

Y 2018 Earnings Call

Company Participants

- Fabio Da Silva Abrate, CFO, Investor Relations Officer

Other Participants

- Analyst
- Richard Cathcart
- Ruben Couto
- Thiago Bortoluci
- Thiago Macruz
- Tobias Stingelin

Presentation

Operator

Good afternoon and thank you for standing by. Welcome to the B2W Digital Company Conference Call to discuss the results referring to the fourth quarter 2018 and full year. Today we have with us Mr.Fabio Abrate, the CFO for B2W, and Mr.Carlos Padilha, the CFO of Lojas Americanas. To be able to keep up with the conference call, we suggest that you use the presentation that is available at ri.b2w.digital. 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 given. (Operator Instructions) The replay of this event will be available soon after the closing for the period of one week.

Before proceeding, we would like to clarify that forward-looking statements made during the conference call referring to the B2W business outlook, projections, operational and financial goals are based on beliefs and premises of the company management, as well as on information currently available. Such forward-looking statements are no guarantee of performance. They refer to future events and they involve risks, uncertainties, and premises and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operational factors could impact the future development of B2W Digital and lead to results that differ materially from those expressed in such statements.

We would now like to give the floor to the speaker who will begin with the presentation. You have the floor, Mr.Fabio Abrate.

Fabio Da Silva Abrate {BIO 17940993 <GO>}

Good afternoon ladies and gentlemen and thank you very much for participating in our conference call. Initially I would like to highlight the evolution of our three-year strategic plan to '17 through '19 with the goal of speeding up the transformation process of the company from e-commerce to a hybrid digital platform. We believe this will be the best combination between e-commerce, 1P, Marketplace, 3P and Digital Services once we have the assortment in order. In 2017, the company was ready to grow again. Thus the year 2018 was marked with a resumption of growth of the total GMV.

In 2018, thanks to the accelerated transformation of the physical and digital world, and with the goal of capturing the new opportunities in this business environment, we created IF, Innovation and Future outside of the operations of Lojas Americanas and B2W. The mission of IF is to create disruptive businesses and leverage the initiatives of both companies. The main pillars of IF are to incubate new business, accelerate the initiatives underway, invest in start-ups, venture capital, lead the O2O fronts and once again, prospect new opportunities, including M&A operations.

Throughout the year, we also created LET's, a shared management platform for logistics and distribution for LASA and B2W. The goal is to optimize the company operations through a more flexible fulfillment model. This significant initiative along with the robust technological platform of B2W allow us to be in a singular position to continue offering the best purchasing experience to clients, increasing our assortment, working with ever-faster deliveries, and changing the way in which the customer pays for shopping.

We are convinced in the year 2019 that all of the initiatives underway for B2W will enable us to successfully conclude our three-year strategic plan, generating value for our shareholders and serving as a foundation for the future growth of the company.

We will now begin the presentation on Slide Number 3, highlighting our strong performance for Black Friday in 2018. The investments made in the digital platform once again show the leadership we have in traffic and sales. Sellers were able to escalate what they did, selling 45 days of sales. In Black Friday, we were the largest Marketplace platform in Brazil and 3P represented 63% of the total order for B2W.

This performance has enabled us to obtain excellent results in the quarter, as we show you in Slide Number 4. During the quarter, the total GMV reached BRL5.1 billion with a growth of 31.9% vis-a-vis a growth of 13.4% of the market according to Ebit, thus resulting in a market share gain of 4.2 percentage points, going from 25.4% in the fourth quarter of '17 to 29.6% in the fourth quarter '18. The Marketplace GMV reached BRL2.9 billion, growing 61.3% and reaching 57.1% of share in the total GMV. During the quarter, the B2W Marketplace connected over 3,100 new sellers and B2W Delivery connected more than 3,500 new sellers.

We go on to Slide Number 5, highlighting the results for the year 2018. The total GMV reached BRL15 billion with a growth of 26.8% vis-a-vis a growth of 11.5% in the market. In 2018, the B2W market share expanded 3.4 percentage points, going from 24.8% in 2017 to 28.2% in 2018. The Marketplace GMV reached BRL7.7 billion, a growth of 70.7%,

reaching 51.6% of share in the total GMV, surpassing the goal that has been set forth of 50%.

Throughout 2018, 12,200 new sellers were connected, more than doubling the base vis-a-vis the previous year, and totaling 21,900 sellers. B2W Delivery ended the year servicing 18,500 sellers, representing 84.5% of our seller base.

