viavarejo

RESULTS
4Q19

INVESTIGATION



1st Phase

- **Complaints not corroborated** at that time (MF 11/13/19)

2nd Phase

- **Evidence of characterized fraud** (MF 12/12/19)

3rd Phase

- **Evidence of characterized fraud** (MF 03/25/20)
- **Total Impact of** R$1.4 billion

Highliths

4Q19 - Operational

- Reversal of loss of R$ 282 million to Net Operating Income of R$ 78 million
- Gross margin of 30.2%, up 370 bps from 4Q18 ,with operating gross profit in the quarter amounted to R$ 2.3 billion
- EBITDA margin of 8.0%, up 380 bps from 4Q18 with operating adjusted EBITDA of R$ 605 million
- We ended the quarter with cash, including unsold credit card receivables, of R$ 4.4 billion

Highlights

4T19 - Operational

- Largest Black Friday in Brazil, with a total sale of R$ 1.1 billion in one day, 48% of which in the Online channel

Robust Growth in Online

- 1P - growth
  + 68% in 1P in Dec/19 and
  + 29% in 4Q19

- 3P - growth:
  + 69% in 3P in Dec/19 and
  + 58% in 4Q19

- Exponential growth of active users in Apps (MAU) since Jun/19 from 1.4 million to 5.3 million in Dec/19)

- Most downloaded App on Black Friday

RESULT

2019 Accounting w/ IFRS16

	2018	2019	Var Abs	Var %
› Gross Sales (Physical Stores+GMV)	31,084	31,206	+122	+0%
› Gross Profit (%NR)	8,027 29.8%	7,343 28.6%	-684 -120bps	-9% -4%
› SG&A (%NR)	6,192 23.0%	6,495 25.3%	303 +230bps	+5% +10%
› Adjusted EBITDA (%NR)	2,046 7.6%	1,076 4.2%	-970 -340bps	-47% -45%
› Net Revenue	-291 -1.1%	-1,433 -5.6%	-1.142 -450bps	n/a n/a

*2018 pro forma results with IFRS16 and operational 2019 with IFRS16
R$ Million

RESULT

4Q19 non-recurring w/ IFRS16

	4Q19 Accunt.	Non- recur.	4Q19 Op.
› Gross Sales (Physical Stores+GMV)	9,363	0	9,363
› Gross Profit (%NR)	2,215 29.1%	+77	2,292 30.2%
› SG&A (%NR)	(2,311) 30.4%	+582	(1,729) 22.7%
› Adjusted EBITDA (%NR)	(55) -0.7%	+660	605 8.0%
› EBIT	(1,239) -16.3%	+1,369	130 1.7%
› Net Revenue	(875) -11.5%	+953	78 1.0%

Adjustes Non – Recurring -4Q19	R$MM
Contingencies	1,314
Credits (ICMS PIS / COFINS)	-19
Investigation expenses	13
Cnova Provision	-16
Impairment Prop.Equip and Intangible	76
Total Impact EBIT	**1,369**

RESULT

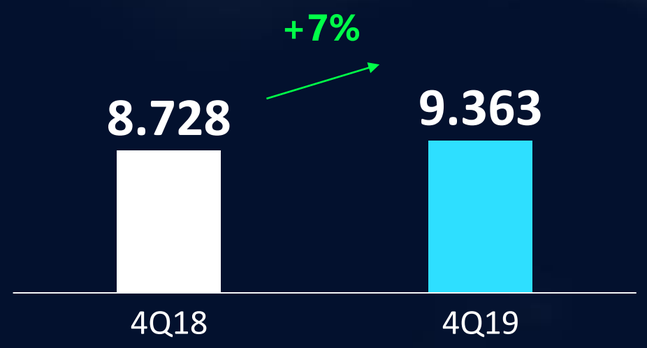
4Q19 Operational w/ IFRS16

	4Q2018	4Q2019	VarAbs	Var%
› Gross Sales (Physical Stores+GMV)	8,728	9,363	+635	+7%
› Gross Profit (%NR)	1,989 26.4%	2,292 30.2%	+303 +370bps	+15% +14%
› SG&A (%NR)	1,737 23.1%	1,729 22.7%	-89 -40bps	-0% -2%
› Adjusted EBITDA (%NR)	316 4.2%	605 8.0%	+289 380bps	+91% +89%
› Net Revenue	(281) -3.7%	78 1.0%	+360 480bps	n/a n/a

