will quickly talk about Argentina, where the main aspects are related to the promotions in the market and incentive given by the government. This land to stronger volumes with a lower take rate because it is predominantly observed in the domestic market. As the international travel goes back to the market in Argentina, we will see the -- a change in the take rate, with trends towards increases.

With this, I conclude my part of the presentation. I turn over to Leonel so that he can conclude our presentation.

Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

Well, before opening for Q&A, and thank you, Marcelo, I'd like to make a brief comment on Slide Number 20, talking about Flight Plans. But in practice, I think that after this 1.5 year, we can see some favorable wins, vaccination both in Brazil and Argentina is a reality. Travels are very strong. And I always like to say that there will not be enough airplanes. This helps us take into account that we have full operational capacity. Airline companies are reinforcing their networks and a high season chance to help us. Of course, we had a cyberattack, which affected our business for 15 days, but this is something specific and we will definitely talk about this in our next conference call. But today the company is operating very strongly in all different businesses.

In Argentina for the first time, we have a unified management. And yesterday Cecilia was confirmed as our CEO and general director for the business in Argentina. She was the General Manager at Ola, she reports directly to me and is part of the company's Board. It is the first time we have somebody who is working in Argentina with a very important leadership position. And therefore, B2B in Brazil, B2C in Brazil, and Argentina. All are now effectively managed. All of the businesses have a high capacity to compete and to move on.

Before I open for Q&A, I want to make clear that when we look at the company in the next 12 months or for the year of 2022, we in management have three priorities: cash management, we already have ongoing initiatives and we will focus more and more on that. Since I arrived at the company and until early this year, we totally focused on our cash, so that we could renegotiate and pay our debts. Now, we are focusing on intelligent businesses and I am totally convinced that we will continue growing and selling and that we will have good cash management to do that.

Then the second priority is operational efficiency. I think that throughout next year, we will reach some results. The company is a still not efficient, and this is a number one priority for us with integration of system technologies, totally processed review, unification of the companies of businesses. I am convinced that we will conclude next year with a constant evolution. We will have a conference next year with very good results.

And of course, our third priority is business. The world is resuming to its normal activities, we now have a wonderful team, more exclusive products present in every business segment. And above all, we are focusing on the relationship with the end-user. We have about -- we have more than 6 billion contactable clients, our ability to negotiate has increased in absolute and relative terms. And I'm totally convinced that this will favor us throughout 2022. So operational efficiency, cash, our priorities for the next year.

I now open for Q&A. Feel free to ask me questions, and I thank you.

Questions And Answers

Operator

(Question And Answer)

(Operator Instructions) Our first question is from Joseph Giordano, JP Morgan.

Q - Joseph Giordano {BIO 20154008 <GO>}

Hello. Good afternoon, everyone. Hello, Leonel, Kopel. I actually have three questions. The first one is about to future quarters. We can see that booking and boarding has been a little bit different in this third quarter. And when we analyze the fourth or first quarter and we look at the destination dynamic according to what you mentioned because we're still looking too much at domestic travel. So how do you see the take rate scenario for the beginning of next year, especially in B2C? It's a bit surprising. When we look at B2B, we see a quick resumption when we analyze the level of booking.

So should we -- will we see be to be performing in booking the same way, even though the take rate is a little bit below the average? Analyzing the corporate structure, I wanted to ask Kopel, how you see the structure with about BRL150 million because we still have a lot of integrations to be made, especially in terms of back office in Argentina. Thank you very much.

A - Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

Joseph, thank you for your questions. Let's talk about business here. Then I turn over to Kopel. In terms of the business, unfortunately with the Cyber attack, October is going to be a distorted month in terms of our interpretation of the results. So we could not operate for 15 days. We were surprised to analyze that after that sales have been strong and therefore, we will not have a third quarter -- an excellent third quarter because of a specific problem. Sales are indeed strong.

If we take into account, we lost a large part of our half of the year, because of the attack. Our perspectives in B2B are very satisfactoring. B2C, we have increased a little less, the number of client per store remains very good. But because we have lost some of our stores, of course, this has an impact on our resumption, and it's the other way around in B2B, we have just to restructured management, it was very positive, we are very excited about our operational capacity with a lot of new people, but of course, we still have some challenges. Our priority is cash management, and we have gaining -- being gaining a lot of market in B2B. This is our total priority.

Apparently, this may change the taxes rate mix, but this is an asset like business, and we will continue operating in the market with more and more energy. The two units in Brazil are very strong and now Argentina is also behaving differently. The market is opening, the sales are very strong. November is going to be very strong. I believe that this is here to stay. We will finally have favorable wins for CVC. And I will turn over to Kopel to talk about operational efficiency.

