

## Q1 2022 Earnings Call

### Company Participants

- Guillaume Gras, Chief Financial Officer and Investors Relations Director
- Marcelo Ribeiro Pimentel, Chief Executive Officer
- Unidentified Speaker

### Other Participants

- Analyst
- Andrew R. Ruben
- Danniela Eiger
- Felipe Reboredo
- Fernanda Sayao
- Guilherme Vilela
- Irma Sgarz
- Joao Pedro Soares
- Maria Clara Infanzozzi
- Ruben Couto
- Vinicius Strano

### Presentation

#### Operator

(Foreign Language) For those that don't speak Portuguese, we have the English simultaneous translation that can be used by pressing the interpretation button we presented by the Globe icon on the bottom right corner of the screen and choose English option.

(Foreign Language)

#### Marcelo Ribeiro Pimentel {BIO 20296021 <GO>}

-- by the end of Q3. I would also like to highlight the growth of our Proximidade business with a highlight for the stores that are now benefiting from the greater flow of people in the streets and for people going back to face-to-face work. Our plan to expand the business is firm. We opened two stores, Minuto Pao and Pao de Acucar Fresh in Q1. Three other stores have works underway and should be opened in the next month. In our mainstream supermarkets, we will focus on regional assortment and non-perishable services for Compre Bem and Mercado Extra.

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We continue to develop our digital ecosystem and have an -- and opened a collaborative platform, which is an essential part of our multi-channel strategy. In Brazil, if we exclude the operations of the hypermarkets, GMV of e-commerce in foods grew by 44% in Q1. We are implementing actions, which focus more on competitiveness, sales capture and improvement of operations.

In the Exito Group, the omni-channel share has reached 9.4% of consolidated sales and has reached 11.8% in Colombia. Thank you all very much. And I now turn the floor to Guillaume Gras, our CFO.

## Guillaume Gras

Thank you, Marcelo. Good morning. Ladies and gentlemen, I would like to say thanks for your participation in the disclosure of the results of Grupo O GPA. I'll start the presentation by speaking about our financial performance and our ESG highlights. And then, I'll hand it over back to Marcelo, who will conclude with the key messages for 2022.

So, before we get into the figures, it is important to note that in this quarter, unlike the fourth quarter, we applied IFRS5 in terms of the discontinued operations. And therefore, we reclassify the results of our hyper stores in this discontinued period. However, it's noteworthy to mention that on our Q1, we still have some expenditures that are indirectly related to hyper such as the headquarters and logistics cost, and we focus on our performance vision for more -- for a better comparison.

That being said, on slide number 4, we present our consolidated performance figures which considers all of the GPA Brazil operations and the Exito Group as well. Group sales amounted to BRL10.1 billion in the -- in Q1'22, growing to a tune of 2.3% compared to last year, which is the result of a strong performance from Colombia, which presented 46.9% - accounted for 46.9% of the sales. In the quarter, we registered an adjusted EBITDA margin of 6.5% with a drop to the tune of 1.1% compared to Q1 2021, which is explained by the -- by a lesser dilution of the expenditures on the Brazilian side and also the drop in the real estate projects revenue, which was a lower figure compared to last year.

Finally, GPA's net profit reached the mark of BRL1.4 billion on Q1 2022. Considering the results of the transaction on hypermarkets relative to 40 commercial points and 11 pieces of real estate that were transferred to Assa? which accounts for BRL1.5 billion in the period of the net profit of our discontinued activities.

On slide number 5, we can see that the company has maintained a low leverage level to the tune of 2.1x the liquid -- the net debt/EBITDA with a solid cash flow position of BRL3.6 billion, which accounts for 2x our short-term debt which makes -- which ensures us great liquidity. It's important to point out that we are going to have an inbound cash flow to the tune of BRL3.4 billion related to the Extra Hiper transaction by 2024. Our consolidated operating cash flow for the Novo GPA Group minus discontinued operations was in the order of BRL1.7 billion, which allows us to finance all of our investment plan and the debt cost as well.

Finally, I would like to point out the revision of our company's classification by Fitch from AA to AAA. According to the agency, this elevation of rating is based on the strengthening of our business profile and also the financial situation of the company. After the conclusion of the hypermarkets transaction, this incorporates that the company will continue to benefit on its multi-channel, multi-format model on strong brands that are well-consolidated in the industry as well as geographic diversification, thanks to Grupo Exito.

