

Q3 2021 Earnings Call

Company Participants

- Andre Calabro, Chief Executive Officer, banQi
- Helisson Brigido Andrade Lemos, Vice President of Innovation and Marketplace Officer
- Orivaldo Padilha, Vice President of Finance and Investor Relations Officer
- Roberto Fulcherberguer, Chief Executive Officer

Other Participants

- Analyst
- Danniela Eiger
- Irma Sgarz
- Joao Pedro Soares
- Richard M. Cathcart
- Victor Saragiotto

Presentation

Operator

(Call starts abruptly) So, at Via we're still affected by this loss, and we feel a lot of gratitude for everything she built, and great honor to have been part of the strong connection with Brazil and Brazilians. So, we would like to state our solidarity with all of the families and fans of Maria Mendoza, this artist, that just died last week.

We wanted to also mention this relevant event we disclosed yesterday about our labor claims and our credit -- our fiscal credits. We had to perform some structural adjustments in order to address our legacy and really reflect the current cost of these lawsuits and claims in our base. This adjustment reflects the current and recent changes, as well as a scenario of the past two years as a worldwide pandemic. It was unprecedented and it really impacted the socio and economic conditions in the country. The adjustments performed in this quarter, do not keep us from keeping up a strong pace of growth and profitability at Via.

Now, we want to talk about our earnings. In the nine months of 2021, we had a growth in our GMV that was very significant and robust. We reached BRL32.8 billion, plus 25% if we were to compare the same period of 2020. This growth was leveraged mainly by the performance of our digital sales and 1P, 3P and the pickup from store, which represents 60% of the total crude GMV in the year. With a special highlight on the contributions in the marketplace, which reached BRL4.7 billion in the nine months of 2021, with an increment of

FINAL

BRL2.5 billion in the same period when compared to the previous year, and a growth of 111%.

The digital sales were set at 60% of the total GMV in the third quarter, even with the stores 100% reopened. Reinforcing our thesis that now our customers are omni-channel customers and they buy wherever, whenever, however they want. We continue to grow more than the market and GMV online in line with our ambition of reaching at least 20% share in market by 2025. We have eight quarters consecutively where we gained market share. This market share could be measured through the EBIT; and from the income fee, which certify these numbers. Besides this, at the physical stores, these numbers are also certified for JFK, which demonstrate a growth of Via above market levels with market share gains as well.

Well, now I want to talk about each of our businesses, and I'm going to start off with our omni-channel strategy. We said that 2021 would be the year of the marketplace at Via, and it certainly is the marketplace here. We gained scale in record time, embedding -- onboarding over 100,000 sellers. And now in the fourth quarter, we'll have another players entering in the international cross borders which will be on boarding with thousands of new SKUs. Which will solidify our strategy of an infinite shelf with the constant objective of increasing recurrence, the lifetime value, adding new customers and reducing our cost of acquisition or CAC.

When we talk about the online sellers, this is one example of an omni-channel approach and a strong point here at Via. The online seller can buy -- can sell 1P and 3P, and they have contributed in an accelerated pace for the growth of our GMV in our marketplace, as well as the acquisition of new customers. I want to bring on the next side some real examples of sales that were performed on WhatsApp in the third quarter.

Our strategy here is really to offer the full scope of products, ever since a customer that wants to sell some pastries, they need some equipment to fry their pastries, all the way to a small farmer that buys like a mini tractor. These examples are real. Real sales that are over 20,000 sellers performed at our stores. And they're celebrating the major increase in the assortment that they received to be able to relate even more to our customers, more and more the expanded assortment will gain importance at Via. Check out the long tail share in the 3P products that have already increased 10 percentage points, reaching half of all of our assortment in the marketplace. We are in -- this is in line with our plan to increase recurrence, expansion of the base, reduction of the acquisition costs and greater loyalty among our customers.

Now, when it comes to logistics, well, our participation in our own network and the percentage of deliveries went from 16% in December 2019 to 56% in October 2021. And we did this with gains in efficiency and productivity because the total logistical costs for the year of 2021 is smaller while we consider the percentage of the net revenue. Even with greater share in digital, sales are speed for delivery reaches 92% of the Brazilian GDP, and up to 24 hours. Still on logistics, we introduced many different initiatives with the option of exchanging items at a store for products acquired on the website, which came from a better use of our omni-channel approach. Our logistical services to sellers continue to advance in the third quarter, 62% of the active sellers used our in Via system. In the

previous quarter, this represented 50%. Our infrastructure continues to advance to be able to meet the robust growth of the omni-channel approach at Via. We opened CD, a DC, aristrama [ph] and Minsara state. Finally, we also implemented an automation process for us to prepare for more online growth and our fulfillment.

Now, as we talk about innovation and new business opportunities, many of you have heard about open banking and open finance. Great. Going beyond retail was also a mantra that we launched at the beginning of our transformational process. The Via Ecosystem would be constantly growing and this translates this vision. We are going to establish associations, invest, acquire and accelerate, and work with whoever can transform our business through this open Via Next Innovation program where we were able to incorporate four companies Go Public, Poupa Certo, Byebnk and Uffa. These are companies that are focused on facilitating access to credit, debt payment and financial education for our customers. We have our eyes open to focus on investments in all types of companies that have a fit with our businesses and the lives of millions of Brazilians we relate to. Within this innovation vertical, here at Via, we have squads that really focus on accelerating our digital transformation and really disseminate this open innovation culture, as well as connecting us with all of the startups to deploy immediate solutions in the company.

Now, I'm going to talk about talk about customer centric approach. We continue to advance in our strategy to really be customer-centering, with a focus on increasing the value of this relationship over time or LTV through engagement generation initiatives with the brands that go through unique offers; content streaming, music, game platforms, partnerships with fast foods, partnerships with mobility apps, and others. All of these benefits, if you add them, they're added to our constant offer of products. The infinite shelf and greater ease to higher financial solutions through digital. So, this entire portfolio of solutions and improvements in customer experience contribute to an increase in engagement recurrence and loyalty. Our active customer base had an increase of 27% year-over-year, reaching 28 million customers by the end of September 2021. The apps of the brands are the devices that can concentrate all of the initiatives with a app-first mentality.

So, customers can take their platform for relationship in their pockets, and this strategy is on a crescent. And this year, we'll be launching our loyalty program for Casas Bahia, which will now be part of this officer of benefits. About 75% of our axis on e-commerce in the third quarter came from our apps, which were mobile or mobile site, an evolution of 10 percentage points in the comparison with the same period last year. A constant evolution in level of service which is fundamental to support our evolution and the growth of our business platform. By the end of September 2021 our NPS consolidated for Via reached 75, confirming a positive trend and a growing trend in customer experience and assessments in the past 24 months. The NPS targets are part of the variable compensation policy for the entire company.

Ponto and by Bartira are already -- already have the RA1000 classification on Reclame Aqui's. We are following the right place, right direction to follow this in these brands. So, we also had a clear evolution in the scores for all of our marketplaces, going from a good to excellent assessment in September 2021. Even with a growth of the marketplace

FINAL

volumes there about three digits per year. Our partnerships really establish this vision of an increase in recurrence rates with the use of our app. Customers that use the Casas Bahia Play, which is focused on streaming partners or the advantage app, which considers other partners from different categories have conversion of about 1 percentage point above average. With the use of the app being three times greater than the average, they open the app three times more, besides reducing our customer acquisition cost.

And this works in a very simple way. As you perform a purchase, customer receive gratuity in streaming services, music or discounts and other services from partners. We already have gratuity with Paramount Plus, Microsoft with games on the GamePass of May. And in the month of November, we will also have gratuity for HBO Max. And for the music app Resso, besides some discounts on fast foods and mobility apps. These and many other partnerships will come through 2022. Well, now as we talk about BlackFriday we are really prepared to sell a lot in this BlackFriday. With our good commercial negotiations, our good inventory levels, which are all guaranteed, we have a strong volume of supplies, this will not be a problem for Via. We are more-and-more figital, more than ever actually than in the previous BlackFridays, which will contribute to make this addition even better. This entire evolution will lead us to have a BlackFriday that's even better than the previous BlackFriday editions with all of our stores open this year.

