

Y 2020 Earnings Call

Company Participants

- Carlos Mauad, Chief Executive Officer of Banco Carrefour
- Jose Roberto Meister Mussnich, Chief Executive Officer
- Luis Moreno, Chief Executive Officer, Carrefour Retail
- Marco Aparecido de Oliveira, Chief Operations Officer
- Natslia Lacava, Investor Relations Director
- Noel Prioux, Chief Executive Officer
- Sebastien Durchon, Chief Financial Officer and Investor Relations Officer

Other Participants

- Danniela Eiger, Analyst
- Guilherme Assis, Analyst
- Gustavo Oliveira, Analyst
- Irma Sgarz, Analyst
- Joseph Giordano, Analyst
- Juan Carlos Rocha, Analyst
- Robert E. Ford Aguilar, Analyst
- Thiago Macruz, Analyst

Presentation

Operator

Good morning. Ladies and gentlemen, welcome to Grupo Carrefour Brasil's Q4 2020 Earnings Conference Call. This conference is being recorded and broadcast live through our Investor Relations website, www.grupocarrefourbrasil.com.br, where a slide presentation is also available. At this time, all participants are in listen-only mode. Later on, during the Q&A session, you'll be able to ask questions via phone or chat, and further instructions to participate will be provided. Slide selection will be controlled by you. (Operator Instructions)

Before proceeding, let me mention that every statement made during this call vis-a-vis the company's business outlook projections and operating goals are based on the management's assumptions about the future of the company. Forward-looking statements are highly susceptible to market conditions and the overall performance of the industry, the country and the market where the company runs its operations, and therefore, are subject to change.

Now, I'll turn the floor over to our CEO, Noel Prioux, who will open the conference call. Mr. Prioux, you have the floor.

Noel Prioux

Good morning, everyone, and thank you for being with us at our fourth quarter 2020 earnings call.

With me, we have our CFO, Sebastien Durchon, and all the heads of business. I'm very pleased with the results and accomplishments we've had over the course of this year. This was no ordinary year. We had to adapt and take and make very quick decisions despite the COVID-19 crisis. And although it changed consumers' purchasing profile, which certainly played to our benefit, I have no question that a lot of our results came from in-house initiatives that required a lot of courage to be taken. Even in such an unusual year as this, we've opened 7,000 new jobs. We are increasingly closer in our relationship with our clients using new apps and platforms, whether that's in retail, banking and now with Atacadao via our CotaBest marketplace and partnerships for fast delivery. In fact, the group's digitalization has picked up speed at such a pace that not even I thought was possible.

32% of our bank sales are already digital, and over 30% of non-food items already takes place via our e-commerce channels. In this new context that was born with the coronavirus crisis, our food digital increased by 240% over the year and accounts for over 5% of our -- Carrefour's food sales, with over 2% of sales in our Atacadao stores that offer the service, and that's only three months after launch.

In 2020, in an even more demanding market, we were able to strengthen our models, always to better serve our customers and making their daily lives a little bit easier. We've attracted many more customers, and our volume has grown increasingly more. Our share of wallet has increased with our already loyal customers. These decisive strides forward have resulted in market share gains that we had rarely seen in the past.

With Atacadao, we've had gains in market share in the same stores. And in retail, we've -- we were able to retain a 2 percentage point increase in market share over the past few years, which is a really impressive figure. At Atacadao, we've seen growth over 30% in Q4 with an impressive LFL of 27%, which is still above the like-for-like recorded in Q3. We've opened 20 new stores and two delivery wholesale stores over the course of the year. And this growth, which led to an additional 6% increase in sales, will accelerate even further in 2021 as our stores purchased by Makro start to reopen in the first months of the year.

In retail, in the middle of the crisis, we were able to, in record time, change 100% of our digital platform, which allowed us to record a record-breaking NPS in Q4. Our app has already attracted 75% of the most loyal recurring customers using artificial intelligence, and we were also able to identify staple items that were not in their purchasing basket.

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With that, we were able to introduce our own brand, which is an excellent tool to ensure a full purchase for several thousands of families looking to save money, which also generated more sales. We've had a lot of gains in efficiency. And today, we spent half of what we used to in digital marketing to generate a lot more sales. Our digital operation has exceeded BRL3.3 billion in GMV over the year and over BRL900 million over the quarter, which definitely makes it a relevant player in the online world.

In banking, we've also had sturdy results despite the challenging economic environment. We are now back to growing by 20% with substantial role of digital sales and healthy delinquency levels, which makes me very optimistic about the result of this operation in 2021.

In closing, I'd like to address some ESG topics, which are part of the DNA of this company from day one. Sebastien will talk a little bit more about this in detail, mentioning the initiatives the group has introduced. I'd also like to underscore our commitment to working tirelessly so that all our stakeholders have the best results, trying to contribute every day to a more sustainable and equitable society.

The tragic event that took place in last November at our store in Porto Alegre made us even more resolute than ever. That is why we've taken yet another step, among the many steps we've taken in the last 45 years to combat racism. We've created an independent committee and established a number of concrete actions to fight racism. I'd recommend that you access the website, naovamosesquecer.com.br, where you'll be able to monitor with full clarity how our work is evolving.

We've also taken an important step against deforestation, the first the group has adopted -- being the first group to adopt a park in the Amazon with 100% of its meat suppliers being monitored with their own tools at the end of 2020. This work began in 2010 and progressively evolved over the past few years. I'm very proud of what we've built and of what's already -- of what's yet to come in 2021.

Thank you for being with us, and I will now turn the floor over to Sebastien who will go a little bit more in detail about our numbers.

Sebastien Durchon {BIO 20242758 <GO>}

Thank you, Noel, and good morning, everyone. I think Noel has said it all. Q4 2020 was another quarter of substantial growth in line with our previous quarters.

In Slide 3, I will go over quickly the figures that we had in Q4. First of all, I'd like to underscore our total gross sales, which came to BRL22 billion in the quarter, just over BRL4 billion more if we compare to the same quarter last year. Gross sales were up 24.5%, with impressive growth in like-for-like sales, 22.9%. That growth is one of the most impressive we've seen in a long time and is the result of a historic like-for-like of 27% with Atacadao, which was boosted by our commercial strategy introduced since June, which is designed to maximize volume with greater competitiveness, creating operational efficiencies.

