

Q3 2021 Earnings Call

Company Participants

- David Murciano, Chief Financial and Investor Relations Officer
- Stephane Maquaire, Chief Executive Officer

Other Participants

- Andrew Ruben, Analyst
- Danniela Eiger, Analyst
- Felipe Reboredo, Analyst
- Helena Villares, Analyst
- Nicolas Larrain, Analyst
- Renan Ulrich, Analyst
- Ruben Couto, Analyst
- Unidentified Participant

Presentation

Operator

Good morning, everyone, and welcome to the Q3 2021 Earnings Results from Group Carrefour Brasil.

With us today from Group Carrefour Brasil, our CEO, Stephane Maquaire; CFO, David Murciano; and IRO, Natalia Lacava, as well as other members of the Company who will begin the Company's presentation.

We'd like to inform you that this conference is being recorded and will be made available at the Company's IR website, with the respective presentation is also available. If you need simultaneous translation the tool is available under the interpretation -- the globe [ph] on the bottom side of the screen. If you choose to hear the interpretation by clicking the icon, you may choose the language of your choosing, Portuguese or English. Those listening the conference in English also have the option to mute the original audio.

During our Q&A session, we kindly ask that you send your questions using the Q&A button on the bottom side of your screen. As a standard practice, your name will be announced, so that you ask your question live. At that moment request to activate your microphone, will pop-up on your screen. If you wish to not open your microphone live, please write no microphone at the end of your question, so our operator can read it out loud.

Information contained in this presentation, as well as any statements made during this video conference relative to business prospects, operational targets and projections, as well as financial targets from Group Carrefour Brasil are only based on beliefs and assumptions from the Company's management, as well as information currently available.

Forward-looking statements are no guarantee of performance. They involve risks, uncertainties and assumptions, since as they refer to future events and therefore rely on circumstances that may or may not come to pass. Investors must understand that general economic conditions, the state of the market and other operational factors may affect the Company's future performance and lead to materially different results from those expressed and set for forward-looking statements.

Should any problem or technical glitch arise within this platform, our call will continue after a short break via telephone, using the numbers that were informed in the Company's IR website, as well as in the Zoom chat.

I will now turn the floor over to the Company's CEO, Stephane Maquaire, to begin the presentation. Mr. Maquaire, please you may proceed.

Stephane Maquaire {BIO 19679225 <GO>}

Good morning, everyone, and thank you for being with us once again for our Q3 2021 earnings release. Well first of all, I'd like to say that I'm very happy to join the Carrefour Brazil team, and have the opportunity to spearhead one of the Group's most significant operations, as well as to be able to continue in (inaudible) successful work.

I'd also like to thank the outstanding teams I have been exchanging knowledge with, further impeccable operation. Our final earnings for this quarter are a testament to the group's execution capacity, with growth rates and market share gains. We remain price leaders in the cash and carry market, and we were able to both grow organically and to also integrate the Makro stores at a record pace.

In nine months, we were able to deliver 36 stores at a level of sales per square meter that was expected only for the second year of our operation in these stores. As a result, our margin ramp-up has been really fast. Our NPS which is also very important to us continue to progress in all formats. And in retail we have been able to significantly outperform the market. Despite the challenges posed by having last year as the basis for comparison, our sales in the food segment remain close to what we saw at the height of the pandemic and we continued to dilute our SG&A. This acceleration we experienced in the physical world became exponential in the digital world. And our digital numbers are really substantial. In two years our food sales increased five-fold and Atacadao is growing more relevant every day.

We already have a fully integrated B2B marketplace serving 90% of Brazilian cities. On the retail side, in-store picking is starting to branch out and gain traction as a result of our decentralized inventory management and that has reduced delivery times as well as logistic costs.

