Q1 2018 Earnings Call

Company Participants

- José Luis Gutierrez, Chief Executive Officer-Carrefour Retail
- José Roberto Meister Müssnich, Chief Executive Officer
- Noël Frédéric Georges Prioux, Chief Executive Officer & Director
- Paula Cardoso, Chief Executive Officer-Carrefour Soluções Financeiras & Executive Director of Client, Services & Digital Transformation
- Sébastien Durchon, Chief Financial Officer-Carrefour Retail

Other Participants

- Alana Imaizumi, Analyst
- Franco T. Abelardo, Analyst
- Irma Sgarz, Analyst
- Joseph Giordano, Analyst
- Marco Calvi, Analyst
- Richard Cathcart, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, ladies and gentlemen, and welcome to Grupo Carrefour Brasil's First Quarter of 2018 Conference Call. At this time, all participants are in listen-only mode. Later, we will have a question-and-answer session and instructions for you to participate will be given at that time. I would like to remind you that this conference is being recorded and broadcast live on the Internet at www.grupocarrefourbrasil.com.br where the slide presentation is also available. The slide selection will be managed by you.

Before proceeding, we would like to mention that forward-looking statements that might be made during this call are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from those anticipated in such forward-looking comments due to macroeconomic conditions, market risks, and other factors as they are subject to change.

Today with us, we have Mr. Noël Prioux, Chief Executive Officer; Sébastien Durchon, CFO; Roberto Müssnich, CEO of Atacadão; José Luis Gutierrez, CEO of Carrefour Retail; Paula Cardoso, CEO of Carrefour Soluções Financeiras, and Executive Director of Clients, Services and Digital Transformation; and Daniela Bretthauer, Investor Relations Officer.

First, Mr. Noël Prioux and Mr. Sébastien Durchon will comment on the 2018 first quarter results and later we will be provide – they will provide the closing remarks.

Now, we would like to turn the floor over to Mr. Noël Prioux to start the presentation. Mr. Prioux, you have the floor.

Noël Frédéric Georges Prioux

Thank you. Good morning, everybody, and thank you for joining us on this conference call to present the Grupo Carrefour Brasil's first quarter results. I'm joined on this call by Roberto Müssnich, CEO of Atacadão; José Luis Gutierrez, CEO of Carrefour Retail; Paula Cardoso, CEO of Carrefour Soluções Financeiras and Executive Director of Clients, Services and Digital Transformation; and Sébastien Durchon, our CFO; Daniela Bretthauer, our Head of Investor Relations is also with us.

I would like to start with a brief overview of our key highlights of our first quarter and then Sébastien will detail our financials and afterwards Roberto, José Luis, and Paula will present very quickly the key performance highlights of their respective businesses. And then, I will conclude with our priorities for 2018, and we will then open the floor for your questions.

Throughout this call, we will refer to the presentation that is available for download on our website of Investor Relations. So let us begin on slide number 3. With a key headline numbers of Q1, we continue to be the leaders of the Brazilian market with continued sales growth and very solid growth in profitability, driven by all three of our businesses. Our gross sales including petrol rose 60% in the comparison with the first quarter of 2017 going to BRL 13 billion.

Adjusted EBITDA increased by 16.3% to BRL 843 million, which translates into a 16 – 66 basis point improvement in the adjusted EBITDA margin, which was 7.1%. We also posted very strong growth in our net income, which was up by 74% to BRL 280 million, equivalent to a net margin of 2.4%. And we strengthened our balance sheet with our net debt standing at BRL 2.1 billion at the end of the quarter. Our net debt to EBITDA ratio stood at 0.6 times, whereas our leverage was 0.2 times.

Slide number 4, the solid performance takes place within the framework of the Carrefour Group transformation plan, which was unveiled to the market in January. In March when we held our Investor Day, we presented the outline of our actions that we intended to implement in Brazil as part of this plan. And on slide number 4, you can see that we have already made rapid advances on all four of the transformation plan pillars.

