viavarejo



RESULTS

3Q19

CASAS BAHIA pontofrio extra.com.br bartira

November 13, 2019 – Via Varejo S.A., Brazil's largest electronics, home appliances and furniture retailer, announces its **consolidated results** for the third quarter of 2019 (**3Q19**). As of January 1, 2019, the Company has adopted the accounting standards CPC 06(R2) (IFRS 16) – Leases, which eliminated the distinction between operating and finance lease. Balances and transactions, including those related to the comparison period in 2018, already include the effects of adopting said standard. For more information, please see Note 2-a to the quarterly financial statements (ITR).

3Q19* Highlights

- **11 new stores in the quarter**
- **Significant progress in stabilizing the online platform as of September.**
- **On and Off inventory integration process concluded.**
- **Growth of 79% in 3P vs. 3Q18.**
- **Recovery of 1P performance during the quarter, due to the progress of the online platform**
- **Operating Gross Profit amounted to R$ 1.7 billion in the quarter, with gross margin of 30.7%, up 0.5p.p from 3Q18 and 2.7 p.p. from 2Q19.**
- **Promoting slow turnover products during the Brazil week in September. Excluding this effect gross operating margin would have reached 33.7%, 5.7p.p vs 2Q19.**
- **In 3Q19, Operating Adjusted EBITDA was R$242 million, with EBITDA margin of 4.3%.**
- **Significant reduction of R$1.1 billion in inventories vs. 3Q18 and 0.5 billion vs 2Q19.**
- **We ended the quarter with cash, including unsold credit card receivables, of R$2.8 billion.**

***Highlights and comments in this release are based on the Company's operating results.**

Management's Comments

If the journey of transformation of a great company has to be successful, the initial steps are crucial. Defining the exact direction, clearly setting the targets and engaging people in this project are actions that kick-start the journey. This is what has been happening at our Company since the announcement of the new management at the end of June 2019.

We design what we want, with absolute clarity. ***We want to, and we will once again be, exceptional in what we do.*** We also set ***medium- and long-term targets that will take us beyond retail***.

When we arrived, we found a company that was weakened in important pillars. We found losses, low cash balance and declining sales at stores and online. We took charge of a company with low margins, without the strength to communicate and with very high inventories (over 60% with low turnover). Relations with our suppliers were virtually non-existent. Our online business came to selling 50% less in August (compared to 2018) due to integration issues. Stores had no painting, some did not have our signboard, and internal layout was quite confusing. Many stores operated with computers that were more than 10 years old and had not been replaced. Teams at stores had no negotiating power and there was much bureaucracy to explain the poor performance. ***But, when we took over, we were certain that we had strong assets, which were more powerful than all the problems we encountered. Our brands, our stores, our people always striving to do better and win. Our leadership, unquestionable in the sector. And, above all, our client, who maintained the company as the leader even in this period. But transformation was necessary. And that's how we began.***

We acted swiftly!

1. In the first week under the new leadership, we replaced the entire ***executive board connected to the core of Via Varejo***. In subsequent weeks, we replaced virtually all the executive officers of internal areas. And, by the end of 3Q19, the entire new team was already working on the turnaround and the major transformation of Via Varejo.

We undertook the ***commitment to absolute transparency towards everyone.*** We set up a new whistleblowing channel, open 24x7, which is fully confidential and managed by a specialized company. As such, everyone in the Company's business environment became more confident about expressing their opinion and contributing to the success of this new company.

We immediately conducted a detailed review of all the accounts in our balance sheet to proactively identify risks and opportunities. This initiative is still in progress and we should finish it in the coming months.

Amidst this process of change, we received anonymous reports of alleged accounting irregularities. As soon as the reports were received, in line with best governance practices, the Board of Directors of the Company set up an Investigation Committee on October 10, 2019. The Company also hired renowned independent advisors (Pinheiro Neto Advogados and KPMG) to investigate the allegations and report to the Committee. The entire process is monitored by Deloitte and Ernst & Young (previous and current auditors of the Company). The Investigation Committee began its activities as soon as it was set up and ***so far*** the alleged irregularities ***have not been confirmed***. The investigation is still in progress on this date.

2. Right from the start, we prioritized ***cash reinforcement:*** cash level was too low and bank debts were about to mature in the short term. We sat with the Company's financial partners, and all of them understood the situation. Our proposal was well received. We managed to increase our credit limits and create the conditions to issue Promissory Notes worth R$1.5 billion. We quickly reduced inventories (R$1 billion reduction vs. 3Q18 / R$0.5 billion reduction vs. 2Q19). We accelerated the monetization of tax credits (monetization plans used to be 10 years and now are 5 to 6 years). Thus, we could come up with a ***liquidity cushion that, added to several operational initiatives, brings the peace of mind to carry out the Company's turnaround***.

3. In parallel, we ran an initial diagnosis and implemented a strong recovery plan for our retail business. We internally call it "***doing retail again***":

At the **brick-and-mortar stores**, we changed the incentives and negotiating power for salespeople, as well as the training model (PROVE). We made everything easier, simpler and more intuitive. We have already noticed a clear evolution since the change, in terms of motivation and drive of our team and in business performance. We are investing in infrastructure at existing stores to provide a better shopping experience to customers and a better working environment (cleanliness, painting, replacement of facade, new layout and others).

