

## Q1 2021 Earnings Call

### Company Participants

- Marcio Cruz Meirelles, President & Chief Executive Officer
- Raoni Lapagesse, Investor Relations Officer

### Other Participants

- Danniela Eiger, Analyst
- Guilherme Assis, Analyst
- Irma Sgarz, Analyst
- Luis Phelipe, Analyst
- Olivia Petronilho, Analyst
- Ruben Couto, Analyst
- Thiago Macruz, Analyst

### Presentation

#### Operator

Good afternoon, and thank you for standing by. Welcome to B2W Companhia Digital Conference Call to discuss Q1 2021 Earnings Results. Here today with us are Mr. Marcio Cruz, B2W Digital's CEO; and Mr. Raoni Lapagesse, B2W Digital's IRO.

To better follow the conference call, we suggest that you use the support presentation available on our website, [ri.b2w.digital](https://ri.b2w.digital). We would like to inform you that today's call is being recorded. And at this time, all participants are in a listen-only mode. After the presentation, we will open for questions and answers when additional instructions will be provided. (Operator Instructions) A replay of this call will be available after it ends for a week.

Before proceeding, we'd like to clarify that any forward-looking statements made during this conference call regarding B2W business outlook, financial and operating projections and goals are based on beliefs and assumptions of the company's management team as well as on information currently available. Forward-looking statements are not guarantee of performance. They involve risks, uncertainties and assumptions. Therefore, they depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may affect B2W's future performance and thus could lead to results that differ materially from those expressed in such forward-looking statements.

Now, I'd like to turn it over to our speakers. Mr. Cruz, please go ahead.

## Marcio Cruz Meirelles {BIO 17267724 <GO>}

Good afternoon, everyone. Thank you for attending our first quarter earnings call. I would like to share a couple of important message to you. And then I'll turn it over to Raoni for the Q1 highlights.

On Slide 3, I would like to remind you that this is our second year of our strategic plan for a three-year plan. We would like to be more and more relevant in the lives of our customers and we'd like to be more present in consumer journey, moving on to the long tail offering more products and services to these customers and the model of that plan is everything, anytime, anywhere. That clearly translates the assortment of products we offer and the different ways to consume using our platform. We've been growing quickly to keep on generating cash.

On to Slide 4 now. Just last year, we introduced our growth algorithm. That's a result of opportunities we detected last year. It was a year that consumers' habits changed substantially, and therefore several opportunities were put forward to help us grow the business. This growth algorithm has three important pillars. First, the shopping experience, and then loyalty to make customers become more and more recurrent, coming back for more; and the third is to be more present in the minds of consumers, that's awareness. The seven varieties, Assortment, Customization, Fast Delivery, APP, Americanas Mais, Ame, and again Brand Awareness. We've been optimizing this algorithm to grow even further.

In the first quarter, we focused on improving the service level. One of the initiatives we had was a new version of the Marketplace platform. The number one goal is to improve service level. We've detected very interesting numbers. These are just a few highlights.

Order cancellation in Marketplace, we had a 50% drop in the first quarter. Delays in shipping, a 30% decrease. That was very important, because shipping is the first step that will impact delivery times. There shouldn't be any problems there. So we have moved a long way there. And that's the result of the incentives and the strategies we've put in place to help sellers improve their service levels, and we of course offer several services for these sellers, so that they can improve their own service levels.

On top of these variables, the algorithm has three important drivers: people, data and M&A. People is our number one asset. This is a very important characteristics. You have to have that ownership mentality. Executives are usually more often concerned about their own development, their own career, but if you have the mindset of the owner, you want to generate value and long-term value. Our staff management is indeed a partner. Most of the equity is in the company, is invested in the company. That's a key characteristic that will reflect on execution capacity we have delivered very much -- much faster in this first quarter. So that's why it's a very important characteristic.

Another thing I would like to talk about people is that once again we have received the Great Place to Work certification and we have managed to have a much better score then that we had last year. So the team is truly committed to deliver on our strategic plan.

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In terms of data culture, we had a pilot project last year and we implemented this year, and that's the Data Academy. The Data Academy in a nutshell is to promote the technology, culture and using data across the board, not only the technology department, but throughout the company. The Data Academy works for the technology department too. Of course, there are several knowledge levels within Data Academy. So, the intention is to help people work with data, statistics, coding, data storytelling, many interesting things. So data is the key driving force behind the company's growth. We're going to move forward throughout the year. But the initial groups were very important to disseminate the data culture.