A - Marcelo Kopel {BIO 16986304 <GO>}

Thank you, Leonel. Joseph, regarding our view about operational cost, we understand that we should have a positive leverage benefiting us next year. We understand there is an opportunity to grow top-line, and also to work with the integration of functions that we have today, functions that are separate today, sometimes they are redundant, being in the B2B business or in the corporate structure, and this should help us first by protecting us from the inflation effects, at least in the management of our corporate expenses and our internal expenses. So there's homework for us to do, so that we can protect ourselves from the rising inflation rates. This is our view for next year.

Q - Joseph Giordano {BIO 20154008 <GO>}

Perfect. Thank you very much.

Operator

Next question from Eric Wang, Santander.

Q - Eric Wang {BIO 18836965 <GO>}

Good afternoon. Thank you for accepting my question. I have two questions. First of all, the performance of bookings that you mentioned because of the attacks, but I wanted to understand how the dynamic has been more specifically international travel and I want to know, I would like to know if there is any pressure on international travel? And also how the increase in airline flights has impacted?

A - Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

Well, thank you very much for the two questions. First of all, there's something which is difficult to understand. Inflation rates increase, tickets, exchange rates, scars credit, with increasing interest rates. This worries us when we look at the mid-term. In the short term, it is difficult to understand because the suppress demand is so high. I cannot explain to you to what extent this affects our business or not, because there's a lot of demand, and I think that the market as a whole when we look at the last quarter, in domestic tourism, we will definitely resume pre-pandemic levels and international travel. We will go close to those levels.

The ticket has gone up a lot. It is now difficult to find air travel, international air travel, companies are reorganizing their routes and flights. And right now in December, we will go back and yesterday talking to a large international company, they have said, that in February, they will have a full flight -- flight ready for next year. But this year, I would consider it as 100% in domestic travel and 70% in international travel. These are consistent numbers. And next year, we will have favorable winds with the resumption of corporate events. Last weekend, we had the Sao Paulo Formula 1 race and things like this will become a routine as of now, and this will help us a lot to next year. I think that when we get close to the middle of next year, where we will be totally aligned or at least like we were before the pandemic. This is our vision for next year.

Q - Eric Wang {BIO 18836965 <GO>}

Okay. Thank you very much.

A - Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

I thank you.

Operator

Our next question comes from the webcast, Carlos.

With the operational improvements and better visibility, do you believe that there is still some wastage of the accounting problems you had in the past?

A - Marcelo Kopel {BIO 16986304 <GO>}

I will answer this question. Well, this subject has been dealt with in the past. Our company is very well controlled. We have made good investments in governance today. The level of governance of the company is superior and aligned to global best practices. In accounting terms and administrative terms, in terms of culture, engagement of people, and also in the way we deal with information safety. And we have already seen very good results in this regard, so I'm not going to talk about the accounting problems we faced in the past, but I'm totally convinced that today we have a well-controlled company, which is very reliable and transparent regarding our numbers and everything that is going on. I hope, I have answered your question, appropriately. Thank you very much.

Q - Analyst

Thank you.

Operator

Please wait while we connect to the next questions. Our next question is from Santiago, also via webcast.

Could you clarify whether you're going to have an increase in capital earnout?

A - Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

Santiago, I thank you for your question. I think that Kopel was very clear about this. We are still discussing with the market. And of course, right now we do not intend about -- talking about increasing our capital. This has already taken place and in practice capitalized and saved the company in this. Capital increase was aligned with the bank, when restructuring our debt -- our gross debt went down to half in the worst period of the company from BRL2.22 billion [ph]. It went down to BRL1 billion. Thanks to the goodwill engagement obtained by the increase in the capital of the shareholders who still believe in the company and it is now time for us to think about liability management. We are proactively started doing this, and therefore, there is no capital increase anticipated in our raider, which does not mean that we won't do it in the future. But right now, this is not something being considered.

Operator

Well, thank you very much. Our next question via audio is from Juan Quiros, Citibank.

Q - Juan Quiros {BIO 20528828 <GO>}

Good afternoon. Thank you for the question, for allowing me to ask a question. Leonel, I have a question here about the improvement in sequential take rate. I wanted to go back there and try to understand what is a structural in this take rate improvement? You mentioned that the fourth quarter will probably suffer an impact of the cyber attack, but I wanted to understand what you are implementing for the take rate improvement? And how we could evaluate this taking into account all of the cancellations? But what does -- what is the structural take rate?

A - Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

Well, Juan. Thank you very much. Instead of talking about numbers, let's first of all talk about a new mentality and incentives. The company had very positive events or episodes in the past. The company always depended on sales and incentives were given in terms of volume. Of course, we must sell, but today, all of the incentives and acknowledgement focus on the quality of these sales, especially taking the take rate into account.

After the take rate, we have credit management as well. We're being very careful and professional all is using the best practices. At the end of the day, this day into account capital allocation. Take rate management is a total priority and it is here to stay. Having said that, I think we will continually evolving what happens. Of course, is that today we still have some pollution because of reimbursements during the pandemic. We didn't reimburse for one-year and this has an impact on re-bookings and all. But the direction is to have healthier take rates.

The margin is more important than volume. We are a high scale company, but we will not sell something that is not healthy for the company. When I look at B2C, the take rate of the business is very good. And it -- the trend is for it to continue like that. I do not see any reason for us to consider it as a risk for the next 12 months. I always like to look two or three quarters ahead. I do not see any risks in B2C. B2B may have some minor variations here and there, especially because of the mix.

Right now for example, in this quarter, the growth was very quick and growth usually happens because of air travel. We're very competitive in air travel and B2B, and we had a decrease in our take rate when compared to the previous quarters, but we remain very healthy for this type of business. In Argentina with implementation of the new management and structure, this is also something that we will start analyzing. I would say that in the next month, we will have healthy take rates without risks. Thank you very much for your question.

Q - Juan Quiros {BIO 20528828 <GO>}

Well, if you allow me, I wanted to explore another aspect, regarding the integration of the B2B brands. Are -- is there any timeline that you could share with us in terms of your expectations and of the integration, perhaps some gain in efficiency with an impact on expenses?

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A - Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

We will have gains in efficiency, Kopel talked about this throughout the year. So where does it come from? When you look at B2B, we have different companies, each one of them with its own management. Also front offices and back offices totally separated. We're now integrating. So what does the client see? The client will see a new front office. And the second quarter of last year. Today for example, they want to sell a hotel, they have to leave one system and go into the other one to sell air travel, one thing. So the evolution throughout the first quarter is going to be huge. It will enable us to integrate brands.

We already have a brand definition, but we have not put it into practice because of course, the client must be able to see a single front office actually. We also have a back office here. Today, there's a lot of manual work. And we still have a model where clients need personal support for most transactions. So there's a lot of opportunity in the future, but also for other businesses. There is an opportunity for operational efficiency. I'm not going to give you numbers, but definitely we will work so that we do not increase our expenses and that we can continue growing without significant changes in our expense. The main risk is related to variable expenses. Of course, we will grow, we will continue growing and compared to 2021, and this leads to higher variable expenses. But our plan is to try to conduct the company with flat expenses for next year.

Q - Juan Quiros {BIO 20528828 <GO>}

Thank you very much.

Operator

Our next question is from Robert Ford, Banco (inaudible). Mr. Robert, please proceed. Next question Juan Paulo [ph], Bradesco BBl.

Q - Analyst

Thank you for taking my question. Now regarding reimbursements, I wanted to understand what the dynamic has been? And eventually I wanted to ask about a follow-up questions, and the dynamic for the re-bookings in the next quarters?

A - Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

Well, regarding reimbursements, we have been evolving with the clients that had already been asking us in terms of re-bookings with the re-opening of international flight. Those who have credit or reimbursements should if actually being able to do what they wanted to do, which is traveling. So the reopening specially in the market with the U.S. and Argentina, which are very important destinations have enabled us to be more active with these re-bookings. So this is something that has evolved positively, and in parallel, we in fact are plain reimbursements as clients' request.

The second part of the question. I'm sorry. Well, I had to do. No, I cannot hear you. Please go ahead.

Q - Analyst

I was talking about other operational expenses. And re-bookings.

A - Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

What happens is that as we reimburse, because I have expenses that are paid beforehand, such as with credit card, as I accelerate during imbursements, I cannot convert that into re-booking and that ends up generating an expense, this is a fact. This quarter, we had similar expenses to what we had in the second quarter. This will be seen at lower levels as we are able to rebook more. As boardings accelerate, especially in B2C, we will have increased revenues, we can compare the first quarter when we had less boardings and then it increase in the second and third quarter as the business increases, the impact is diluted and we don't really feel it. Of course, it goes away in the next quarters. I don't know whether I have answered your question or not.

Q - Analyst

Perfect. Thank you very much.

