

Q3 2019 Earnings Call

Company Participants

- Fabio da Silva Abrate, Chief Financial Officer, IRO

Other Participants

- Analyst
- Gabriel Disselli
- Gustavo Oliveira
- Joseph Giordano
- Richard Cathcart
- Thiago Bertolucci
- Tobias Stingelin

Presentation

Operator

Good afternoon, and thank you for standing by. Welcome to the B2W Companhia Digital conference call to discuss the results regarding third quarter of 2019.

Here today with us is Mr.Fabio Abrate, CFO and Investor Relations Officer with B2W; and Mr.Carlos Padilha, CFO and Investor Relations Officer with Lojas Americanas. For a better follow-up of the conference call, we suggest using the support presentation that is available at ir.b2w.digital. We would like to inform you that this event is being recorded and that all participants will be in listen-only mode during the company's presentation. We will then begin the question-and-answer session. (Operator Instructions) The replay of this event will be available soon after it is over for a period of one week.

Before proceeding, we would like to clarify that any forward-looking statements made during this conference call regarding B2W's business prospects, financial and operational projections and goals constitute the beliefs and promises of the company's management as well as information currently available. Forward-looking statements are no guarantee of performance. As they refer to future events, they involve risk, 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 such configurations [ph].

Now we would like to give the floor to the speakers who will start the presentation. Please, Mr.Fabio Abrate, you may proceed, sir.

Fabio da Silva Abrate {BIO 17940993 <GO>}

Good afternoon, ladies and gentlemen. Thank you for attending our conference call. We will comment on results and operating highlights of Q3 2019. After the presentation, we will have a Q&A session.

Let me start on Slide 3. I'll talk about the highlights of quarter. The total GMV reached to BRL4.7 billion, a 28.4% increase when compared to Q3 2018. Marketplace GMV reached BRL2.8 billion, 50.4% growth and a 61.1% share in total GMV, a 8.9 percentage points increase when compared to the previous year. We connected 7,700 new sellers, a total assortment of 19.8 million SKUs. B2W delivery connected 8,100 sellers in the quarter, and we already serve 94.3% of the total sellers' base. Let me point out that within the B2W delivery system, the expansion of the fulfillment operation, we currently have 250,000 square meters of storage space dedicated to the B2W marketplace sellers distributed in four DC's located in Sau Paulo, Rio and Pernambuco.

On to Slide 4. Let me now comment on the cash generation evolution. We have generated BRL89 million in cash in Q3, an increase of 54.9% or BRL32 million when compared to the BRL58 million generated in Q3 2018. As a means to capture all these effects, cash generation is measured by the change in the net debt always, disregarding any capital increase operations. The Q3 cash generation excludes BRL2.459 billion received in September from the capital increase. The remaining BRL41 million to complete the total transaction of BRL2.5 billion were received in October.

On to Slide 5. We now talk about the net cash position. We closed the quarter totaling BRL465 million, an increase of BRL2.549 billion when compared to Q2. I would also like to highlight that the capital increase operation was very successful. 100% of company shareholders adhere to that plan, that capital increase aimed at improving the capital structure maintaining its commitment to generate cash, allowing the company to continue to invest in its digital platform and boosting its growth through a complete solution ecosystem.

On to Slide 6. We'd like to point out the marketplace evolution that registered BRL10.2 billion GMV in the last 12 months, growing by 54%. The marketplace growth is the result of B2W's work in partnership with sellers. We -- goal has always been to offer the best value proposition to our customers. In line with this objective, B2W continues to support sellers so that they can continue to grow their operations sustainably, encouraging entrepreneurship and also to enable new companies and formal businesses in Brazil.

I'll then comment on the operating highlights of the quarter. On Slide 8, let me talk about the evolution of the sellers' base. In Q3 2019, we have connected more sellers to the platform, reaching a new record, over 7,700 sellers connected in just one quarter. We connected approximately 1,000 new sellers every 12 days. At this pace, we'll exceed our target of 40,000 sellers before the end of the year. But let me point out that ever since the marketplace was put in place, we have been very strict in selecting sellers that are willing to sell on our platform. The reputation and quality of our partners are important evaluation factors and are in line with our goal of creating the best marketplace in Brazil.