Adding to that, we also continued with a strong momentum in retail, where we saw a like-for-like growth of 13.3% over a comparison basis that was already strong in Q4 2019. Bear in mind that last year, we had a strong Black Friday. And this year, we canceled all promotional campaigns, especially online because of the tragic event we experienced in Porto Alegre.

Excluding the Black Friday period, our LFL in retail was 19.8%. This expressive sales volume, combined with the permanent optimization of our models and a very efficient expense control, created a strong dilution of our fixed costs, and our adjusted EBITDA exceeded BRL1.7 billion, growing by 18.2% over last year. Here, in addition to a very strong growth for Atacadao and Carrefour, whose EBITDA increased by, respectively, 26% and 48%. We had a very significant contribution from our Banco Carrefour, which is still a little below last year, but continues to show quick recovery versus the two previous quarters, which were stricken by crisis. Our net adjusted profit was BRL886 million in the quarter, a 31.1% leap over the fourth quarter of last year. Over the year, it was no different.

On Slide 4, I will quickly go over the year-over-year figures. Total gross sales came to nearly BRL75 billion. Gross sales were up 20.1% or even 22.2% if we exclude gasoline with like-for-like of 18.2%. That growth is the result of a performance that's comparable in both sides with like-for-like at 19.6% with Atacadao and 17.6% in retail.

Our EBITDA -- adjusted EBITDA exceeded BRL5.6 billion, up 18% over the last year. And it's worth mentioning the gains in efficiency, seeing that our SG&A was down 134 basis points, accounting for 12.4% of our revenues and reflecting a rigorous work to control our expenses and the structural changes in the model that allowed us to reduce our losses, our inventory disruptions and allowed us to have a digital marketing that's more effective.

The last point I'd like to highlight on Slide 5 before going into further details about our operations, cash generation, capital structure and dividend policy. In 2020, our consolidated EBITDA was up 18% and our net result, 43%. Our cash generation grew even more, a consequence of the strong rise in our EBITDA added to improvements in working capital management.

Not only were we able to finance important investments, especially in new stores, accounting -- amounting to BRL1.7 billion, we also delivered a free cash flow that was an all-time high at BRL2.4 billion and a significant increase of 152% over 2019. That free cash flow reflects the efficiency of our ecosystem and is available to increase even more investments and increase payments to our stakeholders. As a result, our indebtedness and leveraging were extremely low, reflecting a very robust balance sheet.

We ended the year with BRL313 million in free cash flow, even accounting for the discounts for receivables. Our leveraging, even adding debt receivables with rents [ph] IFRS 16, is below 0.3 times the net debt-to-EBITDA ratio. These are two very important strengths for our future, a robust and growing cash generation and little debt in our balance sheet. That made us comfortable to propose a new dividend policy of -- from 25% to 45% with no prejudice to our ability to continue to expand our strategic investments. Therefore, the proposal for our Board, which is subject to approval, is to pay

BRL1.24 billion to our stakeholders, BRL482 million of which have already been paid via JCP in 2020, and the rest will be subject to approval and paid dividends throughout 2021.

In Slide 6, I will go in further detail -- I'll talk in further detail about our operations, starting with Atacadao, which delivered another spectacular quarter. Gross sales increased 32% in Q4, with LFL growth of 27%, which is really impressive and exceeded even the high levels we saw in Q3.

It's important to highlight that this robust growth benefited from the high levels of food inflation, but was also seen in a scenario of strong volumes that come from our assertive commercial strategy, which generated a significant contribution from B2B customers, which, again, cements our price leadership and allowed us to increase even more our gap -- the gap between us and our competition. As a result of this increased share from B2B clients and the sales mix and the events -- the advancing store openings over the quarter, our gross margin for Atacadao was below that of the same quarter last year at 14.1%.

The substantial volume growth has diluted fixed costs, which account this quarter for only 6.7% net sales, a 1.1 percentage point improvement and again, one of the lowest distribution costs in Brazil. Our constant search for efficiency improvements in our operations have led us to a BRL1.1 billion EBITDA over the quarter, up 25.7% versus the fourth quarter of 2019 with a 7.5% margin, a healthy result and fully in line with our Atacadao strategy, which is to be a top line-driven business. Atacadao had a strong pace of growth.

And here in Slide 7, we see that in 2020, we reinforced our national footprint, opening 20 stores and two delivery wholesale stores. Out of these 20 stores opened over the years, six were old Makro stores that have already been converted and reopened, a result of a spectacular work from our team.

It's important to underscore that physical stores are a unique asset and extremely relevant to our ecosystem as a whole. Every additional store not only increases Atacadao's own sales, but is also an extra source of revenue for our Carrefour Bank as well as an opportunity to develop and grow our digital channel. In 2021, we're likely to accelerate even more our expansion, opening about 45 stores in addition to the other stores we've acquired for Makro. That is to say, we will expand two-fold, which will allow us to grow even stronger in terms of sales in 2021.

I'd also like to highlight the results in sales via our digital Atacadao channel, which has been showing a very accelerated growth. We've had sequential increase of 142% in sales via digital, which already account for 2% of our stores' earnings wherever the service is available. 25% of our Atacadao stores already include the digital sales channel service with currently 131,000 customers. We're partners in fast delivery, and we will not stop there. In 2021, that channel will grow even further.

In Slide 8, we see the performance of retail, which has grown sturdily and engaging customers increasingly more. Like-for-like sales were up 13.3%, which is a high standard

and exceeds the double-digit baseline that we had in Q4 2019. Sales in the food segment continued to follow a strong upward trend in Q3 and grew by 14.2%.

Non-food items sales despite having grown by 12.2%, were affected by the cancellation of sales promotions and the lack of a Black Friday deal -- day after the tragic event at our Porto Alegre store. Excluding the Black Friday effect, like-for-like sales in the non-food segment would have been 25.9%.