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On Slide 6, we present the impact on our P&L and the update on the Extra Hiper Brazil transaction. In the results of the first quarter, we had a net profit results of our discontinued operations to the tune of BRL1.5 billion of which BRL3.7 billion is net sales from the 40 commercial funds and 11 pieces of real estate that were transferred -- goodwill funds, pardon me. BRL0.9 billion of assets write-offs, BRL0.5 billion of project expenditures such as layoffs, contract termination and other expenditures related to the transaction, for example, inventory, demobilization cost and other expenditures. Finally, BRL0.2 billion of expenditures related to the operating results, especially on the stores that were granted and the stores that are under a conversion. And finally, BRL0.5 billion, which is tax income expenditures.

With that, adding up to the effects of Q4'21 and Q1'22, we have a net profit to the tune of BRL1.8 billion related to hypermarket transactions. To add on to the update of the hypermarket transaction, in February 2022, we announced the signing of definitive contracts of the transfer for 17 pieces of real estate on its own value, approximately BRL1.2 billion. And in April, we announced the definitive decision of CADE which approves this sale.

Throughout the quarter, we concluded the grant of 40 points of Assai, which totals 60 of the total 70 points and the 10 remaining assets are still under negotiation with Assai and the owners. In terms of cash flow, the company has already received BRL1.9 billion by the end of Q1'22, and as it was mentioned before, we are going to receive an additional BRL3.4 billion by 2024.

On Slide 7, we present the financial development of Novo GPA Brazil. In the pro forma vision which considers certain expenditures that could not be reclassified to the operations net profit, the discontinued operations effect from an accounting perspective, because they are partially related to the discontinued operations. In this way, total sales for the Novo GPA Brazil Group added to BRL4.2 billion.

Looking at the perimeter of same-stores and excluding the places that had a negative impact on the sales, given that approximately half of them are in cloth store locations in the conversion for Assai. So the sales on these stores rose by 1%, and there was an impact by two elements. One, the disruption of products due to the logistics adjustments, which are necessary after the closure of hypermarkets stores. We closed four distribution centers, and we reduced the area of an additional four. And number two, the loss of focus on the operation which was caused by the Hiper stores transaction.

Total expenditures amounted to BRL759 million in the quarter and the nominal growth was to the tune of 3%, way below the period inflation which was 11%, IPCA 12 months. And

so, that was only made possible due to the cost control initiatives, especially when it comes to freight, personnel expenses improving productivity and also marketing reductions.

Finally, our adjusted EBITDA totaled BRL321 million in the quarter, 12.8% improvement compared to Q1'21, with a margin to the tune of 8.2% minus 1.1% compared to last year. With greater focus on our most profitable formats and with our conversion and expansion plans, we hope to be able to dilute our fixed costs for the next few quarters. And as a consequence, there will be a development -- growth in our profitability margin.

Moving on now to slide number 8 with the results of Grupo Exito which presented once again, a strong two-digit growth on same-store sales to the tune of 20.8% compared to Q1 '21, reaching the mark of BRL6.9 billion in total sales for that period. This growth was leveraged, thanks to the solid performance in Columbia and also the growth in sales due to the omni-channel aspect and the economic reopening of Uruguay. The GMV of our e-commerce activity reached the mark of BRL640 million with a sales penetration in the order of 9.4% in the quarter. The adjusted EBITDA for Q1 amounted to BRL430 million with a margin of 7%, 1.2 percentage points lower than Q1'21. The main impact is related to the real estate projects revenue that are non-recurrent and lower than last year.

Moving on to slide number 10, about our sustainability agenda. On the chart you see on screen, we describe some of our main initiatives that stand out for Q1'22 in Brazil and Exito, and these are the pillars of our climate change inclusion and diversity and social impacts initiatives that we conduct in our communities. In Brazil, I point out the initiatives that are related to the environmental agenda where we collected over 129,000 tons of waste in a partnership with 24 co-operatives that work with recyclables and also, partner companies. On Exito, we already achieved 24% of our yearly goal for recyclables on 2022.

From a diversity perspective, we opened 500 new jobs for the female leadership program. Additionally, we started a specific class with 70 job positions for the development program, which is completely focused on black women. In the first quarter of 2022, Grupo Exito attained the Gold Equipares label, which is a part of a certification program for gender equality and management.

