Local Conference Call
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Vanessa Papini:

Good morning, everyone! Thank you for waiting. Welcome to Magalu's earnings conference call.

For those needing simultaneous interpretation, simply click on the Interpretation button via the globe icon at the bottom of the screen and select your preferred language, either English or Portuguese. Please note that this event is being recorded and will be available on the Company's IR website at **ri.magazineluiza.com.br**, where the earnings release and presentation can be found in both Portuguese and English. The link to the English presentation is also available in the chat.

During the presentation, all participants will have their microphones disabled. Afterwards, we will begin the Q&A session. To ask a question, click on the Q&A icon at the bottom of your screen, enter your name, company, and the language of your question. When announced, a prompt will appear on your screen to enable your microphone, at which point you should activate it to proceed with your question.

Questions submitted in writing will be answered later by the Investor Relations team.

I would now like to hand over to Fred Trajano, CEO of Magalu. Please, Fred, go ahead.

Fred Trajano: Good morning, everyone. Thank you very much for joining our 3Q24 earnings call.

I believe this quarter holds significant symbolic importance in reaffirming the progress of our current strategic cycle. On that note, I'd like to start this call by providing a broader context of our 3Q results, discussing our strategic cycles. Next year, 2025, the current management team (with me as CEO, alongside much of the leadership that has been with me since the start of this journey in 2016) will complete ten years at the helm of Magalu's operations. I have a style, or characteristic, of preferring multi-year strategic cycles of five years, clearly defining the strategic goals beyond just the year's budget.

I divide these ten years (with one more year to go) into two strategic cycles, which are on the first slide of our presentation, page three. The first of these is the digitalization of Magalu.

When I took over the Company in 2016 with my team, the mandate given to me by Magalu's Board of Directors was to drive Magalu's digitalization. I had personally started Magalu's e-commerce in 2000, so I already had 16 years of experience in this area, and Magalu was looking to make a significant leap in digitalizing its operations, anticipating that digitalization would reshape commerce and retail in Brazil in the years ahead, particularly in the durable goods categories where Magalu was traditionally strong.

Today, when we look at the market, even though only 15% of Brazil's total retail—over BRL 2 trillion in total retail—is online, it accounts for 50% of the traditional categories. At that time, we needed to go all-in on digitalization, and I, along with my team, received the mandate to initiate this process. I believe that in the five years following my appointment, we accomplished one of the most successful digital transformations of a traditional retail company in the world.

Fast forward to today, Magalu is set to close the year with close to BRL 50 billion in online GMV, making it the second-largest online operation in Brazil, significantly ahead of the third. Looking globally, it is one of the few companies that, coming from an analog background, is a leader in the e-commerce segment of its country. You don't see a traditional company leading online in China, India, or the United States, where markets are dominated by pure-play companies.

I consider this cycle completed in 2020, when, despite having 1,300 stores closed during the pandemic, we grew the company by 50% overall and 150% online, demonstrating with concrete numbers that Magalu's digital transformation was successful. So, 2020 was the year we completed the digitalization cycle.

Now that Magalu is digital, what would our next cycle be? That was when we—largely inspired by Chinese models (I like to say the first cycle was inspired by Silicon Valley and the second by Chinese models)—entered the cycle of creating and consolidating the Magalu digital ecosystem. Economically, the objective of this strategic cycle was to diversify the Company's results.

I believe that in the first cycle, we digitalized Magalu, but we did not diversify the Company's revenue base. This second cycle, in my view, was necessary to make our results less cyclical. I knew that digitalization alone had already reduced some of the volatility because the physical retail business is even more cyclical than online, but it hadn't completely solved this issue, as we were still heavily reliant on durable goods and credit related to these goods.

We needed to take further steps, and that's when we began this cycle in 2021. My view is that we will complete this cycle in 2025. Next slide, please. We made a range of acquisitions—over 20, in addition to organic investments—as we started to build our ecosystem. We acquired five logistics companies, which became Magalog (more on that later); several fintechs, which now form Magalu Bank; some technology companies, which are now integrated into Magalu Cloud; and various ad and content companies, including content portals, to expand our advertiser base and monetize our audience. We also made acquisitions to diversify our category portfolio.

Today, we own Netshoes, now a leader in sports products in Brazilian online retail and one of the largest operations in Latin America for sports goods; KaBum!, the leader in computer peripherals and gamer products, a completely different yet complementary product to our core; Aiqfome, now the second-largest delivery operator in Brazil, mainly outside São Paulo and Rio, ranking second in food delivery orders nationwide; and Época Cosméticos, which we have significantly accelerated and which is now one of the leaders in beauty e-commerce in Brazil.

All these moves are helping us diversify our revenue streams and shield the Company from cyclical effects. I wouldn't say we'll become countercyclical, but we'll definitely be significantly less cyclical.

I am providing this context because this 3Q result is particularly important as it delivers highly solid financial indicators, confirming the success of our strategy. This quarter, 3Q24, marks the fourth consecutive profitable quarter, despite an extremely high SELIC rate—a scenario where, five or six years ago, it would have been nearly impossible for Magalu's traditional operations to be profitable at this level.

So, our 3Q results show the Company's fourth consecutive positive quarter, unaffected by SELIC, which indicates that our results are becoming less volatile, more robust, and are reducing our beta. It reaffirms that we're reaching the end of this strategic cycle, which we plan to conclude next year. There are some initiatives we launched that will impact our P&L next year, and I am confident they'll demonstrate to our investors and stakeholders that this cycle is proving to be as successful as the first one.

Proof of this progress includes our improvement in EBITDA margin from 5% to 8% and a 20% reduction in financial expenses. This quarter, we achieved a 47% increase in operating profit and net income of R$70 million, even with the Central Bank's negative signals.

Keep in mind that our financial expenses aren't tied to SELIC but to future interest rates, which already reflect market pessimism—Roberto Bellissimo can explain this further—exceeding SELIC for the quarter. This figure confirms that all the Company's efforts and dedication to this strategic shift are yielding results. I am confident that next year and 4Q this year will demonstrate that the Company is on track to successfully execute another strategic cycle, making our results—one of the market's perennial concerns—less cyclical. Not entirely acyclical, but significantly less volatile.

Speaking further about this year's 3Q, I would like to emphasize that despite the EBITDA margin increase from 5.7% to 8%, we managed to grow our total GMV by 4% this quarter, reaching R$15 billion in GMV. When we took over the Company in 2015, our annual GMV was R$10 billion; we're now at R$15 billion with a 70% online participation, and within the online segment, marketplace represents 40%, almost half of our online business. This gives us a well-balanced GMV structure across physical stores, 3P, and 1P.

