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Falabella Retail: Becoming an omnichannel multi-specialist for our core categories, in partnership with top-quality brands

Francisco Irarrazaval, CEO of Falabella Retail

Hello, everybody. Thanks for coming. Today, I'll be talking to you about one single idea, but I think it's a very powerful idea. It's this idea of how we're becoming an omni channel multi specialist, how we're undertaking this journey, and why we think we can actually win there, and how we're going to partner with our best brands, and how we're going to provide our customers with an omnichannel partnership that is going to be super hard to replicate.

So first, we're very proud to tell you that we are number one in market share in the countries where we operate. We have the number one brand measured by Canter as brand index. Last year, we had 20 million clients, and those clients bought us on average four times each, which is a very high number for our format. And out of those 20 million clients, 55% of them belong to our loyalty program. So that provides us with a very powerful base to do more and more businesses with them.

As you may know, we used to have more square meters. Today, we are a little below 700 square meters. We believe we are okay in that number. We've been closing stores, yes, we've been reducing stores, yes, but we think that today we are in the right places with the right sizes. Nevertheless, of course, we're always measuring performance, so you cannot be sure, but we're about OK. So overall, we have 105 stores under the Falabella brand. We have 74 stores under the third-party brand. That's Aldo, Mango, MAC or other best brands that we carry. And of course, our three ecommerce websites, which account for about 40% of our sales and most of our growth.

So, as you may know, we've been pushing a lot this idea of ecommerce. We are really focusing on making the ecommerce bigger and bigger. And these are some figures that I think will help to tell the story. Last 12 months, we sold \$2 billion online. That's roughly 40% of what we sell, and that is a very high number for this format. We had 1.6 billion visits. That is 4.4 million visits per day. So that is--I believe, it's the most visited web page in the region. And out of what we sell, we deliver 60% of our items in less than 48 hours. And this is important, because, as you may have bought in Falabella, that you can choose a date in the future. And actually between 10% or 15% of our clients will be choosing a date in the future. So, for us, the roof here is not 100, it's more like 80 or 85.

Then we have click and collect growing very fast, and we expect it to grow even more. As Benoit mentioned, we are between 65% and 70% today. That is last 12 months, and we're growing on the 3P at 15% rate on the last 12 months. And this is something that is very fascinating for us, because we are shifting a little bit from a more generalist marketplace into what we call a more curated marketplace. And in this process, we are partnering up with the best brands. And those are the brands with whom we have a long-term relationship. And those are the brands that actually are willing to have the same services that we will provide them as omni channel services. Those are the brands that care about the brand, care about the story, care about the experience, care about the point of sales.

So those are the things that we will be able to provide to them, and those are very hard to replicate services. So last 12 months, for instance, 1.6% of our sales became Falabella retail media income. And as you may

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know, there's marginally no cost there. So, it's straight to the profit. We're running today five standalone websites. So, if you enter Crate & Barrel.cl, Carter.cl or Aldo.cl in San Peru, those pages are run by Falabella. It's under our technology. We are starting to provide those services as full commerce sort of services.

We have fulfillment services running today. 20% of 3P sales are fulfilled by Falabella, and as Benoit also mentioned, 80% of the deliveries are under our own delivery network, so offering a click and collect network for free for everyone. And this is new. This is f.plus+. F.plus+, it's like a loyalty program for the best brands. So, the more you sell, the better we'll treat you, the faster we will pay you to really align our interests with the best brands in our ecommerce.

So now, what's this concept of becoming an omni channel multi specialist, and how we're transferring ourselves from more generally store into what we call an omni channel multi specialist. And we don't want to be a specialist in everything. We want to be specialists in apparel, beauty, footwear, home and technology. So for next few minutes, I'll be talking about each category, what's the strategy and how we're planning to become a specialist, or how we have become a specialist.

First, this is the framework we're going to use, brand strategy. So, there's three corners there. Any brand you can think of as an exclusive brand, that is a brand that we buy the items already designed and manufacture. But those brands can only be--we are going to be the sole buyers of it, right? So, we're going to be the only ones selling that item in our countries. Private labels, those are brands that we design, we manufacture, we airfreight and we sell in our channels. And local brands are brands that we can buy locally. Usually, you have less inventory. Usually, you have actually negative capital there.

