

## Q3 2020 Earnings Call

### Company Participants

- Raoni Lapagesse, Head of Investor Relations

### Other Participants

- Gabriel Simoes, Analyst
- Gustavo Oliveira, Analyst
- Irma Sgarz, Analyst
- Joseph Giordano, Analyst
- Luiz Guanais, Analyst
- Ruben Couto, Analyst
- Unidentified Participant

### Presentation

#### Operator

Good afternoon. Thank you for waiting. Welcome to B2W Companhia Digital Q3 2020 Earnings Call. Mr. Raoni Lapagesse, IR Director of B2W Digital is here with us. Please refer to the supporting presentation at [ri.b2w.digital](https://ri.b2w.digital). This call is being recorded. All participants are in a listen-only mode during the company's presentation. We will then have a Q&A session. Further instructions will be given then. (Operator Instructions)

The recording will be available right after the call is finished for a week. Before we proceed we'd like to state that statements made about business perspectives, projections, operational and financial goals are based on beliefs and premises of the company's management as well as information available currently.

These statements are not in anyway assurance of future performance. They of course depend on future circumstances that may not occur. Investors should understand that economic conditions as well as the industry may affect operational results of the company that may differ from results mentioned in such statements.

I will turn it over to the speaker to start his presentation. You may continue Mr. Lapagesse.

#### **Raoni Lapagesse** {BIO 20391786 <GO>}

Good afternoon, everyone. Thank you for listening into our earnings call. In 2020 we started a three-year strategic plan from 2020 to 2022, which aims at continuing to accelerate growth and generate cash. From the beginning of the year, we faced a

challenging landscape because of the pandemic, which brought great lessons and drove us to be even quicker finding innovative and creative solutions.

This landscape also brought important behavior changes on how people consume accelerating digital solutions and e-commerce. After the first nine months this year, we came to the main period for sales and we're focused on, once again, having the biggest Black Friday on the Brazilian Internet. With that we hope to finish the year successfully. It was challenging, but full of important opportunities and allowed us to present results far above what we had initially foreseen.

We had a private capital increase of BRL4 billion, which will allow us to continue executing our aggressive growth plan and it includes organic expansion, partnerships, and some strategic acquisitions. This does not change our commitment in continuing to generate cash, but it will allow us to have an even greater execution speed.

With the many opportunities presenting themselves, we are extremely driven to anticipate our strategic plan and start in 2021 a new journey with exponential growth. Now we'll begin our presentation on slide three, where we will talk about the results for the quarter. In the third quarter of 2020, we reached the highest quarterly GMV in our history. It came to BRL7.3 billion and for the first time went over BRL7 billion in a single quarter.

This result is a growth of 56.2% versus the third quarter of 2019. During this time net revenues reached BRL2.7 billion, a 58.5% growth versus the third quarter of 2019. Our adjusted EBITDA was BRL252 million, a growth of 65.7% versus the third quarter of 2019. So our adjusted EBITDA margin went from 9.1% in the third quarter of 2019 reaching 9.5% this quarter, a growth of 0.4 percentage points. Net results improved by 64.1% from negative 102.5 million in the third quarter of 2019 to negative 36.8 million this quarter.

We had a cash generation of BRL161 million up 79.8% versus the third quarter of 2019. These results show the strength of our digital platform, which aligned growth, profitability, and cash generation. Slide four shows our market share gains over the year. In the third quarter of 2020 we had an increase in the growth delta versus the market, a growth of 56.2% or 12.7 percentage points above the market growth, which was 43.5%.

So in the first nine months of 2020, we had a growth of 52.8% in total GMV 7 percentage points above the market values, which according to EBIT/Nielsen grew 45.8% during this time. Moving on to slide six. We'll talk about the highlights in our digital platform, which connects people, products, businesses, and services. The company has the biggest and dearest friends in the internet and its marketplace operation is growing strongly. The platform was built over the last years and it allows B2W to also offer several solutions for store owners and clients of all kinds including technology services, logistics, distribution, customer support and payments.

