

Y 2017 Earnings Call

Company Participants

- Fabio da Silva Abrate, Chief Financial Officer and Investor Relations Officer

Other Participants

- Fabio Monteiro, Analyst
- Franco Abelardo, Analyst
- Guilherme Assis, Analyst
- Irma Sgarz, Analyst
- Joseph Giordano, Analyst
- Ruben Couto, Analyst
- Tobias Stingelin, Analyst
- Unidentified Participant

Presentation

Operator

Good morning and thank you for waiting. Welcome to B2W's Conference Call Companhia Digital to discuss the Results referring to the Fourth Quarter and the Year of 2017. Mr. Fabio Abrate, Financial and Investor Relations Officer is presently there with us and Mr. Carlos Padilha, CFO and Investors Relations officer at Lojas Americanas. To better follow the conference call, we suggest that you view the slides available at ri.b2w.digital. We would like to inform that this event is being recorded and that all participants will be on listen only mode during the conference call. Subsequently we will start the Q&A session when additional instructions will be provided. (Operator Instructions) The replay of this event will be available after its closure for a period of one week.

Before proceeding, we would like to state that forward-looking statements made during this conference call regarding B2W's business aspects, projections and operational and financial targets are based on beliefs and assumptions of the company's management as well as information currently available. These are no guarantees of performance as they refer to future events. They involve risks, uncertainties and assumptions, and therefore, depend on circumstances that may or may not occur. Investors should understand that general economic conditions as well as industry conditions and other operating factors may affect the future performance of B2W Digital, and lead to results that differ materially from those expressed in the forward-looking statements.

Now, we would like to give the floor to the speakers, that will initiate the presentation. Mr. Fabio Abrate is on the floor.

Fabio da Silva Abrate {BIO 17940993 <GO>}

Good afternoon ladies and gentlemen. I thank all of you for your participation in our conference call. First and foremost, I would like to congratulate all women for Women's International Day. Throughout this presentation, we will comment on the results of the fourth quarter of 2017, the operational highlights, and the evolution of our business platform. After this presentation, we will hold a Q&A session. Throughout the past five years, B2W has strongly invested on its digital platform, to connect people, business, products and services. This important investment cycle is part of the Strategic Plan of B2W to face the structural and logistic challenges of the country, creating better experiences for our customers. This platform allow the company to consolidate its leadership position in eCommerce in Brazil 1P and to develop a market share operation of 3P of rapid growth, the same way as a digital platform is attractive for our customer, a very key point of the company, it also become very appealing for strategic partners like suppliers and sellers from the marketplace. In less than four years of operation, the marketplace totaled BRL4.5 billion in transactional volume in the year 2017 and continue growing in an accelerated fashion just -- 108.4% in the fourth quarter of 2017 vis-a-vis the fourth quarter of 2016. This result reflects the value proposition of B2W that it offers to its sellers, qualified traffic access to the best brands in Internet of Brazil service to our customers, different types of digital solutions, commercial team that it's extremely experienced and qualified and first and foremost distribution and logistics support. B2W invested in a platform that is a proprietary platform of logistic and distribution that allows the seller to have the -- to offer the same level of service to our customer offered by the company 1P, the growth of 1P allow B2W digital to accelerate the change of its business models from e-commerce direct sales 1P towards a hybrid model of a digital platform combination of direct sales, 1P marketplace, 3P and services.

During the year 2017, we have accelerated migration of items of product lines from 1P to 3P. The marketplace ended the year with the share of over 35% of the total GMV. As a result of this process, the company presented a significant improvement in cash generation, generating BRL509 million. During the first quarter of 2017 throughout the entire year of 2017, cash consumption dropped significantly approximately 700 million then when we compared to 2016. And the -- concluding the end of the year of transition, the initiatives of the company for 2018 will focus on accelerate the total GMV through exponential growth of marketplace, that should represent over 50% of the total GMV of the year, we will continue attracting and developing the best talent, developing new business fronts and we will continue in the trajectory of free cash generation in the short term, a very important movement, so that B2W become self-sustainable.