#RESULT 4Q 2019

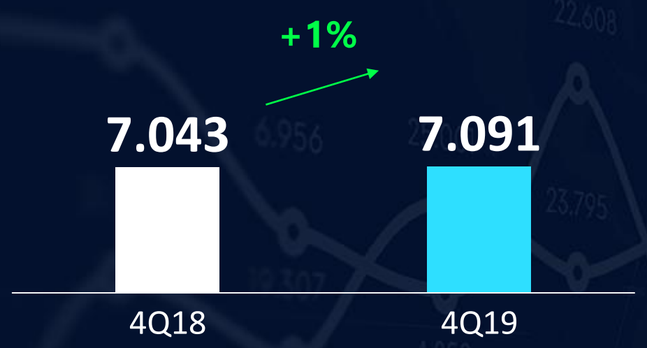
GROSS REVENUE

TOTAL GMV (Physical Stores + GMV e-commerce)



Resumption of Online contributing to the **growth of Gross Revenue**

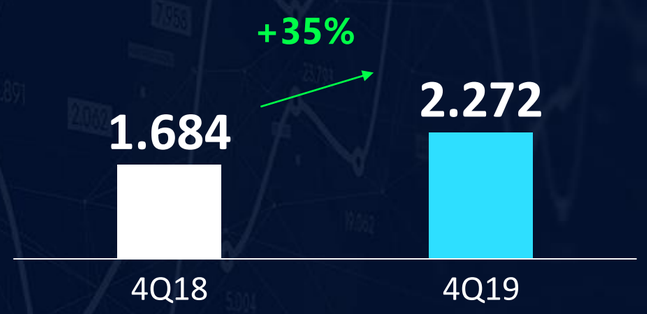
GROSS REVENUE (PHYSICAL STORES)



Resumption of **growth in physical stores**

Largest Black Friday in Brazil, with total sales of R$ 1.1 billion in one day, 48% on the Online channel

GMV (1P + 3P)

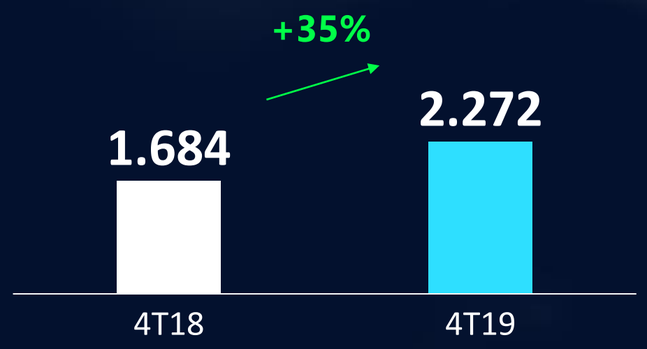


Resumption of **Online growth** (Dec/19 growth 68% vs Dec/18)

#RESULT 4Q 2019

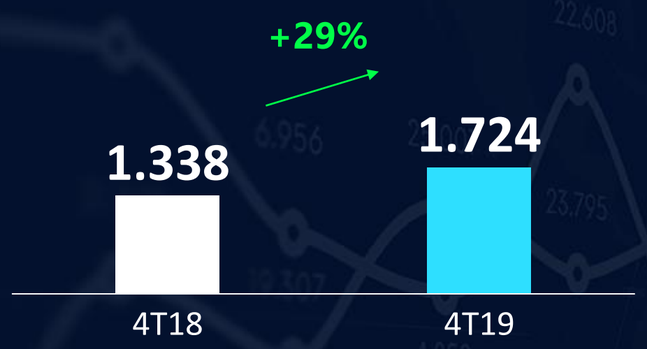
GMV (1P + 3P)

NET GMV



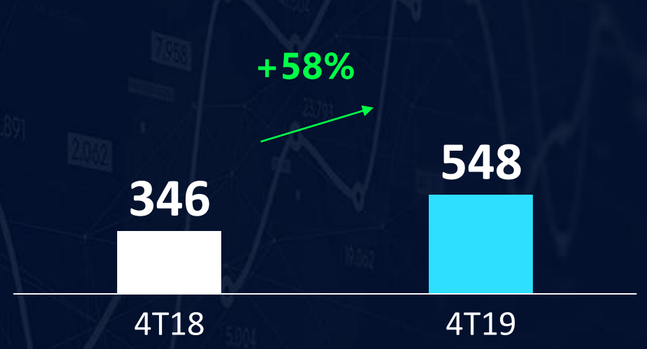
Resumption of **Online growth**
(Dec/19 growth 68% vs Dec/18)

