



MAGALU – EARNINGS CALL – 3Q21

Operator: Good afternoon, everyone, and thank you for waiting. Welcome to Magalu's conference call related to the results for 3Q21. For those of you who need simultaneous translation, just click on the interpretation button through the globe icon in the lower part of the screen and then choose the language of your choice, either Portuguese or English.

We would like to inform you that this event is being recorded and it will be available at the company's IR website at ir.magazineluiza.com.br, where the release and the presentation is also available both in English and Portuguese. The link for the presentation in English is also available in the chat.

During the presentation, all participants will be in listen-only mode. Next, we will initiate the Q&A session and for questions please click on the Q&A icon in the lower part of your screen, write your name, company and the language of the question. Once your name is announced you will get a request to activate your microphone and then you can activate your microphone to proceed with your questions. Questions received in writing will be answered later on by our IR team.

Now I would like to turn the floor to Mr. Frederico Trajano, CEO of Magalu. You can start.

Frederico Trajano: Well, good afternoon, everyone. Thank you very much for joining us today in our earnings release call related to the figures for 3Q21 I'm here once again together with the entire executive board of the Company and they will also be available to answer your questions at the end of the presentation. And the presentation will be done by myself and Roberto Bellissimo.

Well, in the second quarter of 21, we were faced with 2 challenges. The first one was to grow based on a historical sales base of 2020, because certainly it

was the best quarter throughout the history of Magalu and one of the best quarters ever posted, with growth of 81% vis-à-vis 2019, so, this alone makes it difficult for us to grow based on this base because that posted a big challenge and also the economic landscape was very challenging and we expected something better than what we found because of the advance in vaccination, but what we found was a different landscape, high inflation, high interest rates and the depreciation of the Brazilian BRL. These are three not very favorable aspects for our business.

But, nevertheless, in terms of growth of GMV, we were able to post 12% growth based on top of this historically high base. And our GMV was twice of the numbers we posted in 2019. So, I think it's important to look at this number for Magalu this year and we always have to compare to the numbers from the market and we always have to look at the base of 2019 because, in fact, in 2020, the results had been exceptional in the point of view of growth and in this third quarter, online had a share of 72% in terms of the total pie.

And I also believe that this quarter came with 2 very interesting aspects. First, brick-and-mortar stores, our brick-and-mortar store is our most traditional channel, more mature and as a consequence, more profitable, but we experienced a drop vis-à-vis last year. And even though we posted 9% growth vis-à-vis 2019, we also opened many stores. And then when we look at the same-store concept, we also experienced a drop vis-à-vis 2019. But with this more challenging economic scenario and, as I said, we expected people to return to the stores because of the vaccination, but, in fact, what happened was something a bit more challenging and we were not able to deliver the growth numbers that we expected for this moment.

And as the stores are very important in the entire composition of our profitability numbers and we saw that in the second quarter of last year, when we had to shut down many stores because of social distancing and Covid-19, that had an impact on the profitability of the Company and we will give you more details further on, when Beto starts his presentation.

Even though the stores performed below our expectations, the online channel performed quite well, especially if we compare to 2019. The online channel grew more than threefold. We posted a very significant growth in 2019. We grossed BRL3 billion, and we sold BRL10 billion, this is a very good historical figure for the online and that was mostly attributed to 3P. 3P grew over 60%, reaching BRL 3.5 billion in 3P in the first quarter. It took us 20 years to reach that in 1P, but in only 5 years' time, we were able to post exceptional numbers with 3P. This is a channel with an enormous growth potential. And we will, further on, see the reasons for this growth and what is behind this growth, and what is behind the growth is cohorts with very positive seasons and we will run some analyses to the market that we hadn't shown to you before and this also shows that our strategy is quite different than that of other marketplaces in the market, so, again, online is performing very well, mainly due to 3P growth. Next slide, please.

When we look at 3P, we see an exceptional growth in the seller base. In October we reached 120,000 sellers. The vast majority of these sellers came through our new platform that we launched in the midst of the pandemic and that was a great innovation on the part of Magalu. That's why I said that our strategy is materially different than that of other players in the market, because we launched the platform just to digitalize the analog sellers. So, the Magalu partner already accounts for more than half of the new sellers that are entering the platform. But our focus, even because of all of our expertise and our capillarity through our physical stores, is based on digitalizing the analog sellers.

But I would like to stop a bit here to elaborate a bit more about this strategy and this is not an unusual strategy, but when you look at China, which is the largest 3P market in the world, they left Communism straight to online, they didn't have to go through digitalization of the physical retail. China, back in the 90s, had the lowest index of square meter per inhabitant in the world in retail and in Brazil we had 6 million retailers and the vast majority of them are analog, so, in order to

digitalize the Brazilian retail, we have to first start by digitalizing the analog retail and we have a very strong know-how in that, because the Magalu partner is our platform and we are investing heavily to address this market. And we went from 17 million to 50 million and I'll show you a little bit about the characteristics and the nature of these sellers and our offerings as well. Next slide.

Those sellers that are entering right now, and we're just trying to give you an overview of the season, so we're showing you the season of sellers that joined it in 2007, that's the curve in green; and in 2018, 2019 and 2020. When you look at the sellers season, we are showing you that, in fact, we have a growth of marketplace, posting an evolution, both in terms of the older sellers, but there is an increased performance in the new seasons, so old sellers that joined in 2017, we multiplied their sales by threefold in only 5 years. And the performance of new sellers, those that are just joining in the platform as Magalu partners, is 50% higher than the GMV of previous seasons. Therefore, our cohorts are very positive, thus showing that our marketplace growth is based on a very sound base, and you will see also categories in different regions throughout my presentation. So, next slide.

Now looking at the traditional categories, as depicted on the chart to the left, you see that sellers, when we started marketplace, most part of the sellers that joined the Magalu platform, they were sellers from our own categories, air conditioning sellers, furniture and home appliances. But as time went by, we started to invest bringing on companies from different categories and other sellers, we acquired Netshoes, Zattini, Época Cosméticos, so the percentage of sellers from new categories, which we we're calling the long tail, were increasing. So, the seasons for 2018, 2019, '20, and especially '21, already have sellers coming from different categories, and I will explain what these categories are further on. And even more importantly than that, considering our logistics strategy of hyperlocality, is that we are able to deconcentrate sellers from Rio and São Paulo, and 70% of the seller base, today, is from São Paulo, but you can tell that, when you look at the new sellers, they come from the Northeast and from other geographies that not necessarily are from the state of



São Paulo. That really shows that we are walking the talk, because we are increasing our logistics base. For us it's very important that consumers buy from local sellers, that the merchandise doesn't have to travel that much, and our delivery cost has to be lower, because the farther away we go, the more expensive all of our delivery subsidies are, therefore we're going to build a marketplace that is profitable in the long run and, by the same token, is sustainable in the long run. That's why we decided to focus on a good strategy that brings analog sellers, regional ones from new categories.

