viavarejo



# RESULTS

# 1Q19

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viavarejo

# RESULTS 1Q19

**April 23, 2019** – Via Varejo S.A., Brazil's largest electronics, home appliances and furniture retailer, announces its first quarter of 2019 **(1Q19)** consolidated results. As of January 1, 2019, the Company has adopted the accounting standard CPC 06(R2) (IFRS 16) – Leases, which eliminates the distinction between operating and finance leases. The following figures, including those of 2018, already reflect the impact of the adoption of the aforementioned standard. For more information, please see Note 2-a to the quarterly financial information (ITR).

## 1Q19 Highlights

- **Consolidated gross sales revenue in 1Q19 was R$7.4 billion, down 1.6% from the same period last year.**
- **Gross sales revenue from brick-and-mortar stores in the quarter reached R$5.9 billion, up 0.3% from 1Q18.**
- **Gross Invoiced GMV from the Online Business reached R$1.7 billion in the quarter, up 1.7% from 1Q18, while marketplace penetration was 21.2 % (vs. 13.2% in 1Q18).**
- **Gross Profit in the quarter reached R$1.7 billion, with gross margin of 27.6%.**
- **Nominal decrease in Operating Expenses of 19.8% in the period representing a reduction of 4 percentage points compared to the Company`s net revenue.**
- **In 1Q19, adjusted EBITDA was R$521 million, with EBITDA margin of 8.2%.**
- **We ended the quarter with net cash, including unsold credit card receivables, of R$2.2 billion.**
- **Penetration of new Casas Bahia and Ponto Frio apps in the GMV (orders) increased 4.7 p.p. compared to the 1Q18.**



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## Management's Comments

We ended 1Q19 expanding Brick-and-mortar stores gross sales revenue by 0.3%, while Online GMV registered a 1.7% growth from the same period last year. Consolidated gross sales revenue was R$7.4 billion, down 1.6% from 1Q18. Consolidated gross profit was R$R$1.7 billion, with gross margin of 27.6%. Our adjusted EBITDA reached R$521 million, and EBITDA margin was 8.2%. In the period, we reported net loss of R$49 million.

Despite a challenging start, especially for the first 20 days of the year (2018`s legacy of adjustments in inventories, systems and the store incentive model), the 1Q19 results were the first signs of the Company's operational recovery, in line with the three pillars we defined as priorities: i) sales recovery; ii) reduction of expenses; and iii) stabilization in our systems. In the first quarter, we advanced swiftly with a new commercial strategy and registered an increase in customer traffic at our stores and an increased sales conversion. The greater alignment between the marketing and commercial strategies was also an important driver of our businesses. In the brick-and-mortar stores, we already notice clear progress, with operations proceeding at a much more consistent and sustainable pace, while in the online business we are continuing the maturation and operational stabilization process.

We made further progress in the process of stabilizing the Company's systems in the quarter. Of the 12 teams created in the beginning to stabilize our operations, we have already integrated to the areas the teams that handled the processes the Marketplace, Retira Rapido (Click&Collect), Marketing, Mobile, Antifraud, Means of Payment and the Marketplace`s Payment Split. Regarding the Via+ store system, the problems faced at the end of 2018 have already been fully solved and this system is currently operating according to the desired standards. We ended March with 55% of transactions passing through the system, which reached more than 80% at Premium stores.

During this period, we also made short-term cost adjustments, such as reductions in corporate expenses, while preparing to conclude the merger of the two Companies - Via Varejo and Cnova - which will bring gains, especially due to logistics efficiency, inventory management and fiscal efficiency. The improvement of the credit process, with greater success, has also contributed to improving the Company's profitability.

We inaugurated 15 stores in 1Q19, including 13 Smart stores and 2 kiosks. We also closed 6 underperforming stores during the period. In 2019, we will continue the strategy of opening stores in regions with high growth potential and where we still do not operate, while continuously evaluating the performance of our stores.

