



MERCADOLIBRE (BUY, TP: \$1,600)

AMERICANAS / B2W INVESTOR DAY

December 11th, 2020

The Americanas group (including B2W) held its annual Investor Day on Friday with a strong focus on its E-Commerce and Fintech activities. B2W is the third largest E-Commerce player in Brazil after MercadoLibre (~35% share) and MGLU (17%); GMV growth at B2W of 56% in Q3 lagged that of MELI's 74% y/y slightly. We have focused on two areas of interest from the presentations as read across for MercadoLibre: Ame – the mobile wallet and broader Fintech brand, and LET'S, its shared logistics platform.

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Ame

Business unit CEO, Anna Saicali

Ame is B2W's Fintech and mobile business platform which integrates into both the E-Commerce and physical stores platform. **AME is currently perhaps Brazil's most successful m-wallet and competes for customer engagement with PAGO.**

Having been launched in 2019, Ame services highlighted in Anna's presentation included:

- The initial Ame m-wallet, or Super App, for consumers
 - Originated as a digital account with a focus on cash backs on B2W Digital Platform or in-store at Americanas
 - QR payments in-store:
 - Accepted in 100% of Americanas stores
 - 3x faster than credit or debit card payments
 - Partnerships with acquirers, Stone, Cielo and Getnet
 - **Reached 15m downloads so far**
 - Open APIs and mini Apps
- Launch of a "digital first" credit card announced earlier this year but launched only in October
 - A physical and digital card
 - Can be free, subject to minimum spending requirements (R\$100/month)
 - Branded with Mastercard, backed by Banco do Brasil
 - Application on-line or at Americanas stores
 - Can be issued within 9 minutes (on the Ame App)
- Ame Plus
 - Payment mechanism which allows for the merchant to use a Phone App to receive a payment

- Zero cost when paying with cash back on account (on-line, physical), designed to drive use of Commerce adoption
- Ame Pro – Broader sales and operational management tool, cloud based, launched for physical and online merchants
 - Includes:
 - Mobile POS
 - Management system (sales, inventory)
 - Enabling selling via B2W marketplaces,
 - Accepting QR codes
- Ame Go stores
 - Trial of 3 Ame-branded autonomous stores, focusing on food and convenience
- Ame Scan and Go (installed in the App)
 - Trial format for stores with no staff, electronic self-payment

Having launched the Ame platform in late 2018, focusing its USP on cash back for 1P and extending the reach and user base, **the plan for 2021 is to push further into financial services**. As part of this, Ame announced the acquisition of Bit Capital last week (undisclosed sum) to help accelerate this process.

- Bit Capital is a Fintech specialising in core banking solutions
- Platform based on Blockchain and APIs
- This is set to accelerate the connection of Ame to the financial system

There wasn't much focus on the specifics of financial service development for 2021 during the day but we anticipate an extension of the existing offers:

- Credit promotions
- Credit cards (new)
- On-line credit to sellers, offered by partners including Creditas, Rebel, and BCredi (Ame has no lending licence today)

LET'S

Business unit CEO, Wellington Louza

LET'S is the shared logistics platform of B2W and Lojas Americanas and helps B2W claim to have the fastest delivery times in Brazil. ***With 1P originated players limited 1P for MELI, and more limited distribution, this is an obvious area of investor focus for MELI. As well as ramping up fulfilment, MELI is looking into the privatisation process of Correios, the post office, with a view to taking an equity stake to improve drop shipping times.***

- Focus for B2W is on bringing the 3P (marketplace) delivery times down to 1P speeds
 - 3P overtook 1P as % contribution of TPV toward the end of 2018 and 3P now accounts for 61% of total TPV (Q3 20)
- For 1P and 3P deliveries made by LET'S, in the month of November:
 - 46% of deliveries in <24 hours (33% in Q3)
 - 73% in <48 hours (62% in Q3)
- 1P speeds are on average 55% quicker than 3P
 - Fulfillment is key to changing this, bringing equivalence in delivery times for 3P to 1P

- B2W continues to invest in logistics and improve the experience
 - Added 5 new fulfilment centres (DCs) in 2020 (up to 22), reaching 700 cities (343 in 2019) in <24 hours
 - *MELI has 3 DC's in Brazil, with a fourth opening any time*
 - Automated sorting plants (automated fulfilment centres) being accelerated
 - From 7 in 2020 to 17 in 2022
 - Manage 50% of B2W's shipping
 - 200 hubs
 - Ship from store allows for <3-hour deliveries (147,000 in November)
 - Uses Ame Flash, a fast delivery App which signs up individuals to deliver by foot, bike, motorbike or car. There are currently 20,000 couriers signed up across 700 cities
 - Click and Collect
- Pick up points and installed lockers