Another interesting aspect is that we are bringing onboard a lot of fashion sellers. So, this is a great growth driver, we already have not only fashion sellers, but home, gardening and interior design. We are growing in markets in the B sector, we're growing a lot in 3P and so all of the sellers that want to be plugged into our marketplace platform, they will join in, and we're also adding beauty and personal care sellers.

There's another very important category that we are also analyzing is auto parts and this is very important in the world of marketplace, so certainly we will also enter in through those categories as well.

But to highlight these categories, I would like to start with fashion. In October, we had several important launches. Now we revisited the entire fashion world within Magalu super app, and we created new filters, we improved the search engine, new windows and we improved PDP, which is the product page. Therefore, we made an important enhancement in our platform and we brought onboard more than 300 brands to the fashion world, many of them through all of these sellers that are more than 20,000 sellers in the platform and we have over 3 million fashion offerings and we launched our own private label, because I also think it's important for us to have a very unique product, our own private label, we're here with Silvia's team and she will also be available to answer your questions, we have our own positioning, we launched larger sizes, plus size and in something very exclusive in all aspects, that means that we really evolved in this area. I'd also like to mention Netshoes that posted the first positive result



throughout its history, very good growth, they grew higher than market growth, then we have different launches, we have our NFL store, NBA store and certainly we do have a significant participation in the traditional categories, but it's also undeniable that we made important developments into new categories, Época Cosméticos is also performing very well, with very impressive results as you can see on the chart, so... next slide.

We said that this year would be the logistics year and so we will bring some interesting information during this earnings release call. Our logistics delivers in 1 hour, is the fastest one in Brazil, it went from 42% to 57% this 1-day delivery. This is the largest share in 1-day delivery in the market. Not only we have a large DC base and DX base, but it's very important to highlight the participation of physical stores here, because this is a major differential per our 1P, and this is already becoming a big differential for 3P as well.

And in June, we launched 1-hour delivery. More than 290 stores are already eligible to deliver in 1 hour, we acquired Sode, an ultrafast delivery platform with motorcycles and now we have 80 municipalities with 1-hour coverage, and it is very difficult for other companies to beat this level of delivery, because they're not in the same level of maturity and integration of all of the channels, but certainly we are very good in this area.

Well, we had given a guidance vis-à-vis increase of our delivery grid, we had given a guidance of 225 DXs and DCs for this year, but we are already at 237, meaning that we are above our guidance, we have 1,400 stores and 30% of this area is also dedicated to storage and if we consider the store floor in addition to DXs and DCs, we are talking about twice the size of available area for fulfillment, and 1,2 million square meters, this is a very significant number, and we cover over 3,500 municipalities covered by our own facilities, that's what we call Magalog and this is our own vehicles, motorcycles or small trucks that go around the streets delivering our goods.



Now I would like to highlight something that has been a very recurring question. I get this question a lot from investors, and that's how are we going to grow our grid towards 3P, what about that? I would like to say that in the year, we were able to post grid developments in terms of 3P and this evolution, as you can tell, will grow going forward. So, this was a year of a major turnaround in this regard. We obviously had, last year, 1P growth, nobody expected that because of the pandemic, but many of our logistics resources were dedicated to 1P, but as this year we're growing a lot on 3P, we decided to turn our efforts to 3P and now, for the first time, we have almost 30% of 3P deliveries occurring in up to 2 days and this considering a base of 13% last year, meaning that now we are able to grow 15 percentage points. The delivery volume in 3P increased by 298% vis-à-vis last year, so, therefore, this is a very significant number, a number that is only growing from now on due to all of our investments in logistics and the growth that we are posting with new modalities that we're just reaping the benefits right now, like ship-from-seller, the 2,000 motorcycles from Sode, not only they are retrieving products from the Magalu stores, but they're also getting products from all of the other analog stores, so the same grid that caters Magalu's physical stores also serves the physical stores from our sellers or their DC one that is the case, so we're already serving 19 capitals with this great coverage, so this figure of 28% tends to increase substantially going forward.

And I think another important aspect that I would like to highlight is our brick-and-mortar stores it's going through, in terms of sales channel, is going through a difficult moment, I mean, obviously we're not growing as much as we expected, but they have become very crucial to our marketplace strategy. It is a point of attraction for sellers. A large part of new sellers come from our teams in the physical stores and mainly it's a service center for our partners

Today, 250 stores of Magalu, they are also eligible to serve the sellers and to help them do drop-off, so instead of doing that drop-off in the post office, they can drop-off their goods in one of our Magalu stores. And then Fabrício will give you more details about that and, as well, we have more than 3,000 sellers using the store as a point of drop-off.

And we have also the “retira loja”, or store pickup in our 1P, so some people do not have anyone to receive their goods, or they have to go out for work, or they need to buy a 3P product and they don’t have anyone to leave that with and, economically speaking, it’s also a better solution when compared to last-mile. So, we enabled 3P pickup for more than 1,000 stores, so 10% of all 3P purchases are store pick-up in one of our physical stores and the physical stores are an important component. Our marketplace is a multichannel marketplace and our growth proposition also focuses on sellers that are multi-channel and analog via the Magalu partner, therefore I believe there is an important connection of all of these strategies, a very certain strategy because in Brazil, once again, analog retail is very relevant, accounts for 80% of Brazilian total retail and the platform that can help these retailers to engage online, they will be able to add more sales, I mean, adding their physical sales to online sales they will then count on us to have a support base and we believe that this can be a winning bet in 3P.

And then, finally, I turn the floor to Roberto Bellissimo, who will talk a little bit about fintech and the results and then I will return for the questions.

Roberto Bellissimo: Well, very nice, good afternoon, everyone, and thank you very much for joining us today in our conference call. Well, starting on the slide about fintech. As you know, fintech as of this year is one of our strategic pillars. And this third quarter, we concluded the acquisition of Hub and now we are able to release more information about our fintech. Here, we consolidated all the numbers, we are talking about, well, as you know, our fintech has the mission to increase frequency and also to monetize the entire ecosystem.