Even so, we continue to grow more than the market is growing, and we had a gain of 1.3 percentage points in market share over the quarter. That adds to the gains we've recorded over the last two years and comes to show how assertive our strategy in this segment is and our great capacity for execution.

Our new app, Meu Carrefour, which was launched in October, was well received by our customers and has shown very substantial results. Our client base has more than doubled since the app was launched and now accounts for 75% of the store's recurring customers.

We also saw an incremental increase in sales per client, a result that shows greater engagement and is in line with our strategy to increase our share of wallet. Bear in mind that our app includes all formats for Carrefour, online and offline as well as our bank. Another important functionality the app has to increase and expand the customers' experience is Cybercook, whose registered users came to 1.9 million late last year, up 79% over 2019.

And Slide 9 will detail the retail results that came to a new level of profitability. The more efficient dynamic for our sales promotions that we've introduced in the second semester of 2020, combined with the gains in efficiency and in losses and logistics, continue to cause an improvement in our gross margin, which in Q4 was up 1 percentage point, totaling 24.9%. The permanent adaptation of our model and a tireless focus in costs led our expenses index once again to go down by 1.1 percentage points, adding to a 42% leap in our adjusted EBITDA.

In Slide 10, let's talk a little bit about our digital initiatives, which had a notable year with three quarters of GMV at very high levels and ended 2020 with a GMV of over BRL3.3 billion. Food e-commerce grew by 163% in Q4 and already accounts for 5% of all food sales in retail.

Non-food items, as mentioned, was impacted over the quarter by that tragic event at our Porto Alegre store, but excluding Black Friday, would have grown by 24.5%, and accounts for 31% of our overall sales of non-food items in retail. At Atacadao, the digital channel already accounts for 2% of store sales that offer the digital service.

These figures reinforce even more the relevance of the digital channel to our business. In October, we launched a new e-commerce platform, and the initiative was well received by customers, taking us to record-breaking NPS levels in Q4, both in e-commerce for non-food items and food items, which ended the year with 90% NPS, exceeding that of 2019.

In Slide 11, we'll talk about banking, which accounted -- or which showed strong growth over the fourth quarter, leaving the crisis behind and confirming our prospects toward a new level of growth. Our earnings increased by nearly 20% over the last quarter of last year and making our rebound even steeper since July and August last year.

Both our Carrefour card and our Atacadao card helped us have this strong result with an excellent performance in sales, both on us and off us. The Atacadao card launched in 2017 already accounts for one-third of our revenues, a very impressive landmark for such a recent product and showing its immense potential. It's likely to benefit from the strong expansion in new Atacadao stores in 2021. That consistent development in our earnings is already translating into revenues for the bank, which grew about 17% over the last quarter.

Now, I'm talking about risk indicators. We saw significant improvement with levels even below the pre-COVID-19 period. For example, over 30, which came to 17% at the peak of a crisis, has fallen to 11.2%, that is 1.7 percentage points below that of December 2019. That quick recovery shows how assertive our credit decisions, made early in the crisis, was and leaves us with a very high-quality portfolio, generating revenue for the future.

With that strong acceleration in our earnings starting to show in our revenues and better delinquency levels, the Carrefour Bank went from a negative EBITDA in Q3 to BRL266 million positive late last year, a significant sequential acceleration, which makes us very optimistic about 2021.

In Slide 12, a few of our important accomplishments. In Q4, sales via online channels grew by 157% over the same period last year, accounting for 32% total. In addition to that, our new active customer base shows that 70% of users already use our digital bank channels, considering our apps, web and other formats.

The number of personal loan requests via the digital channel in Q4 came to the impressive 81% mark. That number is comparable to the 49% we saw in Q1 and 23% in Q2, the lower value because of our decision to restrict a few products early in the pandemic. It's yet another example of how efficient our bank is becoming selling products that are customized in large scale at a low cost. After very promising pilots, our bank is now introducing two relationship platforms, which are very important for future initiatives.

Our little machine, APAG, for our B2B customers, already available in 65 Atacadao stores in 22 states and our digital wallet to serve our individual customers, which is being made available at 54 Carrefour stores. It's interesting to note that we've included a rotating credit, a revolving credit in these wallets. And that we'll be able to -- that customers will be able to use within our ecosystem. That allows us greater flexibility and provides greater flexibility to customers and greater knowledge of our wallet and greater sales within our stores.

On Slide 13, we'll start with a very relevant topic within the group and which -- to which we've dedicated a lot of our attention. As an important part of our strategy, the group is prioritizing the activities in its own real estate properties. Because of several reasons,

continuing these operations, the control of cost of occupation over time and capturing potential development are some of the main reasons.

We currently have 290 assets across Brazil that add up to over 13 million square meters. First -- at first, our idea is to explore the existing potential at many of these locations, expanding our new ecosystem. We have 68 projects already set as priority and only 1% of them has over 60% of occupation of the explored area. We're talking about increasing between 7 -- five times and seven times the space we use, maintaining our retail operations or even improving their potential by increasing the number of customers who live or work in the area.

In Slide 14, we have a great example of something that's already happening. Our first store in the country, which is at the Pinheiros Avenue in Sao Paulo, has an overall space of 60,000 square meters. And the hypermarket currently occupies only 8,000 square meters for sales, which is inside that land. The project and partnership with WTorre says that the store will be relocated and residential and corporate towers will be built in the area that will be liberated.

For us, this project does not require any additional investments, seeing as it works as a swap. We hand over the land that's in excess. And in exchange, we gained several new assets, a new store, a 14,000 square meter gallery in the corporate tower, which represent a total value that's estimated at BRL550 million. That is to say, without investing any additional penny, we will receive new assets for our operations and tradable assets that we can sell, increasing very significantly the attractiveness of our store, and therefore, our return over investment.

In Slide 15, we will talk about ESG, which has always been a part of the group's strategy and has become even more relevant last year. Let's start with our respect and equality with equality of opportunity for all. The social pillar is another one where we are engaging several initiatives. For several years, we've been working on different fronts with the goal of reducing and quality of opportunities and ensuring human rights for everyone.

One of these initiatives is combating racism and every form of discrimination. Our group today has over 95,000 workers, 48% of which are currently in our leadership and 36% of them are women. Black and non-white people account for 54.4% of our leaders, 21% of which are senior directors.

