

Q2 2013 Earnings Call

Company Participants

- Fabio Abrate, IRO
- Unidentified Speaker, Unknown

Other Participants

- Andrea Teixeira, Analyst
- Fabio Monteiro, Analyst
- Tobias Stingelin, Analyst
- Unidentified Participant, Analyst
- Vitor Paschoal, Analyst

Presentation

Operator

Good afternoon. And thank you for standing by. Welcome to the conference call of B2W Digital Company to announce the results referring to the Second Quarter of 2013. Today with us we have Mr. Fabio Abrate, Investor Relations Officer. And Mr. Murilo Correa, Investor Relations Officer of Lojas Americanas. For you to follow the conference please use the supports presentation that is available at the address www.b2winc.com.

We inform that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. Then we are going to start a questions-and-answer session when further instructions will be provided. (Operator Instructions). A replay facility of this event will be available right after its end for one week.

Before proceeding we would like to clarify that statements made during this conference call pertaining to B2W's business prospects, operational and financial projections and targets are beliefs and assumptions of the Company's management and are based on information currently available.

Forward-looking statements are not guarantee of performance. They involve risks, uncertainties and assumptions, because they refer to future events. And therefore depend on circumstances that may or may not happen. Investors should understand that general economic conditions, industry conditions and other operating factors may affect the future performance of B2W Digital and may lead to results that are materially different from those expressed in such forward-looking statements.

Now, we would like to turn it over to the speaker who is going to start the presentation. Please, Mr. Fabio Abrate, you may start.

Fabio Abrate {BIO 17940993 <GO>}

Good afternoon, ladies and gentlemen. I thank you all for your presence in our conference call to announce the results of the Second Quarter of 2013. Before starting the presentation of the results of the Second Quarter 2013 we would like to share with you some important results that we reached along the past 12 months.

Approximately one year ago in the earnings release for the Second Quarter of 2012 we announced our plan on investing more than BRL1 billion to be closer to our customers and offer the best digital experience in Latin America. In the four quarters after this announcement the Company has presented a sales growth at levels above the market, gaining market share and demonstrating consistency in its strategy and results.

Now, moving on to the results of the Second Quarter of 2013, B2W Digital Company has had a gross revenue of BRL1.4 billion, which represents a growth of 24% as compared to the same period in the previous year, combined with an improvement of 1.3percentage points in the gross margin, reaching 26.2% of the net revenue and an improvement of 34 days in net working capital.

In April there were two important acquisitions, Click-Rodo Entregas, a transporter company that has an operation of services dedicated to e-commerce, Uniconsult, a renowned company for the development and systems and solutions in the area of supplying chain for e-commerce. These two acquisitions are part of the investment plan for the next three years when we are going to invest more than BRL1 billion in logistics, technology. And innovation, with a strategy of being closer to our customers and offer the best purchasing experience.

In line with this strategy, B2W continues to increase its assortment with the products that our customers want. In July we launched the fashion category in Submarino's website, a pioneering online store and reference in technology innovation. The new category offers to our customers leading brands of the market and an innovative tool, the virtual try booth, a technology to recommend sizes based on information such as age, height, weight, sex. And size.

Along the Second Quarter of 2013 B2W Digital won the seal or the award, RA 1000, for Americanas.com and Shoptime and the classification "Great" at Submarino. The brands of B2W have RA 1000 classification, which presents the highest reputation level of the website Reclame Aqui, complaints website. This accomplishment is the pay for the Company's efforts to offer the best service to our customers.

We always assess the best forums and funding condition. In line with that, on June the 11th, the Company's Board of Directors approved the expansion of the net equity of the investment fund for creditory rights by BRL707.6 million, thereby reaching approximately the net equity of BRL1.3 billion.

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The FIDC model for credit card structured by the Company is a unique tool in the market and represents an important source for raising funds. Another highlight in the period was the higher rating for the long-term of B2W of its issuance of debentures from A plus to AA minus by Fitch ratings reclassification agency.

