Q2 2021 Earnings Call

Company Participants

- David Murciano, Vice-President of Finance (CFO) and Director of Investor Relations
- Jose Roberto Meister Mussnich, Chief Executive Officer - Atacadao
- Marco Aparecido de Oliveira, Chief Operations Officer - Atacadao
- Noel Prioux, Chief Executive Officer - Grupo Carrefour Brasil
- Sebastien Durchon, Chief Financial and Investor Relations Officer - Grupo Carrefour Brasil
- Unidentified Speaker

Other Participants

- Irma Sgarz, Analyst
- Joao Pedro Soares, Analyst
- Maria Clara, Analyst
- Ruben Couto, Analyst
- Thiago Santos, Analyst

Presentation

Operator

Good afternoon, welcome to the Carrefour Brasil Conference where the Group's Results for the Second Quarter of 2021 will be presented. This conference is being recorded and live streamed and will later be available at ri.grupocarrefourbrasil.com.br, along with the corresponding slide deck.

During the presentation all participants will be in listen-only mode. Following that the floor will be open for questions via phone or chat, at which point further instructions will be provided. The slides will be controlled by each participant individually. (Operator Instructions). We will start by answering the questions asked over the phone. And if time allows, we will move on to the questions on the chat. If time is not enough to answer all incoming questions, the ones that remain will be answered later by e-mail.

Before we proceed, please be advised that any statements made during this conference about business prospects, projections and operating and financial targets are mere forecasts based on management's expectations about the future of the Company. These expectations rely heavily on market conditions, as well as the general economic performance of the country, the industry and the markets in which the Company operates. And therefore are susceptible to change.

I will now turn the floor over to our CEO, Mr. Noel Prioux, Who will open the conference. Please Mr. Prioux, you may proceed.

Noel Prioux

Good afternoon everyone and thank you for joining us as we release our results for the second quarter of 2021. We had to unfortunately delay our conference due to technical difficulties, and we appreciate your -- being so understanding. Here with me, are CEO (Sic - CFO), David Murciano, by the way, welcome David, and all our heads of business.

The second quarter results, the acceleration of our business was in full display. Despite a very challenging comparison basis, our business posted strong sales growth and robust profitability. In two years we moved to another level. Our result of structural gains and competitiveness and a sort of strategies which proved to be effective even one year after the pandemic began.

Atacadao once again showed the strength of its model. We accelerated its expansion with 19 new stores and one new wholesale delivery center during that quarter. This contributed 9.5% to our sales growth. We also finished integrating our macro stores six months ahead of schedule, with an initial performance that exceeded every expectation. Atacadao's e-commerce is off the charts and sales through the digital channel increased 70% over the previous period. In two years, we've opened 59 regular stores plus four wholesale delivery stores and our revenue increased by 36%, which goes to show how strong is the potential of this wholesale model.

In retail, we had an impact on the comparison basis, focus essentially on the non-food segment. But when we look at how the business evolved over the past two years, its strong performance is very clear. Our customers are more engaged, the food segment gained competitive edge and sustained its healthy margins. And when we look at retail as a whole, in two years, we had an EBITDA margin increase by 1.2 percentage point. An impressive result which was supported by structural changes in this side of the business. Our bank is rebounding to its pre-pandemic growth levels, and is already posted an increase in revenue this quarter. Delays remain under control which attests to the quality of our portfolio. Its EBITDA reached BRL248 million and also sharp increase. We are now strengthening our growth levers for another cycle.

Thank you very much to all of you for joining us today. And I will now turn the call over to David, who will talk in greater detail about our figures.

David Murciano {BIO 21696215 <GO>}

Thank you, Noel, and good afternoon everyone. First of all, I would like to say how grateful I'm for the opportunity to join this team, which has done such an outstanding job, accelerating and enhancing Carrefour Brasil's digital growth strategy, and putting it in the lead. I also hope to meet all investors and other stakeholders very soon either in person or virtually. Brazil is a country of many opportunities and it will be a great pleasure to be part of this story in the coming years and to help accelerate this journey of success and achievements.