We have specific programs to higher trans and refugees. And we ended 2020 with 65 trans collaborators and 253 refugees, and we're always trying to offer equal opportunities for all. In addition to the aid commitments we have publicly pledged in the anti-racist struggle, we've launched, in 2020, a BRL40 million fund devoted to the cause. I'd like to invite everyone to access our website, www.naovamosesquecer.com.br, and see how our initiatives are progressing.

Now on Slide 16, talking about environment, I would like to talk to you about our strategy, supported in reducing CO2 emissions and their impacts in climate change and food production. Of the many initiatives we have in this slide, I'd like to call your attention to a

few of them. Our commitment to zero deforestation in 2020, which we were able to ensure that 100% of our meat suppliers were now monitored by their own tools, which is very relevant.

In early 2020, we were also the pioneers in adopting a unit for the conservation of the Amazon. And we're proud of that accomplishment that ensures that our BRL4 million invested to protect the environment of about -- in about 75,000 hectares adds to our commitment with the environment. About circular economy, we've reduced by 19% our gas emissions in our logistic processes, which was a major step forward, in line with the global target of the group of reducing our CO2 emissions by 30% until 2030.

In Slide 17, I'll talk to you about a few steps forward in terms of animal welfare, which is another front in our ESG work. We have two main chains in focus. The pork and the poultry chains. In the pork chain, we were the first retailer in Brazil to announce our commitment to animal welfare and adopt targets on that front, of which I would highlight abolishing the practice of mass and reducing their time in cages during gestation.

As for egg, chickens, our ambition is to only sell eggs that come from free range chickens by 2028. In 2020, we saw major strides being taken, and we now have 100% of our Sabor and Qualidade eggs coming from that system. In the animal cause, we accounted for the creation of the first hospital to support animals in Sao Paulo.

With that, I will turn the floor back to Noel, who will make his final remarks.

Noel Prioux

Thank you, Sebastien.

Slide 18 was put there to remind you of everything that we've done in 2020. We had many accomplishments from changing our promotional model in retail right at the beginning, including launching digital Atacadao and more recently, the change in our e-commerce platform and the launch of our super app, which is already showing very exciting early results.

We've gained market share. We've acquired 30 Makro stores, and we saw a boom in food e-commerce, to which we responded very quickly considering or accounting for the new demands of the market. Our bank has rebounded from the crisis at an impressive pace. And in 2021, we couldn't have anything but great prospects.

In Slide '19, I'd like to end by talking about what we expect for 2021. After a lot of interactions with you and with investors over the past few months, I noticed there's been some concern about the future performance of retail in general and our business in particular. I'd like to stress that I'm still very optimistic and that's for a number of reasons, which I will explain now. The substantial gains in market share over the past few years show the growing preference consumers have shown for us and that this trend is far from over.

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We are unlikely to see that market share decrease and I see there's room for even more increase, seeing -- as we have now more efficient market models, both in terms of cash and carry and in hypermarket. The COVID-19 pandemic has brought changes in customer behavior that played in our favor. Home office or working from home, for example, was a shift that's come to stay, which has an impact on people who are now having more of their meals at home and are, therefore, buying more food.

The 30 stores that we've acquired from Makro, which were to be opened by September, will now be reopened in April. And that's a major step forward toward expanding even more our footprint in Brazil. We have about 45 stores that should reopen in 2021, which is twice the pace we've had in the past two years. They will help us to grow significantly in terms of overall sales in 2021 as well as the following years.

In terms of digital, not only have we had significant growth in e-commerce for non-food items. But the COVID-19 crisis also confirmed the huge potential of online food sales. In 2021, we should roll out the direct delivery for more Atacadao stores and catalyze the e-commerce platform for Carrefour, focusing on the growth of our marketplace, both for Carrefour and Atacadao. Our banking operations has already overcome the crisis and started 2021 with the right foot, with a more digital operations and new products, which will bring a significant change in terms of growth.

Lastly, our galleries that were affected in 2020 are likely to come back to their pre-pandemic growth levels and therefore, add positively to our bottom line in 2021, not to mention Black Friday, which we did not take part on in 2020 and which should be very strong in 2021.

When they ask me what's most important for Carrefour? The answer is we want more individual customers, more corporate customers, and we want a larger share of wallet with every one of them. Our ecosystem, which is already very well developed, but which will be even more increased in the future, adds to our chance of being more a part in decisions for our customers, our customers' purchase decisions and give us the ability to monetize even more recurring purchases in our ecosystem. The accomplishments we had in 2020 and our prospects for 2021 underscore how prepared we are to reach our goals, and we will continue to move forward.

Thank you for your attention. And we can now move to our Q&A session with our other Directors. Thank you.

Questions And Answers

Operator

We will now start our Q&A session. (Operator Instructions) Our first question comes from Thiago Macruz from Banco Itau. Thiago, you can proceed.

Q - Thiago Macruz {BIO 16404924 <GO>}

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Hi, guys. Thank you for listening to my question. Actually, I have two questions about Atacadao. The first of them is I'd like to understand the Atacadao e-commerce. I'd like a little bit more information about who are your customers purchasing from this channel? Are these old customers? Are these new customers? And what type of purchases are they making online? If you could share a little bit of information about that, that would be really interesting. And also, I'd like to know about your expansion. You have a large store -- large stores across the country. And I see that you have faced a few challenges with your first store. Are you already occupying smaller real estate? How is that working? Those are my two questions, guys. Thank you.

A - Jose Roberto Meister Mussnich {BIO 18298845 <GO>}

Good morning, Thiago. Great to hear from you. It's great to see your interest in that aspect. Well, to answer your first question about our e-commerce that takes place in two different roads. The first of them is in B2C with our partnerships with Rappi, always privileging results and not the investment, which is to say we expect returns. And we currently have 50 stores with Cornershop and 30 with Rappi, supporting our B2C operations.

