Q2 2011 Earnings Call

Company Participants

- Abilio dos Santos Diniz, Chairman, Grupo Pão de Açúcar and Chairman, Companhia Brasileira de Distribuição
- Corporate Participant
- Enéas César Pestana Neto, Chief Executive Officer, Companhia Brasileira de Distribuição
- German Quiroga, Chief Executive Officer, Nova Pontocom
- Hugo A. Jordão Bethlem, Corporate Relations Vice Executive President Director, Grupo Pão de Açúcar
- Jorge Fernando Herzog, Vice Executive President Director
- José Antônio de Almeida Filippo, Finances and Corporate Services Executive Director, Grupo Pão de Açúcar
- José Roberto Coimbra Tambasco, Retail Business Vice Executive President Director
- Orivaldo Padilha, Financial and Investor Relations Vice Executive President Director
- Raphael Oscar Klein, Chief Executive Officer
- Roberto Fulcherberguer, Commercial Vice Executive President Director
- Vitor Fagá de Almeida, Investor Relations Officer

Other Participants

- Analyst
- Andrea Teixeira
- Fabio Monteiro
- Gustavo Oliveira
- Marina Braga
- Tobias Stingelin

Presentation

Operator

Good morning. And thank you for standing by. Welcome to Grupo Pão de Açúcar's Conference Call to discuss the Second Quarter of 2011 Results.

This event is being broadcasted via webcast and can be accessed at www.grupopaodeacucar.com.br/ir/gpa and www.globex.com.br/ir with the respective presentations. The slide selection will be managed by you. There will be a replay facility for this call on the website.

We inform you that the companies press releases, about the companies results are also available at their IR websites. This event is being recorded and all participants will be in listen-only mode during the company's presentation. After GPA's remarks there will be a question-and-answer session, when further instructions will be given. [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 GPA's management and on information currently available to the company. Forward-looking statements are not a guarantee of performance. They involve risks, uncertainties and assumptions, because they relate to future events. And therefore they depend on circumstances that may or may not occur.

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

Now I would like to turn the floor over to Mr. Vitor Fagá, IRO of the company.

Vitor Fagá de Almeida {BIO 16103413 <GO>}

Good morning. Thank you for your participating in another call of Grupo Pão de Açúcar.

And we would like to clarify that this is a call for the presentation discussion of the second quarter result and only matters related to that will be broached here. I would like to remind you that the Investor Relations of GPA is available to you for any further clarification that you might need.

Now I would like to give the floor to the Chairman of the Board of GPA, Abilio Diniz.

Abilio dos Santos Diniz {BIO 1781457 <GO>}

Good morning, everybody.

This is a good year. However, the market is a little bit slower than last year. As months go by we feel that there are more difficulties in terms of selling products and we see that the market as a whole is like that and our competitors especially are finding it even more difficult to maintain a good performance this year. And because of that we are very pleased with the performance of our company. In spite of the fact that we have a weaker market overall, in spite of that, we still have a hike in our sales, taking into account the fact that in GPA Food we grew by almost 10% year-on-year. And if we consider that this is growth-on-growth, on two years ago growth, we have to consider that the company's performance is really very good. And Globex also has this good sales growth and our results are inline with our budget, and maybe slightly higher than our budget.

And looking ahead we believe that 2011 will be a very good year, such as was the case in the last few years for the company. I would like to say that the company's management is focused solely and fully on the results that we have to achieve, and nothing external has got any impact on the extreme dedication of our executive team. And because of that we achieve very good results. So the company is very serene, very calm and everything is on track and you have the result. You will see that the results are higher than the line that you yourself have projected. Thank you very much.

Enéas César Pestana Neto

Good morning. This is Enéas Pestana addressing you.

Along the same lines of what Abilio said, this is a tougher year, it is tougher than last year, because we do not have the same events that we had last year, especially during the first half, such as the exemption of the IPI tax on the VAT line and the issue of the World Cup. So it is a tougher year with more inflationary pressures and the IPCA being 6.7 in the last 12 months. And in spite of that, once again, the company, as Abilio has just said, is very focused and very well prepared to deal in this kind of environment.

We have real growth of 2.3% in Food, and another highlight is the consistent increase in the Selic rate, in the last quarter alone from 11.75 to 12.25. And of course, this has an impact on the capital structure at the first moment. However we are reacting and we have this under control. And we are doing quite a lot of work and the reduction of our working capital needs in order to offset the increase in this cost. And also we are focusing in-depth on the control of our payment needs, in order to avoid an unnecessary increase in our financial expenses that are under control, as you will be seeing in a moment. So there is already a downward trend for the third quarter, in these expenses.