Finally, we wish to highlight that we have already noticed a positive trend in the last three months and that we remain focused on *implementing* the strategy defined, in a process of gradual and consistent recovery over the coming periods.

**The Management**

## Operating Performance

| Highlights | 1T19 | 1T18 | % |
|---|---|---|---|
| **Gross Revenue** | **7.359** | **7.478** | **(1,6%)** |
| **Net Revenue** | **6.330** | **6.596** | **(4,0%)** |
| Gross Margin | 27,6% | 33,2% | (556bps) |
| **Adjusted EBITDA[1][2]** | **521** | **637** | **(18,2%)** |
| Adjusted EBITDA Margin[2] | 8,2% | 9,7% | (143bps) |
| **Net Earnings[2]** | **(49)** | **64** | **na** |
| Net Cash with receivables not discounted | 2.203 | 2.607 | (404) |

([1]) Excluding other operational revenues and expenses

([2]) 2018 Adjusted by IFRS 16

| Operation | 1T19 | 1T18 | % |
|---|---|---|---|
| **Bricks and Mortar - Gross Rev SSS (%)** | **(1,9%)** | **8,5%** | |
| **Net GMV (y/y % growth)** | **1,7%** | **10,0%** | |
| Net GMV | 1.723 | 1.695 | 1,7% |
| Net Marketplace GMV | 365 | 224 | 63,0% |
| Marketplace Penetration (% GMV) | 21,2% | 13,2% | 798bps |
| Click'n Collect Penetration (% GMV)* | 27,3% | 28,7% | (140bps) |

* Click'n Collect – GMV Invoiced of elegible products .

## Sales performance

| Gross Sales - R$ million | 1Q19 | 1Q18 | % |
|---|---|---|---|
| Bricks and Mortar | 5.889 | 5.873 | 0,3% |
| Online | 1.417 | 1.523 | (7,0%) |
| Wholesale | 53 | 82 | (35,2%) |
| **Gross Revenue** | **7.359** | **7.478** | **(1,6%)** |

### Brick-and-Mortar stores

In 1Q19, same-store sales decreased 1.9% from 1Q18, since January was still impacted by the instabilities of 4Q18. On the other hand, gross sales revenue from brick-and-mortar stores grew 0.3% in relation to 1Q18, due to the opening of 66 new stores in the last 12 months.

### Online

Invoiced GMV remained stable (GMV of R$1.7 billion) in the quarter. One-off events, related to the stabilization of tools in the Online channel (Websites and Apps), impacted the channel's performance in the period. Note that these initiatives represent an important step in the recovery process of the Online channel. Invoiced GMV of the marketplace grew 63.0% in the period, thanks to the strategy of continuous expansion in number of sellers and, consequently, a greater product offering.

Gross sales revenue from the Online channel decreased 7.0% in 1Q19 compared to 1Q18. The higher penetration of marketplace contributed to a change in the sales mix, which explains the higher variation in sales revenue in relation to GMV.

**Services**

| R$ million | 1Q18 | 1Q17 | % |
|---|---|---|---|
| Merchandise | 6.524 | 6.583 | (0,9%) |
| Freight and Assembly Services | 101 | 101 | 0,0% |
| Services | 313 | 349 | (10,3%) |
| CDC/Credit Cards | 421 | 445 | (5,4%) |
| **Gross Revenue** | **7.359** | **7.478** | (1,6%) |
| Freight, Services, CDC/Credit Card and Assembly | 835 | 895 | (6,7%) |
| **% Total Gross Revenue** | **11,3%** | **12,0%** | **(62bps)** |

During 1Q19, gross sales revenue from payment books, cards, services, assembly and freight decreased 6.7% from 1Q18. Apart from the stabilization of our systems the lower rate of approval in 2018 impacted the revenue of the credit in 1Q19, since the interest income is deferred for the period of the payment book.