When it comes to Mobility, 100% of our sellers have smartphones on their hands to be able to perform the entire customer journey anywhere in the store. With a lot more agility and service level for the delivery of these sales. Our pick up from store process was completely remodeled with the pre-separation, and this reduces the delivery time to customers. The online seller will also have the possibility of selling extended warranties through the Me Chama no Zap [ph] platform, call me on WhatsApp. This gives us a possibility to increase profitability where the average penetration of the sales of services in the physical stores is about 10%. When you sell through Me Chama no Zap [ph] it's 1%. But now, after this evolution, we have the possibility to scale up even more in the penetration of services sales through the Me Chama no Zap[ph], increasing our profitability. This will be the first edition with the real infinite shelf in our marketplace. We already have 34 million items and we will have all of the possibilities and opportunities that Orivaldo [ph] will share with you when it comes to financial services as well in just a bit.

So, we started working on live commerce this year, and this will be a very important tool for this edition of the BlackFriday. This is a live that transmitted through the app and customers can perform the purchase through the app directly. So, we have our sellers to help leverage the sale through the networks, bringing content that's more humanized, demonstrating products and their benefits. Our lives have reached engagement rates and conversion rates that are a lot higher than what we've seen in the app through our natural or normal purchase strength.

So, this year our logistics have major evolution in 1P and 3P. All of our stores are already integrated with our logistical structure. And it's important to mention that we have a strong expansion plan this year. Up until the BlackFriday edition, we'll have 65 new municipalities having physical stores, accelerating our service level, our deliveries and capturing even more online GMV. By the end of the year, we'll have 109 new stores, which

will leverage the GMV growth in 2022 as well, and in the future years as we plan to keep this pace of growth and store openings in the next years. We've invested a lot with automation -- in automation systems to reduce the displacement and transportation time for products we added some sorters as well to have the correct disposal of the products to the transportation companies or stores. We already have this operation in Sao Bernardo, Rio de Janeiro and (inaudible).

Now, I'll pass it on to Andre Calabro, the banQi CEO to talk about our fintech and all of the advances that we've had in our financial services field.

Andre Calabro {BIO 20489093 <GO>}

Thank you, Roberto. Hello everyone, good morning. I am Andre Colabro, the CEO at banQi. I'm really excited to participate in this earnings call and to share a bit of what we've done as we evolve in our platform for financial solutions. In a year and a half we've had our physical Buy Now, Pay Later very strong. Our digital Buy Now, Pay Later that's scaling up quarter-over-quarter with a solution that can really leverage our capacity for acquiring customers and to expand our e-commerce. We have a digital account that's complete and it's more intuitive and user-friendly using simple and adhered language.

We launched our personal loan system with another offer for engagement and loyalty for our customers. Our super app has over 60 offers that are all unique and our mini app for Casas Bahia, which was already responsible for over BRL132 million in transactions in a few months. So, our portfolio has been filling a gap that is very relevant and not very serviced by the Brazilian market, which is the low income population in a very clear and inclusive way. But what I want to highlight here is that banQi is the vehicle or instrument that will consolidate all of these initiatives in order to generate additional value for the Via Ecosystem. We have already acquired the licenses for IP as a payment institution and also SCD, which would be a direct credit society or corporation. We have FIDCs, which are for investments in personal loans and student credit cards as well. We have also had some investments with partners and fintechs that helped to accelerate our strategic roadmap. And we've also started the project to have licenses through acquires. So we can provide our solutions to all partners such as our marketplace sellers.

In order to reach our value proposition, we have five verticals that are clearly under development. Consumer support for our super app, which we call Shopping Banking, with broad offers in products and services, possibilities for payments with credit cards from other brands, installments with our own Buy Now, Pay Later system. And even the balance of the banQi account, and another credit card. Our credit vertical already has our personal loans and our digital Buy Now, Pay Later system, and soon with our own credit card. So, besides all of these possibilities, we'll all be available for our partners as well with the use of our credit as a service solution as well as at the physical and digital POSs for these partners. Our segment for companies in small businesses with our digital accounts for small companies. With credit payment solutions that can support many micro entrepreneurs to sell more products and develop their own businesses. And all of this is supported by our digital account, that's complete with bank services using clear language and an intuitive approach to have greater engagement among our customers, with some tools to support financial education, personal finances, budgeting and investments.

On this slide, I'm presenting a quick summary of our roadmap for the development of banQi. In 2020, we focused on making our account 100% transactional and user-friendly. With the possibility for deposits, cash outs and performed payments as well as QR codes and instant payments like Pix. As well as the onboard for the seller with their first credit experience as they open up and start the first purchase. With this onboarding of the Buy Now Pay Later system on the app, they can negotiate their late payments and performance comments and negotiations of future payments. So, we started offering credit possibilities, personal loans and the digital Buy Now, Pay Later system.

Through our super app, we also expand the offer of services and products with multiple options for payment. And the strategic front that's most important which is including banQi and all of their retail journeys for Casas Bahia, making it possible to open up a simplified banQi account in our stores and our e-commerce. Having discounts and products, launching our rewards program with coupons and cash back options, as well as other forms of payment through the shop in banQi. And now in the fourth quarter, we'll have the law launch of our entity for small businesses and companies, which of a digital account a small credit card machine and available credit.

BanQi will provide value generation possibilities for our ecosystem, because it will leverage, as Roberto mentioned, an increase of our customer base. With a customer acquisition that's a lot lower. To give you an idea, over 50% of the banQi customers do did not had any interaction with Via before they open their bank account. Another factor to consider is that banQi will bring in a considerable increase in recurrence among our customers and a consequent LPV growth. And this also allows Via to access financial ecosystems that were not possible as a retailer before, like open banking, information provided by the central bank and data from customers to improve our offers of services and products. It also allows us to reduce costs in our ecosystem with the simplification of the customer journey in our stores and gateways for payment.

On this slide I'll show you the evolution of our banQi indicators that continue to demonstrate accelerated growth. I want to highlight the reach of almost 8 million downloads. We went over the 3.6 million customers opening bank accounts, and I'm referring to the two graphs on the left side of the slide now. So, the graphs are total transactions and TPV with a growth of 15x and 19x respectively, reaching a total of BRL2.9 billion at BRL1.4 billion. So, I want to highlight our shopping banQi that in the past quarter already reached BRL72 million in transactions. And what's most important is that it was considered the digital account with the greatest level of engagement by the survey performed by Bank of America, which is called fintechs of time, about a month ago. Which demonstrates that we've reached this level of 65% engagement with customers that have a banQi account.

As we mentioned, in the second quarter we launched our personal loan for banQi, and we brought some of the main -- first indicators that we consider to be very relevant. We've already reached the level of over 50,000 contracts and BRL65 million produced till the closing of the third quarter. So, with less than three months from the rollout, the default indicators are impressive with 94% of the customers paying up to date. And when you add up, 97% of the customers that are up to date or just a 30-day delay. So, we can mention that these indicators are market benchmark. And it's important to remind you all

FINAL

that our rates are among the best in the market, because our objective is to keep our customers active in our ecosystem. And I also wanted to mention that we've already started in this month of November, with the expansion of our loan offers to other audiences and customers to be able to scale up the personal loan product.

But only someone that was able to teach all of Brazil how to buy with a, Buy Now Pay Later system that came in, can offer credit with such security and confidence. So, we have over 16 million customers with pre-approved credit, and over 4.3 million active customers. Our production in the third quarter continued to evolve. And the graph on the upper left side, we demonstrate the achievement of BRL1.8 billion produced and we've already gone over BRL5 billion under production in the year of 2021. Our share in sales and physical stores is 30% on average, which is demonstrated in the bottom left of the graph.

We brought to the Via Ecosystem over 4.5 million new customers. And you can see how the Buy Now, Pay Later is an important leverage for acquiring new customers. This information is on the upper right graph. And besides this, you can see that the recurrence of the product is extremely relevant. Over 51% of the customers that use the Buy Now, Pay Later system go back to acquiring other products with the same payment means. This demonstrates how our product is accessible, democratic, precise as we help our customers reach their dreams, and a growth vector for active customer base.