Along these same lines, B2W brings the top-sellers in the market in our reliable platform, in which customers can purchase their products, knowing where they come from and knowing the quality level that they have.

On Slide 9, let me highlight the evolution of the assortment. Over the past four years, we have seen an exponential growth in the assortment of products offered to our customers, from BRL1.6 million SKUs in Q3 2015 to BRL19.8 million unique items in Q3 2019. We almost reached the BRL20 million SKU target three months in advance, which motivates us to face greater challenges. The expansion of the assortment is the fundamental pillar on our value generation cycle to consolidate the perception that in our brands, customers can purchase almost anything.

In line with our strategy, on Slide 10, we would like to point out the development of Americanas Mundo, the cross-border operation of B2W. Customers can purchase products from all over the world. Introduced back in March 2019, the operation continues to grow quickly and has over BRL6.7 million SKUs. The operation also allows B2W to be competitive and not having -- not carrying inventory in new product categories. Cross-border is an opportunity to offer lower average ticket items, generating more transactions and increasing the frequency of purchase. With the ups and downs of the operation of cross-border, on November 11th, we'll have the Bachelors Day or Singles Day, the largest shopping festival in the world, with the potential -- in Brazil, in the world, it is 3 times larger than the Black Friday event.

On Slide 11, we would like to highlight the partnership with Centauro, Brazil's largest sporting goods player. The deal will allow B2W to offer a unique online shopping experience in the sports category by uniting the company's entire platform with Centauro's expertise and the wide-ranging assortment. With the introduction of the platform, B2W will expand its presence in sports, one of the fastest growing categories in the Brazilian Internet with a selection of products from leading and international brands -- leading national and international brands. Let me point out that Centauro's assortment at Americanas.com is integrated to -- with search engines, SEO algorithms and other Internet search engines.

On Slide 12, we see the connection of major fashion players in B2W marketplace such as Hering, Levi's, Osklen, Ray Ban, Reserva, among others. The company does -- opens a new growth front and offers any -- more complete assortment, in addition to boosting the frequency of purchases and attracting new customers.

On Slide 14 now, we highlight Lojas Americanas' and B2W's important O2O initiatives. Using the concept of Everything. Anytime. Anywhere, O2O initiatives have been enhancing customers' shopping experience and growing at a rapid pace. Over the past 12 months, more than 2.5 million customers have made purchases through these initiatives.

Along the same lines, on Slide 15, I'd like to detail the evolution of O2O. LASA sellers and Lojas Americanas are on B2W marketplace. By Q3 2019, we had already registered customers' orders from over 4,000 cities. The Click and Collect is when the customers' buys online and withdraws at the physical store. It's available in 1,325 Americanas stores in

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all states of Brazil. Additionally, the model is also available in 150 physical B2W sellers' stores. The Click and Collect now make -- allows customers to collect up to an hour after the online purchase. It's available in all 1,500 Americanas stores. LASA and Entrega ship in store -- ship from stores when customers purchase products from the nearest Lojas Americanas and receive within two hours. It's available in 16 cities, 108 stores. The Infinite Shelf is Lojas Americanas assisted-selling operation for products offered on the digital platform, 1P and 3P. In Q3 2019, the operation had an average ticket that was approximately 15 times higher than that of physical stores and a 43% sales growth when compared to Q3 2018.

On Slide 16, I'll be talking about VOE, our crowdshipping platform. In order to accelerate O2O initiatives, VOE connects independent deliverers, motorcycle, bicycle and other modes, to B2W Digital's logistics platform, enabling products to be delivered to customers within two hours. The app has already more than 500 registered delivery persons and already serves 40 LASA physical stores in Rio and Sao Paulo.