Here we brought total TPV, meaning total payments processed by our companies, the companies of our fintech and that amounts to from BRL18 to BRL19 billion and then we will give you more details a little bit further on and that mean that we grew 100% vis-à-vis the numbers from last year and this places us as one of the largest digital financial organizations in Brazil. Now we



also, on the left-hand side, we talk about our base of sellers, and we already launched our digital account in integration with our Hub fintech, and also our POS machines, I think we already talked a lot about that, mini, super and smart. And within Magalu Pagamentos, we would also like to highlight our year-to-day net income of almost BRL120 million.

On the right-hand side, we talked about customers. We recently surpassed the market of 4 million customers in our digital account, reaching 4.4 million, a growth of more than 60% vis-à-vis last year. In terms of our credit card base, we have the Luiza cartão and the Magalu credit card, they were launched last year, both are growing a lot, we reached 6.6 million cards in almost all of the assets, that means that we are also growing a lot vis-à-vis last year. And today, at Luizacred, our credit portfolio is of BRL 15 billion, also one of the largest loan portfolios in credit card transactions in Brazil. So, we're very pleased with the entire evolution of our fintech. And then, later on, I'll give you a bit more details about Luizacred.

Now, looking at our results, here the slide shows the main financial highlights. We posted 12% total sales, 22% of e-commerce sales, as Fred mentioned, total sales reaching almost BRL14 billion. Our EBITDA was BRL 350 million and I will elaborate a bit more about the EBITDA margin variation from last year to this year. Our adjusted net income reached BRL 23 million and a total net income of BRL 144 million, there is a difference here of around BRL 120 million, including nonrecurring gains that we had. Then we had some tax gains that we accounted for this quarter, and we also made inventory provisions, that I will explain further on, of around BRL 400 million. So, if we didn't have to make inventory provisions, our profit would have been BRL 400 million more than the numbers posted, but we decided to make these provisions and I think some of you already asked us why and we just wanted to say that, first of all, these are just provisions, they're not expenses, it's in the P&L, it's on the explanatory notes, and they're inventory provisions, It's not going to turn into an expense or cash disbursement, but it will be reverted into a result as soon as we sell all of this surplus inventory we have today.

It's merely a provision and this will allow us to sell all of our surplus inventory, whereas you know, because of the pandemic, there was a global risk in terms of scarcity of products, so since the beginning of the year, we have been increasing our inventories and now, with the recent deceleration of the economy, especially in the retail segment, today we still have some surplus inventory, but It's important to say that these are not obsolete inventories, I mean, the inventory turnover went from 70 days, which has been our traditional average inventory turnover, to currently something around 100 days. So, we increased our inventories, even expecting a better economic scenario in the second half, so today our inventory days is approximately 100 and we want to take advantage of this end of year period with Black Friday, Christmas and the Fantástica Sale to resume our inventory levels back to 70 days. And so, as we do that, the provision is reversed, and we will then increase our cash position with healthier inventory levels.

Now moving on, on our next slides we show the evolution of the EBITDA margin. So basically, there was a shrinkage in the gross margin, mainly attributed to lower sales in brick-and-mortar stores and a little bit of cost inflation, because the industry, with increases of almost all raw materials, in addition to the exchange rate effect, we haven't yet been able to transfer all of the cost increases to our prices. So, there is a mix effect, and inflation as well. In terms of the expenses, this reduction is also associated to the channel effect. Brick-and-mortar stores did not have the operating leverage as expected and also, we invested more in marketing and, in this case, because we want to grow more, maybe grow more in e-commerce and marketplace, mainly, you know, as you could tell, it's growing a lot.

We diluted our admin expenses, today we only occupy a single office in São Paulo, last year we had 4 offices with the acquisition of Netshoes, we integrated Netshoes, so we are operating out of a single office. And our equity income was a little bit lower and here you see the profits for Luizacred and Luizaseg, both posted substantial profits and all of the other subsidiaries were consolidated, I

mean, as Fred said, Netshoes posted impressive profits, Magalu Pagamentos, we talked about it, Época Cosméticos also Luiza Consortium, Ai que Fome, Magalog, our logistics arm, and almost all of our subsidiaries had substantial profits. And year-to-date, we have almost BRL 500 million in profits overall.

Now moving to the next slide, here we show a little bit about our variation in working capital, so this quarter we improved our working capital vis-à-vis June and September of last year, mainly due to a growth coming from marketplace and also due to the acquisition of Hub. This is not very much related to inventory turnover versus suppliers because, as I said, we have the opportunity to improve our inventory turnover, but marketplace and fintech has helped us improve our working capital.

On the right-hand side, we show the evolution of our net cash, we increased our net cash this quarter by BRL 3 billion and almost BRL 1 billion more vis-à-vis last year and I will explain that in the coming slide. So, we almost have BRL 7 billion in net cash, BRL 9 billion in total cash, so this quarter, we were able to increase total cash from BRL 6 to BRL 9 billion. Once again, we posted positive cash flow of around BRL 200 million. We invested a lot this quarter, BRL 500 million of investments, including acquisitions, investments in logistics, new stores, our entry in Rio de Janeiro, and we also invested in technology, we paid BRL 200 million in leasing, there was share buyback amounting to BRL 400 million, we paid a debt with Hub, that Hub had and we did a follow-on of BRL 3.9 billion in interest, and with that, at the end of the quarter, we came up with BRL 9 billion between cash and receivables, or adjusted cash, and in October we had an additional funding of BRL 2 billion to be paid in 4 to 5 years, meaning that we expanded our total cash position.

On the next slide, here we see the evolution of the last 12 months and it shows the same trend, but now with more investments and more stock buyback. Plus, our total cash position going from BRL 7 billion to BRL 9 billion in the last 12 months. And in the next slides, we talk a little bit about... but before we talk about Luizacred, we have the evolution of TPV, as you can tell we went from



BRL 9 billion to BRL 18 billion in TPV, BRL 11 billion in credit card, BRL 4.6 billion in terms of payments, our digital account and our payment split and prepayment of receivables and an additional BRL 3 billion in the banking as a service line that comes with Hub, which was recently acquired, totaling BRL 18.5 billion.