M&A, another important driver in our inorganic strategy, moving on to Slide 5 now. It leads that growth engine, and that is through M&A. For this 2020-2022 strategic cycle, we've conducted eight operations. In the digital platform, we acquired Supermercado Now back in January last year. We're very pleased with that result. It has been exponentially growing. More than half of items sold were supermarket items at B2W, but the supermarket baskets half of it are fresh produce. So it's a major logistic challenge there.

For the digital platform, we had Shipp. We just announced last month. It can help us by bringing a platform to connect food sellers. There was a gap we had, so Shipp is there to close that gap. And we can move forward towards that fast delivery, more than 14% of deliveries in the first quarter were up to three hours. So Shipp brings that to another level. We go down to minutes now, so moving forward towards fast delivery by connecting their platform to our business.

Just the day before yesterday, we announced the partnership with OOOOO. So that's the live commerce arm it's live Americanas -- Americanas ao Vivo. Outstanding numbers in terms of engagement, customer conversion, entertainment through shopping, and Sellers show they are engaged. They're very interested in taking part in those live streams and promoting their products, a very different selling experience. With the OOOOO, we have a technology platform that is well advanced in live commerce. It's been tested time and time again in England. Outstanding results from the get-go. And very soon we'll be showing that to our customers. It's a new way to purchase with way more entertainment connected to it, so it's a combination of shopping with entertainment, providing way more engagement on the part of our customers.

And I would also like to mention that the other acquisitions that were not involved in the digital platform for the other platforms, actually fintech, physical and store, Bit Capital, Parati, BR Mania, Unico, all these elements help us move forward in other categories by promoting that digital experience to those customers there too. So they are major contributors too.

On to Slide 6 now. I would like to talk about growth. The result of all these initiatives, among others, we have boosted our growth dramatically. In Q4 last year, we grew by 38%, in the last quarter. We had already anticipated the growth for January and February, we reached 83% and 90%; March numbers, we grew 98%. So we're picking up when compared to previous months. 90% was the average growth for the quarter. That growth is the result of our hybrid platform 1P and 3P. 1P, we are at 69% and Marketplace three

digits, 105%. So these achievements make us feel even more motivated to keep driving -- to keep pushing through. That's because of service level improvements in the first quarter basically. That was our main focus for this period.

On to Slide 7 now. I would like to say that on the 28th, we announced that material fact with the proposal to combine the companies. Creating Americanas SA will be giving customers way more value by combining all of these platforms. The keyword is to add to combine physical, digital, fintech, logistics platforms. We will then be able to improve customer experience much, much more less friction, greater engagement, not only on -- for customers, but also sellers, merchants, suppliers and the entire ecosystem. So we envision way more opportunities to grow.

From the digital point of view, we believe it's only the beginning. When you compared the e-commerce penetration in retail overall, we believe this is just the beginning. We have moved forward substantially last year and this year too, but we still believe there is room to improve even more, so that we can grow even further. That makes us feel very excited. We still have a lot of work to do to keep growing even further.

So these were the highlights that I would like to comment on, and I'll turn it over to Raoni now. He will be talking about the highlights for the first quarter. Thank you.

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

Thank you, Marcio. Good afternoon. Let me talk about the first quarter results. Let me start presentation on Slide 9. Our GMV amounted to BRL8.7 billion, a 90.4% growth. Marketplace GMV amounted to BRL5.6 billion, up 105%. It's picking up strongly when compared to 31% growth in Q4 2020.

Net revenue reached BRL2.9 billion, 73% increase. Adjusted gross profit was BRL938 million, up 77.9%. Adjusted EBITDA BRL129 million, and adjusted EBITDA margin of 4.4%. The EBITDA margin 4.4% are the result of the free shipping program of Americanas Mais linked to an improvement of a service level through a co-participation model of sellers, and also investments in awareness, just like Marcio said, that have thus grow dramatically in the first quarter.

On to Slide 10. This is our active customer base growth. March '21, we had 22.9 million active customers, customers that had some purchases in the past 12 months. Year-over-year, we have an additional 6.2 million customers. When you look at the first quarter only, we have 1.5 million customers, new customers picking up on the gains we've had in previous months. These numbers include the digital platform only. When you add the other platforms, you have 48 million active customers. Our total base is over 90 million registered customers. That's one of our most important assets in the Americanas Universe.

