Q1 2013 Earnings Call

Company Participants

- Adalberto Santos, CFO and IRO
- Jose Gallo, CEO
- Unidentified Speaker, Unknown

Other Participants

- Andrea Teixeira, Analyst
- Fabio Monteiro, Analyst
- Guilherme Assis, Analyst
- Gustavo Oliveira, Analyst
- Ricardo Boiati, Analyst
- Tobias Stingelln, Analyst

Presentation

Operator

Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to Lojas Renner's conference call to discuss the results of the First Quarter of 2013. We would like to inform you that today's live webcast, including the slides show, may be accessed through Lojas Renner's website at www.lojasrenner.com.br in the Investor Relations section at the webcast platform.

As a reminder, questions will be taken by telephone and by the platform. We would like to inform you that participants will be in listen-only mode during the Company's presentation. After the Company's remarks are completed, there will be a question-and-answer session when further instructions will be given. (Operator Instructions).

Before proceeding, we would like to clarify that forward-looking statements that might be made during this call related to the outlook, projections and operating and financial targets of the Company are beliefs and assumptions of Lojas Renner's management and information currently available to the Company. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions as they relate to future events and 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 also affect the future results of Lojas Renner and lead to results that differ materially from those expressed in such forward-looking statements.

Now, I would like to turn the conference over to Mr. Adalberto Santos, CFO. Mr. Santos, you may begin.

Adalberto Santos {BIO 16803045 <GO>}

Good afternoon, everyone. On behalf of the Company I would like to thank you for participating in our call. Here we also have Gallo, our CEO; Paula Picinini, our Senior Investor Relations Manager; and Luciano Agliardi, our Controller.

I would like to start going to the presentation. So let's go to page 3, where we have the highlights for the period, for the First Quarter. The Company grew by 17.4% in net revenue from merchandise sales with same-store sales reporting growth of 9.4%. Gross margin reported a decrease of 1.9 percentage points on a recurring basis. That would be a growth of 0.6 percentage points in the retail operation of Renner.

Operating expenses had a dilution of 0.1 percentage point. And for the main operation, the Renner operation alone, the dilution was even higher, 0.4 percentage point. With that, the total adjusted EBITDA grew by 7.6%. But on a recurring basis there would be an evolution of 23.1%. Financial Services posting an increase again, a robust increase of 16.3% and continues to report the lowest historical loss levels ever.

Now going to page number 5, we have the evolution of our net revenue for merchandise sales that grew in consolidated terms of 17.4%, BRL726.7 million. Same-store sales, 9.4% increase vis-a-vis 4.8% in the previous year. And this is due to the assertiveness of our new collection and the right strategy for the introduction of this collection, the effectiveness of the new opened operations and also contribution -- a major contribution coming from Camicado. I would like to stress that if it were not for the calendar effect, the evolution of same-store sales would have been even higher, something like 1.2%; that is to say we would have 10.6% growth.

I think we would also mention the contribution of the new initiatives in Q1, consolidated figure growth by 17.4%. And Camicado already contributed to 27.1% and 47% -- e-commerce growing 80.9% after having grown more in the previous year.

One important data, when we break out -- break down the same-store sales of Lojas Renner isolated from Blue Steel and e-commerce, it would have been 8.9%. And the 8.9% lead us to 2.2%, an increase of 6.6% in price. It is important to say that this is a sequence to a movement that we started last year. We had a gain of 1.2% after a period of zero almost in the previous years.

And this is a clear sign for us that the Company grows gaining market share. And another indication that makes us very comfortable vis-a-vis the assertiveness is the performance of the Company when compared to BMC. We outperformed this index in the First Quarter. We continue in the same direction; that is to say higher than the BMC, top clearly in all the states where we measure it and also in these two months. And these are clear indication that the Company has been growing sales with important market share gains.

Now going to page number 6, we have the evolution of the gross profit for merchandise sales, growing by 3.2 percentage -- 13.2%, 53.1% to 51.2%. And this is due to the non-recurring effect in the transition to the new security system and the margin of Camicado. On a recurring basis the Renner operation, the core operation, would have 0.6 percentage point.

I think we should also mention the more effective inventory management growing at lower levels than the growth of sales. So we saw this in the last quarter of 2012. And once again we grew 14.7% vis-a-vis 17.4% in sales. And this certainly should bring an impact on the results of the Company and later on it should impact our demand for working capital as well.

