

## Q2 2020 Earnings Call

### Company Participants

- Belmiro de Figueiredo Gomes, Chief Executive Officer Cash and Carry Business, Member of the Executive Board of the Company
- Christophe Jose Hidalgo, Chief Financial Officer, Corporate Services Officer
- Jorge Faical, President and Chief Executive officer of Multivarejo
- Peter Paul Lorenzo Estermann, Chief Executive Officer
- Ronaldo labrudi dos Santos Pereira, Co-Vice Chairman of the Board

### Other Participants

- Ana Carolina Bastos
- Gustavo Oliveira
- Irma Sgarz
- Joseph Giordano
- Robert Ford
- Thiago Macruz
- Tobias Stingelin
- Victor Saragiotto

### Presentation

#### Operator

Good morning, and thank you for waiting. Welcome to GPA Conference Call to present the Results for the Second Quarter of 2020. This event is also being broadcasted via webcast, which can be accessed at [www.gpari.com.br](http://www.gpari.com.br). With the respective presentation, the slide selection will be managed by you. There will be a replay facility for this call on the site. We inform you that the company's press release is also available at its IR website. This event is being recorded, and all participants will be in a listen-only mode during the company's presentation. After the GPA's remarks are completed there will be question-and-answer session. At that times the further instructions will be given. (Operator Instructions)

Before proceeding, let me mentioned that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of GPA management, and on information currently available on the company. They involve risks, uncertainties and assumptions, because they relate to future events, and therefore, depends on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also

affect the future results of GPA and could cause our results to differ materially from those expressed in such forward-looking statements.

Now, I'd like to turn the floor over to Mrs. Ana Carolina Bastos, Investor Relations Manager of the company.

### **Ana Carolina Bastos** {BIO 20622236 <GO>}

Good morning, and welcome to our teleconference call. I would like to thank you all for your time and participation, and I hope that you are all healthy and safe. We have Ronaldo from of our Board; Peter, our CEO; Christophe, our CFO; Belmiro, CEO of Assai; and our Multivarejo CEO. A briefly representation of our second quarter presentation, then we are going to open for Q&A.

Now I'd like to give the floor for our initial considerations to our CEO.

### **Peter Paul Lorenzo Estermann** {BIO 15380447 <GO>}

Good morning, ladies and gentlemen. And thank you so much for being -- participating at our second quarter earnings results. I will make a brief introduction and then I will let Christophe to go on with the detail information, followed by Faical and Belmiro who will address the development of Assai in retail operations.

I'd like to start highlighting that we closed our second quarter with a consolidated gross revenue of BRL22.9 billion, amounting a growth of 61.1% in total revenue. That is a consequence of a stronger work on Multivarejo operations, a stronger Assai performance and a positive a performance of our operations, collaborating to our business that led to a decrease of our expenditures leading us to our current results. We see EBITDA increase in all our business with very healthy margins.

We see operational improvement and activity of our business strategy. Thanks to our stronger work in the past months adjusting our stores portfolio with the conversions at Assai, Extra, some renovating stores. And let me remind you that proximity in performance for several quarters, our plant to growth, thanks to our digital platform, which is a very important lever to our results. Such a set of actions led us to a net income of \$274 million with that growth over 322% versus second quarter 2019.

I also would like to highlight our consolidated investments with a very strong volume, which is too forward the higher volume. How about Brazilian operations Belmiro will go into details about that. But Assai showed a rapid maturation of stores open in the last 24 months BRL1.9 billion, higher than last year with a 26.4 growth in our total revenue. And the Cash and Carry is very resistant showing a great ability to adapt to the current scenario, adapting to our customer needs.

Assai's team is being very efficient and assertive. Multivarejo we see 20.7% excluding drugstores with a very strong performance with all brands and a very strong attempt in the sub markets. E-commerce almost fourfold in this quarter over a base which was quite

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high already and this is a result of a very consistent work of productivity, operational efficiency with a stronger service deliver the to our services. If we try to understand our digital annual business considering e-commerce and James delivery, which is our delivery app, we may reach to BRL0.5 billion. And here we are talking -- we are no longer talking about a start-up initiative. Here we are talking about a business with a very important income in the food sector. And not only that, this is a very profitable business.

Our e-commerce business nowadays has a margin which is much higher, the average in the retail market and this is a result of a work which we have been working for the past three years. We've some costs and we have doing our best to keep a very good level of services. As to international operations, we closed our second quarter with positive results in Colombia even considering adversities which is a reflex of restrictions of both circulation as we have all this isolation. In addition to a high performance in Uruguay, which is the second highest market in terms of performance.

Online business is to a very important leverage for growth. The omni-channel platform had fourfold higher traffic in Colombia in the second quarter in comparison to the previous year, and e-commerce growth 191% on sales, over 40 million visits and 14.7 participation in the business, very successful business and 11.1% to just in the food sector and that is a very significant benchmark in Uruguay had a e-commerce growth of 116%. They are very innovative formats 15.3% growth, Khadija benchmarks 27% growth and all this models they are collaborating strongly for positive results for the group as a whole. The pandemic is forcing important changes for GPA group and fast change for different reasons, where we have to reach a different level with a different look. This is a very typical level impacting all levels of consumption and production layers and that would not be different in the retail segment which has been widely impacted.

We had to understand and deploy different operational channels, reach the difference anticipating our actions within one or two years, protecting our collaborators, looking after our clients, and everyone who is with us -- who are our consumers. We kept our services to our population -- essential services were kept to our services with the comfort and security. This is a new look, this is a new attempt, a new way of thinking and serving our clients. A different way to consume. We've now different habits, buying via internet that -- it became part of our routine is not to just done occasionally. Now, we buy everything meat, vegetables, beverages, rice, and beans, everything is bought online. We've new users, those who used to buy online and now had increased its frequency and average ticket has also increased. We have a very positive vision about this e-commerce channel and the operation now domain of the food complex is a very important competitive margin, which will -- even more our digital channel in the short run.

Within that context, we have really strong brands. We want to offer convenience with the James delivery, we wanted to spread our mash where we can offer share time, we want to offer a very timely integrated service to our company. We have confirmed every single day a multi-channel strategy, multi-region, and multi-format attempt to align it to our robust eco digital system, which takes us to a very different level for different steps with very consistence. We are fully aware that our business strategy has to cope with the new dynamic of buying and selling, which will help us to keep going to be very profitable and to preserve our cash and to prioritize the level of services that we have in our focus.

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The work we have done to structure our business and the company have led to the results we are presenting here today. We are totally convinced that we are following the right track. We have prepared well, to adapt ourselves and to face the scenario in the upcoming months, despite all the uncertainties that you are aware of. I thank our team for the effort they have made. They have been totally dedicated to the challenges. They never get tired. They are at the front-line in our stores and distribution centers. But they are also in different operational support areas and in the offices. I thank you all. And let's move on strong and disciplined, so that we can face the next challenges.

