

Y 2013 Earnings Call

Company Participants

- Francisco Tosta Valim Filho, Chief Executive Officer
- Marcelo Rizzi de Oliveira, Investor Relations and Strategic Planning Officer
- Vitor Faga de Almeida, Chief Financial Officer

Other Participants

- Gustavo Oliveira, Analyst
- Irma Sgarz, Analyst
- Marcel Moraes, Analyst
- Nicole Inui, Analyst
- Pedro Leduc, Analyst
- Ricardo Boiati, Analyst
- Tobias Stingelin, Analyst
- Unidentified Participant
- Vitor Paschoal, Analyst

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for waiting. Welcome to Via Varejo conference call to discuss the results of the fourth quarter of 2013. This event is also being broadcast via webcast, which can be accessed at www.viavarejo.com.br/ir, with the respective presentation, the slide selection will be managed by you. There will be a replay facility for this call on the website. We inform you that the company's press release is also available at their IR website. This event is being recorded and all participants will be in listen-only mode during the company's presentation. After Via Varejo's remarks are completed, there will be a Q&A session when further instructions will be given. (Operator Instructions)

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Via Varejo management and on information currently available to the company. They involve risks, uncertainties, and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Via Varejo and could cause results to differ materially from those expressed in such forward-looking statements.

Now I would like to turn the floor over to Mr. Marcelo Rizzi de Oliveira, Investor Relations Officer of the company.

Marcelo Rizzi de Oliveira {BIO 21142716 <GO>}

Good morning everyone. I would like to welcome everyone to the fourth quarter 2013 earnings release conference call. We are going to have the CEO of the company, Mr. Valim and Vitor Faga, our CFO speaking. After that we are going to open a Q&A session.

I would like to give the floor to Mr. Valim.

Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Good morning. You have probably downloaded the presentation, so I will be talking about slide two. I would like to highlight three important points. One, net income of BRL1.175 billion, a growth of almost four times compared to 2012. We had a significant market share gain in the period, both in the specialized markets, in other words those that are similar to ours, ; but also in the generalist market, which includes hypermarkets and online market, where we were able to maintain a significant position, which we believe is an important achievement. The third bullet item, in the fourth quarter we generated over BRL1 billion of cash, driven by initiatives that improved operating efficiency in our organization.

Moving to slide three, some strategic highlights, very relevant one, we finalized the acquisition of Bartira, a very important company in our development structure to leverage the commercialization of furniture. We signed an operating agreement with Nova Pontocom, enabling synergies and strengthening the multi-channel strategy. Still in this quarter, Casas Bahia was recognized as Top of Mind in Datafolha Institute survey for the eighth consecutive year, and we had Casas Bahia with BRL993 million and Pontofrio with BRL346 million, both as the two most valuable brands in the Brazilian retail landscape.

On page four, we talk about the secondary public offering, which was formalized and broadly publicized. On December 16, that company held a secondary public offering of units and entered the corporate governance Level 2 of BM&F Bovespa. And this is the new shareholders structure, as you can see on slide four.

As for the results of the company, on page five, we see significant revenue growth both in the fourth quarter compared to the fourth quarter of 2012, as well as for the full year. Growth of over 11% and same-store sales growth of 9%. The main drivers here were the virtuous cycle of consumer technology, an all-time record of sales in Black Friday and the opening of 47 stores from January 2013 to January 2014, with the entry into new markets such as Alagoas and Paraiba.

On slide six, we see significant gain of market share. We grew 3 percentage points in the month of November and we highlight the success of the Black Friday promotion. And when we compare October with November, we grew 1 percentage point in the same context. On the bottom of page six, we see the market share performance in electronics,

weighted moving average in the last 12 months. So we see that in specialized market, we are consistently gaining market share. And in the total market, considering not only the specialized market, but generalist market as well, we remain stable showing the resilience of our business model.

I'm on page seven now. Talking about the opening of stores, we can see that we are expanding our stores. We had 47 new stores opened within January of 2013 and January of 2014. As I mentioned, we opened stores in Paraiba and Alagoas, but just to give you some examples. In Campina Grande, in the first day of sales, we sold BRL720,000 in the first day of sales. In Garanhuns in the State of Pernambuco, BRL460,000. And these are just a few examples of how important it is to open a new store and to expand, generating a push in our existing business model.

I will now give the floor to Vitor Faga, who is going to give you more detail on the financials and operating information of the company.