The first pillar is to deploy a simplified and open organization and the new eight-person executive committee that I appointed in December is up and running and hard at work on a number of initiatives to accelerate our growth. And let me highlight in particular that we have put in place a dedicated organization to accelerate our digital transformation under Paula's supervision. This is already producing results as we will see later on.

Our second pillar is achieving productivity and competitiveness gains, and our Q1 numbers already reflect excellent progress in this area. Our SG&A expenses at Carrefour Retail in the quarter were down when we compare to the same period of the previous year, in spite of the expansion, and we started rolling out self-checkout in our gas stations with 12 already deployed in Q1 and we continue to digitize our financial solutions, and SG&A expenses on the Carrefour card were down by 12% year-on-year. And we are ahead of plan on the rollout of the Atacadão card with 1.2 million cardholders at the end of March – 1.2 million cardholders.

Our third pillar is creating an omni-channel universe of reference and here too, Q1 showed a number of significant advances. In terms of our store network, we continue to rapidly expand Atacadão with four openings in Q1 alone and with six planned openings for the second quarter. And with that, we will have opened in the first half of 2018, almost as many Atacadão stores as we opened overall in 2017. Our e-commerce activities are growing rapidly as well with doubling of our GMV in the quarter and – in a comparison with the same quarter last year.

Marketplace already represents 11% of GMV with ongoing growth and we've recorded a tenfold increase in orders of online fruit sales, and we expanded the coverage of our food e-commerce to new municipalities in the greater São Paulo area.

As part of our omni-channel strategy, we are also working on greater integration between the online and physical worlds with the rollout of click-and-collect in 12 hypermarkets in Q1 and a pilot test of the Drive concept at our Marginal Pinheiros hypermarket in São Paulo, and we are levering data to better target our customers with our offerings. In a few months, we reached 6.3 million registered clients for our Meu Carrefour CRM program, and there have been almost 1.1 million downloads of our Meu Carrefour app for mobile phones.

And finally, our fourth pillar is the overhauling of the offer to promote food quality. We launched the rollout in our stores of our food – healthy food offer with 1,500 SKUs, and we have accelerated development of our own brand products, our private label products.

As you can see, Grupo Carrefour Brasil has wasted no time in actively implementing the transformation plan with positive impact on our sales as Sébastien will tell you.

Sébastien Durchon

Thank you, Noël. Good morning, everybody. I would like to slide with slide number 6, the overview of the first quarter. Like-for-like – on a like-for-like basis, our sales went up 2.3% on an organic base excluding petrol, despite persistent food deflation. As you can see on the upper hand side, food deflation in the quarter was 4%, and this remains a high rate, which represents a slight sequential slowdown vis-à-vis the previous quarter. It is worth mentioning that monthly food at home inflation was slightly positive 0.27% in April. And most economists foresee a more positive trend for the coming months.

Our sales were boosted in the quarter by a favorable 1.9% calendar effect, largely due to an earlier Easter this year. Stripping out that effect, like-for-like growth was 2.4%. In the deflationary environment that I have just described, our sales growth was notably driven by double-digit growth in non-food and by a strong rise in e-commerce sales. Our continued expansion in all formats contributed an additional 3.7% to our growth, which totaled 6% in the quarter.

We opened stores in all formats over the last 12 months, including 12 Atacadão stores, of which four in Q1, the reopening of the Pamplona hypermarket in São Paulo, our first market – supermarket and 42 convenience stores under the Express banner, as well as two drug stores, and two gas stations. This increased sales area growth by 5% in total and 8.5% in Atacadão.

Now, let's go to slide number 7, where you see a significant improvement of profitability in the quarter, thanks to improved efficiency and lower financial expenses. Our gross profit reached BRL 2.7 billion, up 7.4% and our gross margin improved by 37 basis points to 21.5%, driven largely by Atacadão's better performance, which Roberto will detail shortly and also by Carrefour Soluções Financeiras whose income increased 8.7% in spite of lower interest rates.