In this manner once again we would like to thank the dedication of our employees, who are part of the most successful digital team of Latin America. We would also like to thank our suppliers for the partnership, our shareholders for the trust. And especially our customers for their preference.

Now, we are going to start our presentation on slide number 2, where we are presenting the main consolidated highlights for the Second Quarter of 2013. In this period important results were reached of which we highlight. The gross revenue grew 24%, reaching BRL1,379,800,000 (sic-see press release "BRL1,369.8 million"). The net revenue grew 22.1%, reaching BRL1,210,500,000. The gross profit grew 83 -- 28.3%, sorry, reaching BRL317 million, with a gross margin of 26.2% of the net revenue, an evolution of 1.3% points.

The adjusted EBITDA grew 17%, reaching BRL87,400,000, with EBITDA margin of 7.2% of the net revenue. The net working capital improved 34 days going from 109 days in June the 30th, 2012, to 72 days in June the 30th, 2013.

Slide 3, we would like to highlight the evolution of B2W digital in customer service rates. As a reward for the mobilization of the whole Company to offer the best digital experience in Latin America, B2W Digital continues progressing in the indicators related to service level, reflecting the major improvement of its operating and logistic processes which are important mainstays of a sustainable growth.

Sales growth is the direct result of the trust and preference of all customers who have bought the most dear brands in Latin America, Americana.com, Submarino, Shoptime and SouBarato. Reflecting the process improvement we would like to highlight the continuous improvement of the service level indicators registered in the Reclame Aqui website that combines the assessment of customers as to the level of satisfaction in the relationship with the companies.

The B2W Digital brands have the best evaluations of the online retail, having Americana.com and Shoptime achieve the RA 1000 reputation seal and Submarino the very good reputation.

In the last six months Americana.com, Submarino. And Shoptime continued to present a strong evolution and posted a 100% rating of clients served. The RA 1000 seal was created with a purpose of rewarding the companies that have excellent levels of customer service. The companies that receive this, they have showed to their consumers their post-sale commitment, increasing the trust of the consumer in its brands, services. And products.

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In slide number 4 we highlight the evolution of the active base of customers of B2W Digital. The active base of customers of the Company in the last 12 months were over 30%, reflecting investments performed in the best experience or shopping experience of the customer, in the learning curve of the Company. And the recognition of the clients that decided to buy our brands.

In slide five we highlight the increase of FIDC to BRL1.3 billion. In June the Company's Board of Director approved the expansion of the net worth of the FIDC in BRL707.6 million, reaching approximately BRL1.3 billion, increasing the capacity of acquiring receivables from credit cards. The FIDC model structured by the Company is a unique tool in the market place and guarantees an important source of long-term financing. With this movement, the companies protect itself against potential volatilities in the financial marketing, ensuring the resources to deduct their receivables at a rate linked to CDI.

In slide six we highlight the upgrading of B2W long-term rating. Fitch ratings upgrade the corporate rating in the long run of B22 [ph] and its respective debenture emissions from A plus to AA minus with a stable perspective.

Moving on to slide 7, we highlight the acquisition of Uniconsult and Click--Rodo. Uniconsult is a renowned company for the development of systems and solution for e-commerce and a partner of B2W Digital since the creation of Americanas.com in 1999. The acquisition increases the excellence of the Company in the technology area.

Click--Rodo is a company specialized to provide service to e-commerce and has an extensive experience in logistic process management. The operation will allow the Company to be closer to its customer and offer an excellent service level. These acquisitions are part of the investment plan for the next three years, 2013, '14. And '15, where over BRL1 billion will be invested in logistics, technology. And innovation with a purpose to be closer to the customer and offer the best shopping experience.

Moving on to slide 8, we highlight the launch in an innovative manner of the model fashion category. B2W continues increase its assortments of products desired by the customers.