Breakdown of sales by payment mean:

| Sales by means of payment | 1Q19 | 1Q18 | % |
|---|---|---|---|
| Cash/Debit Card | 23,4% | 25,1% | (168bps) |
| CDC (Payment Book) | 11,3% | 11,1% | 17bps |
| Co-branded Credit Card | 11,4% | 11,5% | (14bps) |
| Third-party Credit Card | 54,0% | 52,3% | 165bps |

**Gross Profit**

| R$ million | 1Q19 | 1Q18 | % |
|---|---|---|---|
| Gross Profit | 1.747 | 2.187 | (20,1%) |
| Gross Margin | 27,6% | 33,2% | (556bps) |

Gross margin closed 1Q19 at 27.6%, down 556bps from 1Q18, due to higher competition, the end of "Lei do Bem", greater investments in margin and lower penetration of more profitable products, such as CDC and services, in the quarter.

## Selling, General and Administrative Expenses

| R$ million | 1Q19 | 1Q18 | % |
|---|---|---|---|
| SG&A | (1.286) | (1.604) | (19,8%) |
| % Net Revenue | (20,3%) | (24,3%) | 400bps |

In 1Q19, selling, general and administrative expenses as a ratio of net revenue reached 20.3% (compared to 24.3% in 1Q18), improving significantly. In the period, there was a focus on reducing expenses, mainly those that do not affect sales and the service level of our operations, which is fully aligned with the Company's turnaround pillars. There was a significant reduction in personnel expenses, labor lawsuits and PDA, as well as reduction in occupation costs, third-party services expenses and PIS and Cofins credit on advertising expenses. Other initiatives have already been completed (i.e., negotiation with acquirers to reduce MDR) and others are being implemented (i.e., reduction of rental cost) in an effort to reduce even more SG&A expenses, without impacting sales and customer service.

## Adjusted EBITDA

| EBITDA - R$ million | 1Q19 | 1Q18 | % |
|---|---|---|---|
| EBITDA | 446 | 593 | (24,8%) |
| EBITDA Margin | 7,0% | 9,0% | (194bps) |
| Other Operational (Expenses) Revenues | (75) | (44) | 70,5% |
| **Adjusted EBITDA** | **521** | **637** | **(18,2%)** |
| **Adjusted EBITDA Margin** | **8,2%** | **9,7%** | **(143bps)** |
| IFRS 16 Impacts - Adjusted EBITDA | (211) | (201) | 5,0% |
| Adjusted EBITDA Pre IFRS 16 | 310 | 436 | (28,9%) |
| Adj. EBITDA Margin Pre IFRS 16 (Guidance) | 4,9% | 6,6% | (171bps) |

1Q18 aligned with the new parameter of other operating income (expenses) disclosed in 4Q18.

Adjusted EBITDA reached R$521 million in 1Q19, with adjusted EBITDA margin of 8.2%. Excluding the effects of IFRS 16, Adjusted EBITDA would be R$310 million (margin of 4.9%), in line with the guidance and delivering operational improvement quarter over quarter (1.4% in 4Q18).

## Financial Performance

| Net Financial Results - R$ million | 1Q19 | 1Q18 | % |
|---|---|---|---|
| **FinancialRevenues** | **18** | **17** | **5,9%** |
| **Financial Expenses** | **(256)** | **(258)** | **(0,8%)** |
| Debt Financial Expenses | (13) | (16) | (18,8%) |
| CDC Financial Expenses | (60) | (72) | (16,7%) |
| Credit Card Receivables' Discounting Expenses | (86) | (69) | 24,6% |
| Lease liability interest | (97) | (101) | (4,0%) |
| **Financial Results pre monetary** | **(238)** | **(241)** | **(1,2%)** |
| % Net Revenue | (3,8%) | (3,7%) | (11bps) |
| Monetary Variation | (21) | (14) | 50,0% |
| **Net financial results** | **(259)** | **(255)** | **1,6%** |
| % Net Revenue | (4,1%) | (3,9%) | (23bps) |

In 1Q19, the net financial result was R$259 million, up 1.6% from 1Q18, equivalent to 4.1% of net revenue.Ex-IFRS 16, the net financial result would be R$165 million (2.6% of net revenue).