I always like to say that my strategy is to create something new without dismantling the past. When we developed our 1P model, we continued expanding stores. When we took over the Company, Magalu's physical store revenue in 2015 was R$8 billion, and now it's reaching R$20 billion. We grew 1P without compromising physical stores, and our 3P growth is also complementary, without detracting from 1P or physical stores. It's all about building layer by layer, creating synergies and integration between channels, not cannibalization.

One of this quarter's highlights was, once again, physical store growth. Physical stores have a strong correlation with macroeconomic activity—when GDP is strong, physical stores perform well; when GDP drops or slows, so do the stores. This quarter, we recorded same-store sales growth of 15%, possibly the highest among any physical retail company in Brazil, which is exceptional. Even in sectors tied to income, not credit, like Magalu, few retailers show this level of growth, which aligns with the macroeconomic climate.

As I mentioned, despite high interest rates, Brazil's GDP is strong and likely to close the year at 3%, with historically low unemployment rates, meaning more people are employed and able to make purchases. Physical stores are heavily focused on low-income customers and are very economically cyclical, but there's also a fantastic job done by Magalu's operational teams to increase market share. Beyond macroeconomic factors, there's a significant micro-level aspect here: Magalu has gained substantial market share in physical retail. Many companies have faced difficulties, exited certain categories, or even gone into recovery, both regional players and larger ones. This leaves room for a well-capitalized operator with a structured operation, one that has consistently invested in stores. We have maintained investments in our stores and teams at all times, positioning us well to capture the return of physical retail.

Whenever there's a setback in physical retail, people say, "Oh, physical stores are finished." But we want to emphasize that physical stores play an important role, reaching a crucial consumer segment and also enabling multichannel opportunities. Today, 45% of 1P orders are picked up or shipped from stores, as well as over 20% of 3P orders. Multichannel is a competitive advantage for our online operations, not just an isolated channel within the marketplace.

Regarding e-commerce, let's move forward. I like to segment the e-commerce market by ticket size, covering both 1P and 3P, considering Brazil's e-commerce market as a whole. Magalu holds an absolute leadership position in products with tickets above R$1,000, thanks to our strong presence in durable goods. We lead in electronics, with shares ranging from 25% to 50% with our suppliers, depending on the supplier. Magalu is an undisputed leader in durable goods, and this extends to both 1P and 3P online.

When consumers want to purchase branded, quality, and authentic products, they turn to Magalu as a trusted destination. Our diversification strategy included increasing our revenue in products priced between R$200 and R$1,000, a mid-range ticket category. One tactic we used to achieve this was acquiring brands—we bought Netshoes, KaBuM!, and Época Cosméticos, expanding these operations as well. Now, what I call non-"FGTS" (non-appliance, non-television, non-smartphone categories) makes up half of our online GMV. We have significant partnerships with suppliers like Adidas, L'Oréal, Dell in components, and many other prominent brands within mid-range ticket segments.

Here, in addition to the acquisitions we made, we also launched, at the beginning of last year—and I want to emphasize this—a different type of fulfillment. We introduced multichannel fulfillment, with the goal of bringing the same multichannel benefits to 3P that made us a leader in 1P. It took a bit longer because it's easier to launch a 3P-only fulfillment model than to take a 1P and store-based system and adapt its WMS and TMS for 3P. This required a huge effort from Magalu's business technology teams to enable our distribution centers to handle not only Magalu's own products but also those from thousands of third-party sellers, which required extensive customization of legacy systems. We accomplished this successfully, launching it in Q1 of last year, and today over 20%, about 24% of 3P orders, are processed through our fulfillment.

The key advantage of our fulfillment model, which I believe needs to be highlighted, is that it is significantly more cost-effective than typical market fulfillment. You'll see that even as we invest in and expand Magalu's fulfillment, there's minimal expense leverage and strong operational leverage, meaning little increase in operational expenses. In fact, this quarter we significantly reduced our SG&A expenses even while increasing fulfillment penetration within the company—Beto will go over this.

For sellers who switch to Magalu's fulfillment, there is a dramatic improvement in performance. The average delivery time is nearly halved, with 40% faster promised delivery times for customers, and shipping costs are also reduced by around 20%. For example, the "Retira Loja" (Store Pickup) option has a much lower cost since a truck is already going from the distribution center to the store, which reduces expenses significantly. This model also doubles the conversion rate for all products and raises NPS by 10 points.

Therefore, the Company's focus has been to deprioritize any delivery model that isn't based on fulfillment, especially "envio parceiro" (partner shipping), which has lower company lock-in and lower NPS, and instead to fully focus on our fulfillment and Coletas. We've activated nine distribution centers; just yesterday, I visited our operation in Pernambuco, a center that was previously a Netshoes DC and is now a Magalu fulfillment center. We've also just activated the Rio de Janeiro DC, where we should soon start handling fulfillment as well. The Rio DC has over 50% capacity availability, and I'm confident it will enable us to significantly reduce delivery times in Rio de Janeiro, including for sellers' products.

Our fulfillment, a high NPS, high lock-in model, has grown by 154% over the past nine months, while other modes decreased slightly, by about 7% over the first nine months of 2023. We're replacing low NPS, low lock-in sales from partner shipping with fulfillment. Part of the Company's strategy is to grow this operation, and we're very pleased with the development of our fulfillment model.

When we look at the impact of these actions on the numbers we disclose to you, we see that the Company's NPS has improved significantly this year, from 67 to 80—an industry-leading level in Brazil. Magalu customers are extremely satisfied with today's service level. We achieved this improvement largely due to enhancements in 3P. By shifting partner-shipped orders to 3P, we raised 3P's NPS from 50 two years ago to 75 today, and since over half of our orders and NPS surveys come from 3P, the overall Company average increased to 80.

In our 1P and in-store operations, NPS is 85, and as fulfillment continues to penetrate further across the Company, we expect this to improve as well. Some new features launched this year include allowing 3P customers to return products at physical stores and affiliated points. So now, beyond having a high adoption rate for Store Pickup, customers also have the convenience of returning items at our physical stores rather than solely at post offices, further strengthening our multichannel approach. I'm very pleased with this 80 NPS, as it reflects critical customer loyalty that goes beyond price or discounts—it's about real trust in the Magalu brand.

