Q1 2015 Earnings Call

Company Participants

- Belmiro Gomes, Wholesale Business Director & Managing Director of Assai
- Christophe Jose Hidalgo, CFO
- Daniela Sabbag, IR Officer
- German Quiroga, CEO, Nova Pontocom
- Libano Barroso, CEO, Via Varejo
- Ronaldo Iabrudi, CEO
- Unidentified Speaker, Unknown

Other Participants

- Alan Cardoso, Analyst
- Andrea Teixeira, Analyst
- Bernardo Cavalcanti, Analyst
- Elya Nashe, Analyst
- Franco Abelardo, Analyst
- Gustavo Oliveira, Analyst
- Richard Cathcart, Analyst
- Tobias Stingelin, Analyst

Presentation

Operator

Welcome to the conference call. This event is being to discuss the 2015 First Quarter results. You may access the presentation at the website. Slide selection will be followed by you. The replay of this event will be available soon after its closure.

I would like to inform you that the press release on the Company's earnings results is available on the IR website. This event is being recorded and all participants will be in listen-only mode during the conference presentation. After which, we will have a Q&A session when further instructions will be provided. (Operator Instructions)

Before proceeding, let me mention that possible forward-looking statements that might be made during this conference call relative to GPA's business, financial and operating goals are based on assumptions and beliefs of the management of the Company and on information currently available to the Company. Forward-looking statements are not guarantees of success. They involve risks, uncertainties and assumptions because they relate to future events. And therefore, depend on circumstances which may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could affect the future performance of GPA and can lead to results that differ materially from those expressed in such forward-looking statements.

We will now like to turn the conference over to Ms. Daniela Sabbag, IR Officer of the Company.

Daniela Sabbag {BIO 18861490 <GO>}

We will have an introduction by our CEO, Ronaldo Iabrudi; and then Christophe will make a comment about our quarter's performance; and then each one of the business owners will mention the highlights of their own business segment; and then we will open to a Q&A session.

So I will turn the floor now to Ronaldo for the introduction of this conference call.

Ronaldo Iabrudi {BIO 5151863 <GO>}

Thank you. I would like to start thanking our team present here, Daniela and her team who organized this conference call. And I would like to thank each and every one of you who are following us in this results conference call.

We have talked about this last year; this will be a challenging year. The First Quarter was not more challenging than what we expect will happen looking forward. The strategy of the Company is to rely on different businesses with different formats in different regions. And this strategy is helping us. And it has become very clear that we need -- that we can need and should count on these levers of different businesses to ensure the Company's growth.

One example that I can give you is that we put a lot of focus in terms of sales and traffic of customers in Multivarejo. And you will see in Loham's [ph] presentation that this is unfolding as we expected.

So my first take-home message to you is that indeed this is going to be a difficult year. It was a difficult quarter. But you will see with the businesses' presentations that our strategy is quite clear and we have a very well outlined plan for each business unit to allow for growth.

Nova, for example, that will be presented by Quiroga with more detail, although we did have a presentation made last week. Well they have a very clear strategy of investment to ensure the future growth of the Company. And we have two important activities, market place and GMV, which will contribute in a very strong fashion to our profitability. So this is the direction that we are following.

For Via Varejo, Libano and his team just yesterday disclosed an advisory stating that this is a business unit that will feel more -- feel the impacts more than the other GPA businesses. We knew that this food business tends to be more resilient. However, Libano's team -- and I guess that he is going to give you more detail -- has specific plans in the commercial and sales area. They have specific plans and they have a detailed plan to optimize synergies and expenses -- again, working on sales. Along these other lines in a very determined fashion, we will manage also at Via Varejo to ensure profitability of the Company throughout the year.

In Multivarejo -- I think that some of you are following this up closer. And we've started talking about this in the Third Quarter of last year and in the Fourth Quarter. We are very much focused on competitiveness. But also developing concepts. We recreated concepts in hypermarkets, supermarket stores. We are working with promotions; we are working on the assortment. In other words, along 2014, we did that in the stores in the region of Sao Paulo. In January, February and March, we had a roll out in Rio, the Midwest and the Northeast. And you will see. We are already reaping the fruits of this work that was developed along 2014.

You can see the results in terms of traffic of customers and in sales. Loham will present about this. But this is also a very positive work done by Eliju [ph] and Janatu [ph]. They will show you; i.e., the growth and evolution of Pao and neighborhood stores.

Pao de Acucar had an important effect for the profitability of Multivarejo. And one point that I could not comment on is that we also have a specific plan to optimize expenses with synergy gains. The plan that is already written; it is under implementation for the Multivarejo multi-retail business.

Assai is also a winning concept. We get really happy when we talk about Assai. Assai continues showing a strong sales and organic growth. This year we have opened three stores and Belmiro and his team are working to continue with this growth.

Just one final and general remark. I think it is important to inform you that we have a specific plan in terms of gains. Along 2014, we worked strongly on this. But also this year, also because of the macro economic scenario of the country, we have specific plans to enjoy synergy gains to reduce and optimize expenses. All of these plans are already being enforced and executed along this year to try to somewhat mitigate this pressure on costs that we had in the very beginning of this year.

As Daniela said, I will now give the floor to Christophe. And then each one of the business owners will make a brief presentation and then I will make my final remarks and then we are going to have a Q&A session. Thank you very much.

Christophe Jose Hidalgo {BIO 17982648 <GO>}

Thank you, Ronaldo. Good morning, everyone. This is Christophe. Let us go to slide three of the presentation that shows the main key figures pointing to the profitability of the quarter.

This is a chart of consolidated on comparable basis net of the effects of the first consolidation of Cnova. So we have net sales of BRL14.3 billion, plus 4.3%, confirming the trend of a gradual pick up of sales in hypermarkets, a good performance of Pao de Acucar, PA. And convenience stores, also confirming the robust growth in the quarter seen for Assai.

Gross profit for the First Quarter 2015 grew 6.5%, a 50 basis points growth, with a 27.1% gross margin. This was achieved without impacting the competitiveness level of each banner in each market.

As for the EBITDA, we had a 2.1% growth, a 7.6% EBITDA margin, relatively stable year on year. Adjusted net income grew 7.3%, with a 2.7% net income margin, plus 10 basis points compared to the previous year.

Let's just move to slide 4. Here, we can see the financial performance of the Company; a continuous discipline in managing financial resources, which has allowed us to continue with the process to reduce the debt of the Company.