So, what do specialists do? Usually, specialists will be here, right? They will own the brand, they will manufacture, and they will control the experience. And this is something we think we have already achieved. But of course, the challenge here is that specialists are very fast. They're super-fast in manufacturing items, and the time it passes from the idea to the item be at the store is very short. That is what we have been doing lately with a lot of success. We have increased a lot the margins on our private labels. We have increased a lot the buying cycle, so we are being able to keep up with the trends, and we have been able to have lo ultimo primero in Falabella.

And this is very important, because about 80% of what we sell in apparel can only be bought in Falabella. It's nowhere else you can buy it. It might be the case that it's a similar brand, yes, but it's not the best brand. It's not the same quality. And in terms of channel strategy, this is going to be a lot offline. It's going to be a lot about experience. This is going to be a lot about probability. So, where's the growth going to come from? We believe 3P here has a super high potential, because we are actually being able to sell every style for every brand, for every color, for every size, at virtually no marginal cost, and that is growing, as I mentioned in the previous slide, 78%.

So, this is what we do. We have brands. We're trying to cover all the space at different price labels, at different lifestyles. And there are some white spaces there still that we're planning to go after them. One recent example was active woman, which we launched September this last year, is like a yoga lifestyle for females who want to do exercise, or would like to do exercise, and it's been super, super successful.

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Beauty is totally different. Beauty, it's a lot about global brands. But still, if those are global brands, it's still the case that you can have exclusive items, exclusive launch. In the last 12 months, 35% of our sales were items from brands that were only being sold in Falabella. Channel wise, this is going to be much more online and much more 3P. We have 50% market share here, and this is a market that is growing 10% per year, so there's a huge opportunity to keep that market share and benefit from the growth.

This is very interesting, because there are other brands there, more trendy, small brands that are actually not present in the country. And in the last 12 months, we doubled the amount sold through the international marketplace. So those brands are only available in Falabella through the 3P international cross border process. For instance, The OArduary which is a very successful one, since it's been successful, next year, we're going to bring it over to our stores exclusively again. So, this is becoming like a lab to look for trends and to capture the brands before they become someone else's.

Footwear, a lot alike beauty, but much more omni channel. Here, we do plan to become about 50% online, and this is very important, because specialists on footwear, what they really offer to you is every single size, every single color, all the brands in the same place. That's what the clients want. So, it's very, very compatible with online and with the stores. So here, the opportunity is huge, because we are including every single brand, exclusive or not, in our web page, with all the assortment, with all the sizes. And even some brands like Nike, who have different segmentation for channels, we're going to create a specific channel for those brands for the more urban kind of lifestyle. So, this is a huge opportunity that we're also going to go after.

Home. Home, as you may know, is a lot about local brands, a lot about furniture and mattresses. It's a lot about online. That's going to be there, but we do see an opportunity on the more soft goods on the offline. So, this is the concept. This concept we launched this year, which is a very inspirational space, very aspirational, at a very, very low price, like very entry price, and we're going to provide this experience through our own brands.

Last and not least, technology. As you may know, technology is not about private labels. We don't want to compete with Amazon. Sorry, with Amazon, yes, but not with Samsung or Apple. So here is a lot about the online. It's going to be a lot about 3P and it's going to be a lot about financial services, right? This is the thing we do very good, as Juan Manuel is going to tell you. We have this huge, huge user base. And with Sodimac together, we have like 42% of the market share here, so this is a very, very big opportunity. We're going to keep doing that. But in the stores, we aim to move them into what we call a more experiential technology store. So, you're going to start seeing more emerging technologies, more peripheral products, and less core products.

So, to wrap up, we have a specific strategy for each product category. All of them will be different, even the web page is going to feel different if you are buying something from apparel or you're buying something from shoes. We do want to become a specialist in each category, and the role of the channel won't be the same. The role of the private label won't be the same. So, we do want to behave at five different specialty stores, so that's what we call the omni channel multi specialist retailer. And three ideas for you to take home, so you can forget all the rest and just remember this. We're going to be putting a lot of focus on the omnichannel ecommerce, both 1P and 3P and that is going to be very hard to replicate. We're going to leverage our relationship, our long-term relationship, with the best brands in each country, because we

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believe those brands have the interest aligned with us, because those brands care about the same things that we care. And finally, since Falabella has this super powerful high attribute, high quality attribute brand, we're going to keep growing and building small niches for private labels wherever we find a white space. And as the active woman example that I mentioned, we're going to have some more in the next months.

So that's the end. Thank you.

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