We go on to Slide Number 6, mentioning the significant evolution in cash generation. In the fourth quarter, B2W generated BRL215 million in cash. With this result, the cash consumption was BRL239 million, a reduction of BRL716 million vis-a-vis the BRL955 million recorded in 2017, an enhancement of 75%. This result shows that we are on the right path to obtaining positive cash generation in 2019.

We go on to the Slide Number 7, highlighting the Marketplace evolution, a significant front for profitability growth. In the fourth quarter '18, the Marketplace GMV reached BRL2.9 billion, growing 61.3%, and throughout the year, recorded BRL7.7 billion with a growth of 70.7%. The strong performance of the Marketplace is the result of joint work of B2W and Sellers to offer the best value proposition for customers. The robust technological platform developed in Digital Labs by our more than 1,000 software engineers was fundamental to speed up the entry of new sellers throughout 2018, expanding assortment and the variety of offers.

The use of technology associated to the ability to data processes in a broad scale makes the Sellers operation simpler. Since the beginning in 2014, B2W Marketplace works with open APIs and presently we have reached more than 100 million requests per day on different interfaces such as products, pricing, inventory, and freight. Besides this, B2W continues to offer support to sellers so that they can continue to grow in a sustainable way within the platform, incentivizing entrepreneurship and making it possible to lead to new companies and businesses.

In this sense, in Slide Number 8, we would like to highlight the growth of the seller base for B2W. Since the beginning of the operation at the end of 2014, B2W Marketplace has connected more than 21,000 sellers. This fast evolution is a reflection of the high attractiveness of our Digital platform. For 2019, we would like to reach 40,000 sellers. Even with this rapid expansion, we are still very stringent when selecting those who will sell on our platform as the reputation and quality of our partners are important factors in evaluation, and are aligned with our goal of creating the best marketplace in Brazil.

We are proud to provide support to the sellers so that they can grow and develop together with B2W. We have this partnership relationship where everyone wins, the client, the seller and the company. Thus, the B2W Marketplace puts together the best sellers in the market in a fresh platform, in which clients can purchase their favorite products knowing where they come from and with high quality product. To continue providing support to the sellers in all verticals, we launched in 2018 the Credit Seller, which is the loan platform of B2W Marketplace. In a partnership with a financial institute and based on the sales history, credit lines are granted and payment of the installment is discounted in future sales, reducing the risk of the operation and the interest rates.

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On Slide 9, we would like to discuss the assortment evolution. Along the last four years, we presented an exponential growth in the sellers' base and an expressive evolution of operating indicators of sellers who are already connected. As a consequence, the assortment of products, the SKUs offered to the clients had strong evolution from a base of 800,000 SKUs in December 2014 to 8.1 million by the end of 2018. The expansion of the assortment is the basic pillar of our value generation cycle, and it consolidates the perception that our brand can purchase anything and we position as an operation, typical of one-stop shop. In 2019, we want to reach 20 million SKUs.

On Slide 10, we would like to highlight the launch of Americanas Mundo, a cross-border operation that will enable clients to purchase product from everywhere in the world, including the United States and China. The operation allows millions of items from different categories to reach the client in Brazil directly. The cross border will help expand the assortment of the company and will open a new phase of growth and profitability of the B2W Marketplace.

On Slide 11, we would like to discuss the important initiatives of O2O. Online and offline of Lojas Americanas, that has been perfecting the experience of purchase of our clients with evermore significant results. The physical experience and online experience allows us to offer the best of both worlds. In the first 12 months, more than 1.2 million clients purchased items using those initiatives.

The Click and Collect ended 2018 available in 1,100 stores, exceeding the target of 800 stores that had been previously established, and is the only Click and Collect model present in all states in Brazil. The Click and Collect Now allows the collection of the product, the inventory of the store within one hour after the online purchase, is already available in all the 1,490 Lojas Americanas stores. In the fourth quarter 2018, Lojas Americanas expanded its operations as seller in the B2W Marketplace to all the states in the country. In 2018, we recorded orders of clients in more than 3,000 cities in Brazil, proving the capacity that we have to increase the capillarity of LASA, sending its products in americanas.com.

In addition, in March 2019, Lojas Americanas and B2W launched the pilot LASA Entrega, Ship from Store, allowing clients to purchase online the products in the physical store of Lojas Americanas and receive their purchases at their address within two hours.