Well, let's now go to Slide 3. I would like to quickly go over the consolidated figures for the second quarter. First, I'd like to point out, our total gross sales, which came to BRL19.5 million in the quarter, up 10.7% over the previous year. This rise in sales was caused by a strong basis of comparison, and if we compare it to two years earlier, the change is even more significant, 28%. On a like-for-like basis, we saw an overall increase by 3.4%, which breaks down into 10.2% like-for-like growth in Atacadao, with the strategy to maintain a competitive edge remains in place. And double-digit growth was recorded for the fourth consecutive quarter. And on the other hand, a 11.4% drop in retail were as expected a very challenging comparison basis in the non-food segment, affected the result, but I will detail this in the next few slides.

The bank's continued rebound, combined with our assertive commercial strategies for Atacadao and retail, led to a 23% EBITDA increase in two years. This shows how well we've maintained our operational efficiency, keeping our SG&A steady at 12.7% of revenue. Compared with last year, we were essentially flat, largely because of the non-food sector which was impacted by a rather strong comparison basis. After all, this was a time in the pandemic when retailers were forced to shutdown. Our adjusted net income in the quarter was BRL592 million, a steep 45% over two years earlier.

Finally, our leverage and indebtedness levels remained at healthy levels, and our net financial debt was approximately one-time our EBITDA, even after settling the acquisition of Makro stores and the events for BIG. We still have BRL1.7 billion unsold receivables as part of the Company's capital structure improvement strategy. All of which shows the strength of our balance sheet.

On Slide 4, I will dive into our operations starting with Atacadao, whose quarter featured accelerated growth and robust profitability. Gross sales increased by 19.7% or BRL2.5 billion in the second quarter, with like-for-like sales of 10.2%, posting double-digits for the fourth quarter in a row. And the 9.5% expansion with the opening of 19 new stores, plus one wholesale delivery center.

During the quarter, we reopened 17 Makro stores, completing their integration six months faster than we had initially planned. In addition to that, I'd also like to point out the above expected performance, these stores had been showing, which have led us to raise our original projections. In two years, the model [ph] opened 59 stores, plus four wholesale delivery centers and managed to boost revenue by 36%. As we saw in the first quarter accelerated expansions have a natural impact on the bottom line. However, this quarter the swift ramp up in our new stores was able to mitigate much of the fallout. We're already seeing an EBITDA margin of nearly 7%, a result that is consistent with Atacadao's historical margin levels. During the quarter the adjusted EBITDA went up 31% over two years earlier, confirming that our profitability remains at extremely healthy levels.

On Slide 5, with regard to our retail performance, I'd like to break down the analysis between food and non-food categories, which as expected follow different trends over the quarter. As you all know, the second quarter of 2020 had very particular characteristics because of COVID-19. With a massive impact on sales of non-food items, given our hypermarkets one-stop shop quality. Because of the basis of comparison and this category's characteristic non-recurrence, it was only natural to think that, it would not be possible to repeat last year's performance. However, if we look at a slightly less exceptional two year period, our sound sales performance becomes clear, with 12.4% growth in non-food.

In food products, we sustained the nominal sales levels of a pandemic scenario. Thanks to the quality of our operations and customer engagement. Compared with two years ago, again we see a significant 13.8% increase in this category.

Moreover with the loyalty program we've launched, we've seen that customers who have engaged are using the points for our ecosystem a lot more. Actually they're using it and over 40% more than the clients who have not enrolled in the program. It's important to remember, that even in a slightly more flexible scenario in 2021, these results were obtained in a quarter. When there are restrictions on our operations, such as opening hours and items sold. On top of that, our property operation despite having shown significant year-over-year growth has not yet returned to the levels of 2019, which further reinforces the performance of our retail business.

