

## Q3 2020 Earnings Call

### Company Participants

- Gabriel S. R. Succar, Investor Relations
- Orivaldo Padilha, Vice President of Finance and Investor Relations Officer
- Roberto Fulcherberguer, Chief Executive Officer

### Presentation

#### Operator

Ladies and gentlemen, welcome to Via Varejo's Conference Call to discuss the results for the Third Quarter of 2020. This call is being broadcast via Internet at our website, [ri.viavarejo.com.br](http://ri.viavarejo.com.br). The slide selection will be managed by you. The replay will be available after the call is finished.

We would like to say that forward-looking statements made during this conference call regarding business perspectives, projections and operating and financial goals are based on the beliefs and assumptions of Via Varejo's management as well as on information currently available. Forward-looking statements are not guarantee of performance. They involve risks, uncertainties and assumptions, because they relate to future events, and therefore depend on circumstances that may or may not occur.

With us today, Mr. Roberto Fulcherberguer, CEO of the company; and Mr. Orivaldo Padilha, CFO and IR Officer. Now I turn the floor to Roberto.

#### Roberto Fulcherberguer {BIO 17276995 <GO>}

Good afternoon, everyone, I hope you're all doing well. Thank you very much for being with us in this conference call and for being interested in our company. Once again, I would like to start this call by thanking the great team of Via Varejo for everything that they have done so far.

In this little over a year that we are head of the company, in fact we have turned, transformed this company. We have a strong team, a diverse inclusive team powered by challenges, and really in love by making our customers' dreams come true. I have to thank them. I would like to thank our millions of customers, whether the long-term customers or the ones that are just coming in. I would also like to thank over 450,000 investors and shareholders that are with us in this transformation journey.

We are very happy about the results that we are going to bring to you today. They concretize everything that we are talking about every quarter to any one of the commitments that we have made so far. The good news for our team, which is powered

by challenges and our customers that want to be well-served in an omni-channel system and also for our shareholders' wish to see the shares going up, is that we still have many opportunities to go forward, to move forward over here. We are just in the beginning and you will see the results, we already have.

Turning to page two to start the presentation itself, we have reached all-time record for Via Varejo, BRL10 billion in total GMV, a growth of 43% of vis-a-vis the same quarter of last year. And with something very important, we did not like our profitability. We believe that it is possible to have a sustainable growth with profitability. We had BRL4 billion in the online GMV, and as I said BRL10 billion in total GMV.

On slide number three, looking at the highlights; for the third quarter we more than doubled our online share. It was 18.5% in the third quarter of '19. This quarter, we ended at 41% of share in that category. The stores are fully reopened now and they started -- they were fully reopened by the end of the period, almost all of them opened. We have grown 12.8% in same-store sales. So we are comparing here open stores against open stores.

So we reverted completely the lockdown period and we have excellent growth in our brick and mortar stores as well. So we're growing the online, we reopened the stores. We continue growing on the online and we grow a lot in the brick and mortar stores as well. On the online we have grown 290% in the total of the third quarter in 1P 294%, very robust growth here and 83% of growth in our 3P, also very strong.

The total GMV for stores -- for brick and mortar stores was BRL6 billion and the online GMV BRL4 billion. I just have a comment here. GMV here we are considering where the product is invoiced and here we do not have canceled sales. It is net of canceled sales. Canceled sales is not sale and it's not GMV. So we remove all that effect and we show life as it is.

Now turning to page four, is still on the main highlights for this third quarter of 2020.

Text me on WhatsApp is something that we have created during the pandemic. It became a worldwide case and is still greatly successful. It had a share of 16% of the third quarter GMV and 19% in September, if you consider September alone here. And the excellent news here is the Text me on WhatsApp is being used in 1P and 3P which is that advantage that we talked about. We have our over 20,000 sales reps also working with 3P. So you can see on the 1P we had a 17% of sales in the third quarter. If we isolate September alone, 20% in 3P, 12% in the quarter. And in September alone, it goes up 1.13%. It's important to say here that our sales rep, basically 90% of our sales reps already have a mobile device on their hands.

So they can transaction -- the whole cycle of the sale via mobile device. If it -- the payment is on a credit card, they can have -- they can receive the credit card on the shop floor. The consumer does not need to go to a cashier and so everything is done electronically. So that is improving a lot, store's flexibility and it's going to encourage more and more an intensive use of our sales force to sell 1P online and 3P in our stores.

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Now turning to page 5 and here we talk about marketplace. We had a GMV of BRL849 million, a growth of over 83% on top of last year. Several highlights here, shoes, books, fashion, but we also have flat [ph], like home construction, toys, beauty all of them are growing a lot and we see our continued improvement plan there. We improved our sellers. They are over 8,000 and we have over 5 million SKUs. There is an evolution on top of the second quarter of 2020. We had and we still have the commitment of accelerating the onboarding. We have already improved it.

We are able to have a much greater volume than what we had but we will be in the ideal plan in the first quarter. That's when we are going to go into the real-time on-boarding. We're already growing and evolving and our great tech team decided that we could have other improvements with the onboarding. So we decided to develop that part of the platform in a more assertive fashion. And we thought that was a good movement to delay it a little bit. And so for the first quarter we will have a real-time on boarding. And then -- and that's why we have a delay on bringing in sellers. We are going to analyze the sellers' quality and we are going to bring in those sellers that makes sense for Via Varejo's ecosystem and for our consumers.

Now turning to the next page, we acquired I9XP. This is a developer specialized in e-commerce, over a 120 developers that will dive into our developing stages. And so we will have drivers for marketplace, for logistics, and this is going to be another Tech Hub that we'll have in Sao Paulo. And we are in Sao Caetano, but this hub is in Sao Paulo. So we are taking a leap here. We will gain more speed in the development process for Via.

Turning to page 7, here we -- we have stricken a huge goal here. This is an important landmark so that everyone understands how we are looking at when we see Via Varejo. So when we talk about go beyond Via Varejo that has to do what you see in this page. We associated ourselves to the largest innovation hub in Brazil. It's called DISTRITO and by that we intended to connect directly the greater start-up system. They already have 300 startups in their systems. But they map all of them throughout the country.