On page number 7, the evolution of operating expenses, going less than expenses, 17%. And this is due basically to the strict control of our expenses and also the postponement of some modernization of stores. Considering the Renner operation alone, the valuation would be 0.4 percentage points, which is very relevant mainly if we consider that during the period the new logistics system alone required BRL6 million more than last year.

On page number 8, we have the retailing adjusted EBITDA. So maintained around BRL42 million, a slight drop of 0.7% on a recurring basis. We present a 29.5% increase vis-a-vis net revenue, the percentage would have been 7.5%. We should also stress that the Company continues to have negative pressures with stores with less than three years of age that are still maturing, over 70. And Blue Steel itself and some DC. And they are all in maturation process and that will guarantee the growth of the Company in the future.

Going to page number 9, we have the results from our financial products. I would like to highlight the result of our private label and also the evolution of revenues from our co-branded Card Meu Cartao. Loss is a little bit higher regarding the maturation of the Meu Cartao portfolio and operating expenses in line -- growing 11.4% only.

On page number 10, the evolution of losses and past dues for our main portfolios. On the upper part, we have the private card portfolio, which is higher than last -- we have the same level of losses as last year, 2.1% noted. And on the lower part of the slide, the losses of the personal loans bad debts. As you can see, it went down to 4.1%. It is interesting to note that the past dues in both parts has a reduction. On the upper part, 19.7% to 19.1%. And here from 17% to 15.5%, which is very good because it's an indication of future losses with a downward trend.

On slide number 11, we have the adjusted total EBITDA and the total EBITDA margin for the Company. Nominal values from BRL83.6 million to BRL90 million, a 7.6% growth, which is due to the evolution of sales associated to a strict control of expenses. The consistency also in the results of financial products brings an important collaboration. And on a recurring basis the growth would have been 23.1%, as I said before, representing 14.2% of net revenue from merchandise sales. That is to say we have -- we would have had from 13.5% to 14.2% of net revenues.

On page number 12, we have the financial results, showing lower financial revenues due to the lower cash operated and also the lower interest rate charged in the period. This is impacted by a higher financial expenses related to a higher leverage of the Company and financial expenses non-recurrent due to a balance of exchange rate hedging. And as you can see in the option -- a call option for currency. Here you have the net income reflecting the results of the operation as a whole associated to the lower financial result and also to the higher levels of depreciation due to the cycle events that is heavier in this period.

On page 14, we have the investment, BRL36.8 million in the period. We opened a brand new store, a Camicado store. And besides preparing the Company for new stores and the remodelings and investments in technology and distribution centers and other investment as well.

On page number 15, we have the breakdown per business. And you can see in Camicado we had the opening of another unit of Renner in Porto Alegre. And we closed the period with 189 in operations, 362.7 thousand square meters. Net revenue growing by 16.8%, BRL678 million. Gross margin, 1.7% of the Renner operation on a recurring basis.

You can see the expansion here in Camicado, opening of another store in Santos, totaling 41 units, with 21.1 thousand square meters of selling area, net revenue evolving 27.1%, reaching BRL40.7 million and gross margin dropping by 4.4% and relative elimination -- relative to the write-off of old inventory.

On page 16, the indication of the business, Blue Steel, our future YOUCOM and e-commerce. In e-commerce four stores, 747 square meters. Net revenue was small still. But it's important the indication of evolution, 49.7% growth and a gross margin also expanding 1.7%, going from 57.9% to practically 60% -- 59.6%. In our virtual stores, I had said, total revenue BRL6.3 million, 80.9% increase vis-a-vis 42.8% in the same quarter last year.

In the non-recurring -- we have here a pro-forma before us would have been the result in the First Quarter without the effect of the inventory. Net revenue at the same level, growing by 17.4% vis-a-vis the previous year. Gross income would have been practically the same, 53%. Reminding you that here we have already included the reduction of Camicado. The operating expenses, no change. But growing less than revenues; revenue growing 17.4%, expenses 17%, leading to a dilution.

And in the adjusted -- here we would have an expansion. Instead of 5.8% of net revenue, we would have 7.5% of net revenue with an expansion -- with an important expansion. Financial products is same figure and total EBITDA for the Company 14.2% instead of 18.4% (sic; see slide 17, "12.4%"). Better to say 0.7 percentage expansion year on year already in the First Quarter.