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Last but not least, the acceleration that the physical and digital worlds have delivered was made even stronger by our banking service. The sharp U-turn in our bank with growing sales and revenue -- high revenue, in addition to a robust portfolio mirrors our solid retail and cash and carry structures. And not only that, but digital acquisitions have gained relevance, now accounting for one-third of the total which opens the door for us to attract customers outside our ecosystem.

New products, which are purchased digitally 88% of the time have also gained relevance and helped us to cross the physical borders of our stores. As a result, our off-us revenue grew 31%, driven by Atacadao establishing a very powerful ecosystem, that feeds back into itself and protects itself for more challenging scenarios. All of this makes me very confident that our group's next cycle will be a huge success.

I will now turn the floor over to David, who will detail our financials. David?

David Murciano {BIO 21696215 <GO>}

Thank you, Stephane, and good morning everyone. On Slide 3, I'm going to briefly go over our final numbers for the third quarter. First, I would like to highlight our total gross sales, which totaled BRL20.8 billion this quarter, up 8% from one year earlier. This increase occurred over a very challenging base and was largely driven by Atacadao, who is like-for-like growth was 2.7%, once again showing the strength of our model in challenging environments.

Also, according to Nielsen, the Carrefour Group gained 50 basis points of market share in year-to-date, underscoring our superior performance compared to the market. The combination of strong sales continued bank growth, healthy performance of new Atacadao stores and the ability to make timely purchases led to a 30 basis point increase in our gross margin, as well as 11% EBITDA growth year-over-year.

Our operational efficiency was also preserved and even as our expansion accelerated or SG&A to sales ratio remain unchanged versus last year. And if we compare it to 2019, the decline was quite significant, 190 basis points. Our adjusted net income was BRL621 million this quarter, up by a strong 42% on a two-year comparison basis. Our leverage and indebtedness remain at very healthy levels and our net book debt was about 1.3 times our EBITDA, even after settling the Makro stores acquisition, and the advanced payment for BIG.

We still have BRL2.5 billion in unsold receivables. Finally, reinforcing our solidity and robust balance sheet. Yesterday, our Board of Directors approved the advanced payment of par of our dividends relating to 2021, that's BRL866 million, which will be paid in two instalments of BRL433 million in November and December of this year via dividends and interest on capital.

Moving on the Slide 4, I will talk about our operations starting with Atacadao whose growth this quarter continue to accelerate, while still maintaining profitability. We are the only food wholesale player with a presence in all Brazilian states. So far in 2021 we have

opened 36 new stores. Our solid balance sheet and outstanding M&A integration capacity has allowed us to continue accelerating our organic store expansion plan. We opened seven new organic stores in the third quarter alone and expect to open nine more in the fourth quarter. Ending the year with 44 new stores as we mentioned before.

Over to Slide 5. As a result of this rapid advance, our gross sales were up 14.3% in the third quarter with like-for-like sales up 2.7%, and expansion of 11.6%. The earlier than expected maturity of these new stores, combined with the high inflation environment we've been facing since last year has highlighted one of the main features of the Atacadao model this quarter, the ability to analyze the market and its trends. That together with our purchasing power has allowed us to make very opportune purchases.

As a result, we saw our gross margin increased by 15.5% over the quarter. And I'd like to enforce that, even with our gross margin gains, we remain price leaders and 3% more affordable than the runner-up in September. I would also like to highlight the continued decline in our SG&A to sales ratio. Despite the year-over-year increase generated by our accelerated expansion, we had an improvement by 30 basis points versus the second quarter. And if we look at the first quarter of this year the improvement was by 50 basis points reinforcing the accelerated maturing of these stores I mentioned earlier. All of this led to a record EBITDA of BRL1.1 billion in the third quarter and a 11% increase year-over-year, with a 7.8% margin, a level very similar to last year's.

On Slide 6, we're going to talk about retail performance. As you already know and have seen in our numbers, 2021 has been a very challenging year for our industry, particularly the non-food segment. Even so, we have continued to show structural improvement. Food products remained extremely resilient during the quarter, with sales holding up at last year's levels, and like-for-like sales growing by 15% compared to 2019. Private label products stood out again and penetration reached 18% in the quarter, showing their relevance against a backdrop of high inflation.