On this Slide, I would like to highlight especially our digital Buy Now, Pay Later system, the (inaudible). That has already reached 530 million in production, and a share 4% in our online sales. It's important to demonstrate that the numbers of the production in the third quarter that we started accelerating with this product, because we are very comfortable now with the indicators related to default that represented. The digital (inaudible) or Buy Now, Pay Later system allows us to reach new customers besides the physical presence. We've already impacted 2,100 municipalities where we still don't have a physical presence. Besides this, we want to highlight an increase in sales conversions which we demonstrate in the second quarter earnings call. Where about 40% of the customers that have a purchase intention to not complete their purchase because of the lack of credit.

Another important news is that we've just recently launched our digital Buy Now, Pay Later system for products in our marketplace as well. We are at an experimental phase. And in just a few months we'll be scaling up the solution just as we've done for the 1P products. So, even when the reduced store flow since the beginning of the year due to the pandemic, the Buy Now, Pay Later portfolio had positive advances with the growth of 38% year-over-year. And we were able to reach BRL4.9 billion in our portfolio in our third quarter. The coverage rate on the portfolio of the Buy Now, Pay Later or PDD had a reduction of 0.8 percentage points compared to the second quarter of '21. And almost 1 percentage point when compared to the third quarter of 2021, this reflects an improvement of the over 30 indicators and also the over 90 indicators.

So, another important highlight was an improvement in the levels of losses in the portfolio with 3.5 percentage points as indicator, with a substantial improvement of 1.2 percentage points compared to the second quarter of this year, and 2.9 percentage points that were better when compared to the third quarter of 2020. Just as in the previous quarter, as we

FINAL

demonstrated that our strategy for growth in our portfolio intends to have greater profitability, mitigate risks and control default.

Well, to end participation here, I'd like to bring in some other deliverables in this third quarter. The banQi currency in e-commerce in Casas Bahia, which allowed banQi customers to pay with benefits as they have the purchase in Casas Bahia. The simplified offer of the banQi account in the e-commerce journey, opening up a bank account in just three clicks. Adhering to picks in the physical stores and e-commerce with a Casas Bahia Ponto and (inaudible), an important tool for sales conversions and also reduction of our transactional costs. A payment link for over 300,000 delivery people as a vlog, the rewards banQi program offering coupons for purchases in the Shopping banQi and points in the banQi app use. And also, our banQi wallet which allowed customers to start paying with credit cards from other brands, a new UX for the app at banQi and also the digital Buy Now, Pay Later or (inaudible) sales in the marketplace.

Now, I'll pass on the word to Padilha as he gives you an update on the judicial claims and this was the object of a relevant event that we published yesterday along with the earnings the quarter. So thank you, everyone.

Orivaldo Padilha {BIO 21118157 <GO>}

Thank you, Calabro, and good morning everyone. So some labor claims are reality in Brazil and they affect all of the company. At Via this is also the case. So, now we're going to show you an update of some labor demands.

We have about 22,000, labor claims and lawsuits. It seems like a lot, but it was already a lot more in the past. In 2017, we had a 43,000 lawsuits or claims. In the past 10 years, Via went through major structural changes to try to improve its operational efficiency and financial efficiency to deliver better results and returns for shareholders. We had many dismissals in this period, and unfortunately most of these dismissals generated some kind of labor claim. Although, most of these claims already have been ended, the company still has a past to solve. And based on the actions we implemented this year, this situation should improve in the next years.

In 2021, it stopped dropping for the first time in the past five years, and we had an increase of 32% in the average ticket, and 82% plus entries of new lawsuits or claims in regards to 2020. Additionally, we had some adjustments in the provision system to reflect the changes in the profile of the portfolio and capture the variations in the average ticket. And this new model we'll consider other variables such as the state, time employed, term of the lawsuits of each case. And due to this, we performed adjustment in the labor provision of BRL1.2 billion.

From this scenario onwards, we mapped out all of the main problems that led to a diagnosis performed by specialized consulting firm, which was completed in a record timing of four months. And we identified the main operational aspects and lacks our gaps in the legal management. We performed some understanding interpretation samples to understand the fragile aspects and operational gaps. And then we designed an action

FINAL

plan to avoid these fragile points and improve legal management. And we defined a new accounting policy to improve the risk estimates as well.

Some other variables from this work were an improvement of the structure and how to conduct the lawsuits and claims in the company. Structuring a committee to have weekly monitoring of the labor claims and lawsuits versus the action plan with the participation of the CFO, COO and other Directors from our C level. And finally, but not least important, also strong governance at a corporate level.

Our action plan intended to be based on three pillars, eliminating fragile aspects and operational gaps, which were all mapped out, and many solutions are implemented until the end of this year. Improving the process for lawsuit claims management, reinforcing our structure of our legal team, increasing our capacity for defense. And adopting new technologies and an improvement of strategies for agreements or settlements, and the definition of a new accounting policy to improve the risk estimates. The forecast that we presented in this slide should be analyzed along with the relevant event that was disclosed yesterday. We've presented on this slide the estimate or the impact on the cash flow, and in the financial statements for the fourth quarter of 2021, in the next years in intervals of billions of reais. You can notice here notice here that from 2024 onwards, the amounts converge into consideration of a normalized level in line with the average in the market.

Now, I will explain in the next slides how the monetization of fiscal credits and tax credits will neutralize the impacts of these labor claims. Via has some tax credits at a total BRL9.5 billion. These are BRL3.6 billion of ICMS credits and another BRL2.1 billion in fiscal fees credits. As well as another BRL3.3 billion in credit upon results. These credits have been accumulated by our natural operation in the past 10 years. Most of them are related to Via's past. Via structured an intelligence internally to be able to make it possible to monetize all these credits. The main assumption is the ongoing growth of the revenue and the profitability. What's important to mention is that these monetization plans are monitored regularly by top management at Via and reviewed regularly also by our independent auditors.

In the past quarters, the values paid with a cleaver -- labor claims are almost related -- equivalent to the monetized values of the tax values, with a 1:1 ratio. For 2021, we understand that this ratio will be kept. And from 2023 onwards, this should be more favorable for Via. So for everyone we're spent with labor claims, we should be receiving an offsetting of another -- of over BRL3 in credit monetization.

On this Slide, I can show you an analysis of the sensitivity of the impact that's estimated for the cash flow of the company and the proportion of this fiscal credit monetization for the period of 2021 to 2026. Our forecasts indicate that the monetization curve for credits is a lot higher than the cash exit risk of the labor claims in the next years.

So I will now end this topic on the judicial claims. And in this part of the presentation, I'm going to talk about the financial performance and operational performance in the third quarter and accumulated period of nine months in 2021.

I will be presenting the reconciliation of the impacts of the traditional claims and labor claims and credits for taxes in the accounting results. And I have a bridge here, considering operational results in the third quarter. The net income reported was negative by BRL638 million. This is not considering the effects mentioned. But when you consider these effects, it is positive by \$101 million. And I'll go through three bridges in the next slide that can explain this effect.

On this Slide, I'm presenting the main operational highlights adjusted in the third quarter and accumulated in the past nine months for the GMV and the gross margin EBITDA and net income. The GMV was already mentioned by Roberto in the beginning of our presentation. The gross margin was 31% in this quarter with a growth of 1.5 percentage points. In the nine month period, the growth was 0.9 percentage points.

Now, our adjusted EBITDA in the third quarter of '21 was 7% greater or BRL669 million with an adjusted EBITDA margin of BRL9.1. And Via accumulated nine month period the increase in the EBITDA was 11% to BRL1.7 billion. Our net income was at 1.4% in the third quarter and in the nine months it was 1.8%.

Now, as we have the gross margin bridge evolved from 29.6% to 31% with a positive variation of 1.5 percentage points. And as the main effect, I want to highlight the positive impact of default rate and some commercial negotiations. We also had a positive contributions of the Buy Now Pay Later cards and the revenue from freight and assembly services. Now, we're going to show you the expense bridge. We went from a share of 22.3% of the net revenue and we went to 22.7% of the third quarter of '21. Our SG&A went from 22.3% to 22.7%, with a variation that was smaller 0.4 percentage points, explained by the need to leverage the digital business.