Vitor Faga de Almeida {BIO 16103413 <GO>}

Good morning. Before we move on, when we talk about EBITDA and net income, I would like to mention that these numbers are adjusted. We had positive numbers in the quarter. But we mention these indicators in an adjusted fashion to allow for a good and more precise comparison.

On slide eight, we have to highlight a number of efficiency initiatives, operating efficiency initiatives, which included the assembly, logistics expenses, which were reduced, reduction in marketing expenses. And we can see here on the right side of the slide all of these initiatives. When we implemented these initiatives, the company was able to reduce its expenses. In relative terms, for example, in percentage of net sales, which went down from 24% of net sales to 22.7% of net sales, a reduction of 130 basis points. When we look at the same indicator in the quarter, quarter-on-quarter this reduction was of 1.5 percentage points.

As a consequence of the implementation of these initiatives linked to an increase in sales, this leads to an increase in the EBITDA in the year as well as in the EBITDA margin, as we can see on page nine. EBITDA suffered, but we were able to implement these initiatives and capture these gains. We increased from 6.2% in the first quarter of 2013 to above 9% in the fourth quarter of 2013. This allowed us to generate more than -- we increased from 1.2 million to 1.78 million, and this was a 1.8 percentage point increase in the EBITDA margins in the period.

Also important to remember on slide 10 that initiatives to improve the operating efficiency also had an effect on the working capital. As we can see here, we compare to last quarter. We'll end with the highlights, the inventory reduction and numbers of days of COGS and also changes in processes and renegotiation with suppliers. With these highlights, we were able to generate cash in a relevant fashion. We were able to generate about BRL1 billion along the year. As important as cash generation is that the company now has a healthier position in terms of inventory and suppliers, which is very good because we are

able to grow the company and generate cash. It is very important in our business model and to have return on investment.

On slide 11, we see the results of improvement in the operating efficiency. We see an improvement in EBITDA, improvement in working capital and that generated funds for the company and made it possible for the company to improve its cash position over BRL1 billion in the last quarter and also year in the whole year, in the full year. And we generated net cash BRL1.260 billion in the last quarter of 2013.

Also important to highlight is the evolution of our financial results, cash generation linked to some initiatives to use the interest income. And particularly the optimization of payment terms and we are talking about terms of payment and the percentage of sales installment, all of that drove the financial results as a percentage of net revenues. We were able to reduce our financial results from 3% to 2.5%, minus 0.5 percentage point, despite the increase of the Selic interest rate over the year, which directly impacts this result. This allowed us to face this macroeconomic challenge in a very efficient way.

And finally on page 12, it's important to mention our net income, adjusted net income, moving from 2.2% in the first quarter of 2013 to 4.2% in the fourth quarter of 2013, and this is the result of a reduction in logistics and assembly costs, optimization of operating expenses and improvement of our interest income. And this is a very important result. We are talking about absolute terms more than BRL4 million of net income. Comparing 2013 with 2012 we can see an increase from 289 million to 719 million, plus 1.8 percentage point. 1.5% increase into 3.3%. And these improvements were driven by a number of competitive advantages that the company enjoys and that the company was able to capitalize on throughout 2013 and we expect to continue to enjoy these competitive advantages in 2014.

I give the floor back to Valim, who is going to tell us about the expectations for 2014.

Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Well, the outlook for 2014 is we continue to implement the successful results improvement plan. We believe that we can capture more synergies with Nova Pontocom, in particular the implementation of the multi-channel strategies. We believe that the furniture segment is very important, so we need to capture opportunities in the furniture market through the Bartira integration, that's an important target for 2014. And we intend to continue to accelerate our expansion plan by opening new stores. We are very confident on the results we expect for 2014 and we are definitely celebrating the good results of 2013, particularly the results that we just disclosed to you about the fourth quarter of 2013.

Questions And Answers

Operator

We are now going to open the floor for questions. We kindly ask you to make all questions at once and wait for the company's answer. (Operator Instructions) Mr. Ricardo Boiati from Bradesco has a question.

Q - Ricardo Boiati {BIO 16528742 <GO>}

Good morning everyone. My first question has to do with gross margin. This quarter we had some changes in gross margin due to promotions like Black Friday, despite the company mention improvement in efficiency gains and also other initiatives that did help to improve the operating efficiency having a positive effect on gross margin. What about this trend of gains of efficiency in gross margin? Will this be transferred in terms of commercial aggressiveness to benefit market share? Should we expect to have it further quarters? And what about the EBITDA margin? Does it come from initiatives that have an impact on expenses and efficiency?

