Q2 2017 Earnings Call

Company Participants

- Jose Gallo, Chief Executive Officer
- Laurence Beltrao Gomes, Chief Financial Officer, Investor Relations Officer
- Unidentified Participant

Other Participants

- Guilherme Assis, Analyst
- Irma Sgarz, Analyst
- Joseph Giordano, Analyst
- Maria Paula Cantusio, Analyst
- Robert Ford, Analyst
- Thiago Macruz, Analyst
- Tobias Stingelin, Analyst

Presentation

Operator

Good afternoon, ladies and gentlemen, and thank you for waiting. Welcome to Lojas Renner Second Quarter of 2017 Earnings Conference Call. We would like to inform you that today's live webcast, including the slideshows may be accessed through Lojas Renner's website at www.lojasrenner.com.br in the Investor Relations section at the webcast platform and also on the Engage-X platform. As a reminder, questions will be taken by telephone and by platform as well. Also, this event is being recorded. And all participants will be in listen-only mode during the Company's presentation.

After the Company's remarks are over, there will be a question-and-answer session. At that time, further instructions will be given for you to participate. (Operator Instructions) We would like to remind you that questions coming from journalists might be taken by our press office at the number, 55-11-3165-9586.

Before proceeding, we would like to mention that forward-looking statements that might be made during this call are based on the beliefs and assumptions of Lojas Renner's management and also information currently available to the Company may involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Lojas Renner and could cause results to differ materially from those expressed in such forward-looking statements.

Now, we would like to turn the conference over to Mr. Laurence Gomes, CFO and Investor Relations Officer. Mr. Gomes, you may proceed.

Laurence Beltrao Gomes {BIO 15361799 <GO>}

Good afternoon, everyone. This is Laurence, and we are here, gathered to talk about the results of the second quarter of this year. With me, I have, Jose Gallo, CEO, Paula Picinini, IR Manager, Luciano Agliardi, Controller. As we did during the last quarter, I will talk about the main highlights of the period and afterwards, we will be opening for questions from you.

And also the presentation will be available at the webcast platform, should it be necessary. Very well. So, the second quarter of this year was marked by a good healthy sales performance in spite of higher than the average temperatures, mainly during May. And when we analyze the Renner's metrics, both the flow and items per bag, we continue to see improvement.

I would also like to mention the performance of Camicado and Youcom, that grew by 26% and 52.5% respectively. And with that, net revenue from merchandise sales reached 1,630 million, with an increase of 11.3% in the second quarter of ' 17 and same-store sales reached 6.4%.

During the half year, net revenue from merchandise sales increased by 12.8% and same-store sales, 7.5% increase year-to-date.

Gross profit grew by 10.2% on a year-on-year basis, reaching 923 million and gross margin of the retailing operations reached 56.7% in the second quarter. And this result was a consequence of the commercial strategy adopted by the Company due to the economic environment that we see today.

And here, I would like to reinforce the fact that Renner continues to work in order to guarantee competitive prices and also consistent with the market conditions that we have. We seek opportunities in order to maintain both our inventories and our sales aligned in the second quarter. We had the necessary markdowns and we evaluated the opportunity for markup as well. And we worked on the price pyramids in order to guarantee our competitiveness.

Another point, now related to the commercial part, are the inventories. Because -- the fact that they grew by 25% is due to the low levels with which we operated in 2016 and also the preparation for another change of collections. The total and synchronized change of collections, such as the one that we did in February and now on August, the 1st, we will have many plans to launch our spring-summer collection.

In the first half of '17, gross profit from merchandise sales was up by 11.1%, with the 55.7% margins (inaudible) 56.5% in the first half of 2016. As to expenses, as we have been saying ever since the beginning of this year, we have non-comparable items and new projects underway, restructuring projects, long-term projects. And that brings extra pressure and added to a lower gross margin, generated a reduction in the retailing EBITDA margin.

On the other hand, the credit operation, financial services grew in revenue, with the lower funding costs also payment [ph] (inaudible) delinquency rate and credit losses, net of recoveries lost in the three products as a consequence of the measures adopted in the assignments, maintenance and also activities of collections. And we continued to bring a better quality to our portfolios. And these are actions that we have been putting in place ever since the end of 2015. So, for sometimes -- so, this is not something new.