On Slide 12, we will discuss the quick evolution of B2W Delivery or Entrega, which is a platform that controls the deliveries in the Marketplace. This service was launched in March 2017, already has 18,500 sellers already connected accounting for 84.5% of the total base of sellers. The B2W Entrega is operated by LET's, our shared management platform for logistics and distribution assets of LASA and B2W. LET's is also responsible for the operation of Fast Delivery program that reduced by half of the delivery times of B2W. At present, 50% of all deliveries that are made through the platform are carried out within two days. The sellers connected to B2W Entrega have access to the same service level of 1P of B2W, and therefore, the platform is an important front to reduce the delivery times of 3P, and also to offer a better experience for the client.

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On Slide 13, we would like to mention that B2W continues to be recognized as the best provider of services to clients. In November, B2W Digital was awarded in with two prizes, Epoca Reclame Aqui and Americanas.com won for the sixth time in a row in the e-commerce Large Operations [ph] category, and Direct again for the third time in a row in the Logistics and Transport category. Americanas.com is the e-commerce site that presents the best MPS in the Large Operations category, accounting for 8.4.

In addition to it, it's the best title in the category with the AR-CL1000 [ph] in the vision of the last six months. And the ranking of the service of the complaint here of Reclame Aqui, we have the best ratings. The 1P of B2W has an average rate of 8.3, while the competition ranks with the grade of 6.9. In 3P, B2W has an average grade of 7.5 versus 6.5 of the competition. In addition, in order to be closer to our clients, in May 2018, we launched a new relationship channel via WhatsApp, promoting a way of communication, which is innovative and friendly. In October 2018, we launched new functionalities, allowing our clients to check the status of their order by means of WhatsApp. Currently, 45% of the orders have the tracking using this tool, and on a monthly basis, 4 million messages are sent with information about their orders.

On Slide 14, we will discuss the quick expansion of Ame. Ame is one of the main -- one of the first initiatives of IF and it came as a way to give revolution to the way people handle money. After nine months of operations, the number of downloads of Ame reaches 1.8 million, and clients can pay their purchases with the app in all sites of B2W and in more than 500 physical stores of Lojas Americanas.

Moving on to Slide 15, we would like to discuss the new functionalities of Ame, A-m-e, that were launched in March 2019. The clients can pay bills, recharge their prepaid cellphones, make deposits, cash-in in the POS of Lojas Americanas, and transfer resources to bank accounts in both cash-in and cash-out operations. In 2019, as part of the business plan, Ame will have an incredible roadmap of new functionalities and this will be an important contribution to the future of Lojas Americanas and B2W.

And lastly, I'd like to take the opportunity to thank our team for their enthusiasm and dedication. I would also like to thank our suppliers for the partnership, the Marketplace Sellers for choosing our platform and our shareholders for the trust they placed on us and especially, for the clients for the preference. These were the main highlights related to our performance in the fourth quarter and the full year of 2018.

I would now like to open the Q&A session should you have any questions.

Questions And Answers

Operator

(Question And Answer)

Ladies and gentlemen, we will now go on to the question and answer session. (Operator Instructions) Our first question is from Mr.Thiago Macruz from Itau BBA.

Q - Thiago Macruz {BIO 16404924 <GO>}

Good afternoon to you and I have two questions. What draws attention is, in the fourth quarter is the strong growth of GMV that has grown once again. And in the fourth quarter once again we have the feeling that you seem to be going back to some of the categories of IP. Is this true, does it make sense? And I would like to understand the reasons underlying this. This is the first question.

You made an important launch cross border Americanas Mundo in the fourth quarter. We have limited information in terms of that operation. Perhaps you could share with us the main indicators you have obtained, the goals of the operation and how far it can go, simply so that we can clarify some doubts that we have. Thank you.

A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

Macruz, good afternoon and thank you for your participation. In fact, we had a very strong GMV in the fourth quarter, 32%, contributing significantly to the growth of Ame. And when we look within the fourth quarter, the Black Friday, of course, was pretty important. As you'll find in the presentation with a significant share in the Marketplace, it was 57% of everything that we sold. And orders on Black Friday represented 63%, which means that Marketplace came about in that very strong pace that we observed throughout all of the quarters of the year. When it comes to IP, in fact, we did have a growth higher than 6%, contributing to the general results. All of this, thanks to the adjustment that was made, we have found what we call the optimal balance between IP and 3P. And because of this, it became obvious that we would observe growth coming from IP as well. This is a natural impact of everything that we did in 2017, and after the adjustments in the assortment, enable us to have a different balance between IP and 3P, and we are now able to observe growth coming from our direct sales in the company.

