PAGUE MENOS
RESULTS CONFERENCE CALL – 1Q21

Operator:

Good morning, everyone, and thank you for waiting. Welcome Pague Menos conference call to discuss the results of the 1Q21. Today with us, we have Mr. Mario Queiros, CEO, and Mr. Luiz Novais, CFO and IRO.

We would like to inform that that during the Company's presentation, all participants will be in a listen-only mode. We will then begin the Q&A session when further instructions will be given. In case you need any assistance during the conference, please request the operators' help by pressing *0.

We would also like to inform that this conference call is in Portuguese and will be presented by the Company's management, and for the English conference, there will be a simultaneous translation. This event is also being broadcast on the Internet via webcast.

Before proceeding, we would like to mention that forward-looking statements are based on the beliefs and assumptions of Pague Menos management, and on information currently available to the Company. They involve risks and uncertainties because they relate to future events and therefore depend on circumstances that may or may not occur. Investors and analysts should understand that conditions related to the macroeconomic environment, the industry and other factors could also cause results to differ materially from those expressed in such forward looking statements.

I will now turn the conference over to Mr. Mario Queiros. Please, Mr. Mario, you may proceed.

Mario Queiros:

Good morning to you. I apologize for the small technical problem that we had. Good morning, everyone. Welcome to the 1Q21 results conference call of Pague Menos.

We started the year on the right foot, with very strong and consistent results. It is one more quarter in which we fulfill our promise to grow our sales and improve our profitability.

I do not mean to give you any spoilers, because Mr. Novais is going to show you the numbers in more details, but I cannot really hold myself back because I must tell you that we have nearly 10% in same-store sales and nearly 9% in mature stores sales, which is well above the inflation in the period. And at the same time, we were able to expand our gross margin in 1 p.p. As a consequence, we delivered 8.3% of EBITDA margin, and the largest net income of our recent history, more than R$44 million.

I am going to let Mr. Novais present you the numbers in details, explain to you the factors and reasons that allowed us to reach this excellent growth and profitability levels, and then I will be back to give you more information about our health hub and digital channels. Novais, I turn over to you.

Luiz Novais:

Thank you, Mario. Good morning, everyone. Let us start on page number four, the results for the 1Q. We are very happy to share with you that we have one more quarter of very positive results, a very good sequence of a few consecutive quarters with good results, reinforcing the deliveries that we had planned and discussed with the investors doing our road show last year, which makes us very optimistic about the future due to this consistent deliveries that we have been able to give in the past quarters.

So on this chart, we can see the main four operational highlights, and on the right, the four main financial highlights. Operational highlights are the same indicators that we used for the previous quarter, but with even better results than in 4Q20. Our NPS reached 73, 6 points above the 1Q20, a reduction of 30% in our stockout index, an incremental of 5.5% in our assortment, and 17.1 productivity, which is an improvement over 2020.

On the right, we show there is robust financial results. Weed reach 9.6% same-store sales, even with the strong comparison phase of the 1Q20, 29.8% of gross margin, 1 p.p. above 1Q20, R$44.2 million net results and 18.9% ROIC, which are very positive results.

On the next page, here we have more sales related indicators. We had 8.3% of total growth of the Company, even with a reduction of 23 stores in our portfolio. Same-store sales of 9.6%, a very strong indicator, considering that the store portfolio of Pague Menos is 90% mature. So it is a very strong same-store index.

And we also had two negative effects and one positive effect in this quarter, The negative effect was 1 day less compared to the 1Q20, and also the flow of shopping mall stores, which was reduced in the 1Q compared to the previous quarter. These two effects contributed with 2.7 negative points. So these two effects, negative and positive, neutralize themselves, so the same-store sales index was very strong, 9.6%. And in mature stores growth, we had 8.7%, a very strong indicator, which is a consequence of all the improvements that we have highlighted so far, the reduced stockout, increased NPS and other important KPIs that we are going to highlight in the next slides, such as improvements in digital sales, private label.

And we also had this excellent results in the 1Q without the emergency aid from the government, which was the theme that we have been monitoring very closely, and we knew that this would be a low impact for us because of the type of product that we sell, which is very resilient. So with the results of the 1Q, we confirm our theory and estimates of the impact that we had already discussed with you in previous conference calls.