As Abilio said, the sales growth in spite of the scenario that I have just described, it was quite good and GPA Food, same-store growth, 9.3 increase and Globex 17.6% increase. And of course this result stems from the application of efficiency gains on our margin and which drives an increase in our margin, however always guaranteeing our competitiveness in all our businesses, and especially in food retail, where normally we have a very competitive market.

And the control of expenditures continues to be very tight and we have maintained our Expenses Control Group, and they do this in a transversal manner. We are not going to abandon this practice because, because of that, we have our expenses under control and which drives the EBITDA growth of about 20% in GPA Food, which is a major growth, in fact. And as Abilio mentioned, we have been achieving recurrent growth rates in the last few year's. And even with Globex, we have an important growth in our EBITDA, 38% increase. And earnings per share as a consequence, also with an impressive increase of 64%. And this is due to the series and sustainable and consistent work done by the team of executives that is totally focused on development in efficiency gains and on building a sustainable future for this company.

The capital structure and indebtedness are also under control and with a slight drop in the last quarter. And we have been focusing our endeavors on actions related to our people. And as we have always said, this is a company made by people, the right people on the right places and competent people. We have structured ongoing projects having to do with our people, motivation and retention of our talents, of our professionals. And because of that, it does really make a difference, mainly in moments such as the one we are leaving today, when there is a slight slowdown in the macroeconomic scenario. And in times like that, this becomes more and more important. And this is the reason why we achieved such good results.

Now talking a little bit about sustainability. We play a role as the largest retail company in the country. Recently, we launched a partnership, an unprecedented partnership with AES Eletropaulo and the AKATU Institute regarding conscious consumption and the discard of fluorescent lamps. And in the last 10 years we have practiced recycling and we have recycling stations in, 238 stations in fact all over Brazil, 10 years.

So this is a responsibility that we're very conscious about and this is a strategic pillar for the company, today. I am not going to take more of your time. We will continue the call by going more in-depth and to the details but I can guarantee to you such as Abilio has already done, that we are totally focused on the development, and on our results and on the growth of the Grupo Pão de Açúcar.

I would like to give the floor to Hugo Bethlem now.

Hugo A. Jordão Bethlem {BIO 5673258 <GO>}

Good morning, everyone. And thank you very much for participating in our call about the second quarter of 2011 results.

On slide number five, you can see on macro terms the consolidated results where our gross sales reached R$12.6 billion, more than 61.3% year-on-year growth. And I would like to highlight the GPA Food growth, same-store growth of 9.1% and the growth of Globex, same-store growth, 14.1%.

Gross profit reached R$3 billion, more than 82.8% increase and with margin in GPA Food of 25.2%, plus 0.4 bps, and Globex 28.1, plus 1.3 bps. And we will be going into details and the consequent positive result on our EBITDA, R$ 641 million, a 66% growth year-on-year. And the margins of GPA Food had 6.7% increase, a 0.5 percentage point year-on-year. And Globex 4.5%, 1 percentage point increase year-on-year. But -- in fact, Globex, the first Q of 2011 because the basis year-on-year are not comparable.

Now we are going to talk about the banners that we have. The result was very positive and same-store sales growth in the second quarter represent the second consecutive year, that is to say, 12 consecutive quarters higher than the second player in the market. In the first half of 2011, 7.4% increase and maintaining the same trend as in the previous quarters.

And growth higher than 15% in the Assai and the Extra super market stores model. Gross profit, 12.3% increase, thanks mainly to the expansion of margins because of the better product mix that bring about a better margin by means of perishables and general merchandize products, mainly in the conversion of the Extra super stores, but also in our banners or models. And the ongoing improvement in our negotiations with suppliers and the application offer too continue to bring good results.

And slide number nine, our operating expenses are kept inline, 18.5 percentage points even, or in spite of the inflationary pressure as was already mentioned by Enéas, regarding the IPCA index. And because of that we saw the creation of the Management Control and with the administration of the expenses group, the marketing expenses, for instance in spite of the big competition in the market, a growth of 3.7% and the electric energy, which in spite of the tariff being transferred at 9%, our expenses grew 7.4%, showing efficiency in the conscious consumption of electricity.

On slide number 10, we see our EBITDA margin, 6.7% in Q2. And it is important to say that there is a change in the accounting criteria because of the IFRS and the classification of profit sharing until the last quarter. In old historical bases that you have, it was classified below the EBITDA. And now it is higher than the EBITDA and the 6.7 is maintained, the reference number that you have for the previous years and quarters, it would be 6.9%.