We can see our working capital improving across all business segments, especially with trade accounts payable over inventory gap improving by 13 days, which led us to 10 days at the end of the period.

We did not reduce our CapEx policy. But we can see that our cash position still maintains stronger, BRL771 million, higher than in the First Quarter of 2014, which allowed us to improve the financial structure of the Company, reaching a 0.67 times net debt over EBITDA ratio. Our financial result was quite good.

We had a 17% improvement in the value; a reduction of 17% in the quarter, while average CDI was 17%. This was possible despite the scenario that we are living now of increasing interest rates. This improvement results particularly from our need to have the discount on receivables at Via Varejo. This was only possible due to the continuous effort to deleverage the Company, efforts that we made in previous periods before 2014.

Let us go to slide five please. Before I turn the floor to each one of the business owners, I would like to speak about the food business in general. We are talking about PA -- Pao de Acucar -- Extra, Assai banner, Minimercado, mini-Pao -- Minuto Pao. Well these food businesses showed net sales of 8%, same-store sales plus 3.7%, confirming a trend to recover the food category performance comparing with the Fourth Quarter of 2014. Assai -- well, Assai continues with a solid sales performance and profitability, confirming the assertiveness of the company's positioning and the winning strategy.

The food business EBITDA margin was 6%. We have the comparison with the prior year and this behavior is explained by two major effects. First, the Assai mix effect. Assai is growing faster than the other food businesses in terms of EBITDA percentage. It was also impacted by an increase in costs higher than the inflation rate, for example, energy expenses and others.

And we also reinforced our commercial structure and maintenance expenses at some of the stores and now we have a structure that helps us support the high expansion rate that we saw in the last two months. I'd like to highlight that in the last two months we opened 211 stores. Many of them opened in the last quarter.

I will go through slide -- I want you to move to slide six and I will give the floor to Eliju to speak about the performance of Pao de Acucar banner.

Unidentified Speaker

Good morning, one and all. The Pao de Acucar banner posted a positive sales performance in the First Quarter of 2015, up 7% and returning to Third Quarter 2014 level. The banner's market share measured by Nielsen grew for the 23rd consecutive month in all areas measured.

The factors contributing to this performance were thorough attention to competitiveness of the banner and well executed commercial strategies such as Easter time and special beers; commercial actions geared to our Mais or special customers, in particular in our weekly talks and promotions, which did really well. The share of Mais customers in these promotions exceeds 60%. The result of this focus and competitiveness is already seen in the Nielsen report.

Price curve of PA grows less than AS [ph]. This shows that our internal inflation is lower than the market inflation with no negative impacts on our margins. We continue to broaden and enhance our differentials. For example, the number of sushi points grew to 91 stores. We successfully launched our French boulangerie in 16 stores as well as several new products such as Italian chocolate, Perugina and Baci, Corona beer, which was launched with exclusivity for 15 days and the gluten-free products under the Schar brand. We entered the quarter with 183 wine agents, 125 cheese agents and 176 customer consultants.

Pao de Acucar's food delivery system continues to post a double-digit growth, volume increase and new customers. Complaints were reduced in absolute values even with additional 17 stores in the end of 2014. The pronounced reduction came in the number of complaints related to unavailability of products and store comfort. The year is expected to be challenging and now -- and in order of priority, our focus will continue to be on a thorough tracking of our competitiveness followed by the review of assortment in the most important categories and the deployment of new planograms.

We will be renovating another 38 stores, accounting for 80% of our store base and we will maintain a 6% organic expansion rate. Thank you.

I will turn the conference to Loham.

Good morning, everyone. For the Extra format, the outlook remains challenging. However, despite consumption trends observed in the First Quarter of consumers being more price sensitive and focused on promotions, Extra has been showing a sequential improvement in customer traffic at stores and volumes, driven by competitiveness initiatives and commercial dynamics started in July of 2014.

As for the better sales performance of the food category, results are linked to our increased competitiveness starting in the second half of 2014, which allowed us to resume growth in Extra's same-store sales in the First Quarter of 2015 despite a strong comparable basis.

It is worth pointing out that we continue to be focused on maintaining an unquestionable competitiveness in every city where we operate, with a daily tracking of prices so as to ensure our commercial strategy, communicating our offerings to our customers in a clear and assertive fashion.

Additionally, our private labels continued to increase their share in the sales mix -- highlight going to Trapvale [ph], a brand focused first on price and launched in the second half of 2014. We can highlight our relationship tools such as our loyalty program called Clube Extra, which grew quickly in just one year after its launch, exceeding the mark of 5 million customers enrolled. Another example is Cartao Extra -- Extra card -- with exclusive offerings and differentiated payment terms.

Also, supporting our positioning are the segmentation of consumer driven assortment and the stores' modernization project, both for the hypermarket and the supermarket format. This started in March.

Now, in the beginning of May, more precisely on May 6, we opened nine stores, which were renovated as needed; prioritizing the adaptation of new commercial concepts, the renovation of the groceries department and enhanced customer service. Next week another 11 stores will officially reopen all over Brazil.

We have deployed some initiatives in partnership with Via Varejo and these represent significant innovations which can already be observed in Extra, such as Extra Mobile, a dedicated space to exclusively sell handsets and mobile telephony services, including cell phone plans by the mainstream carriers of Brazil, as well as a project called (inaudible), sale of beds and mattresses, with a complete assortment of products.

With these initiatives, which I have just mentioned, we are quite confident and expect a substantial sales growth coming from these stores already in the first half of the year.

This quarter we also doubled our click and collect operation points to 200 stores. This is a service which allows consumers to buy goods using the Extra website and to pick them up at a brick and mortar store -- and we have 200 stores as mentioned. And this initiative is strengthening GPA's multichannel positioning, generating a purchasing traffic to the stores.

All of the points that I mentioned already point to a trend towards a strong pickup in sales dynamics and a resumption in the balance of traffic of customers and volume growth.

Thank you. I will now turn the floor to Ronaldo.

Ronaldo Iabrudi {BIO 5151863 <GO>}

Good morning, everyone. I will be talking about the proximity model that continues to expand and we will be opening in 2015 more stores than we did in 2014. We were opening 100 stores in 2014, over 40% growth in Q1, both in like-for-like and organic growth, 0.2 more share total, self-service Brazil.