Now, we will start our presentation on slide number 3, where we will comment the main highlights of the fourth quarter of 2017. The total GMV totaled BRL4.2 billion and the GMV of the marketplace registered BRL1.8 billion, an increase of 108.4% quarter and totaling 42.8% of share within the total GMV. The B2W Digital platform has attracted more and more customers and sales persons [ph] people. This way throughout the fourth quarter, we have connected over 1,900 sellers, which is a new record. With the growth we have based in our sellers, the assortment of the marketplace totaled over 4.2 million of items, a growth of 92.2%. Now when we reflect on the traffic translation for mobile devices during the fourth quarter of 2017, 62.7% of visits to the sites were done through smartphones.

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On slide four, we will talk about the main highlights of the year of 2017. The total GMV was BRL12.8 million, this is a growth of 3.1%. The marketplace registered a total of BRL4.5 billion in GMV, increasing a 108% and totalling 35% of shares within the total GMV. During 2017, we connected over 5,000 sellers, totaling a foundation above 9,700 sellers at the end of the year. Now, B2W delivery, our proprietary platform of B2W that operates and controls the deliveries of marketplace, already services over 4,900 sellers that represents over 50% of the seller base of the company. And throughout the entire year of 2017, 57.4% of visits of the sites were done through smartphone.

Now going to slide five, we observe the evolution of the sales migration from 1P to 3P. The gross revenue there mainly reflects the sale of the merchandise of 1P presented a drop of BRL1.8 billion in 2017 there. On the other hand during the same period, the sales of the marketplace accelerating, totaling BRL4.5 billion, adding BRL2.4 million in sales and this more than offset the slowdown of the 1P.

Going to slide six, we would like to highlight the evolution in the cash generation profile of the company. During the fourth quarter, the company generated BRL509 million in cash to capture all of the effects, cash generation is measured by the variation of the net debt compared to the past quarter, always just considering resources of operations regarding the increase of capital. On December 31st of 2017, the net debt of the company was BRL1,466.2 million, a drop of BRL509.2 million vis-a-vis the net debt of BRL1,975.4 million registered on September 30 of 2017. Throughout the entire year, the cash generation dropped BRL670 million, growing from cash consumption of BRL1.6 billion to BRL995 million in 2017. With this result, we reached the objective of dropping significantly the cash consumption throughout the year of 2017 vis-a-vis 2016, very important when we want B2W to become a self sustainable cash generating company.

On slide seven, we would like to highlight the record sales of B2W marketplace during Black Friday. The investments made on the digital platform in the past years reflect once again the leadership of traffic of sales during this event. The sellers were able to escalate their businesses selling in one whole day 20 times more than a strong day of sales. During Black Friday we were the greatest marketplace platform in Brazil and with 3P represented over 50% of the total GMV upto B2W.

On slide eight, we would like to highlight the rapid development of the marketplace. In only three years, the marketplace totaled 4.5 billions of GMV throughout 2017. This is a growth of 108%. During the fourth quarter, the marketplace connected over 1900 sellers and have a share of 42.8% within the total GMV. This is a growth of 23.4 percentage points when we compare it to the fourth quarter of 2016. B2W marketplace offers the best value proposals to our sellers, that can have access to our brands with the best Internet recognition [ph] and with highly qualified traffic to leverage their sales. The sellers also received support from our technology and service platform, logistic and distribution of B2W to deliver the best experience to our customers when they buy.

On slide nine, we would like to highlight the integration of B2W delivery together with Prime. Now, the addition rate on B2W delivery escalated rapidly, the service that was launched in March 2017, started from an addition of 20%, that was based on June 2017 and reached over 50% of the base in December 2017. At the end of the year B2W

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delivery was integrated to the Prime loyalty programs of the sellers of the marketplace, would be able to sell their products to the client [ph] members of the product, so with the sellers connected to the Prime, the (inaudible) of products available to the loyalty program went from 150,000 exclusive to 1P to over 1 million items from 1P and 3P.

