Cnova N.V.

First Quarter Fiscal Year 2016 Financial Results Conference Call

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Edward Hill-Wood, *Morgan Stanley*

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Ross Sandler, *Deutsche Bank*

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Stephen Ju, *Credit Suisse*

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PRESENTATION

Operator:

Greeting, and welcome to Cnova First Quarter 2016 Financial Results. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please push star, zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Mr. Chris Welton, IRO. Thank you. You may begin.

Christopher Welton:

Thank you. Good day to everybody. Welcome to Cnova's first quarter 2016 financial results conference call. My name is Chris Welton and I will be your host on today's call. Joining me are Emmanuel Grenier, our Group CEO; Vitor Fagá, Group CFO; and Stéphane Brunel, CFO at Cdiscount.

The presentation slides that go with this call can be viewed at and downloaded from our website. This call is also being audio webcast, and a replay will be available on our website about an hour after the conclusion of the call. The agenda for today's call is to go through the slides, highlighting key points, but reserving most of the time for the Q&A afterwards.

So, on Slide 2, we have our forward-looking statement disclaimer. I emphasize that this applies to the entire presentation and the related documentation and very strongly encourage everyone to fully read the disclaimer now.

On Slide 3, we have an additional disclaimer in relation to the internal review that is ongoing in Brazil. As that review is still in progress, we cannot assure that the figures related to 2015 that are presented here may not change. We have prepared them based on our best knowledge to date and to help you make comparisons with the first quarter of 2016.

Stéphane will provide an update of where the review stands a little later on. But first let's turn to our CEO, Emmanuel Grenier who would like to provide you with some opening comments. Emmanuel?

Emmanuel Grenier:

Thank you Chris and good day to everybody. Before we go over first quarter 2016 results, I would like to give you an overall view of how things are going at Cnova. We have several piece of good news to tell you, both in France and in Brazil.

So, starting with France as we say in French "tout va bien", that is things that are going well. One, GMV is up, net sales are up, and EBIT is up. Two, we continue to gain market share in the quarter and that follows market share gains that we have made in the fourth quarter of last year. This is good for volume. Three, our marketplaces continue to grow and this is good for margin. Our fulfillment offer is effective and we are the only player who offers fulfillment services to its vendors for heavy items, furniture, and large home appliances. Four, on the mobile front, we are rolling out React Native technology, our unified mobile website and mobile app platform. And five, the number of subscribers to the customer loyalty program, Cdiscount à Volonté, was up 160%. So, our clients love us and they are increasing their repeat business figures.

Now, turning to Brazil, we are making progress with our reset. First, the delivery delay problem has been sorted. Second, the out-of-stock percentage is moving steadily down and will be at a more acceptable level in Q2. Third, we have been able to capture a 40% gain in productivity in our logistic processing in the first quarter of 2016. Fourth, our SEO expertise, as you know is best in class in France. So, we are transferring that know-how to Cnova Brazil so that we can increase its level of free traffic, and finally we are working on synergies with Via Varejo. So, as you can see, things are going well in France and now improving in Brazil.

So, with that, I turn the floor back to Chris who will take you through the quarter's results.

Christopher Welton:

Thank you Emmanuel. Today we have separated our presentation into four sections. First, we'll go over the key indicators for the quarter and then Vitor and I will go over in more detail the financial performance of the Group. After that Stéphane will give a brief update on the internal review in Brazil and finally Emmanuel will come back and provide some closing comments on current trends in France and Brazil.

So, on this first slide, what I like here is that we have the first two columns that provide a very good overview of how things went in the quarter. We can see for example that GMV at the Group level was 1.1 billion Euros while the marketplace share of GMV went from 16.7% in the first quarter of 2015 to 24.2% in the first quarter of 2016. Continuing down, total net sales were 742 million Euros with marketplace commissions growing by 63% year-on-year. Gross margin was up a 140 basis points to 12.6% with improvement coming both in France and Brazil. Finally, free cash flow of minus 181 million Euros mostly due to the tough Brazilian context. Working capital was stable and, in line with our asset-light business model, capex was 63 million Euros or less than 2% of net sales.

Now, let's look at little bit more in depth at GMV. We can see that in France we were up 18%, while from an operational standpoint we were down more than 10% in Brazil. The FX impact was substantially negative. It is worth pointing out that our marketplace sellers have grown to 11.5 thousand while our overall product offering has doubled to 32 million items.