Therefore, we are able to have an accelerated curatorship [ph] to understand which start-ups can accelerate things that will take us beyond retail. I'll give you an example, we bought ASAPLog in the beginning of the year, in a little over six months and I'll talk more about that. But this is already the first carrier for last mile for Via Varejo.

So we accelerated a year and a half of development. And I think that accelerating Via's development with that type of partnership we are also accelerating Brazil's development. We help the entrepreneurs that are putting together their start-ups, having their ideas, so why not, they could come back to us also and accelerate Via. Maybe in the future, we might have some Unicorns in Via Varejo's ecosystem.

Turning to page 8 and talking about logistics. I think it's important here to give you some color. We -- logistics has been discussed in the market a lot lately and I think it's important to bring you some figures. We talk -- we usually say that we have logistics advantages and we should mention which advantages these are. Today, we have 27 DCs and we have a range of 1.150 million square meters of DCs, very well-positioned throughout the country.

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In addition to that, we have 500 stores catering to everyone else as Mini Hubs, and so we have a great extension of that as well. So we have 100,000 meters and the last mile of our customers, we have 100,000 meters in the last mile, but we have 1,065 stores with 1.4 million square meters of area, of store area that actually work as a collection point for consumers. So if you do the math, we have 1.5 million of square meters for the inventory area, for stocking area in the last mile for consumers.

So we have logistics centers that are doing the logistics connections with the stores, and we have all of these stores with this huge amount of square meters in the last mile. Therefore, we have an unprecedented benefit and that's where we are investing our capacity, so that we can accelerate everything. The great news is that all that we have is already in our ecosystem, is already in our SG&A, is already discounted on our margin and everything that you see in the upper line.

So I do not need to have additional costs to deliver the best logistics in the country. We are going to add tech layers to discuss deliveries in terms of hours throughout the country. Going into the details here, we have 500 Mini Hubs. Every time that we deliver using a Mini Hub we're decreasing 50% of the cost of the last mile when we compare that to other options that we have. The ASAPLog is already connected to these 500 Mini Hubs and fully connected to Via Varejo. It is already the biggest last mile carrier in the company, and also it provides logistics to the open sea because it connects to what we want for our logistics and we want to embrace both our sellers as well as other providers that are in the market.

3P sellers, they will have the same cost and delivery condition as Via Varejo. So we already have 200 sellers that are being tested, and over the first quarter we will be scaling our logistics also to cater to our 3P. The fulfillment pilot started in September of 2020, is running very well. We have an industry on that -- going on that pilot and we are doing well and over the next year we will have news for you in terms of deliveries.

The Click & Collect reached 34% of the deliveries now in September, with all of the stores already reopened. A little bit of what I said before, from 40% to 50% of all deliveries volume that happens in Via Varejo already is going through the stores, whether the store is being used as a Mini Hub of the last mile or the store is a point for the Click & Collect. We just opened our 27 Distribution Center in Para, with 24000 square meters. We are expanding to Para now in a few days. By the end of the year we will have 11 stores there. And we already have a DC of 24,000 meters because we think it's going to be small very soon. And we have the possibility to expand it already.

Turning to the next page, for the first time we are here disclosing the figures for banQi. banQi is not even priced in the models for Via Varejo. We concluded this acquisition in May. We inserted it in our systems, we changed the format and the colors of the brand so that they could really match Casas Bahia's colors and formats. And here we talk about its figures. So that you all understand the potential of this business. banQi has already 1 million of accounts that have already been open. And out of these 1,600,000 accounts were opened in the last three months.

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So even when we -- even having the stores closed, we were able to open 6,000 [ph] accounts. It already has 1.2 billion of credit operation already part of our payment books. Out of that 685 million came in the last three months. It started with 34% of contracts that were paperless and now we are going over 53%. So when the consumers go to the store and open this credit operation, they are already having the instalments and then payments straight in the bank. 60% of those that chose to print the payment book are already choosing that new system.

And what is good is that in addition to turning digital this credit possibility we also have the sustainability impact here. That is great. We are talking about, without having to print the credit contract and without having to print the payment book we are saving 30 tons of paper over one year. So there is a fantastic journey here in terms of digitization, that's on the part of the customer and also it relates to sustainability. Out of these 1 million customers, 430,000 of them are active with at least one transaction. The cost of acquisition for a banQi is very low. It's lower than 15 reais. It's easy and it's affordable. It's cheap for us to bring in customers to banQi. And remember that we had 600,000 customers in the last three months and we still had some of the stores closed. And in this last quarter, things are happening in an expedited fashion. We already have 120 million of TPV and out of that 81 million happened in the last three months.

We are very happy about that. We are very excited about these figures and we do believe that we can have banQi as the digital wallet of the C class in Brazil. We have several initiatives, we have several services there and a lot of things are in the future, in the pipeline for the future.

Now talking about Casas Bahia in the next page. For the 15th time Casas Bahia was awarded top of mind in Brazil. It had 37% on that score. And here we have an important piece of news. When we got in right after that we were also awarded a top of mind but the competition was very close to us. And what happened this year is that we got a all-time record of top of mind, 37%. So we are now 8 points ahead of the second position in the market.

We are working hard, we transformed our Casas Bahia brand, by anew -- is now our model and it's embracing sustainability as well. As well as the Casas Bahia causes [ph]. And in terms of brand, we are moving forward in an accelerated fashion. I'm going to talk about Black Friday 2020. We launched the campaign and we anticipated the campaign. We are the first ones to launch it. And our idea is try to dilute Black Friday. So that we can have more control in terms of crowding of too many people in the stores. We are doing that.

We launched our campaign, well, yes, they can and we have the best news here. On November 1, the video of our campaign was the video in the YouTube that had the highest number of hit, of visualizations in the planet and in the volume of visualizations we already have had 57 million views. So in fact Black Friday and Casas Bahia are really matching and going together in our consumers' mind.