Even so, our overall growth in the past two years has outpaced the market. With a steady gross margin compared to 2019, our substantial EBITDA margin improvement of 120 basis points in two years was essentially a result of our more efficient operations, given the structural improvements we have made over the past few years. In nominal terms our expenses increased by only BRL25 million during this period, which is below inflation. And this is considering expenses we've incurred because of the pandemic. In two years, our retail EBITDA rose 33% from BRL238 million to BRL316 million.

Now moving on to Slide 6. In regard to e-commerce, we have a very similar story to that of retail, in terms of top line behavior. Same growth across all categories over a two-year period. It's interesting to note the prominence food products are gaining in this channel, having totaled a third of the overall GMV in Q2 2021, and sustaining the highest levels reached at the peak of the pandemic. We continue to evolve in our business model, with more integrated physical assets, a better assortment and better pricing. And we'll be rolling out the pick in store service to 60 more retail stores throughout the year.

As Noel mentioned, Atacadao's digital channel is gaining momentum quarter-by-quarter and its sales have shown a 70% sequential increase. We already have a 117 hubs, then expect to have a 160 running a digital operation by the end of the year. We believe the acceleration in food products will be the main driver of non-food in terms of traffic, a synergy that will be unique in the market with potential to generate sustainable growth.

On Slide 7, a little bit about our bank. We had a quarter where the recovery cycle stabilize and results followed an upper trend, as we have been talking about since the second half of 2020. With strong growth in revenue gain, averages 50%. For the first time in 12 months, we recorded revenue growth for this operation.

Following the same trend of recent quarters, delinquency rates remain subdued at levels very close to those of the first quarter of 2021, when we posted the lowest over 90 in the history of Banco Carrefour. This is evidence of the quality of our portfolio, in the accuracy of our decision to cautiously resume lending, in the second quarter of 2020. By keeping our expenses flat, we managed to have our financial operation contribute a very similar amount to what we've seen before the pandemic with BRL248 million in EBITDA, which makes us very pleased and excited about the future.

Using the Brazilian Central Bank methodology which impacts short-term results less because of the accelerated growth, our EBITDA accelerated by over 200% exceeding BRL300 million. We are very confident in our ability to accelerate and potential recovery of our financial services, as we diversify and launch new products such as the public [ph] payroll line and digital account with credit for Atacadao purchases, which will enhance the relationship and the engagement of our customers with our bank.

On Slide 8, I will discuss the advances we had on the ESG front, during the quarter. In June, we launched our 2020 Annual Sustainability Report, which details the many breakthroughs we made throughout the year. I'd like to invite all of you here to access the final document which is available on our Investor Relations website. This quarter, we made significant headway, especially on the social and environmental fronts. On the social front, in line with the eight commitments we made in our anti-racist struggle, we issued free cost for tenders to fund 40 different organizations, that operate on three different fronts. Institutionally strengthening of African-Brazilian civil society organizations, supporting black entrepreneurship and commenting and raising awareness about racism and discrimination.

We've received over 1,600 applications and the result of the process will be announced soon. Since the beginning of the year, we have also grown our hiring of black employees by 154% in our bank and head offices, in addition to increasing the share of black operational hires to 63%, up from 59%. As a step forward in our work to promote diversity, we launched the TransForma Program, designed to train and educate Trans people for the job market.

On the environmental front, we had progress signing the group's livestock commitment term, with which 75% of our suppliers are now committed. We also avoided 12.5 tons of plastic in our packaging over the quarter. Finally, the first sustainable livestock products have arrived at Carrefour stores in July. The first results of the Juruena project, an effort to sell sustainably sourced fee at affordable prices.

On that note, I'd like to turn the floor back to Noel for his final remarks, and thank him for his immense contribution to Carrefour Brasil, bringing us to new levels of efficiency and growth.

Thank you very much. Over to you, Noel.