On to Slide 18. I would like to highlight Ame's rapid expansion. Ame, the fintech and mobile business platform, Lojas Americanas B2W, one of the first IF initiatives, continues to accelerate. The app has over 4.8 million downloads and a little over one year of operation, has been gaining traction in the physical and digital worlds, optimizing the offers of discounts through offers, through cashback, generating greater, repeat purchases and increasing spending.

On Slide 19, let me highlight Ame's rapid expansion at Lojas Americana. Ame is already present in 1,337 stores and by the end of 2019 will be present at all physical stores of LASA.

Onto Slide 20. We would like to highlight Ame's partnership with MasterCard to offer the Ame prepaid card with the Masters brand. The partnership is one of the most important initiatives in Ame's business plan to broaden its acceptance, enabling customers to pay with Ame at 7.8 million accredited merchants. The prepaid card will operate as a mirror of the Ame account. It can be recharged by direct deposit at Lojas Americanas' sellers, bank transfers, transfer between users, credit card and also by payment slips.

On Slide 21, we would like to highlight two other important partnerships that will broaden Ame's acceptance in the off us world. Ame integrated its payment platform with Linx, which has 65,000 accredited merchants, and VTEX, a platform that manages over 2,500 e-commerce sites.

Moving on to Slide 22. That's the evolution of products and services available at Ame. I'd like to highlight the new features launched throughout Q3. Ame customers can now purchase road or bus tickets, games, admissions and tickets, plans for Bike Itau and to negotiate airline miles.

Finally, I would like to take this opportunity to thank our team for their enthusiasm and dedication. I would also like to thank our suppliers for their partnership, marketplace

sellers for choosing our platform, our shareholders for their trust and specially our customers for their business.

These were my comments about our Q3 performance. I would now like to start the Q&A session to clarify or to answer any questions you may have. Please be brief in your comments. Thank you.

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Questions And Answers

Operator

(Question And Answer)

Ladies and gentlemen, we can now begin the question-and-answer session. (Operator Instructions) Our first question comes from Joseph Giordano from JP Morgan.

Q - Joseph Giordano {BIO 17751061 <GO>}

Hello. Good morning, everyone. Thank you very much for answering my question. Fabio, I would like to know if you can elaborate on the main initiatives and systems that the company has been developing in order to further accelerate the road show of the company. In particular, the connection of sellers which is not present offline, and how can we bring this offline guide to the online world?

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

Hi, Joseph. Thank you for attending the call. O2O is a platform leverage that something that we have been building in the past few years. We can, therefore, offer our customers several options so that we can offer goods to meet their convenience. That's the concept, everything, anytime anywhere. And this happens through any of these O2O initiatives.

We've been using that at Lojas Americanas because of our physical presence in several cities, in every state of the country. And as a next step, we have been bringing sellers from the marketplace to enjoy that experience as well. We have about 40,000 sellers. We have word that over 50% of these sellers have some sort of brick-and-mortar stores as well. So it makes sense to begin to integrate these physical stores of our sellers to our O2O platform. There's several opportunities, therefore -- so we integrate these opportunities to our sellers' physical stores. We can increase the assortment levels in a matter of hours to our end users.

And to speed things up even further, we introduced the crowdshipping platform back in August, that's VOE, that will actually make a difference in the delivery world. Through technology, we can connect independent delivery people, motorcycles, bikes, scooters. They are all connected to this distribution platform. The delivery can, therefore, take place in a matter of hours. We have about 500 delivery people. We are now serving 40 largest Americanas stores in Sao Paulo and Rio.

Q - Joseph Giordano {BIO 17751061 <GO>}

Perfect. Thank you, Fabio. Thank you, Joseph.

Operator

The next question comes from Thiago Macruz from Itau BBA.