We placed our entire focus on our ***Payment Book***: this quarter we once again observed growth in the share of payment books, in line with the Company's strategy. We created the conditions for credit approval by category and dashboard of options that will allow salespeople to categorize the client's proposal based on down payment (R$), installment amount (R$) and number of installments. We recently launched the CDC online and CDC digital signature pilot projects at the brick-and-mortar stores.

We are Brazil's ***largest furniture seller***. Once again, thanks to the total priority, we have noticed growth in share. We launched a new assembly model that will offer better service to clients and further drive growth in this category, which has a lot of potential for recovery and growth.

In **online / technology**, we gave top priority to stabilize and expand our operating capacity. ***We will pursue our maximum capacity by Black Friday.*** Our team rallied around this goal. We increased our service capacity week after week. In September, we recovered the 2018 volumes. In October/November, our 1P is growing over last year. For Black Friday and Christmas, we are certain that we will once again play an important player in this segment. Our 3P continues to register double-digit growth (high) and we will focus fully on the online business.

In the B2C and Marketplace platforms, we put in practice more than 100 improvement packages for stability and performance. We saw a 31% reduction in page load time and a 37% decrease in webpage weight, which improves navigation and data consumption for our clients, a 14.7% increase in conversion rate since mid-September/19 vs. mid-September/18, achievement of 95% of the target of website's attracting phase in the Cloud strategy, among many other improvements. In Marketplace, we implemented a new CRM for merchants, ensuring that 100% of the tickets are tracked. We also implemented a new tool for loading new products, providing greater visibility to the process and reducing by 80% the time for publication of ads for these products.

We revised **infrastructure** at 100% of the stores, replacing around 7,000 computers and desks. The Via+ system, upgraded with more functionalities that reduced checkout time by 18%, accounted for 65% of the sales at brick-and-mortar stores.

Regarding ***logistics***, the integration of physical and online inventories was concluded. We ended 3Q19 with 27.2% of the products sold online picked up at stores. In September, with a more stable platform, we posted strong improvement, with 32.3% of sales in 100% of the stores. As for deliveries, we made excellent progress in delivery times: from July to October, 24-hour deliveries jumped from 7% to 26%, and 48-hour deliveries leaped from 28% to 47%. We expect to be more competitive and be able to capture the gains from the changes we are rolling out, such as the deployment of Manhattan, a warehouse management system (WMS) that will reduce costs and increase the service levels at the distribution centers, besides increasing the frequency of store replenishment from once to up to five times a week.

As for **marketing**, we once again ensured a significant media presence. We launched a smart campaign that combined customized actions on TV, such as sponsoring soccer and soap operas with digital projects specially designed to serve diverse consumer profiles in different regions with different messages. As such, our Casas Bahia brand was elected for the 14th consecutive time the **Top of Mind** brand in furniture and home appliances by Datafolha and is the most associated brand in Google with the phones, furniture and

home appliances categories. In the TV series "*A Dona do Pedaço*", we pioneered the inclusion of content and characters in the commercial break, creating a linearity between the plot and advertising. Baianinho, who became more lively, was the brand spokesman in the weekly coverage of the series along with other influencers. In the first action, there was a significant increase in searches by the Casas Bahia brand, by advertised category (Fridge), by product and by industry partner, resulting in an increase of over 900% in sales the day after the announced SKU action. Other actions continued with significant growth (77% on action 2, 799% on action 3 and 2,575% on action 4) when compared with similar sales days.

Regarding **email marketing**, we changed the strategy in September and can already see baseline data and results by segment, including for October. During the period, there was an increase of 16% in total openings, 7% in orders and 12% in conversion rate, in general.

Starting July, Via Varejo reversed the trend of declining **visits to websites**, which has actually been increasing. In consolidated basis, if we compare September with June, the number of visits grew 26% and if we compare October to July, growth was 30%. As for apps, the number of monthly active users (MAU) rose significantly, especially since July (25% Oct/19 vs. Jul/19). In the same period, we posted significant growth in installations (56%). As for revenue, the share of the app grew even further: 12.1% in 3Q19 as against 9.6% in 1Q19. This growth is currently 14.0%.

Our people

We needed to quickly engage our people in this journey and this transformative mission. To get the field team connected, we met with 1,060 store managers and, in an unprecedented event in our history, we held an event for 3,500 employees, which was broadcast live to the entire company, to announced our **message of transformation**. We reiterate that having a direction that is clear, defined, connected and embraced by all is one of the decisive steps to our path of change.

We still have a long way to go and we know that the challenges are and will be big. But, in the same way that we soon reversed the weaknesses and some situations that anchored the Company's development, we have a clear vision that, with our team, our plans and action, already started the path that will take the company to the place we envisioned. We are confident that we will lead, as always, the industry, and that we will go beyond retail, innovating as we always innovate and making our customers' dreams come true, dreams they have not even dreamed of.

