

Lojas Renner S.A | 3Q25 Conference Call Transcription

Fabiana Oliver: Good morning everyone, we shall start the Lojas Renner S.A. conference call. First, for those who don't know me, I'm Fabiana Oliver. I joined the Renner team 3 weeks ago as IR Director. I have here with me Fabio Faccio, CEO, and Daniel Santos, CFO.

Before I hand over to them, I would like to inform that this videoconference is being recorded and translated simultaneously into English. The presentation will be presented in Portuguese, for those following us in English, it is available in the chat and on the IR website.

Questions from journalists should be directed to our press office at (11) 3165-9586.

Before continuing, I would like to clarify that any statements regarding business prospects, operational and financial projections and goals are near forecast and assumptions based on currently available information and are not performance guarantees as they depend on circumstances that may or may not take place.

During the Q&A session, questions can be asked only by audio. With that, I hand the floor over to Fabio.

Fabio Faccio: Good morning, everyone. Welcome Fabiana. Thank you all for being here.

We will now share our results for the third quarter of 2025, the development of our trajectory and our outlook for the future.

The initiatives we put in place in 2022 and 2023 to evolve our fashion execution model, supply chain and omni-channel experience have been contributing to our results since 2024.

The benefits captured are also reflected in improved profitability. Net income LTM, which in the same period in 2023 was around R\$ 900 million, jumped to R\$ 1.4 billion this year, a growth of 49%, while earnings per share grew 59%.

In the same period, the Compound Annual Growth Rate of sales was 9.6% and with an increase of 2.p.p. in gross margin. Realize went from a negative result of R\$100 million to positive R\$ 390 million. Our EBITDA margin increased 7.9 p.p. and ROIC increased 4.6 p.p.

The Q3 performance did not change this trajectory. It mainly reflected the distinct weather dynamics compared to 2024. We had a normalized autumn in 2025, which favored winter item sales in Q2 but limited their availability at the beginning of Q3.

At that time, we decided not to increase the volume of purchase for winter items, evaluating the risk and return between loss of sales opportunity and possible excess inventory. However, temperatures remained colder in Q3, which, combined with our relevant exposure to the South and Southeast regions and a colder start to spring this year, caused a loss of sales opportunity of 2-3p.p.

Retail sales in the period grew 4.2%, with 4.7% in apparel.

Given the opposite seasonality dynamics between Q2 and Q3 compared to the previous year, on average across these two quarters we grew 11.5% in retail and 12.5% in apparel, maintaining the year's growth pace. In the nine-month accumulated period, we grew 11.6% in retail and 12.8% in apparel, with a gain in market share.

In warmer regions, Q3 performance was well above average. The performance of non-seasonal items, which are independent of weather, were also highlighted. This shows how well our collections have been received.

Retail gross margin continued its upward trajectory, reaching 55.1% (56.2% in apparel), an increase of 0.4 and 0.5 percentage points, respectively. This advancement also reflects improvements in fashion execution and more accurate fulfillment.

In this quarter, due to the timing of some expenses planned for this period and the slower pace of sales growth, we did not achieve operating leverage. This does not change the annual dilution trajectory we started in 2024 and remain committed to consistently pursuing in 2025 and the coming years.

It is worth noting that within the current cycle, our CAPEX and OPEX expenses are no longer structural investments. The prospect of higher sales volumes and efficiency gains is the result of investments made in recent years. From now on, we also begin to see opportunities to reduce some expenses and have already started dedicated efforts to capture them.

Realize continued its progress and contribution to retail, acting as a lever for customer loyalty, supported by a healthy portfolio, lower delinquency, and a 37% increase in results.

Our consolidated net income was BRL 279 million, up 9% year-over-year and 16% in earnings per share. We generated R\$ 473 million in Free Cash Flow. These results delivered an ROIC of 14.4% over the last 12 months, an increase of 1.7 percentage points.

Our digital channels already account for 17% of sales, and their growth from now on is also a profitability driver for the company. We now have fully integrated online and physical operations at the SP DC. This has given us a broader assortment and faster item availability on e-commerce, providing instant feedback on product performance, enabling quicker decision-making, reducing stockouts, and improving service levels. The share of new inventory in online channel sales increased by 8 p.p. in the nine-month accumulated period, which also contributed to a better gross margin.