Q - Analyst

Good afternoon. This is Emerson in fact. Thank you very much for answering my question. I have three questions in fact. First, we saw that 1P started to grow again. We did not expect this robust growth for -- in the third quarter. To which you would attribute this growth in 1P? Are those categories that were kind of forgotten in the past and then you started to look at those? Or did the economic situation change? And in relation to AME Digital, how has this been progressing in the past few months in relation to the partnership with Linx?

And lastly, we saw that in terms of margins, the SKU number for sellers have been accelerating in number. Is this due to the number of new categories? Could you provide more information related to this, please?

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

Hi, Emerson. Thank you for your questions. Your first question about the growth of 1P. Let me point out that we have had that growth for several quarters in a row. The total MV growth was about 15% in Q1, and then Q2, that was about 22%. And now, for Q3, our growth was 28.4%. It's a 6 percentage point growth quarter-on-quarter.

That growth is driven first by the 3P growth itself, that is almost 16 quarters in a row of over 50% growth. And mostly because of the 1P operation, it's back to the growing trend and has also contributed to the total GMV growth. In 1P, we have that specialist vision. That is to say, we have been curating the items that we're going to operate and grow at 1P. That's a natural consequence of the transition of the platform and also because of the relationship we have with our suppliers.

It was somewhat expected therefore. So we were expecting that growth in 1P for both Q3 and also Q4. We believe that 1P will be contributing to our overall growth.

On to your second question as to the AME TPV, it's very strategic information. We cannot announce it. Yet in the Off-Us world, the TPV for both LASA and B2W, it's been growing rapidly. It has exceeded our initial expectations, which is very good. That shows that it was a correct strategy to offer more cash back. So we're doing better in the Off-Us. And this is a very important world to us to increase the frequency of Ame use.

We are now implementing a couple of strategies. Number one, organic growth. Through the Ame Plus platform, that's the seller site and inorganically we've been growing through partnerships. One of them is with Linx. They have about 65,000 accredited POSs, which is

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very good. VTEX is another partnership. They have about 2,500 e-commerce sites and the latest partnership which is with MasterCard. We're going to mirror the Ame balance in a prepaid card, physical or digital. And then Ame will be accepted at every point of sale in which a MasterCard is accepted. So it's just astounding as if -- as to what's going to happen in the Off-Us world.

On to the third question, yes, we have increased assortment levels dramatically in the marketplace. Let me point out a couple of reasons. First, the scale of our platform. It's getting easier and easier to connect new sellers, and of course, increase the assortment as a consequence. That's one thing. At the same time, we have been encouraging seller - or existing sellers to increase their assortments. We have been helping them. As they develop their operations within the platform, it's only natural that they want to grow their businesses as well. So, as a consequence, they boost their assortment levels as well.

And the third driver is the cross-border operation. Let's say, you connect a seller from China, we can connect a very substantial number of SKUs. And the speeding up of cross-border operation is something we have been sharing for quite some time. We started the operation back in March with about 410,000 SKU, and we had 6.7 million in September. So we have been increasing or growing very quickly, connecting new sellers and boosting the assortment level as well.

Q - Analyst

Okay. Thank you. It was very clear.

Operator

The next question comes from Gabriel Disselli from Santander.

Q - Gabriel Disselli {BIO 20262791 <GO>}

Good morning. I would like to understand, since your debt is already settled. How can we think about OpEx and CapEx in the -- in your operations? And how do you view the expansion of margins ahead of us?

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

Good afternoon, Gabriel. Thank you for your question. Well, this is interesting when we talk about the capital structure of the company. B2W was the first company to identify the critical issues of this business and what the necessary investments would be to address all these issues. As of 2013, we have been investing in building a unique platform. No other player in Brazil has the similar platform. There were 13 acquisitions in tech and logistics assets. And since we were the pioneers, we had that opportunity to pick and choose top companies and top people.

Let me just remind you, in terms of logistics, we have 15 CD networks in over 200 hubs throughout the country. We have our own distribution unit with over 5,000 drivers connected on a daily basis. We have over 1,500 brick and mortar Lojas Americanas stores to operate several O2O initiatives. We are, therefore, the single player with this nation-

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wide coverage. We can deliver faster, cheaper for both 1P and 3P products. That's very important.