On slide 10 we would like to highlight the expansion of Prime towards Shoptime in February 2018 for BRL79.90 a year. Customers will have free delivery, free access and rapid deliveries and exclusive, So this prime is available in almost 2500 cities covering the entire Southern and Southeastern region of Brazil and can be used in the purchase of over 1 million items. In Shoptime, Prime customers can also develop and buy products that are exclusive and customized.

Now, when we go to slide 11, we will highlight the operation C2C. C2C will broaden the assortment of the site in a limited fashion and will contribute to broaden the traffic and the customer base. The operation started in December 2017 with the sale of used books in Americanas.com and now in February 2018, this was expanded towards the games category.

On slide 12, we highlight that the BIT, the B2W innovation and technology became friends in disruptive project. The Digital Lab of B2W develop projects innovative with the Universities of Harvard, MIT and Stanford and this led to the publication of articles with the scientific community. The fronts that were developed were marketing optimization in partnership with the AI Lab of the University of Stanford under the provision of Professor Andrew, who is the founder of Google Brains and co founder of Coursera, Dynamic Pricing with David Simchi-Levi of MIT. The last project is the Last Mile project with Professor Matthias, Director of the MIT Megacity Logistics Labs and the fourth project which is dedicated to Artificial Intelligence and this recreated the modern platform, it is an open source AI intelligent machine learning platform.

On slide 13, we highlight the reduction of costs in the -- of the company. Optimizing processes and rationalizing expenses generated a profit of BRL87 million in the fourth quarter 2017 and BRL240 million in 2017 and in the fourth quarter, the expenses with sales general expenses and administrative expenses represented 10.2% of total GMV, a development of 1.4% in relation to the fourth quarter 2016.

On slide 14, we highlight that B2W continues to be recognized for the best customer service in 1P and B2W have an average grade of seven, whereas our competition has an average grade of 5.3. In our 3P business, we have an average grade of six, where as the marketplace competition is evaluated in 4.7. We highlight that the greater our marketplace has developed significantly, but there is still a gap in the level of service in relation to the assessment of our direct sales and we understand, this as a great opportunity to improve and to improve the offer of services to the sellers, so that our improved operation can also be enjoyed by our clients. In this sense, B2W delivery will be transformational for our - the level of service of 3P.

At the end of the year, 50% of the (inaudible) service had already adhered to our new logistics and the distribution platforms. It is also important to highlight that our

marketplace indicators are higher than those of the competition, regardless it's the -- recorded [ph] on the marketplace platforms or indirect sales.

On slide 15 now, we highlight the reduction of CapEx and the development of the EBITDA coverage index. These are important metrics to measure the cash generation of the company. In 2017, CapEx was reduced -- was normally reduced in -- by 17.4%, starting in 460 million and dropping to 380 million in 2017. CapEx as a percentage of total GMV was 3% in 2017. This means that the coverage of CapEx by EBITDA was 163% .

Finally we thank all our members for their dedication. They are part of best digital team in Latin America. We also thank our suppliers for their partnership. We thank our marketplace sellers for choosing our platform and we thank our shareholders for their trust and our clients for their preference.

These were the main comments related to the performance in the fourth quarter 2017. Now I would like to open the floor for question and answers, so that we can answer any questions that you may have, so that all have the opportunity to participate, we ask you to be brief in your comments.

Questions And Answers

Operator

(Operator Instructions) The questions made on the webcast platform will be answered by our Investor Relationship team after the conference. Our first question comes from Joseph Giordano, JPMorgan.

Q - Joseph Giordano {BIO 17751061 <GO>}

Good afternoon. Good afternoon, Fabio. I have two questions. First, I would like to understand the change in the company management and how this will benefit the company in terms of logistics platform management. I would like to understand how this -- how the fintech process is evolving. And my second question is associated with the short-term results. You mentioned exponential growth of the GMV in -- the marketplace GMV. I would like to understand this in more detail in the first semester -- in the first quarter, the migration, has it already been completed?