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Google has just disclosed the survey they ran. Casas Bahia is in the top three in the brands that are most associated to Black Friday. In the same survey last year, we were very far from being in that position and the excellent news is that Casas Bahia is the brand that people look for more when they think about Black Friday. So we already are leading the surveys when -- and the search is when people think about Black Friday. So we are very well prepared for this Black Friday. Padilha will talk more about that, but we already have BRL7 billion in inventory. That's what we have today to move forward to our Black Friday.

Now turning to our next slide, and talking about stores and how we see the stores' footprint. When we had the lockdown and we reopened and we have the authorization to reopen the stores, we decided not to reopen some stores around 10 to 12 of them we did not open. So we had four or five stores sometimes on the same street on the same regional or area, and we chose not to open one or two on that same street.

And then we ran an initial test with the Text me on WhatsApp and with our CRM, more and more active we tested to see if we had the ability to move customers from the closed stores to the other stores that were open. And the news is again excellent. We were able to move most of customers to the other opened stores. So we are making a decision of optimizing our portfolio where we have too much overlapping. In terms of stores.

This is not a simple decision because we would be closing profitable stores today but we understood that we can close those stores and have the neighboring store with the gain of productivities. We are moving towards that and we have around 100 stores that are going through our evaluation. We have that possibility of optimization. So we can have our stores portfolio being much more productive in terms of expansion, we are accelerated we had a plan of 80 stores this year. Because of the pandemic, we had to stop. We resumed to the plan, after the pandemic decelerated we are going to open 30 stores now in the fourth quarter. And out of those on the 19, now we have six stores in Para. Now in December, five more and we'll be going to the north of the country then. And we are sure that these are going to be hugely successful. But now we are just being very careful on how to do opening following all healthcare protocols, so that we do not have too many people. That's going to be hard because the expectation in the region is very high to have Casas Bahia there.

On the next page, we have our platform, how we see our business. We are a platform that is an omni-channel platform. We know that we are the company that is best prepared to bring the omni-channel to Brazilians when and where they want in our ecosystem. We have Bartira which is crucial right now. Furniture selling is very high. We started the third shift in the plant. It's working at its full capacity. So we have 27 DCs and 500 Mini Hubs, ASAPLog integrated towards 1,065 stores, as the stores that relate themselves to customers, also stores that are a hub for Click & Collect and also they have a logistic hub.

The Text Me on WhatsApp may in the app and in the desktop and brick and mortar stores, both for 1P and 3P. banQi now is also in our ecosystem in a very accelerated fashion. We believe that just as marketplace, it will also bring recurrence to Via Varejo in marketplace. We will be able to take advantage of all the hits and so banQi will have a

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daily frequency to consumers when they become -- also when it becomes the digital wallet for consumers. We have now DISTRITO's participation in our system and also all the other tech hubs with I9XP. All of that is around our core and our obsession in making our customers dreams come true.

We have a team that is fully focused on this transformation, on this evolution and the results that we bring to you today prove everything that we are talking to you so far. And we still have great opportunities and they are many and we haven't even touched them. We were preparing Via Varejo so that we could accelerate that evolution, analyzing -- looking at multi-channels and many other businesses and retail.

I will turn the floor to Padilha and he is going to go into the details on our results. Thank you very much so far.

### **Orivaldo Padilha** {BIO 21118157 <GO>}

Good afternoon, everyone. Let's start about the highlights and the financial results in the third quarter. Let's turn to page 14 of our presentation. Total GMV stores online, and 1P and 3P. Here we have the breakdown of the revenue per channel and also the total when compared to last year, BRL10.046 billion was the total GMV for the third quarter of 2020, BRL3.041 billion, 43.4% growth. The online GMV BRL4.121 billion vis-a-vis BRL1.293 billion last year, BRL2.8 billion more, 219% growth.

Now breaking down the online GMV, 1P GMV BRL3.272 billion, BRL2.442 billion higher, 294% growth. GMV 3P BRL849 million, a growth of BRL386 million, 83.4% growth. Stores almost BRL6 billion in revenue BRL214 million more, 3.7% growth. In terms of on and off shares, we have grown from 18.5% to 41% in the total online of the company, a growth of 22%. That was the growth of share. The 1P, 20.7% from 11.9% to 32.6% and 3P going from 6.6% to 8.4%, a growth of 1.8% and the stores losing with approximately 82% from -- going from 82% to almost 59%, a drop of 22 percentage points.

The results here on page 15, accounting the company total GMV BRL10 billion. The gross revenue BRL9.2 billion, gross -- net revenue -- or gross profit BRL2.7 billion or 35%, SG&A BRL1.630 billion, 20.6% and EBITDA up 15.3%, almost BRL1.2 billion, financial income, much lower than last year's BRL107 million and net income of BRL590 million, 7.6%. Here we had a significant growth in all the lines with a strong reduction in expenses.

I will also bring to you what we call operating results on the next page. We will have here the adjustments, the non-recurring one revenues and expenses that are not recurring in the same quarter of last year and this year. In this quarter as you all know, as we have disclosed, we also had tax credits that were very relevant specifically for PIS and COFIN, ICMS. As well on the base of PIS and COFINS, there was an evolution in terms of the understandings about this subject. And therefore we were allowed to recognize, to post this credit in this quarter. There was a total impact of BRL490 million in the net income. Net of this effect we come to an operating result of BRL100 million of net income and last year, a loss of BRL208 million.

So here you have more details. It's also available in our release. In our release, you have more details about this calculation. I think now, I think we can move to page 17. And this page here, we have the core performance of the company, operational, without the recurring effects in the two past quarters. So as presented to GMV BRL3.041 million, gross revenue, almost BRL2.7 billion, net revenue over BRL2.1 billion, gross profit operational BRL2.309 billion, recurring 29.6% which is a slight decrease in percentage terms.