Noel Prioux

Thank you so much, David. I'd like to conclude by emphasizing how sharply our ecosystem is accelerating. All our operations have shown consistent results and our model is proving itself again and again in different scenarios. With its excellent cash and carry format, Atacadao managed to absorb the Makro stores in record time. Our experience with this acquisition, makes us very optimistic about the future, after the acquisition of the BIG Group is concluded, following CADE's approval.

The structural changes in retail have been proving effective, and we're reaping the benefits with a much more efficient and profitable operation. E-commerce is growing stronger in both segments and gaining traction with Brazilian consumers. And our bank which is an invaluable asset to our operations, is already progressing at the excellent pace, we were seeing before the pandemic. Again, ours is a unique model in this country. Our footprint extends to every class and region in Brazil with a full-fledged ecosystem, that allows us to accelerate significantly while sustaining our earnings.

I would like to take this opportunity to thank all of you who are close to me, over these past four years, especially the over 90,000 employees who welcomed me with open arms in this country, that is so full of opportunities. I'm forever optimistic about Brazil and I really believe in our ability to accelerate further and make good use of our physical assets to leverage our digital operations, combining the best of recurrence that comes with food products, with the value generated by financial services and an extremely well-positioned asset base. There is a lot of power in that.

Thank you very much for your attention, and I think now we can move on to our Q&A session, with the other executives.

Questions And Answers

Operator

We'll now begin the question-and-answer session. (Operator Instructions) Our first question comes from Joao Soares from Citibank. Joao, your line is open. You can proceed.

Q - Joao Pedro Soares {BIO 20837239 <GO>}

Thank you. Good afternoon everyone and congratulations on your very successful trajectory, Noel. I have two questions. The first of them with regard to Atacadao, which slip back in Y-o-Y terms. And also focusing on competitiveness, I'd like you to explore a little bit more, what should we have in mind when you talk about a competitiveness? And I'd also like to understand a little bit better, because not everyone have a good picture about your gross margin.

The second question is actually, I like to understand a little bit better about Makro, you are able to deliver these stores in shorter than expected time. So, I'd like to know, if you see any possibility to review your synergies, with these learnings, in terms of your gap in maturation with the big stores. I know you still haven't started the integration of those stores. But I would like to know if we can expect some sort of revision in those deadlines?

A - Noel Prioux

Roberto, your microphone, is it better now?

A - Jose Roberto Meister Mussnich {BIO 18298845 <GO>}

Yes. Okay. Thank you, Joao for your question. I will start with the second one. Naturally, the experience with integrating new stores is important. And Makro was ahead of this expansion with the Makro stores. And the challenge for us was to have that done in six months and we were able to achieve that. There is a slightly different characteristic to big stores which is that they were closed. So it's like, we will have to fix the aircraft as it is flying. So, I do not believe we will have any sort of trouble, I don't think we will run into any setback, but we are still expecting the antitrust authorities decision.

Now with regard to Atacadao we have to wait for a year, because if we look at last year with the opportunities we have with the pandemic, we actually have the opportunity to run an extremely full fledged operation, in terms of purchases. For example, because when the pandemic began, we were very well equipped to run that negotiation and to celebrate our anniversary in April. So we were able to value our inventory, and there was good demands, so negotiations were easy.

Now if you look at our figures today, we are going back to our traditional margin standards and our traditional top line business strategy. Strategically striving to have the best prices in the market and trying to stay ahead of the competition and becoming those that -- the competition has to run after. We are now seeing, already stabilized prices, especially with the slightly higher commodity prices, and also the effect of what we call dollarization, with purchasers who take at the dollar real exchange rate, in consideration when dealing with their prices. So, now we were able to negotiate that very -- from a very good perspective. And for the first time since last year, we saw tickets stabilizing. There was a decline in tickets, and a rise in the average tickets. Now in Q2, we saw our ticket -- the ticket of our operation stabilizing at BRL42 million, which puts us in a place where we are expecting an increase, especially in those tickets that have not come to their pre-pandemic levels. So we are now feeling optimistic not only about our demand but also about our future margins. And speaking about margin, you also have to consider the 19 stores that were open. Naturally when you open a store, you have several costs to open it. The costs of training staff, the cost having the store setup and being able to open it.