Total gross sales were down 8% year-over-year, with the impact being mostly felt in non-food products. Compared to the same period of 2019, gross sales showed a 9% increase. Structural improvements continued to bring enhancements in SG&A, which showed a nominal decrease by BRL54 million compared to Q3 of 2020. Our EBITDA in the quarter was BRL244 million with a 5.1% margin.

Now moving on to Slide 7, I'll talk about our digital initiatives, the accelerators of our ecosystem. We continue to develop concepts and grow in the digital world. Our food GMV has increased fivefold in two years, and here I would like to stress Atacadao's digital channel, which is already a reality. 56% of our digital sales came from Atacadao in the third quarter. On a sequential basis Atacadao's digital channel grew 113%, primarily driven by our own platform. We at Atacadao marketplace also now serves 90% of Brazilian cities, bringing convenience and affordable prices to our customers.

Total GMV grew 52% in two years and we continue to develop concepts to further improve the online shopping experience. In-store picking within our stores is already

available in 32 of our hypermarkets and we should end the year having this model available in 60 stores, improving the price points of this channel as well as our logistics.

On Slide 8, with regards to our banks we heading, another quarter of solid performance. Revenues grew 26% Y-o-Y with the Atacadao card growing 42%, benefiting from strong momentum in the segment. We also had strong results, both in on-us and off-us revenues, which grew 31%. Clearly showing, the presence of our credit cards to the lives of our customers outside our ecosystem. And this becomes even more relevant as we accelerate our entry into other banking products and create opportunities to expand our customer base. New products were also significant this quarter with insurance revenue growing by 30% year-over-year. Total revenue continue to follow the same trend we saw during the second quarter and reached BRL854 million and increased by 38% from the third quarter of 2018. The over 30 and over 90 delinquency rates remained subdued at levels below those of 2019 reinforcing the quality of our credit portfolio.

The efficiency ratio, which measures how efficient the banks expenses are being managed reached 34.2% this quarter, up 865 basis points from Q3 2019, showing the benefits of a leaner structure. EBITDA over this quarter reached BRL187 million, a significant increase when compared to the same period of 2019, when EBITDA was negative. And the year-to-date, the banks EBITDA grew by 34%, which makes is really happy.

Now on Slide 9, I'd like to talk about the headway we've made on the ESG front during this quarter. Continuing with the commitments we made to combat structural racism, this quarter we launched two hiring programs, specifically targeted to black people. First of all, the internship program focused on career development and which we hired 18 black youths. And the second, Talents of the Future, a program for which applications are still open and which is focused on expanding, ethical and regional inclusion and leadership.

We also concluded the public cost for proposals we launched in the second quarter having selected 40 organizations and projects. On the racial literacy front, we developed a series of content, publicly available content in partnership with Silvio de Almeida to discuss structural racism, its presence and organizations and how to re-educate ourselves to combat it. More than 30,000 of the Group's employees have already undergone racial literacy training. And I'd like to invite everyone to access this content, which is available at naovamosesquecer.com.br, focusing on helping society in general during this moment of economic distress in the country.

This quarter we donated over 890 tons of food. In addition to that, last week we announced a price freeze on private label products until January 10, 2022, once again showing our commitment to offering high-quality products at affordable prices to everyone. On the environmental front, I'd like to stress the launching of 100% traceable and deforestation free (inaudible) that we had this quarter

And lastly on the governance front, I'd like to highlight that this quarter we launched the new code of conduct, that includes improvements in a number of points and on which we have already trained 65% of our employees.

Having said all of this, I'd now turn the floor back to Stephane for his final remarks.