Our e-commerce quality metrics are exceptionally high, which gives us confidence to continue growing our operations with Magalu's high service standards. Now, regarding very low-ticket items, those under R$200, I couldn't find a feasible way to achieve significant share in these categories beyond our fulfillment efforts, like Store Pickup. We face challenges in the unit economics of tickets below R$200 to make this operation viable. We sought strategic solutions and found a great one through a strategic alliance.

We explored numerous options and ultimately aligned over the past year with one of the largest global e-commerce platforms, Alibaba, specifically with its international e-commerce division and the AliExpress brand. This strategic agreement is a perfect win-win, as our companies are fully complementary—what we sell, they don't, and vice versa. Together with other Chinese sellers, they dominate the sub-R$200 category in Brazil, and I felt that if we couldn't beat them, why not join forces with an operation like theirs?

Alibaba also needed traction in Brazil with higher-ticket items, so we found an ideal win-win solution. We added their entire catalog—already over 600,000 items from AliExpress's Choice line—onto our digital channels in less than four months since announcing the partnership in late June. We've also listed nearly all of our more than 7,000 1P items on AliExpress's platform.

We launched "Marketplace Out," Magalu's 1P product catalog on their platform, in early September, and just two weeks ago we introduced the Choice line on Magalu, showing the progress in our partnership. Strategically, this benefits us by expanding our 1P reach to AliExpress's Brazilian audience, which is about one-third of Magalu's. This partnership supports our 1P growth, allows us to enter the sub-R$200 market, and provides our customers with more choices. We launched this in Q4, and our expectations are high, with positive early indicators of progress. This is clearly the path forward.

Continuing with the evolution of our ecosystem, one of the key points is that when you create an ecosystem strategy, initially there is operational complexity. You acquire many companies, you need to integrate them—companies, cultures, leadership, systems—and we've made a lot of progress in recent years. A significant milestone in this regard was the creation of Magalog, which we announced last week.

These five distinct companies, with five separate CNPJs, five different teams, have been unified into a single platform under a single CNPJ, which is now serving all the companies in our group. Almost all deliveries for KaBum!, Netshoes, and App are now being handled by Magalog, and a significant portion of our 3P operations is also being managed by Magalog. It's fully integrated into the ecosystem and has now become a standalone company.

It's important to remember that Magalog is the result of our acquisitions and the spin-off of Magalu's logistics area. We've created a company that will generate revenue for the company and is already starting to show profitability with very little competition. Logistics operators are not in strong financial positions, and even Correios has challenges, where I believe Magalog can position itself very effectively in terms of costs. In fact, Magalog was born with a billion-dollar revenue stream, with a significant portion of its revenue coming from outside our ecosystem. Companies like Renner, Centauro, PetLove, and many others in Brazil are now relying on Magalog because it operates logistics with the service level and cost control that Magalu is known for.

Magalog has strong foundations, and we're in a position to benefit from the important density we already achieve within our ecosystem, as well as add density from sales to other companies, opening up opportunities to generate profits. I don't expect high profits from Magalog immediately, because that's not the primary goal, but it will certainly contribute to turning a cost center into a profit center. We're very pleased with the progress, the announcement of Magalog, and the operational simplification within this context.

Another important pillar of our ecosystem is Magalu Ads. When we talk about Magalu, we must think of the entire ecosystem—not just Magalu's audience, which is already massive, but also the largest sports audience in Brazil, which belongs to Netshoes, the largest beauty audience in Brazil, from Época, the largest geek content audience in Brazil, from Canaltech and Jovem Nerd, and also our store flows. So, all of Magalu’s online and offline audience will be made available to our advertisers through Magalu Ads.

The growth of Magalu Ads is almost a no-brainer. Retail media is a relevant business today worldwide—Flipkart generates 5% of GMV from ads, Amazon generates more than 6%, and even companies that started later already generate 1-2% of GMV from ads. Almost every company on a retail media journey sees significant contributions to their results. Given that retail media operates with a 70% contribution margin, if Magalu reaches 2 percentage points of GMV from ads, we’re looking at an additional point in EBITDA, without a doubt.

This is a major focus for the company. We announced at the beginning of the year, during our capital raise, that part of the investment would go towards Magalu Ads. In fact, we’ve just launched our new Ads platform this quarter, which enables advertisers to create campaigns aligned with their business objectives. It’s a much more robust CPC model than before and includes keyword campaigns, along with significant improvements in usability. We launched this platform two weeks ago, and we already have 3,000 active advertisers. It’s already generating hundreds of millions of reais for Magalu, contributing to our service revenue growth this year and will contribute even more in the future.

We are extremely excited, having created a top-tier team here, led by our director Célia Goldstein in this business, and we have a very large audience. In addition to all of its audiences, Magalu leads in social media with 20 million followers. We have Lu, and we are monetizing her as well. Lu has also received money from advertisers. She was hired by WhatsApp to run a campaign for Burger King, and we are in negotiations with Valtra and other brands to feature her in their campaigns. Whatever we can monetize from our GMV, we will.

A major focus is, with the results from Magalu Ads and Magalog, we want, once again, to have a more robust and less cyclical, less volatile results base, reducing our beta. So, we are moving toward near-full monetization of our GMV, which is the goal of this strategic cycle. And in this high-interest rate environment, this is the most appropriate strategy for any company, not just for Magalu. Monetizing GMV is the right strategy in a high-interest rate context.

Finally, before I pass the floor to Beto, I would like to highlight the absolutely significant evolution of our financial operation. We have improved even our oldest operation, LuizaCred. We are already nearing Itaú’s ROE, growing strongly—Beto will talk about this—with more than 18% ROE this quarter, with a trend to grow even more in Q4, regardless of the current economic scenario. We also have a huge opportunity to grow our penetration of financial products in the digital space. Currently, it's strong offline, accounting for about a third of our GMV, which is physical stores, but it has very low penetration in the other two-thirds of our GMV, which is online.

So, a major focus of Magalu’s digital operation is selling more financial products, credit, and insurance online, where penetration is currently very low. For example, in insurance, we generate almost 1.5 billion reais just from physical stores, and the penetration in stores is ten times greater than online. Our focus here is to increase insurance penetration online, as well as credit. We have a large installment operation, the CDC (Consumer Credit), the buy now, pay later model, which is popular offline, and we've now launched the CDC Digital online, fully integrated with the app this quarter, with personalized rates, online contracting, and management within the Magalu app.

I'm confident that this penetration will not only help us increase online sales but also establish even greater leadership in high-ticket items. The CDC Digital will help us increase our share in high-ticket sales online and will also help us boost online margins. Offline contribution margins are higher than those of 1P online, for example. By increasing the penetration of CDC online, we will also increase margins and make our results even more robust.