The Management

Reconciliation Non-Recurring Events in 3Q19:

Conciliation	Audited	Non Recurring Adjustments	Operational	IFRS 16	Operational Ex- IFRS 16
R$ Million	**3T19**	**Var.**	**3T19**	**Var.**	**3T19**
Net Revenue	5.688		5.688		5.688
COGS	**(3.994)**	**85**	**(3.909)**	**5**	**(3.914)**
Depreciation COGS	**(30)**		**(30)**	**(14)**	**(16)**
Gross Profit	1.664	85	1.749	(9)	1.758
SG&A	**(1.549)**		**(1.549)**	**138**	**(1.687)**
Equity Income	12		12		12
Other Revenues/Expenses	**(333)**	**172**	**(161)**	**2**	**(163)**
Depreciation and Amortization	**(166)**		**(166)**	**(95)**	**(71)**
Financial Results	**(240)**	**(47)**	**(287)**	**(95)**	**(192)**
Taxes	**229**	**(71)**	**158**	**20**	**138**
Net (loss) Income	(383)	139	(244)	(39)	(205)
EBITDA	**(176)**	**257**	**81**	**145**	**(64)**
Adjusted EBITDA	**157**	**85**	**242**	**143**	**99**

Non Recurring Adjustments - 3Q19	R$ Million	Income Statement
Inventory Provisions	149	COGS
Tax Credits	(64)	COGS
Provision - Fixed and intangible assets	160	COGS
Restructuring Expenses	12	Other Revenues/Expenses
Restatement	(47)	Financial Results
Taxes	(71)	Taxes
Total	**139**	

Inventory Provision: Accounting estimates related to inventory for resale considering indicators of reduction in realizable value of inventories during promotional periods. The company provisioned R$149 million.

Tax credits: PIS/COFINS based ICMS refund credits of R$64 million res judicata.

Provision for Losses in Fixed and Intangible Assets: The Company carried out the impairment analysis of its Fixed and Intangible assets and recorded an additional provision in the amount of R $ 84 million and R $ 76 million, respectively

Restructuring: In line with its operational restructuring plan, the Company chose to set aside a provision of R$12 million.

Inflation Adjustment of Credits: R$47 million.

Impact on Income Tax and Social Contribution: R$71 million.

Operating Performance

Highlights	3Q19*	3Q18	%	9M19	9M18	%
Gross Revenue	**6.608**	**7.239**	**(8,7%)**	**20.973**	**22.039**	**(4,8%)**
Net Revenue	**5.688**	**6.367**	**(10,7%)**	**18.042**	**19.409**	**(7,0%)**
Gross Margin	30,7%	30,2%	53bps	28,3%	31,0%	(275bps)
Adjusted EBITDA[1]	**242**	**421**	**(42,5%)**	**1.058**	**1.668**	**(36,6%)**
Adjusted EBITDA Margin	4,3%	6,6%	(236bps)	5,9%	8,6%	(273bps)
Net Earnings	**(244)**	**(83)**	**194,5%**	**(579)**	**(5)**	**na**
Net Cash with receivables not discounted[2]	645	1.703	(1.058)	645	1.703	(1.058)

(*) 3Q19 Operational figures
(1) Excluding other operational revenues and expenses
(1) 2018 Adjusted by IFRS 16

	3Q19*	3Q18	%	9M19	9M18	%
Bricks and Mortar - Gross Rev SSS (%)	**(2,2%)**	**2,6%**		**(1,6%)**	**5,0%**	
Net GMV (y/y % growth)	**(17,3%)**	**13,6%**		**(10,5%)**	**8,6%**	
Net GMV	1.531	1.851	(17,3%)	4.804	5.370	(10,5%)
Net Marketplace GMV	463	259	79,0%	1.150	699	64,5%
Marketplace Penetration (% GMV)	30,2%	14,0%	1.626bps	23,9%	13,0%	1.092bps
Click'n Collect Penetration (% GMV)	27,2%	31,1%	(390bps)	27,2%	30,8%	(360bps)

*Click and Collect under the Billed GMV Criteria and eligible products.

Sales Performance

Net Sales - R$ million	3Q19	3Q18	%	9M19	9M18	%
Bricks and Mortar	5.477	5.526	(0,9%)	17.040	16.987	0,3%
Online	1.126	1.634	(31,1%)	3.829	4.812	(20,4%)
Wholesale*	5	79	(94,0%)	104	240	(56,7%)
Gross Revenue	**6.608**	**7.239**	**(8,7%)**	**20.973**	**22.039**	**(4,8%)**

(*) We closed the Wholesale unit in 3Q19

Brick-and-Mortar stores

Gross sales at brick-and-mortar stores was virtually stable in relation to 3Q18. “Same-store” sales in 3Q19 decreased 2.2%. We posted “same-store” growth in July and September, reversing the trend registered in August.

Online

Billed GMV amounted to R$1.5 billion in the quarter. The instability of tools in the Online channel (websites and apps) and the integration of Cnova impacted the channel’s performance in July (-20.7%) and August (-35.7%). However, in September (+7.8%), when we started tests in the platform after adjustments by the IT team, we noticed a clear improvement in e-commerce performance and growth since then, which gives us the confidence to carry out a successful Black Friday campaign.

Invoiced marketplace GMV grew 79% in the period, thanks to the strategy of continuous expansion in number of sellers and, consequently, wider offering of products.

Gross sales from the Online channel decreased 31.1% in 3Q19 compared to 3Q18. This is due to the process of integrating inventories and adjustments to the platform made between July and August, in addition to the higher marketplace penetration, which contributes to a change in the revenue mix, which explains the higher variation in sales than in GMV.

We also wish to remind that we closed the Wholesale unit in 3Q19.