And now all we have to do is open the doors to avoid crowded places. All we have to do is open our doors and wait for customers to come in. And that has been extremely healthy, in terms of keeping our staff safe, as well as our customers. But the ramp-up is slightly smaller, but it increases over time. So 19 stores in Q2, plus 9 in Q1, that's a lot. So, it really will impact our margins. But as always said, we are always thinking about the future and not on today. And tomorrow is very close. So, I hope, I was able to answer your question.

Q - Joao Pedro Soares {BIO 20837239 <GO>}

I think we could talk about a little bit about how relevant those openings that you had. We just wanted to understand how much that could have affected your margins? Do you --

could you give us an approximate number?

A - Marco Aparecido de Oliveira {BIO 20241330 <GO>}

Well, I could take that one. Well, if you consider that, since November we've converted 28 Makro stores, with six organic openings as well, that will have a much greater impact on our operations. Then they would in the past, when we had only 2022 organic store openings. With these Makro stores that we finished here in June, which were Q2 and Q3. So there is all the pre-operational costs is not just about margin, which had a significant impact. And now as of July, though that impact does not exist. So their margins will no longer be negative, but rather positive. Makro has also reached breakeven in July, so it's become positive in July. And the next or the following months will all be positive, because as the store progresses their sales also begin to rise. So in Q1 and Q2, a relatively negative impact but a positive impact starting in Q3.

A - Noel Prioux

Thank you, Marco.

Q - Joao Pedro Soares {BIO 20837239 <GO>}

Yes, I got it now. Thank you.

Operator

Sebastien, Joao asked a second question, which was -- would you -- did you see a room to revise your synergies up, considering how well we did with Makro?

A - Sebastien Durchon {BIO 20242758 <GO>}

Well, I think, Roberto talked enough, but I could add to his reply. We are in an integration process and obviously, we have to wait until we antitrust authority delivers its decision. So, we obviously will take into account everything that we learned from the integration of Makro stores into our projections. The only thing we have to say here is, we announced a synergy and we took a serious commitment. We announced a number of measures and a number of targets in Makro's case, and we were able to meet those, all of those targets. So, what we've announced in terms of synergy is, the least we expect from these new stores.

A - Noel Prioux

More questions?

Operator

Our next question comes from Maria Clara from Banco Itau. Maria, you may proceed.

Q - Maria Clara {BIO 4984184 <GO>}

Good afternoon, guys. Thank you for taking my question. I actually have two questions. First of all, would like to understand a little bit better. What's going on with your Atacadao down stores? The type of customer, what has changed compared to the old stores? Could you talk a little bit about the new dynamics of these stores that you reopened?

And the second question, I'd like to know over those two months, you devoted yourselves to explore different options in your bank, especially with new cards. We would like to understand that new dynamics whether that's structural or not? And what type of payment options you will adopt?

A - Unidentified Speaker

Thank you for your question. We did have that in our plans. With no impact on our Atacadao card, we are now rolling out the meal ticket card across Brazil, because we do want to attract new customers. And that is the experience of the pilot we ran a while ago and that's the good news. We have been able to draw new customers to our operations in that sense.

Now with regard to the profile of our new stores, I'd like Marco to talk a little bit about our expansion and the profile of our new converted Makro stores.

A - Marco Aparecido de Oliveira {BIO 20241330 <GO>}

Well, with regard to our strategy for these new stores for organic expansion and to the strategy is to consolidate those new markets and the markets we already operate in. And we have to prevent a high impacts on our margins. It's been some time since we've adapted the -- out the layout of our stores. Even to regional markets, where large stores are not a good fit. So we've drastically reduced the size of a few stores, those that are included in the expansion. We had stores with 4,000 meters. We recently opened one store in the north side of Sao Paulo. This is a very densely populated area, and the outlook of the stores is very much in line with the other ones.