To conclude on the ecosystem, the last pillar I want to mention is Magalu Bank, further affirming and clarifying how we are advancing in executing our strategic cycle of ecosystem creation. I will now pass the floor to Beto, who will go into more detail on the financials, and then we will open the floor for questions. Roberto.

Roberto Bellissimo: Good morning, everyone. Thank you for joining our earnings call. I'll start by quickly going over the financial highlights. Once again, we achieved 15.5 billion reais in total sales this quarter, a growth of 4.5%, with a strong emphasis on physical store growth, especially same-store sales, which were around 15%.

Then, we discussed the expansion of the gross margin, and this quarter, we reached a gross margin of 31.5%. This is our highest gross margin in the last seven years, reflecting significant improvement both in product and service margins. We also reached an EBITDA of over 700 million reais with an 8% margin this quarter. In the trailing 12-month period, our EBITDA is almost 3 billion reais (2.9 billion), growing by 40% to 50% in the 12-month period, marking substantial progress in results.

As a result, we reached a recurring net income of 70 million reais, even considering a high CDI rate and interest rates. We had a reported net income of 102 million reais, indicating that non-recurring results were positive, increasing our recurring net income by over 30 million reais. In this quarter, we practically had no non-recurring expenses or significant adjustments at the EBITDA level. We had other positive, non-recurring results primarily in financial income and income tax lines.

Furthermore, we had another strong cash generation quarter, with operational cash flow of 600 million reais, bringing our total cash position to 6.6 billion reais. Another quarter of cash generation and increased total cash, and this cash generation indeed reflects a very high conversion between EBITDA and operating cash flow, as we will discuss in more detail shortly.

In the next slide, we go over the sequential evolution of EBITDA. EBITDA margin has been growing in each quarter of the past year, with particular emphasis on the increase in merchandise gross margin, after the completion of the DFAL pass-through. This quarter, we had a significant dilution in operating expenses, mainly fixed expenses – we'll discuss this in the next slide – and we made progress in service revenue. Fred already mentioned the expansion of fulfillment, market share gains, physical store growth, and the very high profitability in LuizaCred.

In the next slide, we show how the EBITDA margin increased from 5.7% to 8%, a 2.3 percentage point rise. In the gross margin, we saw a 1.1-point increase, with a highlight in the middle of the graph for merchandise margin, which reached one of the highest levels in our history, hitting 24% for product margins. With the contribution of services, which have a very high margin, we raised the total gross margin to 31.5%.

This quarter, we significantly diluted our SG&A expenses, reducing not only selling expenses but also general and administrative expenses. There was a strong dilution across the board due to operational leverage from double-digit growth in physical stores, but we also made great efficiency gains in physical stores. We now have much more efficient and streamlined operational expenses in stores, in addition to much lower general and administrative expenses compared to last year, including a review of all contracts, zero-based budgeting, and the simplification of our structure from last year. To give you an idea, general and administrative expenses are even nominally lower than last year, by almost 20 million reais per quarter.

Moving forward, we saw a very positive contribution from LuizaCred, which previously had reduced our EBITDA margin but has now started contributing positively again this year, adding 0.3 percentage points to the EBITDA margin this quarter. The retail provision expenses are associated with the growth of our CDC (credit card) portfolio, which has been growing at a very fast pace and has even helped improve the product gross margin as well.

In the next slide, we show that in working capital, we generated over 100 million reais in cash this quarter, representing a continued evolution in working capital. When compared to last year, it's also worth highlighting a reduction of 500 million reais in inventory value, improving our inventory turnover. On the right side, we consistently show the reduction in financial expenses. This quarter, we had financial expenses that were nearly 100 million reais lower than last year, reaching a ratio of financial expenses to net revenue of 4%, compared to EBITDA at 8%. This, as we have mentioned before, is one of the main leverage indicators we focus on. In this quarter, we brought the ratio of financial expenses to EBITDA to 50%, whereas a year ago, it was above 90%. This shows a significant operational and financial deleveraging with a trend of continued reduction in financial expenses in Q4.

This reduction is largely due to interest rates, but more than the fall in interest rates (which have started to rise again), we repaid 3 billion reais in debt this year, significantly reducing interest on loans, receivable advances, increasing PIX sales with interest, reducing sales without interest, and also repurchased debentures in the secondary market this quarter, having already repurchased more than 100 million reais in debentures in the secondary market.

In the next slide, we show a bit more of our cash flow analysis. Our cash position increased from 6.5 billion reais to 6.6 billion reais, with a small rounding off. The increase is mainly associated with the profit for the quarter and the evolution of working capital. When we look more closely, we see that operational cash generation of around 600 million reais was well above CAPEX investments and interest and leasing payments, which are recurring flows. In the middle of the graph, we show that we increased capital in LuizaCred by 300 million reais, repurchased 100 million reais in debt, and raised 400 million reais. These three non-recurring events mostly cancel each other out, and what remains is the cash flow from operations, generating a surplus cash flow greater than the cash needs for the quarter.

In the next slide, we show that this cash flow from operations in the last 12 months was 2.4 billion reais, very close to the accumulated EBITDA of 2.9 billion reais. Here, it's important to note that this cash flow includes all receivable advance costs and reflects improvements in working capital. One of our goals is always to have operational cash flow as close as possible to EBITDA, and in this case, we reached one of the highest levels in our history, which allowed us to increase our net cash position by over 1 billion reais in the last 12 months.

In the next slide, we provide more details on our capital structure, where it's clear that we have 6.6 billion reais, of which 4.8 billion is in receivables, again, liquid and available for advance, and 1.8 billion is in cash and financial investments. On the liability side, in September, we had 4.8 billion reais in gross debt. If we were to deduct all receivables and pay off all debts, we would be left with a net cash position of 1.8 billion reais. Our debt, this 4.8 billion reais, is almost entirely long-term, with maturities at the end of next year and the end of 2026.

Finally, talking a bit more about LuizaCred, it's been another quarter of excellent results. We show that energy of influence is falling very quickly, with the NPL (Non-Performing Loan) above 90 days decreasing from 10.5% to 8.8%. The short-term NPL is at one of the lowest levels in our history, reaching 2.8%. We also show an increase in the coverage ratio, from 140% to 150%, which reflects the conservatism in provisions. Even with this conservatism, LuizaCred, like Magalu, has delivered four consecutive quarters of net profit, with a result of 66 million reais this quarter, and a trend of further improvement in results in Q4. As Fred mentioned, there is also a trend of the ROE increasing from 18% in Q3 to likely surpass 20% in the next few quarters.