Stephane Maquaire {BIO 19679225 <GO>}

Thank you very much, David. So in conclusion on Slide 10, I just wanted to reinforce the stepping stones of our strategy for the coming years. First of all, we would like to work more transversely to ensure customer centricity with the use of technology, data and also to simplify some of our structures to gain more agility. Agility is a focal point for us. So that we can make them more fluid and also accelerate our decision making.

Second, we want to ensure digital leadership, both in B2B and B2C, using our unique network in Brazil, to become the best fintail in the country. And lastly, we want to reinforce our national footprint accelerating the opening of Atacadao stores and integrating the Big Group stores as well. It's a huge challenge. But I am very excited and convinced that it is necessary considering the momentum in retail right now. In addition to that, the assets of the Carrefour Group are extremely valuable, and more than enough for us to stay ahead in our transformation. It is not in our hands to really change and continue to stay in the lead.

Thank you very much for your attention, and we can now move on to the Q&A session. Thank you.

Questions And Answers

Operator

We will now begin our question-and-answer session. (Operator Instructions) Our first question comes from Helena Villares from Itau BBA.

Helena, we will open your microphone, so that you can ask your question. Please proceed.

Q - Helena Villares {BIO 21333811 <GO>}

Hello, everyone, and thank you for taking our questions. We have two questions here at Itau. First of all we'd like to know about the margin, which was a lot wider than we expected. So if you could please add some color and perhaps break it down a little bit more, with regard to this sequential improvement from 2021, whether or how much of it comes from Atacadao, and how much of it comes from the operation? And if that is the case, most of it comes from the operation, what was the margin that reflects at Atacadao?

And the second question is also related to Atacadao, but we want to hear about the operations. We know that some -- in some stores you take payments in credit cards, some third-parties and we want to know how that pilot is going? What have you learned so far and how the initiative is going to look like moving forward? Thank you.

A - Stephane Maquaire {BIO 19679225 <GO>}

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Thank you, Helen, I will be answering your first question and then let the second one for David. Our Atacadao business is a high tunnel-edge [ph] business, it's a mass business. All of that is to say that we are looking at the long-term sequence as opposed to only the sequence of the past few quarters. And when we look at that the development and this seems very interesting.

Now more specifically about our gross margin for Atacadao, considering the last two quarters of 2019 and also 2020, we remain virtually on the same level, at around 15, 15.5 EBITDA during this last six months. Also naturally, this quarter we had the opportunity of a trade-in, to achieve this result. And much of this improvement was also because of the ramp-up in some of our Makro stores. But once again in terms of our rates, what we're seeking is an overall result, but also larger tunnel-edge with Atacadao. And always trying to respond to the specific circumstances that month or that week.

So David, if you could please take the second question?

A - David Murciano {BIO 21696215 <GO>}

Sure. Well, with regard to your second question about our cards, we rolled out, the -- our other brands of credit cards, other than at Atacadao. That started in Q2 and is now concluded. That was in late Q2, early Q3. And we've been very happy with the results in sales. And we are recovering significantly with those sales and we are saying to our customers that they are able to use those card. We are seeing them use our cards more often, and purchasing higher figures as well.

The fact that our stores are accepting other cards does not really affect our operations that much. We remain with the same share which is still unchanged. We are also accepting vouchers at this point and we believe that has helped to recover our sales as well. So obviously, we have some sales in cash and some in card, but we've recovered many of our customers in that sense. That also has to do with our rollout, because it was progressive in the entire country.

Another thing I'd like to say is, there was no deterioration in SG&A, because accepting cards has a cost, but we were able to see that cost be offset, thanks to other improvements in SG&A. So the fact that we accept other card has ultimately a positive impact on the EBITDA, bottom line. Thank you.

A - Stephane Maquaire {BIO 19679225 <GO>}

Thank you for your question.

Q - Helena Villares {BIO 21333811 <GO>}

Thank you.

Operator

Our next question comes from Danniela Eiger from XP.