Now in this slide we show the evolution in our base of Luiza credit card. In the last 12 months we went from 5 to 6.6 million. That's a great success of the Magalu Card. Magalu and Luiza Card grew 100% in terms of issuings of new cards vis-à-vis last year, TPV grew 47% in relation to the year before and credit cards 41% year-to-date, totaling almost BRL 30 billion. Then here I also show the evolution of Luizacred portfolio, to conclude, and then we continue having a portfolio of very good quality, with delinquency over 90 days of around 4.9%, much lower than last year, so short-term is very low historically. With that, Luizacred posted, again, outstanding results, BRL 84 million in profit in 3Q21 and BRL 167 million net profit year-to-date.

So, these were the main messages. And now I turn the floor back to Frederico. Thank you very much.

Frederico Trajano: Well, most recently we received an award, we were looking for that award for quite some time, we had won back in 2003 and now, again, we are part of the top 5 list, we were given an award for the Best Company to Work For in Brazil, it's a GPTW award and we are very proud of being the recipient of that award, because that shows that we are able to keep our talents and maintain them as well.

Well, before we open for our Q&A session, I would just like to move to the next slide just to give you a quick overview of what we have. Our strategy, in terms of our ecosystem, is that our strategic view is very clear, I believe that the numbers and the indicators are available for you to see, both in terms of our balance sheet and considering all of the information given to you right now and also if you look at our earnings release, you can tell that our strategic planning,

our long-term, our, you know, guideline, our view is very correct, you know, because you can tell that looking at the cohorts, seasons and all of the indicators, but at the same time we have a short-term challenge, especially in terms of our traditional categories and more specifically speaking about the stores, but that's not an exclusive thing, but this is because of this current context of high interest rates, high inflation and also associated to the exchange rate.

Historically, Magalu has always managed to do both things at the same time, to deliver a strategy and the short-term results. But this quarter it was more difficult for us, especially in these traditional categories, especially in more mature channels, but I do believe that we will continue to experience a very challenging scenario for some time. I mean, we are working hard as always and Magalu has a good track record of leaving crisis in a healthy position, we were able to post a very good turnaround in 2016, with the same team that has been through many difficult moments, but working together and working with a good discipline, we will be able to continue to combine both things, because we like to deliver not only long-term results, but also short-term results, but currently we are facing some difficulty because of the economic landscape

Now speaking about the future, this year we already have, again, the emergency aid from the Government, which tends to contribute to improve sales in the physical stores. And looking ahead, in the second quarter we see some important horizons and it's important to mention that one of them is the soccer World Cup. Next year it will not be in June, but it will be in the second quarter of next year, so I believe that as of Q3 of next year, we will see the impact from more traditional categories and also 5G. 5G I think is something that will be among us next year, in the second half of next year.

So, in a very short time, it is a very challenging scenario, in this Black Friday our focus will be on premium products and we already talked about that, but in terms of the mid and long range, you know that we've been through all of other difficult moments before and I'm sure this will be just another one that we will



come out of it stronger, so our directioning is right and, you know, you can tell that from all of the data that we just shared with you. So now I will stop here, and I will open the Q&A session.

Question-and-Answer Session

Operator: We will now initiate the Q&A session. For questions, please click on the Q&A icon in the lower part of the screen. Write your name, your company and the language of the question to enter the queue. Once your name is announced, you will get a pop-up announcing that you can activate your phone and proceed with your question.

Our first question comes from Victor Saragiotto, from Credit Suisse. You may proceed, sir.

Victor Saragiotto: Thank you, Vanessa. I would like to explore a bit more this short-term discussion about your Black Friday strategy. As you put it yourself, you talked about focusing on premium products, but one of the things that, you know, puzzles us is that last year Black Friday had some issues involving, you know, people moving around because of the pandemic. Now, given this new scenario of further mobility, don't you think that this could help you to increase in the short run sales from your brick-and-mortar stores, don't you think that we could see some improvement now in the fourth quarter? This is point number one.

The second point is that many of our clients questioned the buyback program of the company, asked us about your buyback program. So, I would just like to know a little bit more about your strategy while, you know, whether you see, you know, you intend to do new buyback programs, given the correction in the price of the share?

Frederico Trajano: Well, thank you very much for your question. About Black Friday, as I said earlier on in the call, our expectation in relation to the post

pandemic economy, I mean, after everybody was vaccinated we expected a more positive flow in our stores, but what we saw was that people lost purchasing power, especially if we talk about, you know, the lower income brackets of the population, because there was increase of inflation, higher interest rates and products were more expensive because of the exchange rate. This impacted even more our sales rather than just people, you know, going back to the store, so things didn't happen as anticipated.

And what we thought would happen did not happen and I don't think things will change substantially, because now we hope that people can agglomerate more. We were very much concerned, you know, as a company, in terms of generating flow in the store, traffic in the store, we were very careful not to lead people to agglomerate in the stores, so we were a very responsible company in terms of transmission and we wanted to set the tone, but starting in October we want to motivate more people in the stores, we want to promote campaigns to get increased traffic in the store, but certainly now, today, we are faced with a very complicated economic landscape.

Therefore, I don't have any crystal ball, I know that we are working hard to change the landscape in our stores in a more intense way and we are very positive, because we think that we will succeed, but it's very difficult to say anything right now, because I don't have visibility, it will surely depend on how the market will perform in November, in December. I think for some time Christmas has been forgotten, therefore we want to motivate Christmas shopping again. We will do the best we can so that we will be able to increase store traffic and so as to have better results in the short-term and while at the same time we will maintain our long-term strategies. And Black Friday premium, well, that's one of our strategies, because in fact inflation in products of higher average ticket in each of the segments was lower, proportionally speaking, in terms of your comparison to other products. Well, this is just one of our bets, I mean, I'm not saying that we don't have other products, we do have products for everybody, we just put our chips in these categories to have a very good November. Magalu usually has a very good reading of the market and we've

been managing to pivot our strategy and have specific solutions catered to specific problems.

So, in terms of the buyback program, we just concluded the buyback program that we opened in the past. Our program aims mainly at having shares in treasury to draw a correspondence to other, you know, programs of the company, many of the companies that we buy into our ecosystem, some of them, you know, are negotiated in terms of acquiring 2/3 of their share and we also believe that we cannot use the buyback system just to hold the price of the share, because this is not the role of a buyback program, I mean, we have to apply best practices. So, we do believe that, with time, and once we manage to resume traffic in our physical stores and improve our profitability in the short run, the share will certainly appreciate. We experienced that in the past and I think that this will happen again. I don't know whether Roberto wants to give any additional explanation

Roberto Bellissimo: Well, no, Fred, I think you said it all. Thank you, Victor. Well, we opened that buyback program, we already concluded that program and we acquired 40 million in shares and so any other program has to be carefully discussed. And this is a material fact and a relevant fact. We are constantly evaluating that, in line with our objectives, just like any other buyback program that we had in the past, we want to optimize our capital structure, make acquisitions, you know, and attract talent, so this is what lies behind our programs so, thank you, Victor.