I now turn over to Christophe, he will make his presentation on the financial results.

### **Christophe Jose Hidalgo** {BIO 17982648 <GO>}

Thank you, Peter. Good morning, everyone. Thank you for participating in our call. I am going to start my presentation approaching the highlights of our consolidated outcomes. I will start with Slide number 10, where we can see the consolidated results, with an expressive growth in overall sales with over 61% with 19.3% was in pro forma, totaling almost BRL23 billion in gross sales in the second quarter. Importing achievements were observed for the whole group with a highlight on the strong performance of GPA Brazil sales, with an overall growth of 21.1%, which is higher than the performance of the market in this period. This is the result of the successful expansion of Assai and as well as the robust consolidation -- I'm sorry -- of our digital system. Colombia, Uruguay and Argentina had consistent growth of the operations, despite a scenario with a lot of lockdown, and limitations to movements and common goes of the population. So in Brazil, and in international operations, we have also had positive, consolidated results. This is an important strategic pillar, and it is an operation that has proven to be profitable to the company.

The gross margin was 60% higher than in the same period last year. The gross margins reach 21.7% actually, reflecting the second best one in Multivarejo margin. This indicates the consistent margins presented by Assai, as well as the strong contribution of Exito. Expenses had a decrease in the quarter. It was an important decrease of our fixed expenses, because of the strong sales levels achieved, and that combined to the efforts to -- decrease expenses throughout the company. The EBITDA had an increase of 83%, reaching a margin of 6.6% one -- higher than last year confirming a positive trend of operations both in Brazil and the Exito Group.

We've closed the first quarter with a net profit, excluding the effects of the sales of Multivarejo in the previous year and therefore, the net profit reached 274 million. It was a fourfold increase, actually even higher than that when we compare it to the previous year. This demonstrates operational improvements observed throughout the company, assertive strategies adopt from the very beginning of the year. At the end of this quarter, we have achieved good results. I'll comment a little bit about Exito's performance, and I will tune over to Belmiro, who will talk about this.

Belmiro I turn over to you?

## Belmiro de Figueiredo Gomes {BIO 18107864 <GO>}

Thank you, Christophe. Thank you, Peter. Good morning, everyone. Thank you for participating in our conference. Peter has highlighted our report as well as Christophe. We have had the best quarter with 1.9 billion, almost 2 billions, when compared to the same quarter last year within the current scenario we are going through, and of course, for us this has been a very important landmark and is also a result of the strategies that were started before in the very beginning of the year, and before the beginning of the pandemic.

We've a very challenging scenario, specially because the impact in our service was very irrelevant. The users of our channel, who have a high participation in our sales areas with schools, day cares, hotels and all, they all suffered the impact of the pandemic. And so that affects the sales volumes and stock volumes. We defined strategies to result in sales gain, Assai sold a lot, achieved new clients. So that in addition to making up for the other clients, who were not buying, new clients came in. We had very strong activities. The channel continued working with small and very small entrepreneurs. And this enabled us to continue our activities. There was a very strong movement also in the packaging area. For you to have an idea, we sold \$2 million to \$3 million products per month. We had an increase and operated with a 20% discounting average and therefore, we operated without profit in some areas, so that we could be closer to our clients.

In addition to that, we've specific products that are specific. And they received very special attention in some products for example, rice, we can sell it to the end consumer, but this cannot be done for margarine and oil, and others. And so we created a special promotion for our clients. In addition to the very positive aspects before this public, we will resume our activities and we will have increased participation. And in the last few weeks, when we reopened, we have been able to demonstrate a very assertive strategies.

We also had some support activities and in the state of Bahia, we had a distribution along with a state government and distributed over 200,000 basic food baskets, and we helped the state government to distribute. We also made an effort to meet the demands of physical persons who wanted to donate food. That was all based in a Solidarity Movement. We distributed almost \$1 million basic staple basket that has helped us create a positive image with a client and also provided a basis for us to resume our activities. With that, we range the historic sales of BRL9 billion in the second quarter. To give you an idea, this BRL9 billion is 8% higher than the fourth quarter last year, demonstrating Assai's assertiveness and above all, the achievement of new clients.

I'd also like to highlight that we are impacted by the government support to the more informal public. This public did not buy and they cannot buy their monthly purchases. And they were able to see how good it was for them to be able to buy a larger amounts. And was the perception of lower prices that our channel works with compared to additional channels is a lot more assertive than when we buy to replace within the month. So within this period in the last five years, we had a lower rate of new clients. In addition to that, the new stores that were open in the previous year, especially when compared to last year and the year before, we continued investing strongly with a low prices and Assai's selling. We already have a significant participation. But we also have a large market working in the

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state of Maranhao, so we are going through a very important phase where we are expanding our practices.

And in this period of pandemic, we kept our low prices, strategies, services, trying to be closer to the client in terms of price, be it the end consumer or a company. This strategy proved to work well, despite all of the current situation with the schools, churches all closed down. We had volume sales above than expected reaching 26.5 -- 26.4, I'm sorry, against the expectation we had in the beginning of the year to grow 20%. The gross profit grew 26% when compared to the previous years. And even with a pandemic and the loss of this channel, we had a sales increase of 10%. We were not able to obtain higher growth because different activities had a decrease in the number of people in Assai as you are probably following in our results, the best performance per square meter in the market was over 4,000, and obviously whenever we have any restriction measures, we also suffer the impact.

So we followed all of the government recommendations, but you can have an idea that we could not to list all of the challenges we had to face in the second quarter. And for those who work in over 22 states and capital, different capital cities, we had a very successful strategy with a 10% increase. And hadn't it been for a limitation of the number of employees, we would have had even better results, because we have to take into account factors such as parking space and things like that. So we had a small decrease when compared to the previous year.

But we had a share gain. This was done in the second quarter, the channel grew 18% and we grew 26.4%.

And this -- but the Assai is very strong in relation to any other players and our competitors. How about expenditures? We had some impacts as we had to reduce our shops capacity, because our store times were, kind of, reduced and some additional investments were required in our sector regardless of the service and we have to be very careful with our providers, with our collaborators, and we had a greater number of temporary employees, because some of our employees they were away due to the pandemic. And as we expected, we had an increase in the number of individual consumers. Even though we had a number of efforts, share achievement and expenditures, they were reduced from 9.7 last year to 9.1 this year.

Our EBITDA now is increasing 7%. So our sales increased 26, and our EBITDA 30% increase, and our rate is going from 7% to 7.3%, and that represents a very significant impact as we open over 39 new address and our represent activity and our mission is quite significant in terms of new stores were 17% of our sales, they are a consequence of our new units. If the pandemic's -- we didn't had our clients operations impacted. We managed to keep it our low price policies. Even those are categories such as food sector, this is a sector that did not change their prices, and we avoid as much as possible increase in prices. And during the third quarter we met -- the idea is to keep on gaining participation from a consumer perspective and to gain that market share once again.

