Y 2021 Earnings Call

Company Participants

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

Other Participants

- Carlos Herrera, Analyst
- Joao Paulo Andrade, Analyst
- Joseph Giordano, Analyst
- Ruben Couto, Analyst
- Unidentified Participant

Presentation

Operator

Good afternoon, and thank you for standing by. At this time, we would like to welcome everybody to the CVC Corp Conference Call to comment on the Fourth Quarter and Full Year of 2021. We have with us today, Mr. Leonel Andrade, the CEO; Marcelo Kopel, the CFO and Investor Relations Officer; and Mr. Bruno Brasil, Director of Financial Planning and IR Director.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company presentation. Ensuing this, we will go on to the question-and-answer session when further 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. You can also read the slides at your own convenience or download the file. The replay of this event will be available shortly after its conclusion.

Before proceeding, it is worth bearing in mind that today's events may contain certain forward-looking statements, business projects, projections, operational and financial goals are based on the current expectations and assumptions of the company's management, as well as on information on the business and economic context currently available to CVC. Economic conditions, as well as others could impact the results of CVC, and these forward-looking events may not materialize. This means that attaining these goals will depend on the risk and uncertainty environment in which CVC operates. The data and the information presented after this are referring to the company and the scenario for the fourth quarter 2021 based on facts, projections, and news available to CVC.

With the conclusion of this legal notice, I will now turn the floor over to Mr. Leonel Andrade, the Chief Executive Officer, who will begin the presentation.

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

A good afternoon to all of you. It is a pleasure to be here with you. Thank you for joining us. I begin with saying that the year 2021 was very strong for the company as a whole. We ended the last quarter with very strong operational results, and the year of 2022 will be a year of lifted pressure because of the pandemic.

I would like to invite you therefore to begin with me on page number four. Our reservations, our bookings confirmed at the end of the year were very close to 70% when compared to the pre-pandemic era. When we speak about the domestic market, it is about 80%. International market beginning to recover, and without a doubt, with a quicker recovery and the resumption seems to be consistent at this point in time.

In the fourth quarter, we had an adjusted EBITDA that was positive. This is a very good piece of news. It's the first time since the beginning of the pandemic that we once again have good generation of operational results. And the company has been investing as never before. In the year 2021, we had BRL134 million in technology, customer relationship, creation of new channels and, doubtlessly, this will bear fruit going forward. 2022 means that the investments will be even higher than these as we will see further on.

I invite you to go on to slide number five. And since the beginning of this management, we have invested heavily in relationship with the end customer to have a good relationship. At the beginning of 2020, this figure was practically zero. At the end of 2021 -- 2020, sorry, we ended with 12 million customers. We now have the pleasant news that we ended 2021 with 25 million customers. These are contactable customers with which we have direct access, and we work very strongly and customizing everything. And with influence, we are working with influence with more than 10 million customers, which are within our circle of influence. This means that we now have some knowledge on how to generate business directly for the end consumer with a very clear intention of increasing loyalty and leveraging the business of our channels. This is where we are able to have a very strong competitive edge at present.

And because of all of this, we see that the use of this customer base has brought us a business that traditionally was strong, and cross-sell and influence at the end of the day generate more business and customer recurrence. And throughout this year, this will become more than 30 million customers and we're going to use this customer base as our main differential in our loyalty program. Without a doubt, will be the highest loyalty in the market of Brazil.

We continue on to the next page number six, where it is worthwhile underscoring the strategic initiatives that are underway, especially when we speak about the convergence of channels. Traditionally, we are an offline channel company. We have invested a great deal on online relationship and we're always converging with the consumer to be able to see them in any channel and the development of the new platform is taking place very positively. We're working with car rental, cruise, tickets besides selling all of the tickets and fleets -- freights [ph] packages and hotels through this single platform.

And we also have the platform in our stores, where the customer can make business with us wherever they are. Our stores are in frank expansion, the new layout has proven to be very positive. It's not only a layout. It's a sales experience journey, and this experience has shown us this and expansion is becoming very strong. The store expansion this year will be something massive. Every week, we inaugurate a new store based on this model. And at the end of the year, we're going to add all of the front office and technology, giving us a leap.