Revenue Breakdown

R$ million	3Q19	3Q18	%	9M19	9M18	%
Merchandise	5.822	6.428	(9,4%)	18.521	19.465	(4,8%)
Freight and Assembly Services	103	99	4,0%	303	293	3,4%
Services	250	312	(19,9%)	866	997	(13,1%)
CDC/Credit Cards	433	400	8,3%	1.283	1.284	(0,1%)
Gross Revenue	**6.608**	**7.239**	**(8,7%)**	**20.973**	**22.039**	**(4,8%)**
Freight, Services, CDC/Credit Card and Assembly	786	811	(3,1%)	2.452	2.574	(4,7%)
% Total Gross Revenue	**11,9%**	**11,2%**	**69bps**	**11,7%**	**11,7%**	**1bps**

In 3Q19, sales of goods combined with lower penetration of financial services negatively affected the Company's total gross revenue.

Stable interest and inflation rates, higher consumer confidence and the Company's new strategy drove the growth in demand for credit in 3Q19. In this scenario, the Company intensified its efforts to expand Payment Book operations, whose share of sales and revenue grew 0.65 p.p. and 8.3% respectively, in the period.

Breakdown of sales by payment means:

Sales by means of payment	3Q19	3Q18	%	9M19	9M18	%
Cash/Debit Card	21,0%	24,0%	(299bps)	22,2%	24,3%	(204bps)
CDC (Payment Book)	11,2%	10,5%	65bps	11,6%	10,9%	70bps
Co-branded Credit Card	11,5%	11,1%	40bps	11,8%	11,6%	18bps
Third-party Credit Card	56,3%	54,4%	194bps	54,5%	53,3%	116bps

Gross Profit

R$ million	3Q19	3Q18	%	9M19	9M18	%
Gross Profit	1.664	1.924	(13,5%)	5.099	6.020	(15,3%)
Gross Margin	29,3%	30,2%	(96bps)	28,3%	31,0%	(275bps)
Adjustment	85	0	na	85	0	na
Operating Gross Profit	1.749	1.924	(9,1%)	5.184	6.020	(13,9%)
Operating Gross Margin	30,7%	30,2%	53bps	28,7%	31,0%	(228bps)

Operating gross margin ended 3Q19 at 30.7%, up 0.5p.p in relation to 3Q18 and up 2.7 p.p. from 2Q19 (28.0%), thanks to the winning strategy that we had already adopted at stores when the new management took over. If there was no inventory clearance sale held during the Brazil week, gross operating margin would have reached 33.7%. In this clearance sale, we successfully reduced slow-moving inventories.

Selling, General and Administrative Expenses

R$ million	3Q19	3Q18	%	9M19	9M18	%
SG&A	(1.549)	(1.553)	(0,3%)	(4.190)	(4.495)	(6,8%)
% Net Revenue	(27,2%)	(24,4%)	(284bps)	(23,2%)	(23,2%)	(6bps)

In 3Q19, selling, general and administrative expenses declined 0.3%. In 9M19, the decrease is 6.8%. This reduction is mainly a result of lower expenses with personnel and third-party services.

Adjusted EBITDA

EBITDA - R$ million	3Q19	3Q18	%	9M19	9M18	%
EBITDA	(176)	322	na	576	1.412	(59,2%)
EBITDA Margin	(3,1%)	5,1%	(815bps)	3,2%	7,3%	(408bps)
Other Operational (Expenses) Revenues	333	99	236,4%	482	256	88,3%
Adjusted EBITDA	**157**	**421**	**(62,7%)**	**1.058**	**1.668**	**(36,6%)**
Adjusted EBITDA Margin	**2,8%**	**6,6%**	**(385bps)**	**5,9%**	**8,6%**	**(273bps)**
Adjustment	85	0	na	85	0	na
Operating Adjusted EBITDA	242	421	(42,5%)	1.143	1.668	(31,5%)
Operating Adjusted EBITDA Margin	4,3%	6,6%	(236bps)	6,3%	8,6%	(226bps)

3Q18 aligned with the new parameter of other operating income (expenses) disclosed in 4Q18.

Operating adjusted EBITDA reached R$242 million in 3Q19, down 42.5% from 3Q18, while operating adjusted EBITDA margin stood at 4.3% in the period. The downturn was impacted by lower total revenue.

Financial Performance

Net Financial Results - R$ million	3Q19	3Q18	%	9M19	9M18	%
FinancialRevenues	**15**	**9**	**66,7%**	**46**	**33**	**39,4%**
Financial Expenses	**(286)**	**(278)**	**2,9%**	**(803)**	**(830)**	**(3,3%)**
Debt Financial Expenses	(36)	(21)	71,4%	(62)	(50)	24,0%
CDC Financial Expenses	(60)	(62)	(3,2%)	(179)	(199)	(10,1%)
Credit Card Receivables' Discounting Expenses	(94)	(102)	(7,8%)	(274)	(297)	(7,7%)
Interest on Leasing debts	(96)	(93)	3,2%	(288)	(284)	1,4%
Financial Results pre monetary	**(271)**	**(269)**	**0,7%**	**(757)**	**(797)**	**(5,0%)**
% Net Revenue	(4,8%)	(4,2%)	(54bps)	(4,2%)	(4,1%)	(9bps)
Others	31	(25)	na	(17)	(53)	(67,9%)
Net financial results	**(240)**	**(294)**	**(18,4%)**	**(774)**	**(850)**	**(8,9%)**
% Net Revenue	(4,2%)	(4,6%)	40bps	(4,3%)	(4,4%)	9bps
Adjustments	(47)	0	na	(47)	0	na
Operating Net financial results	**(287)**	**(294)**	**(2,4%)**	**(821)**	**(850)**	**(3,4%)**
% Net Revenue	(5,0%)	(4,6%)	(43bps)	(4,6%)	(4,4%)	(17bps)

In 3Q19, operating net financial result was R$287 million, up 2.4% from 3Q18, but equivalent to 5.0% of net revenue.

