Q1 2018 Earnings Call

Company Participants

- Eugenio De Zagottis, Investor Relations and Corporate Planning Officer
- Marcilio D'Amico Pousada, Chief Executive Officer

Other Participants

- Guilherme Assis, Analyst
- Joseph Giordano, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to RD People, Health and Well-Being Conference Call to discuss its First Quarter 2018 Results. The audio for this conference is being broadcast simultaneously through the Internet in the website, www.rd.com.br/ir. In that address, you can also find the slideshow presentation available for download. We inform that our participants will only be able to listen to the conference during the company's presentation. After the company's remarks are over, there will be a Q&A period. At that time, further instructions will begin. (Operator Instructions)

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of RD management and on information currently available to the company. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions because they relate to future events, and therefore, depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of RD and could cause results to differ materially from those expressed in such forward-looking statements.

Today with us are Mr. Marcilio Pousada,CEO; Mr. Eugenio De Zagottis, Investor Relations and Corporate Planning Vice President; and Gabriel Rosenberg, IR and Corporate Planning Director.

Now, I'll turn the conference over to Mr. Marcilio Pousada. Sir, you may begin your conference.

Marcilio D'Amico Pousada

Okay. Thank you very much. Good morning, everyone. Welcome to the presentation of our results first quarter 2018 RD. As always, Eugenio will present the results (inaudible) before the Q&A, I will stress some points. Okay. Thank you. Eugenio?

Eugenio De Zagottis {BIO 7193695 <GO>}

Hello everybody, thank you all for attending the first quarter '18 conference call. We believe this was a quarter for very challenging industry scenario in terms of growth. But in our view, we were able to produce very, very consistent and robust performance in that adverse environment.

We ended the period with 1,651 stores. We opened 44 stores in the quarter and closed three stores. Our gross revenues reached 3.6 billion, 12.2% revenue growth, with 2.7% for same-store sales growth. We reached a gross margin of 28.5%, a 20 bps decrease, but the structural performance was a 20 bps improvement if we exclude the net present value adjustment, which was a negative 40 bps and it's a non-cash adjustment. So EBITDA was 272.2 million, a flat 7.6% margin when compared to the first quarter '17, which also would have been 40 bps improvement if we exclude the net present value adjustment. So net income totaled 121 million, an increase of 15%, that the cash flow, both free cash flow and total was a lower consumption than the same quarter last year. And finally, we issued 400 million in debentures in April 2018.

Next page, we'll talk about our new store openings. So as I mentioned, we ended the quarter with 1,651 stores. We opened 44 new stores in the quarter and closed three stores. 36.1% of our stores are still in the growing maturation and we think it's very important to highlight that we keep seeing very strong marginal returns the new stores, very consistent to our track record. And because of that, we have a very strong confidence behind our new store opening guidance of 240 stores; both for this year and for 2019.

On page five, out of this 1,651 stores, 759 are Raia stores, 865 stores are Drogasil stores and 24 are Farmasil stores. We have entered a new market this quarter, Maranhao. So we have completed our entry into every space in the Northeast region. We are also preparing our entry into Para, which is the main state for us in the North region, which should take place in the coming months. So this is expanding our presence to the part of the -- share [ph] of the country we believe we can profitably reach. So I think, by entering Para, we'll probably conclude the cycle of new market entries, but will still have a ton of opportunities in terms of growing share in every one of those markets.

And market share was the highlight of the quarter, so we grew national share by 60 basis points. In Sao Paulo, our share improvement was 30 bps; in the Southeast, 50 bps; in the Midwest, where we had suffered over the last three quarters because of the high comp base of Brasilia, we now receive growth, so we increase share by 40 bps, 60 bps in the South, and 100 bps in the Northeast, which has been probably the main focus of our expansion.

For me, these market share figures are very important. And even though the revenue growth for us was disappointing in the quarter, and we'll talk more about that, the fact that we keep seeing very strong market share in every single region, it points to the reason being the market and not cannibalization, and not competitive pressure. Yes, there is more competition. Yes, there are more competitors opening stores. We can question if that will continue or not, if that makes sense for them or not. But the fact is, these market share figures shows that that's not the factor behind the deceleration. The market is. So we believe that, as we keep gaining share, as the market resumes growing, so will our revenues grow.