Besides, we also obtained a better credit recovery and this was impacted by actions -- specific actions to tap into the benefits of the withdrawal from inactive accounts of the FGTS, the Employees Guarantee Fund. And with that, delinquency and private-label went from 3.9 in the second quarter of '16 to 3.1%. In the second half, our quick withdrawal went from 6.1% to 4% in the second quarter.

Now, in co-branded from 5.1% to 2.9%. About the co-branded products, it is important to clarify that due to the implementation of the new financial products platform and also the incorporation of Realize, our financial institution, we had some changes in this portfolio.

Since February, the purchases made inside Renner in the payment book modality, we organized and added to the co-branded portfolio. And before that, they were posted to the private-label portfolio. And withdrawals made with Meu Cartao are also added to this portfolio. And we had the effect of the credit limits unification for purchases within and without Renner, that also contributed to the growth of the Meu Cartao portfolio and these unifications bring some simplification for the client, and also the possibility of an increase in the card use.

But it also brings about a huge simplification in our operations and so about the effects of these changes, it is important to highlight that the growth in the percentage of cards used on the Meu Cartao product portfolio is a consequence of these changes as well and it's very common for clients in the payment book modality to delay their payment for a few days and due to the provisioning methodology of Meu Cartao, they undergo the effects of this drag in these outstanding installments.

And I would like to remind you that, before when these purchases were part of the private-label, only the past due installments was really considered as such. And I would like to mention that part of the improvement in delinquency of Meu Cartao, also comes from the new rules about revolving credit, with expansion of the terms for the installment payments due to Resolution 4549 of the Central Bank. And there is an important point to be stressed here. And it is worth mentioning that the current levels of provisioning will be maturing of this new portfolio dynamics of this new concept so to say. It would be only natural that due to Rule 26(a)(2)(B) provisioning levels and as a consequence, levels of coverage will be increasing in the next few quarters.

And with that, as a consequence of all these factors and factors and indicators that I have just mentioned, the total EBITDA reached 382 -- 383 million, with the total adjusted

EBITDA margin of 23.5 vis-a-vis 24.3 in the second quarter of '16.

In the half year, the margin was 20%, vis-a-vis 21.3 % in the same period last year. So, our net income was 194 million, a 10.7% increase on a year-on-year basis. And the net margin was 11.9%, in line with the previous year. In the first half of 2017, net income was 260 million, with the net margin of 9.1%. And lastly, I would like to mention that due to the opportunities available, we increased our forecast for opening of Renner stores for the year, and this will be between 25 and 30 units, besides the Uruguay stores. And for the other formats, we maintained the estimates of 15 Camicado and 25 Youcom stores. So, I believe that these were the main (inaudible) for the quarter.

And now, we would like to open for questions from you.

Questions And Answers

Operator

Thank you very much. Now, we will have a Q&A session. (Operator Instructions) Our first question comes from Mr. Guilherme Assis from Brasil Plural. Mr. Assis, you may proceed.

Q - Guilherme Assis {BIO 16143141 <GO>}

Good afternoon, Laurence, everyone. Thank you for taking my questions. Laurence, there are few points here. I think you have already said that you think about Realize, your finance company and the change in provisions, and the way you are posting the expenses to your portfolios and the impact. So, you have already mentioned that.

And one thing that you mentioned, that I would like to understand better is how does this work, that is to say, changes in provisions, what could we expect? Because I understand, there has been no impact on the results of the second quarter yet, because I think it was in July that this went into effect. So, could you talk about the impact of these changes and also the impact regarding the provisions for Realize?

And also a second question, I would like to understand. You did mentioned that you have been talking a lot about the acceleration of growth and regarding the guidance of the opening of new stores with Renner and the Realize project. So the level of G&A that we saw in the second quarter, is this a new level? Is there something non-recurrent because of the operations that you mentioned, such as the Realize operations, or is this the new levels that we will be seeing from now on? So, these are my two questions. Thank you.

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

Guilherme, thank you for the question. I think what we saw in the quarter was a major change or a few important changes related to the Meu Cartao product. So the migration of the booklet, the purchases that were made inside Renner with the payment booklet, they were posted or they were appropriated into the private-label portfolio. Now, they are being posted to the Meu Cartao portfolio. So the model of provisions has to follow Resolution 26(a)(2).