The B2W Digital platform is accelerating our virtuous cycle and generates value connecting more suppliers and sellers expanding our assortment and the number of offers and attracting more and more clients. Slide seven discusses IP and 3P and how they

are developing. The results this quarter are examples of the strength of our hybrid business model with accelerated growth in 1P and 3P.

In this quarter 1P's, excuse me, 1P's GMV grew 59% with accelerated growth in toys, home, books and domestic items. This operation had a positive contribution margin generating growth and improving the company's cash generation.

The marketplace was also growing fast with an increase of 55% in GMV versus the third quarter of 2019. Main categories were sports, games, supermarket and furniture. So to reinforce the strategy of offering everything the client needs, our marketplace assortment continues expanding exponentially with the growth of 270% versus the third quarter of 2019 and reaching 56.1 million items.

Slide eight has some of the highlights of our digital solutions and our financial services. B2W deliveries reached 21.6 million deliveries in the first nine months of this year, a growth of 53% versus last year. Added to the 1P deliveries, which are done in company by LET's, we have the highest private logistics operation in Brazil in e-commerce.

SkyHUB reached 31,000 active sellers at the end of September, a GMV of 8.1 billion in the first nine months of 2020 where BRL1.5 billion are off platform GMV. That is GMV performed in other marketplace platforms. B2WADS at a growth of 265% in its revenue this quarter versus the third quarter of 2019. And financial services our highlights were credit seller reaching 745 million in pre-approved limits for B2W marketplace sellers. Discounting of receivables reached 7.3 billion in the first nine months of this year, a growth of 62% and our branded credit cards came to a total of BRL2.7 billion in the first nine months of this year.

Slide nine shows our highlights for Ame Digital, a fintech and mobile platform in the Americanas Universe. TPV reached 1.1 billion in the last 30 days up 225% versus 2019. The number of downloads continues to grow quickly 12.5 million in September of 2020 up 168% versus September 2019.

To be even more relevant in our clients' lives Ame continues to offer new solutions. It has over 55 functions for its users including Gamer Zone and mini-app BR which are new launches. Slide 10 shows the Ame credit card that was recently launched. To continue our offer of financial services after launching the credit marketplace on our prepaid card. In October, we launched the Ame credit card issued by Banco do Brasil. This is a product with unique benefits.

It has fee exemptions and since it's digital first, it's automatically approved and issued in nine minutes in the app or in Americanas stores. Now we'll talk about some of the main operational highlights this quarter. Slide 12 shows our sellers and assortment. B2W marketplace connected over 10,000 sellers in the third quarter of 2020, a total of 79,000 sellers in September of 2020.

So over 2020 we connected a total 33,000 sellers. Our goal is to offer more a greater assortment for our clients. So we continue increasing it including 16.6 million items over

this quarter. A total of 56.4 million available offers on our websites and apps. And the first nine months of this year we added a total of 26.9 million items.

Slide 13 shows our mobile highlights. In the first nine months of 2020, our apps continue to be the most downloaded in shopping in Brazil. Our installed base was 47.1 million in September. In the third quarter of 2020 branded apps had 36 million active users or MAU. Over this quarter mobile traffic came to a total of 82.5% of our total visits up 4.9 percentage points versus the third quarter of 2019.

Slide 14 shows the Americanas Mais program, a new subscription service that not only offers free shipping and fast delivery, but also provides a number of benefits in brick and mortar stores and in the Americanas website and app including same day delivery and free shipping for groceries besides an exclusive cash back program.

They also have partnerships for digital entertainment including Deezer as an audio streaming platform and Ubook, a digital content platform. In its first month, we already observed some important benefits such as increasing spending and frequency by three times, a four-fold increase in ship from store and a five-fold increase in page views per user.

Slide 15 shows Americanas Mercado and its performance. It continues to grow and it had a growth of eight times versus the third quarter of 2019. So the category is consolidated as the biggest in B2W in items sold. In the third quarter of 2020, we started expanding geographically. We are now in 43 cities in the states of Sao Paulo, Rio de Janeiro, Espirito Santo, Rio Grande do Sul, Bahia and Pernambuco.