GMV 1P



Growth of 29% in 1P
(Dec/19 growth 67% vs Dec/18)

GMV 3P

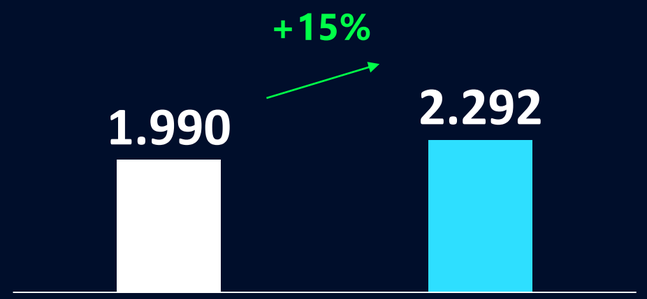


3P with great **growth of +58%**
(Dec/19 growth 69% vs Dec/18)

#RESULT 4Q 2019

GROSS PROFIT, EXPENSES and Adjusted EBITDA

GROSS PROFIT

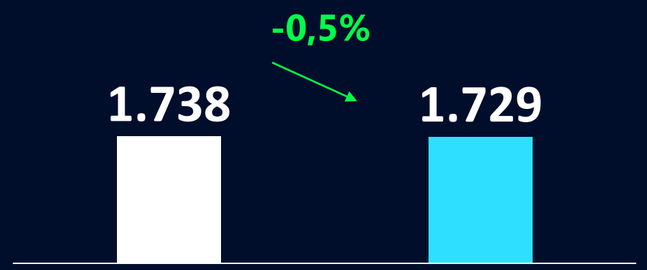


%NR	26.5%	30.2%

Increase of R$ 260 million in gross profit and **+370 bps on the Margin**

We had an impact of R$ 403 million with the burning of Inventory in 4Q19, excluding this impact **we would have a gross margin of 31.2%**

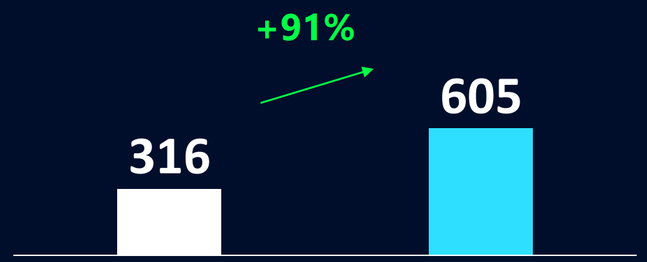
SG&A



23.1%	22.7%

Decrease of R$ 8 million in SG&A, and dilution on Net Revenue (-40 bps), over na increase of **+R$ 635 million in gross sales.**