So the payments booklet has different behaviors. So the client, let's say, with the payments booklets, they usually delay the payment of a few installments, but sometimes they pay before it is due, so you have the client that pays when they go to the store, for instance, physically. And then sometimes, they pay in advance, but sometimes, it takes a long time for them to go back to the story and they end up delaying a few of the payments. This is quite normal. So the delay is quite normal and the delinquency is low, so much so that private-label, our product has a very low level. So, this is the nature of the products. And what happens now is that installment [ph] of the payment book in the card, in the Meu Cartao portfolio. When the client delays one installment, it is going to drag all the other outstanding installments and, of course, the balance of the bill will be delayed.

So the expenses outside Renner will also be dragged or carried over. So, this is the change that occurred and it is an important change in the quarter because, although it is related to the young clients from one to 30 days, and this is why it requires a lower provisioning. It is the new credit. But this does not mean that we expect an increase in losses or there will be no increase in losses because of that, just to clarify your question, which is very important.

And the second point is the following. The change in the regulation brought about by Resolution 4549, that changed the methodology of the revolving credit that allows the market to resolved the second time. So, what we saw was a growth in the portfolio in terms of payments and the higher number of installments.

And also, the second half, with the quick withdrawal of the Meu Cartao client are also now a part of the Meu Cartao portfolio. So this undergoes the same effect. So, this came from a resolution of the Central Bank and the change the structure of the product and also have changed related to our project regarding financial product platform.

So, we changed the whole financial product platform with new processes, with private-label, yet also for Meu Cartao. And the booklet payment going to a market processing company and this is also part of the preparation or the adaptation for the financial institution, the Realize. And because of this whole preparation, on the first of July, the Meu Cartao portfolio was migrated into Realize, that is to say into our financial institutions.

And the methodology of provisions will continue to be as described. In terms of acceleration of the growth, we saw opportunities that we are paying attention to all of the opportunities that are appearing. And this brings pressure, of course, because you have many new stores and we have a base that is about 50% of our overall stores, have not reached maturity yet. So, on one hand, we have a pressure on our SG&A. And on the other hand, there is a potential to increase productivity per square meter of the stores that have not reached maturity yet. So the expectation for this year is that we will be seeing a percentage of SG&A over ROI, similar to our historical levels. And the non-expansion of the EBITDA margin, here is another important point because we had non-recurring items here regarding participation in the results and also a lower recovery of tax credits during this period.

Q - Guilherme Assis {BIO 16143141 <GO>}

I understood the SG&A part. You're saying that the percentage over the revenues could be diluted as stores mature because they have a very large store base. But actually, this were slightly higher than we expected or the run rate that you were having in the last few quarters. And I would like to know in real nominal, could we project this figure of the second quarter vis-a-vis inflation for the year?

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

I would rather talk about the year. In the year, we will make all the necessary efforts to decrease our expenses and increase our revenues. And I would like to remind you that we have important projects underway such as our first operation in Uruguay and the financial products platform, the project for the financial institution.

We have all the structure setup already and the maintenance of the structure. Of course, they will bring about the return on these investments in the second half of the year. We also have a positive expectation regarding the pace of sales and also the low inflation rates.

That also bring about opportunities to leverage our operations and opportunities to have lower expenses as well, with the levels of inflation that we see and that could be low, both headcount and rentals that are the two major expenses that we have.

Q - Guilherme Assis {BIO 16143141 <GO>}

Okay. Thank you very much.

Operator

Thiago Macruz from Itau.

Q - Thiago Macruz {BIO 16404924 <GO>}

Good afternoon. Talking about the financial institution, the quality of credit has improved quite a lot, very impressive. And could we imagine the level of increase in the level of approval for credits? Are you working on that? Do you expect to approve more credits?

And talking about provision, Laurence, when you migrate from one methodology of provisioning to the Central Bank, don't you have -- let's say, instead of provisioning for a sale on private-label or co-branded and do you do this on the delay? Could it have the opposite effect, that is to say a temporary mismatch? And in the second half of the year, could we imagine that gross margins are stable -- a stable scenario for your gross margin? These are my questions.

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

In terms of the rate of approval, credit approval, you are right. Yes, we are seeing an improvement in the quality of credit and our credit portfolio. And we also saw the effect of FGTS, the inactive FGTS. We had a good result from these withdrawals that were allowed and we prepared ourselves.