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We had two new openings, or our first unit at the State of Maranhao and another one in the state of Mato Grosso do Sul, and we've a very stronger calendar for new openings for this second semester. Our first unit will be opened in the state of Roraima and the city of Boa Vista. Cash and Carry channel that was a channel -- that was very profitable during the pandemics. And we expected that Cash and Carry channel will be very stronger from now on due to a number of issues. Due to price movement, economic issues, we're fully convinced that Cash and Carry is a channel that will keep growing in Brazil and new units will be opened by this semester, where new point-of-sales are being considered to open by next year. Actually 40 new point-of-sales are planning to be open by the 2021. And we have to thank our team deeply, who had dedicated their time during this very difficult time. But they fully dedicated their time in the frontline to be able to work harder to -- work in the food sector in the frontline to be able to work harder to open this new point-of-sales. So, I really have to thank you all for your time and dedication.

Assai has a very stronger culture and the team's engagement is just amazing and that has been confirmed within the commercial operations, human resources clients, consumer satisfaction, management, administration, business, everyone has collaborated deeply and joint effort was responding for this positive outcomes. Thank you so much to this jointly effort and our sales had really two-fold during this period. So, we're really thankful to all of you for this, very effective and positive outcomes. Thanks to your hard work. Few about Assai and to close, we had 53% improvement in the first 13 batches of this project, which has duplicated their sales in the Pao de Acucar stores. Those units they are mainly focused in the countryside of the state of San Paolo, and mainly around those three new stores. The supermarket model is a very important format. And there is a habit to change in the past years.

In our Pao de Acucar stores, they are changing their format and this we'll keep going. The idea today in the state of San Paolo is to improve our revenue and the sector, as a whole has BRL100 billion revenue. Large companies, they are responsible to hold the part of that revenue, and that represents a great opportunity for our group to keep improving. This is a format of a low cost. The first 13 stores they work with they are operating turnover which is lower than 5%. And that low level of expenditures makes us believe that this is the proper format, especially for the countryside cities of the state of San Paolo. That has been very effective and we fully believe that this format of buy-and-sell is the proper format for our better penetration. We have also restarted the delivery operations in the buy-and-sales operation. This is a very important channel, which complement not only those stores that placed in the cities with over 170 million inhabitants -- 107,000 inhabitants I should say. I should thank the team for all current achievements during the third quarter, and thank you so much.

And with, that I'd like now to hand over to Faical. Thank you.

**Jorge Faical** {BIO 21768322 <GO>}

Thank you, Belmiro, and good morning, ladies and gentlemen. It's a great honor to be here to share with you the Multivarejo results. As we mentioned in the prior quarters, Multivarejo is showing a gradually improvement since the last quarter 2019. In this last quarter, we reached a growth of almost 14% in the total operations, 15.8% sales for the

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same-stores. And if we roll out retails and not drugstores, we increase 23%. That was a virtual growth achieved in all channels, all formats. Such an outcome especially is a consequence of a hard work, which we started a couple of months ago, actually one year ago, thanks to three factors. First, we optimize our portfolio we had readjusted our Pao de Acucar adjustments from Pao de Acucar to Compre Bem. That was one of the factors. Second issue, we had renovated our supermarkets.

Once we see a very strong consumers behavior change, and our things they adapted really fast to this customers behavioral change. And as a third pillar of those factors, our online segment which had a significant growth. Multivarejo is improving its gross margin, gross revenue and adjusted EBITDA after this quarter that is increasing sequentially. The first adjusted EBITDA in the first quarter had an evolution of 29.9% nominal value of almost 30% much higher than our sales, sales that I had just mention. We had reached 7.7 margin, which is 1.1 above the last year's second quarter. Such EBITDA is a consequence of a high level of sales values, but not only we should also consider operating efficiency. Let me also point out that we had gained market share during the whole quarter.

Our market share levels audit by Nielsen was around one point percentage, especially for hypermarkets. Even though consumers changed their purchase behavior as they reduce significantly their frequency, but now they are buying much more than before. And this is exactly why we see a much higher market share gain in the Multivarejo results. How about the hypermarket format? Hypermarket overseas 22.4 of same-store sales growth of the online food segments. And those are 22.4% of same-store sales, they do not include non-food segment online. Here we just have offline non-food segment. Once again, that is a model of high compliance, as this is a format which includes all categories textile, bakery, butchery just confirming and supporting what we call one-stop shopping. Consumers here decrease the channels of visits that consumer that would visit would go -- would purchase from different channels. Hypermarkets became one a channel where customers could just purchase everything one-stop shopping.

I would also like to highlight Pao de Acucar. Pao de Acucar and their sales reaching 15.1% growth, especially for renovated stores G7 concept achieved in 19.7% growth, and they amount 46 stores right now representing 41% of total sales for this sort of format. We somewhat changed our commercial dynamic during this period of time. We now have a kind of store, which is more for replenishment. We've a different dynamics for this new format, where we've a wonderful promotion while in sales online and offline, where we sold on one single day 230,000 wine bottles. This is a clear idea, which prove is that we may consider that as a omni-channel in our portfolio, online sales just for Pao de Acucar, they amount right now over 15% of our total revenue for this specific format of sales 15.3%. There is quite positive, isn't it? And how about supermarkets and the importance of supermarkets during this period of time and the importance of neighborhood stores.

Complement market sees a growth of 18% during this period of time, very strong, thanks to those renovated stores, stores which were renovated last year. And this new model was privileged by a new or increased number of people around the streets. So those district those stores they were very closer to consumers as we saw a increase in the number of traffic over the streets. And for two years consecutively, we see two digits growth for this is straight in stores and we are very proud to see such a positive outcome



and now change it for the new format proximity, we see a very important growth at 25.6. Even though is the impact in the number of people on the streets 18% of our proximities trades, they're the so called the passage stores. Those that are closer to subway, bus stops, shopping centers, or maybe close to some offices. They weren't impacted. They had negative performance during this period of time. But even though they had the 25.6 growth and they are sales, they offset somehow that format.

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Let me highlight in the e-commerce that we had to adapt to in the beginning of the pandemic. The demand by the electronic commerce was very strong in the beginning of March. We were able to adapt very strongly. I was able to talk about the figures we had. And I'd like to remind you that since 1995, we have had e-commerce. In the last 10 years, we've accelerated investments, created the basis and the grounds actually for us to be where we are. We are not a start-up. We are a scale up. We have a profitable business. We have a very robust baseline in previous years and even when this -- with this robust baseline, we grew 72% just to break down this growth. In April, we had an increase of 240%, in May 280%, in June 300%. We had monthly increases. We have continued with this growth in July. And just to give you an idea, our online segment had a four fold increase in the second quarter. When we closed June, on June 30, we had already sold 25% more than the Holy Year of 2019.