## Net Income (Loss)

| R$ million | 1Q19 | 1Q18 | % |
|---|---|---|---|
| EBT | (31) | 134 | na |
| % Net Revenue | (0,5%) | 2,0% | (252bps) |
| Taxes | (18) | (70) | (74,3%) |
| **Net Earnings** | **(49)** | **64** | **na** |
| **Net Margin** | **(0,8%)** | **1,0%** | **(174bps)** |

The Company posted net loss of R$49 million in 1Q19, compared to net income of R$64 million in 1Q18. This result, despite the reduction in expenses, was impacted by lower sales and lower gross margin in the period.

## Working Capital

| R$ million | 1Q19 | 1Q18 | (+/-) |
|---|---|---|---|
| **(+/-) Inventory** | **4.695** | **5.376** | **(681)** |
| Days of Inventory[1] | 93 | 111 | (18 dias) |
| **(+/-) Suppliers[2]** | **7.114** | **7.464** | **(350)** |
| Total Days of Suppliers[1] | 141 | 154 | (13 dias) |
| **Working Capital Change** | **2.419** | **2.088** | **+331** |

(1) Days of CoGS

(2) Suppliers +Suppliers ('Forfait')

In line with the Company's turnaround strategy, we closed 1Q19 with an 18-day reduction in inventories, in addition to rebalancing with a focus on a greater mix of products curve A (greater turnover). We continue with the strategy of suppliers to finance our inventories and, thus, ended the period with a positive variation of R$ 331 million in working capital.

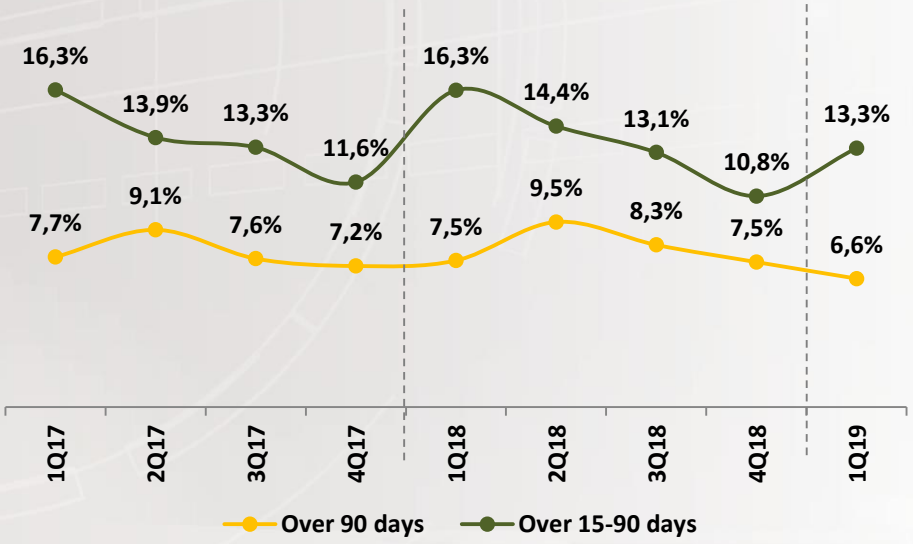
## Debt

| R$ million | 1Q19 | 1Q18 | (+/-) |
|---|---|---|---|
| Cash and Cash Equivalents | 1.296 | 604 | +692 |
| On Balance Credit Card Receivables Not Discounted[1] | 1.824 | 2.627 | (803) |
| Financial Debt | (917) | (624) | (293) |
| **Net Debt with CC Receivables not Discounted** | **2.203** | **2.607** | **(404)** |
| LTM Adjusted EBITDA | 1.120 | 1.985 | |
| Net cash/LTM EBITDA | 2,0x | 1,3x | |

(1) Credit Card Receivables Short Term and Long Term)

We ended the quarter with a solid Adjusted Net Cash position of R$2,203 million, including the unsold receivables portfolio of R$1,824 million.