We have advanced in technology and in creating an increasingly seamless in-store journey, while continuing our expansion plan into new cities. So far this year, we have opened 18 new stores and will meet our expectation of opening between 30 and 37 units in total for the year, including all our brands. Our expansion plan is focused on unserved markets, and this store format benefits from SKU-based fulfillment.

Another point that gives us confidence is that our new store models across all business units are performing above average and the remodeling of existing units is also a focus of our investments. The evolution of the omni-channel journey, combined with the expansion of new stores and the remodeling of existing ones, are important levers for generating value for customers and shareholders.

These initiatives have made our Company more integrated and flexible to meet new consumer demands and different macroeconomic scenarios.

Our net cash position of R\$ 1.3 billion, combined with consistent operational free cash flow generation, gives us peace of mind to operate in adverse scenarios and flexibility to continue with strategic investments aimed at driving our growth while distributing value to shareholders.

Even with a more challenging Q3, the accumulated performance over the last nine months gives us confidence in the path we have chosen. We are still not even halfway through capturing all the benefits. Our priority is to accelerate gains to reach the full potential of the model.

I thank everyone again for their presence and I give the floor to Daniel.

Daniel Santos: Thank you, Fabio. Good morning, everyone.

In this third quarter of 2025, we achieved 4.2% retail revenue growth and 4.7% in apparel. In Q3, we achieved 4.2% growth in retail revenue and 4.7% in apparel, with sales impacted by atypical temperature dynamics, as Fabio already mentioned. However, when we look at Q2 and Q3 combined, apparel grew 12.5% compared to the same period last year. It's worth noting that we had a strong comparison base in Q3 2024.

Despite lower volumes, we saw an improvement in conversion rates in our stores. Price adjustments to pass on inflation and the higher share of new items in the mix also contributed positively to sales. We continue to balance prices carefully through market monitoring and product performance analysis, focusing on brand positioning and customer perception. For Q4, we expect price adjustments close to inflation.

Our digital channel grew 4%, accounting for approximately 17% of sales, and reached an SG&A level similar to that of physical store operations in the quarter. We achieved a new record for active customer base on our app, and both our app and website were the most accessed among national fashion players, further consolidating our leadership among omni-channel players in the sector.

As for Q4, we are prepared for Black Friday and Christmas events, which are the most relevant for the period.

We continue to advance in gross margin, even with inflationary costs and high interest rates. We closed Q3 with a retail gross margin of 55.1%, 0.4 p.p. higher than Q324, and an apparel gross margin of 56.2%, also up by 0.5 p.p.

This performance was possible due to efficient inventory management (highlighting the reduction of older items, over 16 weeks), combined with agility in fashion execution and more precise fulfillment.

Price adjustments in line with inflation, along with a better assortment mix and inventory age, also contributed to Q3. All these factors give us confidence in achieving a slightly positive gross margin in Q4 compared to 2024.

Operating expenses grew 7% above revenue performance. This was a one-off effect. Selling expenses increased by 0.9 p.p., due to lower sales volumes and the following factors:

1) Increase in personnel benefit expenses resulting from improvements in benefits offered to employees. The transition of the meal voucher payment model caused a temporary duplication of expenses. This initiative is important for valuing and engaging our teams, in line with industry practices, and had a positive impact on team retention. As a result, the average sales headcount during the quarter was temporarily above expectations. By October, the headcount had already been resized. The combined effect of duplication and higher headcount generated a non-recurring impact of approximately R\$ 7 million in the quarter and drove selling expense growth by 1 p.p.

2) Higher occupancy expenses. Part of the new contracts and lease renewals were negotiated under the "Total Occupancy Cost" model, currently considered more economically advantageous for the company. With this change, rent, condominium fees, and promotion fund are grouped, and recorded under Occupancy Expense (SG&A post-IFRS) rather than as lease (amortization and financial charges). This impacted selling expense growth by 0.9 p.p. This has a neutral effect on Net Income.

These one-off effects impacted leverage for the period by 0.6 p.p.