Now, the great differential of these stores is our electronic showcase, which is online and real-time, and at any new moment, when we launch a product or whatever we do, we will be able to operate these showcases at a distance and offer merchandizing to our partners. We have integration with WhatsApp and our service channel. All of this is operational. Our quality indicators have improved significantly because of this. We also have two very good businesses that are recent, the innovation business, VHC and WeTrek. This is a start-up, with 58 million bookings confirmed in 2021. This year, we should be able to double this, and it will gain greater robustness. At the end of the year 2022, we will end with 1,500 properties, giving greater significance to a company that just began. We have impact in Florida and other areas of the United States, which is our main market.

Another new investment is WeTrek, an extremely streamlined business, something that we just began and that will add value to the company. WeTrek brings the most modern business in terms of content, with local experience and media and social networks. And WeTrek will have geolocation and will be a differentiated product for the millions of our customers that will be traveling in the coming periods. The delivery will begin in Florida and we already have that experience of Miami, which will extend to other markets, always working with the public of CVC. We ended the year with 1,176 stores in Brazil, 103 in Argentina. Both are market leaders, and by far, we are the -- we have the largest brick-and-mortar distribution and, of course, this poses several advantages for our business. We treat this as one more competitive edge.

I invite you to go to page number seven, and our business has a program of diverse -- diversity and sustainability. It's not just an intention, it is a reality. Last week, we celebrated Women's International Day, showing that in CVC Corp, more than half of the company to beyond [ph] 60% of the employees are made up of women, and women act at all levels and have had excellent career opportunities. Most of the promotions in the company last year were geared towards women.

And I'm very proud to say that of the nine people that report to me, five are women. We have 50% of women in the Executive Board of the company, which means that, in fact, we have gender equity, which is very healthy, and this reflects what exists in the market and it reflects our customers and is fundamental. This is a first step towards diversity for the company. We have the public commitment and in our forecast of having gender equity and all types of diversity, so that we can be aligned with the UN, Global Compact, and we will ever more value in the short term race and those that have challenges as part of our diversity program.

It's also with a great deal of pride that we speak about the movement of women in tourism. This is not a movement of CV Corp [ph]. We have invited all the women to adhere to this in a voluntary way, and it is gaining greater robustness in the market. And we, as CV Corp, are the star players in this. So these are public commitments and all of the employees of the company are compensated based on diversity, sustainability, and these are firm commitments that we have.

Before proceeding, I would like to thank and invite Marcelo Kopel, my colleague, who will continue to speak about the results. I will return at the end for the question.

Marcelo Kopel {BIO 16986304 <GO>}

Thank you, Leonel, and good afternoon to all of you. It's a pleasure to be here with you. I ask you to please go on to slide number nine, where we will speak about our CVC Corp results.

To begin with Slide 9, we ended the third quarter with 64% of bookings vis-a-vis 2019. Part of our resumption, at the beginning of October, we had that period with the cyber attack. It made our operation come to a standstill for two weeks. Here, we are using November and December. Beginning in November, we had a strong Black Friday with offers and a very robust take rate. We broadly disseminated our offers and launched one more possibility for payment where the customers can pay in 24 equal instalments for their trips. Of course, this aided and abetted our volume. Now, when we compare this to 2019, the confirmed bookings in November corresponded to 66% in December. Respecting the seasonality that we are faced with, we saw an increase in the consumed bookings and a good mix between domestic and international, with the international bookings gaining greater relevance.

We now go on to slide number 10. When we look at the evolution of the third towards the fourth quarter, the consumed bookings, as I mentioned previously, complied with the acceleration at the end of the year. In B2C, we had an acceleration of 45% and Argentina had a growth of 126%. We continue to benefit from a government program in Argentina. Because of this strong growth in the volume of consumed bookings in Brazil, as well as in Argentina, net revenue grew 36% during the period. The take rate had an increase of 20 bps vis-a-vis the third quarter because of the mix of channels, a greater participation of Argentina in B2C, and also thanks to better negotiations.

Another factor with a positive impact on revenues was the average bid [ph] of Brazil with a growth of 35%. This average ticket increased because of domestic flights and because it was the high season, demanding more international traveling as well. We ended the year 2021 with 7.7 million passengers, 30% above the amounts of 2020. Our net revenue had an evolution of 60%, well above the consumed bookings and above the consumed bookings as well. And this, thanks to a more balanced commercial policy vis-a-vis what we had practiced before and higher added value proposals for our customers.