## Delinquency in payment book portfolio (% of Portfolio)




Delinquency exceeding 90 days in our payment books portfolio is within the parameters for a sustainable business and was the lowest in the last 2 years. We continue to invest in risk control processes and systems and in improving our customer experience. During the year, we adopted new credit policies with new analysis and segmentation models that enabled us to mitigate risks and reduce approval time. In 1Q19, we reached 88% of credit decisions made through an automated system.

## Capex

In 1Q19, Via Varejo's capital expenditure totaled R$104 million, broken down as follows:

| R$ million | 1Q19 | 1Q18 | % |
|---|---|---|---|
| Logistics | 11 | 7 | 51,4% |
| New Stores | 25 | 12 | 105,1% |
| Stores Renovation | 15 | 16 | (8,0%) |
| IT | 48 | 66 | (27,4%) |
| Others | 6 | 5 | 17,0% |
| **Total** | **104** | **106** | **(2,2%)** |

## Store Activity by Format

| Casas Bahia | 12.31.2018 | Opening | Closure | 03.31.2019 |
|---|---|---|---|---|
| Street | 619 | 14 | 2 | 631 |
| Shopping Malls | 179 | 0 | 0 | 179 |
| Kiosk | 9 | 0 | 0 | 9 |
| **Consolidated (total)** | **807** | **14** | **2** | **819** |
| **Sales Area ('000 m2)** | **924** | **15** | **15** | **936** |
| **Total Area ('000 m2)** | **1.261** | **29** | **21** | **1.284** |

| Pontofrio | 12.31.2018 | Opening | Closure | 03.31.2019 |
|---|---|---|---|---|
| Street | 115 | 0 | 1 | 114 |
| Shopping Malls | 107 | 0 | 1 | 106 |
| Kiosk | 6 | 1 | 2 | 5 |
| **Consolidated (total)** | **228** | **1** | **4** | **225** |
| **Sales Area ('000 m2)** | **141** | **2** | **4** | **139** |
| **Total Area ('000 m2)** | **188** | **4** | **6** | **186** |

| Consolidated | 12.31.2018 | Opening | Closure | 03.31.2019 |
|---|---|---|---|---|
| Street | 734 | 14 | 3 | 745 |
| Shopping Malls | 286 | 0 | 1 | 285 |
| Kiosk | 15 | 1 | 2 | 14 |
| **Consolidated (total)** | **1.035** | **15** | **6** | **1.044** |
| **Sales Area ('000 m2)** | **1.065** | **17** | **20** | **1.075** |
| **Total Area ('000 m2)** | **1.449** | **33** | **27** | **1.470** |

## 2019 Outlook:

**Gross Sales Revenue:**

- Brick-and-mortar stores: same-store sales growth of 2 p.p. above the IPCA Inflation index. Indicator accelerating during the year.
- Online: expansion of invoiced GMV between 15% and 20% in the year.

**Adjusted EBITDA margin (excluding other operating income / expenses and pre-IFRS 16) above 6%.**

- Growth in EBITDA margin due to (i) new commercial strategy; (ii) reduction in expenses; and (iii) operational leverage.
- IFRS 16 standards have not yet been incorporated.