My second question has to do with the level of indebtedness that the company had, which was very low in the fourth quarter. I'd like to know if this does change, to some extent, your receivable discount policy of the company or if you have any other pants in mind. The level of indebtedness, particularly leverage seems to be very low. So I'd like to know, to what extent, this might change your strategy. Thank you.

A - Vitor Faga de Almeida {BIO 16103413 <GO>}

Thank you, Ricardo, for your question. First question about the gross margin. In the fourth quarter, we had the Black Friday event. In 2013, it was expanded. It was far more important compared to 2012. This had an impact, like you said, on our gross margin. However, that was a strategy adopted by the company to maximize our result in the fourth quarter, due to the increasing importance of Black Friday in the whole retail schedule, particularly for electronics and home appliances. We see this as a trend in order to maintain the levels of gross margin for 2014 vis-a-vis 2013.

As to the indebtedness, the company is always seeking the best and most efficiency capital strategies. We had a reduction in our indebtedness level and we'll be always analyzing the best cost of capital. Today, receivables discount is a source of financing, which is quite attractive when it comes to cost and it also allows us whenever we have a macroeconomic scenario with uncertainty, we can benefit from very sound liquidity, which we expect to maintain at least in future months and quarters.

Q - Ricardo Boiati {BIO 16528742 <GO>}

Thank you. So just to clarify about the gross margin, what about the initiatives for gains of efficiency? Should we expect it to keep on having a positive impact on results over 2014? So in order to maintain the same levels of the third quarter, you maintain a policy that is slightly more aggressive compared to earlier last year. Does that make sense or were these gains already considered and for the future, it's only a matter of maintaining them?

A - Vitor Faga de Almeida {BIO 16103413 <GO>}

I wouldn't say it is more aggressive. The fourth quarter did have an impact, was affected by the promotional event, but the average in the fourth quarter is not so different from

the average gross margin for the year and that what we'll seek over 2014. But I wouldn't say it would be more aggressive margin wise, but rather we'll be searching for a similar margin level. Now this is the margin level that we expect to maximize the company with a balance between sales and margin.

Q - Ricardo Boiati {BIO 16528742 <GO>}

Thank you.

Operator

Tobias Stingelin from Credit Suisse has a question. Guilherme Sis [ph] from Brown [ph] has a question.

Q - Unidentified Participant

Good morning everyone. Thank you for taking my question. Actually I have two questions. First, I would like to understand this improved cash cycle. I'd like to have a better understanding and check if there is any impact of the spin-off of Nova Pontocom. When I read the figures, apparently there was no adjustment in figures from the past. It seems to me that the balance sheet is the same. In my opinion, I think -- well, my question is, what about this improvement that we saw when we compare year-on-year or quarter-on-quarter? Is there any impact due to the exclusion of Nova Pontocom or something that we could consider an adjusted improvement?

Now my second question has to do with the agreement with Nova Pontocom. I'd like to know if there is any progress vis-a-vis any actions to share gains in the acquisition and also related to cash -- cost allocation and synergy with logistics. Thank you.

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Thank you for your question. Answering your first question, in the comparison that we showed in our slides between the third and the fourth quarter, these are comparative data. In other words, there is no difference in terms of including or excluding Nova Pontocom, but what we have is an impact from the third to the fourth quarter related to seasonality and this has intensified our gains. We expect to maintain comparative basis in future quarters with gains of approximately BRL1 billion in this ratio between inventory and suppliers.

Q - Unidentified Participant

What about Nova Pontocom?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Well, Guilherme, we are working in order to identify and also to work on gains of synergy. They come from several fronts, from the commercial, logistics front, multi-channel operations and we are working on this progress. We haven't concluded yet the whole analysis. We haven't concluded all the implementations yet. But as soon as this is concluded, we'll be announcing and disclosing all the distribution and breakdown of these

potential synergies that are not concrete obviously this quarter, but as soon as we have the data, we'll be announcing that in a more explicit manner.

Q - Unidentified Participant

Great, thank you.

Operator

Nicole Inui from Merrill Lynch has a question.

