

Q2 2021 Earnings Call

Company Participants

- Fabien Picavet, Investor Relations Director
- Marcio Cruz, Chief Executive Officer, Digital Platform
- Miguel Gutierrez, President Director and IRO
- Raoni Lapagesse, Investor Relations, Director
- Timotheo Barros, Chief Executive Officer, Physical Platform and Chief Financial Officer
- Unidentified Speaker

Other Participants

- Analyst
- Luiz Guanais
- Robert Ford

Presentation

Operator

Good afternoon, and welcome to Americanas SA Conference Call and Lojas Americanas, to release the earnings of the second quarter of 2021. We have Miguel Gutierrez, CEO of Americanas SA, Anna Saicali, Timotheo Barros, Marcio Cruz, CEOs of the digital platforms; and Fabien Picavet and Raoni, who are investor relations officers.

This conference is being recorded and all participants are in listen-in mode only during the presentation. Then we will have a Q&A session. And then, more instructions will be provided. (Operator Instructions). You should remember that this conference has a supporting presentation that can be accessed in ri.americanas.com.

Statements that may be made during this conference call, relative to business perspectives, projections and our trading and financial targets are based on beliefs and premises of the executive board of the company as well as currently available information. Future considerations do not ensure performance. They involve risks, uncertainty, and premises as they refer to future events and therefore, depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industrial conditions and other operating factors may affect future performance of Americanas and may lead to results that are materially different from those that are expressed in these future considerations.

Companies clarify that the accounting information that is the base for these comments are presented according to international finance reporting standards, and the rules of the

Brazilian Securities and Exchange Commission and in Brazilian Reals. I'd now like to turn it over to Mr.Miguel Gutierrez, who will start the presentation. Mr.Gutierrez over to you.

Miguel Gutierrez {BIO 19393330 <GO>}

Good afternoon, everyone. We're really happy to have you in the first earnings release of Americanas SA. Our company that was born a giant. The idea is to add up to the world, what it has to improve people's lives. So, Americanas combines unique assets, people with a strong culture of ownership, a big customer base of 49 active customers in powerful business platforms. We are strongly convinced in increasing our customer base and also improving their purchasing experience by expanding our digital channel.

In this respect, since our last meeting, we'd like to highlight the following points. First, with the combining our old companies has relevant synergy. And the approval of the CADA of the acquisition of (inaudible) we have started new growth vertical of franchises. Then I'd like also to highlight the acquisition of Hortifruti Natural da Terra which depends on still waiting for CADA approval. Once this is granted, we will have an important avenue of growth for new clients and recurrence. We are not offering this with an increasing digital channel. With a union of our platform, services, and brands, we are present in the day-to-day of Brazilian families. All Brazilian families were really excited about this new phase and we really trust our long-term strategy and we're proud of our social -- the social role that we play.

I invite you to learn more about this new company. Our Directors, Fabien and Raoni will conduct our presentation, and subsequently, we will have our Q&A session. Fabien? Raoni?

Fabien Picavet {BIO 20402159 <GO>}

Thank you, Miguel. I'm Fabien Picavet, and I'll start on Slide 4, in which we present our view of who we are. We are a technological platform that can deliver a Omni-channel consumption experience that (inaudible) fluid, and surprising with infinite possibilities that makes us more agile. We are more agile with people at the center. We have over 49 active customers and 34,000 associates. We serve 100% of Brazilian homes with millions of deliveries every month on our platforms with over 111 million items. We have over 3 million partners including providers, sellers and merchants.

Today, we have over 2.5 million square meters in sales and storage areas including 2,150 physical brick-and-mortar store stores, 24 distribution center and 204 hubs. The new company is huge. A 100% integrated -- fully integrated and ready to evolve even faster.

In the next session, we will explore the aspects of our strategic model. From the birth of Americanas SA, we have spit out the different initiatives that are connected with a single strategic model based on three growth horizons, which together expand our growth and reach.