And still talking about expansion, in March, we got into the Vale do Paraiba, Sao Jose dos Campos city. This region has a very important potential for the format with cities such as (inaudible) and Taboao da. And we will get a Minuto Pao de Acucar there in the Second Quarter. So large cities, the sea side of Sao Paulo, Campinas and the greater Sao Paulo area. And now we are getting into the Northeast and this is good news for you.

Next week we will be starting operations in Recife. We will be opening two stores next week and tapping into all the synergies for the hyper and the super models. We use the synergies in order to open this model in the region in the Recife city. And another format -- we have been finding other cities for the Minuto Pao de Acucar expansion. And this year we should have an even more important percentage than last year for the opening of Minuto Pao de Acucar and we intend to open 50% -- 50/50 between the two models.

We have converted three to the Pao de Acucar -- Minuto Pao de Acucar model, which is more profitable. So we have made three conversions. It's a little bit more difficult to expand. However, it is more lucrative. And until the end of this year, we intend to have 17 additional conversions.

We need to adjust the assortment mix according to the social classes that are the target for each format. In the next three months, we intend to implement this, adjusting more and more the mix to the clients.

And talking about our DC, the model already is 100% centralized in a dedicated distribution center and adjusted to proximity model and very good or very low stock out numbers. This is what I can say about the proximity or the stores.

Unidentified Speaker

Thank you. Ronaldo. Good morning. It's a pleasure to be with you today. And let's talk about malls now.

We closed the First Quarter with 327,000 meters of gross leasable area, 4,600 contracts under our management. We continue to be focused on profitability in the categories. We improved our management model and increasing our level of services we intend to deliver this year.

More gross leasable area due to the new openings and we will be improving more and more our mix. We have an alternative to the traditional business model with an interesting proposal with a very good cost benefit ratio, much better than the remainder of the market.

And location, traffic are very important and the anchoring of our banners. We will continue to contribute to the profitability of PA and giving the final consumer another offering for convenience.

And the growth in revenue is around 22%, EBITDA 25%. And we would like to thank our team that did a very good job and that are an integral part of our success. Thank you.

I will give the floor now to Belmiro from Assai.

Belmiro Gomes {BIO 18107864 <GO>}

Thank you. Good morning. As the previous speakers have already said, we had strong growth in the First Quarter for Assai. Our business went up 26.3% in terms of sales. And this comes from the sound growth of our same-store sales, maturation of our opened stores in 2014.

And we have also the three new stores opened at the end of -- at the beginning of this year, we opened in Paraiba, Vitoria da Conquista in Bahia, (inaudible) within Paraiba and a mini-mercado in the Vale do Paraiba region as well.

The three new stores are in the new format of Assai. Three new stores mean an addition of 16,000 square meters of selling area. And at the end of Q1, we increased the participation to 13% in the Group, reinforcing the performance of GPA Food.

And even with this growth, we continue to expand vis-a-vis the First Quarter of last year, 13.3% to 13.6%. Some impact on our expenses coming from the price of energy. But mainly for the support of the ongoing growth and organic expansion of Assai. So investments made in personnel training, administration and prospecting of location so that our banner may continue to deliver the strong growth that we have.

So with this level, EBITDA still progresses higher than gross sales, 30.4%, 0.1percentage points vis-a-vis the last year. And both the segment and Assai continue to be very strong, very good acceptance of the model and mainly of our new stores in new cities.

We have been expanding Assai, not only focus on one single region of Brazil. But all region. And the first three stores opened this year were in three different states. And we have five other projects underway to be inaugurated at the end of Second Quarter and the beginning of the Third Quarter and they will be adding an additional 26,000 meters of selling area to the Group -- and also in four different Brazilian states. So the outlook for growth of Assai continues to be very strong and we maintain to keep this rate during 2015.

I would like to give the floor now to Libano Barroso from Via Varejo.

Libano Barroso {BIO 4670536 <GO>}

Thank you, Belmiro. Good morning, everyone. Via Varejo in the First Quarter of 2015 had an important growth in terms of profitability; net income going up 42.5% and this net income comes from a lot of discipline and market growth. And we grew our share in the quarter in spite of a very challenging environment and we were able to maintain our sales practically at the same level as last year.

Including the stores that we had to close because of CADE, it would be 0.1% our gross margin, which is 33.1%. 2.3percentage points expansion coming from category mix, higher competitiveness and also new sources of income. And we took the leadership of the market last year, doing assembly, freight and financial services and now it start to bear fruit on an annual basis.

And this gross margin plus the endeavors regarding new sources of revenue and cash generation financed mainly by our suppliers and less by the industry, we had an expansion of the EBITDA margin of 1.1percentage point, reaching 10.2%.

And once again, we want to grow and gain market share. But with capital discipline and also cash generation. In order for us to continue our investment plan, as was shown, investments went up 34% in Q1. We opened three stores in Q1 as well. But up to now, we have inaugurated seven stores after the close of the quarter and in the last 12 months 83 stores.

In the Group, we maintain a very strong synergy program and we have already joint accounts for Cnova and Extra. We started and we are in the advanced process of sharing of some of the DCs with Cnova and distributing and delivering together with Cnova. And Loham talked about our cooperation with Extra in the mobile stores and also the mattresses and beds and multi-channel as well.

We see as a major opportunity the exploration -- or we need to tap into this opportunity because consumers are more and more multi-channel. And in this challenging environment, our commitment is to continue to increase our efficiency, a lot of cost discipline in order to leverage our competitive advantages.

We have superior scale both in purchases and logistics, the strength of our brands and our sound cash position that allows us to tap into opportunities of increasing competitiveness.

And now Quiroga -- Cnova.

German Quiroga {BIO 17954249 <GO>}

Good morning, everyone. We closed another quarter -- three quarters -- 2% share -- 20.9% share. And I would like to mention the increase of over 10 times our share that was considered or achieved with cash generation. We obtained a strong growth of GMV, 28.2% in Q1.

In Brazil, the participation of market place tripled in the last few months, 6.3% of our sales. And this performance benefited from the market place, Mercados Bahia [ph] and (inaudible) models besides -- global revenues grew by 17.8% in years, BRL2.9 billion in this quarter.

In Brazil, the growth was 18.3% year on year in the current situation, reaching BRL1.6 billion in the First Quarter. In the First Quarter, we saw an improvement in our percentage gross margin in terms of net sales by BRL18 billion, EBITDA reduction of over 60% and our financial expenses got BRL28 million year's cash generation in Q1. We also obtained an improvement in the quality of the main commercial indicators, such as the number of products for one single consumer and relevant increases in the number of orders and traffic, et cetera.