Q - Nicole Inui {BIO 17757166 <GO>}

Good morning. Congratulations on the results. My question has to do with deliveries. Could you may comment on the earnings in regions and the potential pilot expansion?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Well, this has proved to be very successful. We've been working in that direction and our next goal is to assess the outcome of a successful pilot phase and then expand at a broader scale over the year, making sure we won't change the market dynamics negatively.

Q - Nicole Inui {BIO 17757166 <GO>}

More specifically in Minas Gerais market, what about competition?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

They're reacting very well. They also implemented the same modality.

Q - Nicole Inui {BIO 17757166 <GO>}

Okay. So what about the results of the fourth quarter?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Could you repeat your question, please?

Q - Nicole Inui {BIO 17757166 <GO>}

Does that include the cost of the IPO?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Well, the results of the IPO did not affect the company's earnings. They were posted in the balance sheet vis-a-vis our shareholders' equity, but these were not included in the results.

Q - Nicole Inui {BIO 17757166 <GO>}

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Thank you. Can you also may comment about the portfolio and quality?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

We've been having a very positive performance in our portfolio, Bobby [ph], with a very positive trend in the process. Like we said before in several occasions, we are moving forward and sophisticating our process to follow loans and our perception is a positive attitude in that direction, both in terms of systemic variables improving delinquency as a whole in the country, but also specific activities that we are doing in-house, they also have a positive impact on our business.

Q - Nicole Inui {BIO 17757166 <GO>}

Could you give some examples of what you're doing to improve your delinquency ratios, please?

A - Vitor Faga de Almeida {BIO 16103413 <GO>}

We are more actively engaged in collection, in early collection and then mid-term collection and intensifying our collection portfolio. We are also focusing on operational improvement during assignment of credit and we're working with more third parties in order to expand our coverage collection wise. And we always try to improve the understanding of each and every consumer and that's a process to go there in order to tell the difference by item, breaking down by region, store and even individual taxpayer's number.

Q - Nicole Inui {BIO 17757166 <GO>}

What about the level of delinquency comparing the fourth to the third quarter and year-on-year?

A - Vitor Faga de Almeida {BIO 16103413 <GO>}

The delinquency rate got worse over the first -- from the first to the second quarter. However, they remain stable along the third quarter and improved in the fourth quarter. So the trend in the future is very positive when it comes to delinquency.

Q - Nicole Inui {BIO 17757166 <GO>}

Thank you, and congratulations again.

Operator

Alexandre Amson from Credit Suisse has a question.

Q - Tobias Stingelin {BIO 18290133 <GO>}

This is Tobias speaking, I'm sorry, the line went down. Vitor and Valim, I have a question. What about the activity over the year? Considering the first half of the year, we're probably very strong due to the World Cup maybe up to June or at the end of June, what about your expectation for the second half of the year to make sure sales will remain

strong? Could you make any comments? And then can you elaborate on details in terms of receivable discount rate? Have you been able to lower these rates of receivables discount with banks?

A - Vitor Faga de Almeida {BIO 16103413 <GO>}

Tobias, in 2014, what we perceive in the first two months is that the trend is very much in line with our expectations. We understand there hasn't been any change vis-a-vis our expectation. This is really happening. Now as a general expectation of what will happen over the year or particularly in second half of the year, we believe our competitive edge is very significant. And we'll keep on working along those lines with our expansion plan and also focusing on differentiation vis-a-vis our main competitors. We believe this year despite more uncertainty, we believe that our plans, internal plans will be successfully achieved and I'm referring more specifically to sales growth.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Vitor, sorry to interrupt you. Valim, this is Tobias speaking. As consumers have to make choices, don't you think they would have to focus and concentrate purchases in the first half of the year and a weaker sales rate in the second half of the year? How can you mitigate that to make sales during the second half of the year? I'd like to understand this concern about the effect in the second half and if you're doing anything in that area. Sorry to interrupt you.

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

No problem. Tobias, obviously, the TV set category will have a stronger expansion in the first half of the year, but naturally in their year flow that's a migration that will be more focused in the first half of the year due to the sports event, the World Cup. However, white line and furniture are still top priority in consumers' minds.

We understand that the second half of the year -- well, a husband was the winner in the first half of the year and then in the subsequent half of the year it will be the wife time and then we have to conquer this space in the second half of the year. And once again, there would be our competitive edge in our favor, once we are very competitive in these other categories as well. But obviously, people will privilege TV, but we don't believe this will change the dynamics for the year, actually just for the first half of the year vis-a-vis the whole year.