It's worth highlighting that LuizaCred also had a very high efficiency ratio in the last quarter, below 30%, around 28%. Interest expenses fell significantly, and the company is well-capitalized, now with a very comfortable Basel ratio, which positions it well for the next few quarters as it prepares to expand its customer base, credit portfolio, and results.

With that, we conclude the main messages and will now begin our Q&A session. Thank you very much.

Q&A Session

Luiz Guanais, BTG: Good morning, Vanessa, Fred, Beto. I have two questions. The first is whether you could comment on the initiatives where you still see room for profitability expansion. I think you addressed the Ads part well, Fred. Could you provide more details on the growth expectations for these initiatives in the coming years?

And the second question, also connected to the first one, looking at 3P specifically, what do you think are the main drivers for acceleration in the coming quarters, both from the perspective of initiatives like fulfillment, as well as categories where you see higher potential? That's it, thank you.

Fred Trajano: Good morning, Guanais, thank you very much for the question.

Regarding margin expansion, as you mentioned, I've already commented on it, but I'll reiterate: I believe that from the company's core perspective, product margin, the current pricing level of 3P on goods, and the take rate, we've pretty much reached a ceiling, except for fulfillment, which we still aren't monetizing. For now, since the cost to us is marginal, we aren't charging for fulfillment, except for heavier products. I believe there's a big opportunity for improvement in this area. But in general, we're close to a ceiling on margins.

That said, we still have enormous opportunities to increase Magalu's consolidated margin. I would highlight two main areas — I've mentioned them, but I'll emphasize them again. First is Magalu Ads. The advertising market in Brazil is R$75 billion, and I consider that the online market is R$30 billion. Almost all of it (actually, a little more) is a search-based market — search is the big opportunity in the Brazilian market.

For context, in the United States, search is a US$300 billion business, and Google almost single-handedly makes US$300 billion in the U.S. What we're seeing globally is that part of the search and advertising market is moving to retail because operations like Magalu or others with a strong digital customer base have leveraged that base to monetize. We have more than 50 million people visiting our app every month, and over 430 million visits across all our digital channels each month, with low single-digit conversion rates.

There's a lot of potential to monetize all the audience we generate. Part of that audience is driven by our investments to bring in users, so we can monetize it much better. As I mentioned earlier, it's common to see businesses that launched their advertising platforms some time ago. For example, Amazon, with a 6% take rate, or Flipkart, which is a company quite similar to Magalu in terms of average ticket, with a 5% take rate from Ads in just three years.

I think this is a reasonable goal. If we can achieve 2 percentage points of GMV in Ads, it would be considered a success because it would be incremental and wouldn't cannibalize other parts of the business. With a contribution margin of 70%, as I mentioned, this alone could increase EBITDA by 1%. It's not guidance, it's just a calculation based on what other companies are doing worldwide.

The U.S. Amazon, for example, already generates 25% of its revenue from search ads. So, I think Ads is a reasonable agenda, and I'm confident we are focused on it. It's one of the major contributors to improving our margin.

Now, regarding the short term, increasing penetration in CDC (Consumer Credit) and online insurance is also a low-hanging fruit. Penetration in online is about one-tenth of what it is offline, so if we can reduce that gap — and we're focusing heavily on that through Magalu Bank teams — it represents a significant margin contribution potential for Magalu Bank.

These two areas are a no-brainer, and since we increased capital at the beginning of the year, you've seen that we are investing in fintech to increase financial product offerings, in the Ads platform, and in logistics, including the Magalog platform.

As for Magalu Cloud, we're talking about a cloud business in Brazil that is approaching R$90 billion, which is even larger than the Ads business. This is a space today for just a few players because the cost of public clouds operating in Brazil is dollar-denominated, so they're becoming expensive, particularly for medium and small businesses, and even for Magalu.

Our idea is to invest in building our own cloud to contain the growth of our cloud costs, which are already in the hundreds of millions of reais. We are approaching half of our workloads on our own cloud, and we see a big opportunity for the future. This is not for the short term, but we want to position ourselves in this market, which is expected to have positive margins moving forward.

I always say that the Brazilian market will have room for both the Ferraris (foreign clouds) and its Toyotas and Hondas (local clouds). I believe Magalu Cloud, with good value for cost, will be well-positioned, and I'm optimistic about its long-term contribution to our EBITDA.

Regarding 3P, I joke internally that 3P is like a child who should be studying but is helping pay the bills. In this context, with high operational costs in Brazil, everyone has to contribute to cover expenses. In a different macroeconomic scenario, we'd be investing more in 3P, even with lower margins, but today it's operating with very high margins. A significant portion of our EBITDA comes from 3P, which is contributing significantly.

The most responsible decision in the current economic context is to make sure all channels contribute as much as possible to the company's margins. Tactically and strategically, monetizing GMV is the correct decision. When I grew 1P, it came with high margins and contribution. The same goes for 3P now — it's learning to operate with high margins as well.

In terms of growth, expanding fulfillment is key. As we grow fulfillment, we see high conversion rates and service levels, and we're de-prioritizing partner-shipped GMV. As fulfillment's share increases, we'll add more ads to our pages, which are already competitive and even more so with our multi-channel fulfillment. Customers will also have the option to pick up items in stores at a lower cost. I strongly believe our partnership with Alibaba will help us grow in both 1P and 3P, especially for smaller ticket items.

But I emphasize again that, at this moment, our focus is on monetizing GMV and growing operational profit and LAIR in absolute terms, rather than focusing on very rapid GMV growth. This has been the company's focus since the beginning of the year, and I'm confident it's the most correct strategy for Magalu and will yield the best results for our shareholders.

Luiz Guanais: Excellent, Fred, thank you so much for both answers.

Victor Rogatis, Itaú: Good morning everyone, good morning Fred and the whole Magazine team. I have two questions. The first is regarding the Digital CDC. I just wanted to follow up and understand what your expectations are for the potential that this portfolio could have next year.

And my second question is regarding credit in physical stores. How should we think about the concession of credit in physical stores over the next few quarters, given the expectation of double-digit interest rates for next year? Is the idea to accelerate this concession or keep it relatively flat? Thank you, everyone.

Roberto Bellissimo: Good morning Victor, thank you for the question as well. I'll start by talking a little bit about the Digital CDC. We launched the pilot in August, so it's still very recent, but so far the results have been very positive. Over September and October, we expanded the eligible audience for our Digital CDC. Sales, the number of contracts, and the number of customers are all growing every day, and we're very happy with the product's evolution.