We now go on to slide number 11 to speak about our financial performance. As mentioned, the net revenues benefited from the acceleration of take rate and consumed bookings. Recurring operating expenses of BRL296 million during the quarter. We had a more relevant item because of the cyber attack. When we look at recurring expenses, the increase of 15.6% for the quarter, because of the increase due to collective bargaining and the reduction of working days that we had in the third quarter, but not in the fourth quarter. We had more expenses with technology. This is part of the investments that we are making, offset by some reversions that impacted SG&A.

In terms of sales, we had an increase because of the consumed bookings. It grew in alignment with what we were doing. When we look at the behavior of 2021, recurring operational expenses grew approximately 9%. Now, the revenues grew 60%, and it is important to show the capacity of the company to generate operational leverage. And as the tourism market continues increasing its pace, this is something that is going to benefit us already this year.

We now go on to slide number 12 to speak about our cash flow. The main factors influencing our cash this year, first, the reduction of net losses. We had an increase of capital of approximately BRL800 million, a reduction in loans and debentures, besides anticipating the use of receivables that are used to manage our cash. During the fourth quarter, they had an influence of BRL500 million on our cash, a net contribution of BRL500 million on cash. We decided to work with more cash as it was a period of greater uncertainty. Despite this, we were able to grow our sales and we have this robust cash to prepare for our growth. We continue to invest in technology. We have made investments of BRL134 million last year, and in 2022, we will be investing similar or higher amounts vis-a-vis the amount we invested in 2021.

When we speak about indebtedness in slide number 13, we have already spoken about capital increases, the repayment of part of our debt, and the short-term management of our liquidity. This has allowed us to end 2022 at the lowest net debt level in two years, a cash position that allows us to be ready to perform our role in the tourism industry and to accompany this resumption.

With this, I would like to conclude my comments and return the floor to Leonel.

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

Thank you very much. I would like to invite you to please go on to slide number 15 so that I can, before the question, make some very important comments.

We have a great deal of confidence in the resumption that is in progress. We believe it will be consistent. We have a high vaccination rate in Brazil, Argentina and worldwide, an expansion of the airline network, bringing about more offers. And even when some airlines are speaking about holding back on the network, when we speak about the network, that should be concluded in the coming months in Brazil, it should be up [ph] 90% compared to the pre-pandemic crisis. Some companies even mentioned 100%. So the offer is consistent and the opportunity internationally will also be consistent in midyear and the omicron effects are dissipating. For the first time since I came to the company, I feel optimistic when it comes to the pandemic.

Another fundamental point, our strategy is progressing with record investments. We're going to invest 20% more than in 2021 this year, strong and consistent investments in technology and customer management, especially the business units that are three are all performing with a great deal of leadership in their markets. The first is Argentina. We can celebrate, now we have a single team and integration with Argentina. We no longer have local partners. We have interaction that is constant and this will substantially favor our business. We are the leading tourism company in Argentina under the leadership of a very strong team that is local.

Regarding B2C, we are market leaders with the largest distribution in Brazil. There is nothing similar. Our franchisees are investing, they are engaged with us with a great deal of faith in the future. And the development of new stores and omnichannel is very strong and sales have grown consistently. Regarding B2B, we also have an absolute market leadership. We have, by far, the best system, the best team, and the best service in the market. Our customers say that to us. And if we look at the NPS surveys, they show this clearly. We have enormous competitive edges and we are leading the segment of B2B with a great deal of strength. So the business units find themselves at their very best moment.

If there's something that should be celebrated at present is our reduction of net debt. I would like to congratulate the entire team and thank the Board and the shareholders for their support. We have used everything in a very smart way. Upon the close of 2019, two years ago, our net debt was approximately BRL1,000,800,000. It has now dropped to BRL300 million-and-some presently, a reduction that is much greater than the capitalization. We were able to put the resources of the company to good use. We did this at the right time, and because of our operational leverage, the company should increase its revenues. And with the consistent expenses, we can take strategic steps to begin thinking big again with a conviction that the company will be a main player in the resumption of tourism.

I would now like to open the floor for questions and answers, and I will be here for the closing remarks. We are at your entire disposal.

Questions And Answers

Operator

Ladies and gentlemen, we will now go on to the question-and-answer session. (Operator Instructions) Our first question is from Felipe Remorado [ph] from Citibank.