Now going to chart number 18, we would like to share with you some of the perspectives of the Company for Q2 and for the year. Sales in April continued at levels similar to Q1. And of course, in the Second Quarter, we will be careful to remind you that now we have the issue of the (inaudible) on the payroll that benefits -- the payroll that penalizes net revenue. It removes about 1 percentage points of the net revenue. So it would be 1 less percentage points year on year.

The fall/winter collection is already in the stores with a good acceptance. But in the next few months, especially May and June, it will progress because it depends on colder temperatures. So as you can see here, the evolution according to -- estimated in the Second Quarter we are intensifying the modernization of stores after Mother's Day. And the new security system that had this impact on our gross margin is being monitored and we'll be bringing forward with the total cycle, which is usually done in the First Quarter. And we will be doing the second in May so that we may be a 100% sure about the level of losses of the Company.

If it is necessary, we are ready together with the supplier of the new system to make the necessary adjustment in the device that is being used in some categories in 2013 as a whole. We are convinced that the growth of sales should be -- should rely more on market share and less on market gain; that should be more moderate gross margin of the retailing operation. We expect to maintain it stable, even considering the additional loss that I referred to. And the adjusted EBITDA margin also in spite of the pressures that I have already mentioned about the maturation of operation; Camicado 17 new stores, Blue Steel, e-commerce and the expenses relative to the new distribution system.

So these were my remarks. And now we would like to open for questions. Thank you.

Questions And Answers

Operator

Thank you. Now we would like to start the question-and-answer period. First, we are going to answer the questions in Portuguese and afterwards questions in English. (Operator Instructions).

Andrea Teixeira, JPMorgan.

Q - Andrea Teixeira {BIO 1941397 <GO>}

There are a few points I would like to understand. Thank you, very much for your remarks, Adalberto, about the margins and growth. In order for us to know about your agenda for Q2, are you going to re-accelerate -- but you have already gained share. You are growing compared to the market. You are growing more than the market. So for Q2 do you expect to grow at the same pace or even higher, because then of course the comparison will be easier?

And the other question is about the security system. You talked about the BRL2 million of non-recurring losses. And you said that you will be able to adjust the security device for Q2. And I would like to understand if you believe that there will be an even higher impact on the Second Quarter?

And what about the inventory write-off? Should we expect more non-recurring effects? And why have you made this decision? Was it because of the lower number of headcount? So what is the benchmark that you use or that you have used to make this decision?

And the other question has to do with Camicado and YOUCOM. What we saw in Camicado is still very small vis-a-vis the overall results. But you made some fine-tuning. And the fine-tuning was already expected. And thank you for having broken down this figure. Do you believe that the evolution of the margin will be already positive in Q2 or is it something that should be expected for next year only?

A - Adalberto Santos {BIO 16803045 <GO>}

Andrea, thank you for your participation. The growth in Q2, as I mentioned, is more or less in line with what we saw in Q1. But it will depend a little bit on a colder winter. The collection is very beautiful and very well positioned in the stores. But we must recognize that we rely on the temperatures to a certain extent. In general, the results of the several companies, not only in our segment. But all the companies, show a consumer market that is a little bit more difficult. The consumers are more cautious. Maybe salaries as a whole didn't really affect that because employment rates are still high.

Maybe it hasn't been affected. But the trust of consumers has been affected. Consumers are more cautious in spite of us having a high employment rate. So the market is growing less during this period. And also depending on market share.

Let's give a two steps back talking about the security system that was very robust and was delivering very good results. And I would like to share with you the following. The loss in retail, I'm not going to tell you the figure because we don't have access to that. There is a standard in the market for this kind of operations. And this is to shoplifting and the small shrinkage. It's not privilege of Brazil; it happens everywhere in world. Everywhere you go to a department store or even boutiques -- you see even in the rich countries, you see these alarm tags. So this is not something typical of Brazil.

And the loss of Renner, about four, five years ago they were in line with the market. It's because of many initiatives that were implemented in the last three years also, we saw a decrease in this level to about 60% of the market level and we had 52% of the average of the market last year. So we were very comfortable with the system that we were operating. We considered ourselves very well positioned.