We are talking about robust sales. We are very happy with this, especially because of the capacity to adjust to demand. Today, we've levels of services close to excellence, greater than 95% when the supplies made by the store or by the cities and of course this high demand was accelerated. We accelerated new projects, new investments. We were planning to open, for example, 50 stores this year, 15 new stores or shipment from store segment, we went from 93 to 291. And so instead of the 50, we opened almost 200 stores in one single quarter. This growth allowed us to meet the demand and we are still growing the number of stores with his express modality, which now represents more than 70% of our billing, total billing. And of course that comes along with James' growth. James grew 1200% over 1000% and number of requests or orders when compared to the same quarter last year. And they now have 226 stores, at the same time we opened two new CDs for e-commerce one in Brazilian, the other one in Rio de Janeiro.

It's important to highlight. When we talk about James, James is a company of the group. It belongs to GPA with that the contact is between the client and the owner. It is an e-commerce platform, but it's also a fulfillment platform. And I would like to highlight that this, with this direct contact with the client, we can store all of the information with this connection we have with a client. And this is a very strategic aspect for us. And now talking about our data, we already add over 20 million clients in our loyalty program. We know that 20 million is not the highest basis in the Brazilian market, but it is perhaps the one that has the most information available because of the high frequency, the high recurrence rate of our consumers, which enables us to have this digital asset as we call it. We've client data, which are extremely important for our growth and for the growth of our digital ecosystem. In addition to the huge database, we have almost 1000 stores, which are strategic assets. Our operation has an integrated online and offline model. It guarantees that we will have the profitability of e-commerce. As Peter mentioned in the beginning, I am just highlighting it once again. So this is our margin is positive, but not only

that, our EBITDA margin is above the retail market. And therefore we want to accelerate this business for the next period.

Now talking about Cheftime a little bit, this, we know that with the pandemic and the new lifestyle that entails people are much more isolated. They spend a lot more time at home. And so when you are using this opportunity with a new lifestyle and we encourage do it yourself, the role of the chef at home, we had a 260% increase in the results in this period, especially because of the convenience of cooking at home. We have already put the delivery of meals that are ready to go. We've our own models and they are delivered by James. This has been very successful. We are going to accelerate it for Rio and Sao paulo especially. We're still going to expand our e-commerce. As I mentioned before, be it Cheftime, James, our own e-commerce, we are going to expand it to different strategic regions.

With the saturation of different markets, we have three new distribution centers in other regions of the country. We have already announced. And something for the early three quarter and fourth quarter, we've transactions already closed with different store owners, so that we will start struggling into this -- as of the second quarter of this year. When we combine all of the sales and our results, we will have more than 1 billion sales this year in our food e-commerce sector, this year alone. And we are only selling food in this segment right now.

An important aspect to moving toward the end of my presentation, I should also talk a little bit about our own-brands. We had a share in this quarter of 19% of our sales. It's an asset. It is a competitive differential. And it's very important for the strategies of multi event Asia, especially now, in the future quarters when we know that consumers will try to obtain good value for money products and smart choices. In this period, not only did we freeze our prices of our own-brand, but we also gave a 15% decrease, compared to what -- compared to the prices we used in the past, with a Qualita brand.

The Qualita brand had a growth that makes us very proud. It grew 52%. And this is another example of having -- the importance of having capital growth. We continue offering a value proposal. Promotions on TV remained, of course we didn't encourage crowding of people, but we offer competitive prices, in each format, in respect to our consumers. Avoiding speculation, we are very happy with our management capacity in all of our businesses. We are starting the third quarter with a positive performance. The future scenario is full of uncertainties, volatilities, we expect to find many of them, but we are well prepared, rest assured, we have had a different operations, so that we can come in really strong, in this third quarter. We are also very optimistic as Ronaldo says, we are optimistic, but we're cautious as well.

We continue adjusting our portfolio and by January 21, we expect to conclude the 45 conversions of super two grocery stores. And at the end of this year, we will conclude all of the supermarket conversions. We will convert about 10 stores approximately to the G7 Pao de Acucar format, our expansion is anticipated for Pao de Acucar in approximately three to four stores. And for Minuto, we will have approximately 10 new stores by the end of the year. All of the figures are to be confirmed with more effective numbers. I'd like to remind you that, our assets are very well placed. We have very clear business guidance,

we know very well what we want to achieve in the future. We are very happy with the way the business has been developed. And with the results of Multivarejo, as Belmiro mentioned here, and I'd also like to highlight, special thanks to team, who is participating in this call right now. We are very proud of the results achieved in this quarter.

I would also like to thank the different teams, for their exceptional results, especially those who work in the stores. Even in face of a risk to their own health and their families, we did not have to shut down any store during this period. This represents over 90% of our total number of employees at Multivarejo. So this team has proved that this food segment is essential for the economy. There's a lot of social responsibility involved. And I would like to thank our whole team for the wonderful result we achieved in this quarter.

I now turn over again to Peter.

### **Peter Paul Lorenzo Estermann** {BIO 15380447 <GO>}

Well, thank you, Belmiro. Congratulations for the good results in Brazil. And now, we are going to talk a little bit about Colombia, and Exito in Colombia, Uruguay and Argentina. We had a good quarter in terms of growth for Exito both in Colombia and Uruguay. We also had a good quarter, when we see the evolution of operational profitability of the business units in which we break down. In Slide number 13, we can see the gross revenue reaching 5.8 billion in the second quarter with a growth of 72% compared to the pro forma in the previous year and 6% growth when we compare the same-stores.

The quarter was marked by a strong development in Uruguay and Colombia, especially. The online channel had 4 times more traffic in Colombia. So there was a fourfold increase, representing almost 12% of total sales for the Exito group. And that includes GMV, since in Colombia, it is already going and when we analyze the gross revenue, we have 22.2% increase when compared to the pro forma in the previous year and we had a positive impact by some accounting reclassifications of costs and expenses which were reformatted in the third quarter last year. And then when we -- if we were to exclude this effect, there would be a pressure on the margin. We had to take into account the development of the businesses during the pandemic and this complimentary has -- is more easily seen in Colombia than in Brazil.

When we see our expenses on sales and administration, a total of BRL887 million, and this reflects the same classification, which was mentioned by our gross margin, and that effect, it includes, again, overall expenditures.

And we see a significant downgrades in the sales percentage. EBITDA as a consequence, a total of BRL424 million with a positive margin of 8.1% and a growth of 7.7 percentage points in relation to our previous year, the same period and that was a significant improvement for GPA group as a whole.

Financial results, we have BRL473 million during the quarter, which is equivalent to 2.4% of our sales. And that considers the effect, which is aligned to what we see on our first quarter aligned to our expectations. And last but not least, and to conclude this

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presentation and our earnings results, we have the indebtedness of level in the past quarter. It's quite -- it's much better than what we expected right in the beginning of this quarter. This is a result of a very strong cash generation in the first semester and also the monetization of some assets in the first semester, that depreciation we see a stronger reduction and deleveraging of BRL1.5 billion in comparison to the first quarter of this year, reaching 2.2 to two-fold EBITDA, which we relate as been appropriated considering how robust operations are in our group and we have a low turn -- cash turnaround, and we believe that will be kept quite low in the long run.