In terms of technology, we have over 1,500 software engineers in our three digital labs. We're now developing the future of our platform with the state-of-the-art technology. We have a proprietary technology in terms of AI and machine learning, SEO, pricing. No other competitor has these assets. So this platform allows us to keep on growing in our core business while at the same time, we develop new and relevant businesses, at the same time, just like Ame, our fintech.

We have over 4.8 million downloads with over 30 features and we've been striking important deals with partners to be present in the Off-Us world. So at this pace of development, at Ame, we introduce a new feature every 15 days and this is just the beginning. There are many new features to come soon.

So in order to put all this in place, the company has invested where it believed was necessary, especially, the BRL2.5 billion capitalization operation was very successful. 100% of shareholders accepted it. We do believe we have a solid platform, a cash generating core business, and a structure -- our capital structure that is optimized to start afresh in this new 3-year cycle.

We'll be giving a little bit more color on December 6, our Investors Day. And let me take this opportunity to invite you to this Investors Day. In 30 days, we'll be ready to share these new features with the market between 2020 and 2022.

Q - Gabriel Disselli {BIO 20262791 <GO>}

Okay. Thank you.

Operator

Our next question comes from Gustavo Oliveira with UBS.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Hello, good morning. I would like to understand the cross-border operation. As we can see in the number of new SKUs, and the number of SKUs cross-border has been attracting. How -- to which degree it has been contributing to the marketplace growth? How much of it comes from cross-border? This is my question.

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

Hi, Gustavo. Thank you. Cross-border is something very new. It's been growing very quickly. We started back in March, just like I answered in the previous question. So we now have almost 7 million SKUs.

We have been learning from our traditional marketplace operation. We collect national sellers. This is yet another step to expand our marketplace, especially to increase the

assortment. We cannot tell you what the sales numbers, because marketplace is a single unit to us. But the advantage of the cross-border is the assortment.

Let me give you an example. When you compare the average tickets of both operations, this is 3x smaller, it's \$35 the average ticket. So that gives cross-border and the assortment, so they go hand-in-hand perfectly. We can offer a better assortment to our customers, and at the same time, we can now be part of events that did not happen in Brazil just like the Single's Day.

Q4 is usually a very positive quarter for sales. But of course, we're always -- we always want more. Now that we have Chinese sellers connected to Americanas.com, we're now introducing this event on the 11th and we're going to surf that international wave.

The Single's Day is 3x times bigger than Black Friday. We couldn't be involved, because we're here in Brazil. Whatever sellers will be offering abroad, we're going to replicate that Chinese event in Brazil. So we have high hopes with this event and with the operation as well.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

A few in relation to cross-border initiative, but also connecting it to service level. When we discuss 1P and 3P, we can see that the service level has improved a lot, and therefore, the 3P service level tends to be lower. However, your indicators were maintained at a very strong pace. This was very impressive. How do you actually see the evolution in terms of service level in Brazil marketplace, where the competition is much fiercer in relation of some entrants and new companies which are capitalized? And how do you see the evolution of cross-border? What kind of China sellers are you bringing in? And how do you see the service considering the whole operation?

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

Thank you, Gustavo for your question. Service level is extremely important to us. Customers are a part and parcel of our DNA. Everything we've done so far for the platform of our 1P business is also available to our marketplace seller, because we believe at the end of the day, our sellers are our mini B2W. So they suffer the same pains that we have suffered in our 1P business.

From the start of Marketplace at B2W, we had an excellent service level and we have been improving. We offer basically the same service level in 3P when compared to 1P. One of the top services we have to sellers is the logistics and distribution service. We have B2W Entrega, the ship from store. Within this service, we offer several types, because every seller has a different assortment level and different sizes. And we're now expanding the fulfillment service too, that is within the B2W umbrella.