And why change? This is very simple. We implemented a system that would allow us, first, to be more agile in our operation. This was verified in December. In spite of being a period of intense sales and -- our queues at the checkout points were much shorter and much faster. So there were some categories that didn't have alarm and that can have an alarm because of that. And -- for instance, in the old system with the rigid alarm, it's very uncomfortable and you have to try on some therapy [ph] and it's really ugly as far as the exposure of the product is concerned.

So it was really an attempt that we did and besides the economies of scale, Camicado was already using these tags. And also for cost reasons, the rigid alarm has a cost. You pay a rental fee for that and we have about 45 million units rented and this was placed by the supplier. Then at the checkout point it was removed. And because of that the queue starts to become rigorous. And after being removed, it has to go to a deposit. You have to have an area dedicated to that in every store. So this it is not really efficient. So you have to send it back to the supplier.

It is very difficult and very expensive operation. So we were looking for a better option throughout the world and we reached an important figure with the implementation of the new security tag. The implementation of the new system effectively would be translated into a positive impact reducing our expenses. And this was the reason why the system was implemented.

So the question is whether this is going to recur? No, no, we are not working to a recurrence of this magnitude. We are working with a slight recurrence; that this to say a slightly higher than the 60% that I mentioned. And that would be reached from the results coming from the non-alarmed categories. And in May we are going to do the total inventory control and we do not expect any negative surprises. However, we are prepared to revert in some categories if this is necessary, if the category shows that the previous system was more effective. So this is the point regarding the security tags.

In Camicado after the positive results that we are delivering, the second step will be the margin. So we expect better margins maybe not even -- not still in Q2 because of the old inventory. You have orders that had already been placed for important items that cannot be cancelled. So we have to receive the products. And, in a way, you have to transfer these to the markets with lower margin. So we expect better margins for Camicado in the second half. So I think these were your questions. So let me --

Q - Andrea Teixeira {BIO 1941397 <GO>}

Okay, Adalberto, thank you.

Operator

Ricardo Boiati, Bradesco.

Q - Ricardo Boiati {BIO 16528742 <GO>}

My question has to do with SG&A. The performance of SG&A was very high. You have the opening of new distribution center and new stores. And you mentioned two highlights for the good performance of SG&A; the rigorous control of expenses and the postponement of some modernizations of stores. So could you tell me about the expenses control? Is there a special item, something specific that was done? Maybe an increase in your marketing campaign that was specific for Q1? Maybe with higher same-store sales than you've had in Q1 2012, or a summation of the different factors?

So could you be more specific about the rigorous control of expenses? And regarding the postponement of modernization, you've said that this will be resumed after Mother's Day. And do you expect a higher pressure on your results because of higher expenses with modernization?

A - Unidentified Speaker

We have a major program for expenses reduction end-to-end in the Company. And we have many going on at the same time and we monitor the efficiency of our operations with levels of productivity in all areas; stores and all areas of our management. And we are always seeking to deliver better figures. And the postponement of remodeling would be between BRL4 million to BRL4.5 million. It's not much. And you can see that half of that the behavior actually was very comfortable and we should be accelerating another 10 major remodelings after Mother's Day.

And you asked about the impact of that on same-store sales. It's not very much different from last year because now we have the acceleration. And based on our estimates, same-store sales impact should be about 1%, 1.2%, not more than that. But it's really higher than last year. Last year, we had four major remodelings in Q1 and this year we had three medium-sized in Q2 last year. We started another one and now we are going to have 10 additional ones in Q2. So sales in Q4 and --

Q - Ricardo Boiati {BIO 16528742 <GO>}

Now talking about the benefits from these remodeling, what about the sales per store, sales per square meter --sales per store, not per square meter? Do you have an idea of how much that will be improved?

A - Unidentified Speaker

Well, we have a historical average that has been kept very stable during the remodeling period. You have a reduction of sales vis-a-vis the previous period from 15% to 20% for this specific store, because you don't close the whole store. After the remodeling, that is to say in the six subsequent months, you have a recovery that could reach about 10%. So these are the figures.

Q - Ricardo Boiati {BIO 16528742 <GO>}

Thank you.

Operator

Guilherme Assis, Brasil Plural.

Q - Guilherme Assis {BIO 16143141 <GO>}

I would like to go back to the security system. I would like to know exactly what happened. You recounted the inventory and you will be recounting the inventory again in Q2. And is it because of debt or is there any kind of loss of product because of maybe a placement of a different tag? And what about the losses level today and what kind of change do you expect for the future so that we may measure this? Thank you.