Q - Unidentified Participant

Hey, good afternoon. Thank you for taking my questions. On the part of Citi, we would like to understand two things. First of all, what is going to happen with take rate and EBITDA in 2022? Which are the company expectations, especially in B2B? The take rate is above our expectation. If you expect to maintain this throughout 2022, and which is the visibility that you would have of your EBITDA? A second question. There was a short increase in the anticipation of receivables. If you could give us more color and the company's strategy in that direction? Thank you.

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

Felipe, this is Leonel. Thank you for the question. What do we expect in terms of take rate this year? We're going to speak in the long term, 12 months. The take rate is very consistent in all of the businesses. It is a highlight in B2C, as you mentioned, and should continue. I don't foresee short-term risks. We should remain at the same level in the coming quarters. This year has consistency in B2C as well, a recovery, a small improvement during the year, because of a better mix and improvement of land traveling with integrating the business with B2B. There should be an improvement. Argentina will also have an improvement with the integration of business. Therefore, I am confident in terms of our take rate management.

With the dynamic pricing that is growing in the company, we now have the capacity to make these movements. However, I draw your attention, the business that most grows or should grow more this year is B2B. It is growing a great deal, and will continue to do so. And with Argentina, from the percentage viewpoint, these businesses grow more than B2C. There is a greater expansion of customers. And in B2C, we're growing the number of stores. And it's healthy to grow this business, but it could alter the average mix of the company as a whole. But there are gains without any problem. There won't be a drop in take rate this year.

I will give the floor to Kopel, who will speak about EBITDA and anticipating the receivables.

A - Marcelo Kopel {BIO 16986304 <GO>}

Thank you, Leonel. Thank you, Felipe. Regarding the anticipation of receivables, in the fourth quarter, at the beginning, I had mentioned that we suffered a cyber attack. And our position from all the viewpoints of the company was to be very conservative and to be prepared for the uncertainty. We worked with more anticipation of receivables. We are a great generator of credit card receivables, and we use this to create a buffer for the period. These receivables are used as a short-term management of liquidity, and it was within this context that we worked.

Regarding EBITDA, I will go back to a comment that I made in terms of operational leverage. The -- with the distribution, the brand and products at CVC Corp, we should benefit from the market growth, because of our strong discipline and costs. The company should be able to grow its expenses, of course, grow below what we have already grown, and we are showing operational leverage to the market. And this will be reflected in the last quarter of this year. Good outlook from the viewpoint of operational leverage, therefore.

Q - Unidentified Participant

Thank you. Thank you very much. That was very clear.

A - Marcelo Kopel {BIO 16986304 <GO>}

Thank you for the question.

Operator

The next question is from Ruben Couto from Santander Bank.

Q - Ruben Couto {BIO 20636571 <GO>}

Hey, good afternoon. I would like to go back to that conversation on take rate. Is there any remarking that balance of trips that still has a certain dimension? Will this impact your take rate in the short term? Can we expect that it will be running at higher levels than the ones we can see in the results?

A second question, if you allow me. The recovery of Argentina has surprised us considerably. I heard the comments of Leonel, and you seem to have a very constructive outlook on the business. What is it that we should expect from the operation in Argentina in the long term, after the adjustments and the moment of the operation at present? Will this be a significant part of the company going forward? I simply wanted to understand the present day status of Argentina.

A - Marcelo Kopel {BIO 16986304 <GO>}

I'm going to speak about the take rate, and we will then respond to the second part. Each quarter that goes by, we have less impact of the sales carried out in 2019, beginning of 2020, which were sales that diluted our take rate, to speak objectively, as we ramp up the sales, and we have less demarcation [ph] and the passenger stock dropped from BRL830 million to BRL760 million, and I'm rounding up the figures. Now, because of this, they are lower take rates, but as the volumes have been growing, that impact of dilution of the take rate is felt less and less.

And about the comment of Leonel of stability and the take rate, this is what it's due to. We see that the take rate will maintain stable throughout the year. And as we are able to advance with a greater cross-sell, a greater participation in land traveling and B2B, in the B2B take rate, we could have a gain and as a result in the consolidated take rate. Now, regarding Argentina, perhaps Leonel would like to comment.

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

Yes. Ruben, it's worthwhile underscoring that the take rate management is a priority for us and we are trying to transform our culture. All of the company employees at present are measured and receive their compensation no longer based on volume, and the weight of margin is as great as the weight of volume. In all the companies, this is how it was done. And finally, this allows us to increase sales and have a more healthy environment.