So, a lot of stores with a smaller potential than before we are moving into those areas with smaller -- small sized stores. And in those places where there is no room for -- there is no space for really larger stores, we have -- these stores that are 600 meters or 2,000 meters large. And we expect to have higher margins as a ratio of their size. Yeah, I like to remember that, this model has no impact on the Atacadao stores. We could make use of the same structure not changing anything. And now we have about 14 stores under construction. So, we should have about 250 store points plus 33 Atacadao stores. I'm sorry, this changes every day, so sometimes we stay out of the loop.

Q - Maria Clara {BIO 4984184 <GO>}

What about the customer profile? Is it the same as those of older stores?

A - Noel Prioux

Well, I would say that, customers go from Class A to Z. A plant expansion as Marco said, to new markets and to markets within state capitals. It's all about how long the customer has to go to reach the store. So, if he has to travel 30 kilometers, if we give him a store of 15 kilometers away from him, then we get the client. But the profile was the same.

Q - Maria Clara {BIO 4984184 <GO>}

Thank you.

A - Noel Prioux

It's also about the ability of Atacadao to adapt every area. Keeping the same model with more or less space depending on the customer's profile.

A - Marco Aparecido de Oliveira {BIO 20241330 <GO>}

That was perfect, Noel. We also have a few stores which are more focused on retailers rather than end consumers. So, this is something that we've adapted, and Atacadao is a master in that art. The art of becoming closer to customers and adapting to regional requirements.

A - Noel Prioux

If you could also answer her second question, which was about the acceptance of the Atacadao card?

A - Marco Aparecido de Oliveira {BIO 20241330 <GO>}

I mentioned that at the beginning Natalia [ph], I open the answer with that. We are rolling out those cards and we are attracting new customers with those options to pay with several different cards including meal ticket cards. Not long ago, all we accepted was debit and credit card and cash. So, we put up the or we set up the Atacadao bank, and we are now mature with a competitive edge that it's extremely sharp, seeing as these new payment options are being very well accepted.

A - Noel Prioux

Next question?

Operator

Our next question comes from Ruben Couto from Banco Santander. Ruben, your line is open.

Q - Ruben Couto {BIO 20636571 <GO>}

Good afternoon, guys. Could you talk a little bit about your debt since last year? We saw a decline in expenses compared to the first quarter. But I'd like to understand what are the structural improvements that you mentioned? And should we expect a similar trend in the next few quarters, considering what's going on these days? And could you also tell us how much you are spending on COVID-19 related measures? Seeing as we expect these expenses to no longer be necessary, not longer in the future.

A - David Murciano {BIO 21696215 <GO>}

Good afternoon, and thank you for your question. First of all, with regard to our expenses, we've had nominal expenses that were 1% lower than the previous quarter. Also non-recurrent expenses on COVID related matters, we still have about 2,000 employees on leave. Employees that are in risk groups, elders and those with chronic diseases. So we are keeping them at home until they take their second shot of the vaccine, and we are also keeping every sanitization measures in our stores. Still, our nominal expenses were lower than those in the previous quarter. Still, if you compare to 2019, our 110 basis points less than in 2020. The basis -- the 2020 comparison basis is affected by extraordinary events, especially a very extreme performance by food items, which grew over 56% driven by electronics, and also driven by the shutdown of store -- of street stores, because we are an essential business. In the second quarter compared to last year, the result is essentially a result of the decline in non-food items. Still when you compared to 2019, there was a healthy increase which -- it was over 13%. So, the continued increase in expenses was a 120 basis points compared to 2019, which was still higher, if we excluded non-recurrent expenses in relation to COVID-19, which we didn't have in 2019.

Q - Ruben Couto {BIO 20636571 <GO>}

Thank you.

Operator

Our next question comes from Irma from Goldman Sachs. Irma, you may proceed.

