Operator:

Good morning, ladies and gentleman. Thank you for waiting. Welcome to the conference call of Smiles to present Company's result for the 3Q17.

Right after the Company's presentation, we are going to start our question and answer session. To ask your question please, press *1. Should anyone needs assistance during the conference, please ask for help by dialing *0.

We would like to say that some information presented during this conference call may contain prospects or statements referring to future expectations. Such information involve risks and uncertainties since they relate to future events and therefore may or may not occur and may materially different from those expressed in these financial considerations.

Today, we have with us Mr. Leonel Andrade, CEO, and Mr. Marcos Pinheiro, CFO. I would like now to give the floor to Mr. Leonel Andrade. Please, proceed.

Leonel Andrade:

Good morning, everyone. It is a pleasure to be here. Welcome to our conference call for the 3Q17. I am really glad to be here with you once again to share with you our results, and would like to ask you to proceed to page three.

Our main highlight is the net income R$340 million. There is a non-recurring factor which is the restructuring that we have had, very successfully, which is going to add future dividends, adding value to our shareholders. It is an excellent amount, very welcome, so that the Company can get into a new level.

In terms of gross billings, we had a 16% growth and, as a consequence, we have been consolidating our leadership and the size of our Company, becoming a more much robust and consistent Company.

So, in our billings today, we will present the net income in the future, so as we have been managing our margins, our revenues overall, it indicates that we are going into 2018 with a very strong position.

In miles redeemed, there was a 56% increase compared to previous year. And, even though we had a very good 2Q, we still grew reaching 17.1 billion miles redeemed.

Miles accrued, we have also broke another record. We have shown a consist growth of market share. As a consequence, we reached almost 23 billion miles accrued. When we started, five years ago, we had 7 billion miles in the quarter, today, five years later we have a three-fold increase in terms of miles accrued.

We have had a very significant consistence compared to the previous year and the previous quarter. So, our net revenue has been growing in an annual basis and also in a quarterly basis.

Net revenue had a 10.7% increase compared to last year, stable in relation to the previous quarter, totalizing R$441 million. Financial results totaled R$52.4 million in the quarter.

Still showing a persistent component, because of the purchase of tickets of Gol, and it has really favored, considering the drop in the interest rate Selic, but with such results we assure we can move ahead very consistently.

On slide four, some of the novelties we are sharing with our customers in the previous quarter. We have a new app, the best in the loyalty in market, according to our customers, highly used by our customers, the only one that has integrated ticket purchase and issued and according to our strategic plan of been the leading Company, the most relevant one for the travelers experience, we have also added to the app hotels and car rental.

So, as a consequence, the person can make all the plans for a trip through our app. This is going to also be a source of investments in the near future.

So, we have redeem of miles travel hotels and for car rental. We have a partnership with Localiza, and with hotels, we are working with Rocketmiles, the only global company focused on hotels for loyalty programs.

Going to the next page, we have also implemented Shopping Smiles, something new and we are the first to do it. It is a complete purchase platform and, as a consequence, clients get many miles when they purchase.

So, they purchase a refrigerator and they get a trip for the future. Even if you buy in a different retail stores, different cash out, a very consistent integrated platform, all fully aligned with the regulations of the market place, the new market place of the Brazilian Central Bank and all regulatory agencies. So, we are much ahead of the curve, very glad with this initiative, and this has also brought additional revenues to the Company.

It is important to emphasize that our business of hotel has been growing consistently, and within two years, or until the end of 2019, we will be one of the leaders in Brazil in hotel businesses among the top three, if not the largest company of hotels reservations in Brazil, very much aligned with what we had stated before, that within two or three years it would mean 10% of our total billings and miles accrued.

Moving on, page six, one more pioneer initiative of the Company, together with Shell and GetNet. We are a part of the POS of GetNet, of Shell network, for redeem the payment of miles in the gas station, and that has really improved the experience of customers. Any customer can use miles to pay for gas. We are the first Company to offer this kind of service in Brazil.

On page seven, we have made a partnership with Wine.com. It is the leading company on wine club subscription and clients. We are very glad to be with them. It is one more advantage to our customers which can subscribe for receive wine on a monthly basis using our miles, leveraging our billings, it is connected with our website.