As to rates, Tobias, as to the rates, you're right, there is a pressure to increase discount rates on absolute terms due to the Selic increase. On the other hand, the company has been renegotiating with the market, renegotiating the spreads that are embedded in this rate. And in that sense, we've been very successful to lower the spreads, particularly when we speak of a percentage of CDI, but anyway the increase in CDI will probably and is already putting pressure and increasing rates in absolute terms, that's a challenge to the company. But we do have the tools and instruments to take the challenge over the year.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Wonderful. Just a follow-on question. Valim, could you talk -- well, you mentioned priorities for the year, including furniture. What are you doing for furniture and might we expect any kind of positive impact in 2014 or only in 2015 with Bartira producing or with a change in mix or more furniture at Pontofrio, when should we expect something more concrete in the first round?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

In the second half of the year, we're about to see significant changes in that direction. For the results for the year, probably it will not be so significant, but it will be clear in the second half of the year this change in trend.

Q - Tobias Stingelin {BIO 18290133 <GO>}

So there will be also an impact on gross margin?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Well, typically an impact on gross margin, but also in the flow of customers in the store, average ticket impacts in many areas. So we won't see any significant impact for 2014, but trends in consumers and stores.

Q - Tobias Stingelin {BIO 18290133 <GO>}

So probably in terms of numbers, we'll see results as of 2015?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Yes, that's a good estimate.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Thank you.

Operator

Mr. Gustavo Oliveira from UBS would like to ask a question.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Vitor, Valim, good morning. I would like to go back to the working capital, which showed a significant improvement in the quarter. How do you see the performance of line items, accounts payable and inventory, for the coming quarters? Do you expect a gradual improvement or do you expect an improvement leap?

A - Vitor Faga de Almeida {BIO 16103413 <GO>}

Thank you, Gustavo, for your questions. How do we see things happening from now on? We expect a gradual improvement. Comparing the third quarter to the fourth quarter, there was a seasonality impact -- seasonality effect and this is not going to be repeated, but I believe that the biggest stride has been made. We will have additional increments,

but they are not going to be similar to this big leap that we've just taken. But obviously, we expect these increments to take place over the year.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

So do you think that a gradual improvement should come from inventories when you improve the efficiency of your operations rather than negotiations with suppliers?

A - Vitor Faga de Almeida {BIO 16103413 <GO>}

You are correct, but again the improvement will not be this big.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Thank you.

Operator

Mr. Leduc from JP Morgan would like to ask a question.

Q - Pedro Leduc {BIO 16665775 <GO>}

Good morning. Thank you for the opportunity. A very quick question. What about sales with and without interest in the quarter compared to last year? Are you selling -- are you expecting an increase in sales in installments with the increased change in the Selic rate? How do you see this increase in the Selic rate and what do you expect looking forward?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Well, in terms of profile of payment, that was your first question. In the first quarter, the company saw the same trend that we had in the last two quarters, where we have a cash sale of around 30% -- 29%, credit card sales of around 56%. It is important to mention sales using credit cards with no interest below 40%, this was the trend in recent quarters and it was confirmed in the fourth quarter and payment, bulk sales accounting for about 15%, very close to the average of the last quarters. And this is the trend that we see. It is the point where we optimize our level of sales with interest. That's when we optimize our results.

We don't expect a significant change in this profile. Now, obviously, with the Black Friday example in the fourth quarter, since the Black Friday sales have a different characteristic than the rest of the sale in the year and even in this quarter, we generated some substantial changes and some indicators, but that's not a trend. The trend is maintaining the levels of the recent quarters.

Could you repeat your second question?

Q - Pedro Leduc {BIO 16665775 <GO>}

It was about payment installments. My second question was regarding the level of processing of receivables, 8.7 against 7.8 last year. Do you see any change in that?

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A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

We are very cautious about managing our financial services. Our financial services area follows this process very closely with our auditors and we are very conservative. And in spite of the model that we implement, we don't see a deterioration in delinquency rates. On the contrary, in the last two quarters, delinquency rates improved. The levels that we currently have are absolutely comfortable for the management of our business looking forward.

Q - Pedro Leduc {BIO 16665775 <GO>}

Thank you very much.

Operator

Mr. Zoma Medi [ph] from Santander would like to ask a question.