We also started an innovative program delivering with e-bikes, which are 100% adapted for deliveries. This is speeding up our delivery process and also reducing CO2 emissions. Slide 16 discusses LET's. This quarter, we continue to expand our logistics with three new fulfillment centers in Bahia, Ceara and Para. With the new fulfillment centers we have reduced the distance till the end consumer. Increasing to over 1,000 cities which are eligible for deliveries in 24 hours. LET'S our multimodal logistic platform currently operates with 20 fulfillment centers in 10 states and it will open one new fulfillment center until the end of this year in the Federal District. It operates with 2,000 hubs, 5,000 stores connected to the ship from store modality and 27,000 vehicles connected in different modes from trucks to bicycles. With this platform, we can deliver faster and faster and at a cheaper price.

33% of our total deliveries including 1P and 3P are done on the same day -- were done on the same day in the third quarter of 2020. Slide 17 talks about automating our sortation centers. Over the year we implemented automation systems and sorting products in seven fulfillment centers, which are responsible for 50% of the company's total shipments that reduces shipping lead time from 20 hours to 10 hours and by the end of the year we will reach five hours.

These improvements are even more important in high volume times such as Black Friday where hundreds of thousands of products are sorted every day. In 2021, we will automate

an additional five fulfillment centers.

Slide 18 shows improvements in our purchasing experience, which we're now providing more visibility for fast delivery options and making our layout more intuitive. So we've created a new delivery filters on the websites and apps showing to clients items that can be delivered and upto 24 hours. We also created some sales for products that delivered in the fastest times, including deliveries and upto three hours.

In September, we developed an algorithm optimizing shipping times and this is done through a predictive model comparing standard shipping tables and real historical data. So we were able to recalculate 8% of our shipping times reducing on average 25% of this time.

Slide 19 shows our O2O or online to offline initiatives, which had a total 1.1 billion GMV in the third quarter up, excuse me, up 96% versus the third quarter of 2019. This quarter we had 3.2 million orders through these initiatives including infinite shelf which had an average ticket 20 times higher than brick and mortar stores and sales growth of 42% versus the third quarter of 2019.

Pegue na Loja had 10,171 connected points. It's the biggest pick-up point network in Brazil and it had reached 1.1 billion GMV in 2020. It's now available in a 100% of Americanas stores and seller stores, which are a total of 3,200 stores. We also have ship from store available in a 5,000 stores, which include all Americanas stores and some sellers stores. In August, we also started delivering some big items such as TV sets and microwave ovens, which increases our assortment.

Slide 21 discusses our preparations for end of the year sales. We're focused on having once again the biggest Black Friday in Brazil getting prepared for such an event takes place happens throughout the year and in 2020 due to the changes caused by the pandemic, we're going to have an even more digital which requires doubled efforts to ensure the right levels of inventory, assertive deals and a high service level.

We are highlighting some of the initiatives we've made to ensure that this event will be successful. For example, inventory reinforcements, which were BRL655 million higher than the third quarter of 2019. We optimize the operation to have the fastest delivery in Brazil. We reinforced the Live Commerce operations with several celebrities promoting our products.

O2O operations for all of the Black Friday period and we also have some marketplace operation changes such as solutions to help sellers in defining the right assortment for the event, helping them negotiate with their suppliers. All of our intelligence and pricing services will be made available.

We are also supporting them in commercial strategies and projecting the demand for products during the event and we are also offering more ad campaigns through B2WADS and besides that we also have special cashback offers for payments using Ame and 1P and 3P.

So these are the main comments for our performance in the third quarter of 2020. Before we begin our Q&A, I would also like to thank our team especially for their engagement and their enthusiasm in servicing our clients in the best way possible.

And now we are open for any questions you may have. Thank you.

## Questions And Answers

### Operator

Ladies and gentlemen we will now have our Q&A session. (Operator instruction) Luiz Guanais ask the first question.

### Q - Luiz Guanais

Good morning, Raoni. I actually have two questions. The first one is based on the last slide Black Friday, 1P, 3P. Can you talk a little bit more about the growth and the relationship between these two channels. In Q3, you had stronger growth in 1P. What's your take on the growth between the two channels. Question number two, could you give us some color about the B2W performance and its market peers, you talked about the total market, but what's your take on your peers? Thank you.