Adjusted consolidated EBITDA rose by an even stronger 16.3%, underscoring solid efficiency gains in the quarter and the adjusted EBITDA margin rose by 66 basis points to 7.1% and our three businesses posted increase in EBITDA and margin as well. Through our strong reduction in net debt, as well as the improved interest rate environment, our financial expenses were down by 61%, and I will return to that on the next slide. As a result of a sound increase of EBITDA and our much lower financial expenses, net income group share was up by a very strong 74% going to BRL 280 million.

Let me conclude this overview with our consolidated performance on slide 8 with a look at our debt and our financial expenses. On the left hand side of the slide, you see our gross debt. Unlike some of our competitors, we included discounted receivables, which gives you a full picture of our total debt, beyond what is on the balance sheet. We reduced our net debt significantly between Q1 2017 and Q1 2018 from BRL 5.2 billion to BRL 2.1 billion at the end of this quarter. Over the last nine months, we have completely restructured our debt. We used the proceeds of the IPO to pay off all of our intercompany loans with Carrefour Group and we are now fully financed locally, eliminating all foreign exchange risk.

In addition, we increased the average maturity of our debt to about three years from less than one year previously by issuing last month BRL 1.5 billion in local debentures with maturities from three and five years at a very competitive (00:15:17) the average cost of our debt also came down significantly in part, thanks to the sharp drop in interest rates in Brazil. (00:15:24) average rate reached 6.73% vis-à-vis 12.7% in Q1 2017. In April, we also obtained from Standard and Poor's, a Brazilian national scale corporate rating of brAAA with stable outlook for Atacadão SA, the parent company of Grupo Carrefour Brasil and brAA- with stable outlook for Banco CSF. This is the maximum possible rating for both of these activities.

With that, we have a very strong balance sheet, which gives us the capacity to seize opportunities in the Brazilian market. On the right hand side of the slide, you can see that our net financial expenses fell by 61% going to BRL 83 million from BRL 211 million in the comparable period last year. This reflects both our lower debt and the reduced cost of our debt.

These were my remarks. And now, we would like to talk about the financial performance by business with the three CEOs. And now, I will hand over to Roberto who will talk about Atacadão performance.

José Roberto Meister Müssnich

Good morning, everybody. Thank you, Sébastien. Let's go to slide number 10, where we can see that Atacadão in this quarter posted solid sales and profit growth, despite the challenging comparable base and that persistently deflationary environment for food and commodities as well. The chart on the left hand side of the slide shows the gross sales that rose 5.7% in the quarter going to almost BRL 8.4 billion. This reflects the effect of the expansion from stores, which were open for more than 12 months and we also posted like-for-like growth in the quarter of 0.5% in the quarter compared to the first quarter of 2017.

This growth was achieved by an increase in sales volumes, which is positive that allowed us to more than offset the sharp deflation that we have already described and which was particularly pronounced in commodities that are so important for sales, such as beans, whose prices fell by 38.5% and sugar in the quarter down 14.5% and rice falling by 11% in the quarter. In the middle of the chart, you can see a growth of 11.9% and the gross profit of the quarter totaling BRL 1.1 billion, and our gross margin rose 85 basis points to 14.7%.

We continued to benefit from tax credit book as of the second quarter of last year, but this improvement in this quarter is also due to the operational efficiency and scale gains that we achieved as well. Our adjusted EBITDA rose by a strong 15.9% going to BRL 467 million. EBITDA margin improved by 56 basis points going to 6.1% and this improvement comes despite expansion-related costs, which accounted for about 30 basis points in the quarter. And without these factors, our distribution costs would be broadly similar to last year's same quarter.