In July we launched the fashion category at the Submarino website, pioneer online store and reference in technology and innovation. The new category offers the clients the major brands in the market. Some of them can be found in store-in-store concept, the store inside the store. And they have a customized space in Submarino website through which they can engage the public in a unique experience of products, videos, advertising campaign and other relevant campaigns.

For the operation, Submarino brings a unique tool in the country, a virtual fitting room, which is a technology for recommending size based on age, height, weight, gender. And size. The Submarino fashion site presents also trends and styles all surely the best in the fashion world and offering a better shopping experience.

In slide number 9, we reinforced the strategy investment plan of B2W Digital to be closer to the customer. In the three-year period, 2013, '14. And '15, we are going to invest over

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BRL1 billion in technology, innovation and logistics. To be closer to the customer means to be the best shopping experience, offering the best products, the best price and the best surfing, browsing our website, facilitating the purchasing process. To offer the best delivery service to being closer to our customer's home, delivering quicker and more efficiently. To offer the best service, delighting our customers, being agile and efficient in the solution of any problem. We want to be in the mind, the home, in the hearts of all of our customers.

On slide 10 we highlight the logistic platform of B2W Digital. The Company has been investing in the improvement of its logistics systems and in the distribution chain, with the objective of being closer to customers and offering the best delivery service. B2W Digital currently operates seven distribution centers located in the states of Sao Paulo, Rio de Janeiro, Minas Gerais. And Pernambuco.

In line with our investment plan we are going to open another 10 new distribution centers by 2015, thereby totaling at least 17 distribution centers. The new distribution centers will provide greater speed in the delivery of products bought in the Company's website and best customer service.

In addition, the Company has also developed strategic alliances with the main carriers in the country, assuring a joint commitment of offering the best service level to our customers.

Now, moving to slide 11, we emphasize B2W Digital's vision of being the largest and the dearest digital company in Latin America, which means to operate in Latin America, the e-commerce market that has the widest growth in the world. Continue to be the largest e-commerce company in Latin America through continuous growth and gaining market share over the next year. Offering the dearest brands, offering a new and higher level of digital experience, think as a digital company investing intensively in technology and innovation to expand the focus and going beyond the digital retail, creating other business models.

On slide 12, we are proud to announce the creation of B2W Digital Innovation and Technology Center, BIT. In line with our vision of being the largest and dearest digital company in Latin America, B2W is opening this week its new digital center, BIT, B2W Innovation and Technology, which has arrived to promote continuing innovation, creativity, interactivity, knowledge sharing. And technological development.

This new space, inspired in the largest and best innovation centers in the world and also entrepreneurship in the Silicon Valley, is located in the port region of Rio de Janeiro, a symbol of economic evolution of the city.

BIT arrives aligning technology, preservation of historical heritage. And sustainability. The entrepreneurship was fully developed according to the most modern practices of green building construction. The creation is fully aligned with our main strategic pillars of simulating and developing the best digital talents in Latin America. These were the main comments pertaining to our performance in our -- in the Second Quarter of 2013.

Now, we are open to our questions-and-answer session to answer any questions you may have. For everyone to be able to participate we kindly request you to be brief in our comments.

Questions And Answers

Operator

Excuse me, ladies and gentlemen. we are now going to start our questions-and-answer session. So that everyone has time to participate we kindly request you to be brief in your questions. (Operator Instructions).

Fabio Monteiro, BTG Pactual.

Q - Fabio Monteiro {BIO 3711690 <GO>}

I have two questions. One is about sales, which have been strong for four quarters in a row. But further ahead, in the future, you had a significant improvement in service level and in growth of active customers. And in the next few years what do you imagine? Do you think you are going to keep up with the same level or pace of growth?

And the second question regards your debt. There was a significant longer period. So you expanded the period. And this new level of average time, is it something that we can consider for the future or do you intend to make it even longer or to go back to as it was before? Thank you, very much.