ADJUSTED EBITDA



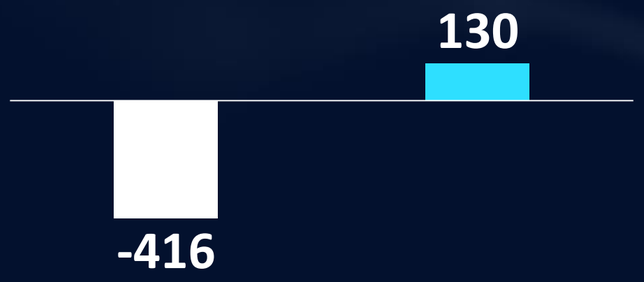
4.2%	8.0%

Expressive increase in Adjusted Ebitda of 380 bps

#RESULT 4Q 2019

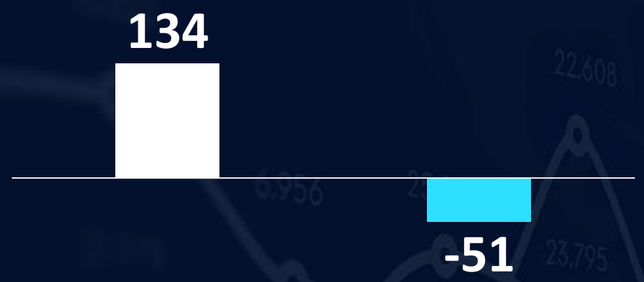
EBIT, Income Tax and Net Income

EBIT



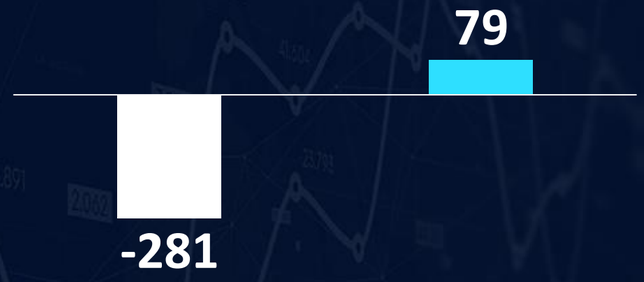
%NR	-5.5%	1.7%

INCOME TAX



	1.8%	-0.7%

NET RESULT



	-3.7%	1.0%

+R$546 million in EBIT vs 4Q18

+720bps vs 4Q18

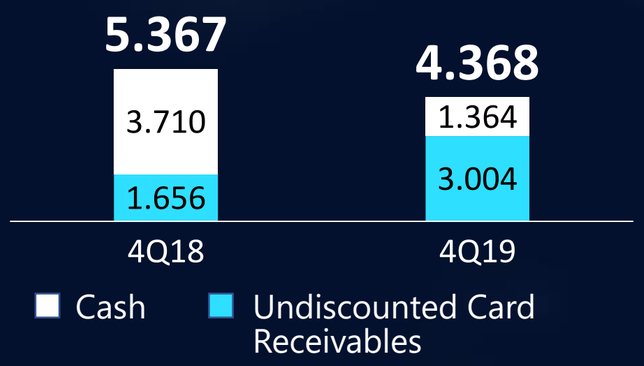
+ R$ 360 million in Net Income vs 4Q18 against a loss of R $ 244 million in 3Q19

+470 bps vs 4T18

#RESULT 4Q 2019

DEBT

CASH AND EQUIVALENTS



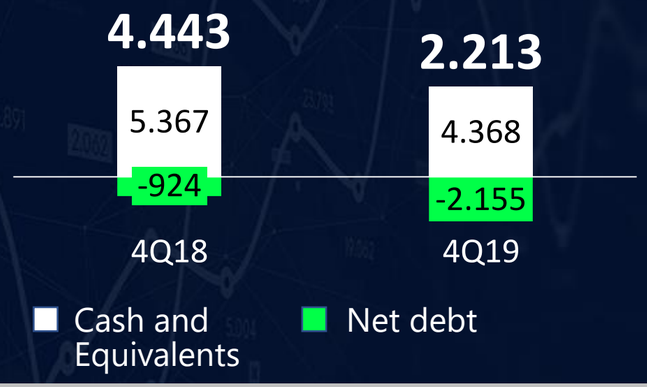
Drop of R$ 1.0 billion in the cash position

BANK DEBT



Increase in bank in R$ 1.2 billion reais

NET CASH



Drop of R$ 2.2 billion in the net cash position

CASH

Net Cash 3Q19 = **R$ 645 million**
Net Cash 4Q19 = **R$ 2.213 million**

+ R$1.5 billion

Net Cash 4Q18 = **R$ 4.443 million**
Net Cash 4Q19 = **R$ 2.213 million**

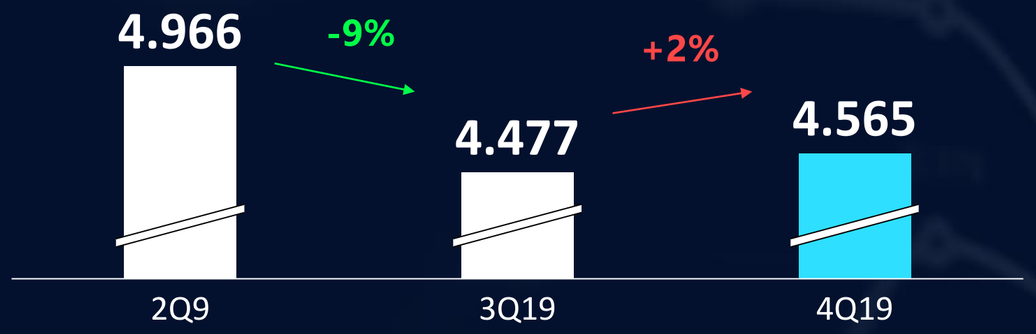
-R$2.2 billion

- **In 4Q19 we reduced the payment term, consuming R$ 1.2 billion (risk drawn with banks - does not reduce limits)**

#RESULT 4Q 2019

INVENTORY 2019

INVENTORIES VS 3T19



INVENTORIES VS 4T18



Reduced inventory days *

Reduction from 104 days of inventory in 2Q19 to 101 days in 3Q19 (-3 days)

Position reduction to 77 days of inventory in 4Q19

Reduced inventory days

Reduction from 78 days of inventory in 4Q18 to 77 days in 4Q19 (-1 days)

* Inventory divided by the average CMV cost (view not disclosed in the ITR / DFP) for the last 12 months.