In General and Administrative Expenses, growth was 4.5%, reflecting inflation during the period and higher personnel benefit expenses, partially offset by lower expenses with restricted stock plans.

Finally, expenses related to the Employee Profit Sharing Program impacted net revenue by 0.2 percentage points. Comparisons with the previous year, both for the quarter and year-to-date, were affected due to the non-linear

performance dynamics in 2024. The Profit-Sharing provision is based on the accumulated annual result and the annual budget, not on achieving specific quarterly targets. Year-to-date, Total EBITDA and Net Income grew by 27%. As we have already mentioned, Profit Sharing should represent around 9% to 13% of annual net income.

We reinforce our ambition to improve operating leverage in Q4 and in subsequent periods. We are confident that the investments made already allow and will continue to allow sales growth to outpace expense growth, and as mentioned, we have started an expense reduction initiative.

Realize delivered another quarter with significant progress. The result of R\$ 79.8 million reflected the continued improvement in the credit profile of the portfolio. Our robust and accurate credit granting model, combined with a healthy portfolio, positions Realize appropriately for the current credit cycle in Brazil.

Our Over 90 Stage 3 (ex-regulation) closed at 14.7%, 1.3 p.p. lower than the previous year, and our short-term delinquency remains at low levels. While the uncertain macroeconomic context persists, we will maintain a cautious credit offering, focused on less risky profiles, mainly through Private Label, ensuring support for retail sales and preserving portfolio quality.

Regarding Resolution 4966, its net effect was not significant in the quarter, as we had already indicated in the Q2 call, and this dynamic will continue.

For Q4, we expect Realize to maintain a positive performance trajectory, although at a lower magnitude compared to previous periods, due to a stronger comparison base given the sequential improvement throughout 2024.

The Total EBITDA grew 3%, with a margin of 19.3% (lower by 0.2 p.p.), reflecting challenges in retail operations, partially offset by the better financial services results. Net Income increased 9.4%, also reflecting a lower effective tax rate and reduced financial expenses.

Earnings per Share rose 15.5%, supported by the execution of approximately 85% of the share buyback plan. I highlight that this year we have already distributed R\$1.4 billion through Interest on Equity and share buybacks.

Our ROIC, accumulated over twelve months, improved by 1.7 p.p., reaching 14.4%.

I now turn the floor back to Fabiana.

Fabiana Oliver: We will now begin our Q&A session. To ask a question, please click the “raise hand” button. To optimize time and address as many participants as possible, we kindly ask that each analyst ask only one question at a time and, if necessary, rejoin the queue for additional questions.

Q&A

Question 1 – Luiz Guanais (BTG):

Fábio, Daniel, good morning. I'd like to better understand the room you see for price and ticket increases, as well as what we should expect regarding markdowns in the coming quarters. Fábio, you mentioned the dynamics of the third quarter, where markdowns were lower, partly due to weather. I'd like to understand what we can expect going forward?

My second question is about the company's cash generation, which remains strong, and about the capital structure. How should we think about payout going forward, especially with the discussion around dividend taxation here in Brazil?

Fabio Faccio: Thank you for the question, Guanais. I'd say that when we look at the opportunity for price and ticket increases, we still see room. Part of it is price adjustment for inflation, which has been very feasible. Our prices remain very competitive, and there's still room for that. The entire competition has been working on this point, and

it's been well accepted by consumers, especially since the sector's average inflation has been in line or slightly below general inflation. When we look at opportunities to increase ticket through assortment, we've seen them. Occasionally, we've explored this and there's room to do more. There's also the possibility of increasing ticket through product assortment.

Regarding markdowns, we had a lower level throughout the year, with very effective inventory management. In the third quarter, we even missed a sales opportunity—we could have sold two to three percentage points more. On the other hand, we achieved a higher gross margin. This allowed us to enter the next cycles with a very renewed and lean inventory. So, the gain in ticket and margin improvement due to lower markdown levels remains an important point.

As for payout, the company has had the opportunity to grow with significant investment and relevant payout, whether through interest on equity or share buybacks, which increased earnings per share for our shareholders. So, given our robust cash generation, we're able to keep growing, investing, and maintaining a good payout level.