And now, I'm going to go onto the net income bridge, which summarizes the results of the gross margin, EBITDA that's already been mentioned previously. In this bridge what is worth highlighting is the operational results and the financial results which reflects an increase in interest and a greater volume of discounts in receivables.

On this last bridge, we present the management of the cash flow related to the past 12 months, where we end the third quarter with a solid cash position of BRL6.4 billion, a small consumption of BRL684 million. And the main highlights were; greater investments in working capital of BRL1.6 billion, and reflection of a more aggressive policy to supply -- have a good supply of products on the balance between the payment and monetization of taxes and labor claims was BRL93 million positive. As well as the variations of other liabilities and assets that represent those BRL325 million.

Now, we have a broader perspective of our liquidity, with a cash position of BRL6.9 billion, which considers BRL530 million receivables -- of other receivables. It's important to highlight the improvement of the debt profile in the company, after we issued the debentures of BRL1 billion in the quarter, which allowed us to extend our debt profile. And this cash position covers the payments for the next years as they reach maturity. As you can see, these are really well-balanced.

Well, this is what we had to share. And I will pass on the word back to Roberto, for his final remarks. Thank you very much.

Roberto Fulcherberguer {BIO 17276995 <GO>}

Thank you, Padilha . And now I'm going to quickly mention some final comments here. Via today is committed with governance, results and financial inclusion. We want to state that 2021 would be the marketplace year, and it has been. We've gained scale in record timing, onboarding over 100,000 sellers in our platforms and over 34 million SKUs. The recovery of our expansion has been essential to improve our omni-channel strategy. And as we talk about expansion on the 19th, we will have a major launch. We're going to be launching our store that represents all of the transformation we had at Via in the past two years.

This store will include all of the most modern aspects in Brazil with a full omni-channel approach in 1P and 3P. I'm talking about our Casas Bahia store (inaudible), which will soon - and all of you guys will be invited to participate in this inauguration. Logistics at Via are a lot more than just physical, it's about technology and systemic integration supporting the operation as a whole. Our strategy for growth continues to be connected with all our principles and ESG plans. Some financial solutions will be even more protagonists in the Via Ecosystem. We continue to grow more than the market when it comes online GMV, and in line with the ambition of reaching at least 20% market share in 2025. Everything we've done in every area follows this principle at basis our strategy, which customers are of the total focus of this company.

I want to thank you all for your participation and now I want to move on to our Q&A session.

Questions And Answers

Operator

(Question And Answer)

(Technical Difficulty)

Quality of the inventory, and one thing that has grown a lot, but maybe out of your radar is banQi. So, I want to understand how the digital credit origination are taking place. We've noticed is has gained traction. How should we consider this opportunity up ahead? And with this funding for banQi, is it shared with this? So, if the bank give you this kind of backup and support they consider banQi with the same kind of risk as the traditional Buy Now Pay Later or (inaudible).

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Thank you, Joseph. Thank you for the question. I'll start answering about Black Friday, and then I'll pass it on to Calabro.

About BlackFriday, yes, we are extremely well supplied. We have supplies arriving still now throughout the month. But we decided to operate with a higher level of inventory, and we support this a bit more now in the pre BlackFriday period. We will not have problems with supply. We have a big assortment, it's really full and prepared for the BlackFriday. This year, we have the advantage of having 100% of our stores reopened with traffic and circulation in the physical stores already taking up a greater pace in most of the regions in Brazil. So our omni-channel approach will really be in our veins this year.

And for the first time we have BlackFriday with such a big marketplace, we have over a 106,000 sellers with thousands items, we're selling absolutely everything, even many tractors really, really huge examples in the long tail of what we're selling. So yes, we are very optimistic with BlackFriday, especially when it comes to having all of the stores opened and the quality of the inventory is excellent. And so we are foreseeing that we're really prepared for great BlackFriday. On banQi, we have really been scaling up and it's a priority at Via. So, this is one of the verticals that we kind of packaged up all of our financial services, so this is the trend with banQi. And I'll pass it on to Calabro, so he can give you more details.

A - Andre Calabro {BIO 20489093 <GO>}

Thank you, Roberto. Thank you, Joseph for the question. And thank you first of all, we're really happy with the acceptance and the growth of banQi and how our customers not only found some very important solutions in banQi, but also as you mentioned, the level of engagement for these customers and the usability of banQi.

So in regards to your question in my first -- in your first slide, we highlighted that banQi is a platform for financial solutions at Via, and we have been acquiring not only the necessary licenses, but also the necessary investment vehicles and instruments such as the FDIC. So that this financial instruments at banQi can be an independent vertical. So, we have two FDIC for personal loans and for credits for partners. And both of these financial instruments will be independent from the instrument that you mentioned with the CDCI. So for this year of 2021, we started off with our own capital and we've already highlighted this in some previous calls that we have approximately BRL300 million in our own capital to start the operation, this is how we began. And for 2022, we are prepared with the creation of these two financial instruments the FIDCs that we structured in the beginning of this year. Thank you very much once again.

Operator

Thank you, Calabro. Now, we will call on our second question from Victor from Credits Suisse, Victor?

Q - Victor Saragiotto {BIO 19504427 <GO>}

Well, good morning, Danni, good morning, everyone. I have two questions. The first one is about -- with a more of a physical store focus. And I wanted to know if you are already imagining some budgeting some kind of a reaction in the same-store sales for the physical store for the beginning of the fourth quarter. And based on what we already have and information, or if we continue to have an environment that's reasonably challenging.

And a second question to go back a bit on one of the questions we've received from many customers is a bit of the cash position issue. As we have mentioned that this is not a big concern in the company in the short-term. Considering that all of these tax credits can offset these labor claims and liabilities, but I think customers are going a little bit deeper in this topic, and they want to know if there's any risk of a need for additional cash or an increase in the anticipation of receivables and maybe even a follow-on. So, I'm just transferring a bit of these questions that we received from our customers.

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Thank you, Victor. Thank you for the question. On the physical store topic, yes, we started to notice something it's a little different than what we've seen. -- Sorry, my video went off. About the physical store, we started to see some signs are all different than what we've seen in the past two and a half months. In our case specifically, it's important to mention that every time that more it become more complex to assess Via when it comes to what is online and what is physical, we've produced BRL82 billion now in the third quarter through the online sellers. The online sellers at the store and he is relating with this environment that could maybe be in the store out of the store, and they're adding a lot of new customers into the bay.

So more and more more-and-more things are becoming more complex because the sales are in the online environment, but they also come through the physical store seller. So, yes, we start noticing that there's a sign of improvement. Now there's a bit of a natural approach in having stronger concentration closer to the BlackFriday with the seasonality that normally takes place in physical. And I think we're setting the right pace when it comes to productivity in the stores. Then to take advantage of this point here, we also have some store launches. It is not very usual to launch stores in December in retail, but due to the pandemic effects and everything that happened, we have many store launches that take place from now till the end of the year, which is very concentrated during the BlackFriday period and the month of December. Padilha?

A - Orivaldo Padilha {BIO 21118157 <GO>}

Yes. So Victor, good morning, and thank you for your question. We really wanted to share a slide at the end of the presentation in line with what we have already been mentioning in the last quarter. So, you can notice that the cash consumption is basically the reason for us to have set up inventories for additional safety due to the risk of a lack of supplies at the moment. So this recovery of the working capital and the rebalancing of the working capital is already underway. And in the fourth quarter, this will already show a strong recovery in the working capital. And adjustment also in the inventory positions, really being a little more cash for the company.