I would like to mention our investments in infrastructure for the future, an increase in our storage area, number of DCs and our click & collect network. We had over 200 stores ending in this quarter. We started the pilot for this model, the Pontofrio and Casas Bahia stores.

Cnova has been working on this business model in countries where we have strategic partnerships like Colombia and many other countries such as in the African continent.

And lastly, I would like to thank the team for the hard work, for the good job done for all our partners and the efforts to capture synergy and confirm our intention of continuing gaining share, always increasing our cash generation year on year.

Now, I would like to give the floor to Daniela.

Daniela Sabbag {BIO 18861490 <GO>}

Now, we are going to open for questions.

Questions And Answers

Operator

Now, we start our question-and-answer session. (Operator Instructions) Gustavo Oliveira, UBS

Q - Gustavo Oliveira {BIO 15129435 <GO>}

I would like to understand the evolution of the rollout of initiatives for the generation of traffic into the stores and the volume of sales mainly in Extra. Is the roll out already complete in all the stores and what kind of initiatives still remain to be implemented? And could you tell us about January, February, March and April individually in terms of this evolution? Thank you.

A - Unidentified Speaker

We are modernizing our stores and this involves a multidisciplinary group in order to modernize not only the physical structure. But the way we operate with adaptation of services and the pricing and even the path that is followed by the client inside the stores.

And the project considers an improvement in the shopping experience. And we will have an additional 11 stores in the near future. And this change is based on many different concepts and all this together will give our customers a new shopping experience, a better shopping experience; like, for instance, the width of the aisles in the stores and the more friendly way of finishing the shopping experience and the better shopping experience in perishables, for instance, with service from attendants.

And the client will be able to buy many different items and have advisory from experts, from our attendants. And the new concept for fruits and vegetables is very new and with a simplified communication.

And we will continue to offer a whole package of offerings that will contribute even more. You will have a whole wall or a panel with all the new offers or offerings that will be shown as the client enters the store.

So we intend to increase the traffic of clients into the stores as well as the volume sold with all these initiatives. And we are strengthening our services with using the database that we have about our clients in order to make more direct offerings or more tailor-made offerings for the clients.

The click and collect project, for instance, consolidates further and further and the stores are the points where the clients will be picking up whatever they chose on the Internet. And these are all many initiatives that are being rolled out and that are -- we have BRL100 million budget this year to modernize our stores and lead to a recovery both of traffic and sales volumes.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Thank you, Loham. You have already renewed 9 stores and 11 other stores will be ready by the end of the Second Quarter and total will be 40 until the end of the year?

A - Unidentified Speaker

Yes. We have a budget of BRL100 million to modernize the stores and the formats are different and the selling areas -- and the regions are different as well. So it will depend on the needs on the part of the population of these regions. We are still evaluating -- until we -- we are going first to complete this first wave and then we evaluate the others.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

I have another question about the whole retail operation. The pressure margin that you suffered mainly in multi-retail, Multivarejo, how much of that would you say that is a fixed expense that could be diluted by means of an increase in sales and how much is more variable, maybe advertising or with a higher dilution? Could you help with us in this regard please?

A - Unidentified Speaker

In the quarter, we suffered like the rest of Brazil, many important adjustments in terms of energy prices and water prices with an impact on the Company. We also saw a lower growth than we had estimated and this is shown or translated as a cost increase. And last year we started to work in our crisis committee a work on energy and this is something being done in 180 stores.

And we have another plan regarding reduction of the use of energy, electric energy and the Company has a -- Multivarejo and Via Varejo and the whole corporation has a specific plan to optimize this process so that we may dilute that and go back to adequate levels of expenses in order to achieve profitability close to the ones that we delivered in 2014.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Thank you. Could we expect a stable margin for 2015? Do you expect to have a stable margin for 2015?

A - Unidentified Speaker

We are doing our best endeavors to have a profitability close to 2014. 2015 is having and should have more difficulty. So we have to be very prudent in this regard. Of course you must be very cautious when you make this kind of projection and each team around this table has this responsibility of adapting the Company or their company to the new reality. So we have a positive expectation in terms of keeping the course -- keeping the same course that we were keeping in the last few periods.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Thank you very much.

Operator

Andrea Teixeira, JPMorgan.

Q - Andrea Teixeira {BIO 1941397 <GO>}

Could we talk about Easter and the effect of Easter on your First Quarter and what about sales now? In the press release, you say that you accelerated the renovation of stores.

And about these renovated stores, mainly Extra, how are they performing vis-a-vis the way they performed before they were refurbished?

And about Pao, are you going to make lower investment in prices? It seems to me that you said that you have been transferring less to the final prices. Do you see already an effect on your margin in the case of Pao and should we see this in Extra also in the second half -- in the Second Quarter because the top line is affected by the seasonable effect of Easter?

A - Unidentified Speaker

As I said before, we opened the new stores or we re-launched the stores and what we can see is that the remodelings were very well received. We have two digit growth from these stores that were reopened after they were re-modeled. It's very important to analyze the way the consumers are receiving these new commercial concepts. So after 48 hours after they were opened, we were already able to see that the change was very positive and we expect an increase coming from this project.

Of course we intend to recover the traffic of clients in these stores. But it also means that we must keep our competitiveness. Our position is already very competitive of course and it is part of the economic model of the Extra hyper market and investment in prices will continue, yes, because the market shows every single day that consumers are becoming more sensitive mainly vis-a-vis offers. And we will continue to maintain this basic basket in a very aggressive manner.

You may proceed.

Q - Andrea Teixeira {BIO 1941397 <GO>}

I only heard part of the answer. I didn't get the explanation regarding the margin. I would like to know about the effect -- about the renewal of the -- and regarding the gross margin, will we still have a bad effect on the margin and could this be continued in the Second Quarter or not?

And about the marketing expenses because in the past this was not in the figure, it didn't have a -- didn't bear weight in the -- and because of these investments and the increase in competitiveness, were they just isolated initiatives or should we continue to see this investment both in margin and marketing?