Victor Saragiotto: Well, I thank you, Beto and Fred.

Operator: Our next question comes from Luiz Guanaes, from BTG Pactual. You may proceed, Luiz.

Luiz Guanaes: Good afternoon, Fred and Beto. I think I have 2 questions, the first one being, Fred, I mean, right at the beginning you showed the evolution of logistics towards 3P. Could you please tell us how can this influence the

conversion of the sellers within the platform now that sellers are using this as a branch and, you know, in the part of the ship-from-store and also drop-off, how has that impacted into conversion?

And in terms of the markets, how aggressive do you think that the market will be in the next few months and throughout the next quarters? You know, apart from Black Friday, how aggressive do you think the market will be and maybe how irrational it could be going forward? Thank you.

Frederico Trajano: Well, Luiz, thank you. Well, in regards to 3P, I think we already disclosed a lot of information and I also brought here some analysis about the season and obviously we managed to grow our sellers that joined in in 2017 and now this base, 2020 and 2021, it's positive. We already have a very good flow and that's a clear indication that we are evolving a lot, especially in terms of delivery terms, logistics and this has always been a differential.

There are many things that tend to improve next year in terms especially in delivery time, mainly due to the growth of XDs in our own grid, because we had an important growth in terms of XDs, the majority of XDs are working exclusively with 3P, in terms of pick-up, etc. And conversion is increasing, but we still have a lot of room for further growth.

Now, speaking about the market aggressiveness, I think it's also a matter of context. We had a very tight exchange rate, with a very high depreciation, and this impacts our cost, this leads costs to be higher than the market, we want to grow, and the market wants to grow as well, so, in this context we saw a lot of price aggressiveness, especially in the most traditional channels. Therefore, I believe that this is something that will still be around us for some time, this Black Friday should be very competitive, December as well, we have no visibility in this third quarter about what is coming in the future. It's hard to predict anything in Brazil, because things are very volatile, but still speaking about the short-term, the market tends to be, I mean, even more than the market, I think we should talk about the capacity of consumers to absorb this

price transfer. We talk a lot about competition, but this is a very delicate situation, because consumers now have a lower purchasing power and it's difficult for them to take in all of the price transfers and the XD transfers. Well, the market certainly has some competition, but I think the most important issue is the fact that the market is not able to absorb all of these different changes.

Luiz Guanaes: Thank you, thank you very much.

Operator: Our next question is from Joseph Giordano, from J.P. Morgan. You may proceed, sir.

Joseph Giordano: Hello, good afternoon, good afternoon, Fred, Beto, thank you Vanessa for taking my question. Well, in fact I would like to look into marketplace, and I would like to exploit 2 points, because you mentioned the strategy of the Magalu partner, where the seller hunting himself is part of the metrics of the store manager, not only the hunting, but also how to serve that seller. My question to you is the following: when you look at this new seller, can you really see him as an exclusive one of Magazine Luiza within the context of one of the largest marketplaces? And the second thing is maybe this can help you leverage your fintech platform, because as I understand you provide a software solution and sometimes a POS solution that is provided to that seller.

And the second point is marketplace. As you talk a lot about logistics, I would like to exploit the issue of your mix, how different and how is this mix evolving, so how different it is today within marketplace once we compare it to a broader mix of Magazine Luisa? Thank you.

Frederico Trajano: Well, Joseph, thank you for your question. In fact, well, as I said at the beginning, it's a different strategy when compared to the standard in the market and this is something that we always betted on because we look at our base and we also have a very good integration with all of our e-commerce platform providers and we are evolving with digital sellers, so the Magalu partner is something quite different, If not exclusive, but we also have an



integration with Tray, with Bling, VTEX and we are making improvements in terms of integrating with this audience.

We have a differentiated alternative, because we have a good capillarity with our physical stores, and we want to digitalize the analog sellers. We've done that turnaround and our technological tech has characteristics of companies that were once analog and became digital and so, as I was saying before, these are sellers from new categories, more regionalized, with different average tickets when compared to those that we had originally and everything is...and I mean, obviously we already have significant numbers, but we still have a lot of room to grow and obviously we still have a lot to execute going forward. We just showed you some very positive initial indicators, but in terms of number of items, 3P has already surpassed 1P. In fact, it shows that even though this category accounts for 35% of our earnings, this is much more encompassing when compared to traditional categories, but we still have a lot to do, a lot of work to do, there's still a lot of work to be done, but we are very excited with our cohorts, the seasons and with the directioning.

I don't know whether Robson has anything to say in relation to the fintech products for the sellers and what we're doing, you know, at Hub. Robson, go ahead.

Robson Dantas: Well, certainly, hi, Joseph, thank you for the question. I think you mentioned a very important point about the strategy, because, I mean, the bottom line is that what I've been saying here to the market is that we have a very different strategy, we are not fighting for the same customers, we are deploying technology and putting services at the disposal of ours sellers, so that by doing so we can increase loyalty.

So, we're digitalizing companies and creating solutions that can help these companies to sell more. And with fintechs we're doing just the same thing, we started back then with underacquirance, processing means of payment and with the acquisition of Hub we provided a free digital account to all of the companies,



and, in this last quarter, we processed BRL 4.6 billion only in our subacquirancy and in fact this money is not within Magalu, the money goes to the accounts of our clients in other banks.

So, our strategy has been one of allowing that money to remain in the company, so much so that we are able to offer a product that can generate other lines or streams of revenue with software at the edge and with the launch of our own POS machines, it became very clear that sellers are very open to this new product, because we have the Magalu partner within the platform and then we have means of integrating the entire inventory.

So, in terms of financial services that's it. As the company evolves towards this platform concept, we will obviously have our fintech platform with a broad offering of services, we also acquired a card processing service and our services, our card services will be very close to our sellers, so we have a good team of people working on that.

Operator: Our next question comes from Thiago Macruz, from Itaú BBA. You may proceed, sir.