So, the second item is not a promise or an empty estimate to state that we have been offsetting all of these cash exits for the labor claim with the monetization also of physical credits accumulated by the company overtime. So, in the third quarter, this calculation was favorable by BRL93 million, it was more than BRL1.300 of cashbacks and labor claims and over BRL1.4 billion in cash generation to monetization of some fiscal credits, considering the company's legacy. And that's in the past 12 months. Then in the fourth quarter, we also expect to have this neutralization in the cashback with the monetization of credits. So, in

this way, with the rebalancing of the working capital, the company will get back to generating cash naturally, and this will rebalance the cash position. So, we don't see any need for an increase in capital or any other type of cash management in the company for these two reasons.

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Padilha, just to complement your answer for Victor's question, we also consider the average term for the payment of these suppliers up ahead, which Padilha has mentioned with the working capital will increase in 20 days. So you haven't been able to see this in the earnings call in the third quarter, but you'll notice that from the fourth quarter onwards we've renegotiated our deadlines and we have a strategic inventory also for BlackFriday. So with the sales we believe it will be very positive, this will be normalized. So, I think when it comes to the working capital, it will be very clear to understand that market and that the situation gets a lot better in the fourth quarter onwards.

So, the next question from Danni Eiger XP, you may proceed.

Q - Danniela Eiger {BIO 20250080 <GO>}

Well, good morning, everyone, and thank you for taking my question. I have a question that's maybe a mix of a follow-up of two other questions also. About issue with expectations are very good and (inaudible) expectation. Looking at the research and service for BlackFriday, customers have a really have a strong desire but also a bit of a income restriction point. I wanted to know how you're considering this dynamic when it comes to profitability. And how you'll be willing to also be a little more professional to be able to have the sales conversion? Because at the end of the day, these customers are also waiting on this due to the expectation with greater discount.

So, just to give you a bit of this context and when we consider this expectation, how are you looking at this demand for the next year? Because then 2022 is really a more challenging scenario. Not to mention the physical stores are getting better but we know that they also would have a bigger challenge may be due to their mix. Of course, Casas Bahia in Me Chama no Zap will be a different dynamic because you have (inaudible) as well, but maybe you could just give us a bit as being expectation you have when it comes to profitability. And also for next year that would be good.

And then another thing would be more of the timing. You mentioned that you're evolving with fulfillment, I don't know if you already have an expectation of when you're going to be launching this. So, if you could just mention that. And I think the third point is that it was very clear the provision and all the points that Padilha mentioned very well. But one point that caught my attention a bit is an average ticket point. When you consider Padilha's imagining 20,000 lawsuit and claims, of course you have more, but these 20,000 represent BRL1.2 billion provision calls my attention a bit. I don't know if it's a lack of technical knowledge from my side, but what is an average ticket that of last year's claim? Maybe you involve expenses with lawyers and consulting firms such as this average ticket caught my attention a bit. I think that's what I wanted to highlight.

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Thank you. Good morning, Danny. Thank you for that question. I think I wrote that down, because there was a lot of points there. Let's see when it comes to the BlackFriday promotion, the market and I've already been talking about this in our previous calls, and the market is already very aggressive and this will also happen in the BlackFriday. We're not expecting any variation in the margins that are different in the behavior we've had in the last BlackFriday. So we see this expectation of going through this BlackFriday being able to profit via the operation very well, as we've done in the previous ones here. So, now we are prepared with good offers and good inventory.

So what you're mentioning on the commitment of consumer income is the reality. We have the big advantage here which is banQi and financial services, so we have the Buy Now, Pay Later system and I can address the size of the installment that customers can pay for and handle, fits in their pocket with very low default rates. And so, we think this is an important tool. It is important for Brazil as well at all moments, especially at this moment when we have a scenario that is a little more complex. So, when it comes to physical store, we have re-purposed store. So, it stopped being just a store that make sales. We don't look at the sales anymore at the store that makes a sale, we look at this as a big relationship center for consumers for logistic effect, so that we can have the last mile profits from the store. And this also interacts with the cost reductions and logistics and the productivity gains more and more. It's becoming important to have a support point to generate more speed and a reduction in cost, as well as for tax planning purposes and fiscal planning purposes in the company.

So, the stores are very important as a logistical point, and it's very important for customers to have this pickup point from 1P or 3P. And it's very important also to be able to have our sellers relating with the customers, whether they are banQi customers or whether they are online customers and/or other people at the store. So, what we've seen is this inauguration process here reaching over 80 new cities. And if you consider the amount of stores that the company has, historically entering these 80 new cities in one year seems to be a historical record for us. When it comes to accelerating our present, either new cities where most of them didn't have stores yet, this is new oxygen when we enter these cities, so that also accelerates our online business and facilitate and logistics are up. And so we are very optimistic looking at the store with this meaning.

And on the store of (inaudible), then we have this invitation, if you could be at the store launch great. If not, soon after. And so we are counting on you with the credit card as well. But the store is the biggest example of digital that exists here in Brazil. And here we have these two and a half years of technological acceleration that we had at VSO. We have a presence of 3P items. We'll have a very big assortment of musical instruments as no relations there 1P inventory that will be available, you can buy and we'll deliver this soon after. This is just one of the examples of store is certainly fantastic.

And besides being super technological, it's been a very interesting experience for customers and it'll be a big event for customers. When it comes to fulfillment, we had the automation of some disease, and this was to prepare for the situation, and we chose to not place this now in the fourth quarter. We imagined there would be forcing this too much -- all of the challenges we have in the fourth quarter. So we decided to concentrate

in the BlackFriday. The level of adhesion from the sellers on Via net doesn't stop growing, it's clearly accelerated. So, we're very comfortable with fulfillment from the first quarter onwards. I'll pass on the words to Padilha if I forgot anything, let me know.

A - Orivaldo Padilha {BIO 21118157 <GO>}

Thank you. I'm going to explain a bit more on the average ticket. So one thing, we receive a lot of labor claims still, the new lawsuits or claims are a lot cheaper. They're mostly related to people who left the company, or retired and that has led to normal turnover in the segment and it's about 2022 to (inaudible) and it's natural. Normally it is the first job for working till they finish school and then these were asked to leave. So the losses that are part of this natural movement is a very low average ticket and their time and they companies a lot of colorful. Most of our average ticket that represents more than 90% of our provision comes from older of the peers. Quite a while as being decided in the legal system due to a reduction of dismissals and 2014, '15 and '17 where Via went through major process to reduce and outsource and digitalize and some entire structure.

So these people had a lot more years of experience in the company and average have those a lot greater. And due to some issues with cash positions, there was the maintenance of these lawsuits for a longer period in the legal system. So, in the legal system, the private lawsuits are adjusted by the TR plus 1 CLEC, or conjunction of CLEC and TR. But this in some cases when we had the CLEC very low, it represented up from 200% to 400% of the TR. So, it really made the losses that were older very expensive. And they're being paid now until 2021 all the way to the fourth quarter. And a big amount of them will also be paid in 2022. So the average ticket in the entire portfolio is about a BRL113,000 and these were with more time in the legal system. As a person lost its -- people that worked in the company for many, many years are about 400,000.

So this is a profile that we could spend some time trying to stratify the entire portfolio, but basically the more expensive lawsuits are losses from employees that had higher salaries, more time in a company or that were in the lawsuit system for 5, 6, or even 10 years. That's why there's discrepancy between this new lawsuit and the average of the entire portfolio. That's very clear.

Operator

And I'm sorry for so many questions, no problem at all. So, moving on to the queue here, for the questions I will call Elena from Itau. Elana, you may proceed.

Q - Analyst

Hi everyone. Good morning and thank you taking my question here. My questions (inaudible) is related to the category. So we've noticed many discussions with investors for the online players just like you when it comes to the categories. We know that your 3P has really accelerated. If you could give us a little more visibility about the categories and the ones you're more exposed to and more up ahead, how you're looking at this portfolio of categories that would be really good. Thank you very much.

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

I will ask the production team to add Helisson here and I will pass on the question to him.

A - Helisson Brigido Andrade Lemos {BIO 21184188 <GO>}

Thank you, everyone. We started this year in '21, very strongly with a marketplace. You probably noticed the growth and the amount of the sellers that we have on our page. Now, the second important stage -- step is to fill up all of our platform with this assortment. We reached BRL34 million SKUs already, including the imported products in the U.S. and Asia across trade reality. And this year, we're going to be doing a lot more. This is all basic to start off all of our work with the long tail to help apply all of this restraint demand that our three brands have, and the more traditional categories as well.