We have to look at the businesses and each business unit from top-down, the bottom line, and make decisions on sales, and never make decisions at the top of bringing in sales that are not consistent. We have to create evermore instruments so that we can maintain these margins.

Now, regarding Argentina and, of course, maintaining margins is not a market thing. It's one of sustainability. In Argentina, we have all of the businesses. We have three separate businesses until a short time ago, consortium, two of them, with a management team that was not aligned. At present, we have a single team, all integrated with the local leadership of Cecilia, a very strong person in tourism with local knowledge, with our full support. So I think we were surprised by this because, in practice, the activities are being very positive.

Well, the Argentines love traveling, and as the pandemic dissipates, we gain greater consistency. I'm not going to tell you the long-term expectation, we have to learn. But investments have been made, and we wouldn't make a decision to invest more in Argentina presently. But this does not mean that we can't do this. We are market leaders, and we're very satisfied with this.

I also believe, or we should remember that the flow of tourism between Brazil and Argentina is gigantic, historically. And as we're leaders of both businesses in both regions, with the opening of the frontier, we will have more opportunities, both coming and going. I think we will still be highly satisfied with Argentina that represents 20% of our volume. It should remain there and perhaps reach a maximum of 25%. I hope you -- I answered my question.

Q - Ruben Couto {BIO 20636571 <GO>}

Yes, thank you. A follow-up, and excuse my ignorance, how much have the government incentives contributed for your results at the end of the year at 2022? Can you maintain a similar movement, and will this generate a positive EBITDA this year for Argentina?

A - Marcelo Kopel {BIO 16986304 <GO>}

Ruben, in fact, the incentive is quite important. It is about to be renovated. And from the present day outlook, with the acceleration of growth and the new operational leverage, there is a possibility that at the end of the year, we will see this generation of EBITDA, and it's not something that will not happen in the present-day scenario. And the final impact that we see in Argentina is that people resort to buying international traveling as a hedging instrument, as an instrument to dollarize their resources. We have felt this impact, and of course, in the final account, this benefits us.

A quick comment. There is a benefit. But at present, there is a side that is not so positive. The Argentine government is forbidding the funding of trips abroad, and the Argentine market was always 70% international and 30% domestic. This incentive helps us in the domestic market. Now that international traveling is resuming, they're not incentivating this, and this will hold us back. On average, I think, we will do well in Argentina and grow consistently.

Q - Ruben Couto {BIO 20636571 <GO>}

Thank you. Thank you very much.

Operator

Our next question is from the webcast from Carlos from Condor Insider.

Q - Carlos Herrera {BIO 20355147 <GO>}

Hello, everybody. I have three questions. First, with the resumption of in-person activities, what will happen to the B2B demand in 2022? Second question, for 2022, will we still have some impact referring to the discontinuity of ITA? Third question, as part of the investment for 2022, is there room for an acquisition?

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

Carlos, thank you very much for the questions. This is Leonel. In terms of B2B in 2022, it will continue very strong. We're leaders, we're the best company in the sector. We have the best systems, relationship, and team. It is growing consistently. It is what grows the most at present, and it will be aided and abetted by the resumption of corporate tourism. We are very confident in the B2B business. ITA, Itapemirim, nothing was left for this year. Everything disappeared last year. There is no remain, and there is nothing pending. What had to be absorbed has been. So there is nothing going forward.

In terms of your third question, room for acquisitions. Obviously, the only thing that I can say is that there's nothing in the radar at present. We're focused on the operational enhancement, integration of our businesses. We are the best in all of these businesses. There is a challenge with the digital part that we are aware of. We are working hard to improve this in-house.

Now, with the financial health of the company, with very low indebtedness, with a cash generation and operational margins, of course, we may have to think about this again some time. Any movement of these will be for innovation. It won't be something small like VHC or something very large with a healthy company. We are not interested in taking on greater risks or liabilities incorporating or purchasing companies that are recovering and do not have financial health. We will see what happens. But at present, there's nothing in our radar.

Q - Carlos Herrera {BIO 20355147 <GO>}

Thank you very much.

Operator

(Operator Instructions) The next question is from Joseph Giordano from JPMorgan.