A - Unidentified Speaker

Andrea, from what I understood -- we didn't hear you so well. But you speak about the openings of stores. We opened 9 stores by May 6th and we expect to open another 11 stores next week on May the 13th. We cannot speak about their performance. These nine stores have been opened for two days. But we are confident on the prior work that we did. We are confident that we will have these 20 stores and depending on the results, as Loham mentioned, we will be considering new stores for the hyper and super market format.

Your other question was referring the Easter period. I would say that we had a very little influence of minus 0.9 basis points. A part of that will be felt in April or was felt in April. But I mean this is nothing really material or relevant for PA, Pao de Acucar, in terms of margin investment.

What happens is that -- Pao de Acucar continues on a very positive evolution path. Pao is very focused on competitiveness. But obviously not as much as Extra. And we continue to believe that we will be able to maintain what we had in 2014. The Pao banner should perform very similarly to 2014 performance.

Extra; Extra is focusing more in competitiveness. We have products which are extremely competitive, about 400 products which are also competitive. And this policy to focus on competitiveness in the Extra banner came to stay and we will continue to focus on this. And obviously we will continue to work so as not to have an impact on the Company's margin. So as I mentioned, we are working to adjust the expenses not only in Extra. But in Multivarejo, Via Varejo and the Company as a whole. So this is primarily in the whole Company.

Now, see it takes some time because when the costs and expenses come, they come at once. Then you have to make gradual adjustments with revenues. But you also have the optimization efforts, which are also gradual.

In terms of marketing, there was a decision made. You have for a certain period of time. Well we used to have promotions and communications in the media, TV and pamphlets. But we made a decision and this is something we are testing. We decided to use a different means which has been shown to be positive so far. But we are still evaluating how this process will unfold in the coming weeks.

Operator

Franco Abelardo, Morgan Stanley.

Q - Franco Abelardo {BIO 17416219 <GO>}

My first question has to do again with the renovation process. First a question; I didn't really understand in the presentation how many PA stores are expected to be renovated. I understood that it was 40% of the store base. But perhaps I'm mistaken.

And with Extra, you said that you have 20 Extra stores in this first wave of modernization. So I would like to know how many in total you intend to renew, to renovate and is this going to happen along the Second Quarter or should we expect this to happen along the whole of 2015?

And a third question regarding the renovation of Pao. I know you can't talk about results. But I think you had a pilot project, just two stores in Sao Paulo which were renewed last year. So based on these two pilot project stores, what is your expectation in terms of sales per square meter or same-store sales? What are your expectations regarding this after the stores are renewed in the case of Extra?

And to end, also about renovation, on average how long does a store spend under renovation and what is the negative impact on sales and same-store sales along the Second Quarter while these stores are being renovated? These are my questions. Thank you.

A - Unidentified Speaker

This is Eliju. Thank you for your questions. This year, we will renovate 42 Pao de Acucar stores with the 87 renovations that we had last year. Net of the new stores converted last year, we get to almost 80% of the store base. And we have two types of renovation; one which we believe is less invasive in the stores and the other ones are more like retrofit. And of this 42, 9 will be complete retrofits, sometimes with a change in the layout, complete change of the structure and so on and so forth. Okay?

Q - Franco Abelardo {BIO 17416219 <GO>}

Okay. Thank you.

Operator

Tobias Stingelin, Credit Suisse.

Q - Tobias Stingelin {BIO 18290133 <GO>}

I would like to understand Multivarejo because what we saw in the First Quarter is a going back to the strategy that we saw in the beginning of 2014, a stable gross margin in the First Quarter, sales going back to growing, which is obviously great. And the surprise -- not really a surprise. But we again see this happening. We see expenses growing again.

Ronaldo has spoken about this. There's an increase in the electricity price, in personnel costs. But also cost of service. I think that a lot of the investments you are talking about, the renovations of these stores, we can intrinsically see that you need to improve service level because the market is more competitive.

So I would like to know in terms of the breakdown of expenses, specifically how much did the different items account for? How much more are you spending to improve service level? I'm asking this because I want to understand what's going to happen looking forward. If this is an important factor, it seems obvious that you will continue to invest in this line item in the next quarters to ensure pick up of sales. So I just want to understand this. This is my first question.

Then my second question, I would like to understand about interest expenses. Why is it that it's growing so much year on year? Obviously, there's a SELIC interest rate increase. But there was a 30% increase. I couldn't see the breakdown and I couldn't really understand what happened.

And since Quiroga is here, I would like him to speak a little bit about the implementation of the new systems. I think that there are a number of technological challenges with these new software implementations. So I would like to know what we can expect regarding that?

And perhaps my final third question -- this is more addressed to Libano. Since we have more synergy in terms of distribution with Via Varejo, wasn't it agreed that Via Varejo would be reimbursed for the logistic synergies that Cnova could benefit from? Thank you.

A - Unidentified Speaker

Well because the previous question was cut, we will go back to Franco's questions and then we will answer your questions, if you don't mind.

A - Daniela Sabbag {BIO 18861490 <GO>}

This is Daniela. Well Franco asked how many stores are going to be renovated. We've answered that. As for the Extra banner, we have answered this question.

I don't know if you want to complement.

A - Unidentified Speaker

This is Loham. We considered 20 stores, as we've said before. And again this is a learning curve. We launched these new concepts. We've started modernizing the stores this month and we will need more weeks to analyze the performance of these stores. Again, we have BRL100 million in our budget to continue along that path of store modernization. Again, this is just the first wave in this project.

Now, when we renovate a store, we have to see the impact. There's an initial negative impact. But there's an immediate recovery when the store is renovated and reopened. That's the immediate renovation effect. So we are talking about modernizing and renovating opened stores.

We want to offer an excellent service level to our customers. So we are vigilant to limit this impact during the construction period. We are doing everything in our power to make these renovations take place as quickly as possible and to be completed as quickly as possible.

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

Well thank you for the question. I will answer your question about the interest expenses, financial expenses and also the second question about an increase in general expenses.

As for general expenses, in the food business if we compare comparable things, the increase happened 8.2% in Multivarejo; in other words, something that totally fits the inflation rate. And despite an inflation pressure on a number of expense items -- we have, for example, health, personnel expenses, energy expenses. We had to face -- absorb -- I don't know how to say this. But we had to absorb the fact of the ramp up of the 211 stores that we opened in the last 12 months.

Now, obviously in the First Quarter, they operate at somewhat higher costs. And as I mentioned before, we enforced the supermarket banner in some hypermarkets as well. We are enhancing our efforts to enhance our maintenance, to catch up what was left undone.