And what we call a long tail here at Via, which excludes the furniture and telephone categories and TV and video, this before represented 39% of what was consumed and now it's already close to 50. So, this is an education process that we do when it comes to the supply. And also with our base of customers, because they start interacting as Roberto mentioned, and we have everything, tractors and other small equipments. So, it's a huge variety and together with the marketing tools we can work with a bigger assortment. So, especially when it comes to development of the category, actually this is a very strategic piece of information. But certainly, we move along to be able to complement this work and the role of the marketplace at Via, together with what we do which is very strong in 1P, for the complimentary vision.

We developed this with the marketing work and commercial work. It's a topic that is definitely very strategic. So, instead of discussing the development of the category that much, we applied this customer-centric approach. So, the way we operate in the market place here in Brazil is a little different than what you are used to. Because we have this omni-channel approach in Brazil. We have the Call me on Whatsapp with 20,000 offering content in our marketplace. We are operating with the fulfillment that also absorbs this and besides of course the credit which is a characteristic of our. And so the scenario of the marketplace that all of you guys know about is there before and after we begin the transformation process. Thank you very much.

Operator

Thank you, Arito. Now, I'm going to call Richard from Bradesco. You may submit your question.

Q - Richard M. Cathcart {BIO 16457807 <GO>}

So, I have three points here about the Buy Now Pay Later in banQi, if you could maybe talk about the models or credit scoring that you use and how they've been evolving over the past years. And what are the metrics you guys are using, just so we can understand how this has been evolving and if you plan this credit in a broader way.

So the second question is, if you could maybe understand how you are looking at the participation of (inaudible) 3P and BlackFriday. I know 1P is always important in terms of

negotiation. 3P was one-third of the Via, but I wanted to understand how you look at this when it comes to the BlackFriday?

And finally, on the provisions, I think you made it quite clear the different efforts that are being implemented to reduce the risks regarding labor claim. But I wanted to understand what is the risk of having another provision in the future related to this labor claim topic. Thank you very much.

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Thank you, Richard, thank you for the question. I'm going to start off by 3P black and then I'll pass on to Calabro so we can talk about the credit engine models and then Padilha will answer the third one. So on the participation of share, we're very excited. The first time that we entered a BlackFriday session with this size of assortment that we have, besides all of the difference that at least they'll mention on how we are handling on 3P and the differentials that we're going to provide on 3P. We're also implementing the commercial differential, it's really in our veins and we have a commercial team that is completely dedicated to provide the relationship with our sellers in 3P.

So, just as in 1P, we are very well prepared to enter black and in 3P it is also different. So we've been preparing for this throughout the last months and we've been negotiating specifically for Black Friday and adjusting this introduction of the negotiation together with the sellers. So, we're super excited. We believe that this is going to be a very different Black Friday for Via. And we have a broader department. And it's worth mentioning that so far we haven't communicated to customers in the way we believe we could with this expanded assortment. So, we're doing everything step-by-step. We are very close to being really geared towards a customer in a mathified way, and show them that they find the solution for what they need. So, we're super excited with the penetration of banQi Black Friday. And we've seen the engagement of new customer and what they're going to bring in to these new platforms.

A - Andre Calabro {BIO 20489093 <GO>}

Well, thank you, Richard, for the question. We have a very important tripod here, which is the risk related to all the conditions and offer. And because this tripod brings this to control default and also the conversion of the Buy Now Pay Later system and why this is so important. Because we use the Buy Now Pay Later system because it's part of this -- it's like a sales tool. And we have an infinite base internally, so we use our internal basis, but we also search for updated data from these customers in the overall market. Our team and development is all done with an internal team with our own engine and our model. We have over 29 models that are operating, and approximately 3,000 variables are going to be deciding on the characteristics and profile. And this gives us the possibility to be able to have another 500 clusters or profiles so that we can offer our Buy Now Pay Later product.

So, we understand the dynamic is similar, but obviously these credit products are different. So one is related to the purchase of a product envelope for a year. So we also price this in different ways. So what's important to highlight here, we're working with a lot of care with the risk control and profitability vision as well. And another factor is that credit

is a very important tool for customer acquisition, recurrence, and it also leads to an increase of our LPV for customers. Thank you once again for your question.

A - Orivaldo Padilha {BIO 21118157 <GO>}

So, just I to add on here, an enrich the session a bit. Everything Calabro mentioned is based on over 60 years of knowledge of the customers in our basis. So, we have a lot of knowledge from the customer to be able to determine the basis for all of these models and the credit engine as well. And just another detail is that this is why with a digital Buy Now Pay Later we've already reached over 2100 municipalities, already added over 4.5 million new customer. And our tool is extremely robust. Also for the acquisition of customers which is very important, (inaudible) quarter by quarter. All of our indicators are extremely stable or when I refer to the default there, either stable or better than some other players disclosed in the third quarter.

Richard, if there will be the need for an additional provision or how we can consider this up ahead, we mentioned in the relevant event but also in the release of the presentation. A perspective for the fourth quarter 2022, '23 and '24 with the impact on results and cash. So, this is a complex dynamic, it's very aggressive. And the entry of these labor claims is very intense, and this year we're receiving more labor claims than dismissals. It is the first year in five years where the inventory is not reduced. Half of these new lawsuits or claims are from professionals that are specialized in base degree aggressively raising labor claims. Sometimes they offer anticipated payments to employees that are actively working in a company, and they suggest these employees to is to start a lawsuit or claim or they refer someone at Via that wants to start this lawsuit. So, this represented almost half of the application, their claims this year.

So, but now, Via is not an easy target anymore. A lot of other companies like banks and telecom companies also had been in the past target of these situations. They did their homework, they became more difficult targets and these companies and these professionals that go after you labor claims, and try to promote this industry of claims are having a harder time to attack Via. But of course, we still do expect a significant amount of lawsuits and claims for next year. And that's why we have this forecast and provision for our results, our earning and our cash effect. So on new claims, they're still going to be able to eventually invoke pressure. The trend is that it will become more difficult, Via will have more success as we defend, as we've increased our capacity. One of the action plans was to review all of our legal department and all of our partners and legal firms that support us so that we can be more efficient.

This is already happening and part of the process and expenses will come from the new claim that our capacity -- our growing capacity to defend ourselves. And also there will be -- we have a big inventory of 22,000 (inaudible) part of them will be migrating to the last phase of the trial where the average ticket is a little higher than the intermediate phases. So this forecast and the page of the release already considers these two combined efforts. And this is why we decided to give you all this forecast. But then from 2023 onwards and 2024, we believe that that big wave of more expensive (inaudible), that are few of the main claims of reduction in structural portfolios of already moving gone by. Then we'll have a leftover of a smaller amount of responses to claims that are a little

FINAL

Bloomberg Transcript

cheaper, and we should be entering the market standard by the end of 2023 and essentially '24.

So, the market and (inaudible) identify is about 0.06 day on the net sale, which should be reached through this journey over the entire more expensive portfolio, and should be end in 2023 and '24. So, we had (inaudible) for 2022 sales from expenses between BRL900 million and BRL1 billion. And then from 2023 onwards, it was about BRL500 million to BRL600 million from 2024 onwards, between BRL300 million and BRL400 million. And then the trend is that it will be stable and maybe even drop a bit. I think it's important to mention here that this big problem of the labor liabilities and claims in the company holds a big relationship with the past of the company. The company does not produce this kind of numbers any more, where the average is a lot lower. On average the return of employees that have been in the company for six or nine months, and have an average ticket regardless of their connection. So that basically is infinitely lower than these in the past. Because for this we a really changed the way it relates to these loss in claims.

All of the defense have been renewed from the best officers in Brazil are participating in the process. And depending on the fact that the average ticket of result of claim going to support this because the judge is a lawyer from Zia. So it's a big shift if we were to compare with how this was handled in the past. We have many, many cases like this in the past. And who started with this claim (inaudible) because there's no one else arriving to perform this defense. So like a direct cause gain, but it is still (inaudible) does make this anymore. So this reduction of 65,000 to 45,000 employees, we don't have to worry about them anymore, we just have a natural turnover. So the adjustments that we had already made now were set up with Via really growing and it's not about a reduction in (inaudible) process now is to inaugurate new stores and not close down stores.