Daniel Santos: Regarding dividend taxation Guanais, two points: we still need to wait for the final decision on the dividend tax rate, which is yet to be defined. We're evaluating what might change in dividend distribution for this year, considering this taxation issue. But it's something we haven't concluded yet. Once we have a definitive answer, we'll communicate. I confirm what Fábio mentioned: this year we've already distributed BRL 1.4 billion, whether through the buyback plan or interest on equity. The company continues to strongly distribute results to shareholders, and the commitment is to keep doing so in the coming periods.

Question 2 – Bob Ford (Bank of America):

Good morning and thank you for taking our question. How should we view the benefits of CTO? Are rents now more variable than fixed in these stores? And Realize was a pleasant surprise. How should we look at credit growth and risk cost going forward?

Daniel Santos: Thank you. Regarding CTO, Bob, I think it's a more specific topic this quarter, maybe even this year. What happened is that some contracts were negotiated under the CTO format. This model is more advantageous in terms of negotiation, but on the other hand, instead of being amortized in interest, it ends up being recorded as an operating expense. This, of course, affects comparisons. We're evaluating whether, in the future, it would be ideal to also present the information in the pre-IFRS model, which allows for a clearer economic analysis. But that's still a decision we'll share when made. It was more specific, and as we see its impact, we'll provide this breakdown.

Regarding Realize, the evolution we've seen so far is the result of all the adjustments we made in credit granting. The adjustments in our credit models have proven effective—we've been able to offer credit with lower risk and improve portfolio positioning. We believe Realize has the potential to further support retail operations. As we reach a more favorable credit environment, we'll be able to evolve positively in granting, increasing the customer base and driving ticket and purchase frequency, which is Realize's main goal to boost retail sales.

Question 3 – Vinícius (UBS):

Good morning, Fabi, Fabio and Daniel. Two questions: first, I'd like to explore expenses a bit more. This quarter there were duplicate expenses and the about CTO. I'd like to understand where you see efficiency gains in general. Daniel mentioned work on expense reduction, so I'd like you to elaborate on that.

My second question is about sales. You mentioned the impact of two to three percentage points due to weather. Could you explore a bit more the performance gap between stores in warmer and colder regions, and how summer collections have been received where temperatures are warmer?

Fabio Faccio: Thank you, Vinícius. Regarding expenses, Daniel mentioned we had some temporary duplications and the CTO, as we've explained. Opportunities come in two aspects: we've always said we have room to grow sales more than expenses, achieving dilution as a result of past investments. These same investments allow us to gain

efficiency and productivity. We have a learning curve, which brings opportunities for operational productivity gains, whether in stores or in the DC. Additionally, with heavy investment in technology and artificial intelligence, we've already identified opportunities both operationally and administratively. From now on, we'll work to accelerate capturing these opportunities.

Regarding sales, when we talk about the performance gap, we estimate we could have sold two or three percentage points more. I don't attribute this only to weather. We made a decision to avoid excess inventory, but with prolonged cold temperatures, we lost more sales than expected. The year's performance is at a good level, but Q3 was below our potential and expectations — it could have been two to three percentage points higher. It was in our hands, not dependent on weather; we could have done better. That's why we adjusted decision windows, especially for autumn and winter, which have shorter windows, to perform better in other situations.

Regarding performance by region, we don't usually disclose numbers, but I can say that performance in warmer regions has been much higher than in regions where cold persists longer. This shows the collection is being well received. The weather issue tends to lose relevance going forward. Remember that in Q4, 80% of revenue is concentrated in November and December, especially Black Friday, Christmas, and year-end festivities.

Question 4 – Danniela Eiger (XP):

Good morning, everyone. Thanks for answering my question. I have a follow-up on Fábio's comment about the ability to deal with weather adversities. You made a decision that ended up being wrong, leaving sales on the table. Looking ahead, considering that weather forecasts can change, and we still see diverse weather dynamics until November, with more rain, I'd like to understand when we'll start seeing results from this more agile model? as we still miss that. It makes sense what you say, but I'd like to understand how much you could have made a different decision, maybe riskier regarding inventory, since you took a conservative stance.