So basically here we have three basic components in our gross profit. We have mercantile gains from the sale of products, from the sale of services and also the financial revenue from our payment book. And this is -- there is a difference here. Due to the accounting system we use, we recognize revenue based on the volume of the portfolio, because during the duration of the contracts, there was a loss of portfolio during the pandemic period because the company didn't originate payment books during the pandemic months. But in June and July and August, there was an increase. So I think by the end of November, we will be able to resume to normal levels.

But in that quarter the effect was negative. But it should be recovered by the end of the fourth quarter. Therefore I would say that our recurring margin is slightly above 30%, already considering this rebound. Another highlight is a strong dilution of expenses mainly attributed to this important volume. So our gross revenue rose by 40%, expenses were 13.4% and despite the fact that we spent BRL206 million more over the net revenue, there was a 4.7% reduction which is quite comfortable and also sustainable in our line of business, especially considering this new scenario, including online sales above 40%.

As a result, adjusted EBITDA was BRL627 million, I mean 8% when compared to 5.4% in the same quarter of last year. That represents a gain over BRL300 million and also gains of 2.7 percentage points in terms of financial income here. In terms of -- in nominal terms, there was a reduction of BRL50 million. This was very much attributed to the follow on that occurred at the end of the second quarter. We already presented very interesting compound result in terms of reduction, in terms of the net revenue, that is to 3% or 2 percentage points, which points to a very positive effect in our results.

Therefore now we arrive at a BRL100 million in net income. Totally sustainable, operational 1.30%, when compared to BRL208 million in losses incurred last year. That means an improvement of BRL309 million growing almost 5% points.

Next page. I would also like to give you more details. That drop in percentage of gross profit, but again we see an important growth of BRL503 million in the half period, SG&A grew 4.7% points, meaning BRL360 million in efficiency gains in that quarter. And this generates BRL233 million of improvement or 2.7% points of EBITDA gains. And therefore we arrive at BRL100 million in net profits. And considering the level of gross and net sales in the quarter, this represents an efficiency of BRL465 million.

Next page. Here we thought it would be interesting to show you the impact on gross profit, breaking it down. Last year our gross profit was 31.4%. There are four more relevant effects that should be pointed out. The first one is the loss of gross profit due to the changes in the mix from online and offline -- online group. So there was a 0.60% or



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0.6% loss. And here the other effect that I mentioned in our payment book, the financial margin due to the reduction in the portfolio during the pandemic months had a negative effect on our profit of BRL243 million, 3.10%.

But on the other hand we had crucial gains last year in our suppliers account or drawdown risk where we would draw vis a vis financial risks. Great part of that was eliminated in the end of the second quarter, and along the third quarter there is still a small portion to be realized. But there was a positive effect in terms of exchanging the mechanism of BRL41 million, which is 0.5% and what remains now is a commercial gain with margins, better sales prices through pricing methodologies, which resulted in a return of over BRL100 million.

Therefore, with that we want to show that our gross profit level is very sustainable and our competitive advantages still remain in place. We are the largest seller of furniture in Brazil with a gross margin much higher when compared to other categories. Our payment book and CDC is unbeatable. We have new contracts on a monthly basis which is much higher when compared to our peers and higher to the final months of last year in November and December, which used to be a peak season for sales on instalments. Therefore, we've been very competitive and very efficient during the pandemic period and even afterwards, because we are operating in a more modern way, paperless and digital fully integrated to banQi.

Now next page, page 20, here we show that when it comes to efficiency or financial efficiency the company hosted a significant improvement. This is a very dynamic chart because it shows that last year, looking at the left side of this -- to the left side of the slide, in the first half of the year we consume BRL416 million. In this quarter alone, we grew BRL464 million. So quarter-on-quarter Q2 versus Q3 shows a cash efficiency of BRL830 million once you compare both periods.

However as the company is very net after the follow-on. We put in motion several actions in our treasury department and one of them involves creating a Suppliers Portal. We allocate capital through the Portal and suppliers can anticipate the payments from Via Varejo at an interest rate. I mean this revenue is posted as financial revenue but this portfolio is extremely net, because it is so against Via Varejo itself.

So we post this as cash. Therefore this last bar, that shows a cash of BRL8.481 billion [ph] is precisely the difference between BRL605 million in that portfolio of discounting receivables in the Suppliers Portal. Considering that effect, our cash position, second quarter versus third quarter is much better against the consumption of BRL416 million [ph]. When you look at that we see an efficiency of almost BRL1.5 billion in terms of cash generation.

Now next slide, we are constantly trying to look more visibility to our own CDC business. Here we have two reconciliations. In our release, we also have a explanatory note. In the top of the slide, you have the accounting view and in that accounting view, we indicate item 6, Page 28, item 13, page 38. So you will see receivables BRL3.64 billion and in PCLD or the former, ALL you see the amount there as well.

So down below, we have management view. We have our see CDCI which is an intermediated CDC. It was BRL3.626 billion. But this is a position that are on the liabilities side has BRL104 million of interest to be posted in the following months. And on the asset side, we have BRL974 million to be calculated as revenue in the following months.

This may lead you to believe that the receivables portfolio is lower than that of payable but it's just the accounting effect between the two different revenues. Now down below you have the management view. In the third quarter, we have -- I mean if I add up all the payment books and more than four million active customers that are active in our portfolio, we would have BRL3.065 billion of receivables in the short run and BRL474 million of receivables in the long run. Therefore, the total is BRL3.539 billion still to be collected. From payment books maturing up to 180 days -- after 180 days it's turned into an accounting loss. So it is totally written off but it remains active in our collection process. Therefore, this quarter we ended the quarter with BRL1,650 billion of receivables.

In addition to the BRL3.539 billion. So altogether we have to collect from our customers BRL5.189 billion and BRL3.529 billion, that will be transferred to our partnering banks. So we are consolidating the accounting view, the operating view or the managerial view. This breakdown is very -- is what makes the company so profitable. Thank you.