And we're considering new customers, customers who wouldn't otherwise have access to the store, but which are seeking, in our platforms, ways to enjoy the benefits we have to offer. That work is working -- that work is taking place in a very well -- very effective way. We've supported about 300 customers with a great share of new customers and who now have provided us with their data. The second avenue is the B2B with our Akira commerce channel and via our partnership with CotaBest. That is our marketplace today, and we are seeing business grow month-by-month there.

With regard to Atacadao, we've only launched those operations in Sao Paulo at the Vila Maria CAT. We rolled out in January in Taguatinga, and now in February, we are rolling it out in other Atacadaos in Maringa, Sapucaia, Belem and Curitiba. So that platform is our new way to connect with customers. These are 100% new customers in wholesale, and we are now bridging the gap with them. And we're seeing exponential growth in these operations. And that facilitates our sales efforts. Bear in mind that over -- the over 1,700 sales people we have on the street have or play an important role in our B2B platform. They're still working locally within our e-commerce ecosystem.

As to your second question, what we have been doing in terms of expansion is always meeting very strict criteria in the new markets we are coming to and considering the strategies to protect our market. So, we try to balance our growth with all of that in mind. When you already have a potentially strong store, which is a great seller, sometimes a second store is a good idea to reinforce our footprint and to protect the market.

That second store does not come with -- or actually comes with a marginal effect to the current store and that has proven to be a very effective strategy. Marco Oliveira has been working very diligently in that front to consolidate our operations. What we're doing is taking steps to reduce the footprint of the store, reducing our investments and having a distribution made easier by a wholesale, which is our e-channel.

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If you want to say anything about that, Marco?

A - Marco Aparecido de Oliveira {BIO 20241330 <GO>}

Well, with regard to e-commerce, I'd like to say that customers purchasing via our e-commerce stores is a B2C customer, but we also see B2C customers as well with Rappi and Cornershop. The average ticket for these customers is 28% higher than those for physical or individual customers or individual customers at our brick-and-mortar stores. So, this is a customer profile that adds a lot of value to us and accounts for very profitable sales during these early days of our e-commerce operations.

Now with regard to our expansion, for over two years, we have adjusted -- have been adjusting the size of our stores so that we have a more efficient rate of sales per square meter and we're seeing results with the smaller stores that we've already opened, and we're seeing a performance that as good as those of the larger stores.

A - Noel Prioux

Well, on behalf of the Carrefour Brasil Group, we would like to say that regardless of the size of the store, our strategy and our mindset is the same. We want to see the possibility to accelerate our business, and our mindset is exactly the same.

Q - Thiago Macruz {BIO 16404924 <GO>}

Excellent, folks. Thank you.

A - Noel Prioux

Well, we are still taking more questions. I guess that was our second question, if you could call us later, that would be great.

Operator

Our next question comes from Giordano from J.P. Morgan. You have the floor.

Q - Joseph Giordano {BIO 17751061 <GO>}

Hi. Good morning, everyone. Congratulations on your results. I have two questions. One more with regard to wholesale. I see that Atacadao is a little bit on the downside, and I'd like you to talk a little bit about the market share on the hyper side.

I'd like to know how do you see the potential for growth within that format or if we should continue to expect more growth on these -- the grocery and supermarket side. Does it make any sense to think of some growth in M&A, considering the robust operation of the group in Brazil? And if you could comment on a few recent acquisitions, that would be great as well. Now on the banking side, I'd like to hear more updates about the digital account solutions with integration -- with PIX integration and things of that nature. Thank you.

A - Luis Moreno {BIO 20821019 <GO>}

Good morning, Giordano. Thank you for your question. With regard to the hypermarket segment, our performance has exceeded even our competition and that outperformance has even increased over the course of 2020. We are seeing growth at around 20%, 22%, while the market is seeing growth by 10% or 12%. This shift in our commercial strategy offered very substantial increases. We also saw a decrease in expenses, including the optimization of our marketing expenses with a focus 100% on digital.

Clearly, we saw an outperformance that is bound to accelerate seeing as we are already seeing very exciting results in the first three months of the year. Obviously, we're open to M&A opportunities in the market seeing as this model is very better compared to that of our competition. As for supermarkets, we recently started our partnership in Minas Gerais, and we are bound to replicate that in the future. We also have 100% autonomous stores, which grew significantly throughout the pandemic. We saw that near to a condominium complex that has over 800 residents and the average ticket is even higher than those of street stores with an even higher profitability.

So we're also opening new avenues for growth that are well adapted to this new context, where people are working from home and are eschewing longer travels. We're also talking a lot about M&A opportunities with companies that work with two different formats, such as wholesale and retail. That will also be another avenue with opportunities for growth for us. We are looking into that in the future.

A - Carlos Mauad

Well, I'd like to talk a little bit about the second question, concerning the digital wallet. We are working with three major pillars within our strategy to distribute our products. The first of them is what we mentioned in our presentation within banking, where we have started to roll out these accounts with a revolving credit line that can be used within our stores. That rollout is taking place right now in Carrefour with 14 stores a week. So by the first week of March, we should have 100% of our hypermarkets offering that product.

Bear in mind that this is a product that's pegged to a credit line, so the same credit line we have for the products, we can open this account with a revolving credit line. And we're likely to include in our ecosystem, something like BRL350 million to be used as credit within our stores. And we will also roll out our cards within the hypermarkets and roll out also within Atacadao.

Another development pillar is the cross-sell of our digital wallet within our installed apps, which accounts for 2.5 million users. With regard to PIX, we are developing our operations with PIX and become more effective in terms of transferring funds so that we can add that to our base in our apps. And because we use the progressive web application, overnight, customers can opt in to a digital account within the app.

We have no open market strategy where we simply make that available at Google Play or at Apple Store, so that people can open apps without including the credit line because this is a relationship product and we monetize that platform, obviously, through whatever

we can sell seeing as we have this platform for relationships that's already there. And we will always promote that in connection with our portfolio of apps and credit, always thinking about how to provide better solutions to our customers as opposed to simply providing that empty relationship tool with no actual service, with only shallow services or products. I hope I contributed with my answer.

Q - Joseph Giordano {BIO 17751061 <GO>}

That was perfect, thank you guys.