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

Thank you, good afternoon. Thank you for participating in this conference call. Starting with your second question, the transition from 1P to 3P has been closed in 2017. It was a year of transition for us. And what is important to highlight in this aspect is that in a transition year, we were able to notice the benefit of this hybrid platform regarding the cash consumption of the company. We had a cash consumption of 1.6 billion in 2016 to a cash consumption of less than 1 billion in 2017. So even in a transition year, we noticed positive reflex of this transition especially in the company results.

We had a mission to have more than 30% marketplace share and we reached that, we closed more than 30% and in the fourth quarter, we had a marketplace share above 42%. This encourages us to deliver the share higher than 50% in 2018. Our idea for the marketplace is to continue growing, in this pace that we had in the past years, and combining this growth pace with the end of the transition from 1P to 3P, this would lead the company to a different level of growth and 2018 is the year where we want to accelerate total GMV. And the company will claim more market share.

Regarding your first question, as you know, the world is undergoing fast transformation. This is the effect of globalization, the use of new technologies and also the new business models also have an impact here. And this caused our company to look out. We need to look outside. We need to look outside our current businesses and therefore, we need to innovate our strategic plan continuously and we need to decide on the best structure to be able to support this future growth. Considering this context we had -- we performed some changes that we already announced. One of these changes is the creation of Ethos, elaboration on future and this a structure that has a mission to create the selective businesses for companies. The disruptive pattern will start from the conception of the idea, the creation, the incubation and acceleration of these new ideas. This is a structure that is a dedicated structure and its mission is to create new businesses for our companies. And we regard this as a very important point, especially when we look into the future.

The other announcement was regarding labs, the creation of labs, which is logistics and distribution, and this will be a company that will actually be a manager of assets and it will manage shared efforts. Today we have a logistics network that comprises distributors and hubs and stores and our idea is that under the management of a single leadership, we will be able to make the best use of these assets. When we're talking about logistics and distributions, this is a very important vertical, it is also very relevant for the growth of our business in the virtual and in the physical environment. And we look at this under the leadership of (inaudible) who will chair the B2W Council. This will play a very important role in our growth especially in the future.

When we look beyond our borders, we will be 100% focused in signing out new things and in implementing these new business fronts in both companies. So we are encouraged by the results that we are presenting. We finished important cycle in 2017 and we are now undergoing some movements that will make our growth stronger.

Operator

The next question is from Fabio Monteiro of BTG Pactual.

Q - Fabio Monteiro {BIO 3711690 <GO>}

Good morning to everybody and good afternoon. I would like to understand better the payment platform. What do you foresee, what do you expect on this front and is this associated in the -- if in the scope -- is it under the scope of earn out attributions?

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

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Good afternoon. Hello Fabio, how are you? As you know, the company is 11 years old. The first cycle was the e-commerce cycle and this cycle helped us to understand client behavior and to understand market behavior and most of all, it helped us to understand the challenges that we must overcome in this market. Once we invested and structured the platform, this platform became attractive to other sellers who wanted to sell their products on our platform. So the second cycle of the company is associated with the marketplace.

In other words, how to combine 1P and 3P, which is the optimal combination between 1P and 3P and this is what we call hyper digital platform and now we are moving on to a third cycle, which is going to be the cycle associated with a disruptive business model in payment method. We cannot provide more detailed information, but we are working on this front. And we believe that it's going to be a very important front for our client and for value generation for our business. And one of our first missions on this front is to deliver something completely new regarding payment methods, because it's only the start. We are looking at this structure in such a way that this structure will be able to develop itself and to be used on different fronts.

Q - Fabio Monteiro {BIO 3711690 <GO>}

Could I make a last question regarding LET'S. If I understood well, you want to maximize your logistic assets between LASA and B2W and under the leadership of Timotheo, I would like to know is this an opportunity mapping phase or could you provide us information about the priorities within the context of logistics and this is from the point of view of B2W helping LASA and also the other way of around. Could you tell us something about this aspect?

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

Thank you very much for your second question. LET'S will manage -- will have the shared management of the assets of each company, each company has its own characteristics, and we understand that when the efforts are combined, and the asset shared, we will be able to have a logistic, a vertical in logistics and this will be much more powerful than looking at all these assets isolatedly. And for B2W, this vertical is key for growth. We have been investing in this pillar and I call attention to the fact that our investment plan in 2013 and 2015, wherein we invested 800 million a year, this plan was 100% dedicated in technology investment and distribution investments.