Bloomberg Transcript

Daniela, we will now open your microphone, so that you can ask your question live. Please you may proceed.

Q - Danniela Eiger {BIO 20250080 <GO>}

Thank you guys for hearing my question. Well, first of all, I'd like to hear about Atacado and more specifically about Makro. One thing that caught my eye is the fact that stores are still with the EBITDA, that's in line with what you saw, what you posted in your balance sheet. Do you see any chance of that exceeding in the next quarters? Or do you think that they've reached maturity in terms of profitability?

And my second question has to do with retail more specifically. You managed that there is competitive momentum, that's very challenging in non-food products. And that also goes to what you said about the basis of comparison. And you mentioned guys that extra being very aggressive because they have to sell their inventories by Q4. And we've already seen, we're already seeing many players coming into this market with food products as well. So it's becoming very aggressive. And I'd like to hear from you, how do you see retail in that sense? And seeing that your stores have more of a cash and carry or hypermarket profile as opposed to a more retail profile?

So, I'd like to understand what you guys understand, and that sense both in the near-term and the long-term?

A - Stephane Maquaire {BIO 19679225 <GO>}

Thank you for your questions, Danniela. About Makro, granted we are right on top of what we expected with the ramp up in sales of -- in these stores. But we still have substantial momentum to obtain maturity or reach maturity in other stores as well. That's because of Atacadao specific ecosystem. We are at a very healthy situation, because of the advance in sales within the stores. But we still have a wide margin to obtain higher sales in these stores. That's what we see.

And that's with the other stores that we have to open with Atacadao. And we have a number of years still to reach maturity in those other stores as well. Now about your second point with regard to retail, the answer is, in retail we are very well positioned. And we are very customer focused. We are well positioned when we look at the price levels that we operate with. And we also have a new initiatives such as the price freeze that we conducted. We know that this is a very challenging situation because of inflation for most Brazilian citizens. So I see our strength within our retail operations with supermarkets and hypermarkets.

And the answer will always involve our ability be to really look and here our customers well. We may based on that change or mix of products and really harness all the opportunities that this moment is offering. We believe that our supermarkets and hypermarkets are responding very well to this situation. Over and above that, we have our unique strength within our ecosystem with retail and cash and carry stores. The opportunity to integrate the Big Group with other markets yet also provides the opportunity to look at our stores every two years. And see which of them should change

or be converted into other formats. At this point, we have no initiative, that could allow us to think that we could really switch any of these stores into Atacadao for example. But the answer is, we are looking and hearing our customers. And we want to respond to their specific situation. And we also have the strength of our ecosystem. Which allow us to really follow of the movements of our customers within the Brazilian market moving forward.

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A - David Murciano {BIO 21696215 <GO>}

I'd just like to add to what you said, Stephane. In our case, we also -- unlike other players in the hypermarket industry, also have our bank and our credit cards, which also contribute significantly to our overall sales and overall revenues. And as Stephane said in our introduction, this is something that feeds into itself. Our market adds value to the bank and the bank adds value to the hypermarkets. And that, in addition to other synergies we have with Atacadao as well. And in the near term, we are not seeing that, we know that offer us long-term advantages as well.

Q - Danniela Eiger {BIO 20250080 <GO>}

Okay. That was very clear. Thank you.

Operator

Our next question comes from Ruben Couto from Santander. Ruben, we will now open your microphone, so that you may ask your question live. Please you may proceed.

Q - Ruben Couto {BIO 20636571 <GO>}

Good morning, guys. Thank you for taking my questions. I'd just like to go back to the Atacadao margins issue. As you said this was a very, very positive performance and outperformed even where everyone was expected. Do you expect this to continue in the next quarters, if you could please expand a little bit on that? And on another topic, you guys also said that you've noticed over the past few months, a down trade effect, especially because of inflation. Do you guys believe that this trend has accelerated in the past few months? Or do you believe it's already leveling-off? I just wanted to understand where we are on this cycle as inflation especially food, and inflation is not accelerating as steeply as everyone expected? Thank you.