Q - Unidentified Participant

Good morning. Most of my questions have been answered, but I'd like to ask one final one. Related to investments in technology, in 2013 you invested a lot more than in previous years. And I believe that this has brought you good results. We can see improvement in working capital and this was basically driven by improvement of existing systems or deployment of new systems. So from now on, is this a recurring level of investment in technology or did you need to just invest a lot upfront and then it will just be a maintenance investment, can we expect a reduction in that line item in 2014?

A - Vitor Faga de Almeida {BIO 16103413 <GO>}

Very well, thank you for the question. The year of 2013 was very important. We made a number of improvements in technology and that allowed us to raise the bar in terms of efficiency -- improve our efficiency levels as we could see in the results that we have discussed. We will continue to invest in technology, but not at the same level that we invested in 2013, not only the levels, but still it will be a steady investment to maintain an up-to-date technological park and so that we can capture synergies and maintain our high level of service to customers.

Q - Unidentified Participant

Thank you. And, Vitor, if I may. I believe that now you're going to start a stronger expansion phase in terms of selling area, sales area. Last year you opened more than 40 stores and this year, I believe, more than 70. And a problem that many retailers are facing in Brazil is the cost -- the occupancy cost and the difficulty in finding good locations. How do you see this? And the moment that you started accelerating expansion, have you thought of reviewing the initial plan, have you run into difficulties? Could you elaborate, please?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Zoma, this is Valim. As far the expansion plan, we are in keeping with the original plan. Yes, the main difficulty is finding the right locations, so that they can give a very significant

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return on investment. We work with very significant return on investments for the new stores, but we don't think that this is going to impact our plan, change our plan in any way. In addition, we believe that the prices of real estate, if they have now stabilized, they are showing a declining trend and we believe that this is an additional opportunity for us.

Q - Unidentified Participant

Excellent. Thank you, Valim and Vitor.

Operator

Bernardo Cavalcanti from Goldman Sachs has a question.

Q - Irma Sgarz {BIO 15190838 <GO>}

Good morning. It's Irma Sgarz from Goldman Sachs. Most of my questions were already asked. But I'd like to have a better understanding as to what extent the government's initiative "my better home" is already important. What is the impact? I expect it is still low, but what about initiatives or campaigns that you are planning for 2014 in order to inform and educate consumers on these possibilities and this initiative? And along the same lines, in the plan to open stores, could you give us a breakdown by region -- or the regions where you plan to open new stores? I'd like to hear your comment. Thank you.

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Answering your question about "my better home" program, we don't believe there is a very strong importance or prevalence in our revenues and that's why we are focusing on higher-income regions. And as a result, we are not so exposed to the potential user of this program. So the relevance of "my better home" in our keys is very low.

Answering your second question, we are basically focusing on the Northeast. We believe we have plenty of opportunities for growth and a little bit in the Midwest, but marginal growth is above the average. Obviously, we are not leaving other regions aside, the ones we already are.

Q - Irma Sgarz {BIO 15190838 <GO>}

Thank you.

Operator

Marcel Moraes from Deutsche Bank has a question.

Q - Marcel Moraes {BIO 20057766 <GO>}

Good morning, Valim. Good morning, Vitor. My first question has to do with investments. Store remodeling, for instance, what about the investment? It has significantly increased in 2013. So as you -- what about remodeling at Nova Pontofrio, do you think the numbers will go up when we check 2014 and also 2015?

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A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

This condition in investment and store remodeling over the years have a significant amount so we can have the new stores always suitable to the marketing question. And we keep on working on that front. So far we have no plans to change anything significant in terms of trends and investments. We are very much aligned and comfortable with the level of investment in our schedule, which is not significantly different from what we had in 2012 and 2013.

Q - Marcel Moraes {BIO 20057766 <GO>}

Do you intend to give any guidance for CapEx for 2014?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

No, we're not working with any specific guidance in any front.

Q - Marcel Moraes {BIO 20057766 <GO>}

My next question has to do with restructuring costs that are rated as other expenses. Can we have any visibility in terms of the evolution of these expenses that did not appear in the previous quarters?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Well, just a little bit about 50 million in the fourth quarter.

Q - Marcel Moraes {BIO 20057766 <GO>}

What about down the road, do we expect to see it more often or it was just something non-recurring?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Well, it was non-recurring. We don't expect to see the same kind of amount posted in future quarters. These numbers reflect provisions for restructuring. In order to continue the implementation and several initiatives of operating efficiency that we mentioned before, we don't expect to see the same kind of posting in future quarters.