And as a consequence, the effect on the half year, instead of 6.9 it would be 7.1%. And it is important to draw your attention to the fact that in spite of the increase of the participation of Assai in sales and that bring a lower EBITDA margin, there is a significant increase in the EBITDA margin. This result comes from Assai that grows 10.4% and grows income, 12.3% and general expenses growing only by 9.8%. And with that there is a consequence on the EBITDA that grows 20%.

On slide number 11, our financial expenses are maintained inline in spite of the significant increase of the Selic during this period, 11.75 to 12.26% increase, therefore in the Selic rate and it is kept at adequate margins -- adequate levels for the company, 2.7%.

On slide number 12, we will see the results having to do with Globex, under these brands and I would like to give the floor now to Raphael Klein, he is the CEO of Globex.

Raphael Oscar Klein {BIO 17276978 <GO>}

Thank you very much. And I thank you all for participating in this call.

I believe that since June 2009 when we started all the integration process, we have always said that the integration process would take about 18 months in order to bear fruit. 12 months have elapsed, two thirds and we are already reaping some fruit, commercial gain. For instance we maintained the leadership of the market for Globex. We kept the control of non-interest bearing sales and we recovered organic expansion.

We opened 12 new stores in Rio São Paulo, Minas, Santa Catarina and Paraná. And more important, we are delivering a company that delivers consistent results, consistent with our daily operations. We are according to our guidance and we are very enthusiastic about the last third of our integration to deliver more and more.

And now I would like to give the floor to Quiroga from Nova Pontocom.

German Quiroga {BIO 17954249 <GO>}

Good morning.

I would like to talk about sales first. Another good quarter with a 58% growth year-on-year, inline with the guidance that we gave, that of growing at least 50% regarding the EBITDA. We more than doubled our cash EBITDA vis-à-vis last year. And we are aligned with our budget, margin between 6 and 7% a year, inline with our guidance.

Nova Pontocom in the second quarter and the half year had net earnings and our SAC, our call center, we integrated our call center. Our operations are located at one center by CBCC processes, have been redesigned and human resources are fully dedicated to our operations with a more differentiated service to our clients regarding logistics. Already we have good news. We are getting a second step regarding the evolution of logistics platform. The first one was last year, a 100,000 square meters. Now, two other distribution centers Rio de Janeiro, Irajá and the other one Guarulhos in São Paulo. And together with that, we are working with GPA and Globex with the long-term view for 2020, in order to maintain a differentiated level of service to our clients.

We have the market recognition, our clients give us the recognition. And we have the diamond classification, the top level of E-bit, both for Extra and Ponto Frio brand. These are the two brands that we have and that are rated by the E-bit Institute. And I would like to thank the team that really delivered in this regard. It's very important to count on them.

Now I would like to give the floor to Hugo Bethlem to continue the explanation.

Hugo A. Jordão Bethlem {BIO 5673258 <GO>}

Okay, let's go now to slide number 15.

It is important to talk about same-store sales growth. We will be referring to the same-store concept only for sales. In last year, it did not include Casas Bahia, neither Nova Casas Bahia neither casasbahia.com. So it is very important for us to keep this in mind regarding the second Q. We are talking about same-store growth. And all the other slides we refer to the first quarter of 2011, that is to say the only quarter that we have that can be compared to the results that we will be presenting now for the second Q of 2011.

As we can see and I would like to correct some of perceptions that exist. There is a deceleration in the growth of e-commerce, specifically e-commerce growth by 39.4%. And it represents in same-store the same objective that was being designated, that is to say 50% higher than the average growth of the market. And in brick-and-mortar stores, in spite of the period compared to the World Cup last year and control on non-interest bearing sales and then increase in interest bearing sales without losing market share.

In spite of all that we have a sound growth, 8%, gross profit, slide number 16, R$1.4 billion, with a 28.1% margin, a significant growth vis-à-vis the first Q of '11. We got a commercial efficiency gain because of our better pricing policy, also a better commercial condition associated to a better product mix, mainly in the Ponto Frio stores, and one of the areas where we already reap fruit in synergies, the reduction in logistics expenses.

Page number 17, we see that the operating expense is 23.7% of net sales, apparently at the same level of the previous quarter. However, with R$25 million of non-recurring items, because of adaptation of software, adjustment of benefits and charges, and adjustment of provisions for profit sharing. And if we didn't have these non-recurring items, it would be 23.2%. It is important to say that the synergy gains processes as Raphael said continues consistently and sustainably, advancing through the second half of 2011.

Slide number 18, we have the positive consequence of the EBITDA. I would like to make a remark to the market. We cannot think that the EBITDA is only 4.4. EBITDA in fact at the levels that were disclosed in the guidance of October last year, already amounted 5%, they go to 4.4%, due to a change in the accounting criteria, it represented 0.6% of the margin. With that, the guidance has already been achieved and ratified. And considering the reclassification of the profit sharing by the IFRS, we ratify a new guidance of 4 to 5.5% EBITDA, when the one submitted in October was 4.5 to 6.