On to Slide 11. That's the acceleration of purchase frequency, as the result of working hard to become more relevant on the daily lives of our customers. So we see an increase in

frequency. Customers with two or more orders, we have an increase of 55% when compared to Q1 2021.

On Slide 12, this is the sellers and assortment evolution. In the past 12 months we connected 40,000 new sellers and 96,000 total. And in April, we have surpassed the important mark of 100,000 sellers connected to the Marketplace. So the assortment is even more complete. And we keep on offering more and more products, 77 new million items year-over-year, 99 million different offers. When you look at April, we have surpassed the 100 million items offered in our platforms. The total is 102 million items.

On to Slide 13, that's Americanas Mercado. It accounts for 52% of total items sold in the first quarter. The largest growth, eight times growth when compared to Q1 2021. This operation keeps on growing and expanding. We keep on adding new partners. We had connected Carrefour, Big and other partners. In early 2021, we signed an partnership agreement with Pao de Acucar. We have over 1,500 partner stores connected, so that we can expand our operations throughout the country. Americanas Mercado is the largest supermarket marketplace in the country. It's a complete end to end platform to partners, including Software-as-a-Service, payment solutions, logistics, picking, delivery and customer service. We can digitalize the supermarkets and connect them quickly to online selling.

On to Slide 14. This is that Shipp acquisition, the delivery on demand startup. Over 20,000 delivery people connected high service level deliveries on average. Our take on average is 36 minutes. The app is usually used, customers usually purchase three times a month on average. We'll be able to enter the Ultra Fast Delivery in a matter of minutes. By acquiring Shipp, we can provide a better customer experience. In the category of food delivery, we started in 2020 and we can expand the grocery category to other markets. So we can offer O2O solutions, offline to online.

On to Slide 15 now. This is the fast delivery front, that's up to LET's our logistics platform. We have 22 fulfillment centers, 200 hubs and over 6,000 stores connected to the Ship from Store type. It's 24 hours. It's over -- it's in over a 1,000 cities in the first quarter of 2021. They amounted to 44% of the total volume of orders, including 1P and 3P. Another important delivery modality is the super-fast delivery. We are going to be the fastest delivery system in Brazil. 14% of deliveries were conducted in up to three hours. For 2021, the super-fast delivery is one of our top priorities.

On to Slide 16 now. These are the O2O initiatives. The GMV amounted to BRL1 billion, a 90% growth. The Infinite Shelf is available in all 1,700 Americanas store, Click & Collect, 12,279 points over 5,000 cities in the country. Pick-up on store today available in 6,700 stores and the Ship from Store over 6,000 stores now, including Americanas and Marketplace Sellers stores as well. Ship from Store is operated by Ame Flash, our crowdshipping proprietary platform with over 25,000 delivery people registered there.

On to Slide 17, let me talk about the new partnership with OOOOO, a mobile social commerce platform. This is an innovative live commerce platform. OOOOO was introduced by Sam Jones, by Eric Zhang, The TikTok Technology Director. This is a

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concept of live streaming and shopping. It was a hit in UK, especially younger generation, the Z generation consumer. The most downloaded app in the shopping category. It combines live commerce with gamification, increasing engagement even more.

Several games are available. During the live stream, customers can get or compete for coupons, and even get products for free. So customers are way more entertained. So they come back for more. The platform we've introduced in Brazil will be integrated with our complete system in a social commerce app that will be introduced now in May. This agreement encompasses the exclusivity use of their technology in Brazil by B2W, and we can even have a joint venture established. That partnership helps us to speed up advertising and entertainment verticals including Americanas ao Vivo and the B2W advertising platform.

On Slide 12 [ph], the mobile highlights. As the result of the investments we made in the app platform, 63 million downloads, and the Americanas app was the most downloaded app in the shopping category in Brazil. In Q1 for 2021, we have a monthly active users. There are 40 million in total now.

Slide 19 this is the rapid evolution of Ame, our fintech and mobile shopping platform. The number of downloads keep on picking up over 19 million downloads now. And Ame keeps on expanding on accepting offers, almost 3 million stores are connected. The total payment volume is BRL5.1 billion in Q1, a 350% growth and picking up substantially from last quarter in which we grew by 200%. On top of being a payment platform and a loyalty platform, we keep on expanding on our banking solutions, offering more financial services.