A - Stephane Maquaire {BIO 19679225 <GO>}

Thank you, Ruben, for asking your questions. Well, your first question about our margin levels with Atacadao EBITDA -- as we said earlier, we are monitoring it month-by-month and week-by-week seeing our trade and opportunities, and the state of the market. And seeking to address our volumes and our mass margin as well. Over the quarters of 2019 and 2020, the levels are sort of floated. So we remain in the 15.5, 15.8 over this past six months and our EBITDA as well. So we are going to continue to be focused on that vision, and then we will see what level of margins we'll be able to deliver. And that's for your first question.

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On your second question, yes, truth to be told, in Brazil we have much higher inflation than we've seen in the past few years. And after a few months of inflation, this is a very challenging scenario for our customers in Brazil. In terms of purchasing power, our work is to always seek new opportunities with promotional sales or different product sizes, perhaps smaller packages or a different assortment of products. So we have a number of choices to respond to the situation.

We are seeing some leveling-off in inflation at the current level. So if we look at the past few months, September, October and November, compared to last year, we have the opportunity to seize this stabilization, which seems to be starting now. And we will always be looking into what we can do to really respond to that situation. We have already mentioned our price freeze initiative, which was very well received by our customers and across the Board, because we feel responsible as well for this type of situation.

In the last few weeks in terms of volume in retail, we see a more positive trend starting to show. So we have opportunities right now during this challenging time.

Q - Ruben Couto {BIO 20636571 <GO>}

Thank you.

Operator

Our next question comes from Nicolas Larrain from J.P. Morgan. Nicolas, we will now open your mic, so that you can ask your question. Please Nicolas, you may proceed.

Q - Nicolas Larrain {BIO 19981441 <GO>}

Thank you. Good morning guys, and thank you for taking my question. Could you please talk a little bit about the competitive environment and cash and carry considering the high food inflation? And also if you could talk a little bit about how you're seeing the recovery of B2B in cash and carry? That would be great. Thank you.

A - Stephane Maquaire {BIO 19679225 <GO>}

Since the last quarter, we have been preparing to respond to this reopening of B2B stores. So we have a few initiatives on this side, and looking at every step, in B2B we have a strong opportunity. The fact that we have a footprint in every state in the country, and also our wholesale business, which is present in every state. So we have very interesting prices better than the competition in Atacadao, both on B2B and on B2C. So that's our greatest asset with Atacadao and we will always be working with that. And we will continue to improve our market share with Atacadao across the segments that we operate on. So we are going step-by-step, as I said. But we see B2B at the forefront or even ahead of reopening after the pandemic. Thank you.

Q - Nicolas Larrain {BIO 19981441 <GO>}

That was very clear Stephane. Thank you.

Operator

Our next question comes from Andrew Ruben. Sell-side from -- sell-side, and it will be asked in English. Andrew, we will open your mic, so that you may ask your question. Please you may proceed.

Q - Andrew Ruben {BIO 18834624 <GO>}

Hi, thanks very much for the question. The question is on loyalty. You mentioned some of the cost headwinds, but I'm curious about the benefits. How do you measure the traction of loyalty, and how do you think about the balance between loyalty cost and benefits looking into 2022? Thank you.

A - Stephane Maquaire {BIO 19679225 <GO>}

Thank you, Andrew. I will answer you in Portuguese so that we do not mix languages here. That was a great question. Our loyalty program, obviously we are monitoring that constantly and monitoring the benefits both for us and for our customers. Though we see with this program, is that the share of wallet for the customers who have joined the program, is a lot higher. And actually higher than the cost for the program -- for the loyalty program. So I really see no problem with the loyalty program. I think this to me is more about needing to push the loyalty program within our ecosystem, our retail ecosystem. We have a sales share of about 35% with this program, so we need to push and go a lot stronger on that topic. It's not as much about whether we have benefit or whether it costs more. But we believe the benefits are outweigh the costs, but it's more about how can we make more customers join the program, and how can we see the first more accessible level, so that every customer get access this loyalty program and enjoy the discounts.