Operator

Our next question comes from Irma Sgarz from Goldman Sachs. Your line is open, you can proceed. Irma, you may proceed with your question.

Q - Irma Sgarz {BIO 15190838 <GO>}

Thank you. With regard to e-commerce, I'd like to know about your market share in non-food items. We saw that there was a shift in terms of distribution of online food items and non-food items. If you could talk a little bit about the balance between growth and profitability in that sense and if you could talk about seeking new customers and finding the right level -- strike the right balance between market share and profitability?

A - Natslia Lacava

Well, she wants to know how do we see the future of growth in e-commerce and how do we balance profitability versus market share and how do we see food and non-food items, considering that much of our growth came from non-food and how does the growth in number of customers is going to occur moving forward?

A - Luis Moreno {BIO 20821019 <GO>}

Well, thank you for your question, Irma. First of all, we consider customers as a general sense, whether they're individual customers or business customers. And we consolidate the system with a loyalty program, rewarding them regardless of the channel where they choose to connect with us. That is absolutely connected. And considering we have substantial opportunities to advance the integration across our systems and our brick-and-mortar stores so that they become hubs for the delivery of e-commerce purchases and also to become closer to customers, we have to prioritize fast deliveries.

And in e-commerce, you always see this balance between price and delivery deadline. We can obviously improve significantly our delivery time, but that should occur or be improved both in our online operations and our brick-and-mortar operations. We are improving our e-commerce, have been improving since October and part of the features of our platform, which will allow us to accelerate and multiply our marketplace, increasing twofold the number of sellers we have today, which is one of the verticals that's already actually profitable. And then we have to bring that integration with the store. We're already seeing significant levers both for acceleration and to improve profitability per se.

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Just to give you an example, our store in Manaus, recently, because of the pandemic, we had to shut down our food areas of the store and our sellers became e-commerce sellers using WhatsApp. And what we had was a spectacular result. So that's only evidence that we can improve our sales force not only in brick-and-mortar stores, but also online to increase sales and reduce expenses.

On the food side, we are fundamentally working or operating in 11 side stores today, but we also expect to expand our operations in other physical stores so that we are much closer to customers, and we can operate faster deliveries, and therefore, increase our sales as well. So whether they're online sales or brick-and-mortar sales, we want to reach our targets and also become closer to customers. If you log into our platform, they see right away what our individual targets and how to have their rewards. That will also increase the adherence of our customers because they will want to obtain those rewards by (Technical Difficulty) only. Thank you.

Q - Irma Sgarz {BIO 15190838 <GO>}

Thank you.

Operator

Our next question comes from Danniela from XP Investimentos. Danniela, you may proceed.

Q - Danniela Eiger {BIO 20250080 <GO>}

Good morning. Thank you for taking my question and congratulations on your results. My first question is about the Carrefour Bank, which saw a positive impact because of the sale of an old delinquency portfolio by BRL35 million. Is that the impact we're seeing on the EBITDA? Or what was the average impact just so that we can understand how much of that rebound came from that operation and how much of that was organic, so to speak? And now with regard to marketplace, is the main focus on food items and the non-food items will be more on the Atacadao and hypermarket? Or would that be both on the hypermarket side and the Carrefour label?

A - Carlos Mauad

Thank you for the question. Let me start, if you'll allow me. We sold a portfolio to streamline our charging system with assets that were already written off our balance sheet with more than 130 days in arrears, which had an impact of BRL75 million in our balance sheet and BRL80 million on the EBITDA. Thank you.

A - Luis Moreno {BIO 20821019 <GO>}

Well, with regard to marketplace and the advance of our operations is essentially taking place on the non-food side. On the food side, we will continue to accelerate our own model and the partnerships that have already been activated over the last period. And on the Atacadao side, I'll let Roberto talk about. It's obviously a food platform with several suppliers where our B2B customers can access because it's an open platform with several different items.

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A - Jose Roberto Meister Mussnich {BIO 18298845 <GO>}

Thank you. I liked your answer, Luis. I echo everything that you said. I'd just like to add something, which is our B2B platform deals only with food and related items. So today, we have something in the pet industry with pet food and things of that nature. So today, we have over 300 sellers within our B2B platform, which is CotaBest, our marketplace. Thank you. Thank you for your question.

Q - Danniela Eiger {BIO 20250080 <GO>}

Thank you, have a great day.

Operator

Our next question comes from Guilherme Assis from Banco Safra. Guilherme, you have the floor.

Q - Guilherme Assis {BIO 16143141 <GO>}

Good morning, everyone. Thank you for taking my question. Actually, I have two questions, and I'll hit you with both of them at once. The first of them is I'd like to hear from you what we can expect in terms of the development in your margins in 2021? I think that you had a spectacular result with your bottom line and your operational leveraging. And I see that part of that came from the food items that helps you with your international leveraging. So looking forward and thinking that the pandemic should have a smaller impact, do you plan to invest in gaining competitive edge to gain or to widen your margin? I'd like to know what we can expect in terms of margin? Do you believe that this could be a slightly more challenging year in terms of operational leveraging, considering a slightly lower food sales levels?

And my second question has to do with M&A, which was already discussed a little bit. I see that you're increasing the payout and whereas you had a very localized strategy, so the company had this cushion to make the most of M&A opportunities and now there's been this slight shift. And does that mean you see fewer M&A opportunities moving forward that's obviously considering after you finish incorporating all the Makro stores? So these were my questions.

A - Sebastien Durchon {BIO 20242758 <GO>}

Thank you, Guilherme. On your first question, the leverage that you mentioned, it's very clear for 2020. We had a very high food inflation, which came to 18% late in the year. And at the same time, we had a general inflation rate of about 5%. So it's true that that plays in our favor, in favor of our business. And what this does is ultimately masquerade all the efforts we've made internally to improve our operations and streamline it and make it increasingly efficient. That part will continue and even expand.

As Luis said about retail, our marketing expenses will be a lot more efficient, and we were able to increase our gross margin, while structurally reducing our costs, all of that will remain. Now looking ahead, we have no crystal ball here, obviously, but it seems very clear to us that at the start of the year, we still have a very high food inflation and a

subdued general inflation with a slight upward bias. But everything that we're doing, we'll continue to do throughout the year. And we do not believe that food inflation will go down into negative levels.