On Slide 20, we can see recent strategic acquisitions by Ame, after acquiring Bit Capital, a core banking solutions, and Parati, operating as a Bank as a Service and RegTech both in December.

Ame in May, we announced we acquired an Nexoos, a fintech connecting small and medium-sized company with investors. Nexoos has been accredited by the Central Bank to be used as a society to loan money. It's a hybrid funding solutions institutional investors and in digital, it's individual it's P2P model. So we have a digital platform for a complete credit solution, including loans and also Credit as a Service.

Nexoos platform uses a proprietary technology, including a credit score system, and when it's integrated to the hybrid funding model, you can offer differentiated credit services with more competitive rates and no risks for Nexoos. So we democratize credit access, so entrepreneurs can be more competitive in investing in their businesses. Once you integrate Nexoos to Ame platform in our businesses, Nexoos can help us speed up the credit system including over 100,000 sellers in the Marketplace, and over the 3 million merchants we have in Ame.

These were the highlights for the first quarter of 2021. I think we can start the Q&A session now. Thank you.

## Questions And Answers

### Operator

Ladies and gentlemen, we will now open for questions. (Operator Instructions) Our first question comes from Mr. Luis Phelipe, BTG.

### Q - Luis Phelipe

Good afternoon, Marcio. Good afternoon, Raoni. I actually have two questions. First, with regard to GMV, you discussed assortment and number of sellers in April. Can you please talk a little bit more about the trends you see and also the conversion rate you see, particularly going back to February and the shipping activities you mentioned? And now with the acquisition of Nexoo, what other functionalities can we consider in having added to your platform? How come that add to Ame? Thank you very much.

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

Hi, Luis. Thank you for your questions. Let me address your first point, the GMV in April. Well, first we have to remind you about the growth in the first quarter that is a consequence of the growth we had in Q4 83%, 90% and then 98%, and we are picking up their growth throughout the quarter. And that's the result of the measures we have been taking. That's not a silver bullet business. We have very -- we have several fronts, improving the algorithm, we have been improving the platform, free shipping in Americanas Mais, fast deliveries and that drives more business when you combine all of these elements together.

And then growth comes with quality. We believe it's sustainable. It can stand on its own. We've been able to adjust these variables to help us improve and increase that growth as we have seen.

When you look at the conversion rate, there are some elements that help us improve that rate. We had a 30% increase in the quarter, a very important result therefore, and mainly because of two components, higher use of the app, just to give you a reference, the app importance grew 11% year-on-year in the first quarter of 2021. And also the delivery, free shipping in Americanas Mais and faster deliveries.

When you look at these algorithms and variables, and all of them have the same goal at the end of the day to have a better consumer experience. Of course, we have that growth.

Let me address the second part of your question, about the growth in April. We started the month of April with very solid growth. It's a very positive outlook, of course. In April, we have that comparison base of the pandemic of last year. However, we have managed to keep on growing very fast. When you look at the compounded growth including 2021 to 2019, to neutralize that effects of last year, April was the month that we've had the highest growth when you have that compounded or compound basis for comparison. So we are very pleased with the growth and its quality, how it was generated and what we have to deliver for the rest of the year.

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Now onto the second question about Ame. Ame has been evolving. It started out to provide discounts more intelligently. It was a loyalty system for both physical and digital platform to giving yet another dimension to the relationship with customers, moving away from consumption-only in digitally -- digital platforms to have a different interaction with customers. So, aligned with the objective of being more relevant to customers, and it has been evolving very quickly. It's been in operation for a little over two years, but has quickly become a payment of -- means of payment offers, what we call it. Payments outside of our universe, which will enable us to bring more customers to our universe.

And late last year -- from late last year up to now, we have been focusing on building our financial solution platform. First, we introduced the credit marketplace connecting fintech offering credit within Ame platform, then we introduced our prepaid credit card through partnerships. And now we have acquired three companies focusing and developing our banking solution, we acquired Bit Capital. It's a core banking, and then Parati that gives us central bank licenses to operate in the banking arena, and Nexoos, like in May [ph] another license to help us speed up in these credit initiatives.

So our business view for Ame is to keep on growing substantially both on-us and off-us, and building our banking platform. This is a route we've been indicating we are going to focus on based on these recent acquisitions. And we are considering any other acquisitions both for Ame or in any other platform that we deem will contribute to our objectives, we will keep on doing that. It's a very robust M&A agenda, just like you saw eight acquisitions up to now. And we have been looking at very good opportunities down the road.