Q - Andrew Ruben {BIO 18834624 <GO>}

Thank you.

A - David Murciano {BIO 21696215 <GO>}

Andrew, I switch, to be taken. Yes, two points, two additional points. The first one is that on top of the impact on sales on customers loyalty that Stephane just mentioned, we also have a huge impact as you may understand. On database we are feeding our database, and we know that it has a lot of value. So this is not today in the P&L, but we know it's a strong as said that we are building. So that's the first point. And to be so much more concrete and to have the reading of the impact on the P&L, you also have, if you compare our P&L this year versus last year or even versus 2019, you see that the marketing cost decreased, because we rebalance, of course, the cost of the promotion that we used to have. Part of it, not of course not everything but part of it will rebalance to the loyalty program. So we have on top of -- I'd say those additional benefits.

Q - Andrew Ruben {BIO 18834624 <GO>}

Very helpful. Thank you both.

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Operator

Our next question comes from Renan Ulrich from The Infinity Investment Club [ph]. Renan, we will open your microphone, so that you can ask your question. Please, you may proceed.

Q - Renan Ulrich

Hi, good morning. I just wanted to hear from you guys with regard to the change in C level, whether that will imply any change in strategy? And with regard to indebtedness, what's the highest level that the Group considers still comfortable?

A - Stephane Maquaire {BIO 19679225 <GO>}

Thank you, Renan. I'm going to take your, the first part of your question, and then David, should take the second part. Truth be told we saw some change in our C-level. Now something we need to do from time to time whenever we enter a new phase and we are entering a new stage now integrating the BIG stores and how it will impact the Brazilian market. We are preparing for that and waiting for the CADE decision of the antitrust authority. But we, as I said, we'll continue to work closely with clients. And make customers even more front and center in our decisions.

We will work to gain agility. And there also includes other items in our strategy which we developed last year, in an effort to accelerate, accelerate our activities, accelerating our expansion with the integration of BIG and also with the Atacadao stores. So it's about continuing our acceleration, but we do not expect to see significant changes in our strategy. We will always try to seek the best people to add even more strength to our organization. Thank you for the first question, I will turn it over to David now.

A - David Murciano {BIO 21696215 <GO>}

Of course, with regard to leverage. We still have a lot of room to grow our debt. Our debt level is very solid, 1.3 times our EBITDA, which is very, very healthy. One of the best in the market. So there is room to grow that and we've already settled Makro and part of BIG the two significant acquisitions. So that level will go up. But we know that once it does, we will remain in a very comfortable position, because there is still room for that. We cannot say what the highest level for our debt would be, but we still see room for that to grow.

Also our dividend levels have been raised from 25% to 45%, because we have that capacity and we're very confident about our cash generation capacity. So there is no problem there.

Q - Renan Ulrich

Great. Thank you for the opportunity.

Operator

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Our next question comes from Rodrigo Buzelli from (inaudible). Rodrigo, we will now opening your microphone, so you may ask your question. Please proceed.

Q - Unidentified Participant

Good morning, and thank you for the opportunity. I have two questions. First, I would like to know what you guys expect in terms of the BIG acquisition. And the second is, whether you see the ability to convert some wholesale stores into the same store model?

A - Stephane Maquaire {BIO 19679225 <GO>}

Thank you for your questions, Rodrigo. About your first question, we really have to wait for the antitrust authority to deliver its judgment. And we have to wait for their pace. There has been no noise in terms of -- surrounding that acquisition, that we are completing. But in terms of what the prospects are, we really have to wait. We have to see until April or May of last year, whether they will allow it or not.