Financial expenses on slide 19 are inline with the objectives that we had. We had a guidance of staying between 3.5 and 4.5. And for two consecutive quarters we have 3.4% of net sales, without risking any of the sales that we have on our basis. We know that according to what was said by Enéas, there's significant increase in the Selic rate and the maintenance of our average payment term and the higher use of the FIDC with the inclusion of Nova Pontocom in the discount line. And it is important to say that in both cases we have an increase in the share of our interest bearing sales in our overall sales.

Now let's talk about our consolidated results, in all our brands together.

On slide 21 are highlight for FIC, our partnership with Itaú. What has to do with our card, it is important to show that in Globex, we are talking about Ponto Frio and pontofrio.com and extra.com. It is already the preferred payment means because it has the best payment terms for the clients, and for us it has the lowest fee cost. And we can discount the receivables at FIDC cost or even better than the FIDC costs. And the result of the equity income was 2.7 million. One information that is extremely important, inline with our guidance and with the request by the market, the non-interest bearing sales of Globex in the second quarter already represent a percentage that is lower than 50% of total sales.

On slide 22, the consolidated net result goes up from 93 million in the second quarter of last year to 158 in this year. In accounting terms, from 56 million to 91 million, that is to save 64%, which is the same percentage mentioned by Enéas regarding the increase in our earnings per share. And the difference between the accounting earnings and the adjusted earnings is explained in our press release. But in order for us to go back to the 91 million you have to add the adjustments of the fees and the adoption of the IFRS of 28 million, and the integration processes with Globex, on the Globex side and the GPA Food side, 47 million. And the net result, income tax and minority minus 18, which conciliates 91 and 158 million.

And lastly, our responsibility with the debt service in net -- consolidated net debt is under control. And we see a slight decrease in the debt EBITDA ratio, and in our guidance we should stay below and go from 1.05 in the first Q to 0.81 time in the second quarter.

And finally, slide 24 shows the investments in this period, where in GPA Food we invested 209 million in the quarter and 470 million in the half year, in Globex, 64 million. What is the main difference, GPA Food? This half year was specifically a half year of transformations and conversions of all CompreBem/Sendas stores. Already we have converted 148 stores and we have an additional 66 stores that are being converted. And this will be concluded by the end of the third Q of 2011.

Besides, we didn't stop investing in organic growth. And in the second half of 2011 we will have an additional five extra hypermarkets, two Assais, three Ponto super stores and two additional Extra Supermarkets.

On the Globex side, this is a year of resuming organic growth, in which in the first half, we have already had 12 traditional stores, being three Ponto Frio and nine Casas Bahia. And we will be continuing this organic growth plan in the second half of 2011.

Now I would like to give the floor to Vitor, so that we may open for questions.

Vitor Fagá de Almeida {BIO 16103413 <GO>}

Well, we've finalized the presentation of our results for the second quarter and now we would like to open for questions. Now we would like to open our Q&A session. And we would like you to ask all your questions at once and wait for the company's answers.

Questions And Answers

Operator

[Operator Instructions]. Our first question comes from Mr. Fabio Monteiro from BTG Pactual.

Q - Fabio Monteiro {BIO 3711690 <GO>}

Good morning, everyone. I have two questions. The first question, could you elaborate and give more details on the kinds of improvements, particularly in terms of the reduction of terms, for the integration of Casas Bahia, and also having to do with the non-interest bearing sales and what you expect as improvements, more specifically on the expenses line, what will be more relevant regarding expenses in the next few quarters?

And the second question has to do with the FIC. What about delinquency for the FIC, what is the level of delinquency right now and do you see any deterioration, on a monthly basis do you see any deterioration?

A - Orivaldo Padilha {BIO 21118157 <GO>}

Good morning. Good morning, Fabio. Thank you for your question. This is Padilha speaking, Globex, Globex, CFO.

Now I'll be answering specifically your question on the improved working capital at Globex, ever since the beginning of the integration process. Well we had improvement in inventory days, very significant, about 10 days. When it comes to our customers we managed to reduce approximately 1.5 months, our average term of financing to customers and clients.

Another action that is very in line with the commercial area, in the -- selling opportunities was a reduction in the share of non-interest bearing credit cards including sales for less than 50%, as mentioned before. So we had three actions that led to improvement in Globex working capital.

Now I would like to give the floor to our colleagues to answer your other questions.

A - José Antônio de Almeida Filippo

Fabio, good morning this is Filippo speaking.