Operator

Our next question is from Robert Ford.

Q - Analyst

Thank you very much. Good afternoon, everyone, and thank you for allowing me to ask questions. I wanted to know how -- what was the amount of contingencies in this third quarter? And how you paid for the 40% remaining of the construction and what are your plans to protect the company from future cyber attacks?

A - Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

Well, thank you very much. The amount was basically insignificant. We had about \$1,000. We had an agreement with a shareholder.

Now, regarding reversals of provisions and the constitution of new provisions, the impact was probably zero. So the numbers you see are in fact the reported operational numbers. But there is nothing that should be highlighted this quarter to say, okay, we had a shortfall or something like that related to these items.

Q - Analyst

What about protecting from cyber attacks in the future?

A - Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

Well, IT expenses, this quarter our expense with CapEx, our accumulated was BRL75 million, close to BRL75 million in the year. We plan to reach BRL100 million by the end of the year. We will get close to about BRL100 million in CapEx.

Q - Analyst

But don't you have to increase your OpEx [ph]?

A - Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

Well, we actually hired using OpEx.

Q - Analyst

Leonel, what are you looking in terms of mix? And what kind of investments are required? And what is the estimated return, please?

A - Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

Thank you, Robert. The store has just opened. It is too soon to have the right numbers and to clearly talk about the results of the new store. It was inaugurated at the end of October short while ago and it started from scratch. The new store is not a store that we know a lot about and I cannot characterized increasing productivity of the store. But on the other hand, I think that the new store model to be implemented has some competitive advantages that we expect to give good results. First of all, of course, we still have a lot of simulations in the new store with at least a 10% to 20% more productivity because all of our tests whenever I send a client for example directly to the store today using the direct cost is lower.

This tour will bring in the complete experience as I mentioned and because the other stores are totally offline whenever we close a partnership and I will give you a random example of an airline company, hotel in the Northeast. This does not get to the stores, to the windows and we have wonderful products. Another example, we are the largest company transporting people to Montevideo in two weeks for the final of the Libertadores game. And if I already had all of my new stores, my sales would have been faster and better because I wouldn't have been able to advertise it on the same day, especially by the specific group in the two teams. So these things will need to product -- to good productivity and the store is totally paperless, and therefore, the cost is low. It operates with lower costs. I cannot unfortunately give you accurate numbers.

A - Marcelo Kopel {BIO 16986304 <GO>}

Leonel, if you allow me, I wanted to make a comment. We're opening our branches. The objective is to open the branches and then turn them over to franchisees. And the investment needed to transform the store.

Q - Analyst

What is it?

A - Marcelo Kopel {BIO 16986304 <GO>}

Well. It is something between BRL400,000 and BRL500,000. This will decrease significantly, of course, now with being model already approved, we have vendors closing packages. We're negotiating with all of our providers, we think that the cost will go down

significantly. The store is very modern, we're also discussing and formalizing agreements to have windows with low investment. Just as it happens with drug restores [ph], the industry invests and its boots [ph], so that they can -- so that either if we're talking about product sellers or uses of technology, everybody's interested in using our stores.

Q - Analyst

Okay, it is super clear now. Thank you very much.

Operator

If we have no other questions, I like to turn over to Mr. Leonel for his final considerations.

A - Leonel Dias de Andrade Neto {BIO 17974731 <GO>}

Well, I wanted to thank everybody and say that once the pandemic is over in all of the company's restructuring. We have gone through very difficult moments. The restructuring of the company. You have been following up the company for a long time and you know, how difficult this transformation is, but this also gives you better perspectives for the future. We have not concluded it yet, but the company is definitely more manageable.

And I always like to say that we are transforming a tour agency into a company for the tourist. And this will definitely lead to a lot of benefits in the long run. And in the long run, our commitment with management and the main stakeholders is with the long-term. Of course, we have to make fast changes, but our intention is to stay here for a long period, and having the capacity to transform the company into a market leader that is also highly efficient in operational terms. I'm very confident about the future. I'm confident that the best moment is coming.

Things are becoming more favorable now. Of course, we have a lot of challenges for the operation in Brazil and Argentina. But this challenge is common to us all. And we feel ready from the point of view of team and structure and businesses, brand, distribution, scalability so that we can have an advantage or a competitive advantage actually.

I thank you all for your attention and I hope that next year, we will continue having good results. And I wish you all a wonderful end of the year with a lot of celebrations and a lot of health. Thank you.

Operator

CVC Corp conference is now over. I thank you all for your participation. Have a good afternoon, and thank you for using Chorus Call.

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