So, they can buy wine and get miles, a very similar experience that we have with Localiza, Rocketmiles and Shopping Smiles. One more point to add experience to our customers, adding value to our Company.

On slide eight, it is our new platform of content. When we talk about being a complete Company to traveler, we already have an experience of been leaders in ticket selling, and we have been consistently working with car rental and hotels. Shortly, we will be showing other configurations, in other travelling segments.

But now, we are getting into planning as well. All our customers and travelers access the content platform when they are planning to travel. And, this is how we can add a new service, and also guide our customers to the best offers and the best opportunities that we have under our distribution.

This platform, “Smiles Em Dica”, brings content for 50 different locations, but now we are going to expect 800 sites all over the world, so that we can really serve our customer better.

Of those two advantages, one of them is the Smiles manual. We are the Company that has a wide range of products, of innovation. We also have five or six products which are relevant and exclusive that our competitors do not have. And our customers have to know to get about that.

We are offering to new customers to Smiles, the clients coming from competitors, they are getting to know more about Smiles through this platform, as if this were a manual of instruction, and we are really sure is going to add value.

Within “Smiles Em Dica”, we have a summary about the loyalty market overall to serve as an educational platform to our customers. This is also helping us to take a further step in the market.

Now, I am going to give the floor to Marcos Pinheiro. He is going to talk about the financial operation. I will be glad to entertain your questions once we complete.

Marcos Pinheiro:

Good morning, everyone. Now, I am going to speak as of slide nine. Here, we can talk about volume of sales year to date. In this quarter, we have reached a very high number of accrued miles, 22.8 billion, and it reflects satisfaction of our customers and we have really been the best choice for customers in terms of loyalty programs.

On slide ten, we can see another record that we have achieved. Gross billings reached the record of R$500.4 million, two-digit growth compare to the same period of the last year, showing our commitment with the engagement of the customers and the consistent improvement of our loyalty program.

Going further to slide 11, we can see the evolution of miles redeemed. In my opinion, this is one of the most relevant indicators to our sector because it shows engagement of our customers with our offers.

Once again, when we look closer, we can see that we had a 56% increase in volumes of redeemed miles compared to last year same period. As Leonel has said, it has resulted from innovation and commitment of making our customers always satisfied.

On slide 12, we can see the evolution of net revenue of the Company, it has been R$441 million yields compared to the previous year. But, we have a very important highlight in terms of quality of this net revenue. It can be explained by the appropriated management of redeemed miles. So, once again, the Company not depends on miles expiration to really deliver financial results. This is the kind of results we want to see. We can see the evolution of net revenues very clearly shown.

We have the evolution of EBITDA on slide 13. And I would like to make some highlights then we can go further into details later. Our EBITDA had a slight decrease compared to the same period of last year because of the reduction of some components of our revenues, some commercial losses, expenses that we have had with profits in our credit card transactions, and our customers have been using the credit card for more operations with us.

So, as a consequence, we had an increase in our administrated expenses, and also provisioning of our plans. And as you probably remember, our competition plan is highly dependable on variable compensation, and as we have shown healthy results we have decided to set appropriate provisions for all the executives.

On slide 14, we showed the evolution of net income, as referring the beginning of this presentation. It was R$339.5 million in the quarter, with a significant increase compared to last year, and a 67% margin.

With this slide I close our presentation and I will be glad to entertain your questions together with Leonel. Thank you.

Alexandre Spada, Itaú BBA:

Good morning, everyone. Thank you for the opportunity, I have two questions. The first one, the growth of billing was very solid, but we have observed, once again, a sequence decrease in unit price, getting to the lowest level ever since its IPO.

We understand that this kind of dynamic will have some kind of pressure on your margins in the future. So, do you think that the Company can compensate this effect in the unit cost or is this going to be some kind of recomposition of your unit revenues so that you can maintain the current levels? Do you think we can expect in reduction of margins in the near future?

Leonel Andrade:

Thank you for your question. There are two important points. The first is the growth in billings. The banks are changing their levels and, as a consequence, prices are going down. Conversely, it has made the possibility of growth in the future very palpable. In terms of margins, we have always worked within 40%.