On page six, entering the revenue growth, our consolidated gross revenues increased by 12.2% in the quarter, which 11.3% at the retail operation and 34.5% for 4Bio. In terms of mix, OTC was the highlight. We increased 90 bps in the mix. Obviously, the weather also contributed to that. It was colder than normal. HPC suffered to some extent because of that, the marks not too much. And there's also a switch effect of 20 bps of profit that migrated from branded Rx to OTC. So OTC grew a lot of -- gained a lot of steam in our mix, rather Rx was flat at expense of HPC and specialty generics.

On page seven, when we look at the total, we start from 12.2% total revenue growth, same-store sales growth was 2.7%, while mature stores, they declined 1%. It's important to consider that there is a negative calendar effect of 0.6 in the quarter, so the normalized mature store performance was a minus 0.4. Page eight is probably the most important page here of the presentation. The idea here is to compare most nominal and on a real basis our growth with the market growth, as well with the growth of the other chains of Abrafarma. And unfortunately, you can only bring four quarters of Abrafarma data because we haven't had new entrants and companies leaving the entity. So the data beyond one year is not comparable to now, so we can only see four quarters of Abrafarma here.

I'll focus here on the real growth, so we see that the issue -- market has seen a longer-term growth, something like real growth of something like 6% since 2015, roughly as an average. Now, we're seeing the market growing 2.9%, so the deceleration here is very obvious. Having said that, when we compare our performance to the market, when we look at 2015, we were growing 4% to 5% ahead of the market. 2016 was a huge pickup for the company, because during the credit crisis, high interest rates, which compared to (inaudible) pharma, suffered in a major way. We were able to grow 7% to 10% ahead of the industry. But this is a peak. This is not the normal number. I think you should look to 4%, 5%, we did in '16 [ph] is a more consistent number. But even though the market is now growing below what it was, we're still growing 5% to 6% ahead of the market.

So this is what gives us the confidence that, as soon as the market resumes normal growth, our revenue growth will also normalize. And we believe also that there are a lot of opportunities for us in an environment like this. You should look up to the Abrafarma base. This is Abrafarma ex-Raia Drogasil. Abrafarma is which are the main Abrafarma, which is comprised of the main drugstore chains in Brazil, is growing even below the market. So we see a lot of pain and suffering around when we look at the market. So when we have a (inaudible) market with a lot of genuine growth, I mean, this is a market that levels everybody. When we see a different market, this is when we shy [ph] . This is where the difference in terms of execution, in terms of scale, in terms of financial capacity, really shows up. So this is a market that will drive faster consolidation. We believe we can gain market share faster. And with time, I think as the market gets back over the next quarters probably, back to what the normal growth has been, I think normally our revenues will also follow suit.

And on page nine, we have the gross margin information. We lost 20 bps of gross margin in the quarter, which was fully due to 4Bio. 4Bio had a negative mix effect in the company. And -- but the thing is we had a negative net present value adjustment of 40 bps, which is a noncash adjustment. It's only an accounting adjustment. So we had other gains that offset that adjustment. So in other words, on a cash basis, our consolidated gross margin would have grown 20 bps, and our retail gross margin will have grown 40 bps. So we have seen there very robust gross margin.

And this has not prevented us to invest in prices where we think we have to invest. So over the next two years, for example, we have increased discounts in a market like Sao Paulo, for example, which will increase to bearish [ph] . But we have been able to finance that through pricing gains, through purchasing gains, by gaining market, another market. So it's a portfolio gain that has worked for us. The sale [ph] cycle has been similar to last year, an 80 bps decrease, but it's due to a peak in receivables here due to the calendar. So we believe we should get back to more in-line figures as we go on.

Expenses, on page 10, was also probably one of the highlights of the quarter. We diluted total operating expenses by 20 bps. We maintained flat sales expenses. Obviously, the lower performance in mature stores has affected our capacity of shop expenses, so we saw 20 bps labor pressure, 10 bps rentals pressure, but we gained 10 bps in pre-operational. We gained 10 bps in other retail expenses, and 10 bps on a favorable mix effect (inaudible). So in the end, the sale expenses was controlled, was fully inline. And we gain also 20 bps on the G&A due to lower variable compensation provision and to other dilutions we have achieved. So this has been instrumental in allowing us to defend our margin in a challenging quarter revenue-wise.

Finally, page 11, we maintained a flat EBITDA, but again, without the net present value adjustment, which is just an accounting adjustment, has no cash repercussions. We will have grown 40 bps market on this quarter. On Page 12, we see the net income. We reached 121 million in the quarter, plus 15% net income versus 1Q '17. And that's also a net margin expansion of 10 bps.