Also, I'd like to understand how much you can, looking at expenses as a percentage of sales and comparing with peers, become leaner and make some adjustments beyond duplication. It would be interesting to have this visibility, especially given uncertainty about future growth, to prepare for more challenging moments or independent factors.

Fabio Faccio: Thank you for the questions, Danni. I agree with you about weather: it's not in our hands, but the decision is. We have tools and ways to produce quickly, adjusting inventory to weather and demand. We evolve in this every day. We were more conservative, as you mentioned, and that led to a sales opportunity loss we estimate at two to three percentage points.

Even so, looking at the collection as a whole, Q2 and Q3 together, we had 11.5% growth in total sales. I haven't seen any player with higher growth than that combining both quarters. It could be better—that's the point. We missed the opportunity in Q3, but if we had made a less conservative decision, it would have been even better. The Q3 was a bit below some others, but the sum of the two was above.

It's an opportunity to do better, you're right. The decision isn't about the model—the model responds to this and is ready. We discussed this internally a lot, shortened evaluation and decision windows to better use the model we already have. We expect better performance regardless of weather or macroeconomic scenario.

Regarding expenses, we recognize we have a high base. Beyond dilution, we also see opportunities for reduction. I'll let Daniel complement.

Daniel Santos: Danni, I reiterate our commitment to expense dilution over time. We know we have a higher expense level than in the past, and our goal is to reduce it sequentially. In addition to growing revenue faster than expenses—which wasn't the case in Q3—we've already diagnosed specific areas where we can truly reduce expenses. We haven't sized it yet, so we can't share more details, but there are efficiency opportunities, and we'll work to materialize them as soon as possible. It's not a program that will only happen in Q4, but something that will occur over the next four quarters and also in 2026.

Question 5 – Irma (Goldman Sachs):

Going back to Dani's question about timing, I'd like to approach it differently to understand if you're considering potential adjustments in collection design or assortment to maintain greater flexibility given weather issues. With all the improvements in logistics and process agility, is that enough to adapt to increasingly unpredictable weather?

My second question is a follow-up on capital allocation. Are potential acquisitions still a possibility? Do you maintain greater flexibility in the capital structure going forward?

Fabio Faccio: Thank you for the questions, Irma. Regarding collection adjustments, yes, it's part of the process. Having a model ready for quantity and production adjustments is in place—we've evolved in decision points.

Another point is assortment. The performance of more perennial, less seasonal items was much better than others. We've given more space to these items, which respond better in different situations.

Operating the model better is the hardest part, but we already have it. We improved decision points and assortment, and occasionally we have more room for wardrobe-building items, including for winter, with more layering. These items have gained relevance, and we've made assortment adjustments, becoming more prepared to respond to variations.

Regarding potential acquisitions, we're not working on anything inorganic. We have a lot of organic initiatives in our investments. The capital structure allows us to keep investing in an uncertain and risky environment, so we prefer to maintain a more conservative structure to have flexibility for investments and continue distributing value to shareholders.

Daniel Santos: Flexibility is key, especially in the current moment and economic situation in the country, which always brings challenges.

Question 6 – Joseph (JP Morgan):

Hello, good morning Fábio and Daniel, Fabi, welcome. Two points: first, looking at assortment adjustment and responsiveness, I'd like to explore how you've seen lead time, that is, the time between the decision point and the product being in the store, and how that may change over time. I understand that the winter chain has a longer lead time.

Second, regarding capital allocation, dividends, expansion acceleration, and remodels, I'd like to know how you see the potential to accelerate mainly in Youcom and Renner, and how you've seen the performance of these remodels.

Fabio Faccio: Thank you for the questions, Joseph. Regarding assortment, responsiveness, and decision points, our lead time has been improving more and more. Winter is always longer, depending on the product type, different from spring/summer. That's why, perhaps, in our conservatism, seeing that autumn was normalized, we expected winter to be as well, but it lasted longer.

Looking back, we would have made a larger production decision, and we had the ability and time for that, even with a longer lead time. We've worked both on decision points and on shortening winter lead times, making flexibility increasingly better.

Regarding capital allocation and store openings and remodels, we're very satisfied with the new stores and models, which have been performing above the average of previous batches. Renner is entering new markets with smaller formats, benefiting from precise SKU-based replenishment, allowing differentiated assortments and size grids per store.