On the next slide our marketplaces are the source of good news across the board. The number of sellers is up 44%, product offerings have doubled as I mentioned earlier, share of GMV is up. This is all having a positive impact on gross margins as our commissions have grown by 59% in France and more than a 140% in Brazil. Additionally the number of foreign sellers is starting to become significant as well and our fulfillment service is ramping nicely.

On this next slide, we can see that traffic is more than 16% year-on-year, up more than 16% year-on-year, while we have grown our active customer base to nearly 15 million. Our customer loyalty programs, as Emmanuel mentioned earlier, are driving both traffic and sales growth. As Emmanuel also mentioned, our customer loyalty program in France, Cdiscount à Volonté, has seen a 160% increase in subscribers since the last year, and our SEO expertise places us in front in France as well.

Very quickly on the next slide, here we can see clearly that France is doing quite well, while Brazil needs to improve. Placed orders for customer were up 7% in France, while the number of items sold was up 20%. At Cnova Brazil, these were down 8% and 17% respectively.

Then on this slide-–the following slide, Slide 11, it gives us a broader view as well as a little more detail on the first quarter P&L and cash flow. Now, we're going to look at these in a little bit more detail on each of the following slides starting with the next slide on net sales.

Here we see that net sales from operations were up strongly at Cdiscount, plus 15.3%. Our market share grew both in January and February. Brazil is having a tougher go of it. The macro and the lagging effect of the correcting operational inefficiencies led to a 20% decline in net sales. On top of that our headwinds induced from the weakness of the Real versus the Euro as well the sales tax increase known as ICMS, introduced at the beginning of 2016 which has not been passed on to our customers.

Turning to gross margin, so here is some good news as well. Increases across the board; we hit 12.6% at the Group, 14% at Cdiscount France, and despite all the issues facing us in Brazil, we were able to improve the margin to 10.2%. As Emmanuel mentioned, the marketplace is helping both in France and Brazil. The new installment payment plan and increased shipping revenue also contributed.

If we look closely at SG&A, it's a bit more of a mixed picture. We have good progress at Cdiscounts as cost control measures taken there are bearing fruit. Brazil on the other hand took tax and loss provisions, increased its marketing expenses to try and turn the tide in terms of net sales progression, and the development of the new ERP soon to be rolled out was also felt. If we look at operating EBIT, it was minus 31 million and most of that came from Brazil, Cdiscount France was in positive territory, I would remind you, for the second quarter in a row.

Now Vitor will take us through financial expense and cash flow.

Vitor Fagá:

Thank you, Chris. So, in the next slide, Slide Number 16, we can see that due to the higher interest rates and negative free cash flow in Brazil and also the renegotiated factoring contract in contract in France, our financial expenses climbed from 13.4 million Euros in 1Q '15 to 22.4 million Euros in first Q '16.

In the next slide, Slide Number 17, we see a negative free cash flow mainly as a consequence of the negative net results and the capex of the period. Capex represented 63 million Euros or around 2% of net sales which are in line with our asset-light business model.

Now, I am going to turn the floor over to Stéphane who will give an update on the progress to date of internal review that's going on in Brazil.

Stéphane Brunel:

Thank you Vitor. I would also like to point out three things that we mentioned in the press release on this subject issued this morning. I would encourage our listeners to refer to that. First, we revised upwards the estimated adjustments that we booked in the fourth quarter of last year. You may remember that we had provisioned 177 million Reals. We have now increased that to 219 million due to two accounting errors related to under-estimated freight costs and products in transit. This will be apportioned to 2015 and prior years. We have made an estimate of what the impact could be in the first quarter of 2015 and that's reflected in the numbers we are reporting today. I would remind you that this is a preliminary estimate and could change as the internal review in Brazil progresses.

Second, the review team has come across evidence that suggests that intangible assets have been improperly accounted for. They are also looking into whether some operational cost was deferred when they should not have been. At this stage, it is too early to know if these will lead to further provisions and if so what the estimated range of those could be. We will update the market when we have more information.

Finally, given that the review is lasting longer than expected, we currently do not anticipate being able to provide restated 2015 financial statements and the 20-F sooner than June of 2016.

Now, I will turn over the call to Emmanuel who will finish the presentation and then we'll take your questions.