So I hear your question. You're not the first person to ask us that. That's something everyone's waiting for us to do to return our margins -- for our margins to bounce back, but that's not something we expect. As we've said several times, we're very optimistic about the future. So in comparison with 2020, it may be that in one more month or another, we have a negative result because we had the crisis peaking last year, but we're seeing nothing, but growth moving forward.

Now with regard to your second question about the change in our dividend policy. The board's decision, I think, is a natural development. We had our IPO in 2007, and we started with the minimum -- with the threshold of 25%. And what we're seeing in recent years is a very strong cash generation, a growing cash generation that hit an all-time high last year. If you consider, for example, our investment in the Makro store, as mentioned throughout the presentation, came to BRL4 million. And again, the plan is not to give that back in the future. So our conversations with the board came down to this. We have a business that generates cash, that's growing and that's consistent, which is a sign -- and that's a sign of confidence.

Considering the signs that we're seeing in our results and the efficiency of our ecosystem, we are confident in what we're doing. But we also have to look at our balance sheets. With our IPO, our company was significantly deleveraged. So we all forget about that because it's a while ago, but at that time, we had a high interest rate and that interest rate ate away a significant share of our result. But at that time, what we did was to deleverage the company and had essentially 0 debt.

But considering our cash generation and everything else, it all points to us continuing to do a healthy cash generation, a balance sheet with nearly no debt. Last year, even considering everything, discounting receivables, IFRS 16, we still had a margin of 0.3 times our EBITDA. So to answer your question, we can do both with no problem at all. We can share higher dividends and still invest in M&As. Our EBITDA is at about BRL5.6 billion. So increasing by only 1% our EBITDA leveraging, we will already have BRL6 billion in investments, so we can do both at the same time with no problem at all.

Q - Guilherme Assis {BIO 16143141 <GO>}

That's very clear. Just to follow up on what you said, with regard to the first question, I think it was clear, but food inflation is still playing a part. And I understand that that's not the only aspect playing into your operations. I see that you're very well grounded. But just so that I can understand, your growth prospects for the next few months in 2021 has a sort of a downward bias because you will no longer have the corona voucher and the emergency paychecks. So considering what you saw in Q4, do you still see some slowdown in a few aspects?

A - Sebastien Durchon {BIO 20242758 <GO>}

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Well, the answer is no. I know that a lot of people are concerned with the lack of the emergency aid, but no one saw the crisis coming, and you could be scared instead by a lot of things. But what we're doing here is instead of freaking out with all of the scenarios we are designing for the future is to analyze our data calmly and with a clear head.

Our ticket has already decreased since October. All you have to do is look at like-for-like. If you look at Atacadao, it increased twofold in the last quarter. So the impact with the end of the corona voucher was very small, but we were able to balance it out. Now early in 2021, we will not be able to come to the same acceleration as we saw last year. But I think that the lack of the corona voucher will affect a lot more other business than the food and the retail business. If we look at the data that's available today, it all points to the impact in sales not being that consistent in the following months.

Q - Guilherme Assis {BIO 16143141 <GO>}

Perfect. That was very clear. Thank you, Sebastien.

Operator

Our next question comes from Gustavo Oliveira from UBS. Gustavo, you may proceed.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Good morning, everyone, and thank you for taking my question. Sebastien, still talking about your dividend policy and connecting that to your M&A, do you see more opportunity to establish partnerships similar to the one you had with the Super Nosso Group when we think about expansion in a hypermarket-supermarket industry, would that be the strategy still? And my second question is in the prospects slide, you mentioned that you believe that more people will continue to -- or that people will continue to have more meals at home. How do you think that will affect your business moving forward? What do you think that could take place in 2021 in that sense?

A - Sebastien Durchon {BIO 20242758 <GO>}

Well, with regard to M&A and partnerships, in addition to the Super Nosso partnership that you mentioned, we have great expectations about the ones we already have. In the coming weeks, we should open 14 more stores in that business. And yes, we are thinking about partnerships, but the focus, the main focus will not be supermarkets. We believe that large or hypermarkets are an interesting avenue, but we're still looking into every opportunity that are presenting themselves to us. We acquired the Makro stores last year to accelerate our growth in the hypermarket industry. It could be that in the future, we will seize more opportunities to advance our growth and market opportunities could come up.

Just to give you a sense of how we are thinking, we do not see a lot of opportunities in the supermarket industry. It's more about establishing partnerships in the existing model. That's what we did with Super Nosso. Now in terms of cash and card in hypermarket, it's a different picture. We have the two best models in the market. And for us, an M&A in that area would be very simple, and we have great synergies. If you look at Makro, for

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example, they would work very well with hypermarkets, but it was a very simple plan. We simply switched the old operations with ours. So we start with the same efficiency, the same purchasing power that they had. So what would motivate an M&A project in that sense would be to capture very high synergies of the existing stores.

I think I forgot the second part of your question.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

It's about the penetration of your e-commerce. How do you see that evolving in 2021?

A - Sebastien Durchon {BIO 20242758 <GO>}

Well, let me talk about the food part first, and then Luis can add to that. In a previous question, we talked about the corona voucher. To us, what had a huge impact in our sales last year was this change. A lot more clients were having their meals at home, so they had to buy more food. Now that, for us, again, we're not saying that things will not go back to normal. We are all expecting things to return to some normality. But this is something that didn't exist before, but is likely to persist, maybe to a smaller scale than today, but at least once a week, twice a week, so you can choose any figure here comparing to two years ago, it's very advantageous to us.

So we saw a huge leap in 2020, about 5% in sales, 2% in Atacadao, in the stores that offer this service. And for us, e-commerce is very interesting. It's also a very interesting tool for us in terms of attracting new clients. At this point, customers purchasing via e-commerce are those with high purchasing power and much more so than those with low purchasing power. And we see that very clearly according to our data, these customers that came via the online channel, they used to make their purchases at smaller supermarkets, which we do not have anymore. So e-commerce is very complementary to our strategy in terms of food. This is why we always said that food e-commerce was a complementary business to us.