## Questions And Answers

### A - Gabriel S. R. Succar

Thank you. Padilha now we will jump to the Q&A session. The first one comes from Credit Suisse from Victor Saragiotto. First of all, they would like to understand our view about growth in 2021 and whether consumption migration may impact sales for next year?

### A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Okay, thank you. Thank you very much for your questions. Next year is -- I mean we're very optimistic in terms of what is yet to come next year. So we are getting prepared for an excellent 2021. We don't believe that what happens now during the pandemic, was just an anticipation of consumption because in fact if we take, if you look at the total sales from different categories more or less, we would be selling the same thing this year, maybe a little bit more in some other categories, but not so much so that would steal consumption from next year. We don't believe in that. We are very optimistic with this fourth quarter and we are again very optimistic looking forward. We gained eight points of market share in the third quarter, when you look at JFK [ph] numbers and we continue to gain share once you open all the categories. We will continue to grow share. We will grow the company in the market and in addition to that, we will add our share gain, which has been consistent quarter-on-quarter.

### A - Gabriel S. R. Succar

Next question. From Bank of America, Bob Ford. The question is whether we could comment on the scarcity of products in the market and what is our relationship with Morteins [ph] in terms of our partnership with marketplace.

**A - Roberto Fulcherberguer** {BIO 17276995 <GO>}

Thank you, Bob. In fact there is a supply problem in the market at the moment. And as you know, we have an annual relationship with the industry. So our inventory is BRL7 billion and we are ready to face the next fourth quarter and we continue to receive merchandise. We are selling well and by the same token, we are still receiving merchandise to replenish our inventory. So maybe there is a lack of one or another product, but we are very well prepared to face the fourth quarter and at the end of the year, the holiday season.

We talked to Morteins about two months ago, and is amongst our top 30 sellers. 60% of his assortment is already included in our ecosystem and we are expediting the move to have a 100% and we are close to reaching top 10 very soon.

**A - Gabriel S. R. Succar**

Next question comes from Andrew from Morgan Stanley. What about Via Varejo's view in terms of M&A, pretty much similar to what happened, with DISTRITO, how do we look at your strategy in regards to M&A?

**A - Roberto Fulcherberguer** {BIO 17276995 <GO>}

Well, Andrew I can't tell you much because I can't signal to the competition, but we are certainly looking at all the opportunities in the market. We are also looking at the company beyond retail. Our stake at DISTRITO was not obvious. I mean it wasn't obvious in our regular landscape. But we look at that as something that can boost our ecosystem in several areas.

Now we are looking at all the opportunities in the market. And if we understand that there is something that can boost our ecosystem or if that can add some attributes to our ecosystem that's something that we will look more carefully.

**A - Gabriel S. R. Succar**

Next question from Itau, Thiago Macruz. What are the competitive advantages of Via Varejo if you want to lead the marketplace for old and if you feel like you want to be on equal footing amongst your peers?

**A - Roberto Fulcherberguer** {BIO 17276995 <GO>}

Thank you, Thiago. That's an excellent question. When I refer to our logistics, because I mean it is easy to say that we have the largest logistics in the country but once you put everything into figures and numbers that advantage of almost 1.5 million square meters. We have when you talk about the last mile you know that we do have the capacity to store everything. But when it comes to the last mile to consumer because it's not enough just to inaugurate distribution centers or large distribution centers, because it's very difficult to operate logistics in Brazil. Therefore, I mean it's important to have a distribution center, but it's important also to be close to our customers.

This is also relevant. And we do have that capacity and the size. Therefore, I would say that this is a major differential. We are close to finalizing all of the other digital peers to

our logistics system. And once that is finalized and we also open that to 3P, I think that -- I mean a lot of people talk about same-day delivery I mean here as Faria Lima or in Rio, in Lithuan [ph] when we talk about the last mile or same-day delivery we would do that all over Brazil. And we are not very far from reaching that goal. And the good news is that we already have all the assets in-house.

I don't have to acquire any additional assets. We already have it in-house. All we have to do is move forward with our digital ecosystem. Our IT system is working around the clock to make everything possible. So very soon we will be able to offer same day delivery but like an actual promise the entire country with great part of our assortment, another benefit is that, I mean we had a cultural barrier in the past because it was difficult for our sellers to be online but because of the pandemic, we eliminated that barrier very quickly. Therefore, today our sellers are digital. There are already selling 3P items and they began selling it now and they already have two digit gains, when it comes to 3P.

So once they master that tool and they start adding that to their everyday work, be it in terms of new sales or additional sales or online sales, through WhatsApp, which is another important differential, certainly our credit arm will be strengthened even further and we will also start providing funding to marketplace items. No one else can offer that. We have almost 12 million customers. We pre-approved credit at the evaluation. Look our CRM is extremely up to speed in terms of our relationship with these customers and now with bank, we are expediting this relationship further.

So we have even a better way to relate to our customers and everything will be available to our marketplace customers, and -- through the sellers, because they will be able to have a digital account at banQi and get funding through banQi.

So this is just the beginning of a journey. And I'm certain that all of the results we posted so far, no contributes to solidifying Via Varejo is experience, but we are just at the beginning of this journey of what we can do with this ecosystem. When we arrived, people were saying, all these guys are lagging so much behind, but we are here to prove that this digital transformation occurred very quickly. We did everything in less than a year and a half and we are also showing that the assets, the company has are very strong because if I operate routing, I focus on the operational side, our execution side and I focus on technology as well.

Thiago, I'm certain that we will be spurring this marketplace, market on equal footing, very, very soon. And also very soon, we will surpass the competition. We will be better than them.

### **A - Gabriel S. R. Succar**

Next question from (inaudible), two questions. I think the first question has to do with marketplace but I mean how big can you be in terms of 3P. And in terms of store rationalization, would there be any difference between the banners and what is the difference between digital and non-digital?

### **A - Roberto Fulcherberguer** {BIO 17276995 <GO>}

I mean I think the question about marketplace has been answered. We are not going to limit the size because if you look at what's available in the market today, Via Varejo, this doesn't have any impediment. There is no impediment nothing prevents us from selling more because once I look at all my competitive advantages now I'm good to go and once again this is already a given Via Varejo. Our investment here is on IT, all of the assets are already in-house. The second question Gabrielle what was it again?