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Core, represented by our platforms, commerce platforms focuses on growth with profitability and is the base of Americanas SA.

Growth initiatives, H2. They have the goal of having accelerated growth and entry into new markets.

Future, H3. The goal is to encourage the use of new technologies and to develop disruptive business and is led by IF, our innovation engine.

On Slide 8. We present our strategic vision of our initiative -- business initiatives that are linked to these three growth horizons. In the Core, we have our commerce brands, Americanas, Submarino, Shoptime, and Soubarato. In the Growth initiatives, we have our organic growth initiatives like marketplace and ads, in addition to inorganic growth with acquisitions and partnerships that will let us enter into new markets and increase our reach. On the third horizon, we have the future led by IF, with many disruptive initiatives that encourage the use of new technologies on all platforms and boost the development of new business.

Our strategic model led us continuous expansion increasing our reach and our addressable market in line with a goal of being increasingly more irrelevant in our customers day-to-day. Our goal is to meet the needs of all consumer profiles with more customized journeys, more convenience, and experiences that are increasingly better.

In the next section, we will present our unique assets, boosted by the use of our unique assets to optimize our customer experience we follow with the commitment of generate value in the long run. (inaudible) and the business platforms. These are great competitive advantages. The company is built by a team with a strong culture of ownership with a history of efficient execution, discipline and constant innovation. As people develop and grow with us, they become de facto owners, we have over 300 partners that are formed with a differentiated process to develop talents. Our customer base is huge. We serve over 49 million active customers and may have a unique value proposal with sorting, national popularity and business platforms, that are very powerful. We have four platforms. The physical platform has over 2,000 different stores and different formats present in all Brazilian States, and the digital platform delivering to a 100% of Brazilian homes, and the logistic platform that speeds up our deliveries and leads to increasing operating gains.

And then Fintech which multiplies the possibility of transforming people's lives and making access to finance more than democratic. They're all boosted by innovation engine that leverages our platforms with proprietary continuous development and also strategic acquisitions.

As of Slide 12, we will show the combination of business and what is changing. Our view is that with that creation of Americanas S.A. Organic and inorganic growth of our platforms will be boosted. Our strategy includes organic growth and inorganic growth. Organic growth is boosted by development and expansion of our four platforms that by our innovation engine with well-defined targets and goals.

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Some examples. The physical platform to improve the experience with new technologies and a new layout, the digital platform accelerated growth of our advertising business. The Fulfillment platform, to expand our ultra-fast delivery. Fintech, to develop credit-as-a-service with financial solutions for individuals and companies. Innovation Engine, lead to entry into new verticals in business.

Inorganic growth involves the use of our assets to boost expansion of new business and new brands Americanas SA generates more power to attract sellers and partners, making integration easier, increasing our reach, and expanding our addressable market.

In the last 18 months, we have made important acquisitions as well as strategic partnerships in line with our goal of being increasingly more relevant to our customers day to day. We started this journey with the acquisition of Supermercado Now, the greatest marketplace in Brazil for supermarkets.

The creation of the joint venture with BR Distribuidora, we sped up our convenience business in our franchise platform. In the scope of building this new platform, we acquired the Grupo Uni.co, a retail that specializes in franchises and is the owner of Puket, Imaginarium, MinD and Lovebrands.

To speed delivery in minutes, we acquired Shipp, a start-up on-demand delivery that offers convenience to customers with ultra-fast delivery of supermarkets, drug stores, restaurants, pet shops and others.

The partnership to launch, an innovative live commerce platform, OOOOO, will speed up our different social commerce fronts.

Fintech, we have made three acquisitions to speed up our platform roadmap. Bit Capital, an open banking platform, based on blockchain and open APIs, our first native integration to our financial ecosystem. Parati, which acts as Bank-as-a-service and Regtech, integrates fintechs to the financial system. And Nexoos, a society of loans between people which makes a structure of Credit-as-a-service possible.