Emmanuel Grenier:

Thank you Stéphane. I am going to outline over the next two slides what our priorities are for 2016. Starting with Cdiscount France, we are concentrating on four value added initiatives. First, improve delivery services via our unique heavy items same-day delivery service and continue to promote Cdiscount à Volonté which is improving our repeat business. Two, we are the market leader in home furnishings and we are committed to increase or lead via expansion of the product offering and through more same-day delivery. Three, as far as our marketplaces are concerned, we are targeting a 40% share of GMV by the end of the year. We are offering more services to enhance profitability even more via fulfillment service with a special focus on heavy item delivery. Four, we are improving our mobile site and app by moving all of these to a single platform basically now as we speak.

Now turning to Brazil. We are making good progress on sorting out the internal issues. Our number one priority is to restore operational excellence. One, our delivery problems are a thing of the past. Two, the out-of-stock situation is greatly improved but we still have more to do there. Three, we are focusing on increasing the SEO portion of our traffic. Four, marketplace expansion is focusing on recruiting new vendors and improving quality control. And finally, we are reducing the cost of operating our DCs.

So, to conclude, Cdiscount is doing very well and is getting even better. Cnova Brazil is in operational reset mode and is getting better, and we are making progress on our strategic initiatives. The marketplace is expanding at a fast rate and we are proving a better mobile experience for our customers.

Thank you. We are now ready to turn to the Q&A. Operator, may I have the first question please?

Operator:

Thank you. Ladies and gentlemen, we will now be conducting our question-and-answer session. If you would like to ask a question, please push star, one on your telephone keypad now. A confirmation tone will indicate your line is in the question queue. You may push star, two if you would like to remove your question from the queue. For any participant using speaker equipment, it may be necessary to pick up your handset before pushing the star key. One moment while we poll for questions.

Our first question comes from the line of Ross Sandler from Deutsche Bank. Please go ahead.

Ross Sandler:

Hey, guys. Just couple of questions on the Brazil side. I know it is still work in progress, but do you have any goals in mind as far as operating profit for 2016 or when that starts to stabilize a bit? And then the same thing for overall Company cash flow, any goals for cash flow for 2016 would be helpful. That's it, thanks.

Stéphane Brunel:

Thanks, Ross. I'm going to take your first question around Cnova Brazil. So, we said in the last conference call that our internal target is to reach close to zero EBITDA on the full year basis, which means basically close to minus 15 million Euros EBIT on a full year basis. Obviously, it remains our internal objective, it has become more ambitious, but we believe that we can reach breakeven in the last nine months of the year. With respect to 1Q '16 in our last results call, we told you that we expected 1Q '16 gross margin to be close to 1Q '15 gross margin level, which is actually the case. And Vitor takes the question on cash flow.

Vitor Fagá:

Yes. Ross, what we can say about the cash flow is that we still—it's important to highlight that the Company's still with a positive working capital equation which allow us to grow generating cash, okay, and second, we are following the asset-light model. So, as you could see the capex of the last 12 months were around 2% of sales. So, this can give you a view as well on the perspective that we have in terms of cash flow generation.

Operator:

Thank you. Our next question comes from the line of Edward Hill-Wood from Morgan Stanley. Please go ahead.

Edward Hill-Wood:

Hi, good afternoon, everyone. I've got a couple of questions too please. Firstly, just looking at some of the issues around the reset or in Brazil on delivery, supply, etc., could you potentially talk to when you expect to see or some evidence of that actually coming through in terms of what you're seeing the end of Q2 . Is there some metrics which provide you particular encouragement or do you think we will see that in Q2, in terms of either top line or possibly on the profitability?

Secondly, there's been a reasonable degree of talk about potentially splitting the group up into two units, possibly separating France, Brazil together apart. I was wondering if you could comment on whether or not there is any sort of major legal or barriers to that type of consideration.

And thirdly, you mentioned earlier that you are working to create synergies with Via Varejo. I was wondering if you could just maybe elaborate on that a little bit in terms of specifics of what you're doing differently in 2016. Thank you.

Emmanuel Grenier:

Yes. Emmanuel speaking, I am going to inform you three questions. About the resets, the first priority was to deliver on time and now we are delivering on time. It was quick. It took one month, but the delivery time of between four and five days to the customer, but this is behind us. In terms of out-of-stock, we were—the level of out-of-stock was above 30%. We are now below 20%. So, we made a lot of progress and it should be even better at the end of Q2. Third thing about SEO and free traffic, our SEO is increasing 40% compared to last year Q1. So, these are very concrete figures to tell you that it is going better in Brazil. Now, we should see the impact on Brazil during the second half of the year because we still have a lot to do, as you can imagine, on all these topics.