### **A - Gabriel S. R. Succar**

Second question, Roberto is about store rationalization and how do you see the balance between brick and mortar and online and whether there is any specific barrier looking forward?

### **A - Roberto Fulcherberguer** {BIO 17276995 <GO>}

Well, I think there's balance between physical and online. We are not going to grow one in detriment of the other. We see that as a single system. So the seller in the store, making online sales, so the sale can be online or physical. So we already see this as a single business, combining both. I mean physical sales for Brazilian customers is still very important. They like to go to the store, but we want to be part of that journey whenever and however he wants it. So we will not going to impose any barrier. We will try to boost both, and give that choice to the customer.

In terms of store footprint, as I was saying, we had about 100 stores already mapped. I don't want to give you any details because the competition is really looking at these stores as well. Therefore we try to be very careful. So we want the stores to go in the direction we want. And once we say that maybe I mean there are -- we are engaged in excellent negotiations with the owners and rental prices are falling to half. Therefore I would say that this is around 100 stores, but no specific manner. We are looking at the occupation footprint for that particular region.

### **A - Gabriel S. R. Succar**

Thank you, Roberto. Next question from Guilherme Assis from Safra. Can you explain what were the recent improvements marketplace on boarding and product delivery whether there has been any delays or whether things are moving at the right speed?

### **A - Roberto Fulcherberguer** {BIO 17276995 <GO>}

The order track is okay. We often look at our numbers and we talk to all of the services that look at the numbers related to our consumers. So I'll tell you now look at H1, we're see what is happening. For quite some time we are not at the top of that list of complaints, because the number of complaints is coming down substantially and we are increasing in terms of solving the problems of our customers. And as I said before, what we were lacking was just the order tracking in the company. But we already solved that part.

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And the journey of new sellers has been moving quite well. We are adding 100 sellers every month. We were including between 800 to 1,000 sellers every month. But this is by far not what we want, because we were finalizing the onboarding journey. And then the IT guys came and said okay, if we wait two or three more months, we will be able to deliver this entire package including many other balance, when it comes to this relationship with sellers. And this will help us boost sales further. We decided that made sense. So execution is occurring in a very disciplined way because we don't want to go back and then restart again.

So therefore, everything is very sound. Therefore, we decided that it would make sense to delay it a bit. So in the first quarter of next year, we will have real time onboarding with any number of sellers we want to put onboard. All we have to do is look at the sellers that are part of the other marketplaces. And I don't see why they shouldn't be with us considering our relevance. And I just gave you an example of what happened to our brands Casas Bahia. I mean, the results from Casas Bahia, is just awesome, astonish. It's not even Black Friday. We're just beginning the Black Friday communication. So I don't see why all of the other sellers would like to join us.

In addition, we are going to offer a lot of facilities, our client, our customer ecosystem and everything we have will be at the disposal of our sellers.

### **A - Gabriel S. R. Succar**

Our next question comes from Citibank from Tobias. He would just like to know the turnaround in brick and mortar stores and what has been done?

### **A - Roberto Fulcherberguer {BIO 17276995 <GO>}**

Thank you, Tobias. We are moving fast in terms of physical stores. These 30 stores are coming with a new format. There are some important changes in terms of store positioning. We are also preparing -- I mean the stores are already operating under this new concept. We are remodeling the current footprint. We change all of the facade of the stores. They already contemplate the new communication for Casas Bahia. We are now refurbishing the stores and preparing them for this new store the way we envision. So it's a store that resonates with customers and we are offering Click & Collect or the mini delivery hubs. So I would say now that we are refurbishing the physical stores to prepare them for this new model.

### **A - Gabriel S. R. Succar**

Next question. I think that's for you Padilha from Santander team, Ruben Couto. He mentions that in the third quarter, we had a temporary 5 tons in our SG&A.

### **A - Orivaldo Padilha {BIO 21118157 <GO>}**

Finally, a question for me.

### **A - Gabriel S. R. Succar**

And he wants to know if we had any effect since this was in the second quarter renegotiation of brands and legal expenses of provisional measures or if we already had the full impact in the third quarter. If this is recurring or not or -- and if you, we are going to have dilution in the future.

### **A - Orivaldo Padilha {BIO 21118157 <GO>}**

Thank you for the Santander team for this question. Finally, a question for me. People said that I'm very serious here because Roberto is taking all the questions. So thank you. Well, this level that we have of recurring expenses in this quarter it can be supported by that we have room for that whenever -- when we increase gross revenue. I don't need to add anyone else here in our headquarters, and any other areas.

So it has to do with the revenue of 13, 3P and in the stores in the beginning of the quarter. Yes, we did have some stores that were closed. We started July with stores that were closed and that progress by the mid of August probably then all the stores were open this was a residual effect, and it is not relevant. So really it's not a recurring level of expenses. It's obvious that the fourth quarter is the quarter where we expect to have a higher revenue, so greater dilution.

Our expenses breakdown is a little bit different from our competitors. We have the credit operations and we have expenses then. Also ADA and if we remove that ADA effect will already have the best SG&A of the market when we compare ourselves to the three or four largest players. So there was an efficiency gain and SG&A dilution and reduction. And I'm sure this will happen again in the fourth quarter.

### **A - Gabriel S. R. Succar**

Thank you. Padilha. Now I will turn to the question of Joseph, JPMorgan. Three questions I think this is also for you Padilha. How can we think about the profitability in the next quarters, considering the improving results and what is the strategy to retain customers. So considering that some companies are working with cash backs. If we are going to move along those lines or not and how to think banQi for corporate clients?