A - Fabio Abrate {BIO 17940993 <GO>}

Hi, Fabio. Good afternoon. Thank you for your participation. With regards to the first question, you are right. In fact along the past four quarters we have been recording strong growth in sales, we grew 31%. And then we are adding up the consolidated sales of the Company more than BRL1.2 billion in sales. Our active customer base grew more than 30%. And, undoubtedly, this reflects sustainable growth. And in the future, considering all the work that the Company has been doing, the results that we are presenting, the energy and time we spent in our business, there is nothing to go against this optimism.

As to the second question, in fact we have evolved considerably with regards to having a longer average time for debt maturity. But if we compare it to the previous quarter, our average time was 834 days. And along the past three months we worked intensely and today we have 1,157 days. So there has been an increase of 323 days in the time. So which is very comfortable for us, especially when we look at the short-term positions of the Company, which is very low as compared to its total availability.

And FIDC has come to contribute to that, or the receivables investment fund is much more robust. So we can discount the maximum volume of BRL1.3 billion with guaranteed volume along the next few years. And especially fixed CDI percentages and rate. So to us, we concentrate sales in credit cards because we have e-commerce having this type of

operation that is structured, which is not easy to structure. And undoubtedly for us that makes us very confident in all our plans, in all our intentions for investment in the future.

Thank you, Fabio. It's quite clear. Thank you.

Operator

Nicolle Lee [ph], Bank of America.

Q - Unidentified Participant

I have two questions. The first one is concerning the sales in the Second Quarter, they grew. But if we pay attention at the pace of growth it's different as compared to the First Quarter. And I would like you to tell us why you have this difference and to what extent do you think the market is growing overall?

And my second question is concerning your new distribution center. So I would like to know if they are still operating only with the best seller or if you have increased your assortment of the distribution centers? That's all.

A - Unidentified Speaker

Hi, Nicolle. Good afternoon. Thank you, very much for participating in our call. Now, as regards the sales of the Second Quarter of the year, the most important aspect is that we will continue growing strongly and growing above the market levels and gaining market share. We estimate that the market is growing close to 20%. And in fact over the last four quarters we grew 31% in sales quarter-on-quarter. Undoubtedly, to grow sales is very important and we have grown above the market level. But most importantly is the sustainable growth and the Company has shown this over the last 12 months.

As regards to new distribution centers, the Company before October 2012 operated with three distribution centers. In October 2012 we opened four new distribution centers. So today we have seven DCs and we have the expectation of opening 10 additional distribution centers in the next three years, closing 2015 with at least 17 distribution centers. And the new distribution centers come in a curve, ramp up curve. But what's most important is it's totally aligned with what we had budget and estimated.

Obviously, these -- the new distribution centers do not operate with a full assortment. They do not have such a significant center such as the first one we have in Sao Paulo. So they in fact operate with the best sellers. And most importantly, we know very well the consumer market so as to get right what to include in each new, let's say, their end. The extensive assortment is restricted to the state of Sao Paulo. But fully aligned with our strategy. They're not misaligned. Everything is moving very well.

Q - Unidentified Participant

The new, four new distributions centers, do you think they will operate only with the best seller or do you expect to have a more extensive assortment and to have a more full

operation?

A - Unidentified Speaker

The idea is to initially operate with the best sellers. But we can revisit this idea. But the point is that at this point in time, as compared to what we budgeted and planned, the new distribution centers are fully aligned with our plan. So this is the major asset. They are performing extremely well. So they will be limited to best sellers for the time being.

Well, it all depends, because the market is not static. So the market is constantly changing. So the new distribution centers, that is to be closer to the customer will allow us to have flexibility as regards the demand of the local market. And if necessary obviously we are going to adjust the assortment over the course of time.

Q - Unidentified Participant

Okay, thank you.

A - Unidentified Speaker

My pleasure, thank you.

Operator

(Operator Instructions).

Tobias Stingelin, Santander.

Q - Tobias Stingelin {BIO 1557190 <GO>}

My first question, your CapEx was BRL270 million already and you have the guidance for BRL1 billion over the next three years, which would be approximately BRL330 million a year. This year you have already spent BRL270 million. So what are you going to do? Are you going to change the guidance for the next three years? This is my first question.

