

S.A.C.I. Falabella acquires Linio

Gaston Bottazzini

CEO, Falabella

Introduction

So, good day everyone and thank you for joining us today to hear more about the transactions we announced yesterday. Over time, and particularly the last few years we have built a solid foundation in e-commerce. We are enjoying a leadership position in the Andean region and we are developing strong capabilities particularly in logistics across these geographies.

We operate 37 CDs; we have a network of almost 500 stores in which we have been expanding both our click and collect areas and our e-commerce kiosks which has helped our growth in e-commerce sales; we are constantly improving our sites and applications, today these are quicker and friendlier. And also, in the financial business we have made significant progress both in the digitization of our value proposition in the credit card and banking businesses as well as improving the payment solutions for our e-commerce sites in all of our formats.

We have decided to move faster to address these consumer expectations, which consist particularly of a more seamless buying experience, broader assortments in products and brands and better and faster delivery. In sum, we are transforming from a physical company with digital presence to a digital company that leverages its physical capabilities.

Our rationale

We see Linio, the transaction announced yesterday, as a relevant step to speed up the growth and build a data-driven and digital ecosystem. We think Linio will accelerate our time to market in the deployment of our multi-seller marketplace. Linio stands as a robust marketplace platform, which will allow us for more rapid growth in the short term. So, we think time to market is the biggest advantage that Linio brings to Falabella. Also, it has a recognized brand, despite some loss of traction in the last years as a result of funding constraints. It has a strong footprint with presence in Mexico, Chile, Peru, Colombia and Argentina and this footprint has allowed them to build an extensive and valuable seller base. The sellers are attracted to a multi-country presence. It also has offices in China that support its international marketplace operation.

Finally, Linio comes with seasoned management in operating a marketplace and this team will now join Falabella's team.

At the same time, we will infuse Linio with our capabilities to strengthen its operations and positioning. We will replace their first party marketplace with ours. We have a very extensive first party presence and that will be of high value for Linio. In addition, the long tail that Linio has will provide an enhanced value proposition for the marketplaces of our different formats.

We will invest in strengthening its brand positioning and we will provide more efficient logistics capabilities. We intend to provide a "fulfilled by" services on top of Linio marketplace services.

Also, we will provide payment capabilities to Linio through our QuickPay solution which now operates in our e-commerce and through other financing solutions that we are now developing. Also, we will enhance the value proposition of Linio through our own customer analytics which we are developing for our own e-commerce sites.

We will capture these synergies particularly on the geographies where we are present today and with a higher focus on countries like Chile, Peru and Colombia where we have a strong position in e-commerce.

Our digital transformation

Beyond Linio and as a group we are embracing the opportunity to transform into a digital company with one of the strongest physical capabilities in the region. We think the combination of digital and physical capabilities will be particularly important in a region like Latin America. And to push this, we will encourage an agile and data-driven decision-making culture within our organization every day.

In particular, we will focus on logistics, higher volumes support the need to increase efficiency. We will expand our warehouse capabilities and we will enhance our logistics technology. We will continue to invest in data analytics and data management. We will put a higher emphasis in cyber security in all of our businesses and we will continue to invest and accelerate our investments in payments and financing solutions for digital platforms.

Capital increase

Moving to the capital increase. This capital increase is very strongly linked to these new and more enhanced investment requirements that the digital transformation implies. We have shared our investment plans as of January for \$3.9 billion for the next four years and these new opportunities will demand additional capital.

We are planning to raise \$800 million new capital through a primary offering, consistent with the strategy of the Company of diversifying its shareholders base. This is the first time we will be doing it through a private international placement under Rule 144A.

The controlling shareholder group that currently holds 73.5% of shares will subscribe \$100 million and we will allow simultaneous secondary offering for any shareholder willing to sell more than 18 million shares. Only one of the members of the controlling group has the intention to sell. This is HCQ belonging to the Cuneo family, with 21 million shares. Anyone participating in the secondary offer commits to a lock-up period of 90 days after placement and the process will be 100% managed by the Company. We believe that a higher free float, that will go from 26.5% to 29.5%, will increase the demand from passive funds and the attractiveness for international investors.

The next steps in this process are: (i) in the first place to hold a shareholders' meeting on 20th August. (ii) We are already working with lawyers on the offering memorandum and, (iii) after the Comisión para el Mercado Financiero approves the transaction, we will start the placement process.

Conclusion

Summing up, our priorities will be the acquisition of Linio and the financing of the development of its operations; to accelerate our investments in digital capabilities in general including logistics, payments, data analytics and cyber security. Of course, to continue to enhance our proposition through our already announced plans to incorporate IKEA to our portfolio formats as well as take full control of Brazil..

We have moved fast and plan to move even faster in our digital transformation, and the additional funds will provide us with the necessary flexibility to do so.

Thank you.