And talking about expansion, we are strongly accelerating our expansion and we opened four new stores in the first quarter and we plan to open six new stores in the second quarter, which means that we are laying the foundations for a strong growth. With 10 openings in the first half, we are about to open in six months almost as many stores as we opened in 2017, and we plan to open 20 stores this year. So these were the highlights.

And now I would like to give the floor to my friend Mr. José Luis Gutierrez.

José Luis Gutierrez

Thank you, Roberto. Good morning, everybody. Let's turn to slide 11, where you can see Carrefour Retail's main performance indicators for the first quarter. Our gross sales went up 6.6% in Q1 to BRL 4.6 billion. As you can see on the chart on the upper left of the slide, we increased the share of e-commerce in our total sales and online sales now account for 6.3% of our total sales, doubling vis-à-vis the same quarter last year. And Paula will be talking about that in greater detail very shortly. We continue to see double-digit growth in non-food in our stores, in our brick and mortar stores. Growth was also driven by expansion notably of our Express convenience stores and our new compact market format, which now counts two stores whose initial results are very encouraging.

We are also seeing strong sales in our reopened flagship Pamplona hypermarket. And on the like-for-like basis, our sales were broadly stable. We posted market share gains overall in Q1, notably in hypermarkets, whose performance demonstrated resilience in the quarter and our gross profit in the quarter was stable on a year-on-year basis reaching over BRL 1 billion. Gross margin on the other hand was a 136 basis points lower, as a result of the greater share of e-commerce and which is growing double-digits but carries lower margin as we have already mentioned in previous quarters.

As shown on the chart on the right, we would like to mention significant efficiency gains in the quarter. As we had said, would be the case in previous quarters. In absolute terms, distribution costs fell by 1.4% going to BRL 851 million, falling to 20% of net sales from 21.4% in the same quarter last year in spite of expansion costs. This is the result of a very strong focus on cost reduction that included several initiatives to optimize our store processes, in-store processes very close scrutiny of third-party costs and then adjustment to the head count in our retail activities.

Now talking about profitability, Q1 marked a reversal of trend for Carrefour Retail, our adjusted EBITDA rose 7% in the quarter to BRL 184 million and our EBITDA margin was broadly stable, up by 4.3%. And we made headway in the first quarter in our omni-channel strategy.

And now I will hand over to Paula.

Paula Cardoso

Good morning everybody. Thank you, Gucci. Let's go to slide number 12 where we focus on the growth of our e-commerce activities and the rollout of our omni-channel initiatives in which we are seeing a clear and fast ramp up. As you can see on the chart on the left of the slide, our GMV doubled year-on-year in Q1 growing by a 103%, while the market group grew by 11% according to EBIT. It's important to highlight that the fourth quarter always has a seasonal peak as its includes Black Friday and Christmas.

Our marketplace represented 11% of the total GMV and the number of vendors in the marketplace has grown to 134 vis-à-vis 75 at the end of the previous quarter, in line with our target of 600 sellers that we want to reach by year end. This slide also shows a few indicators that demonstrate our rapid growth year-on-year.

Orders, growing by 90%, the number of visits up by 58%, average ticket posted a solid 13% growth and the number of SKUs 208,000. As you know, we launched our food e-commerce activities in Q4 through a app. In October, we extended the option to online orders for food through our website and we have seen a twenty-fold increase in the volume of orders. We can say that we are advancing in food e-commerce.

Now let's talk about Carrefour Soluções Financeiras. As you can see on slide number 13, Carrefour Soluções Financeiras posted another strong performance in Q1 with growth in billings, efficiency gains, increase in adjusted EBITDA and improvement to the quality of our loan portfolio. Total billings in Q1 almost BRL 5.8 billion, up by a strong 37.5%. Of these, the Atacadão credit card accounts for 20% of the total with billings of nearly BRL 1.2 billion exceeding our plans. Billings of the Carrefour card, a mature operation also showed very solid growth, 11.3%.