It's about 750,000 square meters worth of distribution centers in 4 different units, in Rio, Sao Paulo, Pernambuco, everything that we can do for our marketplace service, because at the end of the day, they're our partners and that's because of the investments we have

been making in our platform, technology, logistics, distribution, et cetera. If we hadn't made all this investments, this wouldn't be possible.

When you look at the marketplace, it's a four-year business. Standalone, it's over BRL10 billion in GMV. This is huge, especially when you compare it to the other online operations we have in Brazil. This did not come from nothing. This is a natural consequence of everything we've built on the platform and that relationship we have established with our sellers so that we can give our end users a better business proposition with a win-win relationship.

Operator

Okay. Thank you. Our next question comes from Thiago Bertolucci from Goldman Sachs.

Q - Thiago Bertolucci

Good morning. My question, have two questions in fact, one is related to the logistics. So talking about you have been previously mentioning. So what is necessary to continue growing and to provide leverage to the sellers in the future? What are the investments you still need to make? And are you going to allocate them on automation or other incentives to bring sellers onto the platform? I would like to understand from the conceptual viewpoint how investments are going to be made in logistics?

And the other question is about the cash back promotions. Those clients that you have captured in the first promotions you made, the clients that have some history on the platform, how do you see their behavior? Do you believe that they are also going to be using other services and not only the cash back app? Thank you.

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

Hello, Irma, thank you for your question. As to the first part of your question, first, we had the transition period from 1P to 3P that expanded our capacity to bring in the marketplace sellers. This actually happened in the past two years. And we made those structural investments between 2013 and 2015. We got closer to customers. We had three CD or DCs in Sao Paulo. Now we have 15 DCs and over 200 hubs across the country.

The last mile was something important that we did. We acquired top carriers in the country with different characteristics. We have our own distribution unit today. In other words, all these logistics assets combined within LET'S. Everything we had for 1P is now made available to our marketplace sellers. The B2W Entrega, which is shift from store depending on the size of the seller, the number of SKUs they offer. And we have been expanding our fulfillment operation, we offer a full service.

We store their goods and we're also in charge for the last mile. We had 100,000 square meters of storage space; we have 250,000 now. That's unique. No other player in Brazil can offer this kind of service to sellers.

And again, all results we've had in marketplace are a consequence of that level of support we give sellers, not only in logistics and distribution and especially technology, pricing. Our sales department operates with sellers in sales planning too. There's no single cause that is behind this sustainable growth of our marketplace. When we talk about logistics and distribution and marketplace, the next step is to expand in our O2O initiatives also to marketplace sellers.

Over 50% of sellers today do have a brick and mortar store, so it makes sense to all of us to connect these stores to our platform. And from that point on, offer an even better service level.

Our crowdshipping platform will help boost this business. We can connect independent delivery personnel that will be in charge of the last mile. In a short period of time, we have been very optimistic about the results we've had so far, but above all, about the prospects when we talk about sellers, logistics and distribution.

As to the second question you asked me about cash backs. AME is a way more intelligent system to offer discounts. In the past, customers would pay BRL900 for a \$1,000 product and those BRL100 wouldn't come back to the company. Let me give you an example. The same product, they pay BRL1,000 and you give them a cash back of BRL100. So that money goes back to the e-wallet, we maintain the money within the system, and this customer will come back, they'll come back to use their cash back. And when they do come back, they end up spending more.

It's a very large upsell. So two good or positive effects, a recurrence effect and they end up spending more, so you sell more. The LTV for that customer ends up being much larger. Initial results indicate that the prospects are very positive. We were limited to the Lojas Americanas and B2W system and now we're expanding to the world.

And partnerships can speed up the process. We've had three important partnerships with Linx, 65,000 accredited stores; and then VTEX, they have about 2,500 e-commerce sites; and finally, the partnership with MasterCard. Overnight, we're now accepted at every store that accepts a MasterCard. First, recurrency on us, about 5 million downloads. And the next big step is to dive deep into the Off-Us world, and it sure is also very promising at -- in every aspect.