Page 13, we have negative free cash flow and total cash flow in the quarter, and basically any quarter compared to the fourth quarter of the previous year is negative, because the fourth quarter is a big period, but we see a much lower cash consumption both on free cash flow and total cash flow this year than we saw in the first quarter '17. Finally, shareholder returns, obviously, when you look the year-to-date performance, we had the -- our share price has declined 18% versus a (inaudible) BOVESPA increase of 33.5%. But obviously, when we look wider term, we have seen since the Drogasil IPO 29.4% total shareholder -- annual shareholder return, and 31% since the Raia IPO. We have always said we have 30% in the industry and 30% as a company. We always talked about having a low beta. It may be an indication we have a negative beta.

Now, I'll pass to Marcilio, and then I'll get back with Investor Relations highlights before going to Q&A. Thank you.

Marcilio D'Amico Pousada

Okay. Thank you, Eugenio. Let's go to page 15. I think that my comments here have two different parts. Okay. The first one is about the margin. It was a (inaudible) for us. We know that how difficult it is to keep the same margin level if you had a very difficult quarter last -- we have right now. We maintain a gross margin, even at a competitive environment and it's very good for us, and better we can keep the same sale expenses also. It's where we conclude that because we decreased the sales in mature stores. Then just (inaudible) business and very confident for the future.

About the markets, okay, we know this will be a cycle. We saw this kind of cycle in the past when we had huge crisis that we'll have, like we had in (inaudible) here, and this is the part of the cycle that you can see the market growth deceleration, okay. (inaudible) you have the deceleration mark, we keep on track to open 240 stores. The stores opened very, very strongly marginal IRR. We opened stores spread in all different jurisdictions [ph] to help us to size to open store when you have the better market to open the store. This help us in the future, for sure. We're keeping growing the market share. We're looking for market share more right now than the past, how important it is to grow the the market share in the initial process, okay.

And we know how difficult to just open store when you're looking for the competition. When you see a competition open store, (inaudible) for example, this guy has to compete not against us, but also against (inaudible) Sao Paulo, and we know how difficult to do that. And you know, this is a cycle also that guys try to enter the market, have problem and tried to close some stores and more again [ph] , we know this every time in a market.

And we really believe that the combination of the lower growth in the market together (inaudible) for the other players to open stores can help us in leading this consolidation in market. Thus, we've had to take care of here and go ahead, okay. Our number one (inaudible) keep the same, that you know the Asia population and you bring it just on very good price in the future. And always with the market, it goes down, we increase our share. Then, when we know that we write back to do the same in this year. Now, we (inaudible) question and that's (inaudible) -- no, first, Eugenio will talk about the IR activities, and after that, we'll go to questions. Thank you.

Eugenio De Zagottis {BIO 7193695 <GO>}

So the first thing here is we issued in April BRL400 million in debentures, so it's a nine series issue with a 2.7-year duration and a five-year final maturity at a cost of 104.5% of the Brazilian Interbank exchange rate. So this is probably one of the lowest cost of capital in the country.

And we have, over time, switched from BNDES financing to the market, because not only BNDES change their financial points, but also even the older BNDES lines as interest rates have come down, they became actually more expensive than market rate. So we are taking money to amortize part of the BNDES debt that we have had, and also to increase some of the gross debt to support our growth going forward. We have also the calendar for the next quarter, the quarter releases. So second quarter, we will publish on July 30th, third quarter on October 30th. And finally, we have three upcoming investor conferences, two of them outside of Brazil. Marcilio and myself will be in New York from May 16 to 17 at the CEO conference of Itau. I will be at the CalGEMS June 5 to 7 in Los Angeles, which is a Merrill Lynch conference. And finally, June 13th, 14th in Brazil, we'll have a Citibank conference (inaudible).

So, I'll conclude the prepared remarks, and let's go to Q&A. Thank you

Questions And Answers

Operator

(Operator Instructions) Our first question comes from Mr. Guilherme Assis from Brasil Plural.

Q - Guilherme Assis {BIO 16143141 <GO>}

Hi, good afternoon, everyone. Thanks for taking my follow-up question. I'd like to ask a little bit about the rollout of services in the drugstores, because that's been a theme that we discussed about like in the past few conference calls. And can you give us an update of how the rollout has been going, and what's the incremental revenues that you see for the stores that you already implemented that on? Any plans for a rollout for that?

A - Eugenio De Zagottis {BIO 7193695 <GO>}

Guilherme, just to clarify, are you talking about vaccines? I'm not sure I understood your question.