Our loan portfolio rose by 20%, BRL 6.4 billion as the quality of a loan portfolio continues to improve, with the balances of loans overdue more than 90 days representing 9.4% of the portfolio vis-à-vis 12.9% at the same period last year or an improvement of 350 basis points, while the balance of loans overdue more than 30 days falling by 4 percentage points, going to 13.1%, the best performance in four years.

It is important to highlight that the new IFRS norm known as IFRS 9/CPC 48 came into force in January 2018, and in practical terms, IFRS 9 implies an early recognition of credit losses for a longer period of time, and as a result, Q1 2018 credit provision is not comparable to Q1 2017. As you can see, there is no significant material effect on results from this new norm and the quality of the portfolio continues to improve regardless of changes in the norms.

Adjusted EBITDA reached BRL 219 million in Q1, a 25% rise, despite the drop in interest rate and continued investments in the Atacadão card and the new regulations on credit cards implemented last year. And this very solid growth confirms what we said last year that we gradually would offset the impact of the new regulations by the increase of our credit activity and enhanced efficiency. I would like to mention that we continue to expect the Atacadão credit card to breakeven before the end of the year.

Now, I give the floor back to Noël to conclude the presentation.

Noël Frédéric Georges Prioux

Thank you very much, Paula and Sébastien, Roberto, Gutierrez. I would like to conclude the presentation with slide 15 with our priorities for 2018. First, we will continue rolling out our omni-channel strategy. We have launched in this quarter a pilot test of our drive pick-up concept in São Paulo and we plan to extend it to other selected stores in São Paulo this year. We have deployed click-and-collect in 12 hypermarkets to date and we intend to roll it out to all our hypermarkets by the end of this year.

We will keep growing our e-commerce activities, in particularly our marketplace with a target of reaching 600 sellers by year end, a four-fold growth. We also anticipate multiplying the number of SKUs by 3. We will continue the rollout of our (00:28:36) program with the aim of reaching 9 million clients by the end of 2018. Second, we will accelerate our expansion. We plan CapEx of BRL 1.8 billion this year and we plan to open 20 Atacadão stores, 20 Express convenience stores and 10 Supermarkets, the markets compact supermarkets laying the foundation for future growth.

Third, we will be leveraging our financial services across all formats. We will continue the ramp-up of the Atacadão card with the aim of reaching 2 million cardholders by year-end and we will also achieve breakeven before the end of the year, and we will launch our digital wallet payment solution by year end as well.

And finally, we will continue to differentiate our offer by means of food quality, notably by revitalizing our private label products and developing the offer of local and organic products with focus on healthy food. So after a strong start this year, we have some big project ahead of us for this year.

Thank you very much for your attention. And now we will be available to answer any questions that you might have.

Q&A

Operator

Ladies and gentlemen, we will start the Q&A session now. Our first question comes from Richard Cathcart from Bradesco.

Q - Richard Cathcart {BIO 16457807 <GO>}

Good morning, everybody. My first question is to Roberto. On the slide about Atacadão you said that the food deflation was about 4% in the first quarter, but I believe that the product mix of Atacadão was slightly different from this line. I would like to understand if the level of inflation is more or less in line with the minus 4 or was it slightly different?

And the second question is about expansion, could you explain your decision about reducing the number of Express openings in order to focus more on Carrefour Market?

A - José Roberto Meister Müssnich

Good morning. The first answer is the following. We see a deflation curve really and it comes from inflation last year when this curve crossed the point zero in July. So what we saw was the first quarter and a second one very similar to that and the food deflation mainly a stronger deflation than the 4% in the commodities, commodities are very important for us. But what I can tell you is that this is not so relevant, that is to say, the difference of this minus 4% in the total. We are offsetting this with increase in productivity in terms of stores with excellent response on the market side with more volume, and this is very clear.

About the second question, we continue to bet on Convenience stores for Carrefour in Brazil and we have the Express model that is being developed in this year, we started to open a new format of supermarket and we have made a strong investment and we will be making strong investments in the next few years.