And finally, from a social impact perspective, we launched a new grant program for youth that are approved for universities, but youth that don't have the social economic conditions to pay for the university tuition. 84 students will benefit from this program in this quarter. Through the Exito Foundation, we achieved 24,000 children that are benefited by our program, Zero Desnutricao, zero malnutrition, which is 3% more than last year. And this number already accounts for 40% of our yearly goal which is to achieve 60,000 children.

I hereby conclude my presentation and I'll hand it over back to Marcelo for the conclusions.

**Marcelo Ribeiro Pimentel** {BIO 20296021 <GO>}

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Thank you very much Guillaume. On Slide 12, I would like to talk a little bit about our priorities. I joined the company at an excellent time. The company is now lighter and has a very objective -- clear in Brazil and Exito. In Brazil, we want to further strengthen the group. This is underpinned by six priorities, which I would like to share with you.

Structural growth of the top-line, excellent service by improving NPS, consolidating the multi-channel model for all of our flags, expansion and conversion of stores, improvement of the business's profitability model, and delivery on our ESG commitments. On Grupo Exito, our priority is to maintain growth by employing innovative models, complementary businesses, and the strengthening of omni-channel strategies. The initiatives focusing on children nutrition is a very strong flag for us. And we also want to improve sustainability by strengthening the value chain.

This is all very important regarding our agenda with society and the environment. Given the challenges and the scenario ahead of us, I am confident that we have the right leverages and have made the best choices. We are focused and concentrated on the execution of our strategy. I am totally confident of our strategic planning and on our results and I'm sure we are on the right path.

I now turn the floor over to the operator so we can start the Q&A session.

## Questions And Answers

### Operator

(Question And Answer)

We will now begin the Q&A session. (Operator Instructions) Our first question comes from Danniela Eiger, sell-side from XP. You may continue please, ma'am.

### Q - Danniela Eiger {BIO 20250080 <GO>}

Good morning. Thank you for taking my question. I have some actually. First, I would like to explore a topic that was very much talked about on the media, and this has to do with the sale of assets. Some time ago, you were saying that you would divest non-strategic assets, operations in other regions. But now, there are news having to do with more core assets, like, the Pao de Acucar flag, for example. There are also things revolving around the Exito Group. So what is your divestment strategy. This is, again, being talked about on the media, especially with the potential interest expressed by Mr.Denis. [ph]

And then the second question has to do with the margin. GPA Brazil, despite the challenges, has a margin in the region of 8%, which is a very healthy margin. But before you closed the Extra operations, you said this would be a double-digit margin before you close the deal for the Exito.

And if I may ask a third question, I would like to understand the increase in the provision, which has impacted the operations in Colombia with JP Colombia, and also in terms of

the net worth equivalents, the pickup method. Are there any other signs that we should be worried about?

### **A - Marcelo Ribeiro Pimentel** {BIO 20296021 <GO>}

I will start by answering and then I'll pass it on to Guillaume, especially as regards the last part of your question. As regards the sale of assets, everything that is on the media is merely a speculation. We have nothing new to say about this topic. We have nothing to say regarding the short or mid-term. There's nothing happening in that regard.

As regards the margin, you are correct in terms of your expectation. This is an operation which should in the next few quarters become an operation that gives us double-digit margins. In the next few quarters, we should have high-single margins, and then by year end, we should have -- we should achieve our ambition.

Guillaume, would you like to say anything about the third part?

### **A - Guillaume Gras**

Yes. We continue to look for an EBITDA margin between 9% and 10%. There is going to be a maturation [ph] curve. And thanks to the conversions and our expansion and a greater focus of our initiatives in these operations. So we believe this is going to happen.

And as regard Tuya, I'm going to pass the floor over to our CFO in Colombia to explain the impact of the provision in the Tuya portfolio.

### **A - Unidentified Speaker**

Thank you, Guillaume. Good morning, Danniela. Thanks for your question. Before I give you the details, I would like to highlight that this should be a temporary effect. It's very much related to a growth in the portfolio in the first quarter, the portfolio grew 36% over Q1 2021. So it's an increasing provision due to volume. The intermediation margin in the portfolio will be same in the next few months. There is no effect in terms of a deterioration of the portfolio. It's a temporary effect. The non-performing loans are at historically low levels, and the portfolio is very well controlled. Last year, we made a provision, especially in 2020 because of the pandemic because we were cautious, but this is no longer the case.