These stores are the most benefited, and the trend is improvement. Regarding remodels, we have new store models in all formats, both at Renner, Camicado and Youcom.

At Renner, for example, the most current model is at Morumbi, in São Paulo. At Camicado, we have current models at Shopping Galeria in Campinas and Shopping Vitória in Espírito Santo. Soon, we'll have more units in this model. At Youcom, besides being a new model, it's larger. We already have new stores, like the first at Barigui in Curitiba, and recently a remodel at Anália Franco in São Paulo, which doubled the store area.

This investment makes us happy and confident. The new model has been tested for over two years, we already have several stores open in this model, with proven evolutions and performance. We've managed to do remodels at a cost 30% lower than in the past, by understanding what's most relevant in each remodel. The cost per square meter invested is lower, and store performance is higher.

In terms of capital allocation, investment in expansion and acceleration of both Renner and Youcom is a priority, followed by remodels, which will be the main investment pillars in the next two or three years.

Question 7 – Rubem Couto (Santander):

I'd like to return to the topic of sales growth. Could you talk about digital GMV growth? There was a slowdown this quarter—I understand there's a base effect, but the gap between online and physical growth narrowed. I'd like to understand if there's anything specific in the channel this quarter, whether internal or external, such as more aggressive marketplace platforms, and what we can expect for Q4, including Black Friday.

Fabio Faccio: Thank you, Rubem. We have a very high digital share, already at 17%. There was greater commercial aggressiveness in digital channels, with marketplaces competing more. We chose not to be as aggressive in inorganic traffic, so growth wasn't as significant.

We seek balance between growth and profitability. The more modest growth in the quarter is temporary and reflects a different reality from last year, when there was more excess inventory. The digital channel can better clear marked-down products, but this year, since we missed sales opportunities, there was no excess inventory, which impacted digital channel growth.

Question 8 – Gastim (Itaú):

I'd like to understand the quarter's evolution, especially regarding weather. I've heard a lot of industry feedback about September being a tough month. How was this evolution throughout the quarter?

And regarding retail expenses, how much of that was one-off and how much depended on revenue expectations below forecast? Looking at Q4, do you feel comfortable resuming expense dilution?

Fabio Faccio: We don't usually break down periods smaller than a quarter, but I can say we didn't have an impact concentrated in just one month. Sales growth could have been higher, and we had potential for that.

There were better and worse months, but not the same impact I've heard in the market. Regarding Q4, we don't see a drastic change, but 80% of it hasn't happened yet, so it's too early to say.

The expectation is positive—we're prepared with new inventory and great campaigns, especially in regions with more normalized effects.

Complement – Daniel Santos: From the start, we knew Q3 would have the lowest growth of the year and some already-known expenses. Sales came below potential, and expenses were slightly above plan.

In Q4, expense growth will be the lowest of the year, and we believe we'll resume dilution, as is our annual goal. We've already reduced expenses in the year-to-date, and Q4 should help maintain this pace in the following periods.

Question 9 – Pedro Pinto (Bradesco):

Thank you, everyone, good morning. Thanks for answering my questions. Sorry to insist on a point already explored by Dani and Irma. I'd like to better understand the initiatives implemented for the upcoming cycles. You talked about assortment with Irma and a bit about the decision process in the answer to Dani.

I'd like to understand how the process and diagnosis evolved throughout the quarter regarding this. Was there any mistake in allocation or reaction? Is there any element or capability the company still doesn't have at this moment, or are these just small adjustments being made?

Especially hypothetically, if the third quarter were happening again today, would you be able to achieve better sales with good margins and end the quarter with balanced inventory?

My second question is about people. A few months ago, the company reorganized the BU structures, and Fab took over the Renner BU. If I'm not mistaken, it was still pending who would lead the other brands. Is there any definition for that position? And in terms of people, how is this process going?

Fabio Faccio: On the first question, trying to clarify our reasoning, the capabilities are already in place. When we talk about decision points and process adjustment improvements, the capability—which is the hardest part—is already there. We don't need new investments, just process and decision point adjustments.