Thiago Macruz: Thank you Vanessa. Well, Fred, you talked about the moments that you're experiencing with the physical stores, with a bit more challenging given the macro headwind. This business has been quite important for you in the last few years, because it has been driving profitability and allowed you to increase your investments in the digital world. My question is the following: this current situation in the brick-and-mortar stores, does it change your strategy in your digital journey, does it bring some more urgency to some of the projects that you are, you know, working on right now or you delay some of the others? So, that's my question. Thank you.

Frederico Trajano: Thank you, Thiago, for your question. Well, no, I think that there is no sudden strategic shift. What is happening is pretty much related to



the current economic scenario and, in a way, it has to do with the cyclical nature of the business, and we are currently going through the downwind of this cycle.

So, I believe that we cannot change the strategy, of course we have to just work hard so that we can experience a more positive context, increase the sales in the channel, have a higher focus, and this is certainly a very important channel for our marketplace strategy, as I said, it's totally integrated, these are integrated things, I mean, the store and the marketplace, they're all part of our strategy, so we don't see any significant shift in our strategy, we just have to expedite sales and work to increase profitability within that channel, that's the focus.

The main point here is the macroeconomic landscape, it's not strategic, so our business model fits to a very specific model. I've never seen a deceleration in inflation at the same time with high interest rates. These are things that are happening at the same time and this, obviously, for our more traditional category, and especially for this channel, it does affect that channel, I mean, the physical store has always given us positive results, but with a drop in sales things become a bit more difficult, but that's why we have to work on that and 1P has to play its own role and so does 3P, but as soon as 3P becomes more mature, it will certainly pay a good contribution to our results, mainly through the monetization opportunities of the fintech that Robson talked about it, and also the ads, but everything takes time. So, there are no strategic changes. I don't see any problems with the business model. What I see is just a problem, a one-off situation, given the economic landscape.

Thiago Macruz: Thank you, thank you for your answer.

Operator: Our next question comes from Andrew Rubin, from Morgan Stanley. You may proceed.

Andrew Rubin: Hi, thank you. Regarding inventory and supply chain, can you talk a bit more about your inventory position for 1P end of the holiday season

and what you're hearing from 3P sellers regarding their supply? And you also touched on it during the presentation, but do you have any greater comment on the inventory provision? That would be helpful, thank you.

Frederico Trajano: Thank you for the question. I will turn the floor to Eduardo Galanternick, who will talk about the inventory and then I'll turn it to Beto, who could add to that answer.

Eduardo Galanternick: Hi, Andrew, thank you for your question. In terms of the inventory for the end of the year period, well, it's no secret that there is a total imbalance worldwide in the supply chain, some categories have been more effective than other and they're also suffering inflationary pressures. But what we managed to do, especially now in the third quarter, that's when we get prepared for the holiday season, is that we sat with several industries, and we made negotiation to ensure the necessary inventory to cope with the sales that we're anticipating.

In the point of view of the categories, we see some positive signs, you know, the stabilization with TV, TV panels, there is already a stabilization process in the supplying chain, there are some difficulties here and there, but we did our homework, we did all of the purchases that we had to do; therefore, our inventory levels is according to what we expected to cope with the holiday season.

Regarding the sellers, that is a situation that varies a lot according to each seller. Negotiations that we have for those key account sellers are now moving forward and especially in terms of the categories related to 1P, so in general we are very confident that in regards to merchandises we are well prepared to cope with the sales. Now with Black Friday and Christmas, as Fred was saying, this is a very interesting moment in terms of opportunities and growth, Christmas had been impacted in the past few years and so was Black Friday, so now we have a different scenario, therefore we believe that for this Christmas we will be able to see good opportunities and, by the end of the year and then in the early

weeks of January, we have our Fantastic Sale. There was a global difficulty in regards to inventory and supply chain, but we are coming in strong.

Roberto Bellissimo: Andrew, good afternoon. I just wanted to add something in terms of inventory provisions. I believe that I already said that we have given the provision and we will then distribute the excess inventory. We're not talking about expenses, we are not talking about obsolete inventory, we are just talking about the fact that our inventory level is above what it's necessary. So, we want to sell the surplus inventory and we have to take advantage of this time of the year, because we have traffic in the stores and there are many promotions and sales, as we usually do in January with our Fantastic Sale. This is a tactical decision to help us adjust our inventory levels and therefore, come next year, our inventory turnover will be closer to 70 days, which is our historical level I think this is the most important thing and we have enough inventory, as Edu said, to serve all the sales of the year end.

Operator: Thank you for the question, Andrew. Our next question comes from Eric Wang, from Santander.

Eric Wang: Good afternoon and thank you Fred and Beto. I think on our side, my question revisits the issue of marketplace. Looking at your more recent initiatives, especially your fashion approach, I just want to understand this category and what is your view about this segment and other segments that you see maybe a lower penetration in e-commerce like, you know, home garden and interior design. I mean, thinking in terms of segments where you already have peer players that are stronger online, how do you put together Magalu's positioning in order to gain more relevance within this segment? I just want to understand a little bit more about acceptance, I just want to get a little bit more color about these segments, particularly fashion. Thank you.

Frederico Trajano: Well, thank you for your question. I will start and if Silvia is available, she can follow on. Well, we do have a base, but I believe that



Magalu's main issue is that we're not a category killer, of course, the idea is to have, you know, a very horizontal line in terms of our categories, if we want to be a one-stop-shop, we have one of the most downloaded apps in Brazil, with 30 million monthly users, so the idea is take advantage of this flow, generating conversion in more than one category, rather than just the traditional categories.

This is a strategy that we've been adopting since the last two years with acquisitions, organic launches, and we just want to increase conversion, very similar to many of the other platforms that we see abroad. Amazon started with books and today they serve all categories. It is very common, therefore, for a company to leave a core category and just have a more horizontal mix, entering into new categories and, as I was saying, the growth in our seller base, offering positioning and navigation, everything is evolving and so are the numbers. Obviously, you know, the bases are still smaller, growth is smaller, and I have a gigantic base of the more traditional categories, but the idea is to maintain good consistency, a long-term strategy and, as I said, all of the indicators are quite positive, and we already disclosed some figures and I think you've been monitoring them and some other numbers we just disclosed during this presentation. Silvia, I don't know whether you would like to add anything about fashion.