And a novelty, the acquisition of Hortifruti Natural da Terra. Yesterday, we announced the acquisition of the largest network specializing in fresh produce in Brazil, with fruit, vegetables, and legumes. So we have more convenience to our clients with the equator up for healthy products in line with new consumption habits. This market has been growing strongly and that increases purchase recurrence significantly. Hortifruti has a very high frequency in the clients of its loyalty program via average 34 times a year and the omni-channel client customers by 37 times a year.

This is the largest retail category, but it's the most analog with online participation that is less than 1%. 40. Hortifruti has an omni-channel operation which is a benchmark in the sector with a 16% share in sales and a 100% of its stores are integrated its digital platform. With this operation, which is integrated natively to our software-as-a-service platform. In other words, Supermercado Now, we will speed up our digitization process.

On slide 16, we present some opportunities of synergies that have already been identified. Complementarity of assortment of fresh and healthy produce in our Americanas Stores including convenience stores. And the rollout of drug store, to speed up the expansion of Americanas Mercado with ultra-fast delivery. And Hortifruti has a highly qualified team with ample experience in the sector. Hortifruti will be boosted by Americanas single or unique assets, our people, our culture, our customer base and all the platforms. The physical, the digital, the logistical, the fintech and the engine -- or innovation engine, native integration in the platform, digital platform that's already operated by Supermercado Now.

Then the use of Americanas expertise in the expansion of stores going beyond Rio de Janeiro and Sao Paulo and becoming popular [ph].

And then the integration with Ame, increasing the offer of products and services, including our credit card.

I'll now turn it over to Raoni, who will continue the presentation.

Raoni Lapagesse {BIO 20391786 <GO>}

Thank you, Fabien. Let me start on Slide 18. These are the initial synergies. The combined operations allow us to benefit from additional opportunities with operational efficiency. Our initial analyses taking into account two fronts - operational, freight gains, marketing, technology, shared services, and the financial front reducing the level of debt and credit cards. Based on these initial analyses, the gross amount of synergies was BRL 2.3 billion by 2024, and the NPV - the net present value is BRL 1.6 billion by 2024. These estimates may be conservative, because they do not take into account sales of better services, which is key to this synergy. And it does not take into account impacts of using tax credits registered in the company's balance sheet.

On slide 19. These are the opportunities that are already being captured. We've already integrated our data lake and we can learn more about the customer as they interact with our platforms, providing us to have an holistic point of view. On September, 1, all stores and DCs will have new corporate numbers or names connected to Americanas S.A. 1,700 changes, so that we are going to abide by the current legislation.

We are going to unify our inventories, providing better services and better and more availability and dark stores. We have 300,000 square meters for back room stores converted to this model, we'll have products available from stores.

Onto Slide 20 now. We're now developing a new layout for our stores to improve the O2o, online to offline experience. Stores will also be an experimentation center and distribution center on top of being a purchase center, reflecting customer behavior. As far as logistics go, we'll have advanced distribution centers, accelerating the initiatives of returns of online orders, drop-off of seller products also on the stores and also Ship from store. We have two new DCs this year, one in Rio and another one in the state of Minas Gerais. Four other centers will be open. We'll have a total of 28 DCs overall.

We're also integrated shared service centers to optimize costs, simplify processes and provide swift integration and exhilaration of new businesses.

Onto Slide 21. This is implementation of new universities to attract new talent. We'll be able to improve the economy and the social development of our country. We're now drafting a new model for the org structure. We are hiring consulting services that are specialized in this field. The goal is to combine better global practices and adapt them to our needs to optimize platforms and having even more agility and efficiency. As far as communication goes, where strategically aligning our goals on the short and long terms, generating consistency and trust to every stakeholder. We also have an integrated financial management, reducing our gross debt by up to BRL 5 billion.