### **Q - Danniela Eiger** {BIO 20250080 <GO>}

And Guillaume, as relates to FIC that you have with Assai, there was also an increase in the provisions.

### **A - Guillaume Gras**

Yes. But again, it's the same reason. It's because of the expansion of the portfolio. The portfolio is expanding very, very strongly. So it's not a problem with the quality of the portfolio but rather with the expansion of the portfolio.

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## Q - Danniela Eiger {BIO 20250080 <GO>}

Thank you very much for your clarifications.

## Operator

The next question comes from Joao Soares, sell-side from Citibank. Please turn on your mic, sir.

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

Good morning. Thank you very much for taking the questions. I have two questions. The first goes to Marcelo, if possible. When you look at the priorities of the company for 2022, you did this in your slide and I would like to hear about the structural growth of the top line, having to do with assortment and disruption. How do you see this assortment in different channels, in different formats? And how do we fit in the private label strategy?

And as regards the monetization of assets, I would like to explore a different angle. Do you see opportunities to unlock value in some business units. Re-IPO of Exito, does this make sense? I'm not speaking about monetizing and selling, but unlocking value. I think this would be important to know whether you have plans in that regard.

## A - Marcelo Ribeiro Pimentel {BIO 20296021 <GO>}

Thank you, Joao. As regards the top line, again, a retail company will win the game by growing its top line. The company has focused on managing G&A, but we need to improve the top line with profitability. This is our fifth priority to grow the top line with profitability. This has to do with what Danniela was saying.

My view in that regard is very clear. Without Eper, [ph] we are a supermarket company, a proximity company, and we also use multi channels and digital channels. We have priorities within this model. The first one is to have the ideal assortment, especially for Pao de Acucar. This is our first, second and third priority. We have to ensure that per category, we have an ideal assortment for Pao de Acucar. We are monitoring this, especially OSA with Nelson [ph] to ensure that we have the right flow of goods from our suppliers to the shelves to improve the disruption and to ensure that products are in -- on the shelves in the stores.

And then the products have also to be in the right store. We are focusing on the more profitable stores so that they have 100% chance of growing their sales. Then we are going to focus on multi channels. We have been improving. We have seen a 44% growth in foods, in foodstuff sales based on GPA, but our partnerships with iFood and MercadoLibre have shown an enormous potential. We have growing our share in their sales. And this is going to bring us more sales and also new clients. We have seen opportunities to -- we have seen 40% to 50% of our new clients coming from those channels.

And then we want to strengthen what is, should be, and continues to be our priority. And this is the premium assortment. We want to be seen as premium supermarkets. And this

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goes for Pao de Acucar by offering premium assortment of products. The average ticket is then higher and the margin is healthier, of course. The good news is that we are seeing a growth in the number of clients. We want to accelerate this and see people in the stores so that we can benefit from this. But as regards assortment and top line, I believe that we have a huge opportunity to resume growth at a fast pace.

As regards monetization, I have nothing new to say. If something new happens, we will bring the news to the market. But speaking of Pao de Acucar, we have no conversations on the way. We have nothing to add. This would be mere a speculation.

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

Thank you Marcelo.

## Operator

The next question comes from Fernanda Sayao, sell-side analyst with Credit Suisse. You may open your microphone, ma'am.

**Q - Fernanda Sayao**

Good morning, Marcelo, Guillaume. Thank you for taking my question. And Marcelo, it's a pleasure to e-meet you. What have your first days as a CEO been like? What are your main priorities, your main concerns? And what is your greatest professional dream?

**A - Marcelo Ribeiro Pimentel** {BIO 20296021 <GO>}

A great question. I am extremely happy. I received a warm welcome on the part of the organization. I have been in retail forever. I started at Walmart in England, where I worked for 12 years. Then I came back to Brazil with Walmart. And then I went to DPSP, pharmacies. And in the last five years. I was with Marisa and I was selling fashion. So now I go back to selling rice and beans, which gives me great pleasure.

In these first four weeks, I visited all the types of stores, all the formats of stores. I visited our distribution center. I visited the e-commerce team. And I can tell you tell you, Fernanda, that I am extremely excited with the great potential that we have to continue to implement the strategy. The company had designed a strategy even before I came in. It's a privilege to be part of this group at this point in time.