Net Income (Loss)

R$ million	3Q19	3Q18	%	9M19	9M18	%
EBT	(612)	(158)	287%	(797)	(2)	na
% Net Revenue	(10,8%)	(2,5%)	(828bps)	(4,4%)	(0,0%)	(441bps)
Taxes	229	75	205,3%	218	(3)	na
Net Earnings	**(383)**	**(83)**	**na**	**(579)**	**(5)**	**na**
Net Margin	**(6,7%)**	**(1,3%)**	**(543bps)**	**(3,2%)**	**(0,0%)**	**(318bps)**
Operating EBT	(402)	(158)	154%	(587)	(2)	na
% Net Revenue	(7,1%)	(2,5%)	(459bps)	(3,3%)	(0,0%)	(324bps)
Operating Taxes	158	75	110,1%	147	(3)	na
Operating Net Income (Loss)	**(244)**	**(83)**	**194,5%**	**(440)**	**(5)**	**na**
% Operating Net Revenue	**(4,3%)**	**(1,3%)**	**(299bps)**	**(2,4%)**	**(0,0%)**	**(242bps)**

The Company posted operating loss of R$244 million in 3Q19 vs. loss of R$83 million in 3Q18, impacted by lower total revenue in the period.

Financial Cycle

R$ million	09.30.2019	09.30.2018	(+/-)
(+/-) Inventory	**4.477**	**5.557**	**(1.080)**
Days of Inventory[1]	101	114	(13 dias)
(+/-) Suppliers[2]	**6.545**	**8.019**	**(1.474)**
Total Days of Suppliers[1]	147	164	(16 dias)
Working Capital Change	**2.068**	**2.462**	**(394)**

(1) Days of CoGS

(2) Suppliers +Suppliers ('Forfait')

We closed 3Q19 with a reduction in inventories and suppliers, with a R$394 million decline in the financial cycle. There was a significant reduction in inventories (R$1.1 billion vs. 3Q18 / R$0.5 billion vs, 2Q19) due to the Company's successful strategy of promoting slow turnover products during the Brazil week in September.

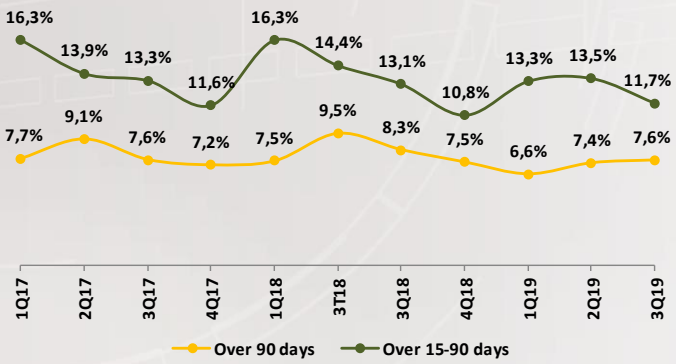
Debt

R$ million	09.30.2019	09.30.2018	(+/-)
Cash and Cash Equivalents	1.405	429	+976
On Balance Credit Card Receivables Not Discounted[1]	1.421	1.714	(293)
Financial Debt	(2.181)	(440)	(1.741)
Net Debt with CC Receivables not Discounted	**645**	**1.703**	**(1.058)**
LTM Adjusted EBITDA	1.333	2.191	
Net cash/LTM EBITDA	0,5x	0,8x	

(1) Credit Card Receivables Short Term and Long Term, 2018 Adjusted by IFRS 9

We ended the quarter with Adjusted Net Cash balance of R$645 million, including the unsold receivables portfolio of R$1,421 million. The decline in relation to 3Q18, despite the significant reduction in inventories, is mainly related to lower operating cash generation, chiefly impacted by sales and the lower average term for payments.

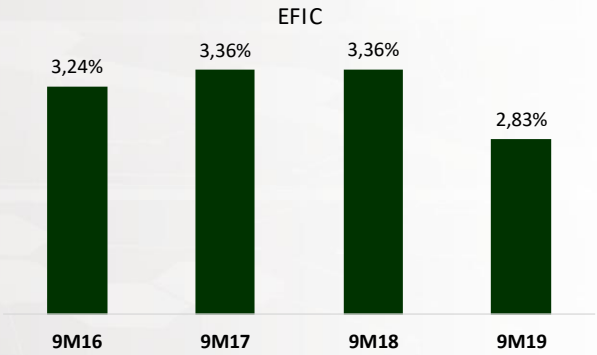
Payment book defaults: Overdue more than 90 days (%) and EFIC (%)



Payments overdue more than 90 days in our payment book portfolio reached the lowest level in 2 years for the period. We continue to invest in risk control processes and systems and in improving our customer experience.