Q - Irma Sgarz {BIO 15190838 <GO>}

Good afternoon, and thank you for taking my question. I would like to ask you to give me the breakdown of Atacadao, more so than in retail. And also like to know, if you have quantified Atacadao, how much you loss, in terms of sales, because of the lack of demand? If you could quantify that for me, in any way, that would be great.

A - Unidentified Speaker

Irma, obviously with restaurants shutting down and the lack of customers in restaurants, that took a den [ph] in our restaurant sales, which was replaced widely by end consumers, who came to us to fill their pantries. So, the demand was not -- there was not a loss in demand. However, once these restaurants adapted to takeaway and delivery. And now with their return to in-person services, I can't really tell you, how much we've lost, but it wasn't much.

Now with your first question about like-for-like, I couldn't really understand, so did anyone understand what the question was?

A - Noel Prioux

No, I think she could repeat that. So Irma's if you could repeat your first question?

Q - Irma Sgarz {BIO 15190838 <GO>}

Okay. Thank you. So, like-for-like sales, did any of that come from your average ticket? Or how much did it come from average ticket and how much came from change in prices?

A - Unidentified Speaker

Well in Q2 Irma, we saw an increase in the average ticket. But the good news in Q2 is, if you look at like-for-like in same-store sales and the pace of the ticket, we have stabilized since the start of the pandemic, when the number of operations decreased. In Q2 for the first time we maintained the number of operations. So on average, 41 operations. For the first time that remained flat, what we expect now is to see an uptrend as the economy rebounds, and especially with the reopening of restaurants. Also adding to your first question, with regard to the loss of sales to professionals, Atacadao's corporate customers is very segmented. So we have churches, restaurants, small retailers, bakeries, and piece of (inaudible) parlors. Obviously a large share of these customers were lost. But on the other hand within these categories, for example, if you look at small stores, those also started purchasing more from us. So that was an opportunity for us to offset the loss we've had with bars and restaurants, for example. We feel that is picking up although very mildly, but that rebound can already be seen, since stores started to reopen.

Q - Irma Sgarz {BIO 15190838 <GO>}

Okay. Perfect. Thank you.

Operator

You can answer in Portuguese.

A - Unidentified Speaker

So our loyalty program was launched eight months ago in early November. This was a totally customized program, where every customer has a personal target to increment their relationship with us. The relationship between investment and additional increase in income is 1 to 8. So we expect 8 points an increment in revenue for every one point in investment in the program. In addition to that, also is designed to connect all our ecosystem. So for example, the loyalty program also connects with our bank Carrefour and our bank Carrefour customers. So if, for example, a bank Carrefour card customer participates in the loyalty program, it can participate in their revenues and over 30%. It's also designed to digitize our customers.

We had digitalized customers before the program, but after the program we multiplied by three, the number of customers engaged and active users. So for now this is a program that is funding itself. It's a way for customers to engage and doesn't translate in any expense for customers who are not purchasing from us, because it neutralizes itself. It only generates rewards for the customer if he spends more with us. And that, those targets those spending targets are specific for each customer. In addition to that loyalty program, we've recently launched a new functionality which called MultiChoice, which recommends to each customer. Products with a better nutritional score and also more affordable within every category. So the program is not isolated, it's actually part of our entire digitalization and customer engagement strategy, and offers additional rewards, in addition to the discounts.

Operator

Our next question comes from the chat and is from (inaudible). Could you give us some color in SG&A with Atacadao, as stores are reopened. What is the impact of the store openings? Did you think of any repurchase program considering the current costs?

A - Unidentified Speaker

Well, with regard to our cost, historically, Miguel, we've always tried to balance. And we have been rather successful at it, our new stores both in margin and expense within our total pool of stores. If you think that in 2007, we had 34 stores and we've opened 12 every year, so we had 33% of stores, which had a great impact. So every year our bases increases. So, this year with 28 new stores, because of Makro. But usually 22 stores within a 250 pool [ph] of stores, the impact is smaller every time. So those stores can bear the costs very well and the investments in margin will be made in those new stores. So, that impact is decreasing every year.