When it comes to the cross border, this is a newly launched operation. The official launch was last week, and what is important here is that trans-border begins a new front of growth and profitability for Marketplace. Up to the launch, we only made available merchandise from local suppliers, and presently, we have grown. I am referring to sellers from US, China, from countries in Europe. And we have found very large and significant sellers that we are now beginning to sell their assortment to our clients.

When we speak about the evolution of assortment in the company per se, we got to 8.1 million SKUs throughout 2018. This is how we ended the year, and the goal is quite aggressive to get to 20 million SKUs in 2019. Of course, this will have a contribution, not only from faraway sellers with whom we are working very strongly so that they can grow their assortment within the platform, but also with the new local sellers that we are going to bring in and with international sellers as well. What is interesting here is that we completely changed level. Previously, we had a local operation, we now have a fully international operation. We do have some people speaking Mandarin here in Brazil, which means that they can prospect sellers abroad, and we do have some advanced positions in some countries. We do have a front that brings merchandise to the IP -- IP, and this trading that was prospecting suppliers is now also prospecting new sellers.

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When you compare local sellers with international sellers, a large local seller would represent 1,000 -- 1,000 to 3,000 items at most. When you speak about international sellers, we begin speaking about millions. So what we are going to begin to follow up on are the sales KPIs, is the amount of sellers and the assortment and of course, profitability from these operations, the international operation, more specifically.

Q - Thiago Macruz {BIO 16404924 <GO>}

Thank you very much Fabio and thank you for your response. Simply to clarify something, the growth in the 1P, this is not associated to a return to some categories that you were focused on for 3P. Are you -- perhaps you were doing this because of traffic or to be competitive again, there is no link between these.

A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

Now, let's go back to what I mentioned between 1P and 3P. It's important to also mention that in the fourth quarter, we have Black Friday concentrated on a specific group of items. We are very strong on those items in 1P, and of course, this contributed to the growth that we had as a whole and in an isolated way as well.

Q - Thiago Macruz {BIO 16404924 <GO>}

Thank you very much.

Operator

Our next question comes from Ruben Couto from Santander.

Q - Ruben Couto {BIO 20636571 <GO>}

Good afternoon everyone. In the beginning of last year, you expected to end 2018 with a cash burn, which was -- would be very small, but you were beyond what you expected initially. Can you provide more details on what you had in mind at the time and what was realized at the end of the year, what were the main differences? And if you could share your expectation for consumption and cash generation, I would appreciate. Thank you.

A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

Good afternoon. Thank you for your participation. As we see it, the result of the year is in line with what we were expecting and what we have been disclosing, especially as regards to the reduction of cash burn. We are in the middle of the three-year plan, '17, '18, '19. And '17 was a transition year, but we were able to observe a very large, important evolution, in the cash evolution of the company, we reduced about BRL700 million. And in 2018, we had a different year because of growth resumption above the market levels, and we once again presented strong reduction at about BRL716 million. So, there is nothing, as we see it, that would be different from what we had disclosed.

And for this year, we expect that this year, we will continue above the market level growth. The expectation for the market growth is from 12% to 15%, and we expect to be growing at a fast rate, better than markets, and 2019 is what we expect in terms of growth. In

terms of cash, we want to have a company that generates cash throughout the year, and that would complete our three-year plan in a very successful manner.

Q - Ruben Couto {BIO 20636571 <GO>}

It's clear, Fabio. And at 40 stores up to 2019, are you doing anything different from what you were doing before or you were just moving a bit faster? And could you provide more details about the current capacity of B2W to absorb the new clients or is the company planning to make more investments to make up for the new capacity?

A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

Thank you Ruben for your second question. Our capacity to connect new sellers is growing along the years. We want to have large scale gain in terms of systems. We have the new sellers, a large number of sellers, and we call it an open sea. So the seller would come into our platform, would upload the items, and start selling. And this has contributed in a very strong manner in this connection of -- amounting to 3,000 sellers per semester, and we have been able to keep up to this pace. And another point is our hunt team that has been gaining the scale. As I said when I answered the previous question, our team started to operate in an international manner. So, we are bringing in local sellers, but the cross border would open a world of opportunity so that we can connect new sellers, and also to connect assortments or to bring in assortments into the new platform.