EFIC, which is the percentage of regular payments portfolio to loss, is at the lowest level in the last four years for the period.

In 3Q19, approximately 90% of credit decisions were made through the automated system.



Investments

In 3Q19, Via Varejo's investments totaled R$116 million, which mainly went to opening new stores and technological upgrades, broken down as follows:

R$ million	3Q19	3Q18	%	9M19	9M18	%
Logistics	5	13	(59,9%)	21	27	(20,5%)
New Stores	25	37	(33,2%)	79	70	12,7%
Stores Renovation	12	26	(52,5%)	41	68	(39,5%)
IT	64	107	(40,1%)	156	266	(41,5%)
Others	10	8	23,8%	25	23	8,7%
Total	**116**	**191**	**(39,1%)**	**322**	**454**	**(29,0%)**

Store Activity by Format

Casas Bahia	30.06.2019	Opening	Closure	30.09.2019
Street	652	10	2	660
Shopping Malls	182	1	1	182
Kiosk	8	0	5	3
Consolidated (total)	**842**	**11**	**8**	**845**
Sales Area ('000 m2)	**941**	**5**	**4**	**943**
Total Area ('000 m2)	**1.293**	**9**	**5**	**1.296**

Pontofrio	30.06.2019	Opening	Closure	30.09.2019
Street	114	0	2	112
Shopping Malls	106	0	5	101
Kiosk	4	0	1	3
Consolidated (total)	**224**	**0**	**8**	**216**
Sales Area ('000 m2)	**138**	**0**	**3**	**135**
Total Area ('000 m2)	**184**	**0**	**5**	**179**

Consolidated	30.06.2019	Opening	Closure	30.09.2019
Street	766	10	4	772
Shopping Malls	288	1	6	283
Kiosk	12	0	6	6
Consolidated (total)	**1.066**	**11**	**16**	**1.061**
Sales Area ('000 m2)	**1.079**	**5**	**7**	**1.077**
Total Area ('000 m2)	**1.477**	**9**	**10**	**1.475**

IFRS 16 - 3Q19

IFRS 16	without IFRS 16		with IFRS 16	without IFRS 16		with IFRS 16
R$ million	**3Q19**	**Var.**	**3Q19**	**3Q18**	**Var.**	**3Q18**
Net Sales	5.688		5.688	6.367		6.367
Cost of Goods Sold	**(3.999)**	**5**	**(3.994)**	**(4.453)**	**51**	**(4.402)**
Depreciation (Logistic)	**(16)**	**(14)**	**(30)**	**(17)**	**(24)**	**(41)**
Gross Profit	1.673	(9)	1.664	1.897	27	1.924
SG&A	**(1.687)**	**138**	**(1.549)**	**(1.683)**	**130**	**(1.553)**
Equity Income	12		12	9		9
Other Operating Income (Expenses)	**(335)**	**2**	**(333)**	**(109)**	**10**	**(99)**
Depreciation and Amortization	**(71)**	**(95)**	**(166)**	**(61)**	**(84)**	**(145)**
Net Financial Income (Expense)	**(145)**	**(95)**	**(240)**	**(204)**	**(90)**	**(294)**
Income Tax	**209**	**20**	**229**	**72**	**3**	**75**
Net Income (loss)	(344)	(39)	(383)	(79)	(4)	(83)
EBITDA	**(321)**	**145**	**(176)**	**131**	**191**	**322**
Adjusted EBITDA	**14**	**143**	**157**	**240**	**181**	**421**

IFRS 16 – 9M19

IFRS 16	without IFRS 16		with IFRS 16	without IFRS 16		with IFRS 16
R$ million	**9M19**	**Var.**	**9M19**	**9M18**	**Var.**	**9M18**
Net Sales	18.042		18.042	19.409		19.409
Cost of Goods Sold	**(12.934)**	**108**	**(12.826)**	**(13.420)**	**153**	**(13.267)**
Depreciation (Logistic)	**(49)**	**(68)**	**(117)**	**(50)**	**(72)**	**(122)**
Gross Profit	5.059	40	5.099	5.939	81	6.020
SG&A	**(4.627)**	**437**	**(4.190)**	**(4.881)**	**386**	**(4.495)**
Equity Income	32		32	21		21
Other Operating Income (Expenses)	**(504)**	**22**	**(482)**	**(281)**	**25**	**(256)**
Depreciation and Amortization	**(207)**	**(275)**	**(482)**	**(199)**	**(243)**	**(442)**
Net Financial Income (Expense)	**(493)**	**(281)**	**(774)**	**(575)**	**(275)**	**(850)**
Income Tax	**199**	**19**	**218**	**(12)**	**9**	**(3)**
Net Income (loss)	(541)	(38)	(579)	12	(17)	(5)
EBITDA	**9**	**567**	**576**	**848**	**564**	**1.412**
Adjusted EBITDA	**513**	**545**	**1.058**	**1.129**	**539**	**1.668**