### Q - Luis Phelipe

Thank you. Thank you very much for your answers.

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

Thank you.

### Operator

Thank you, Luis. Our next question comes from Thiago Macruz from Itau.

### Q - Thiago Macruz {BIO 16404924 <GO>}

Hello, everyone. Good afternoon. I'd like to ask you about Ame's TPV. I think you mentioned that outside the platform, there was a specific trend. And how do you see that evolving? Can you please tell us what you find reasonable, so that the TPV outside the platform surpasses what you have within Americanas? So if you can please add some color on that? Thank you.

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

Hi, Joe. Thank you. Yes, we've been giving more color on me, Ame. Now, you see the TPV. That was one of the highlights for the quarter, BRL5.1 billion, a 350% growth quite



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substantial. Last year, we have expanded the Ame business plan by adopting digital means of payment and Ame is just at its start despite that very expressive or that important number of BRL5.1 billion. Again, it's been in operation for two years, a little over two years only. It's -- so Central Bank aims at democratizing the banking system. So we are -- it was born in the Pix native environment. We're very excited.

We see Ame as something that can be even more valuable than B2W when you compare the two companies separately. When you look at market operations today, that indicates the value that Ame may have in the future of the business. The TPV offers were not going to break that down. It's still premature to do that. The market is paying close attention to fintech initiatives. We are not going to announce that number because it's strategic still. We've been conducting several partnerships. We're very pleased with the BR partnership, drug stores, grocery stores, high frequency outlets, so we expect very robust growth for Ame in months to come.

**Q - Thiago Macruz** {BIO 16404924 <GO>}

Thank you very much, Raoni.

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

Let me just -- let me give you, our TPV reached 40%. Over 40% actually and keeps on growing.

**Operator**

Our next question comes from Mr. Irma Sgarz from Goldman Sachs.

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

Hello, good afternoon. My question is about expenses. Obviously, your growth is very impressive. But we know that there was a cost for that, Americanas Mais and free shipping, but if we think about the snapshot of the climate and what to expect for the next quarters, specially considering expenses with sales, do you think that for the next quarters you will have operating leverage considering the growth that you are going through? Also the high conversion rate and satisfying your customers, do you think that you are still going to invest in the coming quarters? Do you think that this will be mature enough? So this is my question, sales costs.

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

Thank you, Irma, for your question. As to expenses, we have been talking about it for quite some time now. We have been looking for somewhat different balance between growth and profitability, so that we can speed things up, investing initially in some areas just like I said in the algorithm, and the free shipping investments like you said. But this kind of investment in free shipping is based on the sellers' co-participation pegged to their service level.

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You've seen the highlights, but it's always linked to the improvement of sellers operation. So that we can provide a better experience overall to customers. But this model takes time to mature. It's more cumbersome initially, and once you get to gains of scale, you end up diluting it. But when you look at the investments we made now initially, it's a full investment not having benefiting from the counterparts. We believe that the investment was way smaller than what we saw the competition do in the past.

The margin level we had to disregard was not that bad. So a smaller, somewhat smaller margins, but growth almost tripling. And down the road, as we optimize the balance of these variables, we can have better profitability. At the end of the day, we're always committed to cash generation. Despite this major investment, the nominal EBITDA was flat slightly growth year-over-year, and for the year, we'll keep on generating cash. So we feel very comfortable at this investment level.

In a nutshell, expenses investments are focused in our Americanas Mais, the free shipping and brand awareness. As we speed up, we grow more, we bring more returns, more recurring customers, active customer base growing too that will reduce our investment levels. Of course, profitability will be better when compared to that we had at the start. That's the balance we're looking for.

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

Prefect.

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

Thank you.

**Operator**

Our next question comes from Ms. Olivia Petronilho from J.P. Morgan.

**Q - Olivia Petronilho** {BIO 19090195 <GO>}

Hello, everyone, thank you for taking my question. I actually have two questions. First, you commented on supermarket both in the release and now during the call. Do you see any cross sell between this category and the legacy assortment of your company? Do you believe you can leverage all other categories or are these two separate?

And as for Ame, we also see you are investing heavily on that. So first, how much of this TPV do you see generated with regards to cash back and what are your expectations for the future regarding this specific initiative?