We invested in order to recover all the funds and we were able to do that. That's what we see, Thiago is a following. We have to be more cautious because we still have this turbulence in the economy, some uncertainties still. We do have limits available that is -- we have capital available, so this is not the issue. There is no need for us to change our tactics or stand. And another important point is the structural change that happened because of Resolution 4549. This is a major change and there is an uncertainty. This is something very new. Of course, there is uncertainty about the behavior. So, we have to wait and see, we have to wait and see this change consolidating and observe the behavior of consumers and I think this will be seen in the next few months and I believe that our approval rate is okay. We are pleased with the approval rates that we have currently.

Now going to the gross margin for the second half. Yes, we believe -- we have been saying that we would have in the first half of the year a strategy and tactical acquisitions according to the market, the more promotional spend and this is being confirmed. What we see is a confirmation of a more positive situation when we change the collection.

So, we believe this change in the collection will be healthy and we are very confident in our new collections that will be launched on August 1st. And also you have to consider the exchange rate that was a hurdle for the expansion of our margins in the first half and it will be the opposite. It will be helping us in the second half of this year in terms of our margin. So, we still believe it will be possible to have similar margins that we have in the past.

Regarding the provisioning method, for the time being, it doesn't really change the IFRS. It would be '18 and '19 with the private label. So, there is no change really right now. The loss indicator or the provision indicator continues to be the delay in payment and the vote for IFRS into (inaudible) too. I have the impression that the payment book will be changing.

Q - Thiago Macruz {BIO 16404924 <GO>}

Okay. Thank you for clarifying .

Operator

This is Joseph Giordano, JP Morgan.

Q - Joseph Giordano {BIO 17751061 <GO>}

Good afternoon, everybody, Laurence, Paula. I would like to talk about the average ticket for same-store sales. As Laurence said, you see a share gain and also traffic gain [ph] and it was 6% below inflation. So, what can we see in terms of gains in items per bag? And I would like to understand how much you are investing in competitiveness to understand the potential of that for your gross margin in the second half?

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

Well, what I can say -- so, I'm just going to reiterate what we said at the beginning of the year. This half year, we were going to make adjustments in order to increase our competitiveness, both in the first quarter and the second quarter and the half year, of course. We believe that it was the right strategy to be followed and in this quarter -- in the second quarter, two-thirds of same store sales were traffic and one-third price. And I believe this could be changed in the next quarter or the next half year. But what happened in the first quarter was what we expected, that is to say that this flow would have a higher contribution.

Q - Joseph Giordano {BIO 17751061 <GO>}

Thank you.

Operator

Robert Ford from Merril Lynch.

Q - Robert Ford {BIO 1499021 <GO>}

Thank you. Good afternoon, everybody. Thank you for the question. The current competitive environment, could you talk about that and the operations in June?

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

Good afternoon. The aggressive promotions that we saw, mainly in the first quarter, I would say that this has gone back to normal. And today, we are operating, I would say normal conditions in terms of competitiveness, so much so that in the spirit of big sales that we see now, the winter merchandise sales, we were more normal than what we saw in the summer sales last year.

I believe it's a sign that things are going back to normal. We are taking advantage of this moment. There are not many competitors expanding stores and we see this as an opportunity. There are some players that are leaving the business and going towards more specialty stores. Well, this opened very interesting spaces for us, both for Camicado and Youcom because we can choose very good sites in the shopping mall. Camicado today is very much desired. We don't have competitors in Brazil. There is no national chain similar to Camicado.

And the evolution in the products of Camicado is visible and it is evidenced by the growth of Camicado, which is very significant and Youcom, a new brand, three-year old brand, is also a very desired brand because people in shopping malls and shopping centers, they want brands that are growing and brands that have a good product mix.

So the exit of some competitors means opportunities for us. There are shopping malls that are expanding. The world has not come to a halt and there are new shopping centers being built and they need anchor stores, so we are adding three to four additional Renner stores. So, this thing over very aggressive competition, I believe it has come to an end. And now we are getting into business as usual in terms of competition. Thank you.

Operator

This is Irma Sgarz from Goldman Sachs.

Q - Irma Sgarz {BIO 15190838 <GO>}

Good afternoon. About Camicado, the gross margin of Camicado has been showing a very good evolution year-on-year and still during this quarter, because of the processes and the improvements that you have made in the past. And I would like to know about the gross margin and the EBITDA margin for Camicado. Where do you think it will be possible to get, what do you intend to get to given the competition in this format?