On slide 23, these are the ESG goals. We are aligned with the 2030 agenda with the UN Sustainable Development Goals. Out of the 17 goals, we selected the top five priorities. Number Four, Quality Education; Goal Number Five, Gender Equality; Eight, Decent Work and Economic Growth; and Goal Number 10, Reducing Inequalities; and 13 Action Against Global Warming. For the seventh year in the road, we are part of the ISE, the Sustainability Index of B3. On top of that, as of 2010, we are part of the ICO2 index. This goal is very important, which is to neutralize carbon emissions of all Americas S.A. By 2025.

We believe that we can and will contribute to a better world, being more inclusive, more sustainable and better goals for the future.

Onto the next the next session. These are the top operational and financial indicators of Americanas S.A. In the second quarter. On Slide 25, these are our operational metrics. Our active customer bases, the number of transactions, and the number of assortment, and the number of sellers keep on growing, which states that we are heading the right direction.

Second quarter of 2021, we have reached 49 million active customers, accounting for a 21% growth when compared to Q2 of last year. We're adding another 9 million new customers. Number of transactions were up 22%, when compared to the same period last year, reaching 381 million transactions in the past 12 months. As to the assortment, we keep on growing. We have reached 111 million items available on our platforms, a 171% growth when compared to last year. We have also grown the number of sellers connected in our marketplace. We now have 1 in 4,000 in the second half of the year, a 50% increase when compared to last year number.

On Slide 26. We have the financial highlights of the second quarter. The company chose to present results starting January 1, so that we can have comparable results in 2020. We did that to improve the analysis. The total GMV has reached BRL12.6 billion, a 33% increase driven by the growth of our digital platform and the exhilaration of the physical platform.

Net revenues reached BRL6.9 billion, a 46% increase when compared to last year. Our adjusted EBITDA was BRL1.1 billion, an EBITDA margin of 15.5%. Net income reached BRL225 million in the quarter.

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On Slide 27, this is our GMV composition amongst different platforms. The total GMV of BRL12.6 billion was made up of, from partners BRL5.1 billion, a 30% increase. Gross net revenues from digital BRL4.8 billion, up 46% and gross revenue from the physical of 2.8% an 18.2% increase.

Let me highlight that the total GMV from partners, and with the gross revenue reached BRL9.8 billion in the quarter, up by 37% when compared to the accelerated growth of 72% of the previous year. Even in a difficult comparison basis, the growth we have seen in this quarter is 10% percentage points above the growth before the pandemics, when we grew by 27%, in the first quarter of 2020. In the physical arena, the 18% increase was an important achievement. We had 31% of our sales stores operating with some sort of restrictions, in the same store concept to the physical growth was 17.6%.

On Slide 22 [ph], we show the non-recurring effects in the quarter as described in our release and detained in our explanation. The sum of the events of the no pro forma result had a positive effect of 309 -- 309.3 million in our net income according to the reconciliation made available.

As announced yesterday, the (inaudible) buyback program was approved. The goal is to maximize value generation for our shareholders through efficient allocation of capital. And the limit is up to 17.5 million shares of Americanas S.A. In the next 18 months.

This concludes our first quarterly presentation of Americanas S.A. We can now move onto the Q&A session. Thank you.

Questions And Answers

Operator

(Question And Answer)

Thank you.

Ladies and gentlemen, we will now start our Q&A session. (Operator Instructions). Our first question, Luiz Guanais, BTG Pactual.

Q - Luiz Guanais

Good afternoon, everyone. Two questions on our side. I'd like to understand, how you have seen the effect of growth initiatives, you have commented about the conversion of the online platform, so how could we think about evolution of this conversion from now on? And a second question, the combination of the two business and online policies. Can you talk about the evolution of (inaudible) in the next quarters? Thank you.