Because technology and distribution they go hand-in-hand and this reflect the results of the company. As you know, in our business -- in our 1P business, our proprietary platform is -- total is 91% of our deliveries and in the marketplace, this platform has been used for -- by more than 50% of the sellers and this is a huge differential become sellers in the marketplace, they face the same challenges as B2W to deliver the goods at the homes of the clients. So it is our mission to support our sellers, so that their business will grow in a sustainable way, without impacting the service level to the client. This is a huge concern that we have. And when we look at the client indexes that we presented there is a gap between 1P and 3P. But we are closing this gap in a very fast fashion. Everything that we developed for our 1P business will be available for the 3P business and this accelerated growth that we have in the marketplace reflects our success, reflects our success and

looking at the seller as a partner in our business and helping our sellers to grow with our company.

Q - Fabio Monteiro {BIO 3711690 <GO>}

Thank you. Thank you Fabio.

Operator

The next question comes from Ruben Couto, Itau BBA.

Q - Ruben Couto {BIO 19172367 <GO>}

Good morning to all of you. Well, still talking about B2W deliveries, you mentioned that you already have more than 50% of sellers using your service and taking the last quarter as an example, did you notice any difference regarding what -- after you increased your market penetration, after more of the seller started using your platform, do you have any information that really consolidate what you said? Do you have a presentation that consolidates this?

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

Hi, Ruben. B2W deliveries have been key to support the growth in marketplace and when we look at the share of this specific marketplace, we have been growing more than our most important competitors. Just to give you a broad idea, when we launched marketplace, let's say the first quarter, 2015, we have 5% of market share. Today, at the end of 2017, with the sale of 4.5 billion, our market share is 23%. This means that our share has increased and we are gaining shares from our competitors, who have been on this marketplace for a longer time. So, yes we have paid more attention to the -- our -- the sellers have paid more attention to our platform, especially because we are dedicating more of our time to improve the sales of the sellers on this platform. We have paid attention to this issue, we have a team that is dedicated to this. We have another team that takes care of new sellers. Our team has done a very important job, part of our growth comes the sellers that we convinced to use our platform in the past and this is because, we are providing support to them and they prefer to sell on our platform instead of the platform of competitors.

Q - Ruben Couto {BIO 19172367 <GO>}

Thank you very much, Fabio. And still on your comments the centers, we noticed there is a huge development compared to the other year -- to last year. What are the expectations for 2018? Is there any expectation of growth. You had investments in 2017, will you need more people to manage the sellers because they are also increasing in the -- and the prices on the platform is also increasing?

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

The growth of the G&A is aligned with the company growth for 2018, and it is also aligned with the initiatives outside the marketplace and these initiatives are also aligned with company interests. The marketplace doubled in size in the past year. So everything points

to the fact that we will continue growing in this pace. At moment zero, we had a specific growth of GMA. We are preparing the company for a growth rate of -- we are preparing the company to an accelerated growth rate in 2018.

Q - Ruben Couto {BIO 19172367 <GO>}

Thank you, Fabio.

Operator

Next question from Tobias Stingelin from Credit Suisse.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Good morning, Fabio. I will talk about expenses. You said the G&A increased in your prepared for 2018, where you will have more growth and what about expenses and net sales? You have surprised us with the business model change that was a deleveraging effect, you said that expenses will starting increasing because the income will increase in 2018. I would like to see what we will do in this case and if you could give data from same seller sales of 2017, when -- how do you compare 2017 to 2016?

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

Tobias, thank you very much for your participation. When we analyzed it specifically, the fourth quarter of 2017, there was a mismatch between the evolution of our gross margin and the EBITDA margin. On slide six of our presentation, we demonstrated a slowdown or a drop of 1.8 billion in gross income in 2017 and 1.8 of this downturn was in the last quarter of the year. And the structure of the company is already prepared to recover its growth in 2018. We have to remember that 2017 was a year of transition and 2018 B2W grow above market growth therefore, we are prepared for this future growth, we will gain scale and as a consequence, we will have operating leverage here.