Additionally, we have -- we expect that we'll have deleverage in the next quarter. Also because we have a depreciation and amortization of our business considering opportunities related to monetization as we still have a very important assets -- portfolio of assets to monetization. We have a cash position very robust a total of BRL7.7 billion in our cash position for this quarter, which makes us feel quite comfortable and confident. And we feel really prepared to face our future in a very positive manner.

I'd like to conclude and thank you all for your participation and the earnings results presentation is done now. And the Q&A session is open. Thank you so much for your participation.

## Questions And Answers

### Operator

(Question And Answer)

Now, the Q&A session is open. (Operator Instructions) First question is from Thiago, Itau.

### Q - Thiago Macruz {BIO 16404924 <GO>}

Good morning, ladies and gentlemen. I have two questions. First about e-commerce. We can see a very robust performance on the sales channel. Could you elaborate a little bit about the new customers contribution to that new channel? If part of the -- what is the percentage of growth from customers from your own base and from a different baseline and if there was any sales cannibalization between physical sales and e-commerce sales?

My second question now has to do with cash & carry, which is also very robust in terms of stock line. But I'm quite curious about investments on food service line. During the pandemic, as that environment was less competitive as some players, they had to guarantee their traffic over the stores. Do you have any disclaimer about gross margins in that sense? If and -- if competition had impaired or made any sort of pressure over it?

And how do you understand and evaluate clients dynamic to the it's model? As now we see a higher percentage of clients as individuals. How are you considering that new format and if that will somehow impact the e-commerce and economics as a whole? Thank you.

## A - Jorge Faical {BIO 21768322 <GO>}

Thank you very much for your questions. I'll try to answer your first question, addressing e-commerce. 15% of our sales during the e-commerce period. They were thanks to new clients in the company. Those CPF is of those individuals who bought from our e-commerce, 5% there were not CPFs that we had identified before as prior customers. So we define them as being new customers in the -- for GPA. And other 45% of customers, they are new in the online channel. They used to buy just from our physical stores, and now they are buying also from the online channel. So some of those 46% they buy online and offline.

So these sort of customers they're supposed to be the best ones, because they purchase from both channels. Once, we see that mix up off and online channel, this is a type of customer, who buys 2.3 fold higher than before, with the offline channel only, so the omni-channel concentrates more purchases from consumers perspective. Belmiro will answer the second part of your question.

## A - Belmiro de Figueiredo Gomes {BIO 18107864 <GO>}

Performance, we see a very important performance improvement. Of course, if we compare two the previous year, we have a price increase last year -- last year same period of time. We didn't have -- we had a different dynamic last year, which raised a reality -- which raised the -- different from the reality. Each company has adopted a different strategy. In our case, for instance, we kept a maintenance of our operations especially, and the physical stores.

We may estimate the average where our market average revenues of BRL9 million for new stores and a total of BRL18 million revenue, and we respected that margin ramp and we also respect a new market enters cash carrier per se is a market that works on price maintenance every single day. But there is a participation of new units and by new participations, we may decrease gross margin. Especially, when we understand our store spark and some of the dynamics that we applied for sales strategy. And Assai's growth, the sales was much higher, our average sales regionally speaking and globally speaking, and each company adopts its own strategy. In our case, in addition to look after sales for the quarter, we also implemented with excellence a great status of excellence of relationship with our customers, allowing us to increase and advance to third and fourth quarter. So we have not just, we have to understand the picture as a whole to offset that 26.5% rate.

What to expect for the future? It's difficult to forecast, because we have a new market facing lots of changes and the additional economical pressure that we may face considering sales and some additional factors. Some customers will keep on buying online, but that's not a reality to our Brazilian population. And some others will have markets paid out -- paid out and others will go online. And so as far as we have been observing, we guess that for the third quarter that will be the format, where we expect that many customers, they will go over that sector.

And by that, we don't mean just individuals. We are talking also about corporate, although, interest rates are low in that case is worthwhile buy through cash and carry without buying

a large volume of an order. So we expect from now on to have a very positive opening channel for opening new stores and to have a much higher conversion rate and cash and carry historically speaking will help us and that economic uncertainty globally speaking will lead to a sales price reduction. I hope I answered your question.

**Q - Thiago Macruz** {BIO 16404924 <GO>}

Thank you Belmiro and Faical clear answers. Thanks a lot.

**Operator**

Our next question is from Joseph A. Giordano from JP Morgan Bank.

**Q - Joseph Giordano** {BIO 15875778 <GO>}

Hello, everyone. Good morning. I have a couple of questions about COVID expenses? How about over time hygiene? And I believe that work shifts in the hyper markets and supermarkets they are facing some changes. Could you elaborate a little bit more about these topics? And within those non-recurrent expenses, at what extent should we see non-recurrent expenses? And at what extent should we see the nature of those expenses and now stepping to a more strategic and operating aspects middle to long run? Could you please Belmiro tell us about the digital leverage opportunities within Assai especially considering all this tooling that you had before developed in the Multivarejo segment? Thank you.

**A - Belmiro de Figueiredo Gomes** {BIO 18107864 <GO>}

Good morning Joseph, and thank you for your question. Generally speaking, your question about COVID expenses, we classified expenses and some other expenses in the Brazilian territory expenses. They showed different performance between the beginning and the end of the quarter, where Brazil expenses volume they represent.

**Operator**

Please just wait, we are reconnecting our speakers line. We were offline. Thank you. Why Christophe is not back.

**A - Belmiro de Figueiredo Gomes** {BIO 18107864 <GO>}

I'd like to talk about our campaign and tele sales and the way we operate with our clients. The end consumer issue, we've evaluated -- we've evaluated that the best format for us to try to meet the needs of our clients is by Multivarejo and because the costs do not change a lot, the cost of the industry doesn't change a lot. The value proposal wouldn't change much. We would just say, okay, you're buying from Assai website or from Pao de Acucar website.

The concepts are basically the same. We no longer have to take into account the format, the different formats. We would end up creating an undesirable competition in our channels if we did that. Paula has a huge expertise in this area. And we believe that we're

doing it the way we should and perhaps in the future, we will do something so that the client will say, okay, I want to see a size of brand that I'm buying or you know, this is the only change we would have.

That's why we believe that the way the group has been dealing with it, is the best way to do it. We've already had a situation in the past. But of course, one of the things for you to bring in more clients would be something that we've been facing from the beginning of the pandemic. We have clients who cannot come in the store, because of the availability of space. But we have to be careful. But that doesn't change what we're doing in e-commerce. And the delivery cost is the same. That's why we believe that it's the best way to do -- the way we're doing it right now.