Q - Thiago Bertolucci

Thank you.

Operator

Next question comes from Richard Cathcart with Bradesco.

Q - Richard Cathcart {BIO 16457807 <GO>}

Good afternoon, Fabio. I would like to ask a question about, specifically Click and Collect, and Click and Collect Now. Could you share with us to -- the share of each operation? I

would like to understand the level of demand of clients at the shop -- at the site. Thank you.

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

Hi Richard. Thank you for your question. We cannot announce these numbers because they are strategic. I can assure you, however, that these initiatives have been gaining a lot of traction. To customers, it's very transparent at the end of the day. What we delivered to them is convenience, anything, anytime, anywhere. The numbers of Click & Collect, it's available at every store, 1,582 Lojas Americanas. Customers can buy online and they can collect in up to 1 hour and ship from store. This is something we've been testing for some time. It's available in 108 stores in 16 cities.

Customers can buy online a Lojas Americanas product and they get their product in up to 2 hours. Our competitors are talking about in days and we're moving towards another order of magnitude in a matter of hours. This can only be made possible due to that coverage through LASA. And now when you add the sellers, that coverage will be even more granular. And VOE, our crowdshipping platform, connecting everything, be in charge of the last mile deliveries, this business will grow even faster and will become even more important in our overall performance.

Q - Richard Cathcart {BIO 16457807 <GO>}

Thank you, Fabio.

Operator

Our next question is by Tobias Stingelin from Citibank.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Good afternoon, everyone. Just a follow up question. How can we optimize the O2O operation as you have just mentioned when you said you can deliver a product in a matter of hours? You said that you -- you said that about 150 sellers are already using the O2O solutions. I'm not sure if I got the figures right. So could you provide more light in relation to the expansion of this operation outside your shops?

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

Thank you for your question, Tobias. We've been testing several initiatives. Throughout the year, with Lojas Americanas, most of them have been gaining traction. It's only natural that we expand using this knowledge, this expertise to the sellers' physical store. We have about 40,000 connected sellers. We have word that over 50% of those sellers do own a physical store too. We can optimize that channel. Customers get more convenience, sellers sell more, and we can of course capture that GMV.

The Click & Collect, we're available -- we offer that system in 150 physical stores, B2W Marketplace. First, we have to increase that number. 150 is a small number when compared to the potential of this business. And then we would move on to ship from

store to deliver from that physical store of that seller to the end user using VOE. When we talk about O2O overall, LASA or Marketplace sellers, this is something we'll be discussing in depth on December 6, our Investors Day. We'll be giving a lot of color about our three-year plan.

Q - Tobias Stingelin {BIO 18290133 <GO>}

You said 150 stores, but how many sellers just do have a perspective on this?

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

Mostly one-to-one, Tobias. One seller, one store.

Q - Tobias Stingelin {BIO 18290133 <GO>}

And in terms of feedback, do you think this space has been may have impacted on the use of this tool?

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

Yes. Absolutely. First, you have the sale and we bring traffic to their physical store. The same thing we see with Lojas Americanas. Customers that come to the store to pick up something, on average, 50% of customers end up buying something else. So it's very interesting to sellers as well, because they have some merchandise, they have physical asset, a store and we bring traffic to that store. Initial results have been very positive and we are of course optimistic to expand and capture this potential.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Okay. Perfect. Thank you.

Operator

We'll now end the Q&A session. I would like to turn the call over to Mr.Fabio Abrate for his final considerations. You may proceed, sir.

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

Thank you for attending our conference call and webcast. Let me take this opportunity to invite you to our Investor Day on December 6 at the Museum of Tomorrow in Rio de Janeiro. If you have any further questions, our Investor Relations teams is available. Thank you, and good afternoon.

Operator

B2W conference call is over. We would like to thank everyone for having attended it. Thank you very much for using Chorus call.

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