About the rumor, there are always rumors on the market. Now, there are always a lot of rumors and we don't comment on it, so that is going to be my answer. And about Via Varejo yes, we are increasing the synergies with them and we are doing what we said in the past. It means that one of the main synergies was in logistics and transport with rationalization of logistics all over Brazil. We are now sharing four DCs, and we will share eight by the end of the year. So, as we are sharing DCs, warehousing costs are going down and because as well we are sharing DCs and we are sharing transport from these DCs to the customer. Transport costs are going down as well.

Edward Hill-Wood:

That's great. If I maybe just follow up on that first question just on Brazil again. So, do you think there is any evidence that we are at the bottom in Brazil in terms of run rate on GMV or revenue growth, or would we still expect to see potentially another sort of leg down before it gets better in the second half? Thank you.

Emmanuel Grenier:

What I can tell you is that what we can control we are at the bottom, one and half months ago. It's now improving. Now there is the macro we cannot control. The macro is still challenging. So, I can speak about what I know and what I have action on, and it is difficult for me to speak about the macro and how it's going to look like in six months.

Edward Hill-Wood:

Okay, thank you very much.

Operator:

Thank you. Our next question comes from the line of Richard Cathcart from HSBC. Please go ahead.

Richard Cathcart:

Hi guys, good morning. Just the first question on Brazil. It looks as if the gross margin of the direct sales, excluding marketplace—the gross margin, the direct sales fell around 50 basis points. Can you just talk us through what's going on there? Is there still kind of a very competitive market, you haven't seen more promotions continue to reduce prices? And then the second question, just kind of more broadly, you're expecting France to get to 40% marketplace by the end of the year and you also mentioned getting to kind of breakeven at the EBITDA level. So, given that you are already at 40% marketplace participation in France, which is a high number, what is kind of—what are the prospects of actually getting that EBITDA much, much higher over the next couple of years? Thanks.

Stéphane Brunel:

Okay, thanks Richard and I will take the two questions. First, I think that you know we would like to underline that with respect to Brazilian gross margin, as you know we have been busting quarters over quarters of negative trends in terms of change in gross margins, one quarter versus the previous year's single quarter, and for the first time it is not the case, gross margin is up. So, we think that it's a good sign and we no longer hide internal problems through heavy coupons or promotions, and gross margins now I think are much more under control.

Second, I think that maybe then I haven't been clear. You are referring to the 40% share of marketplace as a percentage of GMV on one hand and referring to zero EBITDA for Brazil, and I think that yes, it is our objective to reach in the coming quarters the 40% threshold for marketplace as a percentage of GMV in France, probably in the early months of 2017 or sometime in 2017. With respect to—but France as you know is already in clear positive territory in terms of EBITDA. It was last year and it will be even more this year. Our objective of being close to zero EBITDA level is related to Brazil and to the full year of 2016, Brazil. It's an internal objective. We are convinced it's ambitious but it's doable at the same time. Does it answer your question?

Richard Cathcart:

Yes, sorry. I mixed up the comments before about zero EBITDA. So, I mean, is there any guidance you can give us about EBITDA in France at the end of-–till the end of 2016, given that you have this target of 40% marketplace?

Stéphane Brunel:

We don't—I think that we confirm our guidance that we shared with you on the last call which is an improvement in the French EBIT in 2016 versus 2015. We think that the first quarter shows and demonstrates that we are on this path and we don't give more specific EBITDA guidance.

Richard Cathcart:

Okay, thanks very much.

Operator:

Thank you. Our next question comes from the line of Irma Sgarz from Goldman Sachs. Please go ahead.