I don't know if you have anything to add, Luis?

A - Luis Moreno {BIO 20821019 <GO>}

Well, I'd like to underscore what you said that meals at home will continue to be a strong trend, probably not as much as it was in 2020, but it should continue. And that has a twofold impact for us, both in food retail for these meals prepared at home and also what would be the foodservice for the restaurant channel and also an increase in deliveries -- at home deliveries. And that should be an intermediary level comparing with the pre-COVID and the COVID periods.

Also, e-commerce as a source of new customers, in addition to being a source of new purchases from existing clients. As we said, our goal is to increase our share of wallet for our existing customers. And we also see a very strong opportunity in that sense. We already saw a 22% growth in our share of wallet in 2020, but we expect that to continue. And that behavior will become even more prominent, as we said. So regardless of whether the customer chooses hypermarket or supermarket or e-commerce, every

purchase will account for our rewards program, so that should be a reason for greater engagement. And we expect to see our customers using all of our channels regardless of the time that they decide to make a purchase.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Thank you.

Operator

Our next question comes from Robert Ford from Bank of America. Robert, your mic is open, you can proceed.

Q - Robert E. Ford Aguilar {BIO 1499021 <GO>}

Thank you, good morning, everyone, and congratulations on your results. How are you thinking of your prices in terms of the competition?

A - Natslia Lacava

Roberto, how do you see your price versus the competition? Do you mean Atacadao or retail?

Q - Robert E. Ford Aguilar {BIO 1499021 <GO>}

Atacadao and also the trend for your gross margin?

A - Jose Roberto Meister Mussnich {BIO 18298845 <GO>}

Robert, great to hear from you, first of all. And second of all, when you look at the competition, considering your prices and our strategy is to have the best prices in the market. I'm not thinking about having better prices than the competition, but having the best prices in the market. What will ensure that we remain in the Atacadao market is our value proposition. So we're not aiming to better any one competitor's prices, but to have the best prices in the market.

Now what we're likely to see is that when competition is fierce, that will naturally take away from the margins we may have so that we can always have the best price in the market. So when you look at the history of Atacadao, the behavior has always been very consistent in terms of our value proposition, and I believe that that will continue. Now that does not mean that we will not be able to seize the opportunities that present themselves to us in the market. When you see an opportunity in the market where you can operate as a trader, we will seize that. Now when that opportunity doesn't exist, there's not something we can do, which is what we saw in 2020 and we saw happening in previous years.

I remember when we were talking about deflation in the market, and I would tell you that it's true that our business model goes well during times of deflation or inflation, and we're seeing just that. In 2020, we did make the most of a great movement in commodities. We saw huge commodities inflation, and we were able to seize that opportunity, which led to

results that exceeded our expectations. Now in terms of what to expect from the future, we'll expect the same we did in the past. We will try to ensure that our value proposition continues to be enforced, and we expect to be better than the competition.

I hope that I was able to answer your question.

A - Natslia Lacava

He wants to know about the trends in restaurants and the transformers versus the peak of the pandemic. I'd like to know if you already have the figures.

A - Jose Roberto Meister Mussnich {BIO 18298845 <GO>}

Well, early in the pandemic, we really saw that we could not have restaurants within our premises, which took from 50% of our local customers, they had 20% to 25% and less sales, which were easily replaced by consumer sales. Now the picture is absolutely different. Brazilians and businesses in general adapted so the takeaway opportunities and the last mile, where you could reach restaurant products for final customers, that minimized the effect of lockdown and the fact that restaurants could not be open.

Now we're seeing, in Brazil, restaurants start to reopen, not as much as they were before, but what we're seeing is that those customers are coming to our stores and to our restaurants. Now talking about the small moms and pops and small distributors, which are the bakeries and small mom-and-pop grocery stores, the small three- or four-counter shops, these have been growing in their value. And within an area of 1 kilometer or 800 meters from their customers, those saw an increase in their Atacadao sales because we work very well as the supplier or the warehouse for those customers. So we never lost them, quite the contrary that demand actually increased and strongly so.

So I hope I was able to understand and answer your question to your satisfaction.

Operator

Our next question comes from our chat, and it's from Juan Carlos Rocha, an investor.

Q - Juan Carlos Rocha {BIO 17559767 <GO>}

Good morning and congratulations on your presentation. First of all, will the company include black stores for customers? And second, is there an IPO study in terms of IPO? Do you have an IPO idea from the Atacadao?

A - Luis Moreno {BIO 20821019 <GO>}

Well, I'm going to start with the second question because the answer is very simple. It's no, we have no prospect of an Atacadao IPO.

A - Natslia Lacava

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Well, I'm thinking he's referring to side store in the second question. He talked about black stores actually.

A - Luis Moreno {BIO 20821019 <GO>}

Well, as I said earlier, what we want is to integrate our entire inventories. We do not want a store inventory and a distribution inventory, and we want them to be as close to customers as possible so we can deliver fast. So we have fundamentally hypermarket stores, which are large, and we are able to have local inventories, which allow for a much more immediate delivery for customers. We're also incrementing our mix so that 100% of it is available via our web channel. So we already have a very important, a very significant coverage. So what we want is to use our existing assets in these stores that may be delivered and made available and also the strength of our online sales. So we're moving toward integrating our stores 100% more so than having dedicated stores.

Whenever we have an M&A, we have an opportunity to grow more, not necessarily in terms of store numbers, but every store is now also an e-commerce platform. In the end, what we want is to have more stores, and therefore, more possibilities to serve our customers. We have not seen the opportunity to open a black store so far, but it could be that the opportunity will present itself in the future.

Operator

With no further questions, I turn the floor over to Mr. Prioux, again.

A - Noel Prioux

No more questions? Okay. So thank you very much for taking part in this conference for the last quarter of 2020. As you saw, it took a lot of determination to make this year of 2021 great, a lot of ambition, but many concrete actions mapped out for the rest of the year. And we see each other again in the next quarter to talk about the first quarter of the year. Thank you very much, and have a great day.

Operator

This concludes our conference. Thank you, everyone, for attending, and have a great day.

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