Silvia Machado: Yes, of course, Fred, and thank you for the question. We usually say here that Magalu's major strategy is the fact that we want to digitalize retail and also digitalize Brazil. And fashion retailers, they are very spread around, out of the 6 million retail sellers in Brazil, 1.5 million is in fashion, but less than 80 thousand today is digitalized, therefore we understand that the fashion strategy is closely related to the digitalization strategy of Brazilian retail.

What we want to achieve at the end is to be that large platform that will support digitalization of these retailers, of these industries, within the fashion sector. In our strategy, as Fred mentioned, we are a player that takes advantage of all of our traffic within the super app, making it more horizontal into other categories,



so what we want is to leverage our ecosystem and then be able to support these sellers, helping them to reach out to consumers that are already within our platform.

Therefore, in our fashion mix we carry large brands, we have more than 300 brands, all of the large brands have joined us at Magalu, so for them it makes a lot of sense to be where their customers are, our consumers are already there, so why not be there as well, especially now that we have a more customized experience, our experience is moving towards being, you know, a fashion expert within the super app, so we have the large brands and all of the sellers that we call middle tail, long tail, the sellers scattered all over Brazil in the fashion sector and for them it does make a big difference to have access to our ecosystem, our logistics service, our content and also the possibility of using our content platform.

And another channel, because we refer to large brands and small sellers, are the factories. Brazil is indeed a large fashion producer; therefore, we have a lot of factories that are potential sellers within the marketplace, but they don't know how to operate within the marketplace. Therefore, our strategy will also cater to these other players, vis-à-vis other more expert players or other marketplaces once we offer a very specialized service to the factories, helping them to become digital within marketplace and via our Hubsales company.

Eric Wang: Very good, thank you for your answers.

Operator: Eric, thank you. Our next question comes from Irma Sgarz, from Goldman Sachs. You may proceed, please.

Irma Sgarz: Hello, good afternoon, thank you for this opportunity. My question is about the share, I mean, the percentage of 2-day delivery for marketplace. I think, it was very useful that you opened up that number that reached 28%. We know that the market leader, the largest marketplace in Brazil, that indicator of that marketplace is around 70%. Well, how long do you think it takes you to

close that gap or even to supersede the competition in this metric? Do you think you will be able to achieve that number by the second half or the first half of 2022 or you think it will take a bit longer? And Fred, you talked a little bit about the XD hubs and the DCs are important leverages that can help you reach these goals and to increase penetration from, you know, of quick shipping, but I also want to understand a bit more about logistics or will that require an enhanced physical structure or you need, you know, to work with your onboarding technologies or issues that you have?

Frederico Trajano: Thank you, Irma, for your question. I think our marketplace, it's new, it's only 5 years old. So, well, again, thank you for your question. Our marketplace is new, it's the newest channel, so great part of our logistic capacity, I mean, when you compare Magalu to a peer marketplace in terms of delivery time, the right thing to do would be to include 1P. I don't think it's fair not to include 1P, because 1P is almost like a fulfillment buy of marketplace, so when consumers enter Magalu's super app to buy, they want to know about the product and the delivery time, whether it's 1P or 3P, he doesn't care.

If he has a 1P product to deliver, we have a lot of products in the market that is 1P, that takes only one day to be delivered, so 58% of our deliveries happen in one day and so we have that and this is part of consumer experience, who is the one buying the product, it's not the investors, so you have to think with the mind of a consumer, I think this would be fairer, I think you have to go into Magalu's super app and see what is the delivery time and we grew so much we already have the best rating for 1P and we are making important developments in 3P, as I was showing you.

But I think we still need some time until we reach numbers like 70 or 80% of the guidance, but obviously this will involve a lot of work and, you know, we saw that we started with GFL, that's the company that does a lot of that collection service from services, it went from 150 towns to 3,500 and more than 100 thousand deliveries to 6 million deliveries in a month, so the evolution in the year is really significant.

And we are investing to reach better numbers yet and our recent funding were to help us continue to invest in our growth, so I think that a fair comparison would be to combine 1P and 3P, because consumers, when they look at it, they look at 1P and 3P.

In terms of technology, we still have a lot of things to do. In terms of expansion, we can still grow a lot, but we made important developments and the indicators are evolving quite well.

Irma Sgarz: Thank you, thank you, it's perfect. My question involved like a point of view that it could be probably a growth hurdle that there will be something that would be an impediment for you to grow even faster in the marketplace, but thank you, you answered my question.

Operator: Our next question comes from Richard Cathcart, from Bradesco. You may proceed.

Richard Cathcart: Thank you, Vanessa and good afternoon, everyone. I have a quick question about the development of the 3P long tail. Fred, you showed a very interesting chart during your presentation, I just want to understand a bit more about purchase frequency of customers that are already buying on 3P, particularly in the long tail categories and then, you know, if you can draw a comparison between 1P only customers.

And the second question is what are you doing to encourage these 1P customers or even your store customers to buy more, you know, at the long tail on 3P? Thank you.

Frederico Trajano: Well, Richard, obviously the bases are still growing. We've seen an increase in purchase frequency, we do not disclose this number, but this number has increased year-on-year, and the main reason is the long tail.



The introduction of either 1P market is very relevant and 3P in all of the categories that we started with.

This certainly helps consumers to buy more, this increases frequency, we have several tools to encourage and further increase, cashback is also important and with our Magalu Pay, we also have special promotions for our golden customers in that super app world and we have other initiatives like coupon and this, in terms of our KPI, items purchase per customer a year, there is still a lot more to do Richard, but we are seeing, you know, a good cohort as well.

Irma Sgarz: Thank you, Fred.

Operator: Our next question is from Danniela Eiger, from XP Investments. You may proceed.

Danniela Eiger: Thank you, Van, thank you, Fred and thank you for taking my question. I have two questions. One is a follow-up, still speaking about Black Friday, just to make sure I understood it. I don't remember whether it was Fred or Roberto who talked about focusing on a more premium mix for this Black Friday and one thing I wanted to understand is about your inventory, how much of this item is more concentrated in your inventory?

And in terms of the provisioning of your inventory, can we probably say that your appetite is more towards your being more promotional, because what we see is that consumers have the intention to consume, we saw lots of surveys that also indicated it is difficult to anticipate, but everybody always tries. Consumers want to consume, but they're also waiting for discounts that could be more attractive. So, I think this will also be very much linked to, you know, offering more attractive prices, so maybe I just want to understand whether this provisioning is also aligned to a further appetite to grant more discounts.