But we have to conclude that even with a lot of effort and all of these efforts implemented, we were not able to control an increase in SG&A. We do have a good outlook and a good expectation for the rest of 2015. Hopefully, we will have some examples to illustrate what we are implementing.

Please remember that last year we centralized all of the Company's call centers. This was done in the end of the year and this is just starting. The effect was not so prominent in the First Quarter. But we will reap the benefits of this in the coming quarters.

We have the same movement in terms of centralization of some IT effort; for example, the data center storage that was centralized in the end of the year and this will bring significant reduction of expenses in the coming quarters. We are working -- we are going to see more of this in the second half of the year. But we are working on an ambitious logistics synergy project; for example, sharing some (inaudible), working as we always do -- not specifically this year. But to simplify our central structures.

What we are doing in this quarter will show some effects in the coming quarters. And a final example -- I mean I could spend a whole day giving you examples. But I will give you just one last example; the effect of the energy efficiency program that we are implementing in the First Quarter to cope with these cost increases. Again, all of these -- we will be reaping the effect of all of these in the rest of the year.

In other words, we continue to be mobilized to capture a lower SG&A increase, lower than the inflation and consequently lower than what we saw in the First Quarter.

As for your second question referring to the performance of financial expenses of Multivarejo, actually unlike what we saw before, the financial expenses of Multivarejo or the financial result was deteriorated by 24% approximately. 7% of this deterioration or two-thirds would be in keeping with the interest rate evolution. And the increase was 17%. And the rest is a residual effect.

I highlight that it is a marginal residual effect that has to do with -- it is related to foreign exchange variation in the First Quarter and also non-cash effect of the update from our liabilities, the financial updating of some liabilities that we had to account for in the First Quarter.

I don't know whether I answered all of your questions.

Q - Tobias Stingelin {BIO 18290133 <GO>}

You did, Christophe. Thank you very much.

A - Unidentified Speaker

And there was one question to Libano and one question to Quiroga.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Yes. The question to Quiroga was about the deployment of a new systems in Cnova. Thank you.

A - German Quiroga {BIO 17954249 <GO>}

Thank you, Tobias. And thank you, Christophe. This is Quiroga. Following ERP migration, this migration started last year. We are migrating in steps, in phases because we want to mitigate the impact on our processes. And our operation is very complex today. We have six very different businesses under our structure. B2C with four banners is the most well-known.

But we have to consider baraterio and others. And we have Atacado, Wholesale [ph]. We have B2B solutions and a media agency called Supernova, market place, a number of things [ph]. So we are looking at this business by business to mitigate the impact and this allows us to revisit our processes.

But this movement, we have not only the migration process. But productivity gains, expense reduction and other advantages. So this process is ongoing. It is quite adequate, performing well, unfolding well and we have some peace of mind.

As for [ph] our synergy expenses, I will turn the floor to Libano in a minute. But I just want to say that we are a listed company with different shareholders and that's why everything needs to be approved by the Board. There are committees that need to approve.

To give you two quick examples; for example, in terms of commercial synergy we hired McKinsey, which defined a fee percentage that we paid to Via Varejo for this commercial synergy gain and for their service provision, as Libano mentioned.

As for CD, just another example -- including the DC, pardon me. The space that we use in the CD, we remunerate the square meter according to the area that we occupy. And this goes for both companies. Via Varejo initially we just -- since there are idle space, it reduced expenses and it's good for us because we can have a lower cost per square meter.

So these are just two examples. But they are virtually valid to all of the businesses that we work with. We always work in the most fair way possible. I hope I have answered your question.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Thank you, Quiroga. I just want to understand, you are looking for the DC -- you are using a DC. But you are already paying rent of the space to Via Varejo, yes?

A - German Quiroga {BIO 17954249 <GO>}

Yes. Not only we pay per square meter but we also share joint costs, for example, security. Everything is remunerated and paid for according to expense rational. And overall, everything needs to be approved by the Board and there's a third-party helping us get to the best cost possible.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Thank you.

Operator

Elya Nashe [ph], Brasil Plural.

Q - Elya Nashe

I would like to talk about the competitive environment. We see that sales in the hypermarket model are picking up. Maybe you could talk about same-store sales for hypermarket with all the initiatives that you have been carrying out in order to improve the model and compare this to your competitors. You talked about gaining market share or at least stop losing market share in the quarter. So I would like to know how you see this mainly for the hypermarket sector and how do you see competition in this sector?

And the second question, you talked about BRL100 million investment in store remodelings. But I would like to know about the hypermarket operation. Do you have any additional investment to be made in the operation of the stores to improve the profitability of this channel because this channel has some structural advantages?

In regard -- vis-a-vis cash and carry in supermarket. So what about investments in the operation besides the ones that you talked about, the improvement of assortments and the layout and the width of the aisles. Are you making investments in services or any additional things that you will do or that you are doing in order to increase performance in this channel?

A - Daniela Sabbag {BIO 18861490 <GO>}

This is Daniela. We do not break down same-store sales by format, as you know. And I will give the floor to Loham so that he may add something about the sequential improvements that we are having regarding the third and the Fourth Quarter. We improved of course. But Loham will be talking about that.

A - Unidentified Speaker

Yes. We have a sequential improvement in our position vis-a-vis the market. And of course this is due to the competitive advantage that we offer that increases more and more and we have a better positioning of this banner. It has also to do with pricing of at least 50 products every single day to remain competitive in the wholesale channel.

And also every single day an additional 400 products have an equal position or lower than the hypermarket channel. So this means that we are investing more. We are maintaining our policy of competitiveness that we started at the end of last year and we track our competitiveness every single day and of course we hold this position for all these reasons. And we consolidate our position in Sao Paolo and the Northeastern and Rio and we also already see a very good development in terms of the sale of these products that are very well positioned.

About investments, additional investments that you asked, the modernization of the stores that we are carrying out, we will be completing the investments that we are making both in offerings and in services and this whole modernization in all these sectors will allow us to have a new model of hypermarket that will be the beginning of a recovery of traffic and volume. And the new commercial models that we are delivering this month will start the new wave of concept. So to say.

Q - Elya Nashe

Thank you.

A - Unidentified Speaker

Just adding to what Loham said, the additional investments are relevant. Well Loham is the guy who brought this and he didn't talk about that. We have a differentiated service in the butchers, retraining all the attendants. And also in the fish area, the seafood area we are training the attendants and also in the bakeries we -- the stores that we are remodeling will serve as a school. So to say, because we are going to bring these people to replicate and to retrain the people who work in the other stores.