As regards the challenges ahead of us, I think there are challenges and opportunities. My main focus is on these six points that I shared with you. We want to grow the top line in a sustainable and profitable manner. This is extremely important. The new GPA has to deliver on the market expectations, on the shareholders' expectations, and on the expectations of the group. The company has to be profitable again and has to delight our clients. We have to be the benchmark like we have always been in terms of premium clients, especially in Sao Paulo, Rio, and other places where we have been growing.

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As regards the challenges, it is a challenge to achieve our target of having organic growth in terms of the number of stores. The results have to be sustainable. And the challenge is for us to become a digital platform for foods in Brazil. We have been very competent, but there is an opportunity to become even better. Although a great work has been done in terms of SG&A, we have to continue to focus on opportunities in that area so that the company can adapt to its new size and can protect the profitability of the group.

As regards my future dream, I'm living it. It is the dream of seeing the company back to the results that it can deliver. This is my main motivation. It's my main dream for this main objective.

### **Q - Fernanda Sayao**

Thank you and a lot of success.

### **Operator**

The next question comes from Vinicius Strano, an analyst from Bank of America. Vinicius, we're going to allow you to open your audio, please ask your question.

### **Q - Vinicius Strano** {BIO 20854812 <GO>}

Hello. Good morning, Marcelo, Guillaume. Thank you so much for taking our questions. We want to understand three points. First, if you can comment a little bit about the tax income, the higher rates of tax income for Colombia and how are we going to deal with that from now on. We know that the basic rate has increased, but there seems to be a higher increase over there. Second point is we want to know about the CDiscount. How you see that? And third, the customer flow in these stores that you are converting. Thank you.

### **A - Guillaume Gras**

Hello. Thank you for your question. When it comes to the Columbia tax income -- tax rate, the main point is that we have to recognize a text situation, which is related to the Brazilian one, and that has to do with the difference between the effective tax rate between Brazil and Colombian trade. This additional rate was recognized on Q4 on last year. And now we are provisioning for this tax increase every quarter. So 20 million to 25 million roughly per quarter. That's what explains this impact.

When it comes to the discount, just like Marcelo said before, right now, we have a project to sell parts of our shares, but this is on hold. We are waiting for better conditions. We are waiting for a better situation to resume that process. So there's no novelties here.

In terms of the results, there has been a decrease compared to last year in terms of profitability. Our income was a little lower, and that explains also the decrease on the results. And just to add on to this last part, when it comes to the conversion of the new stores, what we are seeing is that there has been an uptick, a gradual uptick, which is a little bit about above the average run rate. And the good news, just like I mentioned before, is that we are seeing an uptake in our flow overall, especially when it comes to

the proximity models. As we go back to working in person, we are seeing an accelerated growth in those formats. So we do see a positive behavior in that regard. Thank you.

**Q - Vinicius Strano** {BIO 20854812 <GO>}

Thank you.

## Operator

The next question is from Irma Sgarz, an analyst from Goldman Sachs. Irma, your audio is open. Please ask your question.

**Q - Irma Sgarz** {BIO 15190838 <GO>}

Good morning. Thank you for the opportunity of asking a question. I would like to go back to the macro question with the inflation coming up again in the first quarter. And it remains relevant. So what is your take on the current moment? And what are your plans, especially for formats that are more focused on medium to lower-income classes, such as the Extra market and also (inaudible).

And to piggyback on that question, I would like to understand, what is your take on that decrease as far as the price transfer and the volume? You mentioned that traffic a little bit, right? But I would like to hear a little bit about those two formats, if you may, and also additionally a comment about the regional competition. Are you seeing the competition becoming stronger? Or are they hurting at this higher inflation moment, which obviously affects everyone in terms of scale and efficiency? So I would like to understand your take on that. Thank you.

**A - Guillaume Gras**

Thank you, Irma, for your question. In terms of inflation, here's what we are seeing. Down the road, in the near future, the inflation is going to remain high. The interest rate is increasing, but it doesn't keep the inflation at bay that much. So the inflation is going to continue to increase to the end of the year. We're going to go back to our goal roughly in 2023 for the inflation.