For now, we're focusing primarily on pre-approved customers. We have tens of millions of pre-approved customers for the Digital CDC, so we're targeting this audience, which is generally lower risk. The platform is very user-friendly, as Fred mentioned, with personalized interest rates, and the entire operation, from contracting to the experience, is completely digital through our app.

Naturally, there are evolutions to be made. We are improving the product, communication, promotions, marketing, and everything else so that the potential is enormous. We know that the demand for credit in Brazil is huge. We are growing, evolving, and when the time is right, we will start sharing the numbers with you. For now, we're in a phase of learning, evolving, and growing in a very interesting way. And as Fred mentioned, this is a very high-margin product.

Now, to address the second part of your question, Victor, regarding the physical stores, this product has always had a very high profitability in stores. It's a product with a high EBITDA margin. We offer competitive interest rates, but it's in the nature of the product to have relatively higher interest rates, which allows for this higher profitability.

In the stores, we've grown the portfolio over the last couple of years, particularly after reducing the approval rate for credit card operations. Credit cards have a more conservative approval rate because, in many cases, interest rates are lower or even interest-free, unlike the CDC, where you can have a more flexible approval rate because the operation has low costs and already comes with higher interest rates. So, it's a different operation.

When LuizaCred reduced the approval rate, customers who we would have given a credit card to, we started giving a CDC instead. This shift brought in a low-risk customer base for the CDC, improving the profitability of the product and growing the portfolio, sales, and CDC portfolio in the physical stores.

Today, we want to continue growing both products, each with its audience. So, we aim to accelerate the growth of credit cards, and we've seen in recent months that new card sales are now exceeding cancellations, which have decreased due to lower delinquency rates. Over the past few months, we've seen the credit card customer base evolve, with a very low delinquency rate of just 3% in the first few months.

For customers with delinquency slightly above that level, up to our CDC limit, we're also growing and aiming to continue expanding this portfolio both offline and online, always with a very positive contribution margin, which helps to increase the profitability of the entire ecosystem.

I think we've addressed the main points, Victor. Thank you.

Victor Rogatis: Thank you, everyone.

Gustavo Senday, XP: Good morning, everyone. Thank you for the questions. I have two. The first is regarding the partnership with AliExpress. I know it's a recent partnership, but if you could share any preliminary indicators, such as volume, traffic, or perhaps customer engagement metrics between the platforms, that would be interesting.

The second question is about working capital, specifically when we look at inventory. I just want to understand if you believe the current inventory levels are adequate to meet the strong seasonality of Q4, especially since we've heard some suppliers mentioning supply chain issues due to the drought in Manaus and higher shipping costs from China. So, I'd like to understand the working capital situation, particularly from an inventory perspective. Thank you, everyone.

Fred: Good morning, thank you very much for the question. I will answer the first one and then pass it over to Fabrício Garcia to talk about working capital. Regarding AliExpress, as I mentioned, we started our first marketplace-out operation, which is the sale of our 1P products on AliExpress. There's a significant integration complexity, and we started this operation in early September. It took us about 30 days to upload the catalog, adjust pricing, shipping, and adapt our catalog to AliExpress's platform. After these 30 initial days of learning, the operation gained significant traction in October and is already very close to the metrics outlined in our business plan.

So, we are very comfortable with this evolution and already seeing good progress for the business. I think it's going to be quite positive, especially with Black Friday approaching, considering the types of categories that are very sought after during this period. In addition to the audiences we have on our own Magalu platform, we will now benefit from AliExpress's audience to sell these products, which is also a win for them because this strategic move is important for AliExpress, serving as leverage for Magalu.

Regarding marketplace-in, we've focused on expanding the catalog. Just last week, we reached 600,000 items on our platform, which has already contributed to our platform metrics—visits, activation, items sold. We are still learning how to handle tax display; currently, we are including the shipping cost in the product price, and with our API and integration evolution, we'll separate the shipping cost from the product price.

There are still several improvements to be made, but I am quite satisfied with the current stage. I'm confident it will scale considerably in November and December, and I believe it will achieve the same level of success as the marketplace-out. We'll have a very balanced, win-win partnership, and there is potential in both the out and in integrations with Magalog. For instance, when selling in the out model, all sales are currently processed through our São Paulo distribution center. I can't yet use other distribution centers for faster deliveries to the Northeast, but we are working on this improvement.

For the in model, the sales from AliExpress in Brazil currently rely mostly on Correios for delivery. We have a big opportunity to optimize this operation through Magalog, which will enhance the delivery experience. There are several improvements still to be made in terms of showing taxes and shipping, but I'm optimistic about the future.

The teams are motivated and working well, and we have had excellent collaboration with both the AliExpress teams in Brazil and China. The mood is very positive, and everyone is pleased that we were able to launch such a complex operation in a short time. I am very optimistic moving forward. This is a highly innovative deal of global relevance, and it has everything to be a big success for both companies, as it will only work if both sides benefit.

Fabrício Garcia: Good morning, Gustavo, thank you for the question. Fabrício here. Regarding stock, last year we had an issue with the drought in the Rio de Manaus, which caught everyone by surprise. However, this year we were aware that the issue could occur again because the river had not returned to its previous levels, and we knew the drought would be severe. So, we planned very well with all our suppliers, gradually increasing our stock of critical products throughout the quarter.

The suppliers also brought in more stock to São Paulo ahead of the drought, so we are very well prepared, not only in the categories affected by the river issue but across all categories. We are in a very good position, very confident about making it through the end of the year, and also prepared for the start of next year, especially since our fantastic clearance sale is at the beginning of January. We have two major events that we plan for, so we are very comfortable with our stock levels.

Gustavo Senday: Super clear, thank you, everyone.

Irma Sgarz, Goldman Sachs: Hello, good morning. I just wanted to go back for a moment to the question about the balance, the balance between profitability in digital, or profitability as a whole, and growth in digital. I understand that from next year onwards, you might return to growing a little bit more with digital, and I think you've covered well all the additional monetization levers that are still to come.

But I wanted to understand a bit more about your thinking regarding the balance between perhaps even accepting that, when digital starts growing a bit more again, this might bring the consolidated margin down a little, but obviously, the absolute EBITDA growth could still be positive, and obviously, it also ensures that you maintain and defend a position in the Brazilian online market, which still has so much room to grow.

So, I just wanted to explore this point once again, your thoughts on it.

And on the Magalu Ads side, it's great to see the growth there, and I wanted to explore a bit more where this growth is coming from, what type of seller is adopting these Magalu Ads solutions well, if there is any category or type of seller that stands out more compared to others. Thank you.