Irma Sgarz:

Yes, hi, good afternoon. Thanks for taking my question. Regarding Brazil, I was just trying to understand a little bit more when you say that you're confident or that you believe that for the rest of year you can get to breakeven on the EBITDA line. I was just trying to understand a little bit more that given that you are running at a 20% of sales SG&A level, and I understand that obviously to the extent that sales, as they improve going forward then there could be a higher degree of dilution. But when, I look at the gross margin at about 10% and then SG&A cost of at about 20%, it looks like you're still quite a way away from getting to breakeven. So, I was trying to understand when we think about this trajectory towards breakeven, how should we think, is this an equal effort from both gross margin and bringing down SG&A, or is the burden going to be–-the onus going to be more on the SG&A? And maybe to that question, if you could just split out to us when you look at the SG&A expenses for the first quarter, how much of that do you consider really recurring and how much of that was more really related to one off fixes that you needed to put in place to address the operational issues? So, that's the first question, and then the second question I was just—so you note, you went from net cash to effectively net debt. So, I was just curious how you would have us think about funding structure going forward?

Stéphane Brunel:

Okay, thanks. So, with respect to your first question, I think that obviously in order to be as close as possible to our internal objective, we need to make progress on three levels. The first one obviously is the net sales performance. As you know Q4 is a very important quarter, second half and especially Q4 is a very important quarter in Brazil because of Black Friday and Christmas. And, as you know, the fourth quarter for instance is probably close to 40% bigger than the second quarter in terms of what is at stake. So, the first level is of course, we expect improvement in net sales and change starting in the second half as Emmanuel mentioned before.

Second, what we said in our previous conference call remains true. We think that one key lever will be to improve gross margin in Brazil, which was not satisfactory last year because of use of promotions and coupons which were, we think and we believe hiding from a customers' perspective, internal deficiencies.

Third, it's true that from a SG&A perspective, we have two effects in the first quarter; first, we spent slightly more in absolute terms to fix the issues in terms of customer relationships, out-of-product stock, and so and so forth. And second, since you measure it as a percentage of net sales of course we are impacted by the decline of net sales. So, going forward we think that we don't need to have this extra, extra spend to fix the issues and will benefit from a little bit more wind on the commercial perspective. So, these are the three levers to reach our internal target.

Vitor Fagá:

Irma, regarding to your second question, it is important to emphasize in the beginning that from the fourth quarter to the first quarter there is a strong seasonality affect. As you probably follow, there is a strong seasonality in the fourth quarter, a positive seasonality and a negative seasonality in the first quarter in terms of cash flow, cash flow generation. So, usually the first quarter is the weaker or one of the weakest quarters in terms of cash flow generation, while the fourth quarter is very positive. But, this is the first thing to address your question. The second thing is we are still working with positive working capital equation and we expect to keep that. As well as the asset-light model, with a level of capex that are around 2% of sales. So, considering all these elements, it is important to emphasize that we expect to have positive free cash flow in France during 2016, and in Brazil as we discussed in the previous questions, ultimately the level of cash flow will depend on the results of the initiatives that we are implementing right now.

Irma Sgarz:

Thanks Vitor, and the level of gross receivable base in your Brazilian business because obviously the working capital equation hugely depends on the level of discounting that you do and the cost that is associated with that obviously comes through your financial expenses. So, I think that it needs to be taken into account when you talk about positive working capital equation. So, if you could just shed some light on if we set for the reversing basically the receivables discounting, what would your working capital specifically in Brazil has looked like?

Stéphane Brunel:

Yes, for sure you are right. I mean the level of discounted receivables is also an important component. On that sense what is important to mention to you is that we have been able to gradually reduce the level of discounted receivables especially by reducing the average number of installments. We are working right now with a level of installments that is lower than the previous—the same period of last year and is around very close to seven installments on average. So, this is also an important component of the equation as you mentioned and we are keeping this level of around seven installments.

Irma Sgarz:

Okay, that helps thank you.

Operator:

Thank you our next question comes from the line of Steven Ju from Credit Suisse. Please go ahead.

Stephen Ju:

Hi, I was wondering if you can give us some clarification, so if we are doing our math correctly, it seems like your marketplace's revenue is increasing at a faster clip versus your marketplace at GMV, looks like. So, I was wondering what might be happening with your commission rates or your take rates there that might be generating the discrepancy? Thanks.

Stéphane Brunel:

Yes, Stephen you are perfectly right. Our marketplace commission grows at a faster rate than our marketplace GMV. For instance in France last year, we increased commission twice, first time in March, second time in September. And, we think that generally speaking we keep—we still have room for further improvement in terms of overall profitability, and that's the same thing in Brazil. So, you are right, commission rates or profitability generally speaking is increasing which explains why commissions grow at a faster rate than marketplace GMV.