### **A - Orivaldo Padilha {BIO 21118157 <GO>}**

I will take the first question and then Roberto will take the other ones. I would say that this is very positive, this trend is positive. So if we look at the gross profit improvement, because I'm recovering the profitability of our credit operations, our credit margin, the credit operations margin. So I think the effect of this was positive already in the fourth quarter. The expenses dilution should continue as well. That level of 30% 30.5% is sustainable for gross profit. The SG&A then is something that is related with the mass of the gross revenue if we add gross revenue, more dilution will be happening.

So this also points to a positive trend in terms of financial expenses. Also, when we look at our main competitors we are still leveraged. We have maintained a certain level of leverage because of safety, the end of the pandemic when this ends. So we have a cost there. This should be diluted over the year, 1.5 year and that's also a positive trend. I

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would say then that the company has a sound base to maintain profitability and to reinvest that profitability in driving GMV and revenue just as Roberto said.

We have several competitive advantages and we are really using more and more each one of them, in addition to new ones that we are adding to our ecosystem.

## **A - Roberto Fulcherberguer** {BIO 17276995 <GO>}

Thank you, Joseph. About the first one, about the attraction and retention of new clients, about cash back, I think we already said what we think with the balance sheets are public. It's very easy to see what's happening to the gross profit of those that are doing it. We have been able to gain share, 8.8 gain of share in the segment without any type of cash back system and we are increasing sales in an accelerated fashion. We are increasing sales, gaining share and delivering profitability. I think that we are still far or better. We have a long way to go in this journey. And there is a lot to happen in the future.

In terms of relationship with the customers, I cannot disclose right now, but there is a lot to happen. So I think we are in a very good journey to retain and to add new customers and that matches the growth that we are having.

Your other question is about banQi and corporate customers. Yes. BanQi can connect to the sellers in the marketplace. We are concluding this journey. In the first quarter, we should have that already well directed and we will have a number of facilities here or options. We will be able to finance their customers and the sellers themselves because they will have a relationship with us and we will know what is the transaction volume that they have with us. So that's going to be very easy to finance them, if that's needed.

I just would like to add. The first question about profitability and also to go back to the analysis question, about the stores that we intend to optimize. It is very important to say that retailers hate closing stores. So we are talking about optimization of our footprint. Today, we have technology. We tested this technology. We are recovering most of the revenue in the micro market of that store that we should be closing with the other stores. In some areas, I have seven stores in the same region, five stores in the same region and the idea is to close one of them and capture all the sales or most of the sales that would be done by the other stores and we are going to use technology, CRM marketing, Text Me on WhatsApp and so on, in a way that the benefit will be a huge reduction of the fixed expenses of the closed stores. So here, we also have a driver to improve profitability for '21-'22.

## **A - Orivaldo Padilha** {BIO 21118157 <GO>}

Well, Roberto. Let me add to that, when I talk about the stores optimization, just to make it clear, in some of the streets, let's imagine that we sell 100 with six stores. So the idea is to have five or four stores selling the same 100. That's what that we are talking about. The consumers will be all migrating to the existing stores and our brands are so strong and relevant and we have tested that. In some of the streets we have areas, of traffic of customers flow in some parts of the street. And the fact that we are in the beginning of the street, we and two of our other competitors. And just the fact of having closed that



store just dropped the sales of the two competitors that were there, because we moved the flow of traffic to another area in the street.

That happened with Casas Bahia. And Casas Bahia has the type of power. It generates traffic. So when we decided to remove the store from one place and to bring customers to another place maybe the competition will have to move around as well because we are draining the traffic that was on that side of the street and bringing it to another area.

### **A - Gabriel S. R. Succar**

Thank you, Roberto. Next question from Bradesco's team, Richard. They want us to tell them which elements we see that can still be added to our platform as a complement to the system.

### **A - Roberto Fulcherberguer {BIO 17276995 <GO>}**

Hello Richard, and thank you for your question. And you know I will not answer that, right. We are looking at everything that can change Via may be add GMV with something that would make sense to us and to our consumers. I cannot be assertive here in this answer, because then we will be disclosing too many elements of our strategic plan. I am sorry but I cannot go deeper in this answer.

### **A - Gabriel S. R. Succar**

Next question from XP [ph]. They want to understand, and an update of current sales in October and November, both in the online and brick and mortar channels, the physical channels. I will repeat. This is the XP team, they are asking us an update for sales development in October and so far in November, already aiming Black Friday at the end of the month, both in the physical and digital channels.

### **A - Roberto Fulcherberguer {BIO 17276995 <GO>}**

Very well. We are very happy about what we see now in the fourth quarter. I cannot give you details, but I can tell you that we are very optimistic. We like what we see so far and we are very well prepared for the journey from now to the end of the year, whether regarding inventory levels and that can be applied for both channels digital and physical stores. So whether inventory team's preparation, our whole ecosystem, our logistics, our communication which is brilliant. So we are very optimistic about what is going to happen from now on up to the end of the year and we are very happy about what has happened so far in this fourth quarter.

### **A - Gabriel S. R. Succar**

Next question. UBS, Gustavo's team. And I think this is for Padilha. How do the accounts of suppliers to work in the portal and how the portal has happened, the gross margin in the period.

### **A - Orivaldo Padilha {BIO 21118157 <GO>}**

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Okay. Well, the first question is very simple about the partnership accounts. These are agreements we make with the suppliers and they are intermediated by a bank. The Bank pays the supplier on the agreed date with the original due date and the company, then will pay the bank with an additional period of time. We had a significant volume on that type of transaction in the last quarters, and we have reduced to one fifth of what we have now in the third quarter. We have a residual amount and we should -- and that this is an instrument that is available. Many retailers make use of that type of possibility, but we rather not have it.

About the Supplier's Portal that is very simple. Our process is fully digital. The product came into my DC, or got into Via Varejo somewhere. We confirm that it was received and then the invoice is available to be paid within 60, 90, 120 days as agreed and then the supplier has the possibility of going into that portal and receiving it. And we pay it and we obviously use discount interest rate there. And that does not affect commercial results. That will affect the financial result. We generate an interest of revenue that go into our active interest account. So it doesn't affect our gross profit.