Our worst quarter, if I am not mistaken, it was 37%, and the best one, 46%, now we are still performing over 40%, so I think it is going to be within this range. We do not think the margin is going down substantially because of that. Not in the 4Q, but in the beginning of 2018, there will be some effects that are going to bring prices up again – readjustment of the club, some additional negotiations about which I am not going to go into details, but we do not expect drops in prices and we will maintain the margin within 40%.

But a 40% margin, bear in mind, is the best in the industry, it is very healthy and robust. I do not see or perceive any potential risk, even though there might be a 2 or 3 p.p. drop, it will be within the range that we have always been working with.

Alexandre Spada:

The margin you are referring to is the direct redeem margin. Am I right?

Leonel Andrade:

Yes, exactly.

Alexandre Spada:

So 40% is 2 p.p. below the current level. Well, thank you. My second question is about margin. What is the redeem factoring in terms of tickets, different tickets, promotional tickets and others, considering our domestic airline industry. Do you think it is a relevant factor for the margin composition for the upcoming quarter?

Marcos Pinheiro:

We are currently experiencing a scenario in our industry and a greater occupancy rate, the companies are readjusting results. So this is a challenge to us in terms of operating the Company. But our commitment is to always have our customer placed in flights that will really add value to our partners.

We still have got room to conform our journey of development, but this is a bit more challenging, so to speak. To give you more data about the results, one of the greatest share of redeem was the commercial tickets, but it has not had an impact on redeemed margins. So once again, we are using our revenue management to get to the optimal level of revenues, maintaining our relationship with additional airline partners.

Alexandre Spada:

Thank you very much for the clear answers.

Victor Mizusaki, Bradesco:

Good morning. I did not join you from the beginning. But concerning dividends, the company has finished the bidding of WebJet, and now you a fiscal benefit. Can you please tell us about your dividend strategy? Can we expect a payout of special dividends now with the capital reserve and accumulation? What do you expect for upcoming quarters?

My second question is concerning accrued miles. You have mentioned your strategy of working with hotels and within two or three years you expect to be one of the largest hotel reservation companies, so how much does that represent in the near future for the business overall?

Marcos Pinheiro:

Thank you, Victor. I am going to start by talking about the dividends. Our vision and policy is the same as when we started working in this Company. We have a business model that generates a lot of cash and, as a consequence, we distribute dividends to executives as much as we can. It is a constant discussion of the Board of Directors ant the Executive Team.

The market will expect to hear from us in the upcoming weeks are we are going to talk about that shortly after the incorporation of WebJet, but we do not expect to have any significant changes in our policies.

Victor Mizusaki:

Concerning that, is there a decision to distribute the entire net income or are you going to maintain the PNL? Have you already decided on that?

Marcos Pinheiros:

Yes, we have already been analyzing that and each distribution is annualized individually, but, as a rule of thumb, we will really use the reserve to benefit from a fiscal perspective when we distribute interest on equity. I do not think this is the best economic equation for the Company to reduce the capital, but, rather, distribute results and really benefit from the results in terms of fiscal benefit.

Victor Mizusaki:

That's good. Thank you.

Leonel Andrade:

Thank you. I am going to talk about the second question on the accrued miles. When we talk about banks, there are two ways of seeing this: from a billing perspective, even though it is still significant, but mostly probably within three years, this dependence, this share will be much lower than 50% of the total billing amount.

But in terms of relationship, it will be our number one priority. It is not a simple financial issue or a billing perspective, but a customer engagement issue. Being with them 24 hours a day, working with our customers, improving and building loyalty with the banks, it means having more engaged customers because they are the best partners of Smiles in our promotion and daily operation.

I think that our dependence and alliance with banks will be more significant than it is today and we are going to keep our focus on it. In terms of billing, naturally, it will be growing because other businesses have been increasing, so it will definitely be below 50% in future periods.

Victor Mizusaki:

Will it make sense to expect that given all products you have at Smiles, your encouragement to customers to make a reservation and pay using the credit card, do you think that this is going to increase your market share and your relationship with the banks compared to other programs?