This is different with a higher offer of product and of course with a stronger capacity than the previous model.

Operator

Marco Calvi from Itaú BBA.

Q - Marco Calvi {BIO 19854632 <GO>}

Good morning, everybody. I have two questions. The first one has to do with the expansion of gross margin in Atacadão. Could you give us an additional color about how much of the 85 bps came from tax credits and the other one was – is more qualitative.

Regarding expenses in Carrefour Retail, could you talk about the initiatives that you have been putting in place, qualitatively, in order to deliver the expressive result that you had in this nominal drop in Carrefour value issue?

A - Operator

About your first question about gross margin of Atacadão in the first quarter of the year, it was very different from the previous quarters. The impact of the tax credit about 70.7 percentage points. About SG&A in Carrefour, you are correct, we are talking about an expressive drop in percentage terms, 1.4 percentage points lower, year-on-year. And I believe that Gutierrez has already talked extensively about that. It was due to work that we started in mid-2017 and it's something that is on our agenda every single day. It is concerned with cost. And when we started to see this deflationary scenario, we took additional measures in order to accelerate our productivity gains in Carrefour.

I'm not going to get into very small details here but it was a very end-to-end work. We were able to have an expressive optimization and you can see in our financial statements if you look at the table. With our head count you will see a drop year-on-year, 2,500 people. This was very big and we made a very strong work and voted to renegotiate many contracts with our suppliers and with all these measures, we were able to achieve this gain that you referred to.

Q - Marco Calvi {BIO 19854632 <GO>}

Thank you very much.

Operator

Irma Sgarz from Goldman Sachs.

Q - Irma Sgarz {BIO 15190838 <GO>}

I would like to ask a question along the same lines of the previous one, about gross margin in retail. I don't know whether this is possible or not but could you break this down between, let's say e-commerce and the increase in electronics in your mix, consumer electronics? And how much each one contributed to the pressure on the gross margin in Carrefour Retail? And also if you could give us some view, of course, there will be more pressure, pressure will continue on this quarter and the next one. So could you talk about that for Carrefour Retail specifically?

A - Operator

Irma, you talked about pressure on gross margin, I would not mention pressure on gross margin I would not call that. It's important to see that in the retail segment, we have many format, hypermarket, supermarket, c-stores, classic retail, e-commerce. So the margin that you see in the statement, it's a compound margin. Okay. It did drop 1.3 percentage points vis-à-vis last year, but this does not mean that if you look at the margin it has dropped, it is more an effect of the sales mix.

E-commerce, as Paula said, as she talked about that quite extensively and we had an upsurge increase 107% vis-à-vis last year, so this means that e-commerce gained share in our sales mix in Carrefour.

And what is valid for Carrefour is valid for all the activities, which means that the margin was slightly lower as e-commerce growth in the sales mix of Carrefour Group, this brings about a dilution of the compound margin of retail. This does not mean that the margin at the stores has fallen, okay. This is important. And the effect of e-commerce represents almost half of the impact regarding the drop in the compound margin and the other half has a lot to do with the sales dynamic that we had in the last few months in retail and it is valid for the whole Carrefour.

In food, where we have the highest margin, we had deflation. So the participation of food in the sales mix dropped year-on-year. This is one effect and the other effect has more to do with Carrefour, the second one, the non-food and more specifically the (00:39:18) grew a lot in the last few months. It happened in the last two quarters as well, but we had an increase in consumer electronics about two digits and consumer electronics is a commercial sector inside the stores where we have a lower margin. And so this brings about a dilution in the margin and we have all these effects.

And once again, I would like to repeat that the work that we did that, is to say, Gutierrez and his team did in the last few months, looking for more efficiency in cost, was able to balance the result with a slight increase in profitability in retail in this last quarter. Thank you.

Joseph Giordano from JPMorgan.