Q - Joseph Giordano {BIO 17751061 <GO>}

Hey, good afternoon to all of you, and thank you for taking my questions. I would like to discuss the SG&A. And you have invested a great deal in automation and systems and in integration. And what is ahead of us? The second question refers to the new look of your stores, which have been the results. We are at a moment where most of the refurbishment is still being done. And are you in a process of renegotiating this? How does this new agreement operate and if you are foreseeing greater refurbishments? Now, this store model will become the model and what will happen with the digital part, I believe? Thank you very much.

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

Joseph, thank you for the questions. What we are going to see throughout the year, in fact, is a gain in our operational leverage, with everything that I described. And possibly, we will begin to see synergies with the new automation that will come in place, especially in the back office. But this will be felt only the coming year. This year has more to do with the strong control of our SG&A. And by controlling SG&A and the resumption of the market, this will appear in the operational leverage. And after this, these synergies should materialize towards the end of the year and more strongly in 2023.

Joseph, thank you for the question about the new store. As the new stores were inaugurated recently, the first signs are very positive. The first store was inaugurated in October, has been operational for five months and it has worked 20% above our perspective. It's still very early. Everything that is being done has to have a good beginning, but it's too early to give you figures or configuration. We have a high recovery at sales at present. And without a doubt, everybody that is opening a new store is very satisfied.

Another important point from the digital viewpoint in the new stores, several activities have been enhanced. But the great migration of the system will take place in the last quarter in September or October and that is when we will have an integration of the digital world and the brick-and-mortar store with a unique experience. And there are many things that we will have to do. We should have another conversation about this very soon with all of this.

You also spoke about the renewal of franchises. This risk does not exist. All of the franchises have been renewed. The risk pre-IPO is something that is behind us. This is good news. Now, the franchises were renewed for a 10-year period, which means we have no risk or almost zero risk of a reduction of franchises. All the franchisees are very aligned. We have a very good brand, good support, and we are investing heavily. So that is something of the past, Joseph. It will no longer pose a problem. All the franchise renewals were done during the first two months of the year, and we have contracts that will mature in the next two years.

I hope to have responded to your question.

Q - Joseph Giordano {BIO 17751061 <GO>}

Thank you very much. Just another point in terms of the renewals. Do you have a clause for the refurbishment of the store or something similar?

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

I understand. All of the franchisees have a contract and they have to renew their stores in a maximum term of five years. Every five years, they have to have their store in the most modern model. The agreement made with franchisees that they all have until the end of 2024, in two and a half or three years, to renew or refurbish their stores. And I truly believe that this year, this won't be done. But with the recovery, the coming year, these renewal of stores will be something massive. But the contract is until the end of 2024.

Q - Joseph Giordano {BIO 17751061 <GO>}

Thank you. Thank you very much.

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

Thank you.

Operator

The next question is from Joao Paulo Andrade from Bradesco BBI.

Q - Joao Paulo Andrade {BIO 21923301 <GO>}

Hey, good afternoon, and thank you for taking my question. Congratulations for the results. If you could remark on the evolution of working capital, how can we structurally think about this vis-a-vis the pre-pandemic times? Second question, how have the franchisees worked with CRM? Which are your initial perceptions, or will this be pushed towards September, October? If you could share something of how franchisees look upon the CRM, this would be interesting.

A - Marcelo Kopel {BIO 16986304 <GO>}

Thank you, Joao Paulo, for your question. To speak about working capital, let's separate the dynamic of the business. First, we have B2B, a business that requires little working capital. It is not capital-intensive and it has grown a great deal. It grows at a pace greater than B2C. Therefore, it is not a burden in the working capital of the company.

When we look at B2C, we are using very important levers. I mentioned in one of the slides that we have introduced a new mode of payment, which is a sale funded in 24 months. This is done through partners -- financial partners who offer the customer the funding when the customer is in our store. And the goal here is to offer the lowest price to the customer in terms of funding. Now, this is one of the new modalities. We continue to carry out sales and installments through a voucher without interest rate, limiting this to a certain number of installments.

We are a great generator of credit card receivables, and this helped us in the short-term liquidity. But our vision is that throughout the period, as we begin to carry out more sales that are funded, when we're paid in D1, D2 [ph], we don't have to work. We don't have the credit risk, nor the credit burden. And the launch of our loyalty plan and our mark-to-market to look at the debenture structure that we have should allow us to continue to grow the company, especially in B2C, without losing that opportunity upselling [ph] these sales initiatives for longer periods of time through funding companies. The working capital itself that we have from receivables should enable us to continue surfing that wave of growth.