Leonel Andrade:

There are many products and initiatives being shared with the banks. We do not have anything with hotels yet, but our operations with the banks will grow substantially, much more than what we initially thought, because of the products and of the businesses, not hotels necessarily.

The market share we have, and the preference is credit, because we work for them, and even in the banks in which we do not have a definite cobrand, we are still highly engaged with them.

And this is because of relationship, products, policies and a philosophy of work. We work for banks. Banks spend R$4 billion per year focused on customer loyalty, so I work for the banks. And we will keep on doing that by developing products with each one of them. And in the upcoming weeks, we will be telling you a lot of new initiatives with the banks, new alliances and products regarding the cobranding program we are going to launch shortly.

Victor Mizusaki:

Thank you.

Felipe Vinagre, Credit Suisse:

Good morning, everyone. I have two questions. They are two follow-ups on previous questions. The first one is about the dependence on banks in the upcoming three years and then banks will be less than 50%, so what is your current figure? And how was it five years ago so that we can have an understanding of the trends?

And secondly, about margin and prices. There are some adjustments that have been made by the Company and there will be a gross billing analysis, we have seen the prices that you have been reporting but the average price is R$247, so regardless of what happens in the point of sales, even if it goes up a little bit, there is going to be a reduction in PNL in terms of what is redeemed because of the delay involved in redeeming.

So what is your strategy to maintain the margin within the 40%? Where are you going to make adjustments? In consumer prices? How is this going to be done?

Leonel Andrade:

Thank you, Felipe. The first question, our share with the banks, I am not going to give you a firm answer. It has been growing consistently since the opening of the Company five years ago, we depend less than the rest of the market because of the development of other products; it is significantly lower than what it used to be five years ago.

At first, banks would amount to almost 9% of the share of our business – today it is much less than that – and I think we are going to go below 50% consistently in upcoming periods. The good news is that banks are smaller, but they almost doubled in terms of billings, what they represent, even though it is a smaller share.

We do not work to reduce the relationship with our banks, but to depend less on them. We work to leverage other sources very consistently and, as a consequence, banks are reducing their share. But we are still working very closely with them.

In terms of margins, there are two important points. First of all, for five years we have been receiving questions about margins, "In 1Q, are margins going down?", "When is it going down?", so we have been suffering that pressure on the price of redeem – they are constant. And we expect that to happen constantly. Customers want to pay less regardless of the side where they are.

And we have been working very consistently with our partners, the airline companies. And Smiles can manage very well its revenues and bring customers closer to the best offer for the. We are going to maintain our challenge and I think we can sustain our margin above that of the market. The fact that we are going to have a 2 or 3 p.p increase, you mentioned it, some other analysts mentioned, yes, but that would not be the problem because our revenues will keep on growing considerably.

So, I think we can still manage our margins within 40%, as we have stated before. I do not think that this is going to have an impact in 2018. Once again, it is around 40%, it is our constant margin, we have been below that already in our history, but thanks to our skills and good management, we have maintained that range. So I think we can still keep up with the same base.

Felipe Vinagre:

Thank you, Leonel.

Leonel Andrade:

Thank you.

Samuel Alves, BTG:

Good morning, everyone. I have a question concerning the breakage. If you can tell us whether the breakage rate is still going up and if it is happening because of Clube Smiles? Or why has the breakage revenue been growing on a quarterly basis? So please, give us some further details about breakage.

And secondly, can you please update us on the price adjustment of standard tickets? I think that can be very helpful to us. Thank you.

Marcos Pinheiro:

So let us start talking about breakage. Breakage is a provision, it is an accounting estimate of miles concerning what will be the EBITDA for half of the year.

The rate was somewhat higher than what we had previously, very stable at 18%, and what has been changing somewhat in the breakage dynamics is the fact that we now recognize the breakage revenues in the same analysis that we have the redemption, the redeemed miles.

In other words, the rate has not changed. We had a breakage revenue that can be distributed throughout time. We do not think anything is going to change our expectations in terms of the realization of the breakage revenue. We can maybe improve our estimates only.