And the profile of seller has been changing along the years. Back then, their share was represented by people who were trying to operate on the internet. And after 2018, we started to bring in new sellers from the physical world. And this is highly connected to your second question, which is related to B2W Delivery or Entrega. As we break down all the barriers for people who used to operate in a physical manner and we can bring into the platform, we can accelerate the space and this would be one of the verticals that B2W has that would help us in this regard. The adhesion to the services has been growing since 2017. At the end of last year, we had about 50% of our sellers -- at the end of 2017 to be exact, 50% of our sellers were using the service. And 2018 ended with nearly 85% of sellers, about 18,000 sellers in exact numbers, using B2W Entrega, which is a unique service provided in the market that was developed for -- specifically for our business, but now we put the service of the sellers.

So all the hubs, the CD, the DCs that we develop for B2W are now being used by our sellers or are available to the sellers in the Marketplace. And this has been an important source so that we can grow in a sustainable manner, because the service level for us is a very important point, and we have this concern with the service level, and being able to provide support to the seller in terms of logistics is a way to continue growing our marketplace in a sustainable manner without any problems related to the client or to the seller itself.

So the current capacity of the company would absorb the 20,000 additional sellers, yes.

Q - Ruben Couto {BIO 20636571 <GO>}

Okay, great. We have the capacity to increase the share in the marketplace even if we bring in the new business sellers. Thank you.

Operator

Our next question comes from Richard Cathcart from Bradesco.

Q - Richard Cathcart {BIO 16457807 <GO>}

Hi, good afternoon and I have two questions if you wish. First of all, you disclosed the number of visitors to the site, which was 50 million in 2018. I would like to know if you can explain the growth vis-a-vis last year. And the second question refers to your expectation on the credit book for the sellers in 2019. What should be the size of this credit book at the end of 2019, and what will be the impact on revenues and profits? Thank you.

A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

Richard, thank you for participating. I am going to begin with the second question. The Credit Seller is one more tool to accelerate the Marketplace, and I would like to remind you, since our start off in 2014, we already had a (inaudible) product for anticipation until time we came to realize that sellers needed more, more tools to be able to broaden their assortments whether horizontally or vertically, and also to be able to invest in promotions, advertising and price, and to be able to invest in their own physical structure, their teams, training. Therefore to be able to grow along with B2W, it became necessary to offer more funding to the seller, going above and beyond what we were already granting formerly. Now, we held a pilot in July, officially in August. The curve -- the growth curve has been very positive. We do have some figures. Unfortunately, I cannot share them with you.

But for 2019, it is our understanding that this operation will have substantial growth. And we remind you that we do not carry the risk of the operation, which is very important. We do have a financial partner and we simply have gained through a quota a fund that we've set-up. And once again, this fund has been receiving contributions almost monthly due to the search for this. Therefore, for 2019, besides other factors that will contribute to the growth of 3P, the Credit Seller -- well, we look upon this in two different ways. One, fostering the sales to the Marketplace, and with sales, of course, an increase in rate and then the operation per se where we will be able to obtain a margin from operations. So, these are the two different movements that, at the end of the day, we would observe in the company's P&L.

Now, referring to your first question, the total hits or visits to the company in 2018, almost 2 billion and we are referring to a growth of 24% in the total number of single visitors, as you mentioned.

Operator

Our next question comes from Joseph Giordano from JPMorgan. We apologize, we lost the sound.

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Bloomberg Transcript

Q - Analyst

This is not Giordano in truth. And I would like to focus on the Ame. You gave us quite a bit of information on number of clients and the new services that you are offering. We would like to better understand how much this is already contributing to the operation in terms of cash generation, portfolio, and which has been the impact on your economics. If there is a contribution of revenues and the bottom line of Ame, and which were the new initiatives, credit, investment or the payment of bills?

A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

Good afternoon. Thank you very much for participating in the call. In relation to Ame, it's an initiative of IF, just as a reminder, whose mission is to create and accelerate disruptive businesses to the company. Ame, and the way we see it, is a digital payment method that is here to cause a revolution to the way people handle money. And there are some KPIs that we can share with you. The DPVO [ph] of 2018, for example, we can share with you as we had estimated, we wished two times what was budgeted. So we were very successful in terms of volume, and we added to a download base of 1.2. Just to provide some colors because we were expecting about 500, so we more than doubled from our expectations. Only in Black Friday, more than 150,000 downloads, so we can see how powerful this tool is in the granting of cash backs and bringing in clients into the company. In March, as we disclosed, we exceeded 1.8 million downloads.