On the next stage, we have our store portfolio. We finished the quarter with 1,101 store, and 87 locations approved by our committee. Most of these stores already have their contracts signed. We have many works already ongoing. We inaugurated the first store of this new cycle on March 22, one month earlier in relation to the start of inaugurations, which makes us very optimistic in terms of the delivery schedule for these stores and very optimistic because of the quality of the locations that were chosen by our committee.

In the 2Q, we will show you some of the new stores inaugurated and the normal speed that we were will already able to achieve in 3Q21. We also refurbished seven of our stores in this quarter, which is also in line with the plan, and we will refurbish more stores until the end of the year.

On page number seven, we see the evolution of market share measured by the IQVIA, and according to this measurement, we had a reduction of 50 bps in Brazil. Comparing year over year, we had some important impacts due to social isolation. Because of social isolation, consumption became more intense in more peripheral neighborhoods, and those who most benefit are the independent pharmacies and associations. These companies gained 230 bps in their growth year over year.

And since this year the price readjustment was a little higher than last year, we believe that the sell-in movement of distributors for these independent pharmacies and associations was even greater, because this also impacts the market share of these companies in the 1Q, and we believe that this trend should normalize in the coming quarters.

On the next page, number eight, we have here an additional view of our market share. This is Nielsen's view. So Nielsen gives us a same-store measurement, and in this measurement, we grew by 20 bps, and it was a much greater increment than the other chains. This means we are doing really well when compared to the other pharmacy chains, and very optimistic about this new expansion cycle, which will help us resume our market share.

It is important to highlight that we are monitoring these market share dynamics very closely, and we are also monitoring and growing in a balanced way, without giving up our gross margin or our profitability in order to be able to gain market share.

We are very conscious that this movement is due to the number of stores. We had 1,177 stores and now we have 1,101, so we are making our portfolio leaner and we are very optimistic about our resumption in the future.

Next page, about the sales mix and private label. We had a positive impact on in the 1Q21, which was the participation of our service line. This was boosted by the covid tests, and it also boosted our health hub. So the share of services grew greatly in this quarter. We are going to hear more about this, but we already have 37 different services being offered within Clinic Farma, and we will further expand the number of services, and they are very attractive. So this reinforces our proposal of being in a health hub.

And on the right side of this slide, we have another piece of good news, the evolution of our private label. Even with the major growth in the total sales of the Company, this company gained share year over year and quarter over quarter, reaching 6% of our total sales due to some important launches that we had in diapers, nutrition products and skin products. So we are very happy with our private label and we still have much more to come in the near future.

On page number ten, we have another piece of excellent news. This was already said by Mario, which is our gross margin. We reached 29.8% gross margin in the 1Q, a 1 point growth year over year and 40 bps quarter over quarter.

Due to our vendor management project, we also had an important reduction of 23% in inventory losses, and our sales mix also contributed to the margin of the 1Q. And we are very optimistic about the gross margin for the year. We have captured not even half of what we had mapped for these projects, so we still have more room to improve our sales.

We are perhaps one of the only pharmacy chains that is growing its sales relevantly, and growing its gross margin without too many markdowns, and are still being able to keep an excellent sales growth level.

On next page, 11, we are doing really well in terms of SG&A. We had a 50 bps reduction over the 1Q20, sales increment and expenses dilution were very good, we still have room to improve productivity. So we are doing really well in this area.

We were able to maintain the same volume of expenses. But naturally, the 1Q of the year is shorter, and the turnover is shorter, so the proportion increases, but this is due to the sales effect.

And on the right side, we have administrative expenses that grew 20 bps over 1Q20. We are investing strongly in our IT team, our digital team, really reinforcing our staff to be able to sustain the sustainable growth that the Company is presenting. And we also implemented a very robust stock sharing plan for the Company's management to boost talent retention.

On the next page, we see that, as a consequence, we have great EBITDA and net income results. For many consecutive quarters, we have raised the level of results. We grew our EBITDA margin over 1Q20, reaching 8.3%. These numbers have the effects of IFRS 16. Without the effects of IFRS 16, we grew even more.

And for net income, 2.3%, also a very good indicator, and a net income of R$44.2 million, which is a very strong number, and again confirms the deliveries that we plan to fulfill.

On page 13, we have our debt and cash cycle. The net debt is within planned. It is 1x, and 0.6x time with the effects of IFRS 16. We made an investment in 1Q, a greater investment in stock. So since the Company is better capitalized, we will make the most of the effects of the pre-high.

So we were able to replenish our stocks before the price increase, and this is partially financed by our suppliers with a longer payment term. Our receipt term also was expanded and a great part of this volume was because of the non-anticipation of receivables, as we used to do in previous quarters.