And secondly you talked about marketplace being more resilient and we do agree with that because of the lower ticket, no higher recurrency and you also

talked about the fashion category that has been neglected and the fact there's still a lot of room to grow, so what would be the main growth avenues in your view within marketplace that will probably try to compensate for a weaker 1P and a weaker physical channel? Do you see no general categories, or do you see some particular ones with greater potential?

Frederico Trajano: Well, there are two different things in relation to Black Friday. First, in terms of premium products, we are betting more on higher ticket products. It's not such a very significant thing, something that will really change our inventory base, we're just betting more on this premium mix for the online world. A little bit on the stores, as well, where we purchase more items from that line, we are focusing on items with a higher average ticket.

And in terms of provisioning, I think Beto already explained it well. At the end of the quarter, we had 100-day inventory and, in our view, this as high, we should work with 70 inventory days. We were expecting some stock-out in the chain, I mean, we were not expecting this deceleration in the third quarter, particularly in the physical stores, our expectation was different, but then we thought it would be just prudent for us to work towards bringing our inventory back to more, you know, healthy levels and so that also has to do with managing our working capital and we're just doing what we believe is correct in terms of our inventory management. Of course, that you'll end up by promoting these items just to clear your inventory, this is natural, but this is very much aligned with going back to more historical inventory levels, closer to 70 rather than 100 days.

Daniela Eiger: Okay, and what about your marketplace, do you see some special category or a main category, or is more generalized?

Frederico Trajano: Well, Black Friday or November, specifically, focuses more on durable goods. 3P participation historically has been usually lower. In October 3P performed well, we should expect a good December, because the delivery terms are much better, so we expect to see a good December for 3P. But in November, the categories that perform well are the more traditional



categories, durable goods, items with higher ticket, rather than the new categories

I mean, they will have some space, but they will not be so significant in terms of sales, this is something that will come with time. And, again, even within the company's total GMV, this is a long-term construction. We still have a few years, I mean, a few quarters until we reach a significant share of new categories at GMV.

I mean, just as a reminder, these are categories with a lower ticket. In the US, in Amazon, the home appliance category is between 50 to 40% and all over the world, home appliance category has an important share of the GMV in these platforms. Certainly we have to work hard so that this category can resume the levels of the good old days when we had a lot of profitability coming from these categories, but as soon as we take care of all of the operating issues, we will certainly see traditional categories performing very well, running well, and the new ones also contributing to increase our profitability, our opportunities of monetizing through our fintech are also coming soon, Robson already talked about them, so did Beto, the ads will grow and this will certainly help improve profitability in the long run, this will require a lot of work, there's a lot of things still that we have to do, but we usually deliver

Daniela Eiger: Yeah, well my question about marketplace was more related to a longer horizon, but you just gave me the answer I was looking for. Thank you.

Frederico Trajano: Thank you for your question.

Operator: Our next question comes from Vinicius Strano, from UBS. You may proceed, Vinicius.

Vinicius Strano: Good afternoon and thank you for taking my question. My question is about acquisition cost. Fred, can you tell us a little bit about how this has evolved in the last few months? And how do you expect this to behave from

now on, do you envision some sort of, you know, downside, can you connect that to the evolution of your organic traffic coming from the super app as well?

And another question is just a follow-up on the fashion side. Now with the development of your private label, how could we expect Zattini's evolution going forward, will anything change?

Frederico Trajano: Well, thank you for your question and I will give back to Edu to answer your question and I'll then come back to talk about your second question, and Silvia as well.

Eduardo Galanternick: Hi, Vinicius, thank you for your question. Now, in terms of the acquisition cost, it has gone through a little bit of pressure throughout this year, and I think this was due to two factors. One factor is lower demand, because there was a stronger fight for a ticket and a bit of inflation. The second point is the entry of Asian players and, in terms of GMV, this doesn't really affect us a lot, but in terms of the media, yes, there is an inflation, mainly when we talk about download costs, which at the end brings about some acquisition cost pressure as a whole. And it's just natural that when you have a buying market, a better market, you can dilute that, but when the market is more difficult things become, you know, a bit more complicated.

In terms of organic traffic, it's important to say that the growth that we're posting, when you look at it in terms of its own structure, it comes through traffic growth, growth in conversion and also increase of our share in the marketplace in growth of new categories due to our own strategies. So, this traffic growth is well-distributed, our initiatives in terms of organic traffic, SEO, CRM, through push, has performed well, with a good growth pace, with some variations here and there, but without any major structural change, so this is it.

Frederico Trajano: In terms of fashion and Zattini, I'll try to be very straightforward, the focus is the fashion world at Magalu. Well, certainly we already have well-established channels and channels that are leaders in their

categories, Netshoes, Época, Zattini has some good traffic, and we would take advantage of it, but we believe that the major focus of the fashion category is within Magalu itself and certainly we will just take advantage of the traffic that it already has.

I mean, the fashion category sells well and Netshoes sells well as well. We already have a good participation of the fashion segment, into the Netshoes channel we are growing and it's one of the most downloaded apps in Brazil, so fashion sells well, both within Netshoes and within Magalu, so the strategy is to continue to grow within these two channels. Silvia, if you want to add, but I think I already answered the question.

Silvia Machado: Yes, you did, but we need to also ask about our private label, Fred. In this context, how does our private label links to Zattini. Our private label, Vinicius, has no relationship to the channel strategy that Fred talked about, the fact that we want to value it and to bring more energy, we want to focus our energy to develop Magalu's channel. Our private label is part of this very broad strategy to develop fashion within Magalu and the role of the private label, I would just like to mention three main points, one is the fact that indeed we have an exclusive product, we bring trends with speed, and we want to position ourselves as a fashion player.

And this position should be also linked to what the mother brand Magalu is, a brand that focuses on diversity, inclusion and everything else. And with that we believe we will be able to attract more traffic and more flow to our specific fashion category and this will certainly benefit the mix as a whole. Our experience as a whole will benefit from that fashion world as well. So, we have these two main points in relation to our private label, because it's part of a broader strategy. Our purpose is not necessarily to grow exclusively within the private label, but it's part of a broader strategy.

Vinicius Strano: Ok, thank you very much.



Operator: Magalu's conference call is now concluded. The Investor Relations team will be available to answer any further questions you may have. Thank you very much for participating and have a very nice afternoon.

Frederico Trajano: Well, thank you so much for joining us today, have a nice Friday and a nice holiday. Thank you.