This first quarter specifically, we saw a very big impact because it was a large number of stores, considering our new Carrefour stores and the converted Makro stores. Also expenses were diluted within the quarter, because our structure is setup to essentially plug and open our new stores, without increasing expenses for the head office. So that gives us a competitive edge, given the scale of our operations. And also like-for-like sales, this quarter with 10.2%, like-for-like sales obviously. If you see the general expenses and staff expenses, most of that is indexed. So inflation affects that directly. It doesn't come to 10.2%, so expenses always increased less than like-for-like sales, which also helps us to decrease costs.

Operator

Our next question from the chat comes from (inaudible). Why the changes in DCO and CFO, considering how well the Group had been doing in the past few years?

A - Unidentified Speaker

Is my microphone working? Okay. Well, that's a very interesting to think. Whenever we advance, not only does the group decides to invest in professionalism, but also in people. So the Carrefour organization is one where everyone has their responsibilities and can autonomously make decisions. So, that's something that's very difficult to replicate. So, when I came on six months after the IPO, I didn't understand why Carrefour wanted to change its CEO. Now four years later, we are seeing some of the best results in the history of Carrefour Brasil. And I believe they will be even higher in the next four years. So, I think it's very healthy to change the leadership when you're accelerating. Because you have -- what you know, with acquisitions, but also we have several other projects.

So, I think it's good to stay ahead of the curve. We considered for BIG for example, we thought that it was better to change the CEO right now. So that the new CEO could be part of the preparation, because I believe this is the most important step. And then the application which is a challenge, but if the CEO is well prepared then it's easy. And it's also about giving opportunity to new people. We see integration with good eyes, especially thinking about the future. Sebastien was here with us as well, touched on a very important point, which is the integration of BIG and the first steps, the preparation in that sense. Stephane is very experienced, he has been in several different countries in several different companies, especially several years in Argentina, which is not an easy country to do business in.

We will continue to work together throughout the year. And you'll see that, ultimately this was a good decision. I really don't see why this is difficult to understand.

Operator

Our next question on the chat comes from Lukas Oliveira.

Good afternoon. I would like to know whether the decrease in retail results was somehow affected by the decline in emergency relief payments or because of the strong comparison basis of Q2 in 2022, and whether you see the segment recovering in the next few quarters?

A - David Murciano {BIO 21696215 <GO>}

Good afternoon. Thank you for your question. Once again, the basis of comparison is absolutely exceptional. We had 30% of like-for-like in Q3 2020. So, now we're reporting negative like-for-like sales, but it's a comparison basis of over 30% in 2020. This basis whereas I said, is very much driven by non-food items, especially textile and electronics, and that increase would be founded in three structural elements. One of them, as I said, was the temporary shutdown of street stores. The second would be, yes, the impact of the pandemic relief payments. And also we had the shutdown restaurants last year, which had several people in working from home and ordering food at home. So, we think that it's a much better idea to look, the like-for-like at the advance of like-for-like over the last two years.

As for the EBITDA margin this quarter 5.5% is a 100 basis points better than Q1, and also better than Q1 '20 -- or Q2 '19. And also this quarter compared to the same quarter in 2019, we still do not have the full split because it's not in the same level that it was in 2019. And as I said, we have specific COVID related expenses with 120 basis points of EBITDA margin. We should compare to 2019 with a potential to improve, and also thinking of the second quarter of last year, where the decline in expenses was much caused by this peak in sales.

Operator

Our next question comes from Thiago Santos.

Q - Thiago Santos {BIO 20847085 <GO>}

Good afternoon. Well, we have more dividends yet this year? (Technical Difficulty)

Operator

With no further questions, we return the floor to Mr. Prioux for his closing remarks.

A - Noel Prioux

Well, with no further questions, thank you for joining us, and we will see each other next quarter. Thank you very much.

Operator

The Carrefour Group Brasil Results Video Conference is now closed. Thank you for you participation, have a nice day.