Yes , as your yourself, there is not a lot of competition. So where do you think you can get in terms of number of stores. As you said yourself, there is not a lot of competition, so where do you think you can get in terms of number of stores?

A - Jose Gallo {BIO 1822764 <GO>}

This is Gallo. Let me start to really master the business and know the consumer of this business. The new starts to help the more adequate mix and when we acquired Camicado, we imported 4% of the products and today, we import almost 50% of the products. We have our own brands, our private-labels and that also give us an increase in our margins. So, this is the reason why our margin is going up.

But when we mastered our business plan, we believed it would be around 46%. But now we are already importing 50%, 52%. So, you can see that almost 8 percentage points from 46 to 52 increased. And we start mastering the business and to start to see interest in international brands in the sectors that are not yet in Brazil and when they go to Camicado, there are 90 points-of-sale throughout Brazil.

And you, because of that, you can get better negotiation terms. So, we believe we will be able to further increase our margins to an extent. And also, I would like to say still about your questions that we have an important growth in e-commerce of Camicado, both Camicado and Youcom before they hydrated [ph]. And also we are seeking what we believe in, but this will be the future. We see more and more .

I believe that 10, 12 years ago, multi-channel was not so important. But now it's so important and the synergies among all the channels and as this advances, for instance, we will never have a Camicado in smaller cities. And as the smaller and medium-sized stores grow, then we start thinking about placing a Camicado there and the percentage of e-commerce should be higher than our normal business.

Q - Irma Sgarz {BIO 15190838 <GO>}

Thank you.

Operator

Tobias, Credit Suisse.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Good afternoon, Gallo, Laurence. You said that you changed the outlook for 2017 and you were more conservative and focused more on prices because the market was very competitive. If we look now, this is a different moment from now on in the next 12 months, the scenario that you're seeing. Are you more optimistic, how do you see this because last year, you changed a little bit and you were more conservative due to what you were seeing, and now there are still uncertainties, but how do you see this now -- now we are getting into the second half of the year (inaudible)?

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

I cannot tell you what -- 70 stores in one year. I think we could maintain our optimism and I would rather say that we will continue to be bullish. And in case, we are able to maintain this pace, this is very good pace for the next couple of years, one or two years in principle. We don't see anything different unless there is something new and very, very impacting, I think it would be reasonable to continue approximately at the same pace and be more specific on that.

Q - Robert Ford {BIO 1499021 <GO>}

Around October last year, you started to talk about prices that you were going to be more competitive and the margins would be growing up because Frozen 2. And now you have been doing a very good job and your margins will probably stay stable. But trying to be futuristic, for 2018, do you think you could go back to the previous strategy, more aggressive in prices, more flexible, so to say?

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

Well, a few things happened this year and that maybe changed the focus a little bit, specifically about the gross margins. Today, we have this new building and the possibilities that it gives to create synergy among the area, and delivery and procurement. And this allows us to build better collections then we have higher participation of the stores in terms of defining the collections.

So the collection can be more cost assertive and we have a more favorable exchange rate situation. Promotions, we have already said that they have gone back to normal already. Last year, we lost something because of the implementation of the ERP and we have a more favorable base now. But from the market viewpoint, that has already been mentioned here that lower inflation rates reducing that pressure on expenses, rents and personnel payrolls and an increase in purchasing power that were -- that was a correction of 9%, 10% inflation going to 3%. And of course, this brings about an improvement in the purchasing power. So, going back to normal, gives us a very good condition. Well, this -- all the factors that I mentioned lead us to a normal situation.

Q - Robert Ford {BIO 1499021 <GO>}

What about the stores in Uruguay, Uruguay International and e-commerce? And now it is in Sao Paulo, I believe. So, do you have any benefits from that? And also reactivity, that was a little bit delayed vis-a-vis the other projects that you had. So, maybe you could talk about these three fronts? Thank you.

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

Yes, e-commerce, we brought the whole area to Sao Paulo. And by that, we gain agility, we become closer to many of our vendors, suppliers and closer to more specialized people. And of course, this will all -- this is already giving us more agility because e-commerce is extremely dynamic. You change things in one hour and being close to suppliers and making changes and having a better team already lead you to growth. We are growing more than double the growth of e-commerce overall in Brazil in terms of apparel.