**A - Christophe Jose Hidalgo** {BIO 17982648 <GO>}

Well, thank you very much, Belmiro, I'm sorry, I fell -- but I'm back, my connection fail actually, and I'm back here, and we had an impact in Brazil in this quarter, and I would like to highlight that these expenses are almost totally concentrated in the beginning of the quarter, and we can see that there was a strong decrease curve in the quarter. So that actually, this amount is almost insignificant in June.

In other words, if we try to project, what we should expect for the future, and the impact, I would say that it's going to be neuter or very marginal to clarify our vision of the other expenses for the year. I'd like to reiterate that you can see that other expenses had a strong decrease. I also reiterate a reduction of these expenses, and it will be at a BRL250 million as indicated before. And I would also like to say that these other expenses were actually benefited by the sales of assets that were concluded in this quarter. But we have used this capital gain to provision for the effects or actually to accelerate the portfolio restructuring activities.

And we'll have to take into account to the effect of the stores that are going to be closed in the upcoming weeks or months. I am talking about five items that should be taken into account. We had four supers that were sold, one -- so we have expectations of improvement of our portfolio.

**Q - Joseph Giordano** {BIO 15875778 <GO>}

Perfect. Regarding Exito, Christophe, I don't think we got the answer. What -- excuse me, I'm talking about to the expenses with the integration of Exito?

**A - Christophe Jose Hidalgo** {BIO 17982648 <GO>}

Well, it's almost a neuter and this quarter, our expenses are based on three pillars. The first one, the COVID expenses, I just talked about. We have capital gain resulting from the sales. This capital gain is almost totally compensated by the provisions or the actions we took to prepare our portfolio. We sold six drug stores and four supermarkets. And this effect with the sales of assets and anticipation of the structuring or restructuring of our expenses this effect was almost neuter. They are actually already neuter. We have five million of consolidated impact.

**Q - Joseph Giordano** {BIO 15875778 <GO>}

Perfect, I see. I get it.

## Operator

The next question is from Gustavo Oliveira from UBS.

**Q - Gustavo Oliveira** {BIO 15129435 <GO>}

Hello, good morning, everyone. I thank you for your question. I have some questions here. First one is about the performance of the G7 stores. We know that people go to the stores less frequently now and we have all of this concept of experience in the G7 stores which is not being used as it could. Why is the performance so much better? Is it because of their location? I thought they should have had a more normalized performance right now, because there is no store experience right now.

And the other question is, that is it's becoming clear and you mentioned that in Exitó, there is a non-food aspect in e-commerce. And here in Brazil for historical reasons, you don't really have this non-food segment in your e-commerce. Could you choose your agreement with Multivarejo to enable you to take over this non-food area in e-commerce? And I also want to know, if you think that that is really important, I just wanted to know what your opinion is about this.

And the last question going back to the other expenses, how much do you have in capital gain Christophe, that you could report now for the second or -- I'm sorry, for the third or fourth quarter based on the assets that you already had. I just wanted to know what the positive impact is going to be? Thank you.

**A - Christophe Jose Hidalgo** {BIO 17982648 <GO>}

Thank you for your question, Gustavo. About the G7, first of all, we have to talk about experience in the stores whenever we say that it's a format dedicated to experience. It is dedicated to the pleasure of the purchase experience, because there are a lot more attractions, for example, fruits, vegetables, or the butchers with the different cuts of beef or the cheese, the wine area for example. This is an area that has increased a lot during the pandemic. So whenever we talk about experience, it doesn't mean that we're talking about categories that are not part of the day-to-day of our consumers.

The only section in Pão de Açúcar that had a decrease. And also in G7 was the cafeteria and restaurant area. We had to close them. I talked a lot about adaptations, it means, getting all of the employees who worked at the cafeterias and restaurants and we transferred these people to the operations in the kitchens for chef time, for example, with our dishes that are ready to go, or their activity in e-commerce so that we could foster it.

The G7 store had very pleasant benefits. This whole area of the cold cuts, frozen foods refrigerated foods which have increased a lot during the pandemic and also the wine area. So when I say experience, it's something that was used during the pandemic and



quite the other way around, we were able to convert a lot more visits to these bakeries butchers that would go to their neighborhood stores and they now all go to Pao de Acucar because they can get everything in a single place. I hope I have answered your question

**Q - Gustavo Oliveira** {BIO 15129435 <GO>}

Thank you.

**Q - Ana Carolina Bastos** {BIO 20622236 <GO>}

Gustavo, Ana here. We created at the end of last year, the so called innovation and transformation committing digital transformation I mean, we hired a specialist in e-commerce, a Harvard professor, with whom we have worked closely. We understand that we have different tools, as mentioned by Faisal. We have James. It enables us to have an important differential. We have two apps. As clearly mentioned by Faisal, the client base might not be the biggest, but it is a very wealthy one. We also have stick and a partnership with Droga Raia.

We are also -- we also have chef time. We have different tools that were created. They worked independently and in this innovation committee, we had an meeting on Monday this week. In this digital innovation committee, we're trying to analyze how we can better serve our consumers, focusing on providing the best channel for our consumers. We are evaluating the marketplace. We will start with a marketplace, of course, including the categories that have a higher client demand and that have a margin as Faisal mentioned that will allow our business to evolve in a positive manner.

We know, how important it is for us to continue this process and we know how important client satisfaction is. Faisal's sales answer was very objective. We have 15% of new clients, but we have almost 50% of clients who use our physical stores and use e-commerce as well. It is essential for us to have all of the possibilities. It is also essential that we have a very high consumer satisfaction level. This is what we're trying to achieve and this is how we will continue working to guarantee that we'll have a profitable e-commerce with client satisfaction.

**A - Christophe Jose Hidalgo** {BIO 17982648 <GO>}

Gustavo is still about your question and expectations. Of course, the year is not done yet. We still have some months to go. And what I can tell you so far is that the minimum that we are considering those transactions that are under its final phase, it will reach maybe something closer to BRL100 million or maybe something above that as we have enough assets, we have mature assets and the total GPA assets, they go over -- they surpass BRL3 million.

So once we go forward in that optimization, we will be able to guarantee additional BRL100 million. All these additional capital gains will allow us to confirm that we'll be around the range of BRL200 million and BRL250 million expenses for the year. And such mature assets monetization, they do not aim only to have a capital gain, but rather to reduce expenses impact and assets monetization that represents how the assets turn

around to guarantee good outcomes returns and to the leverage our cash flow assets, capital gain is not necessarily what takes us forward. We have all the reasons for that as well.

## Operator

Our next question is from Bob Ford, Bank of America.

### Q - Robert Ford {BIO 15127836 <GO>}

Good morning, everyone and congratulations for your earning results. Ronaldo, it seems that everything was going fine during the quarter. How about discounts? What are you considering terms of cost or discounts? Does it make sense to monetize assets from GPA perspective? And how would you implement those resources?