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

Olivia, thank you for your question. As to the first question, yes, we've seen a lot of cross-sell on both ends. Americanas Mercado bringing more sales to the entire platform because once its integrated -- since it's the high frequency category, the average frequency is twice a month. Our average for the online segment e-commerce is two to

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three times a year. So we have a much higher frequency in grocery shopping. So that allows us -- for customers to come to the app and our platform many times. Once they come back to shop more, you have an opportunity to have cross selling, so that they can purchase more.

And Americanas Mercado uses our platform strength. We have a very robust active customer base. We increased that base by almost 1 million, so that cross selling is happening on both ends, one helping the other. And that's in line with what I believe that we can generate more frequency. Grocery store accounts for 53% of items sold. The partnership with OOOOO, entertainment, live streaming, at the end of the day, you have that customer spending more time and coming to the platform more regularly to monetize our assets. So that's our intention when we integrate these areas.

As to the second question about Ame, I cannot give you any further detail as to that incentive is, and I'm referring to cashback. Cashback plays two different roles. One thing is the cashback in our platforms. And cashback operates as if it were a loyalty program, it leverages the sales. The way we see it investments in cashback at Ame, it's in our balance sheet for B2W. It's a sales leverage. Every real -- we have 11 times additional sales for every real given in the form of cashback. It's a very powerful cash back program. It replaces other discount models more intelligently. It did -- they did not yield the same benefits. You can have the lock-in of customers within the platform. So the cashback can yield several benefits.

And outside the platform, cashback is just another means to bring more customer at the end of the day. It's a customer acquisition cost, not only for Ame, but for the entire universe, because Ame brings in new customers that didn't purchase from our Universe, but they go to a gas station, they go to a grocery store, they purchase at a drug store. You can bring these customers to our platforms as well. So that can use our network effect there.

Looking down the road, looking forward, these investments are according to plan. We do have a business plan for Ame, and that of course foresees investments. At the same time, we keep on managing the TPV, so that it can become more effective. It's 100% [ph] in our hands to give the cashback. That's the beauty of that business. We have the business plan, we trust it, and Ame will become profitable, that has to go through the entire developments of the platform, solid payments, the loyalty, but at the same time to move towards the direction of banking, that help us in the monetization too. That's how far it can go today.

**Q - Olivia Petronilho** {BIO 19090195 <GO>}

Perfect. Thank you very much, Raoni.

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

Thank you, Olivia.

**Operator**

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Our next question comes from Mr. Ruben Couto from Santander.

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

Good morning, everyone. We just touched on sales expenses, and you mentioned the three factors. Can you please share how much growth and how much each factor contributed to that? More specifically, marketing? I understand, that there was this growth, but I want to know how much marketing contributed to that increase? We know that, right now, everybody is looking for more customers. It's been more challenging than last year. And you mentioned 50% of deliveries that were carried out very quickly. And I want to understand whether you consider that that was staying on the same level? Can you please elaborate a little bit on that between -- the relationship between you and the sellers?

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

Hi, Ruben. Good afternoon. Thank you for your questions. As to the expenses, let me point out that this investment falls within our vision of the balance of variables, just like I answered in the previous question. When you look at investments made in the past in our competition, they had investments and way bigger than the investments we're making. It's a different balance. But at the end of the day, we will be able to be focused in generating cash. We pay very close attention to it.

When you look at the cash consumption in the Q1, it's -- usually it's basically linked to seasonality, but we had major efficiency gains there. When you look at cash consumption in Q1, it's 10.3% of our GMV. When you look at the same indicator even into first quarter of 2020, we've improved almost 400 bps. So we're making this investment. We believe it makes sense. And it's always linked to improving service level, increase shopping frequency and greater engagement. Once you generate these benefits to the company, this financial model becomes even more optimized. We can even cover more spaces with free shipping. We can even expand that. It's a living entity. So we keep -- we have to adjust it as we go.

When you look at last year's numbers, that was the investment in Americanas Mais, free shipping. Just like you said 52% of sales use free shipping. Last year, it was about half. With the new packaging of the Americanas Mais, we doubled free shipping, which is very good to customers after all, and we can of course benefit from it.

As far as marketing goes, no major highlights. We've been sponsoring Big Brother, products in that Big Brother category. The highlight in expenses, we didn't have last year is exactly the Americanas Mais program, always striving for that balance. With the co-partnership, you have to have a minimum ticket price. Sellers can only have free shipping depending on their service level. The higher the service level, the greater our share would be. That improves service level and brings cost down by using that model.