### A - Raoni Lapagesse {BIO 20391786 <GO>}

Hi, Luiz. Thank you for your questions. So the first point here is that we have to remember that our platform is hybrid. So in our point of view, a hybrid platform is the best combination between 1P and 2P and 3P. To our understanding, this combination is one of our biggest strengths because 1P and 3P today are contributing towards our results and that goes for EBITDA and cash generation as we can see in the third quarter results.

When you look at the marketplace, it's been in operation for about five years and with the growth we've had, we've reached a balance point, which is very similar to what we see in the US where we have 60% of our sales from 3P and 40% from 1P. So given that combination and those strengths, we feel very comfortable in continuing to grow in both platforms.

When you look at the nine months of this year, contributions towards our total GMV were very similar between 1P and 3P. This combination at the end of the day is what is bringing more flexibility for the company. So it allows us to accelerate our 1P operation. Sometimes we accelerate our 3P marketplace and we always look at what's better for the client, what they're demanding and we're focused on meeting their needs and we also look at the contribution for each operation in the company.

So the overall idea is to continue to find the best combination in the hybrid model and what it can offer for the company and our clients. Concerning your second point on growth versus some peers. I have something to highlight, which is that our plan -- our three-year plan, which was announced is already ongoing. So 2020 will be the first of the three years. Our plan was to double in size in three years and for that it would be a ticker

of at least (Technical Difficulty) and that's always with cash over the -- generated over the first three years.

When we look at the first nine months our results were far above we had forecasted. We grew by double -- would be necessary to reach the ticker we had initially forecasted. So the first nine months delivered results that were over twice as high as we had projected and we also grew above the market value. 53 versus 46 in the market as a whole. So that gives us a market share gain throughout this period. That 53% growth in the first nine months was focused on becoming more relevant in our clients daily lives.

Going into new segments such as groceries, these are segments that are more frequent and they've been a highlight over the last quarters. So this growth is in line with how we see things. We're always focusing on the long-term. Besides this growth in 2020, we saw a number of initiatives being completed such as O2O, virtual marketplace and others that we've mentioned. So we feel very comfortable and ready to accelerate our growth and to show a future growth that is even higher than what we've been seeing so far.

Especially when we look at all of the opportunities we have in our business. When we look at digitalization ramping up so fast because of the pandemic, the company is capitalized. We just concluded a capitalization of BRL4 billion. So all of these components make us very optimistic and we are pursuing even higher growth levels than what we saw so far.

## Q - Luiz Guanais

Thank you, Raoni.

## A - Raoni Lapagesse {BIO 20391786 <GO>}

Thank you.

## Operator

Our next question comes from Gustavo Oliveira, UBS.

## Q - Gustavo Oliveira {BIO 15129435 <GO>}

Hi, Raoni. Thank you for taking my question. Let me talk about (Technical Difficulty) you had major growth in 3P in the number of SKUs, but there is a major gap in the GMV, right. What other levers do you believe that play an important role to grow GMV? Still talking about your peers. We will see the reports of major competitors in the near future. They may be stronger despite the growth you've had, which is very solid. What do you believe you should do to speed up your growth in Q4, if that's at all possible. Can you give us some color on the October numbers as well?

## A - Raoni Lapagesse {BIO 20391786 <GO>}

Hi, Gustavo. Good afternoon and thank you. Your first point on assortment, you actually have a great point because when we look at our highlights our growth in items sold is

basically doubling versus our GMV meaning that we are going into items that have a lower ticket, but that are repeated sales products.

So, of course, on the short-term this growth in assortment, which basically doubled versus last year. The growth in units sold is not translated directly into a GMV at the same proportions, but on the long-term this means that we are selling repeatedly. So this is one of our focuses for this first year to have more repeated sales. As we advance in these categories, we become more present in clients' lives.

And at the end of the day that's going to bring more relevance, more awareness, which will bring us an accelerated GMV growth in the future. So this is our line of thinking. Adding assortment alone is not everything you need to do. You have to create awareness for the new categories, you have to have better shipping dates, better shopping experience and this is what we're building.