Fred: Good morning Irma, thank you very much for the question. I think that with regard to this issue, we haven't finalized the budget for next year yet. We've obviously had some preliminary discussions, but I haven't officially presented it to the Board yet.

What I can say about this is the following: next year will be the last year of this strategic cycle, and I don't think we've reached our ideal level of operational margins yet. I think we still need to evolve in order to make our results more resilient to the SELIC rate or better shielded. We need to continue advancing on all the agendas I've mentioned to you, some of them like the penetration of financial products online and the penetration of Ads, which are already in significant states but still have a lot of room for growth.

So, I still remain focused, and my proposition will most likely be to continue evolving our margins so that we have an even greater conversion of EBITDA into LAIR. I think in this high-interest-rate scenario, Irma, and with potential further tax hikes, it's harder because, in my view, we've reached a ceiling now.

But if there's one thing I won't be anymore, Irma, it's surprised by additional taxes and interest rates above the FOCUS. I think we've seen this plot before, very strongly in 2021, and now we'll continue focusing on increasing the monetization of our GMV. I think the right decision for the company now is to keep expanding the monetization of GMV.

I want to remind you that we're approaching 50 billion in GMV online. It's not that we generate 5 billion or 10 billion in GMV. Magalu is the second player in the online market, and we have a very solid position in many categories that's hard to beat. So, it's not like we're in a low scale position. We already have scale close to 50 billion in GMV this year to make money with it. I don't need to grow more to make money with it, I already have a very healthy, solid position. Netshoes already has sports, Época already has beauty, KaBum! already has its products, and Magalu has several categories.

So, I think we still need to prove that at this scale, which is, again, one of the largest online operations in the world, we can make money. I'm not willing to lower the margin to grow more. I think the current economic scenario doesn't point to a decrease in interest rates or tax cuts that would make this safe or correct. So, I think the shareholders and bondholders of Magalu depend on a positive cash cycle and the conversion of EBITDA into LAIR. I have to think about all stakeholders, and for me today, the best long-term decision – I'm not just talking tactics here – is for us to complete our strategic cycle, take our margin levels to even higher levels, work toward that, and from that moment on, our next five-year cycle – I haven't closed it yet, we can talk about it later – from 2026 onwards, but certainly, entering this strategic cycle with a result resilient to the SELIC rate is the best decision for us to focus on now.

So, that's my answer. I don't think I can add anything more to this because we haven't finalized the budget for next year yet.

Irma Sgarz: It's very clear, thank you. There's still the question about Ads, maybe you have some comments on that. Thank you.

Eduardo Galanternick: Hi, Irma. Regarding the question about the distribution of growth in Ads, what I can say is: we already had a base of brands from our traditional core that were investing in Ads. What we are seeing growing more within the platform are CPD brands and especially sellers through our self-service platform.

So, this change that Fred mentioned has made our platform much easier for sellers to advertise without needing to understand very technical aspects. We're already seeing this transformation in the number of sellers, the return these sellers are getting, and in the average ticket of these sellers.

In general, our platform is for brands, it's for suppliers, and it's for sellers, and we're managing to scale where we had the biggest gaps, which were with CPD brands and sellers, primarily.

Irma Sgarz: Thank you.

Lucca Biasi, UBS: Good morning, everyone. Thank you for addressing our questions. We have two quick ones from our side. First, regarding 1P, it would be interesting if you could comment a bit on how performance was by category in Q3, and which categories stood out the most. And second, regarding cloud, it would also be interesting if you could give an update on how the customer base has evolved. Thank you.

Fabrício Garcia: Good morning, Lucca, this is Fabrício speaking. In the 1P categories, we had a balanced quarter, performing well in almost all of our core 1P categories. I think the big highlight for me continues to be white goods, and the furniture category also performed very well. We managed to achieve good growth in a category we had struggled with, which was computers; we managed to recover the computer category, which is quite relevant for us.

In the category where we've had the most challenging year in relation to the market, due to the market downturn, which was smartphones, we had our best quarter of the year. The category performed much better than it had been, with a spectacular performance in physical stores, a good performance online, and we expect an even better Q4.

So, I think we performed well in almost all categories, with highlights for white goods and furniture. I also think the recovery in computers and phones is worth mentioning.

Fred: Regarding the cloud, Fatala will speak.

André Fatala: Good morning, Lucca. This is Fatala. Thank you for the question. Regarding the evolution of the cloud, just to emphasize again, this is a year where we are working hard on the development of cloud products, with the goal of launching all of them to the general public by the end of the year. However, in the second half, we already started a soft launch of several of these products, including the opening of the Cloud console so that any company or individual can create an account and start experimenting. From this, we've seen significant growth in the customer base.

When we look at the business accounts, we used to talk a lot about those managed by the Magalu Cloud commercial team, which was around 130 last quarter. We are now nearing 200 of those managed by our team. With the opening up, we've seen this number grow substantially, so today we have 513 business users in the cloud.

We've also seen significant growth in the number of software engineers and developers creating accounts and building applications. When we combine business accounts with individual developers, we've already surpassed 2,500 accounts created in the cloud.

So, even with the focus on product improvement and the soft launch phase, we can see the base growing. Now, we are focused on gathering feedback, continuing to evolve, and for next year, we aim for more substantial growth in both the customer base and revenue from the cloud, probably starting to provide more details about the business as well.

Lucca Biasi: Perfect, super clear, thank you.

Nicolas, JP Morgan. Thank you, Vanessa. Good morning, Fred, Beto. Thank you for addressing our question. Most of the questions have already been answered, but I would like to touch a bit on working capital. We saw a very interesting improvement in inventory during the quarter. I wanted to understand if you see room to further improve working capital in Q4 and in 2025. Thank you.

Roberto Bellissimo: Good morning, Nicolas. Thank you for the question as well. I'll comment here. Fabrício has already mentioned a bit about how well-prepared we are in terms of inventory for the end of the year. We've really managed to improve our inventory turnover. As I mentioned, when we look at the inventory position, we are well-prepared, even though we've reduced our stock by 500 million compared to last year.

So, we've made progress in inventory turnover when we look month by month, and we've improved the average purchasing terms with our suppliers while maintaining a healthy stock coverage relationship. I think, looking more at the medium and long term, we will continue to pursue this efficiency. As we continue to grow and accelerate growth, we will have the opportunity to further improve our inventory turnover. Without a doubt, this is one of our main goals in managing working capital, and we'll keep pursuing this operational efficiency.