A - Marcio Cruz {BIO 20930484 <GO>}

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(foreign language), thank you for your question Guanais. Good afternoon. Let me start with the online. Let me talk about the online growth. We have seen things are progressing as of the fourth quarter, I can give you some color on the numbers, but we're not pleased with it, we still see many opportunities out there. There are several initiatives underway that are already impacting that conversion and improving sales and they reflect even more substantially in the quarters to come.

In Q4 of last year, we grew 38% along the lines of market growth, but there was a GAAP for stock players. There were about 100. So there was that 60 point gap in Q1. We sped up that growth. We grew by 9%. So we brought that gap down to 13 points as to the top players. We grew 37%. And we have brought that gap down, we close that gap even further. That's according to the overall performance. There are several initiatives going on. They will improve conversion. Let me just highlight a few. If we take marketplace, fast deliveries is one of the pillars we have been pursuing and we have been improving when you look at fulfillment, for example.

We have implemented several improvements. They helped the performance substantially. DO shipping. They purchase and they ask questions. From 70%, we are now at 97%. This is for 1P and fulfillment. Sellers that are in the fulfillment, we can service customers very quickly that involves several process improvements, our recommendation engines prioritizing fast deliveries. These sellers in fulfillment have multiplied their GMV by four when compared to performance, they have before. A very important pillar, there for to keep on moving forward with the fulfillment.

For some long tail categories, we started out fulfillments in electronics, but we have been moving on in the long tail. Penetration moved from 5% to 25% in the fulfillment. So very important improvement. We remain very confident that it will continue to grow. Another important front for fast delivery which is to collect from sellers on the same day.

We have over a 1000 sellers within that category and the sellers that are, we can multiply that by 3. The number of deliveries the same day deliveries. So, will -- it will impact conversion, it has to do with your question. There's another front, which is this sellers acquisition to expand on our seller bases, there are some important initiatives away from Sao Paulo, Rio.

There are three cities in which we are focusing on the -- sellers expansion. It's a six-fold increase in these three cities. That has to do with the combination, we are physically present in over 700 cities, it can be scaled and it's important to have a local seller when we bring them in, we can improve delivery times and freight conditions that can be brought down by 50% and there are there are several other initiatives. We talked about that in the press release.

Sellers that are in the ads platform, they're growing above average and ads have been improving. There are combination strategies, inventory, dark stores, changing layout benefiting O2O, they'll bring in way more growth looking forward.

In conclusion, 3P ended up being impacted by some electronics. They did not have a such a good performance when compared to the same quarter in the previous year and the long tail categories that can bring in recurrence, they are doing well. We remain confident on that growth. Timotheo will be talking about O2.

A - Timotheo Barros {BIO 15896838 <GO>}

Thank you for your participation in our call. To when we look at the evolution of O2O in the last three years, we have increased our share or order volumes. In the last 12 months, what we have released we have 4.4 million and GMV.

In O2O, when you look at the first quarter of '20 -- of this year, we have over 6 million orders with all types combined take away or store pick up, store pickup today. This number has been growing and we see many opportunities. We should remember that, this level has only been reached because when we talk about stock unification, this is something we'd already been doing in doing in the last three years. From a customer perspective, our inventory has already integrated both physical and digital through our O2O operations. With this new combination of companies, the natural way to go is to speed up growth of O2O.

We have many opportunities with the stock unification and this will speed up our business. And then expansion of assortment to our stores. What we take some categories. We have a very detailed level of information in some categories. In some of them we know that 80% to 90% of the of sales are made in about 7 kilometers to 10 kilometers away from our stores.

When we have a large physical footprint, we can take that assortment and take it to a closer, take it closer to the end point and this leverage will of course, affect our marketplace assortment. We know what is sold the most, and we can go to the ends through our capillarity. And when we consider digital and physical integration, we have many challenges. Its inventory is shared by the customers who are buying from our stores and through our websites too and that's a great challenge to be increasingly more accurate in our stores.

Q - Luiz Guanais

Perfect. Thank you, Timotheo. Thank you, Marcio.

Operator

The next question comes from Robert Ford from Bank of America.