As I said in my previous answer, we're always focusing on the long-term and on servicing our clients well. So there's a trade-off between the short-term and the long-term. So we have to look at what the clients want and what are the company's long-term plan, so that we can deliver it with excellence.

So regarding assortment that's the main point. How do you really look at GMV growth in 3P and the growth in units sold. So that shows that there is a great opportunity for future growth. Regarding our peers and Black Friday it's like you said we are getting to the area in which we sell the most in the year. So we want to finish the year very successfully reaching our goals. Like I said in the first nine months we grew twice as much as we had forecasted.

In the fourth quarter it's all about volume. B2W has a strong brand awareness with our clients especially with these end of the year events. So our goal is to have the biggest Black Friday on the Brazilian Internet and we know exactly what we need to do to continue growing. So it's all a big process. We were building awareness and relevance and our segments we have been increasing our awareness with clients and delivery dates.

And in the next months, we will definitely see accelerated growth, also our capital increase was performed with that intention. So we're in the right path and we know exactly what we need to do to speed up ahead.

**Q - Gustavo Oliveira** {BIO 15129435 <GO>}

Let me just clarify one thing. When you talk about speeding up growth, are you comparing that to your three-year plan or are you considering in the next quarter or based on what you reported in Q3. High expectations are there for Q4, but Q4 last year you had a very strong results, right. So your comparison is even tougher when you talk about speeding up growth that you're talking about Q3 or long-term?

**A - Raoni Lapagesse** {BIO 20391786 <GO>}



Well, about our growth, in the first nine months, we already delivered growth rates far above what we had planned. We had twice as much as we expected. So what I'm saying here is that we see a number of opportunities to continue our plan. So 2021 and 2022 we hope to grow even more than what we've been doing so far. So that's the focus point.

**Q - Gustavo Oliveira** {BIO 15129435 <GO>}

Great. Thank you.

**A - Raoni Lapagesse** {BIO 20391786 <GO>}

Thank you.

## Operator

Gabriel Simoes from Itau BBA asks the next question.

**Q - Gabriel Simoes**

Good afternoon, Raoni. Thank you for taking my question. There are two actually. You've had 33% of deliveries in less than 24 hours. With these new fulfillment centers and all the automation you believe that you're going to improve these numbers even further despite all the growth you've had. Let me understand the magnitude the contribution of these new centers in these KPIs. And the second question is about M&As, can you give us some color about the segments you are considering maybe the size and the timing as well? Thank you.

**A - Raoni Lapagesse** {BIO 20391786 <GO>}

Hi, Gabriel. Thank you for your question. About your first point, we opened three new distribution centers, two of which were in the Northeast of Brazil and this is a strategical region for us. When you look at the first half of the year, e-commerce in Brazil grew by 47% and in the Northeast it was a growth of 115% meaning that the Northeast is already the second biggest in Brazilian e-commerce. It's even higher than the south.

So it became a very important region and that's why we are going from one to three distribution centers there. When we look at our fulfillment centers we can deliver in 24 hours in a radius of 440 kilometers with the fulfillment centers we have. Now we have one in Ceara, one in Pernambuco and one in Bahia.

That means that we are covering basically all of the Northeast and shipment in 24 hours. So that gives us the potential to deliver faster, which is very relevant. We mentioned that 83% of people are having same day deliveries and we hope to increase that to 53% in the Northeast next year. We also opened a new distribution center in (inaudible) which will be concluded until the end of this year.

So we have a multimodal distribution network. So we have hubs, O2O using our stores. When we talk about ship from store that is definitely a strength that we have because of how distributed our Americanas stores are. So we have ship from store in all of our stores

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and more in our additional sellers. We have seven automated DCs and we are going to automate five more. So we'll conclude 2020 with 12 automated distributed centers, which reduce sorting from 20 to 5 hours. So we are having a number of initiatives to improve shipping times and also to improve the clients experience. We mentioned a number of improvements in our presentation, which will make this more visible for clients.

You can't just have the best shipment speeds, but you also need to be seen by the client as such. So we've been working on several fronts and we are now collecting the results which we're sharing with you. To answer your second point about M&A. We, during our capital offer, we just finished in September.