So the frequency of purchase is much higher. The client comes back to purchase more to gain more benefits, more cash back, and the client also comes back to use the cash back that he received. So when we talk about the frequency of purchases, the Ame client has a frequency, which is higher than twice as much, which would be the frequency that was not in Ame, and we have visit factor of 2.5 times. So he would go back more often to purchase with us, and when he comes back, he will -- he would purchase more, so it's 2.5 spending. So, if I will share and upsell, we would say that it's 5 times. So when the client comes back, he would spend for example BRL700. So these were some of the indicators that we observed after we implemented Ame. Nearly all the indicators exceeded our initial expectations, and this makes us very proud and very optimistic for 2019. And we wanted to attract the attention to Ame, to B2W, and Lojas Americanas and accelerate the client bases. And when we look at 2019, we are going to accelerate the rollout of Lojas Americanas. We are already operating it in 500 stores. The idea is to have this in operation in all the stores we have throughout the year.

And one of the objectives is to increase the frequency of use. So we are going to enable the client to purchase in other establishments. And therefore, we launched the Ame that will enable anyone, any store owner to start receiving payment by using the app. So, this is the game that is played by the one who has the client in his hands. So, the more clients we have, the higher the number of store owners. And we will have the -- we are in this favorable cycle, and within our ecosystem of B2W and LASA, we have about 16 million clients to be captured at the onset. In addition to the new functionalities, the app has the functionality of purchasing, gaining a cash back. And it also allowed you to transfer among the Ame account, but now the clients can use the balance to pay a bill, the client can also re-charge the prepaid cellphone. So he's also able to do the cashing in the POS of Lojas Americanas.

In addition to that, he can also transfer to his bank account, to Ame account and vice versa. So we are gaining in terms of numbers of users and we have been adding new functionalities to this app. So, for 2019, we have high expectations considering what Ame can contribute to the results of the company.

Q - Analyst

Just something else very quickly, still related to Ame, we would like to know how the cash back is being accounted for in the P&L. So, I believe that at Christmas, we had a lot of volumes in terms of downloads. So how are they being accounted for? The second question, well, the line was disconnected when you are answering Richard's questions. So I would like to know the numbers of the growth of the company.

A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

The cash back is accounted for in a very simple way, is a sale reducer and with the obligation to pay to the client. So this money would be kept in the cash of the company. And the other question?

Q - Analyst

Yes, what I mean to say is that the line was disconnected for some minutes when you were answering Richard's question.

A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

Oh, yes, we didn't understand what had happened technically. 2 billion visits, answering the question, a growth of 24% when compared to 2017. And the total of visitors reached 50 million. The growth was very similar, about 25%. It's also important to mention that 70% of the traffic was mobile, which is in line with the 30 million downloads that we have for our app, total number of downloads. So, this accounts for 80 million. So our active base would be about 6% of the total base when we compare with the average numbers of the competitors. So, the number of downloads contributed to the traffic as a whole considering that 70% of the traffic is mobile.

Q - Analyst

Okay, great, thank you.

Operator

Our next question is from Mr.Tobias Stingelin from Citibank.

Q - Tobias Stingelin {BIO 18290133 <GO>}

When you think about Ame specifically, I would like to know if you have metrics that refer to users and cross sell because, of course, financially this can grow, but we do know that you want to allow it to grow significantly. Now, have you had this discussion of eventually implementing a change or speaking with Lojas Americanas about the use of Ame, which would be the need perhaps that you have of raising money to reinforce the speed of

growth. If you could speak a bit more about this, there are a lot of people in the market, everybody is investing and there seems to be a great deal of money in the market. So, if you could speak about your plans further in terms of Ame.

A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

Thank you Tobias, and thank you for your participation. Ame came about as a digital portfolio for payments to B2W. It has made an entry into LASA, and now it is being used worldwide. Now, the activities improved year after year, we have new opportunities and new business front. And this is how we are continuously evaluating which will be the best structure to enable Ame, to capture all of the opportunities that exist. And with the evolution of the financial model part of the company or the digital wallet, we have observed a reduction in our cash burn in the last two years, 2017-2018. In the last year, it was BRL716 million, and for 2019, the expectation is to have a company with a positive cash generation.