And on page 13, as a consequence of all this, we had a very important evolution in our ROIC, reaching 18.9%, 2.6 p.p., better than 1Q20 and a very positive performance of the Company's share price.

And the last slide to close my presentation, we have some important numbers. We maintain our ESG commitments, we are still evolving in this font. In the 1Q21, weed reach 37% of our stores being powered by renewable energy. We have an important strategic partnership with Kroton to be able to train our employees, and this will greatly help in the professional development of our employees.

And we are also doing everything that we must do in terms of the compliance with the data protection law. And here we have our ESG road map. We have created a specific department for ESG. We have a consulting firm helping us. We also upgraded our materiality matrix. We performed thousands of interviews with customers, stakeholders, and we have our matrix ready, and now we are advancing in our strategic plans to be able to prepare our sustainability report, and as soon as it is ready, we will share it with all of you.

So now I turn it over to Mario, and he is going to explain to us how we are advancing our proposal to be a health hub.

Mario Queiros:

Thank you, Novais. This was truly a quarter of very exciting numbers. Now on slide 17, the 1Q was not exciting just in our financial indicators, but the Clinic Farma also had expressive growth, which proves that the population is more and more trying our services and feeling satisfied with them. We expended a number of consultations. Of every 100 customers that come into our stores, more than 6 used at least one of the Clinic Farma services.

We performed more than 500,000 covid tests in the quarter. Just to give you a comparison base, we now account for 20% of the market share, according to Abrafarma. And even with all this growth, we were able to achieve 93 points in the NPS of this channel, which is another record.

We continue to expand the service portfolio of Clinic Farma, now offering 37 protocols, and we have two new services. We are already offering the neutralizing antibody test for covid-19. This test is indicated for customers that have already been vaccinated against covid-19 and want to prove that they already have antibodies. And another novelty is this hematological scanning equipment. This is a noninvasive test, so there is no need for blood collection, it uses infrared to detect 12 biomedical parameters: blood pressure, oxygen saturation, hematocrit, among others.

On slide number 18, this is another important front of our health hub, which is vaccination. As we mentioned before, we are now providing to more than 300 cities our vaccination rooms to support the national plan to fight covid-19. We have this active in a few important marketplaces, and this also helps in the H1N1 vaccination campaigns. And in addition to the stores, we are also placing these services in schools, companies and other entities.

On slide number 19, I give you more information about our omnichannel platform. We also beat a few records in the 1Q for our digital channels. Our sales grew 140%, going from lest than R$50,000 in 1Q20 to more than R$116 million I n1Q21. And the digital channel participation, which was stagnated in the past quarter, now grew to 6.1%, which means a 3.4 p.p. increase year over year. On the next slide, I will show you some factors that contribute to this level of growth, bringing our digital channels to one level.

On slide number 20, we see some of the channels of our omnichannel platform. Infinity Shelf is already present in 100% of our stores and has 5% share in our digital sales. This tool allows us to service our customers, and they do not have to leave the stores without buying the products they want, and they will receive their products at home.

Still about convenience, the Pague Menos Lockers are one more innovation that allows customers to buy online and pick up their order with no lines, no contact, no friction. And in the near future, we will have more than 200 lockers throughout the country, not just in our stores, but in high flow locations such as apartment condos, shopping malls and subway stations.

After we implemented our unified call center in October 2020, this allowed us better productivity, better quality, better customer service, and the strong growth of our sales in this channel proves that this strategy was very assertive. The main marketplace, Fortaleza, will be migrated in the 2Q21 when we complete the rollout. So there is potential for more growth on the call center sales.

And finally, I would like to highlight our marketplace. We already have four sellers and more than 120 SKUs offered. The sales are still insipient, but the process is already implemented from purchase to delivery. So Pague Menos marketplace is already a reality. The idea is to sell a supplementary mix to what we have in our stores. For example, wheelchairs and other orthopedic products, makeup, cosmetics, veterinary products and pet products, everything related with health, personal care, beauty and well-being.

And we know that in order for our marketplace to gain relevance, we need good partners and we need a good mix of products, and we also need a high flow in our e-commerce platform. So we are investing in content generation and user experience to attract our customers.

On the next slide, number 21, I have some examples of these improvements that we are making in UX. We will invest in improving our intelligence search engine. We know that typing in drug ingredients is not an easy task. So we have to make it easier for our customers. Sometimes we can guess what they are trying to find.