Yes, we do believe we will continue improving inventory turnover in the coming quarters while maintaining a stable average purchasing term because it's already a healthy term. Additionally, it's important to highlight the monetization of taxes, the organic tax compensation, which naturally accelerates the conversion of taxes to recover in cash.

In Q3, we monetized a bit, but let's say it was between 50 and 100 million. In Q4, our expectation is much higher. It's the best quarter in terms of tax compensation because we sell much more, generate more taxes to pay, and can take advantage of the tax credits already paid. In Q3, stocks increased, so this led to more taxes paid in advance. In Q4, the dynamic tends to be the opposite. We sell a lot more, compensate taxes like ICMS, PIS, and COFINS, so we expect a very positive cash generation in Q4, not only because of sales growth but also due to the improvement in working capital once again.

Thank you, Nicolas.

Nicolas: Thank you, Beto, super clear.

Victor, Banco Santander: Good morning, everyone. Thank you for taking our questions. We have two from our side. The first is related to the cycle. As you're approaching the end of the second cycle, there's been a focus on, perhaps, a greater monetization of GMV and profitability. I wanted to understand a bit about what you're thinking for the next cycle ahead. I know there's still a design process to come, but it would be great to hear a bit about the idea behind it.

The second is more about preparations for Q4, a bit more short-term. I think the issue with stocks is clear, but I'd like to understand if you foresee any concerns regarding the more conservative credit concession level of LuizaCred. Thank you.

Fred: Good morning, and thank you for the question. I think it's still a bit early for me to give too many spoilers about the next cycle, but let me try to touch on a few points here. Looking ahead, cloud, for example, is a pillar of ours that will likely be more significant in the next cycle. We've just launched it, and I think it will become an important pillar.

Within the technology component, we've created an AI department in Fatala's structure, and I see a huge opportunity there. I want to elaborate a bit on this because I've been in e-commerce for 24 years, probably one of the longest-tenured people in the market. I've seen several trends and technological disruptions, and what I'm seeing now with AI is something I've only seen twice before—despite so many things like the metaverse and blockchain. But there are only two that were truly transformative for our business: one was the digital shift in the 2000s when I left my job in São Paulo to start the e-commerce at Magalu in 2000. The other was in around 2010, when mobility, smartphones, and the app economy were booming. We were one of the first to invest in mobile, creating the mobile version and later the app. That was huge and benefited us a lot, as we sold a lot of smartphones. Many Brazilian smartphones were sold through Magalu.

But I've seen the transformation and digital inclusion that smartphones brought to e-commerce and other industries. Many companies were created as a result of the growth of smartphones, companies like iFood and Nubank. And now, the third transformation is AI.

I believe we're in a very strong position because we have Lu. Not many companies have an agent like Lu, who is followed and loved by millions of Brazilians. The main focus of our AI department is to give Lu a "brain." Millions of consumers interact with Lu on social media, but also on our proprietary WhatsApp channel, and I see massive disruptive potential in this. Lu will be much more than just a digital assistant or influencer. I am convinced that AI will be a key component of our business moving forward.

As for the multichannel aspect in 3P, we've reached a good level with our fulfillment system, but my dream is to see 3P products in stores. At the Livraria Cultura store we will launch next year, we'll see the presence of brands in-store, including Época and KaBum!, not only with 1P products but also with sellers' products. This would enhance our physical store offerings, further integrate 3P in our multichannel strategy, and we think it will be a major differentiator.

So, I'm giving a few spoilers here to avoid giving too evasive an answer, but that's the general direction we're heading.

And I believe Beto can answer the second question.

Roberto Bellissimo: Good morning, Victor. Regarding credit, especially for the end of the year, we can say that we are quite excited and optimistic. LuizaCred became much more conservative back in 2021, at the end of 2021 and the beginning of 2022, and even throughout 2023. Now, the trend is for a gradual relaxation of the approval rate. We've already seen in recent months an increase in the issuance of new cards, as I mentioned, surpassing the cancellation level. So, the customer base is starting to grow again, with new cards contributing more to monthly revenue, along with an increase in credit limits for existing customers, as well as adding new products to the cards, such as personal loans, etc.

So, the trend for LuizaCred and our in-store credit (CDC) is positive, given that it had become quite conservative in recent quarters and years. The trend is for it to return to normal as the macroeconomic situation and interest rates become more predictable.

Another important point is that, in our physical stores, when we consider the same-store sales performance we've had, with double-digit growth of 15% in same-store sales, it's still with financial product sales levels financed by us being much lower than the historical average. In the past, we financed nearly 50% of sales in physical stores. Today, that level is between 35% and 40%.

So, particularly with credit cards, we currently have a much smaller share than we did a few years ago. There is room to gradually recover this ground, and that should help with sales growth. But, again, this is with the goal of maintaining margins, profitability, and a high ROE for LuizaCred and our CDC business. All good? Thank you, Victor.

Victor: Thank you.

João Paulo, Bradesco: Good morning, Fred. Good morning, Magalu team. Thank you for taking my question. My question is a quick follow-up on Irma's Ads question. I would like you to comment on how you feel about the maturity of the tech stack, the Ads solutions you have today, and what are the main challenges you see in the potential expansion of the adoption of your Ads platform looking ahead to the next few years. What do you see as the main challenges moving forward? Thank you.

Eduardo Galanternick: Eduardo speaking. Regarding the tech stack, I believe we've taken a significant step with the change we implemented in October, which was the introduction of a new platform with high-quality self-service capabilities. So, I think that part is well covered. Now, we have the opportunity to expand. First, we've consolidated in Magalu. We'll extract value from Magalu. The next step is certainly to expand this to all other properties within the group. We have all the other brands, we have publishers, and we have technology companies like VipCommerce, which is a supermarket platform.

So, the next frontier of our technological evolution is to expand it to other parts of the group.

João Paulo: Perfect, thank you very much.

Vanessa Papini: We now conclude the Q&A session. I would like to pass the floor to Frederico Trajano for the final considerations. Please, Fred, feel free to proceed.

Fred: Well, I would like to thank everyone who participated in our earnings call. I also want to take this moment to congratulate the entire Magalu team for the progress in the company’s numbers and results. The hard work during this strategic cycle faced headwinds with high interest rates, yet we managed to achieve a very solid, concrete, and absolutely undeniable evolution in our operations, as well as significant progress in the implementation of our strategic cycle. So, congratulations to the entire team, and thank you to all our stakeholders.

Good morning to everyone, and have a great Friday and weekend.

Vanessa Papini: The Magalu conference call is now concluded. The Investor Relations team is available to address any further questions and inquiries. We appreciate everyone's participation and wish you all a good day.