Now regarding your first question, I believe that we were surprised by the speed of the drop of the 1P on the fourth quarter, because we saw the greater factor in the first half of the year, but you said, we will no longer have surprises in 2018 because the base is solid, 1P will grow very little and we will start making more efforts here in the marketplace. Precisely the fourth quarter represented 62% of the sales migration from 1P to 3P, especially when we talk about Black Friday 2016, that was very strong and during the 1P, unlike 2017 where the marketplace was highly relevant and we have to remember that we had anticipated all of these effects in our plan. So these figures have not surprised us and what we are communicating to the market that is the final result of all that we do in the company, that would be to present cash consumption much lower when compared to 2016 and we deliver this. So below 1 billion was materialized and our cash consumption was 955 million. So everything was you know, it was expected.

Now, your second question, our total growth in the marketplace during 2017 was 108% totaling to a reduction of volume of 4.5 billion. Now the same sellers sale increased around 150%. So this is the indicators that I can convey to you. Thank you very much.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Thank you.

Operator

Our next question from Guilherme Assis, Brasil Plural.

Q - Guilherme Assis {BIO 16143141 <GO>}

Good afternoon Fabio for answering the question. Thank you for answering the question. I would like to -- I would like you to elaborate on cash generation and to conciliate this with cash cycle because during this quarter, if I am not wrong, you had a significant increase of the supplier that was 80 days last year and now it went to 100 this year. I know that you are carrying out on adjustment with your migration to -- from 1P to 3P, but I would like to understand from here on what can we expect from our suppliers. I believe there you will drop the amount of suppliers because you will sell more products from third parties, if this statement is correct. So my idea -- your idea would be to maintain positive cash generation in the upcoming quarters? So this is my question.

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

Thank you very much for your participation. I believe the best way of analyzing our working capital is to understand the marketplace. The demand working capital, while the 1P business was based on this combination of inventory suppliers and accounts receivable. So looking at the future with the marketplace gaining more relevance within the company and 2017 with a share of 35% and the expectation for 2018 is to have a share above 50%. So the seasonality that we observed in the company's cash generation and consumption, that was highly connected to the 1P business from here on we will tend to normalize this situation. So I believe that this is the main benefits of the hybrid business model when we see this from the working capital perspective of the company.

Q - Guilherme Assis {BIO 16143141 <GO>}

And your perspective regarding cash generation in the beginning of the year, do you believe that you will be able to maintain a positive cash generation position, or even because of seasonality first, second quarter things will be different?

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

Thank you Guilherme for your second question. For 2018, the idea by and large is to evolve significantly when compared to 2016, and when we break out the year into semesters, during the first semester, we will observe cash pressure but much lower than what we saw during the first semester of 2016 and an evolution curve towards the second semester. But when we see the year and to when I believe that the effect will be extremely positive when we compare to 2017, there is a considerable evolution when we compared to 2016. Okay, thank you very much.

Q - Guilherme Assis {BIO 16143141 <GO>}

Thank you.

Operator

Our next question from Franco Abelardo, Morgan Stanley.

Q - Franco Abelardo {BIO 17416219 <GO>}

Good afternoon to everyone. Thank you for answering the question. Now what about the competitive environment in Brazil? There is a great competitor making momentum, gaining momentum, because they have three delivery and an international competitor that wants to participate in this direct sale model. What is your position within this context and with the change of CEO, is the strategy going to be the same? Will you have accelerated growth in the GMV and focus on cash generation. You said that the expectation is major evolution on cash burning of the cash consumption in 2018. Can you have both things; more growth and more burning of cash? This is my first question.