A - Unidentified Speaker

Guilherme, I don't know whether you are familiar with the old tag, the rigid, the big one, the yellow one that we removed at the checkout. It's the hard one that you need a machine; you need a device to remove it. It's very ugly. And we replaced it for another one that is shown on the product, which is very discrete. So we gained the comfort and -- when the client tries the product on. And that is not something typical of Brazil. It happens everywhere in the world, because you have alarms everywhere in the world.

This is unfortunately something that happens in retail. But then fortunately this is best. And we expected a transition period of three months to change all the security devices. But as you change the device, you have the other new products coming in with the old tag and this cannot be read by the reading device for the new tags. So, we expected three months and this extended to nine months. And this was the reason why recurrent losses.

We don't have a reason to believe that on a recurring basis we will have a level higher than 60% that was our previous level. And we have no reason whatsoever to accept any increases in this and we do not have any reason whatsoever to accept levels that are higher than the average of the market.

Q - Guilherme Assis {BIO 16143141 <GO>}

So let me understand. As far as I understand, you are increasing the number of products that will receive a tag, a security tag, because now it is smaller?

A - Adalberto Santos {BIO 16803045 <GO>}

Yes, yes. It is used even in pharmacies and drug stores. It's very small and it can even be shown in various different positions.

Q - Guilherme Assis {BIO 16143141 <GO>}

Okay. I think this is clear. Thank you, Adalberto. And another issue has to do with something that you said in the presentation, the selling expenses. As you postponed your remodeling of stores, it is slightly lower as a proportion of net revenues than it was last year. But when you renew the modernization of stores and also with the launch of the YOUCOM brand that will be done I think at the beginning of the next quarter or still within this quarter, I think there should be some slight increase? So please let me know if I am correct.

A - Adalberto Santos {BIO 16803045 <GO>}

Yes, you are correct, Guilherme. Ever since last year when we talked about the expectation for this year, we were working with the possibility of a lower EBITDA for the First Quarter in Q1. Even with the non-recurring expenses, we had a good evolution. And it should happen in Q2 because of the remodelings. And for the whole year, we should reach the same EBITDA percentage-wise in spite of the initiatives that you referred to.

Q - Guilherme Assis {BIO 16143141 <GO>}

Thank you. Very clear.

Operator

Fabio Monteiro, BTG Pactual.

Q - Fabio Monteiro {BIO 3711690 <GO>}

I have two quick questions, YOUCOM. I would like to have an update of the evolution of YOUCOM in the last couple of months ever since the last call. You mentioned YOUCOM quite a lot in the last call. So I would like to know what about the discoveries, what about changes in the project, what about the evolution in general? And secondly, also because of the remodelings and all the investments that will be necessary, I would like you to give us a CapEx update for the year? So what are you considering as your CapEx for the year?

A - Adalberto Santos {BIO 16803045 <GO>}

BRL450 million to BRL580 million CapEx. No change, Fabio. Our remodeling plan is maintained. And there is the opening of another store that was White [ph] Shopping in Porto Alegre and it has allowed us to confirm the new concept of the store. The store is a 120 square meters with a new architecture.

So this is something that was a confirmation. And another one had already been opened in the Bourbon Shopping Mall in Sao Paulo. It's already the second store with the same model that allowed us to confirm the CapEx that was reduced vis-a-vis the first model closer to BRL300 million. So we have a chance to confirm this. And also the new layout of the store that is really cute.

And I think it would be worthwhile to reinforce that the two figures that are the basis for the evolution of the model, the gross margin that reached 60% and the sale per square meter, BRL20,000 per square meter. And these are the figures that will allow us to evolve the project. So this is the important fact. These are the important facts. And the confirmation of the new architecture that allows the model to be profitable at the same time.

Q - Fabio Monteiro {BIO 3711690 <GO>}

Thank you, Adalberto.

Operator

Tobias Stingelln, Banco Santander.

Q - Tobias Stingelln

Regarding expenses specifically, you mentioned that, Adalberto, that you don't have a specific project and that this is just a combination of factors. I would like to know where the gains came from, where are the major gains? Is there something that you could mention to us? And afterwards I have two more questions.

A - Adalberto Santos {BIO 16803045 <GO>}

I don't understand your question.