And the other factors that can explain this result somewhat lower for breakage revenue, and it is something that some analysts have already brought to our attention, the unit revenue of the mile stock has been going down. The unit price influences the revenues redeemed, and it also influences the breakage revenue, because that generates an average price in the end.

So we have two effects combined together and translating into the breakage revenue, but we do not see anything abnormal, anything that would recommend a change of our perspectives in terms of breakage. We have a very stable rate, so it is going to get to what was expected.

In terms of your second question, which is ticket price readjustment, we have now started updating our prices towards Smiles and GOL. I cannot anticipate and tell you what is going to happen, but those that have been observing the airlines companies, our airlines have occupancy rates going up, which affects our prices, the average price per kilometer per passenger has also shown favorable increase, which also poses some new challenges to us.

As Leonel has just said, we are still confident that our management can appropriately allocate customers to the flights in which we do not have that high occupancy rate.

So I would not expect anything harsh in terms of expect on transfer prices, but I cannot elaborate further, just remind you that we will still follow-up what is going to happen with these prices until the end of the year.

Samuel Alves:

Thank you for your clear answer.

Carlos Daltoso, Banco do Brasil:

Good morning. Congratulations on the result. My first question was about the details of the new strategy of miles accrued, but Marcos has just answered about that.

Now on Netpoints, after buying 25% in 2013, you have the option of acquiring control of Netpoints in 2018. Considering the focus of Smiles on tourism, is it still an attractive asset? What is your strategy concerning that?

Leonel Andrade:

Thank you for your question. When we made the investment in Netpoints, in 2013, we had made the strategic decision of analyzing tourism, travelling experience. At that time, we had a huge challenge of have a diversification of our retention beyond GOL, adding new airline companies, so we decided not to have retail at Smiles, so that there would be no distraction.

It is very successful, and you have been seeing that since the beginning, and as a consequence the Company has become leader in many areas, and it has grown significantly.

During this period, Brazil has been through an economic crisis, and retail was highly impacted, and as consequence Netpoints has not grown strongly. There was a change in management because of that, and Netpoints is not significant in terms of billings, but it is a healthy company that generated its breakeven point. There is no additional need of cash, so it is a company that is taking its natural path.

The decision has to be made on the beginning of 2019, so we have one year and a half. Our agreement is that once we have the completion of our results of 2018, between February and March we will have the audited results, and then we will decide. So this is March, April 2019. We do not anticipate any reasons to come up with any decision right now.

But the strategic decision is that we are not going to go into retail. We do not see any additional value of having retail in a program such as ours. It is a program for those who want to travel, it is a program that we have to meet tourism, entertainment and events. We do not want to go into retail.

If we are going to be part of a retail part or not, it is a decision that we are going to take later. Today it is no, but it is too early to make any decision about Netpoints.

I do not know if I have answered your question.

Carlos Daltoso:

Excellent, thank you. Crystal clear.

Lucas Barbosa, UBS:

Good morning. My question concerns the billings for 2018. What do you expect in terms of growth? Can you share that with us? And what would be the main drivers? Would be more expenses in the credit card? Do you expect to have more share in banks, or a better profitability of the products you have been developing?

Leonel Andrade:

Thank you, Lucas. It makes sense what you are asking. We are very optimistic for 2018. We are highly prepared to start the new year. All products and alliances that we have made are consistently growing. The good news is that we have been gaining market share, we have been growing significantly based on a number of things. There is no ‘silver bullet’, we always have five or six products ahead of the competition, and each of them contributing, and growing sustainably.

In the upcoming weeks and months, we will be launching lots of new things, new alliances, very significant projects. And concerning the banks, we are going to work closely with them, exactly as we have been doing, and we expect to gain more market share.

In a nutshell, we think that next year we will keep on growing our billings over 10%, with double digit growth, because of our new agreements, or because of products distribution, and the economic scenario, that will certainly help, and it is going to be better than what it has been in previous years.

So I think we are going to grow more than the industry overall. We are going to have a double digit growth, and we are going to keep up moving ahead with the growth, really expanding more than the competitors in the next year.

Lucas Barbosa:

Thank you for your answer.