Q - Guilherme Assis {BIO 16143141 <GO>}

Yes, that's vaccines, and also additional services, but also vaccines.

A - Eugenio De Zagottis {BIO 7193695 <GO>}

Okay. So, I mean, it's too early days, so we have a store in Sao Paulo fully operational on vaccines, and we have several of the stores getting ready to operate. So it's very difficult to give anything. Now, what we see is the seasonal component of that (inaudible) quarters of vaccines. So we have periods in which nothing happens, and all of a sudden, end of last year in one week, we sold -- we gave more than 100 vaccine shots in a single week.

A - Marcilio D'Amico Pousada

Yellow fever, yes.

A - Eugenio De Zagottis {BIO 7193695 <GO>}

During the yellow fever peak. So I mean, I think, first of all, this is a service for the consumer. I think there is marginality here as well, but it's very difficult to quantify. But I think, again, there are some vaccines we could apply any day, but in the end, this will be a seasonal business, most generally for period in which you have either Dengue or yellow fever --sorry, in which you have either Dengue or yellow fever happening in Brazil or during the winter when we apply a lot of cold and flu vaccine shots.

A - Marcilio D'Amico Pousada

I think that the market is for flu vaccine. Okay. We had some monuments [ph] in Sao Paulo area, and they (inaudible) it was just opened normally (inaudible). We are talking with regulators, that's what (inaudible) 15 or 20 stores this year in Sao Paulo. It's much difficult (inaudible) to open the store. After to open the store, maybe you can see the numbers, but it's not a big number in the beginning. We studied the U.S. market. We know it starts very, very slow, and maybe a good business in more five or six years, not right now.

A - Eugenio De Zagottis {BIO 7193695 <GO>}

This is certainly a multi-year process, but I think we are in the right direction. We now have the regulatory framework in place, so we will learn from here. We'll expand from here. And we'll provide this additional service and take economic advantage of it, as well.

Q - Guilherme Assis {BIO 16143141 <GO>}

Okay, I think that's good. And just if I maybe, just a follow up, can you also give us an update on how the Farmasil project is going on, if you guys consider that you already achieved like a model that you should be able to roll out and grow in the future?

A - Eugenio De Zagottis {BIO 7193695 <GO>}

Well, I think we have been advancing Farmasil, but we also have had some stopping rules along the way. So I think just to get back, when we started Farmasil, we had some assumptions. We opened new stores. Some things happened, some didn't. We learned from that, we adopted the model. The model evolved. And when we view today, those initial batch of stores, they are very good stores and certainly the returns were terrific.

The challenge that we have had is in expanding that market. And obviously, we have a huge learning curve here, because all the digital marketing models what we use for normal neighborhood stores, they don't help much when you look at Farmasil. Just to give an example, a normal store is general neighborhood store. We understand that in a certain neighborhood how much people live there, how much market there is, how much market share we can gain. For Farmasil, because of prudential [ph] stories, that the men, women can't (inaudible) people in the neighborhood. Very often, you have people who live far away, but they are changing from the (inaudible) matter, so something like that.

So Farmasil is driven back to gas and traffic, and that's not an area we have all that expertise. So end of last year, we opened a new wave of stores, and, very honestly, we didn't do well with those. I think we did some property selection mistakes. We know what's wrong, but we have to open some more stores, and we're generally confident. So we are in no hurry with Farmasil. We still believe from, it can be a winning format for the future, but I don't think we are ready just now to start pushing the pedal, so that we have to do a couple stores, and view the conviction that we learned where to expand that.

And the other aspect is that the c-class strategy is absolutely crucial for the company, and Farmasil is only one way of getting there. We are also, over time, pushing both Raia and Drogasil further into the c-class market. Obviously, we're talking then a more traditional format. We are talking about a store with parking, driving consumers, a more typical mix, but we also adapt the historical view. We have that products from Farmasil that we're also pushing into the popular formats of Raia and Drogasil. So I think we are advancing a lot of Raia and Drogasil on the performance, and with Farmasil, we only have had successes, but we also have had disappointment, and we are still learning and viewing the position to grow up.

Q - Guilherme Assis {BIO 16143141 <GO>}

Okay, that's clear. All right. Thanks.

A - Eugenio De Zagottis {BIO 7193695 <GO>}

Thank you.

Operator

Our next question comes from Mr. Joseph Giordano from JP Morgan.