### A - Ronaldo labrudi dos Santos Pereira {BIO 5151863 <GO>}

Hello, Bob. Good morning. And thank you. Thank you for your timely question. You know quite well that we -- our interest in monetizing this asset. Last week, we had a send-off a board meeting and the business shows a very positive growth. We know that in Europe, the pandemic is anticipating our reality in five weeks around. So they are after e-commerce purchase that is a reality and we see a very positive quarter as well.

So we see as a priority Latin America, we do understand that Latin America is our priority. We have a very strategic, go to Latin America, there will be an appropriate time, which is a market time that offers such an opportunity, and we are highly interested in monetize that assets. We haven't got any opportunity right now on the table that I can tell you right now. But as part of our strategy as we left Via Varejo, our strategy is to keep our business in the food services with a main focus in Latin America.

### Q - Robert Ford {BIO 15127836 <GO>}

Thank you, Ronaldo. That is quite clear. Belmiro, the Compre Bem growth was just amazing. What were your main learnings that you could share for the group as a whole?

### A - Belmiro de Figueiredo Gomes {BIO 18107864 <GO>}

Hi, Bob. Exactly, we share different practices for all line is Compre Bem is a sort of disruptive model due to cost, so we are including all different goals for Extra and Compre Bem. They are different brands one is supermarket with a main focus in the market, which is Extra.

And Compre Bem is more related to stores and a number of all other aspects as part of this model, so they can operate strongly in the countryside, in the interior cities of the state where we see a much greater opportunity of growth. The state of Sao Paulo as I told you has a revenue of BRL100 billion that is a giant market with a great ability of a penetration in some sizes, some cities which are not cities for cash and carry model but they can operate in a supermodel style and depending on distribution model you end up losing some advantages. So we are just such a model under the Compre Bem model to

operate specifically in the countryside cities. The goods they are received directly at the shops and we do as logistic a cost as they are much higher. So we prefer to, to work a different logistic model.

**Q - Robert Ford** {BIO 15127836 <GO>}

Thank you, Belmiro for your answer. And once again, congratulations for your results.

**Operator**

Next question from Tobias, Citi Bank.

**Q - Tobias Stingelin** {BIO 18290133 <GO>}

Good morning, everyone. And Congrats. Congratulations for your results. How do you see sales from now on? Second quarter had exceeded your expectations, July is going fine. But you know, economies opening, we have vouchers which maybe a very strong aspect in our demand level. Would like to understand a little bit more, how are you preparing yourself to this macro sales scenario? During this quarter, marketing could not be so aggressive. You could not throw so much promotions. What are your goals from now on? What did you have in mind? Thank you.

**A - Jorge Faical** {BIO 21768322 <GO>}

Tobias, thank you for your question. This is Faical, I will answer part of your question and Belmiro will add to it. We adapt our goals to each one of our business. With that in mind, we have been very cautious to adjust our operations, our administrative logistic and marketing expenses. So we would be very careful. In case, we have a exacerbation in our economic scenario. If we step into some crisis, we are prepared for that, especially if that happens suddenly.

We believe that consumers behavior to fear, to go outside to be confined in their homes to be isolated, not to go outside as frequent as they used to. This is the behavior which will last some time, a few more months will blast. What we expect in our promotional environment is to be a little bit more frequent and intensive than the previous months. We do expect sometimes of trade down for smaller packages, as well as for those products similar to our quality brands, as part of our smarter choices, we see some trends in that sense.

And we already see a trend in that sense with a stronger concentration. When salaries are paid or with the distribution of Corona voucher, and we have a backup plan for each one of those vouchers. Pao de Acucar has a plan for look -- looking for exclusivity. We also have a pricing modernization plan for each one of our stores. Each one of our formats are getting prepared to be ready for retail sales participation and increase our share and there is a certain level of pressure in each one of those activities. But we are quite prepared for each one of those activities. Actually, we have been preparing ourselves for the past two months.

**Q - Tobias Stingelin** {BIO 18290133 <GO>}

Thank you. Thank you, Faical, for your question.

**A - Belmiro de Figueiredo Gomes** {BIO 18107864 <GO>}

Our numbers on the second quarter they see and they support how convenient cash and carry can be. So obviously, governmental money and we believe that the part of customers that came in through cash and carry, they will stay.

Conversely, we see Food Services coming back. Brazil is a country of continental dimensional. And once the economy is released, we still see different scenarios. We have a totally different scope. And we are still under the peak of our crisis. Even though we are facing a privilege setting despite all the crisis and the Pandemic, now we see a different behavior. Before customers they were not visiting at all our physical stores, but now we see an increase. Last weekend actually, we had a much higher number of physical presence at our stores, and we believe that will keep growing from now on.

We -- before we had a number of collaborators that were hospitalized. Now, there is no one. Everyone is quite healthy, and we believe that there will be a return scenario, increasing activities soon and the fact that, you have consumers, users, provider, sellers, that will allow us to change our strategy and maybe to adapt to the market.

The idea is to keep our consumers, consumers that came, and maybe we can get back to those that had left and maybe regain these consumers during the third quarter. The goal is to expand our market share, and to increase our market participation beyond our limits. Our forecast shows a performance to segment over the third quarter with the much greater opportunities. We also perceive at summary economy sectors. Some of the investments that were in the fixed investments now, they are much more in the real estate markets. We see much -- we see more investments in the real estate. And that is an impact accelerating economic activities. And this format, we believe that this new format is the created format to allocate and leverage our business.

**Q - Tobias Stingelin** {BIO 18290133 <GO>}

Thank you.

**A - Jorge Faical** {BIO 21768322 <GO>}

Yes, Tobias, there is a certain trend for gallery and shopping center revenue increase, also fill sales. They are not decreasing at least, so they are reaching that regular level. And we believe that e-commerce is not going backwards. All the country it will keep going forward. Thank you.

**Q - Tobias Stingelin** {BIO 18290133 <GO>}

Perfect. Thank you very much. Good afternoon.

**Operator**

The next question is from Irma Sgarz from Goldman Sachs.

**Q - Irma Sgarz** {BIO 15190838 <GO>}

Good morning. Thank you for taking my question. I have two quick answers. First, when we analyze, what is going on in Europe with the reopening, I'd like to know what lessons could you transfer to the digital E-market, which has been different in the current environment, we have innovation to take into account. But what are the initiatives that you're planning to keep this moment as it is. And also to reinforce this recovery curve in an environment that when things normalize and consumers will not only look for One Stop Shops.

The other question is about, the competitive environment, and about the regional networks that we've seen. We've seen strong activity. And I'd like to know how you see this activity. You have gained more market in the regional activity. So where have you gained more market actually? Thank you very much.