Another thing that is really interesting is that they can describe using audio; describe what they are searching for using audio, so it makes it easier for them. It is easier for them to listen to it than reading sometimes.

Slide number 22 highlights once again our mantra, which is ‘focus on the customer’. And this is the result of much work, investment in quality, customer satisfaction, monitoring of prices, and above all, focus on store execution. This is how we were able to improve what was already really good.

So our NPS achieved 72 points, and we showed consistent results in the 1Q. And on the right, we have another satisfaction indicator. This quarter, we were certified with the RA1000 stamp from Reclame Aqui. This is for very few companies and it makes us really proud. So it was a record NPS and a record score on Reclame Aqui.

On slide 23, I share with you the great launch of Pague Menos, which is the Sempre Bem Club, our benefits club. The Sempre Bem Club relies on a partnership with Tem Saúde and other companies, and this potentiates our health hub and fills a gap in the primary care of our customers, because most of them do not have access to a health plan. So we have discount plans in a network of more than 6,000 dentistry and medicine practices. Also, we offer annual checkup, access to basic services of Clinic Farma, and a great differentiator, which is a reimbursement of up to R$300 in drugs per year. And the price is only R$20,99 per month.

So these are some of the novelties that we wanted to share with you today, together with great financial results and operational results that we were able to reach in the 1Q21. So thank you for your attention, and now we can open for questions.

Thiago Macruz, Itaú:

Good morning. When we look at the history of the Company, there are two clear objectives. One was to show the market that you could do much more with the current assets that you have, and I think you are going in the right direction, and the results suggest this. And also resuming your growth, investing in daily expansion, opening of new stores.

So my question is about the second point. Can you share with us what are your plans for the opening of new stores till the end of the year, or in 2022? And what is the status of the real estate selection process? What can you share with us in terms of information and insights, so that we can objectively understand what your growth plans and share gain plans are in the future.

Mario Queiros:

Thank you, Thiago, for your question. We are very optimistic about the resumption of our growth. We inaugurated the first new store of this new cycle on March 22. We anticipated in more than one month the first innovation, because we were expecting the first innovation to be in May.

And for the 2Q, we are still in the process of resuming the vaccination cycle. So we will not be working at full speed in 2Q, but we will be working full speed in 3Q. We expect for 3Q a normal speed of inauguration of new stores.

But in the recent past, we were opening 120, 150 stores, and we even reached 170 stores in one year. So it is possible. And we did not even have the structure that we have now. And so we think that in 3Q, we will already be delivering a very good number at a very good pace of opening new stores. I think things will go back to normal.

And we are always open to new opportunities, always searching for new opportunities to expand and resume our market share gain.

Luiz Novais:

Thank you, Macruz, for your question. As Mario said really well, in some years we opened 140 stores. Of course, now we are being cautious, but the number will be relevant, and we will achieve full speed in 3Q, as Mario already said.

We started our expansion cycle in September last year, and although we worked very intensively until now, the contracts started to be signed as of September, and we have many good things to come. The cities and towns that we chose, the KPIs that we mapped out, our expansion team is a very high quality team, and all the opportunities that we have facing in our expansion committee have great potential in the micro markets where we have an important residual market to be captured, or in peripheral cities, peripheral neighborhoods, particularly in the North and Northeast of the country. So we expect a lot of good things to come in the future, Macruz.

Thiago Macruz:

Thank you for answering my question, and congratulations for your results this quarter.

Joseph Giordano, JPMorgan:

Good morning. Thank you for answering my question and congratulations on your results. I would like to hear from you, with this resumption in your expansion, do you think that it is possible that you can accelerate this expansion and maybe think about M&As? This is my first point.

And the second point is that now, with the strengthened working capital after your offer, I would like to understand what the possibility of an incremental reduction in your stock and expansion of your assortments is. And a second point is to try to understand this pre-price adjustment gain you had. What can we expect in terms of incremental margin gain?

Mario Queiroz:

Joseph, thank you for your questions. I am going to answer about the M&A question and Novais is going to answer your second question. We always say that we are open to any opportunities and offers that could bring value to our shareholders, but all the offers that have gotten to us so far did not really made sense because the returns were below expected, and even below the opening of a new store, for example, which brings a 20% return.

So whenever we find a company to buy that is attractive and that has a good return offer, of course, we will consider it and try to understand what the benefit will be. So we are always open to M&As. However, so far, we are so focused on the opening of your stores, because this is what brings the best returns.