A - Unidentified Speaker

Hi, Tobias. Thank you for your participation. Nothing changes with regards to our investment plan. It remains as we announced. So our plan for the next three years, including 2013, is to invest more than BRL1 billion in the Company, especially in logistics, technology. And innovation. And the CapEx that has been announced so far for the First Quarter of 2013 is completely in line with this plan.

Q - Tobias Stingelin {BIO 1557190 <GO>}

How much is the CapEx going to be this year? I don't think you reported that. Do you have an idea how much will be the CapEx this year?

A - Unidentified Speaker

Tobias, we haven't yet announced this number. But the most important what we need to announce is that the amount we have invested so far, which obviously includes the acquisition of Uniconsult and all investments we have been making in logistics, technology and innovation, is part of that bigger number of investing, more than BRL1 billion in the next three years. And in line with the Company's strategy.

Q - Tobias Stingelin {BIO 1557190 <GO>}

Another question specifically in terms of gross revenue and net revenue. It's been growing. The new distribution centers that you have all over Brazil that are working with different tax regiments and you pay different taxes depending on the state. And wouldn't it have a positive impact on your margins too? I don't know, you haven't changed anything as a result of the tax benefit. But just for my understanding, as you grow and as you expand to the new distribution centers, do you -- are we going to see your margins grow even further?

A - Unidentified Speaker

Hi, Tobias. with regards to gross revenue and net revenue, there is a change in terms of the dynamics of distribution of the Company. As a reminder, in the past our distribution was very much concentrated in Sao Paulo where the taxing regiment is CST. There is an impact of CMV on taxes.

And the other distribution centers that we have in other states of Brazil, there is more impact in terms of taxes. There is a new dynamic between gross revenue and net revenue coming from that fact.

With regards to margin, if you compare in terms of gross revenue, which would be discounting a potential effect of that change, we're still evolving. So we have evolved in the gross margin in fact very much due to our product mix. And as a remainder, B2W does not have a strong concentration in any given category. We operate with more than 35 product categories and we are dominant in almost all of them. So we offer more than 700,000 items. And we have great competitive advantage in face of the competition. So we have been operating very well. And obviously this has lead to improvements and very good results in terms of gross margin.

Q - Tobias Stingelin {BIO 1557190 <GO>}

Thank you, very much. Just as a follow-up, there are changes. ST, it goes from one side to the other. You might have been having ICMS credits or tax credits. So in terms of margin in the Second Quarter, how much was due to the mix and how much was due to tax incentives? Just help me to understand your trend from now on.

You have 7 CDs [ph]. You are going to have, build another 10. So we should monitor this from now on.

A - Unidentified Speaker

Tobias, it's important to remember that as part of our dynamics of opening new distribution centers, the main driver and the main reason underlying this is to be closer to our customers and offer the best purchasing experience.

In terms to potential tax benefits, this is completely second to us. Looking into the future, the Company obviously will seek to operate always with the best balance between the different categories. So smaller margins but are very important for traffic. And the categories that offer a wider margin. So the evolution that we have had in gross margin comes from this approach. And we are very optimistic in terms of what we can do in the future. So we have launched the fashion category in Submarino. And everyone knows that fashion has its margin that is greater than the margins that we have been presenting, which is about 26%.

So all these initiatives and many other initiatives are coming to contribute to our vision of the future and to a positive evolution of the Company's gross margin.

Q - Tobias Stingelin {BIO 1557190 <GO>}

Great, thank you. Would you share anything with us in terms of what you learned with the acquisition of Rodo and Uniconsult?

A - Unidentified Speaker

Undoubtedly these acquisitions are totally aligned with our major strategic plan, emphasizing that Uniconsult has a major expertise in the development of e-commerce software. It knows the Company very well and it has operated with the Company since the creation of Americanas.com. And it comes to add to our excellence in terms of technological development and making up a premium team with digital talents.