We mentioned that the 4 billion are aiming to accelerate our growth plan. So when you look at last year, we finished the year with about 1 billion in our net cash position. So the company is generating cash and we'll finish this year with about 5 billion in our net cash position.

So the company is focused on accelerating growth and a part of it is for some M&As. We've been looking at a number of opportunities especially in new categories, categories with a high purchase frequency and this is something that we saw and how successful we were in acquiring from Mercados now.

We are already seeing the results from that and we see a number of other categories where we can replicate this model, integrations with M&A and accelerate our business. With regard to new profiles the company is accelerating its entrants into other categories. We're also looking at eventual and neighbors, which can complement our digital strategy and there are some different opportunities in different moments.

So some of them are more advanced in negotiations and others are not. So as we have more information we'll keep you informed.

### **Q - Gabriel Simoes**

Thank you. Thank you very much for your answers.

### **A - Raoni Lapagesse** {BIO 20391786 <GO>}

Thank you.

### **Operator**

Joseph Giordano from JPMorgan asks the next question.

### **Q - Joseph Giordano** {BIO 17751061 <GO>}

Good afternoon, Raoni. Thank you for taking my question. Actually I have three questions. The first question is about the shape of this growth. How do you capture new customers. Are these new DCs bringing in more customers to your base. My second question is about the Ame deployment. You introduce the Ame card, how are you handling the picks

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portion. What's your take on the active customer base? And finally going back to the initial questions. Where do you believe you're getting market share from what kind of player, what kind of competitor is losing that market share? Thank you.

## A - Raoni Lapagesse {BIO 20391786 <GO>}

Hi, Joseph. Good afternoon and thank you for your question. So to answer your first question on growth. Growth has been coming basically from two fronts, connecting new clients and increasing frequency. So on the first point, we close this quarter with an active base of buyers in the last 12 months of 21 million clients. So basically we have 6 million additional clients in the last six months. So from 15 to 21 million clients in the last 12 months.

It really is an expressive growth level, it's the biggest growth we've had in the last years by far. And the second point, as I said, is higher frequency and I can explain this with the gap between GMV growth and the growth in units solds. Units sold have been growing twice as much as GMV in the last 12 months.

So there is a lower average ticket there of course, but you have higher purchase frequency showing that our strategy especially during the pandemic was to offer clients what they needed in new categories and creating awareness and it was very successful. So this is setting the stage for the company to become more relevant for clients in the future.

So these are two very important points. Third point is definitely O2O. O2O has been evolving very much over the last year. So I'd highlight these two points basically the client base frequency, just to give you some color on frequency. If you look at this quarter the 10 items that with higher sales were in the grocery categories.

I think the 10th product was a bakery product and the rest were groceries. So that shows how we are becoming more relevant and clients are more aware of us in this new segment. And O2O initiatives are now connected to 100% of Americanas brick and mortar stores. And over the last year we also started integrating with seller stores using them as urban hubs, so that we can at the end of the day deliver faster with more convenience for the client.

About Ame for the first time we mentioned Ame's TPV in monthly base. This is a new business with impressive results. As a reminder, Ame has only exist for two years. When you look at the last 30 days, we've already reached TPV of BRL1.1 billion with a growth of 225%. In November, we have Black Friday. In December, we have Christmas. So monthly TPV will grow exponentially with no doubt.

Ame is a business that has double-digit shares of the online and the brick and mortar world. So they continue to become more and more relevant. 2020 and our strategical plan is focused on that. So we have Cielo, Stone and Getnet having partnerships with us.

We're also having partnerships with technology platforms and our first companies such as fuel stations. So this has been a strong experience in Ame and they've really delivered on

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the results as we saw on the TPV figures regarding picks. Ame was born 100% digital. It was born in a QR code world.

So this does not come as something new for us and it's also a 100% modal, which is something that we need to keep in mind. So Ame is not a incumbent player you know whatever is positive to make payment methods. More digital is good for Ame and more than that. All the business plan in Ame was built aimed towards that. So we are excited about picks. Picks has not gone into operations yet, but our long-term vision is that picks will change how relevant platforms are.