Luiz Novais:

And regarding the working capital assortment etc., we still have a lot of room to reduce our stockout. We have seen a great reduction in the past one and a half year, but there are still room to improve and lower it further. We reduced 30% in 1Q21 versus 1Q20, but there is still a lot of room to improve, and this is contributing greatly to our sales increment.

Every 1 p.p. of reduction in our stockout, we have about R$100 million increment in a year. So this is an important lever for us, and one of the main elements that is helping us also improve our turnover, and we still have a lot of room to improve. Our logistics, supply and assortment teams are working hard on this, and we are very optimistic.

And about the assortment, there is also a lot of room to grow. We have about 8,500 SKUs per store, and we want to reach 10,000. And we are advancing fast. Between 2018 and 2019, we increased by 10% the average number of SKUs per store, and this contributes to about 13% of the total sales of the Company today.

So today we have 8,500, and we want to increase to 10,000. We still have about an average growth of 20% in our SKUs, so it is a great potential to improve our turnover due to this improved assortment, always paying attention to our losses and the most accessible products that we are incorporating into our portfolio.

And about the pre-price adjustment gain, we have been able to reinforce our stocks. Our commercial team worked really hard to anticipate all of the procurement and purchases that we needed to make.

So we have full stocks now, and this cash reinforcement will also help us improve our margins in addition to what we had already planned in our sales plans and private label, which helps us improve our margins. So this pre-price adjustment positive impact will also add value to what we had already mapped in terms of what we expected for our margin. So this is good news. Joseph.

Joseph Giordano:

Thank you, Mario and Novais.

Danniela Eiger, XP Investimentos:

Good morning. Thank you for answering my question. The first question is a follow up about the M&A possibility. You said that you are looking for returns over 20%. But I want to understand if you are also looking for opportunities to protect your competitive environment. For example, what if a competitor buys an asset that is performing poorly and this could have a negative impact for you? So how are you looking into this potential, if you do not buy a company, the negative impact that it could have for you if a competitor would buy it? This is my first question.

The second question is about your profitability. We are seeing consistently an improvement in your gross margin and EBITDA margin, and Luiz already told us that you still have room for further gains. So we want to understand if you are still seeing potential gains for both margins or more for the gross margin. We already heard about your employees toward productivity, which is now steady, or has a slight increase. So I want to understand how you are seeing the dynamics.

And also, to link to the digital gains, we see other players in your industry that had a negative impact on their gross margin due to the higher share of digital, and now you have the launch of your marketplace. So I want to understand what we can expect from these margin dynamics, considering the growth in digital?

And one last question, I want to more know more about the launch of the Sempre Bem Club. What is the goal of Pague Menos in the economics of this plan? Is it a lever for Clinic Farma? Is the monthly payment split between all the partners in the program? I just want to understand your economic format for the Sempre Bem Club.

Mario Queiros:

Thank you for your questions. The idea is to complement the range of services and products that we already offer to our customers in health. Most of our customers to not have access to a health plan. So if we can improve access so that they can pay for a discounted consultation and exams, and also the refunds for drugs, we are already doing a lot for this portion of the population, which is our focus, classes B2, C and D, regarding health care.

In terms of the economic format, we get a percentage of the sales, but Tem Saúde is responsible for the operations with the Memorial International, which is one of the largest groups. It actually works in the funeral field, but now it is developing this type of preventive services.

And Air Pharma is already present in this project, and they are responsible for the actuarial calculations for the drug refunds, for example. So we are very comfortable about the profitability of this product and the acceptance of this product by the population.

Just to give you an idea, we are planning to sell 50,000 thousand plans in the first 12 months, which means about R$1 million per month. But this is not the greatest differentiator. The greatest differentiator is to be able to service these customers and have a better range of products and services offered to them. So if they think about health, they will think about this.

On your question about M&A, you are right, it is not just a mathematical calculation. We also have to look at other factors, other aspects of an M&A operation. We always hear the politics of dynamics in the market as well. So, yes, of course, we are considering it is like a chess game. We always have to consider what the competition is doing and what will happen if we do not do something.

So the return expected from innovation is one of the criteria. But, of course, we are always waiting on what we are giving up and what we can get from an operation, and we are always paying attention to potential operations that can bring value or destroy value to the Company.