**Capex in 2019 between R$550 million and R$600 million**, still pending approval from the ASM.

## IFRS 16

| IFRS 16 - Changes | Before IFRS 16 | | IFRS 16 | Before IFRS 16 | | IFRS 16 |
|---|---|---|---|---|---|---|
| **R$ milhões** | **1T19** | **Var.** | **1T19** | **1T18** | **Var.** | **1T18** |
| Net Revenue | 6.330 | | 6.330 | 6.596 | | 6.596 |
| **COGS** | **(4.593)** | **60** | **(4.533)** | **(4.418)** | **57** | **(4.361)** |
| **Depreciation COGS** | **(16)** | **(34)** | **(50)** | **(18)** | **(30)** | **(48)** |
| Gross Profit | 1.721 | 26 | 1.747 | 2.160 | 27 | 2.187 |
| **SG&A** | **(1.437)** | **151** | **(1.286)** | **(1.748)** | **144** | **(1.604)** |
| Equity Income | 10 | | 10 | 6 | | 6 |
| **Other Revenues/Expenses** | **(86)** | **11** | **(75)** | **(50)** | **6** | **(44)** |
| **Depreciation and Amortization** | **(66)** | **(102)** | **(168)** | **(66)** | **(90)** | **(156)** |
| **Financial Results** | **(165)** | **(94)** | **(259)** | **(157)** | **(98)** | **(255)** |
| **Taxes** | **(21)** | **3** | **(18)** | **(74)** | **4** | **(70)** |
| Net (loss) Income | (44) | (5) | (49) | 71 | (7) | 64 |
| | | | | | | |
| **EBITDA** | **223** | **223** | **446** | **386** | **207** | **593** |
| **Adjusted EBITDA** | **310** | **211** | **521** | **436** | **201** | **637** |

## Accounting Information

**Audited Income Statement**

| R$ million | 1Q19 | 1Q18 | Δ |
|---|---|---|---|
| **Gross Sales** | **7.359** | **7.478** | **(1,6%)** |
| **Net Sales** | **6.330** | **6.596** | **(4,0%)** |
| **Cost of Goods Sold** | **(4.532)** | **(4.361)** | **3,9%** |
| Depreciation (Logistic) | (51) | (48) | 6,3% |
| **Gross Profit** | **1.747** | **2.187** | **(20,1%)** |
| Selling Expenses | (1.144) | (1.346) | (15,0%) |
| General and Administrative Expenses | (142) | (258) | (45,0%) |
| Equity Income | 10 | 6 | 66,7% |
| Other Operating Income (Expenses) | (76) | (44) | 72,7% |
| **Total Operating Expenses** | **(1.352)** | **(1.642)** | **(17,7%)** |
| Depreciation and Amortization | (167) | (156) | 7,1% |
| **Earnings before Interest and Taxes - EBIT** | **228** | **389** | **(41,4%)** |
| Financial Revenue | 30 | 40 | (25,0%) |
| Financial Expenses | (289) | (295) | (2,0%) |
| **Net Financial Income (Expense)** | **(259)** | **(255)** | **1,6%** |
| **Earnings before Income Tax** | **(31)** | **134** | **na** |
| Income Tax | (18) | (70) | (74,3%) |
| **Net (loss) Income** | **(49)** | **64** | **na** |

| | | | |
|---|---|---|---|
| **Earnings before Interest and Taxes - EBIT** | **228** | **389** | **(41,4%)** |
| Depreciation (Logistic) | 51 | 48 | 6,3% |
| Depreciation and Amortization | 167 | 156 | 7,1% |
| **Earnings before Interest, Taxes, Depreciation, Amortization-EBITDA[1]** | **446** | **593** | **(24,8%)** |
| Other Operating Income (Expenses) | 76 | 44 | 72,7% |
| **Adjusted EBITDA** | **522** | **637** | **(18,1%)** |

| % of Net Sales Revenue | 1Q19 | 1Q18 | Δ |
|---|---|---|---|
| **Gross Profit** | **27,6%** | **33,2%** | **(5,6 p.p.)** |
| Selling Expenses | (18,1%) | (20,4%) | **2,3 p.p.** |
| General and Administrative Expenses | (2,2%) | (3,9%) | **1,7 p.p.** |
| Equity Income | 0,2% | 0,1% | **0,1 p.p.** |
| Other Operating Income (Expenses) | (1,2%) | (0,7%) | **(0,5 p.p.)** |
| **Total Operating Expenses** | **(21,4%)** | **(24,9%)** | **3,5 p.p.** |
| Depreciation and Amortization | (2,6%) | (2,4%) | **(0,2 p.p.)** |
| **Earnings before Interest and Taxes - EBIT** | **3,6%** | **5,9%** | **(2,3 p.p.)** |
| **Net Financial Income (Expense)** | **(4,1%)** | **(3,9%)** | **(0,2 p.p.)** |
| **Earnings before Income Tax** | **(0,5%)** | **2,0%** | **(2,5 p.p.)** |
| Income Tax | (0,3%) | (1,1%) | **0,8 p.p.** |
| **Net (loss) Income** | **(0,8%)** | **1,0%** | **(1,8 p.p.)** |