Click--Rodo has a major expertise in the area of the last mile, that is the delivery of the merchandize to the customers. And it also contributes to our logistics strategy. The learning curve has been great, undoubtedly, on our part and also on the part of the acquired companies. And it proves to be a very positive action and it came as an addition. And it's totally aligned to what we are looking for with the vision of future of the Company, that is to improve service level and all the operating processes.

Q - Tobias Stingelin {BIO 1557190 <GO>}

Okay, thank you very much.

A - Unidentified Speaker

My pleasure. Thank you.

Operator

Vitor Paschoal, Itau BBA.

Q - Vitor Paschoal {BIO 17585365 <GO>}

My first question, which is very straightforward, what is inside the line other revenues and operating expenses, which was BRL21.4 million?

A - Unidentified Speaker

Vitor. Good afternoon. Thank you for participating in our call. This line contemplates the expenses related to the legal processes concerning the problems we had in the past.

Q - Vitor Paschoal {BIO 17585365 <GO>}

I had understood from the -- from previous conference call it was a trend for this line to go down. So do we see any volatility and may it go up now?

A - Unidentified Speaker

Well, the trend is a declining trend. In fact when you compare with the Second Quarter of 2012 we had an evolution along this line here.

Q - Vitor Paschoal {BIO 17585365 <GO>}

Thank you. The second one is concerning the performance, could you -- of the fashion category that's launched in the Submarino website. What are the metrics? You look at conversion rate flow. I know that many things cannot be quantified. But perhaps you could give us a qualitative evaluation, analysis.

A - Unidentified Speaker

As regards the fashion category, the main metric is at the end of the day is a better service to our customer. And this is posted or recorded through the sale. It's a category that we are very excited about. We launched it recently, a month ago. Therefore, it's a category that we launched at Submarino, which is our pioneer and referencing technology and innovation. It's a category that has major brands and serves all kinds of audiences, including the male or man preference, which is a distinguishing feature. And brings to Brazil the tool of the virtual fitting room, which is a technology that's very unique in our market. And it recommends the sizes based on information as to age, height, weight, gender. And the size. And which to us is very helpful since the return rates tend to be lower. And for this type of category it's extremely relevant and important. Most importantly, we committed to launch the category. And in a very strong way, with actual distinguishing features. And we accomplished that. So it has been in operation for a month. And moving forward, we are very optimistic about this category inside the Company.

Q - Vitor Paschoal {BIO 17585365 <GO>}

Well, I have one last question. We have seen a significant increase in terms of days of suppliers as compared to last year. Did you work with that aim or not? What should we think about that one?

A - Unidentified Speaker

The capital cycle in number of days has been improving significantly along the past quarters, because of many actions that the Company has been implemented. In fact, in this quarter we evolved in 34 days, closing with a cycle of 75 days of capital. And we prefer to look at this variable as a whole, looking at the three main items that comprise this working capital dynamics; inventory, suppliers. And our receivables. So we had an evolution in all these areas.

Q - Vitor Paschoal {BIO 17585365 <GO>}

The problem of looking as a whole is because the receivables are different. But you didn't have any different initiative?

A - Unidentified Speaker

Vitor, the new initiatives are always there as the Company constantly pursues operational excellence.

As to receivables, our numbers in terms of calculation and what we should look at this variable is taking gross numbers. And so you were seeing an evolution over gross receivables rather than net receivables.

Operator

Andrea Teixeira, JPMorgan.

Q - Andrea Teixeira {BIO 1941397 <GO>}

What is your receivable strategy, could you share more details? So financial availability didn't go up as much as revenues. In number of days, even looking at gross numbers we see an increase, which can be tactical, something that you did in a quarter.

We see very small installments being financed. You no longer have the policy that something is so cheap or the installments are so small that it's not worthwhile selling in installments with interest. So could you be a little bit more disciplined in terms of days? Well, I know it has been improving. But it's not yet ideal.