Accounting Information

Audited Income Statement

R$ million	3Q19	3Q18	Δ	9M19	9M18	Δ
Gross Sales	**6.608**	**7.239**	**(8,7%)**	**20.973**	**22.039**	**(4,8%)**
Net Sales	**5.688**	**6.367**	**(10,7%)**	**18.042**	**19.409**	**(7,0%)**
Cost of Goods Sold	**(3.994)**	**(4.402)**	**(9,3%)**	**(12.826)**	**(13.267)**	**(3,3%)**
Depreciation (Logistic)	(30)	(41)	(26,8%)	(117)	(122)	(4,1%)
Gross Profit	**1.664**	**1.924**	**(13,5%)**	**5.099**	**6.020**	**(15,3%)**
Selling Expenses	(1.346)	(1.301)	3,5%	(3.647)	(3.764)	(3,1%)
General and Administrative Expenses	(203)	(252)	(19,4%)	(543)	(731)	(25,7%)
Equity Income	12	9	33,3%	32	21	52,4%
Other Operating Income (Expenses)	(333)	(99)	236,4%	(482)	(256)	88,3%
Total Operating Expenses	**(1.870)**	**(1.643)**	**13,8%**	**(4.640)**	**(4.730)**	**(1,9%)**
Depreciation and Amortization	(166)	(145)	14,5%	(482)	(442)	9,0%
Earnings before Interest and Taxes - EBIT	**(372)**	**136**	**na**	**(23)**	**848**	**na**
Financial Revenue	83	40	107,5%	135	103	31,1%
Financial Expenses	(323)	(334)	(3,3%)	(909)	(953)	(4,6%)
Net Financial Income (Expense)	**(240)**	**(294)**	**(18,4%)**	**(774)**	**(850)**	**(8,9%)**
Earnings before Income Tax	**(612)**	**(158)**	**na**	**(797)**	**(2)**	**na**
Income Tax	229	75	205,3%	218	(3)	na
Net Income (loss)	**(383)**	**(83)**	**na**	**(579)**	**(5)**	**na**

Earnings before Interest and Taxes - EBIT	**(372)**	**136**	**na**	**(23)**	**848**	**na**
Depreciation (Logistic)	30	41	(26,8%)	117	122	(4,1%)
Depreciation and Amortization	166	145	14,5%	482	442	9,0%
Earnings before Interest, Taxes, Depreciation, Amortization-EBITDA[1]	**(176)**	**322**	**na**	**576**	**1.412**	**(59,2%)**
Other Operating Income (Expenses)	333	99	236,4%	482	256	88,3%
Adjusted EBITDA	**157**	**421**	**(62,7%)**	**1.058**	**1.668**	**(36,6%)**

% of Net Sales Revenue	3Q19	3Q18	Δ	9M19	9M18	Δ
Gross Profit	**29,3%**	**30,2%**	**(0,9 p.p.)**	**28,3%**	**31,0%**	**(2,7 p.p.)**
Selling Expenses	(23,7%)	(20,4%)	**(3,3 p.p.)**	(20,2%)	(19,4%)	**(0,8 p.p.)**
General and Administrative Expenses	(3,6%)	(4,0%)	**0,4 p.p.**	(3,0%)	(3,8%)	**0,8 p.p.**
Equity Income	0,2%	0,1%	**0,1 p.p.**	0,2%	0,1%	**0,1 p.p.**
Other Operating Income (Expenses)	(5,9%)	(1,6%)	**(4,3 p.p.)**	(2,7%)	(1,3%)	**(1,4 p.p.)**
Total Operating Expenses	**(32,9%)**	**(25,8%)**	**(7,1 p.p.)**	**(25,7%)**	**(24,4%)**	**(1,3 p.p.)**
Depreciation and Amortization	(2,9%)	(2,3%)	**(0,6 p.p.)**	(2,7%)	(2,3%)	**(0,4 p.p.)**
Earnings before Interest and Taxes - EBIT	**(6,5%)**	**2,1%**	**(8,6 p.p.)**	**(0,1%)**	**4,4%**	**(4,5 p.p.)**
Net Financial Income (Expense)	**(4,2%)**	**(4,6%)**	**0,4 p.p.**	**(4,3%)**	**(4,4%)**	**0,1 p.p.**
Earnings before Income Tax	**(10,8%)**	**(2,5%)**	**(8,3 p.p.)**	**(4,4%)**	**(0,0%)**	**(4,4 p.p.)**
Income Tax	4,0%	1,2%	**2,8 p.p.**	1,2%	(0,0%)	**1,2 p.p.**
Net Income (loss)	**(6,7%)**	**(1,3%)**	**(5,4 p.p.)**	**(3,2%)**	**(0,0%)**	**(3,2 p.p.)**
EBITDA	**(3,1%)**	**5,1%**	**(8,2 p.p.)**	**3,2%**	**7,3%**	**(4,1 p.p.)**
Adjusted EBITDA	**2,8%**	**6,6%**	**(3,8 p.p.)**	**5,9%**	**8,6%**	**(2,7 p.p.)**

([1]) EBITDA, Ajdusted EBITDA and EBIT are not revised by External Audit.