In terms of CBD, what happened to the working capital? We had improved term conditions, slightly shorter, something around 15 days on average term. However it is not in the same ratio of non-interest at Globex, but we also had improved sales with interest bearing sales. It is lower because sensitivity of CBD is pretty good in that aspect. We increased our supplier terms. It had an impact on working capital but consolidated results actually came from Globex.

As I see, delinquency is slightly higher compared to last year. So the trend is common to all portfolios, Itau portfolios. It manages several companies, so nothing new about it. Perhaps the benchmark was maintained and it is within the expectations. This increase is very, very small. It's not significant. It's a normal trend. But no impact on FIC results expectation. We keep on working with the same expectation. So the small or slight increase in delinquency might not have a significant impact on FIC.

Q - Fabio Monteiro {BIO 3711690 <GO>}

Thank you, Filippo. More specifically about FIC, I think you had this non-recurring expense for credit card purposes. If I make adjustments, can we consider this as a normal result considering the slightly higher level of delinquency?

A - José Antônio de Almeida Filippo

We might expect something between 12 to 15 million over the quarter.

Q - Fabio Monteiro {BIO 3711690 <GO>}

Okay, thank you.

Operator

Next question, Tobias Stingelin from Banco Santander. Mr. Tobias, you have the floor.

Q - Tobias Stingelin {BIO 1557190 <GO>}

Thank you. Good morning, everyone. I have a question about FIC again. So did we have losses in the consolidation of Pão de Açúcar but it was profitable with Globex. Am I right to assume that?

A - José Antônio de Almeida Filippo

Tobias, it's José Filippo. You are right. We had a specific effect at Globex. They are related to CTP products that were appropriated by Globex. That's why we had this gap.

Q - Tobias Stingelin {BIO 1557190 <GO>}

Okay. Next question. I am not sure about receivable discount? The receivables discount that you posted for Globex was R$121 million and in the second quarter you posted 169 million. So very significant growth. However, apparently you also rated -- it used to 121 and now you see it's 164. Can you explain what really happened?

A - Orivaldo Padilha {BIO 21118157 <GO>}

Tobias, this is Padilha again. Once again, thank you for your question. During the first quarter, within this 121, we only made reference to discounts for credit cards. The scenario we show right now has credit cards and also installment sales. So I think this scenario is more useful for you to have a better understanding and correctly analyze our expenses with receivable discount.

Q - Tobias Stingelin {BIO 1557190 <GO>}

Now adding to these explanation so you posted 121 originally and now you have 164. So the difference come from installment sales?

A - Orivaldo Padilha {BIO 21118157 <GO>}

Correct.

Q - Tobias Stingelin {BIO 1557190 <GO>}

Now, what about 164, can you breakdown into cards and installment sales, considering you want to have the financial operation and decide whether you sell it or not. It would be important to think about what you expect for the future?

A - Orivaldo Padilha {BIO 21118157 <GO>}

Thank you. I don't have the open figures right now. Tobias, maybe later on, we can give you an answer. Together with Vitor. We don't have the data right now but we can give you some feedback later.

Q - Tobias Stingelin {BIO 1557190 <GO>}

Thank you. Last question. You really emphasize and Hugo mentioned again your expectation vis-à-vis not only the guidance, but lower expense level at Globex. Considering you have the integration, can you give us some additional information, what about gains in the future?

And as a follow-on question, what about expenses with IT and outsourcing, I assume this is recurrent and not only for the quarter, was it?

A - Jorge Fernando Herzog {BIO 16205117 <GO>}

Hi, Tobias. This is Herzog. Thank you for your question. In terms of gains and expenses posted so far, basically, they come from the main lines we already had planned in our integration process. So we have gains, indirect or purchases and procurement on non-sellable products and we have gained in logistics, IT and also shared services.

And our forecast for integration, these areas may keep on bringing benefits, allowing us to meet the guidance that we had earlier this year. So we're very confident with the integration process. As Raphael mentioned very well, it is inline with our plans, slightly higher and our expectation is to keep on having that recovery in gains, at least by the end of the second half of the year.

Q - Tobias Stingelin {BIO 1557190 <GO>}

Okay. So what about the gross margin, over 28% or higher than any guidance given previously, way higher what you had before. So would you say that we still have room for improvement or are we beginning to see improvement in expenses as well?

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Thank you, Tobias. This is Roberto. Thank you for your question, good morning.

We do have some gains in the future. We're still fine tuning the process, but we will have benefits in terms of pricing and expense management.

Q - Tobias Stingelin {BIO 1557190 <GO>}

Thank you.