Now in terms of price, first on top line, then on G&A. We were able to transfer a good deal of that inflation cost, but not all of it, especially in the perishable products category. In that category, the inflation was even higher. As you were able to see in the first quarter, we were able to offset that inflation cost with a -- with less promotions. We adjusted our promotional prices so we can offset a little bit of that inflation impact.

Now in terms of the pricing index, it's important to point out that we had an improvement on our level of competition in the first quarter. We gained 1 point in terms of our competition. And we hope that this position is going to help us retake our growth. And starting on April, I think it's also important to point out that our sales performance on April was very much accelerated. It increased compared to the first quarter and we had a substantial growth.

When it comes to the expenditures, as you were able to see, we are keeping our expenditures at bay. We had a growth of 3% compared to an inflation of 11%. We're going to continue to monitor our expenditures. We're going to focus on improving productivity and also reducing freight costs, as well as other maintenance contracts that we have.

Now when it comes to the regional competition, Marcelo, if you would like to comment.

### **A - Marcelo Ribeiro Pimentel** {BIO 20296021 <GO>}

When it comes to the regional competition, your comment is very relevant. And as we continue to adjust our logistics structure and as we become more fluid in our supply format, we are seeing more growth. We are able to grow our sales more consistently, especially in near proximity. We are performing quite well with a significant result.

Now, when it comes to the premium regionals, our presence, especially in the capital city, is very solid. Our market share is quite high. And we are growing in categories that are very important for recurrence: FLV, butchery, and bakeries. These are very important categories for us. As well as wines. This is a strength of Pao de Acucar. We are still standing out in terms of our physical stores and our online stores in that experience. And also what we call the special perishables, which includes cheeses and other products.

Now, when it comes to the regions, we have our multi-channel format. Over 40% of all online buys is on the click-and-pickup model. And this is a distinguishing factor that makes us stand out, not only from the regional competition, but also the digital competition. In our strategy, we are consolidating and strengthening our multi-channel format. This is a very important asset for our stores, because this is where we work on the repurchase with our customers. And so yes, this is a very challenging moment that we are going through. But I think we have a toolkit that is proving to be very important as far as competition.

### **Q - Irma Sgarz** {BIO 15190838 <GO>}

Thank you.

### **Operator**

The next question is by Ruben Couto, an analyst from Santander. Ruben, you're free to ask your question, please.

### **Q - Ruben Couto** {BIO 22261078 <GO>}

Good morning, everyone. When it comes to sales, you mentioned that the premium segment had a decrease and that Pao de Acucar actually gained share in that context. Can you please elaborate on your perception about the premium segment performance? Because our expectation is that the macro scenario would affect a little less of the premium segments, but do you see a tray-down [ph] in that segment for cheaper formats perhaps? And looking ahead, what is your take on that segment for the remainder of the year as far as growth in the market, as well as growth in Pao de Acucar stores? And to

piggyback on Guillaume's comments, the like-for-like of high digits, does that apply to Pao de Acucar overall on April? Thank you.

## A - Unidentified Speaker

Thank you, Ruben. Yes. Yes, this does replicate to Pao de Acucar overall. And when it comes to market share gain, considering our capillarity, I think we stand out on the premium segment, yes. And from an expansion perspective, we have a very well structured strategy, including geolocation for A and B classes. We focus on the expanded stores in this segment as well. And there is a benefit to it.

It's worth remembering that our expectation is that we are going to have more growth already in the second quarter and the third quarter as we continue to convert our Extra hypermarkets into Pao de Acucar stores. And that puts us in a very favorable position as well. Some of these stores, even before we conclude the conversion, we are already performing above the original expectation for these stores.

Now when it comes to the competition for this public, I think there is one attention point for us, which is what we call the replenishing basket, which is where you buy main items, staples or commodities. And that demands less of a differential. And therefore, it creates a vulnerability for those specific items. And for this one, we have a commercial CRM and marketing strategy, especially for those items, for this basket of items, and when we have an additional basket and a premium basket as well. And those segments are growing a little faster, especially on those premium categories that I mentioned, whether it is from a perishables perspective or whether it is from wines and special cheeses perspective.

## Q - Ruben Couto {BIO 22261078 <GO>}

Thank you.

## Operator

Thank you. The next question is going to be (inaudible) Maria Clara, an analyst from ItauBBA. Maria Clara, please ask your question.