| | | | |
|---|---|---|---|
| **EBITDA** | **7,0%** | **9,0%** | **(2,0 p.p.)** |
| **Adjusted EBITDA** | **8,2%** | **9,7%** | **(1,5 p.p.)** |

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

**Balance Sheet**

**Assets**

| R$ million | 03.31.2019 | 03.31.2018 |
|---|---|---|
| **Current Assets** | **11.166** | **11.402** |
| Cash and Cash Equivalents | 1.296 | 604 |
| Accounts Receivables | 3.913 | 4.750 |
| Credit Card | 1.799 | 2.598 |
| Payment Book | 2.070 | 2.244 |
| Others | 302 | 278 |
| Accounts Receivables B2B | 179 | 264 |
| Allowance for doubtful accounts | (437) | (634) |
| Inventories | 4.695 | 5.376 |
| Recoverable Taxes | 934 | 371 |
| Related Parties | 147 | 116 |
| Expenses in Advance | 105 | 82 |
| Other Assets | 76 | 103 |
| | | |
| **Noncurrent Assets** | **11.422** | **11.234** |
| **Long-Term Assets** | **8.475** | **8.561** |
| Accounts Receivables | 224 | 193 |
| Credit Card | 25 | 29 |
| Payment Book | 234 | 191 |
| Allowance for doubtful accounts | (35) | (27) |
| Recoverable Taxes | 2.570 | 2.720 |
| Deferred Income Tax and Social Contribution | 867 | 773 |
| Related Parties | 183 | 414 |
| Financial instruments | 9 | 0 |
| Judicial Deposits | 962 | 1.010 |
| Right of use asset | 3.640 | 3.431 |
| Other Receivables | 20 | 20 |
| **Investments** | **114** | **87** |
| **Property and Equipment** | **1.445** | **1.404** |
| **Intangible Assets** | **1.388** | **1.182** |
| | | |
| **TOTAL ASSETS** | **22.588** | **22.636** |

**Liabilities and Shareholders' Equity**

| R$ million | 03.31.2019 | 03.31.2018 |
|---|---|---|
| **Current Liabilities** | **14.264** | **14.336** |
| Suppliers | 6.608 | 6.966 |
| Suppliers ('Forfait') | 506 | 498 |
| Loans and Financing | 915 | 620 |
| Payment Book (CDCI) | 3.061 | 3.187 |
| Fiscal Obligations | 148 | 193 |
| Taxes and Social Contribution Payable | 443 | 538 |
| Defered revenues | 403 | 380 |
| Related Parties | 146 | 98 |
| Dividends | - | 15 |
| Onlending of third parties | 510 | 441 |
| Lease liabilities | 933 | 875 |
| Other Debts | 591 | 525 |
| | | |
| **Long-Term Liabilities** | **6.366** | **5.933** |
| Loans and Financing | 2 | 4 |
| Payment Book (CDCI) | 340 | 296 |
| Defered Revenue | 1.520 | 923 |
| Provision for lawsuits | 856 | 1.285 |
| Tax Obligations | 30 | 43 |
| Lease liabilities | 3.593 | 3.369 |
| Deferred Income Tax | 6 | 5 |
| Debt with Related Parties | 11 | - |
| Other Liabilities | 8 | 8 |
| | | |
| **Shareholders' Equity** | **1.958** | **2.367** |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | **22.588** | **22.636** |