So this is the way that we are constantly assessing which would be the best structure, company structure and capital stock to be able to capture some of the business opportunities that come about. And as you know, the market is highly liquid for this fintech ecosystem that has a very rapid growth, something that has just come about with the outlook of becoming very important. And as everything else in the company, we are constantly revisiting it and assessing it to see which would be the best dynamics so that we can make sure that it can become a standalone system and to ensure that this business will truly contribute to value creation to our business as a whole.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Do you have an idea in Lojas Americanas at least of which will be the model and which will be the division between both companies? Simply to clarify this further, if you could give us an idea of the timing, for example.

A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

Well, the first step, Tobias, if I can give you more color, is the following. We do have a relationship with the Central Bank, the Federal Reserve of Brazil because at some point in time, we are going to have a legal structure for Ame to be able to separate the company business from (technical difficulty) business because of regulation. We are not forced to do this directly through the Central Bank at present, but in some moment throughout 2019, we are going to obtain the volumes that will once again demand that we do this, and the first step will be to create a company to separate the regulated from non-regulated activities. In the short horizon, what we are doing is to create a user base, and in terms of the company structure, what I can share with you is this first step, which is a natural step, is to allow for the growth of business in Ame.

Q - Tobias Stingelin {BIO 18290133 <GO>}

I am sorry, if you could be somewhat more precise. I was not able to hear what you said. Your -- what is it exactly that you are separating at the Central Bank level?

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A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

Yes, we are going to follow some steps, and the first step is the business step, which is the creation of an account and penetration within a world of users, end users. Now, when it comes to the regulatory part, which would be the next step that we would have to take, we have the creation of a company, a separate company to separate the non-regulated activities, the day-to-day operations of the company, and its regulated activity, which does have to do with the Central Bank.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Thank you very much. If you could do me a favor in terms of your SG&A, the low G&A in normal conditions, should it be constant going forward or will it change?

A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

We believe that yes, that would be a good practice, and this is what we presented in the fourth quarter '18.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Thank you once again for your responses.

Operator

Our next question comes from Mr.Thiago Bortoluci, Goldman Sachs.

Q - Thiago Bortoluci {BIO 20909105 <GO>}

Hello. Good afternoon. Thank you very much for answering question. My question is related to the competitive environment. We can see direct competitors capitalizing and with more aggressive attitudes. How would your strategy change for 2019, and if so, what is the implications for cash flow, G&A, et cetera?

A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

Thiago, thank you very much for your participation. In a competitive scenario is something that we have experienced for some time, this is part of our daily lives. 2017 was very competitive, 2018 was also, and 2019, we do not believe that it's going to be any different. So, the year as a whole is -- we have the expectation to continue growing above the market levels, and we have the -- we expect the market to grow by 12% or 15%. Last year we grew twice as much as the market grew. So this is what we expect for 2019, '19 is going to be a year of growth, and it is also going to be a year when we are going to gain market share.

And the cash flow as a whole in 2018, we observed a very important balance between EBITDA and the gross margin. The fourth quarter reflected this result. And we believe that everything that has been done in the -- the company will allow us to continue presenting the good evolution in 2019 in those two variables. And the final consequence is that when we look at the net debt, and this is how we evaluated the cash flow of the company. So

we expect to have a company that will generate cash. In 2016, the consumption was 1.6. In 2018, we reached BRL240 million, and for 2019, this account is reversed and we reached our target with a positive cash generation. And competition is part of this ecosystem that we have been talking about.

Q - Thiago Bortoluci {BIO 20909105 <GO>}

It's clear. Thank you, thank you.

Operator

With this, we would like to end the question-and-answer session. I will return the floor to Mr.Fabio Abrate for his final remarks. You may proceed, Mr.Abrate.

A - Fabio Da Silva Abrate {BIO 17940993 <GO>}

Thank you all for your participation. I would like to take this opportunity to check the offers that we have in the favorite company on internet, Americanas.com, Submarino, Shoptime and Sou Barato. Should you have any additional doubts, our IR team is in your service also. Thank you very much and have a good afternoon.

Operator

The conference call for B2W ends here. We would like to thank all of you for your participation. Have a good afternoon and thank you for using Chorus Call.

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