Just to give you an idea, three times more than the apparel market in Brazil in terms of growth. And talking about our international activities, you're all invited to -- on September 6th, we will be opening a store, a stand-alone store on the 18th de Julio Avenue in a very interesting location, a very commercial location.

And there -- when you talk about downtown, the quality is very good and here in Brazil, when you talk downtown, it's not so good. So, we have three stores we opened and two additional ones that we have already signed a contract and that are guaranteed for next year.

The team has already trained. We already have two managers from Uruguay here, though in integration. So, a major challenge, of course is training and the culture, but everything is really on the right track. Of course, it is a major challenge.

Many things changed so much so that in order to adapt our current platforms to the international activities, we invested 18 million, 19 million, which is rather disproportional if you consider five to six stores. However, we are already prepared to whatever comes in the future. So, you have taxes, you have many things involved, but everything is going very well.

We have already tested all of these platforms. We have already simulated operations, so everything is under control. We already have the communication lines in place and we have to speak in another language, so we have to be careful not to make any big mistakes, because we have to work with the press people. So, our communication people are already trained. Everything is ready to go up and running in September and you are all invited.

Oh, the reactivity, I'm sorry. I apologize I forgot. During the last call, I think we already said that we have specialized people and we are continuing to invest in our suppliers in getting closer and closer to them. But there are two things that still have to be done.

Q - Robert Ford {BIO 1499021 <GO>}

Thank you.

Operator

Maria Paula, BB Investments.

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

Good afternoon. Thank you for the questions. I would like to talk about working capital. We saw a significant improvement in the obligations in terms of card administrators. And could you talk about that? And my second question is a following. (Inaudible) talked about the partnership with women, having their products in all the stores. So, do you intent to sign other partnerships? Is that a trend and what kind of advantages does women have in this kind of partnership?

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

In terms of working capital, it is under control, excluding the financial products area and the retail area, and in terms of inventory as well. We saw an improvement in the quarter, that is to say the inventory variation in the second quarter vis-a-vis the variation of the second quarter of last year was better on a year-to-year comparisons and suppliers didn't really follow that, but it's going well -- but it's going well.

On the Meu Cartao side, the obligations with the card administrators has to do with the increase in the portfolio of Meu Cartao or the funding -- on actual funding of the portfolio of Meu Cartao. So the working capital is under control and what we expect is that we have already seen an improvement in our inventory this quarter and we believe that things will be going back to normal from now on. So, I think everything is okay.

Related to Natura, you know that we have third-party brands in cosmetics and so it's the case of Natura. And it is being tested in some of the stores and this is what is going on. If it does work well. Yes, it will be rolled out. But everything in a normal operations, that is to say, there will be nothing different from what we already have.

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

Thank you.

Operator

(Inaudible) from 11 Financial [ph].

A - Unidentified Participant

Thank you. Good afternoon and thank you for taking my question. I would like to talk about your new projections for new branded stores. At the beginning of the year, you said 20, 25 stores in 2017 and now it is 25 to 30. How did you decide to review your estimates? And for Camicado and Youcom, is there a possibility of review about the increase in the number of stores in these two formats?

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

Good afternoon, (inaudible). So it was only because of -- a matter of opportunity, as we had already said, there are some specialty stores that are just going out of business. We are closing the stores and because of that, we have stores that are ideal in terms of size, both for Camicado and for Youcom. So, yes, we intent to accelerate and the same things that happened with Renner. There are shopping centers, for instance, that want to have an early expansions. They need an anchor store and we had already considered this for next year.

So, these are opportunities that arise that we could do next year. But because of the conditions, we are bringing this forward through this year and I have already answered this question. We will continue in this space. We will follow this space. Nothing will change significantly for the next year or two.

A - Unidentified Participant

Thank you.

Operator

(Operator Instructions) The Q&A session is closed, and now we would like to give the floor back to Renner Officers so that they may say their final remarks.

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

Thank you very much, everybody. Thank you for your attention. And July was good. Sales are good. Just to say a few words about this month and we hope this continues. And the comparison basis is a little bit lower. So, we are very optimistic about the new collections. So, in our next call, I hope, I can tell you very interesting news. Thank you very much.

Operator

Lojas Renner conference call is closed. We thank you for your participation and wish you all a very good afternoon.