So just to add on point, we also don't have the perspective of having additional links and the calculation, especially due to the chart here that we mentioned-with the expectation of how we believe this will be for next years. So, I think that was very clear. I wanted to mention also that we have video on the IR website and also with a QR code in our disclosure material that is a little more educational and clear providing some more information. So you can also use this as a reference.

Now I'm going to invite Irma from Goldman. You have a question.

Q - Irma Sgarz {BIO 15190838 <GO>}

Thank you, Danny and team. So, we have some questions here. We wanted to understand how you're considering the margins of 2022, '23. And when we consider this adjusted margins and maybe long-term -- mid to long-term margins that's already adjusted considering the level of provisions, whether they are labor, fiscal or all these other issues. So, I have a difficult in here which is, in the past of course you had claims or losses that were not installed that you began. And I understand obviously this caused some kind of accumulation. And it's indexation fines and other points, and obviously even increasing the average ticket.

But when you look up ahead, maybe it would be interesting to consider how you will move along with these demands considering a recurring provision. So, when you place this, and you calculate all this where do you get to with this EBITDA margin up ahead? And another question is really just about the average take rate net of the discount in the last quarter. If you could may give me some input on this, I think, you have been working a bit on discount to encourage the sales reps and emergency to attract this kind of growth in the marketplace. So, even future investments here, but I wanted to understand how take rate is net of the markets -- in the marketplace in the last quarter.

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Thank you for the question. So I'll start off here. So about the operational margins in the business, our expectations are that there will be an improvement. At least this margin we have to the better. So, we are going to come in with all of the benefits that we've just mentioned with at least in the marketplace. We have a lot of revenue and a lot of margins coming around when it comes to financial services and banQi. Calabro mentioned the scale up that we've had. And this continued really ramping up more and more with this security and confidence. So, our 1P is also accelerated, gaining some market share with a very good margin positioning.

And so the company is really well prepared to go through these different ways and trends with margin accelerations that at least at these levels that we have been presenting today. So when it comes to the take rate, you have the marketplace you've declared, and the second quarter or the first quarter I'm not sure that we would exempt sellers until a certain level of revenue. So they can get into our platform, get to know our platform and start working. And this happened in the first, second and third quarter. Now, we start having a turnover, then in fourth quarter we already have this inversion in a more accelerated phase. So, now we already went from the take rate that was close to 2.5%, 3% in this period where we were emotional for the (inaudible) and we're already talking about take rates above 7 points. And we saw that normalizes.

So the trend is that we're notching that these benefits will be normalized, and then get back to these double-digit levels that are considered normalized. But it's a (inaudible) that we consider the take rate be just one of the components in our marketplace. We are not looking at a take rate as the largest component in our marketplace, we have a lot more add when it comes to profitability with all of the financial services and our logistics and our ads program that is already going to be launched. It's a very intuitive platform where it can't have access to this recurrence and the visitation numbers you already have. So we have many other sources of revenue that we have been developing step-by-step. So that this can be a marketplace. Just as we had promised ever since 2019 and 2021 we said we would be accelerating the marketplace are going to be a sustainable marketplace. Our mindset is that we want to make money with this marketplace and with all of these tools and assets that we have.

I'm going to start off with Padilha so he can complement (inaudible).

A - Orivaldo Padilha {BIO 21118157 <GO>}

FINAL

So I know that this is a question we can answer directly because, obviously, you're asking about this more towards the future. But what I can say, the margin in the quarter adjusted without the effect of this past with the labor claim, and this quarter was (inaudible). And the accrued amount is close to 8%. So, when you consider all of the other elements, that really makes us stand out when it comes to the growth margins and the EBITDA margins are already the biggest in the market, the biggest among our competitors are positive for growth.

So the, Buy Now Pay Later, both physical and digital dedicated to our store. Our physical store is on growth trend. The digital Buy Now Pay Later is also grown oriented has presented many different numbers. So, the Buy Now Pay Later also with the service in the marketplace also started in the quarter. So we have an avenue for growth up ahead. And all of the developments product and financial services within banQi also demonstrates this. And this trend is quite positive for a growing EBITDA margin due to this -- due to these elements that are really connected to the financial service platform. So, the contributions of the commercial margins are already well known. Via has this larger commercial margin in the segment and we have many differential of volume, size. Our 1Q is very strong, our sales mix as well, we are the biggest furniture and this brings of higher contribution than for selling electronics and home appliances. All of this support this very high level of gross margins and EBITDA margins with a positive trend.

Operator

Thank you Padilha. And Joao, your question now. Joao? You have your hand raised and you're anxious, so let's go.

Q - Joao Pedro Soares {BIO 20837239 <GO>}

Thank you, Danny, and good morning, everyone. I think the analysts have already approached many different points, one point that was not mentioned so much as this was competition. I'll be looking online retail, we're monitoring some of the data and we see the number of downloads, especially among the Asian players. I wanted to know how you've noticed the evolution of this competition? And looking up ahead, how this could impact your seller recruitment process? And this migration increase the amount of assortment in categories of greater with greater currency, so it's important to see how this impact on this and Roberto is quite clear, you've just mentioned that you expect the take rate should go back to double-digits. But could you maybe share a horizon of what you expect as you get back to this level? This would be important. Thank you very much.

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Joao, thank you for the question. Yes, we've noticed a lot of freight going up, and while many other players, Via continues to scale up, so Via has had some differentials that are very important in its portfolio. So, not everyone will be able to sell BRL23,000 tractors. Not everyone will be able to sell a high ticket in the marketplace. We have been able to. And we have also been able to sell those tickets with (inaudible) and transport this item anywhere in Brazil in a very efficient and quick and cheap way. So, these are important differentials. The market in a moment where you have international players placing a lot of money on the table. So, when you place a lot of money on the table, naturally you'll have

a lot of numbers download. So, we are doing this in a healthier way. We are growing strongly in the marketplace and we are able to put (inaudible) in this way.

So we need to understand that these authorities are not going to -- So, we've had many serious problems of fiscal division, many problems with piracy. This isn't the new many serious problems with non-certified and non-authorized products. And so this has a deadline really. So, we are searching for this growth in a very organized way and we understand that in the long-term we have a winning path. So we can't get into platform mentioning Rolex watches and find a bunch of pages. So, this is not a customer, we are competitor that we're focused on. So as all of this is organized, it'll be very important to have a recurrency with a customers, have a history with this customer, have a level of services with customers and offer customers in the city of Sao Paulo and Rio, but customers all over Brazil. Very important to have credit for this customer available.

So, these are tools that we have here, and we believe in their sustainable growth. We are not having any difficulty to add these sellers. Now that we have started accelerating the sales of expanded assortment, we see a lot of sellers wanting to join us. Our number is a lot greater than the numbers we're disclosing now, but I'm going to focus on the numbers in this third quarter. So, sellers want to be in a location where there's a big flow, good level of services to customers and where you can add a lot of sales. We have all of this and we also have some facilitator. So we have a logistics that can make it easier for them. We also have the Buy Now Pay Later that helps the acquisition of this item. So we're very confident as we build this marketplace that is sustainable.

So a marketplace here that is a source of GMV margin and also these stores have a lot of recurrency and a lot of acquisitions with new customers' lifetime value with these customers and a cost of acquisition reduction. So it's a big package here, supporting our market price strategy. On the take rate, at the moment when -- one moment we recover this and we have this expectation that by the end of the first quarter or the second quarter we should be getting back to the double-digit level. And I want to reinforce this once again, the takeaway is not our main target when it comes to profitability in the marketplace. Helisson, could you add on please.