Q - Joseph Giordano {BIO 17751061 <GO>}

Hi, good afternoon everyone. Thanks for taking my question. I have a question related to the expansion plan. So you've been mentioning that these stores are performing in line with expectations. So I'd like to understand what should be the profile of the new opening? So if we should continue to explore a little bit more new markets, and actually like fight competition with existing assets on the more mature markets, or actually this plan also (inaudible) more openings, particularly in Sao Paulo metropolitan region, to further increase the store density and make it even harder for competitors? Thank you.

A - Eugenio De Zagottis {BIO 7193695 <GO>}

Okay, Joseph. So you touched on two points here, expansion and competition. So in terms of expansion, yes I mean, we have been very happy with the returns. We're not seeing return decreases. Maybe that'll happen in the future, but also the cost of capital has fallen down. But -- so right now, we couldn't even complain the (inaudible) is larger than it was in the past. When we think about this though one difference in our expansion is that we now understand cannibalization much better than before, because we have been able to give the model based on logical data that allows us, once we open a store, to understand how much of the revenues are coming from new customers, how much is the upsell to existing customers, and how much to spend on those sales. So we have adapted our strategy based on that, for example.

So, in Sao Paulo, we have been way more careful in this core area where we have so much share, because we already have a very big presence here, and cannibalization in this area tends to be high. So, for example, over the last many years, we opened a lot of stores in these high-income neighborhood. Over the last two years, we have reduced opening in this area because we think we already have a great (inaudible). We will always be able to open a store here and there to complement as the market gets bigger, but nowadays, when you think about the metropolitan region of Sao Paulo, we're growing way more toward the edges of this high-income area than inside the high-income area. So we're growing in more marginal areas in the state of Sao Paulo.

We are also growing a lot into the Northeast. We are building our presence there. There are markets like Recife, where we are in it already. The leaders are very close to becoming the leaders there, and that's a matter of time. The same is also true about Salvador. So there's still a lot of opportunities on those markets. I think when you compare us to competitors in the expansion, we are the only company without any false modesty that has been able, year after year after year, to grow at a fast pace and still create value and still increase margins, and still maintain revenue per store constant on a real basis. And we have been able to do that not only because I think we have better execution. We do think we have, but the main point here is we already have all these states in Brazil seeded. We started growing out of Sao Paulo almost 20 years ago and into Rio (inaudible) we achieved, that we are growing in Brasilia and all those markets.

In many of those markets, we had a lot of initial plains [ph] because of (inaudible) barriers but we were the first newcomer and challenging the local players. Today, even in markets where we had a lot of pain, like in Santa Catarina, for example, we're doing really well. So we are the only player in Brazil who has similar store economics across every state, who had similar marginal returns and capacity to grow in every state. Nobody has been able to beat that. We are seeing competitors try to accelerate growth, new (inaudible) and their results are really, really tough. We just saw yesterday a competitor publishing numbers with zero EBITDA, and with revenue growth 13% below store growth, while, for example, we are growing now 11%, but with 15% store attrition. So they are now in the market very significant into the areas. They are presenting these players to come to Sao Paulo. If you think about a market like Sao Paulo, you have Raia, you have Drogasil, you have (inaudible) Sao Paulo, which is also very strong. You have one offering. So it's very difficult, and we've seen the numbers, that there is also not happening. We will make use (inaudible) or not, time will tell. That's not our call to make it. It's their call to make. But clearly, it's a plan that's not adding value.

And we are increasing into the area, so occasionally we may open stores here in regions for defense reasons. When we look at the gross margin, the gross margin has been very healthy, but we have actually increased discounts in Sao Paulo over the last two years. And we have financed that with pricing gains in other regions, with the better purchasing, with better mix from private label, for example. So the market (inaudible) concept, but this hasn't precluded us to defend our position anywhere we need and to make more money where we can.

So that's why, even in Sao Paulo, there's tougher competition now. We have been able to maintain our market share and actually grow our market share. So we believe that, in an environment like this, with a lot of pain, we're just starting to see numbers getting published. My view is that this quarter will be a bloodshed when we look at competitors' financials. We just saw the first of those. We will see others. So we have been able to absorb low wage growth, gain share, defend margin. This is not happening for everybody. So when the market is painful, that's where the difference in financial structure, capital structure, the difference in execution shines.

So I believe we have a ton of opportunity to gain share. I believe several players will have to cut or reduce the expenses in a tougher market. I believe a lot of players who are leverage or who are suffering a lot in terms of revenues will have to reduce costs, and that means cutting people from the stores, this means reducing (inaudible) and this will make their operations more fragile. So, for me, the message this quarter brings is a message about opportunity. And that's our focus. So when you look structurally, we're gaining share. We're defending the margin. Our margin -- our expansion has been brilliant. So there is more good news here than bad news.