So before the most relevant players were the one who had a good number of stores, but now with picks what's more relevant is whoever has a large number of clients, which is where Ame is. When you look at the Americanas Universe, we have over 40 million clients and we've been able to convert them quickly into Ame clients. So we are very excited about what's going to happen for Ame.

With market share gains, which was your third question. Market share gains are concentrated on smaller players. So when you look at the last months, we see a higher consolidation in the main platforms. This is what we've been seeing over the last years and it's become higher during the pandemic. We did grow above the market average, but we do believe we can do much more in the future.

So, on the short-term, it was important to get awareness to become more relevant in new segments, but on the long-term our vision is to grow more than our competitors as well.

**Q - Joseph Giordano** {BIO 17751061 <GO>}

Wonderful. Thank you.

**A - Raoni Lapagesse** {BIO 20391786 <GO>}

Thank you.

**Operator**

Ruben Couto from Santander asks the next question.

**Q - Ruben Couto** {BIO 20636571 <GO>}

Good morning, Raoni. I have two questions. Let me understand the growth dynamics. Can you talk about the competitive scenario between Q2 and Q3 was a strong growth, but what changed from the second to the third quarter that would justify that growth, maybe can you determine the top two, three drivers were and the other question is about Ame, you talked about the volume outside the platform. Can you give us a breakdown of those numbers in the past 30 days? Thank you.

**A - Raoni Lapagesse** {BIO 20391786 <GO>}

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Hi, Ruben. Thank you for your question. So to answer your first one. We still don't have results from other players. What we have is what is on the market and what we saw in the market is that it went from 70% in the second quarter to 43% in the third quarter in growth. So this is clearly because of how stores are reopening. This has happened recently. So naturally e-commerce will slow down as a whole. So it went from 72% to 43%. When you look at B2W, we went from 72% to 53%. So we actually gained on that gap versus the market. Excuse me it was 56%. So when you compare quarter-to-quarter we did have a slow down, but the slow down in the overall market was higher, which is natural as stores reopen, but when you look at the comparison with the first quarter, we're growing twice as fast even with stores reopened. So it shows that digitalization which is what happened during these six months is here to stay and it will boost e-commerce for the next years.

So this is what I can tell you on the growth. The competition didn't change much between the second and the third quarters and it didn't change our focus much. Our focus was on high frequency categories with the lower average ticket, which means that our volumes are higher, but it doesn't necessarily mean a higher GMV on the short-term.

So that's what I can tell you and again we have a different sort of growth. Now as I mentioned in my previous answers. So to answer your next question. I can tell you that we are continuing to grow in digital. So Ame again is only a two-year operation and there is some data there is still strategic that we can't share right now.

**Q - Ruben Couto** {BIO 20636571 <GO>}

That was very clear. Thank you.

**A - Raoni Lapagesse** {BIO 20391786 <GO>}

Thanks.

**Operator**

Danielle Agius [ph], XP Investments asks the next question.

**Q - Unidentified Participant**

Thank you for taking my question. Actually there are two, Raoni. One is about competition. GPA is introducing their marketplace now in November. What's your take on that competition? Especially in the segment you are very strong at, which is Americanas Mercado, can be even stronger when compared to other players. So what's your take on that possible risk? What is the potential of that Live Commerce initiative? I know you're just starting now 200 million views already. Have you measured the impact in conversion ROI? How much value can you extract from it as it picks up. Thank you.

**A - Raoni Lapagesse** {BIO 20391786 <GO>}

Good afternoon and thank you for your question. So to answer your first question. On the groceries category and the competition there. I think it's a kind of market that is still taking

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its first steps, not only in Brazil, but also abroad. That's what's driving us to go into that category. When you look at the category, it's the biggest one in brick and mortar retail, but when you look at the online share it's less than 1%, if you look at electronics online that's over 20%.

So it really shows the size of the opportunity there. So competition here is not so relevant for us. Because this is a segment that's still taking its first steps and which has a great potential. We have a marketplace model Supermercado Now is a marketplace model and it's scalable. So we have a number of competitive edges there, we can add value for sellers, we can help supermarkets to become more digital in their operations.