A - Helisson Brigido Andrade Lemos {BIO 21184188 <GO>}

Thank you, Roberto. Well, to add on here, besides the take rate, it is a consequence of all of our capacity to offer a value proposition to our sellers. When it comes to competitive advantage, we have a piece that I think is important to mention. You should remember this and communicate this to the other members. We don't believe that here in Brazil this is going to be the winner takes it all. Here Brazil is very big and it's complex. We're very close to the reality in India than in the other than the U.S. And we have here a penetration that is very low for e-commerce in Brazil. So, I want to summarize between 10% or 11%, depending on the stores. So, we have a lot of room for growth.

So, besides this growth that Via has been playing, we also plan to mention this addressable market of this e-commerce in Brazil. So, we are positioning ourselves versus a agnostic platform. So we operate with logistics already service are 1P, 3P but also sellers that generate orders and other platforms around their own set website. Calabro

mentioned that with banking, et cetera., operating with financial position through our platform and also out of the platform. Our platform for ad would recently launched and it also services our major advisers, but also sellers on the marketplace.

And also the entire market that we'll be able to use this demand that is qualified for all of this. In the mid to long-term, we will demonstrate that the fit and the report of our ecosystem amidst other ecosystems will not all be the Buy Now Pay Later logistics. And others will have the long tail that's a lot cheaper. We really believe in our differential. And we think we're going to be a very relevant player.

Operator

Thank you Joao and Roberto. Thank you, everyone. I promise we're reaching the end of our Q&A queue. I know this has been a long call and a lot of information here, but I'm going to call Eric from Santander. Eric?

Q - Analyst

Thank you, everyone. I think this is more of a follow-up of some other issues. So you mentioned the market place in the long tail, and if you could maybe just mention the sales in September, and we wanted to understand with the speed in how you've been able to transmit this vision for customers at Via the channel for the purchase of these very diverse item. And a second point here would be once again going back to competition with Asian players. If you could maybe talk about the customer acquisition cost, may be you noticed a greater weight in the media cost. And if you still see some kind of an impact in this issue with their customer acquisition?

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Thank you for the question, Eric. I will mention here, I'm going to help (inaudible) with this answer. When it comes to the customer acquisition cost, we're already seeing pressure is a little lower than what we had seen before. But we are also considering all of the tools that we have here with the customer acquisition and with this marketplace accelerating this infinite assortment and providing more customers. We have a very powerful acquisition tools and another one in banQi. Calabro has mentioned half of the customers that open up a bank account and banQi never had a relationship with Via. So if you consider, these are like CPS that never had a business this year and automatically they become a customer for our Via brands or banQi.

So, we are searching for many ways to place and add customers in the bay that are not through the traditional means of the paid customer. We've had a lot of success in this point and the number of the customer base that we've been demonstrating really proved it. Of course you have pressure from inflation due to the amount of cash that they're sending to the market. But even with all of this happening, we continue to add many customers, and we see a slight reduction in this pressure. So, I want to pass it on to Helisson here to add on.

A - Helisson Brigido Andrade Lemos {BIO 21184188 <GO>}

FINAL

So, I wanted to present this here, we have some exchange when we talk about the marketplace in Brazil or e-commerce for example in Brazil. 60% or 70% of the GMV in Brazil has generated a response for five or six different categories that we are dominating. And any of the long sale on this (inaudible) is very, very granular. This is a recent phenomenon where we absorb a bigger assortment and we start having long tail growth. And I want to consider the average ticket, it is a lot smaller but the sales happen, it's a number that we publish just now also about 49% of the transaction in the marketplace already long tail.

But when you consider the average ticket, and there's GMV is smaller proportionally due to this mismatch. So while we're very excited about is the platform -- it was a restrained demand and our number of 108,000 sellers is a number that has been growing a lot. And so the component with more sellers, the bigger assortment and more activation in our brands, just giving some spoilers in our future campaigns, we start to mess with this mix of the transactions we operate with. GMV has the smaller pay but in a constant way, so it's going to take a little while. With our strong guarantee and this complementarity we're going to grow a lot more in the marketplace in the next year in the next year, and then we'll have the disclosure of your question later on. Thank you very much.

Operator

Thank you, Eliza. And we will submit question here to Roberto, came from Morgan Stanley and it came in by email to us. And so, he wants to know, we're talking about the recovery of the expansion and how we imagine that while we consider this pandemic to have already stabilized itself comparing the advantage of vaccinations in Brazil. And what we're looking at this at up ahead kind of O-to-O strategy we are going to be implementing. When we consider the expectations for physical stores of ahead.

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

So, we should end this year with a 109 stores to 110 stores, that are newly inaugurated. Our expectation or perspective for next year is also about 90 new stores to 100 new stores. We also have these stores and markets mapped out. And this is continuity and sequence of entry into new cities were Via was not present before. With this vision of being the big relationship center for customer and big logistical support. Also this store is completely repurposed. So everything we're testing now in our store that we're going to be opening in March now, this store is a bit drag for us. So we've created a store with 9,000 square meters of sales area, which is like a big lab of all the innovations we're working on. So everything we're testing me and we're checking, we can consider with replicable solution or our other store. And we have a lot of news coming around, and is when we consider the marketplace in our physical stores right around all over Brazil.

Now, we continue to follow this inauguration process. We think that the stores are this physical point of contact with (inaudible) omni-channel growth is fundamental. We believe that this is very important and this will continue to be relevant. And this is a different role that we have. I wanted to get back to one point in the previous question, yesterday the ITV provided a press release and a media session where they talked about a study of what's going on with most of the platforms that are entering Brazil and commercializing products. So, I think it's really important if you can access this material and these

FINAL

interviews is Mackenzie that we participated together with ITV. And Mackenzie was hired to work on this. And we have over BRL600 billions potential that the government is going to be looking at.

So great. I think this is the way to leverage this. We have no problem with competition here. We -- the competition is positive and it forces us to move on in this innovation trend to search for differentiation when it comes to the customer, but it needs to be fair. And so, no doubt this study is very illustrative and educational on the amount of taxes episodes not collecting or receiving, because of the way commerce takes place in many e-commerce platforms in Brazil. So, considering that the government is always searching for a way to increase tax revenue and considering that it's not fair to have a competition model where one guy pays all the taxes and the other guy has a really easy way to have products entering with zero exemption or zero tax payments even with items that are more expensive. We are -- it's clearly demonstrated in this with everything that happens behind the scenes of many of the items that arrive in Brazil. Even from sellers that seemed to be national.

So, we're increasing the volume of sellers that are national on many platforms. But these are seller that brought in the products and goods in a way that was questionable. So, this is all in that study. I don't want to provide more details here, but I think it makes sense if you can access this study later on and we can also submit this to you as well. It's a very rich study on every company, and it will illustrate the sustainability of the marketplace here in Brazil. So from this perspective onwards.

Operator

Now, I would like to ask (inaudible) if he still has additional question. Do you have a final question?

Q - Danniela Eiger {BIO 20250080 <GO>}

Hi. I have no questions.

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Thanks. Great, perfect. So we're going to end this session. I want to thank you all for being with us so far. And an important message here. This is a company that has carried legacy, positive legacy and negative legacy. We have a big advantage here, which is having these positive legacies that are greater than the negative ones. So, the legacy pay for these negative legacies in the company. So the positive legacies pay for the negative legacies of the company.

Another important advantage, we have a team that is super resilient here at Via. So we have a team that's able to handle all of these legacies and at the same time advance and innovative in a very accelerated way. So we are creating a sustainable ecosystem that has concerns at the center. And we are here to provide this 360 degree solution. So this is happening with banQi and with our assortment and logistics, and all of our omni-channel approach.

FINAL

And so this is what we're creating. Here we have this big team at Via and we want to thank everyone here for this experience and journey that has been super senior. And they've been handling all of this legacy in the company without losing track of the strong journey of acceleration and innovation, and capturing new customers here with a customer-focus as well at the center of the company and the focus also on growth and result. This company has been for the past eight quarters having growth above market levels, even when we consider all of the legacies.

So, we imagine what the company will be when all of these legacies that are negative and they have a date and time to finish. Negative legacy finishes but the journey positively like to be creating this never ends. I want to thank you all, and thank you for being with us today. Goodbye.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

Bloomberg Transcript