Victor Mizusaki, Bradesco:

One last question: analyzing the dynamic in this 3Q, we see a decrease compared to some results from 2016. What is your perspective for the 4Q? Can we expect an increase or not? And, in the 3Q, the decrease was more related with the accrued miles because of a new product, or was it below what you had initially thought?

Leonel Andrade:

Victor, thank you for the question. You probably remember that in 2015 there was a similar period, in which the burn/earn was going down more than the previous year, and we were very confident, because we had been growing, the accrued had been growing, so it was just a matter of nominator and denominator.

Today it is exactly the same thing. The growth of billing and accrued miles has been very significant, and, as a consequence, we have a smaller burn/earn. But we have lots of miles we can burn. Our revenues now are going back again, and there is a lot to be done in the future.

The engagement is not smaller, it is not going down at all. Customers are consistently redeeming miles, and making our Company grow bigger. So I think this is an opportunity, not a disadvantage.

The 4Q, I think it is going to be good, healthy compared to the last year. The 4Q16 was the best in the history of Smiles overall, the best quarter ever, so it is a challenge to overcome it, but I am optimistic that it is going to be highly aligned with everything we have been doing so far.

We might have a record of billing, we have had a solid activity, a very good month of engagement, of miles redeemed, and I am sure it is going to be a very good quarter again, the 4Q.

Alexandre Spada, Itaú BBA:

Thank you for accepting one more question. It is a follow-up about the previous discussion concerning Netpoints. You have already said in previous interactions with the market that you have this interest for acquisitions, not only Netpoints.

So I would like to know if you have anything under discussion right now. And would that be a reason to reduce the payout of the Company, depending on the size of a potential acquisition, should you be thinking about them?

Leonel Andrade:

Concerning your question about acquisitions, right now the Company is going to celebrate its fifth anniversary, and we are revisiting our strategic plan for the next five years with and external consulting company, which has been very instrumental in the process. This is something we did when the Company had its IPO, five years ago, and we are redoing it.

The work will be completed by the end of this year, approved and discussed by the Board then, and we will have some new initiatives. I still cannot share them with you, because they are not approved, but there is a consensus in our Company at all levels; in fact, some consensus.

First of all, the focus on travelling, tourism and entertainment. There is no other interest to work in retail, because I do not see how we can make money with it, concerning that you need to have other solutions of operational efficiency, which are not in the market yet. So tourism and entertainment is our first point of consensus.

Secondly, we have to work for the Company to have no maturation. We should not be satisfied with the size we have. We had an increase in our size, and now we have more than R$11 billion; about R$10 billion is our total worth because we have this idea of adding value, of really favoring our customers.

So we keep on growing, we do not plan to get stable. And to do it we will have to launch new initiatives, and this is going to happen in the next year, but always focused on tourism and entertainment.

Our ambition is to be a complete Company, the most complete platform for travelling, and we want to be market leaders. If it means acquisitions, fine, we can do it, but it is not concentrated, we have nothing under negotiation right now.

So the payout is not under discussion right now. We are going to have this discussion shortly, and probably it is going to be focused on 100% payment of accrual profits. I do not think and acquisition will be a decisive factor for it, because we could have other sources of capital should we need it.

The main message is: let us move on. We are not going to get stabilized. We will keep on being motivated to keep on growing, and the Board of Directors, the executives are all highly motivated to keep on doing it.

Alexandre Spada:

OK. Thank you.

Ian Ferry, Jackson Square Partners:

I would like to have more details about the unit price ranges that the Company has with financial organizations and whether you expect price reductions from such partners.

And along this line, what are the contract negotiations with banks and how have they been?

Leonel Andrade:

Thank you for the question. I do not have much details to share.

We have ongoing negotiations, as we have every year, very robust and healthy. I do not think we will have the opportunity to increase prices or reduce prices. I think that we will maintain something consistent with our current value.

I cannot go into details about the negotiations with each bank and each price range.

The contracts are getting more scale, the bank grows, so the prices reduce, and this is what has been happening, the business grows, so the price reduces, and it impacts our market share.

For 2018, there is no risk and there are not major opportunities either.