And another point of additional investment, Robert talked about that, we were renewing and remodeling the hyper stores and doing the same work -- not only remodeling. But also the technical maintenance, as we call it, in terms of safety and air conditioning and bathrooms. And there is a parallel work that has to do also with the Multivarejo work done by the mall area of the Company and it attracted and it helped bring traffic into the stores. And therefore, sales, an increase in sales.

I just wanted to add something --

Q - Elya Nashe

What about the participation of general merchandise because part of the strategy is to reduce a little bit this area in hypermarkets? Correct me if I'm wrong. But what about this plan? Do you intend to reduce the area of general merchandise in the hypermarkets if you talk about the new stores -- not the pilot stores last year and the new stores this year? What about the non-food area, the non-grocery area, non-perishable areas in this model? Is it different? Has it become smaller? So could you explain your new model please in terms of the non-grocery products?

A - Unidentified Speaker

In the new concept that we are developing, we are considering this point. Other categories, non-food categories have an evolution that is not as dynamic as other grocery or food categories. And because of the Extra Mobile, this week and next week we have over 20 stores in this concept and the first results are very good and the mobile category is very important in the sector of appliances.

So we intend to further develop this business. And it's very important to see that hypermarkets have to perform the role of delivering things to the house -- to the home like mattresses, for instance, with specialized sales people. We have four stores that are already trying this new concept and with very positive results as well.

When we talk about non-food, we are making this evaluation of sales per square meter in our selling areas, preserving the categories that are more important.

Q - Elya Nashe

Thank you very much.

Operator

Richard Cathcart, HSBC.

Q - Richard Cathcart {BIO 16457807 <GO>}

I have two questions, the first one about hypermarket. What is the process of evaluating the status and the quality of the hypermarket chain? The investments that you mentioned today is very much welcome. But it seems to me that these are measures to correct the problem and not avoid a problem.

And the second to Quiroga, investment in price that you mentioned, do you expect an acceleration in your sales because in Q1 the growth of Cnova in Brazil was lower than the main competitor?

A - Daniela Sabbag {BIO 18861490 <GO>}

You are asking about the status of the stores, the evaluation, is this your question?

Q - Richard Cathcart {BIO 16457807 <GO>}

It seems to me that it took too long to start the process in the hypermarket.

A - Unidentified Speaker

We drafted the plan at the beginning of the -- in the middle of the year, a detailed plan in the middle of the year until we got where we got, which was the renewal. The first part of -- in the first part of the plan, we created the business units and the reporting system and each one of the business units made a decision about competitiveness.

And Loham said it very well, that in Extra we started to track on a daily basis 50 products plus 400, as he said. And we did this initially in Sao Paulo. Together with that, we had a communication strategy, a marketing strategy, a media strategy and we did this with some stores and then the roll out to Sao Paulo.

Then we had a promotion policy with cross sales and quantity of products, what was food, what was not food and this was revised. And we carried out a test. We started in Sao Paulo and then at the beginning of the year in the other regions as well.

And lastly what Loham said, we developed and implemented in the hyper stores and all this in the Company is done with a test, measurement and replication. In the First Quarter, we did that in Sao Paulo, as I said at the beginning and Loham said as well, in January in Rio, in February in the Northeast, in March in the mid-West. And now the time has come, as was estimated, to revitalize the stores.

This is what we are doing in a record timeframe. We are delivering 20 stores of hyper. We are not talking about neighborhood stores. We are talking about the stores where we have the highest revenues and these are the 20 main stores that we have. We delivered nine on the 6th. We will be delivering 11 on the 13th and we will be evaluating as we always do.

And if the result comes in the direction that we expect and we are very encouraged about that, we will make the decision to evolve this and how we are going to do this. Thank you.

We are stabilized in this regard. Last year we sought to obtain synergy. It started at Via Varejo in January last year. We carried out a change in our pricing policy and increase in our competitiveness. And ever since then, we see that we have reached stability. Through Via Varejo we have the best price, the best purchasing condition or procurement condition and lower expenses, lower SG&A. And this is why we are able to keep our competitiveness with good results.

Regarding sales, we are in a process in terms of speed -- well, the speed is lower than last year. But we are gaining market share vis-a-vis last year. In a moment of crisis the fact that one of our policies is to have lower prices for the consumers ultimately leads us to have these gains. We have been increasing our share in relation to competitors. Whether they are a little bit higher or lower, this is not our focus.

Our focus is gaining share in a sustainable manner. We have been doing this for 27 consecutive quarters. We gained share every single quarter. We have never lost share. If one competitor is higher or lower than us, this is not our focus. We need to grow in a sustainable fashion, generating cash.

Thank you very much for the question once again.

Please ask all your questions at once.

Operator

Bernardo Cavalcanti, Goldman Sachs.

Q - Bernardo Cavalcanti {BIO 19852901 <GO>}

One for CDD [ph] and Quiroga. Same-store sales of 4% in food. There's a partial calendar effect of the Easter that happened in April and it was not in April last year. Do you have any idea of the magnitude of the effect of that on your same-store sales? And this has a negative effect on Q2. How do you see the pace of sales in April and May?

And also the competition between and amongst channels, consumers some super and hyper to retail and wholesale, is this move increasing or is at the same pace as you had before?

So this is a question to Quiroga as well. And the preference of Cnova is for growth in sales and more competitiveness and with -- until -- when will you maintain your margins, your operating margins close to zero and when do you intend to change the situation, have a more consistent operating margin? Thank you.

A - German Quiroga {BIO 17954249 <GO>}

I will answer first. I will take the Cnova part. Bernardo, thank you for the question. In relation to growth of profitability, this goes back to 2008. As I said, we were small at the time, BRL250 million in revenues. And we have always looked for a balance between growth and profitability. All our growth was self-financed. The investment is big. So this balance is important. It has always been important.

Marketplace is a source of increasing profitability. We are going after that over time. But we are in the beginning of -- the initial phase and it still requires investment. I would say that there is nothing magical that will happen. We are going as much as we can with this balance.

And you can see this by our level right now, strong growth. And the model is so interesting that we are replicating the model in other places as well where we have relevant partnerships in Brazil or in Via Varejo and with -- in Cologne we are with our partners, in Thailand with Sixty [ph] and in Africa with Bolohe [ph].