This is a rate that can be negotiated usually lower than what they would be able to get in the market, higher than what I am able to have in my treasury department and investment. So it's a win-win negotiation. We have allocated initially an amount. It has increased over the quarter. And so we ended with a little over BRL600 million in September business of that nature with our suppliers. So this is something that I would be paying in 90 days, I pay with 30 and that is isolated in my accounting. When everything is paid out. I cancel the transaction. So it's risk zero. It's just a cash delay, we would say and the liquidity is very high. We are open to increasing those limits not only to suppliers, but also in the future, in the near future, we want to work with the sellers. Our own partners, so that we can help in their operations, funding their operations. It's a portal. It's a very simple, it's efficient and it's already being used by us for a while.

We didn't use last year because of cash issues, in the beginning of this year because of the pandemic, but now in the second quarter and the third quarter it's back up fully. Okay.

### **A - Gabriel S. R. Succar**

Well, now I would like to know how is your delivery in 24 hours. We are growing. So 90% of everything that ASAPLog [ph] it does happens within the 24 hours. The total volume of Via Varejo is now around 30% to 35% in the 24 hours. But as I said, we are few months from adding that. We just need one or two extra layers to unlock and start talking about 24 hours. And then we will be talking about in how many hours before the 24. So we are going to discuss same-day delivery and I am sure over the first half of the year, by the end of the first half of the year, we will be discussing in Brazil the same day delivery. Okay. That's next question, and Irma has three questions. And Irma wants to understand how we see the stores' market share. We have grown in e-commerce and she wants to understand how was the stores behavior and from now on how we see this potential share gain?

### **A - Roberto Fulcherberguer {BIO 17276995 <GO>}**

Irma, Thank you very much. We gained two points of market share in the store. That's where we have our strength. We are much stronger than the competition, and even then we were also able to gain share in the third quarter. So this is the road looking forward where we intend to gain share in every channel we operate.

### **A - Gabriel S. R. Succar**

We selected four questions from individuals who posted their questions through the platform. And all of the other questions will be answered after the call throughout the week because we received many questions. We're now starting with these four. First Bruno he wants to know about the pricing strategy on the online channel and the brick and mortar stores and how pricing strategy can add value to the company.

### **A - Roberto Fulcherberguer {BIO 17276995 <GO>}**

Thank you very much. I think this is another way to innovate, and we are also including individuals in our results earnings call because they are very relevant to our company. Well certainly it's very important we already contracted one of the best tools in the world. It's already in its deployment phase and everything we do today has a great potential to boost our company even further. I think that around the first quarter the tool will be fully deployed. But again, I must say that our pricing dynamic right now is quite relevant and this as seen through the members of our gross profit and certainly we will be even more assertive and even more personalized when it comes to our customers. Once the tool is fully deployed.

### **A - Gabriel S. R. Succar**

Next question from Orlando Oscar [ph]. He wants to know whether we are seeking to expand our business into the restaurant business.

### **A - Roberto Fulcherberguer {BIO 17276995 <GO>}**

Orlando, we have good knowledge of the food market, because I have a background in hypermarket, Padilha as well. And some of us have a great track record working with the sale of food, not restaurant per se, but we believe that yes, it's possible. We are a bit concerned because we see a lot of people worried about frequency, trying to deliver perishables and this is very challenging in Brazil. I believe that the service level is not improving, on the contrary. And if we understand that we have a competitive edge to do that and if we see that's what consumers want that may be an avenue to be looked in the future.

### **A - Gabriel S. R. Succar**

Next question, Roberto, from Felipe Ponches [ph]. He wants to know how we perceive the reduction of the emergency aid, whether that reduction has had any impact on your sales?

### **A - Roberto Fulcherberguer {BIO 17276995 <GO>}**

Felipe we are not feeling anything. I mean the reduction in the emergency aid has already occurred, but we continue to sell well. We talk to chief analysts from several banks in

Brazil, and in one of our last conversations, we were surprised to hear that the savings level of consumers was increasing, meaning that they are not spending all their money, the money that they are getting right now. And that's because consumers are not traveling that much, they are not leaving their homes that much and so therefore they are able to save more.

Until now our third quarter, as you could tell, we posted good results despite the reduction in the emergency aid.

### **A - Gabriel S. R. Succar**

And finally, Roberto the last question, and I think this resonates with the final remarks. Denise Yawada [ph] ask now that the (inaudible) is over, what are the next challenges for Via Varejo's success?

### **A - Roberto Fulcherberguer {BIO 17276995 <GO>}**

Thank you very much for your question. Our challenge was to put the company back on track, and it is now on track. Now we are improving our bullet train so this bullet train can move even faster. I believe I already talked about our ecosystem and all of the advantages we have and what happens to that ecosystem once I start adding all the digital layers that are now being developed. We are gaining a new company every quarter. Rest assured, I know that we are a company that is best prepared to give the best experience to Brazilian consumers.

We have the best assets to do so and this is the path that we will pursue. That's the name of the game. We have the assets to do that. We are just deploying all the necessary technology to unlock our assets and to be able to be successful looking forward, but there is still a lot to go. So far, most part of our effort and our energy was geared towards doing the run of the mill operation and our insertion with those -- with startups like DISTRITO allows us to think beyond retail and to think about the company in terms of making it generally differential, so we can be ahead of the competition.

We know for sure that the company has what it takes to do that.

### **A - Gabriel S. R. Succar**

So with that, we conclude the Q&A session. And now I'll give the floor back to Padilha for his final remarks.

### **A - Orivaldo Padilha {BIO 21118157 <GO>}**

I would like to thank you all very much and I must say that we continue to be very focused on this transformation journey of the company. We have the entire Via Varejo team fully committed and focused on fulfilling the dreams of our consumers. We are people, a company of people and people who like to relate with other people. We are diligently working to focus and to serve our customers.

I think that what happened in the store just paved the way of everything we said to you during the past quarters, but we still have a lot of room to cover and we still have a lot of results and success to bring to this company looking forward. Thank you all very much.

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