When we estimate that we could have sold two to three percentage points more in Q3, we're not imagining a better scenario, but considering the adjustments we've already committed to making, which are under our control. I'm not counting on a better or worse scenario, but on the capabilities we already have and the process adjustments and discussions we've carried out.

We estimate this would have an impact of two to three percentage points under the same situation, same conditions of temperature and pressure.

On people, we talked about the new structure and announced internally and externally the main changes we envisioned. We created the Renner BU, which was most important for us, and achieved significant efficiency gains. There was ease and productivity improvement in teams with the new organization, not only consolidating the Renner BU but also removing corporate issues and distributing them among areas. This brought more dynamism.

We announced the rationale for the other BUs because it makes sense for the strategy, but we're not in a hurry to fill these positions. We've just recently started looking for someone to occupy that seat, which is still undefined, but there's no urgency. We only shared the rationale to show the strategic sense.

Regarding other positions, there are always occasional adjustments, but most are well underway. Even in the restructuring, we're filling about 80% of positions through internal succession, as was the case with Fab in the Renner BU. This internal movement triggered other internal moves, and we've had good potential to fill positions internally, while occasionally bringing in external talent to add to the team and bring new knowledge.

Question 10 – Andrew (Morgan Stanley):

Hi, thanks very much for the question. I think most have been answered, but maybe just to get an update on your Argentina business. Curious how you saw consumption trends throughout the quarter and now that we start to look forward, post the midterm elections, any view on how you expect that business to evolve and what you would need to see to reignite a store of growth opportunity in the country? Thank you.

Fabio Faccio: Thank you, Andrew. I'll answer in Portuguese because there's simultaneous translation.

Andrew asked about Argentina. For us, Argentina continues to perform better than in previous years, especially since the legislative changes for operating in the country. We've been able to operate well.

Specifically in Q3, as Argentina is also a colder market, I wouldn't say it was the best performance—we had better results in warmer markets—but it's been performing better than the average of cold markets.

Argentina is a future expansion opportunity. At the moment, we maintain the four units in operation and are not planning to expand now, as we want to better understand the country's geopolitical stability, which seems to be on a good recovery path.

We're responding well in Argentina and believe it's an important future potential for us. We'll monitor the scenario's evolution to decide whether to invest more or maintain the current investment.

Question 11 – João (Citi):

Thank you, Fabi, and welcome. Two quick questions, Fábio. Thinking about the gap in stores located in warmer climates, does it make sense to add those three to four percentage points as a performance gap between stores? In other words, I imagine these stores are running at six or seven same-store sales this quarter.

The second question is about e-commerce margin, which now reaches 17% penetration. What is the margin gap today compared to a year ago? Just to try to separate the efficiency you've gained online.

Fabio Faccio: Thank you, João. Regarding the gap we mentioned about lost opportunity, we estimate we could have sold more in Q3, estimating two to three percentage points, not three to four, but I understand your reasoning.

Warmer markets have significantly higher performance, but we don't disclose numbers by region. We have a higher proportional concentration in colder and hybrid markets, where there were temperature variations and we could have sold more, regardless of temperature.

Regarding e-commerce, gross margin has improved both in physical stores and online. We don't separate the final margin because the customer decides where to buy the marked-down product. For us, the important thing is that total margin has increased.

When we look at operations, we analyze sales and cost. Online cost today is practically equal to offline, varying month to month but almost the same. We expect it to be slightly better.

That's why we believe digital growth is important and tends to be slightly higher than physical, as physical will also grow significantly. Digital may even be better in final margin. From a sales and cost perspective, this growth is a lever for the company's results.

Follow-up – João: If I may just a follow-up, they asked here whether you've already corrected these points from the end of Q3. Thinking about gaps, have these opportunities already been captured? Should we see October normalized?

Fabio Faccio: I'd say we've already adjusted processes. The biggest opportunity for this correction and improvement is for autumn and winter, as spring/summer cycles are faster and items less diverse. The adjustments are already implemented and are more important for autumn/winter, but yes, they're already happening.

Fabiana Oliver: With that, I will close our Q&A session and hand it over to Fábio.

Fabio Faccio: We thank everyone for their presence and would like to invite you to our Investor's Day on December 8th. We have already sent the save the date and in the next few days we will send invitations with more details.