And the model of partnership with all the issues of cost mean that these are strategic partnerships. But this brings about a fair remuneration. All our contracts are audited and we have this system of commissioning by third parties and all this is approved by the Board.

So our growth aims at a balance with profitability. For instance, marketplace, new businesses and Supernova have a better margin among others. But in all these cases we had a healthy growth and a gain in market share in a sustainable fashion, okay?

A - Daniela Sabbag {BIO 18861490 <GO>}

And now this is Daniela about same-store sales and the sales -- Easter sales. We talked about that. But it was zero-zero growth for us. We expected sales to be more concentrated in the First Quarter and because of Easter it migrated a little bit for the Second Quarter and the effect is less than 1 point of calendar effect.

Regarding expectations, we don't have a figure for that. But summarizing what was said before, consumers are still very cautious. So it's very difficult for us now to define a level for the quarter.

Q - Bernardo Cavalcanti {BIO 19852901 <GO>}

And regarding the migration of clients between and among your own channels, the speed of migration from more traditional channels to the wholesale channel it is becoming faster because of the more difficult moment in the economy or do you still have the same rates of migration from traditional channels?

A - Daniela Sabbag {BIO 18861490 <GO>}

Do you want to know if there is migration from retail?

Q - Bernardo Cavalcanti {BIO 19852901 <GO>}

No. I'm not asking that. We can see the migration. I'm just asking if the pace is faster because of lower Rio salaries, unemployment increasing? Migration already existed in the past. What I'm asking is whether it is increasing or if it is in the same amount that it happened in the last couple of years?

A - Unidentified Speaker

Belmiro and Loham are the ones you view that. And the good thing is that everything is maintained in-house. So this is the beauty of the multi-format policy. We see a slight increase of this migration that you are mentioning. It's a moment where people are more price conscious and it's only natural for people to choose this channel. So answering your question.

Q - Bernardo Cavalcanti {BIO 19852901 <GO>}

Thank you, Ronaldo, Quiroga, Daniela.

Operator

Alan Cardoso, Banco Safra.

Q - Alan Cardoso {BIO 15933677 <GO>}

I have two questions. When we look at the different businesses of Multivarejo multi-retail, there was an evolution that the quarter on quarter and year on year. In Extra Super it didn't happen. There was even a slight decrease.

So are you going to have these initiatives a little bit later than you had for hypermarkets and Pao de Acucar and what is your expectation for EBITDA margins over 2015, just to make clear? I know that you are investing in competitiveness and this is leading your gross margin to be flat and the EBITDA margin is under pressure with operating expenses. Is there anything that could offset this, maybe a second round with suppliers of negotiation in order to improve your gross margin? And the EBITDA is under pressure until your sales reach a level that may really offset the expenses.

A - Unidentified Speaker

The second question about margin, I'm going to answer this one. Suppliers are on our radar screen all the time. Three weeks ago we had suppliers here during a meeting with the Pao and two months ago with mini. Next week it will be in Rio with local suppliers and the Northeast as well. So all the time we work hand-in-hand with our suppliers. But always with a long-term view. So the pressure is not from one side only.

And Christophe said and I said myself that we have an ongoing concern to decrease our SG&A, to decrease our expenses so that we may have more synergy among the companies, better process utilization. And this is what everybody around this table does in each one of their businesses in order to keep their margins, the profitability of the Company, in fact gross margin, EBITDA margin and ultimately the bottom line.

Q - Alan Cardoso {BIO 15933677 <GO>}

And what about the sales trend of Extra Super?

A - Unidentified Speaker

For Extra Super we saw a slightly lower performance in the hypermarkets. And the first reason is that there was a more marked calendar effect on this format if we consider Easter. And in April we see a strong dynamic for this format. We said at the beginning that supermarkets are part of a plan of modernization.

And two supermarkets, one in Rio and one in San Paulo, have already new commercial concepts and they were included in the same dynamics as the hypermarket in part of this plan to revitalize. And next week, this will be delivered, the new layout for supermarkets.

And grocery, that was already very competitive in the neighborhood format and stronger in terms of the services delivered as well. Next week for this format, we will be delivering new commercial innovative services.

Q - Alan Cardoso {BIO 15933677 <GO>}

Perfect. Thank you very much for your answer.

A - Unidentified Speaker

Last year we converted five supermarkets in -- five (inaudible) and four in Rio. That became -- four became Pao and this influenced the growth of these banners. Not considering this effect because -- of course nine stores have an influence.

Operator

The question-and-answer session is closed. Now, I would like to turn the conference floor to the final remarks by the management of the Company.

A - Unidentified Speaker

Well I hope that we were able to help and to perhaps clear some of your questions about the Company. In line with what we presented here, we have specific plans for each business. Again, we cannot be optimistic. But we are confident that with the plans that we have that we will be implementing them.

And we continue to believe in organic growth. All of the business units have a budget for organic growth. And I guess the key point -- and I think that it became clear here -- is that the team that we have around this table is the team responsible for adapting their businesses to this new reality. Each of them have a responsibility and have a plan for this adjustment.

We did, as we do every quarter, a review of the Company's budget and the strategic direction remains exactly the same. But now we are even more focused on discipline, on working capital, on investment and on the optimization of processes and synergy gains. So with that in mind, we know that the outlook is quite complex and challenging. But the Company is confident that we will continue to ensure growth.

I think that a good example is Extra. And each business owner who is sitting around this table has a specific plan for sales, working capital, investment, expense optimization. So that -- I mean this question came up over and over again. But we have to think about results, which are similar to the past results. Because with the work that we are doing -- and we are working, I don't need to speak about the macroeconomic scenario. But internally we are working to ensure a profitability which is similar to what we had in the past.

I think that these plans plus the effort that the Company is making to work always with cash because in Brazil, in a moment like this, in a moment of difficulties, having cash is fundamental. And that gives us confidence that we will work this year and we will reap results that will be quite differentiated when we look at the rest of the market.

Our team is working together, united, to ensure synergies. We are united to use in the best way possible information from our client and customers so as to best serve our customers. So we are -- we feel encouraged despite the challenges.

Again, I would like to thank you all for participating. Myself and my team would like to thank you for your attention.

Operator

GPA's earnings conference call is closed. The Group's Investor Relations' department will remain available to answer any further questions you might have. We would like to thank you for your participation and we wish you a good day.