Q - Marcel Moraes {BIO 20057766 <GO>}

My last question has to do with foreign exchange. To what extent, do you think foreign exchange rates are affecting the average prices at the company? What about Christmas and what about renegotiations with customers, any kind of pressure? And last but not least, to what extent do you think this might affect sales in future quarters if we maintain this level of 2.40?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Well, this level of 2.30, 2.40 has been on for some time now. We've been negotiating with our main suppliers and we don't believe they've had any reason to change prices significantly. So we don't understand that this has changed our ability to be competitive in

the market. And probably this is already embedded in the prices we currently have, the loco [ph] prediction coefficient is very good.

Operator

Vitor Paschoal from Itau BBA has a question.

Q - Vitor Paschoal {BIO 17585365 <GO>}

Good morning, Valim. Good morning, Vitor. I'd like to know if you could give us a breakdown of same-store sales in our business lines and also the mix of white line, furniture and electronics just to have a better understanding of growth dynamics in each one of these lines related to corresponding mix.

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Vitor, your question is excellent, but more people want to know the answer and that's why we believe we'll not answer your question right now.

Q - Vitor Paschoal {BIO 17585365 <GO>}

I see. So let me try to rephrase my question. There has been recent news saying that white line as having a poor performance. Well, maybe you don't have to mention any figures, but can you mention any trend that was perhaps a little bit decoupled from other lines or that's not necessarily true?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

No, that's not our perception, Vitor. Well, earlier this year, white line is booming due to our high temperatures. And clearly the technology market and the mobile market is growing more than the rest, but we don't believe there'll be significant changes considering what happened in 2013.

Q - Vitor Paschoal {BIO 17585365 <GO>}

Thank you. Great.

Operator

Alexandre from Credit Suisse has a question.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Good morning. Tobias again, just a follow-on question. If I'm not mistaken, in your forecast there is about 30 million or 35 million related to potential shutdown of sales due to Kadi's [ph] negotiation. Are you being conservative or you've come to the conclusion that, well, you had nobody interested in buying and then you would have to shut down and open the stores again, what about provisioning and then the fact of opening these stores again within six months?

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A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Provisioning, according to the accounting standards, has to follow a conservative approach, we're being conservative. The process is not over yet. We are in the final stages that happen in January and February, but we haven't concluded yet and we have proper position in our view. As to opening new stores, that might happen after the shutdown, so now we are closing and concluding the adjustment term with Kadi and part of this is provisioned in the restructuring context.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Is there a deadline for that in April? I don't remember exactly what the deadline is, if in April for instance you failed to find somebody interested in buying these 30 stores. Theoretically, you have to pay a penalty to Kadi and then you shut down the stores and maybe after months you could reopen that. How does that happen, I mean, if you fail to sell that? What about the sales base this year and will you add any stores that you are planning to open?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

Well, we're just about to conclude the process with Kadi, but the process is the following, Kadi approves the process, showing that the process is compliant and then we have to shut down the stores. Now as to opening new stores, that's a step that is not matched to the previous step and it can also happen in those locations six months after the shutdown of the initial stores.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Got it, perfect. One last question. I have a question about the gross margin. Valim and Vitor, in my accounts in pro forma the margin is about 31% at nine months, that's for the gross margin. And then in the fourth quarter, more specifically, it went down to 30.3%. We know you were more aggressive in Black Friday. On the other hand, you also have gains of efficiency in DC. So it shows that the policy was quite aggressive in order to have a relatively significant impact on margins. Could we assume there the reference -- well, if in 2013 you close at 30.8%, should we work on something similar? At the end of first quarter, probably there will be the margin going back to the levels at nine months in 2013?

A - Francisco Tosta Valim Filho {BIO 5151899 <GO>}

You gave the perfect answer, Tobias. That's what I would answer. Great, I'm happy.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Thank you again.

Operator

This concludes the question-and-answer session. I'd like to give the floor back to the company's management for the final remarks.

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A - Marcelo Rizzi de Oliveira {BIO 21142716 <GO>}

I'd like to thank you all for joining us. The IR team is here at your service for any other questions you may have.

This concludes Via Varejo's conference call, don't hesitate to contact the relation teams for any other questions you may have. Thank you for participating in this call. Have a nice day.

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