Balance Sheet

Assets

R$ million	09.30.2019	09.30.2018
Current Assets	**10.770**	**10.747**
Cash and Cash Equivalents	1.405	429
Accounts Receivables	3.434	3.798
Credit Card	1.387	1.696
Payment Book	2.092	2.077
Others	233	256
Accounts Receivables B2B	187	279
Allowance for doubtful accounts	(465)	(510)
Inventories	4.477	5.557
Recoverable Taxes	1.104	681
Related Parties	89	145
Expenses in Advance	110	57
Financial Instruments - fair value hedge	7	10
Other Assets	144	70
Noncurrent Assets	**11.038**	**10.793**
Long-Term Assets	**5.187**	**5.142**
Accounts Receivables	261	173
Credit Card	34	18
Payment Book	273	188
Allowance for doubtful accounts	(46)	(33)
Recoverable Taxes	2.769	2.893
Deferred Taxes	1.083	756
Related Parties	93	336
Financial Instruments	41	5
Judicial Deposits	856	960
Other Assets	84	19
Investments	**135**	**101**
Right of Use Asset	**3.014**	**2.831**
Property and Equipment	**1.368**	**1.415**
Intangible Assets	**1.334**	**1.304**
TOTAL ASSETS	**21.808**	**21.540**

Liabilities and Shareholders' Equity

R$ million	09.30.2019	09.30.2018
Current Liabilities	**14.746**	**14.119**
Suppliers	5.539	7.825
Suppliers ('Forfait')	1.006	194
Loans and Financing	2.178	313
Payment Book (CDCI)	3.051	3.005
Fiscal Obligations	136	103
Taxes and Social Contribution Payable	426	477
Defered revenues	405	432
Related Parties	86	81
Onlending of third parties	510	546
Leasing debts	863	818
Other Debts	546	325
Long-Term Liabilities	**5.588**	**5.101**
Loans and Financing	3	127
Payment Book (CDCI)	371	285
Defered Revenue	1.348	839
Provision for lawsuits	802	954
Tax Obligations	25	37
Leasing debts	3.014	2.845
Deferred Income Tax	6	6
Other Liabilities	19	8
Shareholders' Equity	**1.474**	**2.320**

Audited Cash Flow (R$ million)

R$ million	09.30.2019	09.30.2018
Net Income (loss)	(579)	(5)
Adjustment:		
Depreciation and Amortization	611	565
Equity Income	(32)	(21)
Deferred Income Tax and Social Contribution	(219)	(9)
Interest and Exchange Variation	488	557
Provision for lawsuits	468	469
Allowance for doubtful accounts	452	451
Gain (loss) with fixed and intangible assets	193	51
Provision for Obsolescence and Retail Loss	178	61
Deferred Revenue	(255)	(206)
Write-off of right of use and lease liability	12	(6)
Tax recovery in the period	(108)	-
Share-based Payments	(2)	6
Others	(2)	1
	1.205	**1.914**
Asset (Increase) Decreases		
Accounts Receivable	(121)	(461)
Inventories	118	(1.239)
Taxes to Recover	21	(578)
Related Parties	(56)	(65)
Judicial Deposits	131	12
Expenses in Advance	(77)	17
Other Assets	(3)	33
	13	**(2.281)**
Liabilities Increase (Decreases)		
Suppliers	(2.543)	(191)
Fiscal Obligations	(27)	-
Payroll and Charges	(107)	(123)
Onlending of third parties	(30)	(64)
Deferred Revenue	-	100
Lawsuits	(657)	(676)
Other debts	(164)	(33)
	(3.528)	**(987)**
Asset and Liabilities - Others (Increase) Decreases		
Dividends Received from subsidiaries	5	-
Income Tax Paid	(5)	(156)
	-	**(156)**
Net Cash (used) in Operating Activities	**(2.310)**	**(1.510)**
Cash Flow from Investment Activities		
Acquisition of fixed and intangible assets	(350)	(407)
Sale of Property and Equipment	1	27
Financial Instruments	(40)	-
Net Cash (used) in Operating Activities	**(389)**	**(380)**
Cash Flow from Financing Activities		
Proceeds from borrowings	5.559	3.992
Repayments of borrowings	(4.318)	(4.373)
Payments of Interest	(202)	(260)
Payments of Dividend	-	(15)
Payments of Dividend	(362)	(303)
Payments of Dividend	(287)	(284)
Capital Increase	3	3
Net Cash (used in) Financing Activities	**393**	**(1.240)**
Cash and Cash equivalents at the Beginning of the Period	3.711	3.559
Cash and Cash equivalents at the End of the Period	1.405	429
Change in Cash and Cash Equivalents	**(2.306)**	**(3.130)**

EARNINGS CONFERENCE CALL AND WEBCAST:

November 14, 2019

2 p.m. (Brazil) / 12 p.m. (New York) / 5 p.m. (London)

Portuguese / English (simultaneous translation):

+55 (11) 2188-0155 / +1 (646) 843-6054

Webcast: http://ri.viavarejo.com.br

Replay: +55 (11) 2188-0400 - Code: Via Varejo

Glossary:

Click&Collect (Retira Rápido): Products purchased Online and which can be picked by customers at our stores or at partner stores.

GMV (Gross Merchandise Value): Amount transacted in Brazilian real on our website, including the Marketplace (third-party products).

Marketplace: Products of partners ("sellers") offered for sale on our websites.

Same-Store Sales: Revenue from stores operating for more than 12 months.

Via Única/CRM "Single Path": Project involving a single database (Brick-and-Mortar Stores, Online and Payment Book), segmented according to the profiles of our over 60 million customers.

Via+: Web-based sales system that unifies all the tools we developed in recent months (compensation model, Via Única/CRM and the Online channel catalog).


viavarejo