Stephen Ju:

Okay, so this was an explicit hike to your commission rate. I think historically you guys have been at around 11% or so. Where are you now and where do you think you are versus some of your competitors?

Stéphane Brunel:

So, we are in France and in Brazil we are around 13% in both countries, and we think that basically we have room for further profitability, not only in commission rates but in offering of our services to vendors, and in terms of ads, visibility or other services in order to further enhance marketplace commissions.

Stephen Ju:

Thank you.

Operator:

Thank you. Our next question comes from the line of Philipp Duffner from Aurelius. Please go ahead.

Philipp Duffner:

Hi, could you please explain what led to the large cash outflow related to trade payables in Q1? In particular why was it so much higher than the year before?

Vitor Fagá:

Yes, this is very related to the seasonality in which we have in the Q1 lower level of sales. As you can see, the evolution in the first Q of the years are negative comparing to the fourth quarter of the previous year. This explains the majority of this effect.

Operator:

Thank you. Ladies and gentlemen, as reminder, if you would like to ask a question, please push star, one on your telephone keypad now.

Our next question comes from the line of Richard Cathcart from HSBC. Please go ahead with your follow up.

Richard Cathcart:

Hi, thanks very much. Just a couple of follow ups. One, just following up from Irma's question about greater margin in Brazil. I said in the initial question that I thought the gross margin of the direct sales had fallen in Brazil. Can you just let me know if that's correct or if I'm looking at that in the wrong way? Then the second thing, can you just kind of go into a bit more detail about the couponing that happened last year? I mean did that build quiet aggressively through the year or was it more in the first quarter, and just kind of how you're managing to kind of walk a fine line between bringing—taking out those coupons and managing to maintain a certain level of sales growth? Then just the final thing picking up on Vitor's point about reducing the number of installments to an average of seven, is that having a negative impact on your sales growth, do you think, and is there any kind of potential for through the rest of the year and after then go back up in order to try and generate more sales growth, or is the whole market pulling back on the average number of installments? Thanks.

Stéphane Brunel:

So, perhaps I will take the first question on gross margin and we'll let Emmanuel speak about the commercial policy in Brazil. Basically, what we say is that, as you know earlier on or last year we, were posting negative and significantly negative change in gross margin in Brazil year-on-year. Today we are posting a positive impact which means that if we exclude the impact of marketplace probably on one key product, yes we are close to last year's level, and this is right and we think that it's still a significant improvement versus the downward trend. Second, just to say that we repeat that it's our objective to continue to post in the short-term at least stable gross margin in Brazil before improving them in the course of the second half. I'll let Emmanuel talk about the promotional policy.

Emmanuel Grenier:

Yes, Richard, last year to hide internal efficiencies like deliveries not on time, like out-of-stock problem or operational problems, the Company was pushing very hard and very on coupons. All the time, all day long, all night long, all week long, and through all the channels, through direct traffic, through SEO, through SEM. So, we stopped that and we went to healthier commercial policy, looking for more coordination with Via Varejo and something more weighted and more structured. So, we started that in the last month and we are keeping on improving that.

Vitor Fagá:

And Richard, considering that your last question about the number of installments, as you follow, we have been doing that in the last—since 2015. So, in the last several quarters, in a very gradual way, and in a very careful way. Of course it is done considering different categories and the impact in categories, to have, at the end of the day, a limited or no impact on sales, okay. So this is the way that we are doing it and we are following this trend and we expect to keep moving in that direction.

Richard Cathcart:

Okay, thanks very much guys.

Operator:

Thank you. Ladies and gentlemen, there are no further questions in queue at this time. I would like to turn the floor back over to Management for closing comments.

Emmanuel Grenier:

Yes. Thank you. I will conclude and so three main messages. France is doing very well, GMV net sales and EBIT are up, and we are gaining market share plus 3.8 points in January, plus 1.5 in February, and our customers love us. They are— their repeated purchases are increasing.

Second in Brazil; Brazil is improving: delivery delay problems are solved, out-of-stock problems are improving and SEO is being deployed. So, we are on track. And on the strategic initiatives point of view, marketplace is expanding on both countries with higher commissions as well. Mobile traffic is growing as well. Mobile is still a priority for us. Thank you very much.

Operator:

Thank you, ladies and gentlemen. This does conclude our teleconference for today. You may now disconnect your lines at this time. Thank you for your participation and have a wonderful day.