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

Good afternoon. Thank you very much for your question. The competitive environment is still competitive. There is nothing different and we're used to what we have in this competitive market, our competitors' strategies, we don't comment. And within our strategic plan, we are very firm. You follow the actions of the company very closely, we're in a new cycle of the year, 2017-'18 and '19 and the mission is to turn this company in a company that generates cash and the first step is to drop cash consumption. So year one, that was the year 2017, we fulfilled our mission. And for 2018, 2019, we are extremely optimistic. So this is a transition -- last year was a transition year. Last year we didn't expect [ph] a total growth of GMV, we wanted a significant growth within the marketplace that is the main initiative to drive the company towards a model of different type of cash consumption. So in three years, we want to have a marketplace operation. The size of the B2W marketplace, this is very important. When we analyzed, once again the marketplace, market -- we stole share from our main competitor.

When we specifically analyse the point marketplace, when we started our operation was 25% and we ended 2017 -- with 23% so there was an 18 percentage point. And so we started with five and we went to 23. The changes in the company are to continue delivering what we promised and always trying to perpetrate and to get continuity to our businesses. There is no change in our route. We continue highlighting our vision for the company in the long term.

Q - Franco Abelardo {BIO 17416219 <GO>}

So this is clear, your strategy is to continue doing what you are doing. You believe that you can increase your GMV and to reduce cash consumption, I would like to piggyback on this to make another question. I would like to better understand the evolution of Prime within brands you launched this in Shoptime. Could you share figures from Prime sales penetration or perhaps some type of expectation. How can this contribute to your strategy and to have a complete marketplace service for the seller that it will also be excellent for your consumer? Could you give us this update?

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

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Thank you for your second question. Prime as you are aware, we launched it a year and a half ago in (inaudible) as a pilot project, to start -- we started in Rio de Janeiro, Sao Paulo, Belo Horizonte covering 20% of the Brazilian GDP, and we only offered products from 1P. During the first moment, we were talking about 150,000 items and after a year and a half, the end of last year, we decided three things regarding Prime. One was to launch Americanas.com, that is our greatest brand. Two, expand our performance -- Prime performance areas. So now we reach over 2,500 cities with almost 50% of all the municipalities of Brazil and these municipalities have access to free delivery at a speed that is differential speed. So we cover 65% of the Brazilian GDP.

And the third decision was to bring the marketplace assortment within Prime. So the 150,000 items that were exclusive from 1P, they -- we already have over 1 million items offered by Prime and this is a combination of 1P, 3P and this is only feasible through the assortment of Prime and the seller because the B2W deliveries, so this is a service where we are responsible for the service. For the delivery and this way, I can guarantee that high level of service added a differentiated level of service that Prime actually needs. And the figures that are very important regarding our customers, the frequency when we compare the customer after and before Prime and spending today is around five times more and we include all the variables within this calculation, we charge BRL79 with a mix of products in our contribution margin and primarily that has shown to the very positive for the company. And this is our main strategy. When regarding free delivery, we have a totally different service level.

Q - Franco Abelardo {BIO 17416219 <GO>}

How high is this penetration of Prime within your product offering? Is this relevant with -- relevant amongst the general service offering, what do you believe that this will still expand a lot through the upcoming months and quarters?

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

Thank you for your question. I believe that we have here an accelerated curve, because as I've explained, Prime beforehand was very shy and submarine [ph] covering very few cities with limited assortment. You know at the end of last year, when we launched Lojas Americanas and now with Shoptime we'll recover around 2,500 cities, I believe that we have a differentiated curve. this is what I can say for the time being.

Q - Franco Abelardo {BIO 17416219 <GO>}

Well, thank you very much. For Marcio Meirelles in your new role [ph] . Thank you very much.

Operator

Next question comes from Irma Sgarz, Goldman Sachs.

Q - Irma Sgarz {BIO 15190838 <GO>}

Good afternoon. Thank you for the opportunity to ask a question. Back to the delivery market, you have mentioned that 50% of the sellers already use this platform and I would

like to know how much of the marketplace GMV is actually been delivered by B2W deliveries? And within B2W, there is a share that is carried out by in house logistics by B2W and another share is by the establishments who worked together with the Post Office. So how do you work together with the Postal Service?