And about your second question, with the strength of our ecosystems, that can always be a problem with us. We can also make some changes in our stores between all the different formats, with regard to the BIG groups integration. Once again, we will have more opportunities to do that. (inaudible) provides a very substantial opportunity for growth. And we will be looking into those opportunities and the opportunities provided by the different store formats, we now have. We could think of any store in any format, that could be converted into any other format of any store. That is also to save that -- it's about the ecosystem. Many of our stores will change within the ecosystem and we are open to any opportunity. There is no problem in saying, no, this format will be only received a few stores. We will be looking into every store individually and every opportunity that we have in terms of conversion. So based on our analysis, what the customer profile is, and what we need there that will be what we based on our transformation decision on. Thank you.

Q - Unidentified Participant

Thank you guys for your answer.

Operator

Our next question comes from the Felipe Reboredo from Citibank. Felipe, we will be opening your mic, so that you can ask your question. Please you may proceed.

Q - Felipe Reboredo {BIO 22424267 <GO>}

Good afternoon, guys. Good morning rather. Our question here from Citi has to do with what you guys expect in terms of margin and profitability in your wholesale -- on the wholesale side next year?

Can we expect margins more similar to those of 2020 or do you guys work with a more conservative vision for next year, what should we be expecting? Thank you.

A - Stephane Maquaire {BIO 19679225 <GO>}

Yeah, I, that. Thank you for your question, Felipe, about wholesale or rather retail. 2020 was really spectacular year for retail, both for us and the competition. So we do not see 2020 as a basis point or really a standard that we should be looking for. Looking to 2020, we are now facing a very high inflation environment, that's the same situation in several other countries. It's a problem with the Carrefour Group globally.

And despite inflation, we have been able to perform well. So, in 2022, we do not see any significant challenge to continuing the same performance in sales and with attracting more client customers into our stores. This has to do with the fact that the market is changing, and we expect to be able to continue with our sound performances. Always looking at two things, clients sales volumes and only after our margins and our rates. As a conclusion of this entire process, that really starts with the client.

Q - Felipe Reboredo {BIO 22424267 <GO>}

Just to make it clear, if I may ask a second question, about Makro stores, do you guys still see an opportunity to increment their sales and margins, or are they already reaching the average Atacadao down results?

A - Stephane Maquaire {BIO 19679225 <GO>}

You know, Felipe, as we said, we are ramping up. So to make it clearer, these stores and this is very normal, are doing better than what we expected for the ramp up. So right now, those stores are below the average for Atacadao stores. So we will have to wait a lot longer, maybe years, so that we have the same profitability levels of a new store. They are on the same level of other stores. Also we do not have all Makro -- Atacadao stores operating at the same levels. So it's a range of different situations across the country, especially on Atacadao stores. Thank you.

Q - Felipe Reboredo {BIO 22424267 <GO>}

Thank you.

Operator

With no further questions, we now conclude our Q&A session. We would now like to turn the floor over to the company for their final remarks.

A - Stephane Maquaire {BIO 19679225 <GO>}

Like to thank everyone for the questions, they're are very important for us to understand the topics that you are looking at. And looking at the ecosystem, looking at you, and looking at our customers first of all, and looking at Brazilian society, with all the themes that we're working on. For example, ESG is something that we always have to reinforce.

And I have with me a very strong and energetic team, with a lot of will to move forward, regardless of all possible challenges we may be facing. That's a really important strength,

their capacity to execute within the Carrefour Group is really remarkable. And we will be facing whatever situation that may come up.

So I'd like to thank everyone for joining us, and we will be seeing each other soon. Thank you.

A - David Murciano {BIO 21696215 <GO>}

Thanks everyone.

A - Stephane Maquaire {BIO 19679225 <GO>}

Thank you.

Operator

The Q3 2021 Earnings Conference from Group Carrefour Brasil is now concluded.

The Investor Relations department is available for any further question you may have. I would like to thank all participants and wish them all.

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