So in our understanding, it has great growth potential and we have very strong assets whether by the acquisition of Now or by integrating it with our logistics and our technology making into a robust and scalable platform. So much so that we've been replicating this in other states. So when we acquired Supermercado Now it was basically present in two states Rio de Janeiro and Sao Paulo and now we are present in 43 cities including the states of Espirito Santo, Rio Grande do Sul, Bahia and Pernambuco and we have partnerships with many supermarket chains.

So we are optimistic about this operation for the future. Regarding the Live Commerce operation as you said it's very recent -- it was -- we were the first company in Brazil to bring Live Commerce to Brazil. It's a very strong model in China already. It has great results there. So in Brazil we really believe in it because customers in Brazil are very engaged with social media and with the Internet.

So we really believe in the Live E-commerce model for the future of Brazilian E-commerce. And the fact is that our experience has been very positive. When you look at the conversion average in E-commerce in Brazil it's around 2%, but with our Live E-commerce it's equal here. Growth on the sales of products that we can show and our conversion is double-digits even. So the normal average is 2%, but our average is sometimes even double-digit. So we are on the right track. We have a great potential with our customers and we're expanding into different segments. We have Live Commerce for many segments. We're going to have a great program for Black Friday and this is a business model we really believe in.

### **Q - Unidentified Participant**

Great. Thank you.

### **A - Raoni Lapagesse** {BIO 20391786 <GO>}

Thank you.

### **Operator**

Irma Sgarz from Goldman Sachs asks The next question.

**Q - Irma Sgarz** {BIO 15190838 <GO>}

Thank you for taking my question. What's your outlook as far as expenses go. Are these expenses one-off in the other line? What would be the most important items expenses that may grow dramatically? Would that be connected to your strategy to focus on more frequent categories with smaller average ticket prices? Can you talk about more mature users in the digital wallet realm? What's your frequency use on a monthly basis and what are the top two services used within the digital wallet?

**A - Raoni Lapagesse** {BIO 20391786 <GO>}

Hi. Thank you for your question. So to answer the first one on expenses. When we look at the first nine months of this year. Our nominal EBITDA grew 63% with an EBITDA margin going up 50 bps. So looking at the third quarter of 2020 specifically our operational leverage was quite relevant. When you look at our SG&A, we reduced nearly 200 bps. So when you look at gross margins and EBITDA you'll see that our expenses had an operational leverage of nearly 200 bps.

So we have been able to generate leverage. Of course last quarter we had a sudden growth. So you need some time to adjust your expense structures. This is what we've done. So we've been optimizing our operation and when you look at this optimization with the positive contribution we have today from 1P and 3P we can deliver nominal EBITDA at a higher rate. And at the end of the day this is all in our growth plan and we want to have balance. We want to grow with profitability and cash generation.

So our focus is on that. We've been addressing operational leveraging. Although we understand that on the short-term there are some opportunities of leveraging awareness, improving our share of mind in some categories.

So we've been making efforts there and optimization is giving us the best situation to continue to generate cash, which was one of the positive highlights this quarter. We managed to deliver 161 million cash and cash generation. So this is a balance that we've been trying to meet.

Now about Ame users. Usage frequency is strategical right now. So no competitor really discloses this piece of data, but as we add new functions. We have over 55 functions in the app. We see a high level of cross-selling between clients. So I can tell you that usage frequency has more than doubled on a yearly basis. So I can't tell you exactly how much, but due to cross-selling and these new functions, the frequency rate has more than doubled on a yearly basis.

**Q - Irma Sgarz** {BIO 15190838 <GO>}

Thank you.

**A - Raoni Lapagesse** {BIO 20391786 <GO>}

Thank you.

## Operator

This concludes the Q&A session. I'll turn over back to Mr. Raoni Lapagesse for his final remarks. You may proceed now, sir.

## A - Raoni Lapagesse {BIO 20391786 <GO>}

Thank you for listening to our earnings call. If you have any more questions, our Investor Relations team is available. Thank you and have a good afternoon.

## Operator

This concludes B2W's earnings call. Thank you for attending. Have a good day. Thank you for using Chorus Call.

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