Q - Joseph Giordano {BIO 17751061 <GO>}

Perfect. One extra question, if I may, concerning this very, very challenging market for everybody, right, even for competitors. I'd like to understand how you see opportunities for M&A in this context. So if there could be like potentially interesting assets that you could acquire or should you expect nearly 100% organic expansion (inaudible) best? Thank you.

A - Marcilio D'Amico Pousada

Joseph, our strategy has always been organic, and that's the focus. That's what we know best, and that's the strategy going forward. Obviously, there are a lot of assets being offered around. There are assets, generally low-quality assets what have been offered to us. So (inaudible) sometimes to achieve through different brokers. I mean, if anything comes to (inaudible) makes sense, we always look. So we are not (inaudible) magic, but I think that the probability here is that we'll grow, we'll keep on growing organically. That's where the best returns are. For quarters to go out of our way would have to be something very, very, very special.

Q - Joseph Giordano {BIO 17751061 <GO>}

Perfect. Thank you.

A - Marcilio D'Amico Pousada

Thank you.

Operator

(Operator Instructions) It appears to be no further questions. I'll turn the conference back to the company for their final remarks.

A - Marcilio D'Amico Pousada

Okay, so first of all, I would like to thank you all for attending this conference call, and also like to take the opportunity to summarize some of the points we have been discussing here. Obviously, this was a challenging quarter in terms of industry growth, and that affects the whole industry. But when you look at what we were able to achieve, I mean, we defended margins, and if you look on the cash margin, structural margin, we actually expanded that even besides low revenue growth.

We have also seen very strong market share gains within the company. When we look at the market deceleration, I mean, it's very difficult to be assertive but hypothesis is really revolves around the macro situation. As the macro starts to improve, there is more competition for the consumer share of wallet; that is more -- consumers are now spending more money in durable goods and discretionary purchases, and sometimes a little bit less money for everyday basic needs. This is a hypothesis. We can never be 100% sure of that. But obviously, deceleration has affected the whole market, and we are also gaining share in the face of increased competition.

So as long as the share growth is that significant, when you look at that revenue deceleration, I mean, the reason is very clear. I mean, we saw some people on the sell-side speculating about high cannibalization, about higher competition. Yes, there's high competition, but we have been able to absorb that, as the share demonstrates. Cannibalization has always existed so, obviously, our market stores will do better without any new store growth. But on a relative basis, this year versus last year, store cannibalization is nothing different. So it's exactly the same.

And as I responded to you before, when we see wining [ph] scenario market, when we see winning market scenarios, the whole industry is leveled off. There is capital for everybody. Everybody is growing revenues. Everybody have investment capacity. It's when we see adversity in the market that we really drive, because I think we have better execution. We have a much higher financial capacity. Our store growth keeps adding value, store after store, while we see most competitors who are growing, destroying value, and therefore there won't be any use for it. It doesn't matter if they have deep pockets or shallow pockets, I mean, a rationale capital allocation [ph] they won't be able to sustain investments for much longer if they keep destroying value. So basically, we see a lot of opportunities in a market like that, to accelerate share growth, maybe to drive some competitors out of the market, so -- but opportunities will certainly be very rich for us in this kind of environment.

As I mentioned, I mean, we have several competitors who publish results so we can see the quarterly numbers. We just saw the first yesterday, and it will really be a bloodshed, because in this kind of low growth, everybody's growing much below us, and I doubt they'll be able to have the same capacity to grow share and to adopt to expenses [ph] that we have had, so again, this point, to the opportunity we have in our hands. And our final message is that our focus has always been on the long-term. And what I'll say now relates most companies, as well as to investors. It's easier to talk about long-term factor when the short-term is aligned, when the short-term is beautiful. A real long-term focus involves trade-offs, involves choices, involves sometimes quarters in which the numbers are tougher, the growth is lower, or you need to invest margin which actually haven't been the case here, but we do invest because of the longer-term. So real long-term focus involves trade-offs. Our focus on the industry consolidation, our focus five years, 10 years, 15 years. It's great when we can have fully optimized quarters in line with that, but that won't be always the case. And whenever given a choice, our choice will be in long-term value creation. Thank you very much.

Operator

Thank you. RD's conference call is finished. Have a nice day.