Luiz Novais:

And about profitability. Fortunately, we have levers in all of our areas, all of our results. So we have sales, we have stockout, we have assortment, we have digital, we have the Clinic Farma, so our average sales per store and our same-store growth, there is still a lot to capture, in our opinion.

In gross margins, perhaps this is one of the account groups that, in our view, has the greatest potential. As we said, it is less than half of the benefits that we have captured so far, so there is a lot of good things to take place in the coming quarters, and the pre-price adjustments gains, which will also help us improve our margin. So fortunately, for our gross margin, we expect very good things to come.

And also the SG&A, the sales increment and the optimization of our expenses, the increase in productivity, which is one of our focus, HR operations, we are implementing a workforce management tool to improve the schedule of our employees in the stores, and this will also help us further improve our productivity with good quality of service.

We also recently hired a consulting firm that will help us find opportunities along the lines of SG&A, and in all the other lines that compose the SG*A. So we will be able to extract more value.

And regarding the EBITDA margin and financial results, we have a very healthy situation with our debt, with lower spread rates. So all elements from the P&L, we see potential to improve and we are very optimistic about the future.

Danniela Eiger:

Excellent. Thank you, and congratulations.

Ruben Couto, Santander:

Good morning. I have two questions. My first question is about Clinic Farma, about the acquisition and retention of customers. I know that you showed some very good numbers regarding covid testing, but what are the plans for other services? And also, what is the level of gross margin that comes from the Clinic Farma services? Is it similar to what we saw, 28% to 35% of the product sales?

We saw that your growth was based on average ticket and number of customers serviced. So what is the dynamics now in the month of April and May? Do you see that trend continuing? Now that you have a better comparison base, do you see these numbers adjusting themselves?

Mario Queiros:

Ruben, thank you for your questions. About Clinic Farma, yes, it was boosted by the record number of tests, more than 500,000 covid-19 tests in the 1Q, but nearly 200,000 consultations as well in other specialties, other services different than the covid test. And the covid tests, about 70% of these customers did not used to be Pague Menos customers before or had never used Clinic Farma. So that is why we are also working on raising awareness about our health plan, about Clinic Farma, and the covid test is a good entry point for that. So the number of tests is very important.

About profitability, in the P&L for Clinic Farma, the gross margin is about 40%, which is above hygiene and beauty, and closer to our private label. So it does improve our profitability, and it is a very positive P&L, together with the EBITDA contribution, because it also contributes to the Company's EBITDA.

So we do not see Clinic Farma as just a financial anchor to make money. It actually is more important as a way to add value to what we offer our customers, and it is indeed contributing positively to our financial results.

Luiz Novais:

About the average ticket and the number of customers serviced, in previous quarters, we were seeing a slow, gradual reduction in the number of customer service per store, and now in the 1Q, there was a decrease. So until last year, we had a 10% decrease in the number of customers serviced per store, and now it is 11%, and the average ticket increased slightly, it was 20 and now it is 22, nearly 23, the average ticket.

And the growth in the average ticket, just to give you an idea, is about 10%, 12% in terms of the number of items sold. So all the work that we are doing in terms of the assortment and reducing stockouts improve the number of items sold and the average ticket, and 5% inflation and 5% from the product mix. So products with a higher added value. So this is a breakdown of the increment in our average ticket that we have been seeing recently.

This is still similar to what we saw in previous quarters. We still do not know how this is going to behave, but we hope that we will have a good proportion of the population vaccinated shortly in the future, and we expect to see the situation normalize. But we do not have that visibility right now.

Mario Queiros:

And you asked about the month of April. We have a very weak comparison base, April was the worst month of last year, so we did grow in number of clients and average ticket. But the comparison based hinders this comparison a little bit. We will only have a good comparison base in 3Q, because 2Q20 was very weak.

Ruben Couto:

All right, thank you.

Operator:

The question and answer session is now closed. Now, I would like to turn the conference back over to Mr. Mario Queiros for his final remarks.

Mario Queiros:

Once again, I would like to thank you all for attending, and to finish with some highlights. Despite the pandemic that affected the country in the 1Q21, we were able to deliver very robust and consistent numbers due to our operational improvement.

We were able to anticipate our expansion cycle and we inaugurated our first new store in March. Our health club continues to gain relevance in our business through raising awareness among our customers.

And in our omnichannel platform, we have a complete growth roadmap, with a strong focus on the customer and fulfilling our mission to help them live their life fully.

Thank you, and I will see you next time.

Operator:

This conference call is now closed. Thank you very much for attending, and have a great afternoon.