A - José Antônio de Almeida Filippo

Tobias, it's Filippo again. Just to add something, for FIC. Your question, we always have to consider shipping and the load and the burden was on GPA. So I think it is better to give you analysis when you breakdown among different partners.

Q - Tobias Stingelin {BIO 1557190 <GO>}

Thank you.

Operator

Next question from Amaj Gan from Goldman Sachs. You may proceed. Next question, Andrea Teixeira from JPMorgan. Andrea, you can ask your question now.

Q - Andrea Teixeira {BIO 1941397 <GO>}

Thank you. My questions goes as follows. If I look deeper into the segment and different categories, I realize there were significant improvements, particularly in the Food margin and this applies to the first quarter as well. I know you have already explained that, but at the same time, there is some slowdown, because you mentioned that you'll be more cautious now, maybe regarding the economic scenario. But my fist question is, could you give us a better idea of the main categories? I have the feeling you had very good performance in general merchandize and categories that are very relevant. So maybe you can elaborate and give us a better sense of what is happening?

And the second question is more technical, maybe Filippo can help us. It has to do with provisions. As I see it some provisions were not included in adjusted figures. How can you tell what was recurrent or not? Based on calculations, we have about R$100 million that had a positive impact on results in the first half of the year. So what generated these provisions and I wonder if now we will no longer have these amounts. So what is the source of this reversal? Thank you.

A - José Roberto Coimbra Tambasco

Hi, Andrea. Good morning. This is Tambasco speaking.

Let me address the selling mix. Hugo mentioned that one of our highlights has been growth in Food retail, Extra Supermarket. And that has to do with the transformation of CompreBem and Sendas into this new format. The new format favors perishables categories. These categories not only generate more flow through the store, but at the same time also provide a formal interesting margin mix. And the same goes for general merchandising. We have a display, a higher or larger display area for these categories.

And something else that we have been realizing ever since last year is that categories of the so called basic groceries or rice, beans, oil, sugar, these categories have got consumption due to improved access to new categories from lower social income brackets. So you have a slight drop in basic categories and there is an increase in ready-to-eat or ready-to-prepare foods or products, and they generate better margins for the business compared to commodities. So this product mix has led to possibilities to improve your margin and at the same time, maintain or even increase your price competitiveness.

Q - Andrea Teixeira {BIO 1941397 <GO>}

Perfect. So you don't believe inflation or fast inflation rate might have a late or a delayed effect on your margins, right? So you won't have to transfer part of this or these gains probably on a timely basis for the inventory. I assume you won't have to transfer that to cost. So internal inflation might be lower compared to what was observed. So could you give us a sense of your internal inflation? In the past you used to share these data of CBD stable. So maybe that will be helpful for our same-store sales forecast.

A - José Roberto Coimbra Tambasco

Andrea, for Foods, I can say that we are very much inline with IPCA, no significant changes. We've been following all these figures very stringently.

At the same time, overtime, we've been managing to improve our competitiveness, particularly with these categories that have a stronger impact on pricing edge. Now when we analyze non-Food and I think Globex can give you better sense, but we have changes and sometimes even price deflation, and that's because we had a reduction in price of technology products, IT products. And as time goes by, there is a drop in price that becomes very significant. So for retail purposes in our mix and if you consider food is inline with IPCA and non-food are slightly lower. Today, we run with our price increase that is lower then 6.7%.

Q - Andrea Teixeira {BIO 1941397 <GO>}

Perfect. Great. Thank you, Tambasco.

A - José Antônio de Almeida Filippo

Now the next question has to do with provisions, right? Okay. Andrea, as to provisions basically the bulk of that difference is related to installments. And that's something smaller, that's not something we expect to have for other years, adjustments and provisions that were related to effective tax payments.

Q - Andrea Teixeira {BIO 1941397 <GO>}

Right, so for other operating expenses, do you have any kind of credit? Could you quantify this credit? I assume there is no impact but there is some effect on results, particularly when we think about income.

A - José Antônio de Almeida Filippo

No, impact on income. Andrea, maybe we can go deeper into that later on. This is to be specific. We don't have these data right now. But so far we have not found anything significant in that sense. So maybe we can go deeper into that. So and then I can give you the explanatory note, the corresponding explanatory note. Thank you.

Operator

Next questions, Gustavo Oliveira from UBS Company. Gustavo, you can ask your question.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Good morning, everybody. My question has to do with the previous comment, a slowdown in the market and also growth in the area that you foresee for the rest of the year. Hugo mentioned some higher results. So what is you estimate for CapEx, and area growth for the year? And how do you envisage or what are your plans for next year?