Q - Robert Ford {BIO 15127836 <GO>}

Good afternoon. Thank you for taking my question. How are you going to integrate that in your platform, including BR Minea [ph]? How soon will it be able to leverage those assets? Are you being able to hire the necessary talent?

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A - Marcio Cruz {BIO 20930484 <GO>}

Good afternoon. thank you for your question. Well, that's a very important question. In terms of hortifruti in this case, we believe we have a different value proposal and the idea is to have fresh products or produce in 24 hours from the field to your home. There's a whole expansion program that's really well defined and they focus on this very special service with a digital service base, so as soon as CADE approves this transaction - CADE [ph], our team's work together to see what kind of synergy can be worked on and what kind of value can be added to this transaction.

We already have a view of this, it has already discussed with their team, which is made up of highly qualified professionals and we will be creating an expansion plan that will be at more accelerated. How will this work? How will these teams interact? This can only happen after CADE approves the transaction. Then we'll be finding ways and how the strategy will be designed art this general strategy of exchanging earnings and results and information and synergy.

We're creating this concept and as we like, we had the approval of the Uni.co Group by the CADE. The acquisition of Uni.co. We already had an expansion proposal. Now, our teams are working together to see what will happen if we will do what was predicted and what kind of speeding up can be done and also including capital allocation analysis which is okay for our company as large as ours.

So these relationships are being built and as you build a relationship like this, you also end up to -- you go to other relations in all these relationships they have a highly, a high-tech focus in the digital world. As we build this, we will feel increasingly more motivated to build new initiatives a classical example is BR we have series of ideas, but the CADE hasn't approved this yet and this of course restricts the building of this relationship, okay?

Q - Robert Ford {BIO 15127836 <GO>}

Thank you, Marcio.

A - Timotheo Barros {BIO 15896838 <GO>}

We believe this will grow, so we have a first base that's about a three month period, so we're designing the integration process then in parallel in our -- a business front as we explained we are developing the shared services part improving them and that will make integration easier, so there are many fronts and they -- and these fronts will help each other out in a way creating, a continuous value generation cycle to estimate about three months to six months. But that will depend on the proposal we will be developing together.

Q - Robert Ford {BIO 15127836 <GO>}

Timotheo, thank you. Thank you for the answer.

A - Timotheo Barros {BIO 15896838 <GO>}

Thank you, Bob. Right.

Operator

Gabrielle Simons [ph] from (inaudible). Asks the next question.

Q - Analyst

Good afternoon. Thank you for taking my question. I have two questions. Free shipping. You have 54% of orders, right? What is the expected penetration of free each shipping in the quarters to come?

What is the threshold? How many more sellers can we expect to adhere to the fulfillment? And my second question is about (inaudible). You have been increasing that a lot. What is the potential for each of these products and services? And what are the initiatives for these activities? What is the expected impact of these new acquisitions? Thank you.

A - Marcio Cruz {BIO 20930484 <GO>}

Thank you, Gabrielle. Thank you for your question. This is Marcio. I'll start my answer with free freight. Free freight, as you said, we have 54% that's 1P and 3P. So when we look at the market, we see about 70% that's the level that they operate in and that's what we expect to reach. We're evolving towards this. We started at 20% with our free freight policies. This is a level we can reach but there's always this evolution curve we need to go.

Our free freight policy includes what the subsidies that we give for our digital and then the sellers and then customers depending on where they are. They pay part of the freight fee. So you need to strike a balance between all these three elements. And we see many opportunities to develop and evolve And evolve in this on this level. We're now in the third version of our free freight platform.

In the last, we have the flash. You should remember that free freight is always linked to improving service levels. So this is a new initiative if this new version. And it also contributes to shorter delivery that firm deadlines and especially with low tickets that's a great challenge for us to strike a balance there.