Q - Tobias Stingelln

Among the expenses, is there one item that you should highlight and say, "Well, we were able to decrease expenses in this area by so much"? I didn't see this kind of information in the report, in the quarterly report. So I would like to know where these improvements are coming from.

A - Jose Gallo {BIO 1822764 <GO>}

This is Gallo. Good morning. On challenge regarding expenses, it's on a daily basis, it's routine. We have a metrics budget and we also have projects that include expenses reduction projects in once a month. All the officers of the Company and all the senior managers get together to check what happened during that period in terms of expenses reduction, what can be improved. So this is not really something that is very specific and that I could highlight to you. This is something that happens every day, every week, every month and the whole year. So it's not something specific regarding one kind of expense or a group of expenses.

Q - Tobias Stingelln

Thank you, very much. And up to last year, there was a perspective that gross margin could go up as of 2014 because of logistics. Is this maintained?

A - Jose Gallo {BIO 1822764 <GO>}

Yes, a 100%. We must be very careful when we make a comparison because we will have to discount the percentage of the (inaudible), as I said before. Maybe because of this non-recurrent, we will be able to maintain the margin this year. But based on the logistics purpose, we will check whether our level of assertiveness will be higher regarding supply.

Q - Tobias Stingelln

Regarding your hedge that impacted your financial expenses and a change in the way you post the hedging of your imports, you didn't post it under COGS?

A - Unidentified Speaker

It was booked and it continues to be booked. However, the instrument is different. We were operating with COG [ph] and now we operate with MDS [ph]. And at the moment of the transition, the balance of the COG were the mark-to-market operations, the result of the evolution. Instead of being booked against our inventory, which would be according to the level of inventory, the medium -- it is only the balance of what we had and it is registered in the financial system. So you can see the balance for Q1. You have about BRL600,000 of remaining balance. It's another instrument, not the COG instrument.

Q - Tobias Stingelln

And you said that same-store sales would have been 8.9% excluding Camicado. Have I understood this correctly and could you tell us about the items involved in the growth?

A - Unidentified Speaker

No, we do not breakdown this growth figure. I think it would be interesting for you to know that Camicado had a major evolution, 10.9% in same-store sales. I think this is the important item.

Q - Tobias Stingelln

Thank you.

Operator

Gustavo Oliveira, UBS.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

My question had to do with working capital. We saw an increase in your receivables. Sequentially, it is growing slightly higher than your sales and this has been happening for a few quarters. I imagine that part of this growth is being impacted by the investment in Meu Cartao. When should this go back to normal levels? Will this be in the next quarter or just 2014?

And the second question is about Camicado margins. Is it a one-off situation? The margin will go back to 3% or -- in Q3 2012 you also had a compression on the margins and the margin bounced back very quickly. I would like to understand what is going on in the operation?

A - Unidentified Speaker

Starting with the last one, the Camicado margin, we expect it to bounce back in the Second Quarter. And we visited the -- and exactly as we expect it, we believe by 2015 it should be around 47%, 48% exactly like our business gained [ph].

Regarding working capital, we will have to tell you about the dynamics of each one of the businesses afterwards and they have different paces. Renner has one dynamics and Camicado has another one, Blue Steel has another one and YOUCOM has another one. So what you see today is Camicado. It is not an effect of Meu Cartao alone. Meu Cartao is not in the working capital. It is in another line. It is another section.

Maybe it has to do with the Christmas campaign, which has a slight impact on receivables. But it is likely offset by the improvement in the inventory management and this has a very major impact on working capital in the medium and the long run. We do not expect any deterioration in our working capital needs. We work with a focus on improving our needs for working capital.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Thank you.

Operator

(Operator Instructions).

Irma Sgarz, Goldman Sachs. You may ask your question, Ms. Sgarz. (Operator Instructions).

A - Unidentified Speaker

I would like to answer an online question about the postponement of modernizations. We are only talking about a few stores. There is no specific reason. The initial plan was to work with 14 large remodelings during the year and this will be maintained. So there is no change there.

Operator

(Operator Instructions).

A - Adalberto Santos {BIO 16803045 <GO>}

As there are no more questions, we now close our conference call. And once again, I would like to thank you all for your participation. I hope to talk to you again in the next quarter. And our Investor Relations team and myself we are all at your disposal to clarify any doubts that you might have.

Operator

Lojas Renner conference call is closed. Thank you, very much for your participation and have a very good afternoon.