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

Okay, very clear. Thank you.

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

Thank you, Ruben.

## Operator

Our next question comes from Mr. Guilherme Assis, Banco Safra.

**Q - Guilherme Assis** {BIO 16143141 <GO>}

Hello, good afternoon, everyone. Thank you for taking my question. I actually have two questions. First, I know that the math is not 100% correct. But when we try to estimate, it's around 10%. And I think that you changed your strategy in order also to be competitive, so with regard to the uptake. And also try to -- I would like to ask if the take rate rather is really around 10% and it seems to me that it's flat right now. So I want to understand first if my math is right, and how do you see that?

My second question, you announced this program to expedite growth. I don't think that is a formal guidance, but rather company's expectations in growing 50% or a little bit more than that in the year. But considering Q1 performance and what you also saw in April and now beginning of May, do you believe that 50% is a feasible target? Do you keep that expectation of growing 50%? And do you think that you're going to be at a level that's above competition?

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

Hi, Guilherme. Thank you for your questions. About the take rate, yes, it's right, about 10%. There were no take rate projections, there were no incentives there. We changed the Marketplace platform. But we didn't take the average take rate we had before. It was just a change to give us more predictability to improve the service level, but it didn't change the Marketplace economics. The major change was the co-sharing model for free shipping, just like I said in previous answers.

As to the growth, we've been informing the market, our goal is to grow more than our top players. In the first quarter, we grew more than we expected. Our expectation was about 80%. We grew 90% in the first quarter, when we look at April numbers, just like I said in previous answers. When you have a two year calculation, it was the best monthly growth for the company so far. So we're very excited about keeping on growing above internal expectations. But the focus is to grow more than our top competitors gaining market share, but maintaining the firm goal of generating cash.

**Q - Guilherme Assis** {BIO 16143141 <GO>}

Okay. Thank you very much, Raoni

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

Thank you, Guilherme.

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## Operator

Our next question comes from Ms. Danniela from XP.

### Q - Danniela Eiger {BIO 20250080 <GO>}

Good afternoon, everyone. Thank you. Very quick question about growth. Can you please add some color on how do you see that for 1P and 3P? Or do you see any of these two growing more? And also which categories do you think that will be -- that you present a higher potential, also restaurants with the Shipp, and which categories do you foresee a growth, stronger growth, for example, fashion? So if you can please split up each categories? Thank you.

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

Hi, Danniela. Thank you for your questions. As to the breakdown between 1P and 3P, we have a hybrid platform. The balance there, we believe it's good for the business, it's healthy, a little over 60% on 3P and less than 40% in 1P. Throughout the quarters, we've been trying to optimize to the scenario. When you look at the fourth quarter, 1P grew more than 3P. And as we promoted changes in the Marketplace platform, that curve reverted; 3P grew more than 1P. Again, we're always looking at opportunities, trying to grow in both. There were opportunities for growth in both of them 1P and 3P.

In the long run, of course, given the characteristics of 3P, it's a long tail business model. We believe that 3P may grow more than 1P in the long run. But we are at a level of balance we feel comfortable with and we'll keep on looking at opportunities to grow more in one or the other depending on the quarter.

As to the categories question, the grocery is the highlight, 53% of items sold in the quarter. It grows eight times year-over-year and we believe that there is room to keep growing even further. We're just expanding geographically. We started last year with two states, now we are operating in eight states. We signed partnership with top three grocery store networks. We can have a national coverage now, 1500 stores throughout the country. So, undoubtedly, it's a category that will grow substantially.

For other categories, you have the same dynamics of categories that are huge in physical retail, but they're not as relevant in online. Garment industry, health, pet shops, these are categories that there -- we see several opportunities to grow both organically or through strategic acquisitions as well.

### Q - Danniela Eiger {BIO 20250080 <GO>}

That's very clear. Thank you.

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

Thank you, Danniela

## Operator

We now close the Q&A session. I'd like to turn it over to Mr. Raoni Lapagesse for his final remarks. Mr. Raoni, please go ahead.

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

Thank you for attending our earnings call. I would like to wish Happy Mother's Day for all of you, next Sunday. Feel free to get in touch with us if you have any questions. Thank you very much. Good afternoon.

### **Operator**

B2W Digital earnings release call has now ended. Thank you very much. Have a great afternoon.

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