Catherine O'Brien, Deutsche Bank:

I would like to know whether the decision to approve and change these rules has started from GOL or Smiles and whether it has anything in terms of implication in the prices paid on miles.

Leonel Andrade:

Good question, Catherine. It is a joint decision. We manage the GOL Program here, but we still have a total alignment, we have a Loyalty Committee, managed by myself and the CEO of GOL, we have engagement in all levels of the Company, so we have a joint mission and GOL has a focus on improving the experience and the competitiveness of the most relevant segments, especially Gold and Diamond customers.

Diamond customers are offered the greatest benefits, considering a 10-year active period. We are the Company that provides more time for accrual of miles, more than any other competitor, and we are going to keep on operating like that.

This year, most probably, we are going to have some new initiatives of this work of Smiles and GOL together.

Thank you for your question.

Catherine O'Brien:

Considering that the Company does not want to expand the operation in retail, because of the focus you have on tourism, do you intend to operate Shopping Smiles only for affinity or are you going to offer also options of redemption?

Leonel Andrade:

Thank you for the question.

We are going to operate retail through electronic commerce, just for redemption and purchase, then we can expand that. When I talk about retail, I am talking about retail stores, point of sales or redemption at stores.

E-commerce is part of our platform, it does not add any additional cost, quite to the contrary, it really offers good products to our customers, so we are going to keep on doing it.

But I think what is going to expand the most is the accrue through e-commerce, because no customers have that many miles for so many products that are being offered and are always going to have the best cost-benefit in terms of airline tickets and other tourism-related products.

So shopping will keep on growing and add value to our billings and our accruals.

Catherine O'Brien:

How much does the Company have in terms of purchase with GOL and what is the strategy that the Company has?

Marcos Pinheiro:

Thank you. We have 1.5 year in ticket equivalent in inventory. Our idea is to maintain exactly operating as is. If there is the need or the opportunity for Smiles and GOL to make a new purchase, this is going to be discussed later with the Board of Directors of Smiles and GOL, and then it will generate a new transaction.

Right now, there is nothing in our mid-term vision that would indicate that.

Catherine O'Brien:

I would like to make a follow-up of the first question. Will the change of Smiles Program accrual have any impact on the margin of the Company?

Marcos Pinheiro:

My answer is no. It is not going to generate any impact on the margins of the Company.

Operator:

The Q&A session is now closed. I would like now to give the floor to Leonel Andrade, so that he can make his closing remarks.

Leonel Andrade:

I would like to thank all of you.

I think I have shared with you the key points, but I still would like to say that our Company will be celebrating its fifth anniversary, very rewarding years, all stakeholders, and we have the commitment of the executive team to be here to keep on working with the same level of motivation.

We have 123 employees and I would like to thank all of them. They have been working very hard and this is a special moment in history. We are leaders, we are going to get more and more, we are going to expand our results, we are going to grow substantially. So many of the decisions we have made are toward that.

I would like to talk about operational expenses. I thought this topic would be asked. We have had an increase in operational expenses because of that.

Either they are related to additional investments in platforms and technology and they reflect on additional provisions for payment of our profit-sharing program, because we have a program based on result and the increase in stock prices.

We want to be conservative always and have the additional provision, considering that we are going to have a very good year end.

Another important point to highlight is that, as we have been growing in terms of billings, because of further engagement of our individual clients, we are paying higher prices and I want it to by higher and higher in the use of credit cards, so the MDR, and I hope we can see that growing, because it means that we will have stronger margins, it is going to impact billings and revenues in the long term.

We are still very confident the Company is highly prepared for 2018, we are going to launch new significant alliances for upcoming periods and you are going to see new products in the pipeline.

We are going to keep on being innovative and our competitors can copy products that we launched, but not the ones that we are going to launch, and there are many products that are going to be launched shortly.

In October, we had a great month and we are going to break another record in terms of billings and we are really fully integrated and engaged, the Board of Directors really believes that 2018 will be an excellent year.

I hope to meet you all again shortly. Thank you all very much for your support. If we do not speak before the end of the year, I wish you all a great end of year and thank you very much for your support.

Operator:

The conference call with Smiles is closed now. We thank you all for your participation. Have a good day.