A - Corporate Participant

Gustavo, thank you for your question. In terms of CapEx, organic growth is as we expressed before, this is a year of investments in remodeling, and also to convert CompreBem and Sendas stores into Extra Supermarket, Pão de Açúcar and Extra Hypermarket. And that has generated very positive results in supporting our decision. So this is a year of organic growth, around 4% of expansion in terms of additional square meters for Foods.

For non-Foods, I would like to turn it over to Padilha, so he can talk about Globex.

A - Orivaldo Padilha {BIO 21118157 <GO>}

Gustavo, Thank you for your question. Over the quarter, we decided to expand again. We opened 12 stores, that's something very significant, accounted for 1% growth in our selling area. And we are maintaining the guidance, the consolidated guidance previously informed with Nova Pontocom, of 150 million for the year. In this quarter we also ended up by investing heavily in IT.

So we can speed-up the integration process, particularly for Ponto Frio and Casas Bahia. So that was a major investment in technology over this quarter in new stores. And over the following quarters, we may keep on investing in new stores.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Thank you. Right. What about Ponto Frio? So for this year we should consider CapEx 150 and for GPA Food, what is the CapEx?

A - Orivaldo Padilha {BIO 21118157 <GO>}

According to the guidance for the year, 800 million.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Okay, it has been maintained. My second question has to do with logistics. Quiroga made some brief comments on his slide, the logistics plan for 2020 and e-commerce. E-commerce is growing at very fast rate. Do you still have more capacity to sustain this growth over the next six months or do you have any plans of renting any additional distribution centers that might effect cost on a short-term basis?

A - German Quiroga {BIO 17954249 <GO>}

Thank you for your question. As to the next six months and particularly for this year, we follow the same lines. We have our DCs ready for us, one is in São Paulo and these DCs are very interesting. Each one has 30,000 meters, a very good location, close to urban centers already remodeled and refurbished for our operation. So we're very happy with these DCs. And perhaps, we'll be growing strongly this year. So we might need an additional DC. We're not sure yet. We're working on that but we have one available, if necessary. But for the moment, we have confirmed these two DC, each one 30,000 meters in the regions I mentioned.

On a long-term basis, together with Grupo Pão de Açúcar and also with Globex, we're trying to identify further opportunities for expansion.

Now I'd like to turn it over to Herzog to mention a couple of more comments on expansion.

A - Jorge Fernando Herzog {BIO 16205117 <GO>}

Gustavo, this is Herzog. Just to add to what was said before and add to Quiroga question. In the integration process, we already envisage these DC's at the company. Please bear in mind that APRO provides for maintaining DCs that were already active. So the two DCs that were transferred to dotcom are still at the company, fully inline with the APRO. And as Quiroga mentioned today we work together, Globex, Nova, dotcom and GPA in the future analysis. So that in our next expansion for Globex, we've taken to account each and every operation of the Group making it easier not only to invest but also to have easier operations at the DC level.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

And what about these DCs. Have they already been integrated in the process of Nova Pontocom? Is it simple and is it more complex to have all the systems integrated?

A - Jorge Fernando Herzog {BIO 16205117 <GO>}

We feel very comfortable. We are active in 6 DCs. Last year, we started with Extra and Casas Bahia, it was very fast and smooth. No problem, we are comfortable. Once again, thank you for your question.

Q - Gustavo Oliveira {BIO 15129435 <GO>}

Thank you.

Operator

[Operator Instructions]. Our next question comes from Ms. Julia Brizol from Best Company.

Q - Analyst

Good afternoon. Thank you for the chance to ask my question. I would just like to know what we can expect in terms of seasonality for the next quarter? So far we don't know the figures of Casas Bahia. So in terms of sales, the second half of the year, usually sales are higher compared to the first half, margins tend to be better or worse. So I wonder if you could also give us a sense of same-store sales growth, considering the older stores of the banner and if possible, Raphael could you mention on Casas Bahia growth compared to the previous year?

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Good morning, Julia. This is Roberto speaking. Let me mention a little bit about Globex seasonality. Usually, the second half of the year tends to be slightly stronger than the first half of the year, but not that much.

Obviously, we have Christmas, but to our business, where we also have Mothers Day in the first half of the year, which is also very significant and virtually of the same strength, not to mention the sales in January, that is also very important to us. So not so much change in terms of seasonality, I would say. It's very much inline with the first half of the year, slightly higher maybe.

As to Casas Bahia banner growth, I would like to turn it over to Raphael now.

A - Raphael Oscar Klein {BIO 17276978 <GO>}

Julia, thank you for your question. Casas Bahia banner is more consolidated. So it is better structure. I think it's important to focus on the company as a whole. We have more opportunities at Ponto Frio now but Casas Bahia as a banner is within the guidance.