**A - Jorge Faical** {BIO 21768322 <GO>}

Good morning. And thank you for your question. I will try to answer, part of your question about hypermarkets. We are prepared first of all, we believe that the One Stop Shop movement will remain for at least another quarter. We strongly believe, that it will probably even move into the fourth quarter, because of the drastic difference we've had with in our descending curve, in the pandemic. Brazil has not reduced its death curve. It is still stagnated. And we think that here in Brazil, it will be slower.

Hypermarket remains stable somehow, for a while, at least. The competitive environment is a little bit more aggressive with multinational networks and competitors -- regional competitors. We can see, during the pandemic, the regional networks have decreased a little bit their promotional activities. And therefore, the effect or impact will not be very strong in that third quarter. But we are changing some things, especially our promotional dynamics, which used to be more concentrated on the television for example, on Wednesdays and Saturdays, we continue doing that. We also intend to have more horizontal stores. Clients are looking for advantage of a one stop shop. They're not thinking about their mail or the beef they buy. And this is the expectation of our consumers.

And that's why we are changing our promotional calendars and dynamics. We're also changing our assortments in our stores. We have open even more space for the participation of our own brand products. We are focusing a little bit less on other strategies. We're focusing on smart choices with that. We decrease a little bit -- our focus, especially in the islands, in the terminals, and the promotional areas with products that costs less than BRL10 or BRL8, we're trying to be more aggressive.

In addition to that, of course, hypermarkets now go into a phase of deacceleration of e-commerce. Fanta Sucre has a 15% shares as I mentioned sooner and hypermarkets reach a 4% or 3% of e-commerce shares. We know that they have a huge potential because each hypermarket works as a distribution center. And this is something we're betting on

strongly for the hypermarkets in this second quarter. And I hope, I have answered your question. I already talked about the regional differences. I also hope -- I hope, I have answered your questions. Please feel free to comment.

## Operator

The next question comes from Victor, Credit Suisse.

### Q - Victor Saragiotto {BIO 19504427 <GO>}

Hello everyone. I have a question. We've seen non-food becoming very irrelevant in the second quarter. We had different close competitors. I want to understand how, things worked in June and July, so that we could analyze the relevance with -- competition with open competitors, private labels. I also noticed there was a way you change the account of the private label in your product mix. We always thought the private label were products with a higher margin. So I would like to know, how they stand right now. And what is the impact it has in your percent margin? Thank you very much.

### A - Belmiro de Figueiredo Gomes {BIO 18107864 <GO>}

First of all, regarding non-food items in hypermarkets, from the very beginning of the pandemic, we already, we expected it to be accelerated in the second quarter, and then it would decrease a little bit, especially in the open stores. And the -- we knew that we would go up and then down, somehow, we prepared our cash carefully. We believed that this very high two digit results would not remain for a very long time, but we have a very long, a very large stock and this was an assertive strategy.

Even with some de-acceleration, we can say that we had some in June and July. When the market started reopening, the level of growth remains high, specially because of the hypermarket activities focusing on people who are staying home longer. They are, for example, buying television for their children's bedrooms smaller TV, TVs and they are also exchanging their older household appliances into newer ones, and so the habit of cooking at home and being locked down also affects sales of microwaves and small appliances. The sales pace has been very positive. We believe that we can keep a positive level of two-digits to the end of the year.

We still have some volatility. But, it is a category that will have a positive impact on hypermarket to the end of the year. We have no questions about that. Regarding our own brands, we made some changes in our accounting criteria and what is considered our own brand or not, especially to help us face the market. In the past, we did not include our non-perishable products such as vegetables and butchers. And we started including our private labels in this assessments and with that, our share goes up. And if you compare the new criteria to the old criteria, it goes up 3 points.

We reached a share of 19% and our new shared goal for the end of the year is 23%. Keeping the same curve that we had already informed in the beginning of the year when we had our fourth quarter of 2019. The margins have been higher in all of the segments of our private label. So in addition to being in an excellent smart choice option for our

consumers, it is an option to increase the gross margin and the retail business. And that's why we are accelerating this segment of our private label. Thank you very much.

**Q - Victor Saragiotto** {BIO 19504427 <GO>}

Thank you very much.

**Operator**

The Q&A session is now over. We'd like to turn over for the final considerations of the company.

**Q - Ana Carolina Bastos** {BIO 20622236 <GO>}

Well, I would like to once again thank you all for your presence in our call. I'd like to close by saying that I will keep the expansion plan for this year. And as you have been able to follow our results, we may have some changes on dates, but that will not have any impact on our short and long-term strategy. We remain tall and strong with our plans. We also remained tall and strong with our solidarity campaigns and it's important to highlight that.

So far, we have donated by means of our group and our foundation GPA and the mobilization of our clients. Over three tons of food, personal hygiene and cleaning product, we have supplied over 20,000 families throughout Brazil in 21 states including our federal district. Another important initiative this quarter was that, we started participating along with Avon Institute in a plan to support the combat against domestic violence, female domestic violence. Establishing relationship channels, communication channels, making them available to people. And for you to have an idea, we've had over 50,000 access to these channels in less than one month by using the different apps. This only shows how important this services is.

For the upcoming months, we also are very optimistic with the performance of our business as highlighted by Faical and Belmiro, in Brazil and in our Exito network. We're totally aware of the challenge we have ahead of us. Furthermore, we understand, as you have seen that we are well prepared for the challenges we may have in the short and mid-term. We closed July with positive results. We have important challenges ahead of us for our brands, for our strategies, our team, and our clients, make a lot of difference for us to continue believing that we are on the right track.

And so, I thank you all. I hope you have a beautiful afternoon. And that you may remain healthy.

**A - Ronaldo labrudi dos Santos Pereira** {BIO 5151863 <GO>}

If you allow me, I would quickly like to thank our team, the Assai team, the Multivarejo team and the Exito team have done exceptional work, made a huge effort, Belmiro and Faical were pinpoint when they thanked them, but I would formally like to thank them. We played an important role in Brazil and in Latin America in providing essential services. We tried to provide safety to our clients. Tobias asked a question.

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We are -- and Faical also commented about it. We're being careful. Nobody really knows what will happen in the future, but we were very happy optimistic. We have faced this moment with innovation that generates a lot of confidence in the company in terms of the company's ability to generate good results. Until July, the results were very positive. I think that both the cash and carry channel and information provided by Belmiro when he gave his answer to Tobias shows that we have a very positive perspective ahead of us, just as Multivarejo and e-commerce above all, with information provided by Faical. This brings us a very positive perspective in Brazil. Tobias also mentioned it. Exito had an 11% share in e-commerce.

These are aspects that make us confident with very positive growth perspective ahead of us. I also have to thank our providers. We were well aligned from the very beginning of this crisis and it enabled us to avoid supply problems in Brazil and therefore, I would like to thank the whole team and you in special. Thank you all. Good afternoon.

## Operator

Thank you, Ronaldo. GPA's teleconference is now over. The IR Department of the group is available to events -- to answer eventual questions. We thank you all for your participation and hope that you have a wonderful afternoon.

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