But then there again link to recurrence, so it may look different store and fulfillment and these lower take it products. You still need -- you have room for improvement still and with this new combination and unified inventory, we will continue with 1P and 3P and the stores will be closer to our customers and this includes, this free shipping.

We can ship from the dark store to the dark [ph] clients home. This is our free shipping platform. And also I'd like to say to Gabrielle that we are in a process of evolution, a true evolution of our supply chain overall. Today, as soon as we have a single inventory. We will have a distribution network that is unprecedented in our history. So we will create innovative solutions. Free shipping can be expanded based on a completely different cost dynamics.

A - Timotheo Barros {BIO 15896838 <GO>}

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We are really excited about this front as Marcio said, it needs managing, of course, we need to go deeper in to the stocks of the end customers or clients and we will need help from all our suppliers overall.

I'd also like, to stress this point that Marcio had said it. I believe, it's very important. Thank you, Gabrielle, and that will talk about Ame. Hi, Gabrielle. As for Ame, we have many developments here. When we look at our super app, we have many fronts. When you look at Ame, Ame has three main businesses. Super app is one of them, that's where our marketplace is that's where the marketplace is and its evolution (inaudible) includes the credit card and partnerships, online shopping, car for a drive, traffic [ph]mobility.

And then we have a software-as-a-service, banking-as-a-service credit-as-a-service and pics [ph]-as-a service. This is a platform business, it's being constructed, it's underway and then our banking card and that's about credit, so with the acquisition of Nexoos, which was made last May that's another very important element. Those that borrow our are small companies and this credit platform Nexoos credit platform it will faster entrepreneurship in this country generating jobs, creating jobs and providing alternatives options for those that want to invest.

We have three main businesses in Ame. Our marketplace for services and products financial services and products, it's being developed and it -- this involves engagement. We're also building our platform of banking as a service software, as a service with the acquisition of Bit Capital and Parati. We're waiting for Brazil Central Bank to approve the transfer of control both of Parati and Nexoos. We're just in line fine with what was programmed. There's many more to come.

Q - Analyst

Thank you. Thank you for the answers.

Operator

Joan Suarez, asks the next question.

Q - Analyst

Hello. Thank you. What is the take rate dynamics? It's difficult to understand that after the consolidation. Can you explain, what is the expected evolution of their metrics as sellers move on to the fulfillment category? What is the take rate expected growth? My second question. Can you talk about the P&L of Ame? How much investment is expected there? My question is about OpEx. What would be the organic EBITDA, excluding these effects of Ame investments?

And the last thing, the discussion about hortifruti natural da terra. Let me talk about the national expansion. That includes several suppliers in Southeastern Brazil. What's that relationship like? What is your estimated? How do you think this dynamic will play out nationwide? But I'm looking at other operations as well, not the prices at hortifruti natural da terra.

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A - Miguel Gutierrez {BIO 19393330 <GO>}

Okay, Joan. This is Miguel. Three questions. In terms of take rate, we need to look at this in terms of stability. In other words, we believe that you need some discipline right with this approach for the company to strike a balance in the long run. When you were excited about seeking increasingly more sales, there's always this pressure (technical difficulty).

This is about a BRL100 million of EBITDA. I think that would draw attention because of the accomplishments. And we are very excited not only because of the response of customers, but also because of the team that we were able to put that team together to face those challenges. Let me talk about hortifruti. This is something different, produce store is different. That's why we're so excited.

The approach is to offer products that are either or are rather fresh. It's 24 hours from the field all the way to the end user with a very digital, strongly digital approach. We have about 16% in that area. Today, they do have a growth plan, and we ended up acquiring that plan or embracing it. Everything we do on top of it. Given our internal discipline we are still waiting for the approval. That's what we do that's what we have to do. And then we'll be able to start implementing a couple of things.