It's always important to look on a consolidated basis for the Group. So that's what has to be echoed in our guidance.

A - Corporate Participant

Just to add to what he said, I think it's interesting to say that while we did not break that down by banners, Casas Bahia, Pontocom have been growing surprising well in the first half of the year at three digits. And it does help and contribute to our total volume, 1.5 billion sales in the first half of the year. Nova Pontocom as a whole and Casas Bahia is fantastic add to us.

Q - Analyst

Thank you. And for the Food Group, what about seasonality, isn't it that relevant for the second half of the year?

A - Corporate Participant

Julia, I don't think it changes so much. For Foods, maybe the best selling month for us obviously is Christmas. But as Roberto mentioned before, for Food, the impact for first half of the year is also very strong.

So in the second half of the year, we have the anniversaries of our different banners with very strong actions, not to mention Christmas. But definitely, it is higher and stronger compared to the first half of the year.

Q - Analyst

10%, would it be reasonable to assume that?

A - Corporate Participant

Well, maybe that's not the figure I have, the accurate numbers I have, but sales are higher, have a lot of movement. But it is very strongly concentrated over two or three weeks in December, and that's where we have this tracking difference. But that's not so significant when it comes to the business performance.

A - Vitor Fagá de Almeida {BIO 16103413 <GO>}

Julia just to add to what he said this is Vitor Fagá. Because we have seasonality in both businesses we can leverage this effect when it comes to results and EBITDA.

There is a dilution of expenses when we have top selling months. So, seasonality factors described, both for Globex and GPA Foods, when it comes to sales is leveraged by lower expenses.

Q - Analyst

So the order of magnitude would it be 5 to 10% sales higher in the second half of the year compared to the first one or slightly lower than that?

A - Hugo A. Jordão Bethlem {BIO 5673258 <GO>}

Julia, this is Hugo. Seasonality in December, Tambasco, just mentioned that. We concentrate the birthday anniversaries of our banners in August, October and November. And this makes things stronger.

And at Globex we also have Mothers Day and we also have Easter in the first half of the year. So overall speaking, what happens is that the second half on average is half a month stronger compared to the first half of the year.

Q - Analyst

Thank you, Hugo. Sorry I got last one, is it just for foods or everything?

A - Hugo A. Jordão Bethlem {BIO 5673258 <GO>}

Foods.

Q - Analyst

What about Globex? Is it slightly longer then half a month?

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

This is Roberto again. I would say it's slightly less. The first half of the year is very stronger, thanks to Mothers Day and the sales in January for some years, this is very strong.

Q - Analyst

What above the product mix? Does is anything change? We have more promotions in the second half compared to the first one.

A - Roberto Fulcherberguer {BIO 17276995 <GO>}

Except for the peak of seasonality, at Christmas, we have some categories but the same goes for Mother's Day.

Q - Analyst

Thank you.

A - Corporate Participant

Julia, just to add a comment on Foods. All seasonal products are traded differently, in order to have an open and certain margin.

Q - Analyst

Thank you.

Operator

Marina Braga from Raymond James, asks the next question.

Q - Marina Braga {BIO 19446565 <GO>}

Good afternoon. A quick question, having to do with the non-recurring expenditures, having to do with the 21 million of the association with Casas Bahia. So could you please be more specific about that and what do you expect for the future regarding this kind of expense?

A - Orivaldo Padilha {BIO 21118157 <GO>}

Marina, this is Padilha from Globex. Basically, these are expenditures that derive from the integration process. Most of that is payment to consultants, part of that with IT. And we believe that by September, they will be much lower, at the first integration phase, which has to do with organization et cetera comes to an end. So they will continue to exist until September and after that, that will be a slowdown.

A - José Antônio de Almeida Filippo

Marina, this is Filippo. And 21.4 million that you referred to in fact this number is positive in the adjustment because it was a net expenditure in our results. So it's being reverted in order to show recurrent earning. So it has an effect not only of -- it has to do with the amortization of the combination of the business, about 15 million and CBD, as it captures this variation is adjusted to inform the figure, net of this effect. This is why we show 21.4 and it is positive in this statement. But in fact it is an expenditure in the result because it's being reversed here. Okay?

A - Hugo A. Jordão Bethlem {BIO 5673258 <GO>}

This is Hugo, Marina. When I mentioned in the consolidated results, the conciliation of the accounting earnings to 158 from 91, we talk about 47. If you add up the two figures 21.4 and 25.7, which was mentioned by Padilha, okay?

Operator

The Grupo Pão de Açúcar's result conference call is closed. The Group's Investor Relations team is available to answer any other questions that you might have. Thank you very much for participating in this call and have a very good nice day. Thank you.