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

Thank you, Irma. Good afternoon. We closed this year with 50% of lesion [ph] of our seller space. This has been an accelerated curve from the start in March 2017. So the service started in March 2017 and in June, we had 20% market share and 32% in July and closed over 50% in the year. We do not disclose how much GMV marketplace generally this represent. But I can tell you that it does not -- this is no exception to the rule. It is associated to the percentile base seller basis that we disclosed. I can also tell you that today, the largest share is carried out in house. Regarding our exposure to third parties -- to third party delivery parties is very small. And we prepared ourself exactly to this scenario. The company growth and our perspective in the 1P and the 3P business, way back we are aware of these logistics challenges in Brazil, it is continental countries, the logistics network is very complex and it is not an easy network, we do not have huge delivery companies as outside of Brazil. So in 2010, we looked up to the situation and we invested in this proprietary platform and this platform today allows us to carry out 97% of the 1P deliveries. And today, over half of the sellers use B2W deliveries and within the B2W deliveries, we take care of most of the logistics, we prepared to the scenario and we will continue investing and supporting our sellers to increase the penetration of B2W in this market. Thank you.

Q - Irma Sgarz {BIO 15190838 <GO>}

Thank you. So could you just make a follow-up of the LET'S, what will be the structures of this society?

Thank you, Irma for your second question. This structure, the definite structure of LET'S is still under work. What we can tell you so far is what we have shared with the market that we are looking for a shared management, so a shared asset management and logistics and distribution of each of the companies. And they will be combined under a single management. This is how we envision this new company. Again logistics and distribution in Brazil is a key pillar when we look at the growth rate of our business online or physical. This is an evaluation of what we have been building so far on this vertical.

Thank you.

Operator

The next question is from Felipe Cusanero [ph] , HBC [ph] .

Q - Unidentified Participant

Good morning, Fabio and thank you for the opportunity to ask the question. First I would like to know B2C, I would like to understand more about the company's strategy. You commented during your presentation that you have Americanas (inaudible) and two other

categories. I would like to know if you want to expand to other plans, and what do you expect for 2018. And the second question is, regarding the logistics and distribution network of the company, how much does this -- how much of this is associated with the GMV? And also the future CapEx, could you comment on that?

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

So, I will start with the second question. Good afternoon. The main structural investments in the company and this includes the logistics and distribution platform. These investments have been carried out in 2013, 2015 where our CapEx was 800 million a year and 2016 and the next year, that completed this investment cycle, we reduced CapEx to 460 million, started with 800 and went down to 460 and in 2017, we had a different version, our CapEx was 830. So the structural parts have been completed and with this logistics and distribution network that we have today where we have 200 hubs, we could be able to double the company's GMV.

Your second question regarding the C2C, our strategy is to offer more possibilities to our clients. Today, we have 50 million active clients on our platform and so far, these clients could only purchase, could only buy and many of these wanted to buy and sell at home. And from the C2C cycle, the start of the C2C cycle, these clients who bought on our platform, they will also be able to sell and it goes even beyond that, it will open a new channel for us to reach out to new clients. And this is a strategy to have a limited offer of supplies. We are under a strong pace to diversify our products. We -- if you look two or three years back, we had 500,000 items on our platform. And today, we have 5 million items on our platform. So we increased this by 10 fold and this is due to the marketplace development. And now with the C2C, we will go a step further, our clients will have access to the new item and will also have access to used products, and we started this in Americanas.com and started this on their books items and now we expand this to games. This is a new business, it is starting, but I am sure that the perspectives are great and that it will contribute to the future growth of the company.

Q - Unidentified Participant

Thank you very much.

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

Thank you.

Operator

We would now like to close the Q&A session. I would like now to pass the floor to Fabio Abrate for his final consideration. Fabio, you have the floor.

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

Thanks for the participation of all of you in our teleconference and webcast. I would like to invite you to check our offers on the Brazilian Internet, Americanas.com, Submarino, Shoptime and SouBarato. In case you have additional questions, our Investor Relations

team is available to take those questions. Thank you very much and good afternoon to all of you.

Operator

This audio conference of B2W is now closed. We thank you for your participation and wish you a good day. Thank you for using Chorus Call.

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