A - Fabio Abrate {BIO 17940993 <GO>}

Hi, Andrea. Thank you for your participation. This is an interesting dynamics, because at the end of the day -- and the rules of this market are determined by customers. And so the Company operates based on customers and also based on the market. And obviously inside we always try to put as much intelligence as possible to understand what customers want but not to offer anything other or extra as compared to what they want. So this is our practice that is 100% revisited by the Company.

You mentioned the receivables investment fund, FIDC. So in spite of the greater participation of cash sales we still have a major concentration of sales by credit cards in installments. And having a sure or safe source that will provide an amount of earlier

payment at a fixed rate and we can provide longer payments time. This is very good, especially for a company with the features that we have.

We had a fund of approximately BRL850 million in terms of net equity. And we had the opportunity of increasing this equity to BRL1.3 billion, which to us is the reason for being proud because this is not an easy operation to structure, number one. And to keep, number two. Because it has very specific rules and a very cumbersome dynamics in everyday management. But we are fully aware of this operation and we effectively managed to increase significantly our capacity and thinking not just about the present but also about the future in terms of having earlier receivables or shorter receivables.

Q - Andrea Teixeira {BIO 1941397 <GO>}

So in line with your strategy. And you talked about fashion that you have added, how much of the mix is still electronics, telephone, the most price sensitive items and with smaller margins? So it went from 80% to 70% or 60%. And I think in the last calls you had said about 50%.

So if we talk about brown line, brown line as compared to the rest, what are the share just to give us an idea? What you said now is that tax incentives do not explain the increase in the gross margin, because this was the greatest surprise in your earnings release. So was it because of the mix? Could it justify this change in margin, Fabio? Thank you.

A - Unidentified Speaker

Thank you, once again, Andrea. Yes. In that past there was greater concentration in categories with smaller margins, as you know very well, electronics, white lines and the like. And today we have a smaller concentration in our business in those products. But those are categories with smaller margins but they are very important for traffic. And so they are very important for the business as a whole.

But B2W has another 35 categories of products and services. And it is dominant in almost all of them, which makes it possible for us to constantly work on the ideal balance between products that are good for traffic but not so good for margin with the other categories that are very good for margin, such as, for example, fashion, which is a new category. But just like many others we have as part of our assortment for a long time. We have actually more than 38 categories.

One interesting point regarding margin. And I will say that, the tax benefits do not explain the evolution in our margin. It's a better mix. This is what explains the evolution in our margin. So I invite you to revisit the gross margin as a percentage of the gross revenue rather than net revenue, which makes it easier to see that.

So in fact we've been having this improvement and this improvement comes from a better balance of the 38 categories that B2W sells and which undoubtedly is a competitive advantage of our business.

Q - Andrea Teixeira {BIO 1941397 <GO>}

And could you please tell us to what extent the other categories that are less reliant on financing account for you? Can you please give us this figure?

A - Unidentified Speaker

Well, electronics and white line and like in the past there was a concentration of about 80%. And today it's about 50% of our sale.

Q - Andrea Teixeira {BIO 1941397 <GO>}

Excellent. Very good. Thank you, Fabio.

A - Fabio Abrate {BIO 17940993 <GO>}

My pleasure.

Operator

Excuse me. So now we close the Q&A session. I would like to turn the floor to Mr. Fabio Abrate for the final consideration.

A - Fabio Abrate {BIO 17940993 <GO>}

I thank you all for your participation in our conference call and webcast. I would like to take the opportunity to invite you to enjoy the day of electrodomeotics in Americanas.com, the ultrabook day. And the new fashion category in Submarino. And a five-year anniversary of our label, private label, La Cuisine and Shoptime.

Also visit SouBarato in addition to our travel tickets and movie rental websites. All of this with the convenience, facility. And safety that only B2W, the digital company, can offer to you. In addition, our Investor Relations team is available to answer any questions you may have. Thank you. And have a good afternoon.

Operator

The conference call of B2W has now ended. We thank you all for your participation and have a good afternoon.

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