POSITIVE CYLE

GROWTH

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1 Stores Renovation
Improved experience and sales

2 Platform Stability
+ Conversion
+ Flow
GMV + 35% growth

3 Marketing and Communication
+ Customer (visits +175% in the APP) Dez/19
+ 27% sales on App
+ 7M active users (MAU) Jan/20
+ Social Media Engagement
+Most downloaded App on Black Friday

4 Credit and Payment Book
More financed sale
+ 160 bps

5 Commercial and Products
+370bps on Gross Margin
+ 8% Furniture Sales

6 Delivery Deadline
Inventory integration and execution improved delivery times
24H - 28% | 48H - 47%
Hub stores doubled shipping volume

7 Expansion
70-90 Strengthening stores
On / Off

8 People
Strong talent attraction and cultural redesign

customer

EXPONENTIAL

GROWTH IN OUR APPs

Millions of active monthly users

1.5M in jun 19

7.4M in jan 20

+ 400%

APP

SALES

9% GMV 4Q19

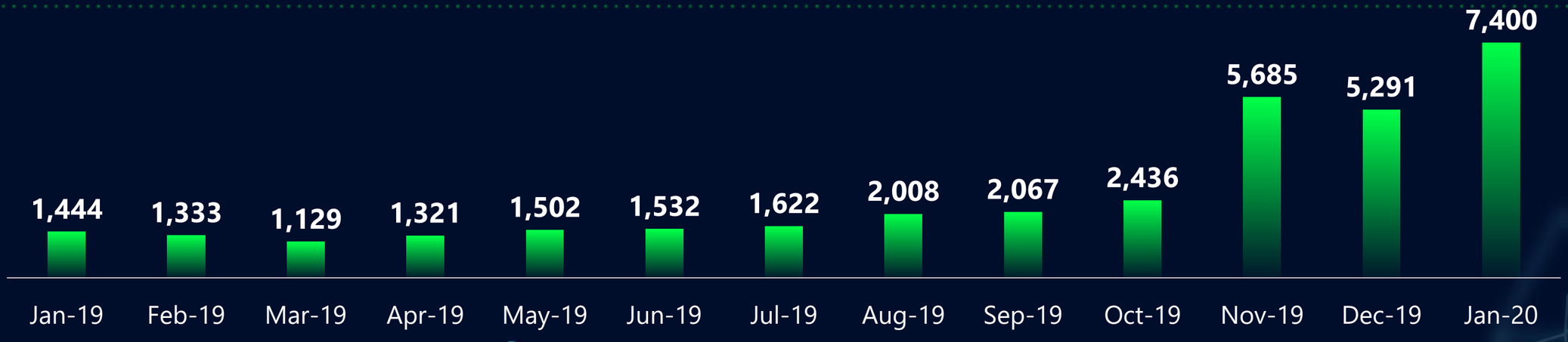
19% GMV Feb 20

VISITS GROWTH YoY

+175% APP 4Q19

300% APP Jan- Fev/20

MAU



EVOLUTION OF THE PLATFORM

DIGITALISATION

Transformation and Road Map 100% defined!



TEAM

- New leadership formed
- **1,200 employees in TEC (BRA) + Airfox team (USA)**

ONLINE

- New apps in up to **june** focusing on usability and speed

OFFLINE

- **Physical stores in digital:**
  - Infra: new POSs and mobile desktop
  - Via + Recommendations and Marketplace
  - New Expirience: Use of wifi, credit offer up front and new sales journey

MARKETPLACE

- Significant improvement for **Sellers**



DATA CULTURE AND INTELLIGENCE

APPLIED TO BUSINESS

PRICING

- New update processes
- Business rules with much more variables

LOGISTICS

- Demand forecast / inventory advance from 26 DCs to +1,071 stores

FREIGHT

- New business rules for costs and delivery times

PAYMENT BOOK

- New credit engine and new formats along the journey

MARKETING

- Full revision of the contact rule since attraction, activation, loyalty and recurrence

TECHNOLOGY
BEYOND RETAIL

banQi



DIGITAL WALLET

› Working as Super App

› **Close National Rollout**

› Today in **511 lojas**

NEWS

› **ANDROID E IOS version available**

› Integration with the **Casas Bahia app**

› **Direct payment** in our stores and e-commerce

› **Airfox Lab in Boston, USA**