For example, next Tuesday, we've been invited they're opening up a new store here in the district called Botafogo in Rio. There's an expansion plan and we believe it's a good expansion plan. What we can do on top of that we'll just have to wait for the approval of the authorities. We respect that of course. We like to offer something that is good healthy products, fresh produce and we want recurrence. That's what we're looking for. It has to do with our overall strategy, we'll have new customers from them and there's a whole new assortment, which is very interesting, but it does not mean that will be a major food supplier that's not it, when you think about a nationwide point of view, these concepts are part of our business model. These things will have to be monitored for new cities that we may stop -- we're operating in the future. But let's not forget that where we operate today, there are still many opportunities for improvement there, that's Rio, Sao Paulo, Minas and Espirito Santo. I don't know whether I answer the question. The rationale behind our excitement. I hope I did.

Q - Analyst

That was very clear, Miguel. I believe that you can update on the possible synergies that you can extract, right?

A - Unidentified Speaker

Yes. Of course. Let me emphasize that before we showed that combination synergy. This is a completely new dynamics. We'll be updating everyone as these new synergies arise. By let me be more specific about the regulation. We have to wait for the approval from the authorities. They take the time they need before we get that final approval.

Q - Analyst

That's fine. Thank you.

Operator

Danielle Ager [ph], asks the next question.

Q - Analyst

Hi, it's almost good afternoon. I have two questions actually. The first one is about an update about the next steps of the merger. I'd like to know whether there's some updates along those lines?

Let me just ask for a follow-up on the take rate dynamics. I would like to know, your take on this competitive environment. I know you operate in a very competitive industry and that's part and parcel of the business. But we have the impression that everyone is upping their gain. They're focusing on some, some of your peers are becoming more catalyzed, take rates coming down for some. What's your take on that dynamics? What are the main strategies and pillars? That you expect to focus on to guaranteed a better performance in the future. Thank you.

A - Unidentified Speaker

Danielle, this is Fabien. Thank you for your questions. Let's start with the first, as for listing of Lojas Americanas in the United States. We released on April 28 about the structure that we proposed in two phases. Phase one has been completed, so we have combined the all the operational aspects of our business so we create Americanas S.A. Now phase two there are some steps that still need to be need to be taken define jurisdictions and stock exchange matters, that still, that need to be taken and studied and defined for us to update the market about. This will be done as soon as the studies in the efforts to move forward.

After phase two, well, the funding sources reducing of capital costs and all the transactions and aligning the long-term alignment. An exposure to the new analyst coverage, increasing our global visibility. We will keep the market updated. Now, for the second question Daniela [ph].

Well, this is one of the tools that the new market is working on it of which we are part, it's really aggressive and commercial terms, it's similar very similar to hire purchase like 24 installments or even more, but now with that focus on our sellers, we believe there's a lot of room for improvement in this respect. We're working really hard to improve our chain as a whole, we have this national footprint. We have expanded our chain in order to have a more efficient supply chain, the most efficient of all making the most of our stores that are everywhere, we are working on improving efficiency.

On the other hand, we have also invested in long tail assortment, so competition may not -- it may not be a priority for us. Now the higher competition items, there's been a lot of pressure in (inaudible) in general now. Our view is always mid and long-term view. Our approach is to look at the future. And to achieve this, we need an operation that's profitable that can stand on its legs. That's what we are seeking. And that, of course, we may also need to make isolated adjustments on the way, right? We need to strike a

balance between all the stakeholders of this dynamic. Seeking stability in the mid and long-term, but there is very fierce competition, you're very right.

Q - Analyst

Thank you.

Operator

This concludes the Q&A session. I would like to turn over to Miguel for his final remarks. You can proceed now sir.

A - Miguel Gutierrez {BIO 19393330 <GO>}

Thank you for participating in our first conference call of Americanas S.A. We're really excited about this new phase. It's time to add up. Our Investor Relations team is at your disposal to clarify any additional questions. Thank you, everyone have a thank you everyone. Have a great afternoon.

Operator

This concludes the earnings call. Thank you for attending. Have a great afternoon.

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