Q - Joseph Giordano {BIO 17751061 <GO>}

Good morning, everybody. I have a question on the retail side. I would like to know what you expect in terms of seasonality for the second quarter of the year and could this offset in part the loss of operational leverage that you will have? And Sébastien, I would like to know about the comparison of e-commerce and food retail margins so that we may understand it and place this in our estimate. So, what is the difference between these two? And Paula, how do you see services to marketplace sellers? We see that this is relevant for you in marketplace and what are you doing differently in order to keep and conquer your sellers?

A - Operator

Referring to the World Cup, we have two scenarios: One, consumer electronics that have already started to have a good performance in May, and will continue throughout June, and with a very strong performance since last year, because last year there was no World Cup. And the World Cup will also generate a better sale of our supermarket products. And we have to make a link between consumer electronic sales and our new credit policy. This is improving the non-food margin. This is a positive performance and a positive impact on our results.

A - Sébastien Durchon

About your second question, about the e-commerce margin, we do not disclose this per format, but in retail as a whole, we have about 24%, 25% margin, and less in e-commerce. This is not very much different from the other players in the market, because this is lower than the compound margin of retail, 24%, 25%.

A - Paula Cardoso

About sellers, which is a very important point in our strategy, we have a dedicated structure today and the focus of the first quarter was to facilitate and simplify the registration. And we are present in one event today and many people are coming to our kiosk to register and we have a fully dedicated team here in this business. So, facilitating the process and paperless, totally digital relationship and also we have to monitor the quality of the services that the sellers are giving the Carrefour client. We monitor each seller, the number of complaints. So it's fully controlled, not only from the seller perspective, but also the end customer of Carrefour.

Q - Joseph Giordano {BIO 17751061 <GO>}

Thank you very much.

Operator

Franco Abelardo from Morgan Stanley.

Q - Franco T. Abelardo {BIO 17416219 <GO>}

Hello, good morning. I have a question to Sébastien about working capital. There was relevant improvement in working capital mainly in the supplier line. Is this recurrent or was it because of Easter, was it just seasonal?

And now the question about other operating expenses, we see BRL 48 million in Cash & Carry in the quarter. So could you give us some details about this write-off and could we expect more expenses of this kind or other non-recurrent expenses because of store conversion until the end of this year.

A - Sébastien Durchon

About working capital, there was an improvement in working capital, a sustainable improvement in the last few months. We have already worked with extension of terms – payment terms, improving debt with suppliers, and there was improvement as well, or there was an impact on the part of the calendar as you said, but there is a sustainable improvement in this figure.

About the write-offs, it is true that in the case of Atacadão. A lot to said about new store opening, but we are remodeling also other stores in the case of Atacadão and in this case placing new assets. And then we have some write-offs. In the first quarter, we had more of that, we are not planning any additional write-offs for the next few quarters. In case, we do have conversions, of course, this will bring about some write-offs but not something very big.

Q - Franco T. Abelardo {BIO 17416219 <GO>}

Thank you.

Operator

Alana Imaizumi, Citi.

Q - Alana Imaizumi {BIO 19982383 <GO>}

Good morning, I would like to ask about the gross margin of retail operations. What was the impact in the quarter, could we consider that it was similar to Atacadão?

A - Operator

No, no, it was much lower than Atacadão in retail and in the case of retail...

Q - Alana Imaizumi {BIO 19982383 <GO>}

Thank you very much.

Operator

The question-and-answer session has closed. We would like to give the floor back to Mr. Noël Prioux. You may proceed, Mr. Prioux.

A - Noël Frédéric Georges Prioux

Thank you very much everybody. I think, we had a good discussion about the Carrefour results. We thank you very much for your presence and hope to see you all the next quarter. Thank you very much.

Operator

Grupo Carrefour Brasil's conference call is closed. We thank you for your participation and wish you all a very good day. Thank you for using Chorus Call.