**Audited Cash Flow (R$ million)**

| R$ million | 03.31.2019 | 03.31.2018 |
|---|---|---|
| Net (loss) Income | (49) | 64 |
| **Adjustment:** | | |
| Depreciation and Amortization | 218 | 204 |
| Equity Income | (10) | (6) |
| Deferred Income Tax and Social Contribution | 19 | (27) |
| Interest and Exchange Variation | 181 | 174 |
| Provision for lawsuits | 38 | 162 |
| Allowance for doubtful accounts | 122 | 168 |
| Gain (loss) with fixed and intangible assets | 10 | 9 |
| Provision for Obsolescence and Retail Loss | 25 | 25 |
| Deferred Revenue | (83) | (71) |
| Write-off of right of use and lease liability | (4) | 0 |
| Share-based Payments | 3 | 12 |
| Others | (1) | 3 |
| | **469** | **717** |
| **Asset (Increase) Decreases** | | |
| Accounts Receivable | (273) | (1.174) |
| Inventories | 53 | (1.022) |
| Taxes to Recover | 75 | (190) |
| Related Parties | (17) | (8) |
| Judicial Deposits | 10 | (58) |
| Expenses in Advance | (72) | (50) |
| Other Assets | (9) | 44 |
| | **(233)** | **(2.458)** |
| **Liabilities (Increase) Decreases** | | |
| Suppliers | (1.905) | (680) |
| Fiscal Obligations | (11) | (34) |
| Payroll and Charges | (95) | 91 |
| Onlending to third parties | (30) | 5 |
| Lawsuits | (172) | (133) |
| Other debts | 41 | 40 |
| | **(2.172)** | **(711)** |
| **Asset and Liabilities - Others (Increase) Decreases** | | |
| Dividends Received from subsidiaries | 4 | 0 |
| Income Tax Paid | (3) | (91) |
| | **1** | **(91)** |
| **Net Cash (used) in Operating Activities** | **(1.935)** | **(2.543)** |
| **Cash Flow from Investment Activities** | | |
| Acquisition of fixed and intangible assets | (158) | (125) |
| Sale of Property and Equipment | 0 | 8 |
| Financial Instruments | (9) | 0 |
| **Net Cash used in Operating Activities** | **(167)** | **(117)** |
| **Cash Flow from Financing Activities** | | |
| Proceeds from borrowings | 1.238 | 1.268 |
| Repayments of borrowings | (1.247) | (1.251) |
| Payments of Interest | (71) | (89) |
| Principal Payments - Leasing | (136) | (122) |
| Interest payments - Leasing | (97) | (101) |
| **Net Cash (used in) Financing Activities** | **(313)** | **(295)** |
| Cash and Cash equivalents at the Beginning of the Period | 3.711 | 3.559 |
| Cash and Cash equivalents at the End of the Period | 1.296 | 604 |
| **Change in Cash and Cash Equivalents** | **(2.415)** | **(2.955)** |

## EARNINGS CONFERENCE CALL AND WEBCAST:

April 24, 2019

2 p.m. (Brazil) / 1 p.m. (New York) / 6 p.m. (London)

Portuguese / English (simultaneous translation):

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

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

Replay

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

**Glossary:**

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

**Compact Store:** Store model that employs more inbuilt technology and whose space ranges from 50m² to 150m².

**Digital Store:** Store model measuring approximately 150m² that we use to test new technologies to improve the customer experience.

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

**Kiosk Store:** Store model that not only enables us to test new regions, but also enables the entry of Via Varejo in more competitive areas.

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

**MOVVE (Via Varejo Excellence Operational Model):** Store management model implemented in 2016. Version 1.0 is responsible for the new management model and version 2.0 is responsible for the new compensation model.

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

**Smart Store:** Store model that employs more inbuilt technology and whose space ranges from 350m² to 1,000m².

**Via Única/CRM "Single Path":** Project developed in partnership with Accenture to create a single database (Brick-and-Mortar Stores, Online and Payment Book), segmented by the profiles of our 60 million customers.

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