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

Joao, thank you very much for the question. I'm going to refer to your question on CRM. And every day, it has become more and more positive when the 25 million customers that are in our base and that will reach 30 million soon, they're used to leverage business in the stores and to gear to the stores the best use of any opportunity. At this point in time, we can impact the customer with specific promotions with novelties in the company. And we have a very good knowledge of his knowledge of the store, and we gear them to specific stores.

What will happen very soon after the technological integration in some months is that when the customer enters the store, when the salesperson opens up the system and sees the tax number, the system will help the operators sell more. They will say, this person has just returned from a trip to the beach, they love the beaches, they have already paid their installments, they have credit approved, offer this or that product. And sometimes, we don't have customers in the store, but operators will have an agenda to carry out a proactive interaction with all customers and franchisees are feeding this base without any problem. I think we've gone beyond mistrust or previous models, and this is what allows CRM to grow evermore. It is very good, and the stores know that generating businesses through CRM will grow consistently.

That's an interesting question, and I hope I have answered it. Thank you.

Q - Joao Paulo Andrade {BIO 21923301 <GO>}

Thank you, Leonel. Thank you very much.

Operator

The next question comes from the webcast from Bernardo Marcel [ph] from Mono Capital [ph]. Could you comment and give us more details on the part below the release? The management has reassessed the debt profile so as to have the necessary resources available to sustain the growth of CVC Corp and also to make the most of market opportunities? End of quote.

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

Very well. Well, I think the comment is very clear, that we will change the level of the company through a positive operational leverage that has become favorable and a significant reduction in the debt. We're going to begin reductions of new opportunities in terms of the debt, we are introducing new products. And because of all of this, we're going to have to plan again and look towards the future and new opportunities. But for the time being, there is nothing new. The decision is not to increase the risk of the company and not to miss out on opportunities. We are going to proceed in a strategic way, one that has relevance. This is what I can say. At present, there is nothing in the pipeline happening. We need some more months to get a better definition. We're refining our strategic decisions. But the company looks upon the future with a great deal of enthusiasm, and we will continue to lead in the market. Thank you very much.

Operator

At this point, we would like to conclude the question-and-answer session. We will return the floor to Mr. Leonel Andrade for his closing remarks.

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

I would like to thank all of you. I will be very brief. I will give you seven reasons of why I firmly believe in the company and the future. First, we are a company in movement, very strong movement. We've never been as good in terms of motivation. We have record investments in technology, customers, distribution, and marketing. And very soon, you will see what will happen from the marketing viewpoint. That's the first reason, investment.

Second, we have the best market team with high performance -- knowledge and performance in the business that they manage and responsibility with governance and a commitment with a long term. The entire team is committed for the long term. The third reason is that the company is intact, whole. We are the only company that went through the pandemic 100% of the time. We invested, we did not eliminate any departments, and we complied with all of our obligations without reducing our personnel.

Another fundamental point, fourth reason, we have a net debt that is well managed. This enhances our financial capacity. And I'm very proud to say that we went from a net debt of BRL1,000,800,000 to one that is BRL300 million. That was the worst period in the history of the company. Thanks to the substantial and concrete support of shareholders and our management board.

The fifth reason is our operational leverage. If you look at the company at present, we're going to have leads in revenue with very well controlled expenses. And for the future, this will lead us to 30 million customers. Those who have 30 million customers have everything. They are fans, they are ever more engaged, we know them better, and we will deal with new opportunities with them in the future, and this cannot be priced. The seventh reason, as important as all of the others, we firmly believe that the wins are in our favor. We truly believe that the tourism sector that was the most hindered will be the most benefited at the end of the pandemic. We believe in science and the recovery of our businesses.

Finally, we are going to celebrate 50 years in two months in May, and this will mean that the company will enter a new and more consistent period of investments and promotions. You can be sure that the next quarter, we'll have a great deal of movements for the company, and we're going to continue to innovate.

I would like to thank all of you, especially our shareholders, my colleagues in the company, because we're now living through a new era and new opportunities. Thank you very much.

We are always at your disposal.

Operator

The results conference call for CVC Corp -- and here, we would like to thank all of you for your participation. Have a good afternoon, and thank you for using Chorus Call.