## Q - Maria Clara Infantozzi {BIO 20433688 <GO>}

Good morning, Marcelo and Guillaume. Thank you so much for taking our question. From an Itau perspective, we would like to understand your digital strategy a little more. Indeed, the digital penetration of Pao de Acucar brands is a competitive advantage and it's way above the market average. But what is your take when it comes to the development of that penetration in the next few years? What is the ideal digital penetration that you aim at achieving in the long-term? If you can please tell us more in detail about the initiatives to sustain that growth and also to strengthen the multi-channel network of GPA. Thank you.

## A - Unidentified Speaker

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Thank you, Maria Clara. It's a pleasure to be able to answer your question. And that is a very pertinent question, and it's very much in line with our strategy. It's very important to make something clear. We don't have a digital strategy. We have a multi-channel strategy that is going to cater to our customer as one single customer more and more. But these customers, they interact with us in different points of contact, whether it's on the physical stores, on a multi-channel way, or on the digital stores. And again, that's where click-and-pickup or click and (inaudible) proves to be a very important competitive edge. And especially in this context, we have an opportunity here. We are able to create loyalty with our customers because they are present in our stores. And we can also promote some retention and new purchases with them. That's the first point.

The second point is that we are reviewing our loyalty programs. And again, we do that from a multi-channel perspective. We are working with our teams to revise our loyalty programs. And we are paying attention to our model to include the digital sales and also all the other points of contact that are a distinguishing factor on GPA, and that is all under the same roof. So we are strengthening this initiative that we are working on. From a multi-channel perspective, we are bringing that to our app. And on our app, we are creating strategies to create more adherence and to reduce the dropouts on the app. And more and more, what we have seen is that the customers that use the app, they buy on different categories. And customers from the (inaudible) program, they buy on the app more and more. Customers that are part of the app that have our currency, they buy even more. So it's very clear that we are looking at some powerful tools to continue to tackle this opportunity and we're going to do that on the short to mid-term to strengthen what is already a very interesting strength in our group. And we see this as a standout factor in this multi-channel strategy.

And finally, I think we have an opportunity here, which is we can consolidate and gain ground as we combine our strengths in that environment. For example, when it comes to our own brands, which is definitely a differential in the group, especially now that we are making strides on our premium own brands, this is very important for us.

Additionally, we have FIC, which presents us with -- which gives us an opportunity to make our customers more loyal. And when it comes to the ambition, I am a great advocate of the multi-channel strategy, and we are seeing the advance and progress that we have in Brazil. Our ambition is to look at what Exito has been doing in different countries, especially Colombia where they have a very high double-digit market share. And as I understand, in the next few years, we have everything that we need to strive for even higher marks. I'm talking about 15% to 17%. This is what we are shooting for. And it's important. And I repeat, all the multi-channel strategy has to be conceived in a profitable way. Myself and the company, we are not in the business of growth for growth's sake. I think it's really important for the structure of that growth to be based upon a strategy that will really be profitable and not only growth. Thank you.

**Q - Maria Clara Infantozzi {BIO 20433688 <GO>}**

That's very clear. Thank you.

**Operator**

The next question is from Guilherme Vilela, an analyst from J.P. Morgan. Guilherme, please ask your question. Go ahead.

### **Q - Guilherme Vilela** {BIO 21298590 <GO>}

Thank you so much for taking my question. First of all, I would like to get an update about the sales on the second quarter for each one of the brands, especially on the proximity format. Given the comparison with 2021, what is your take on the slowdown for this year? And also, can we expect some additional disruptions due to the logistics adjustment for the next quarter?

And my second question is with regards to the expansion model for Pao de Acucar. How do you intend to conduct that expansion? I mean, you mentioned the new assortment, but I would like to get some more granular information about the format. How does that compare with the stores that are not part of it in terms of productivity and also customer traffic? Thank you so much.

### **A - Guillaume Gras**

Thank you, Guilherme, for your question. Considering the performance of Q2, like I said, this is a different dynamics compared to Q1. We are seeing a growth and acceleration in sales all across the brands. The Extra markets is growing at almost double digits. Pao de Acucar is also nearing a double-digit growth rate. When it comes to proximity, considering the situation, proximity is growing, even though it's growing a little less. We're talking about a single-digit growth. So that's the April performance. We hope to continue this trend on May. We're also going to have a favorable calendar here, we have Mother's Day coming down the pike. That's the projection for Q2.

In terms of disruptions, we have normalized the situation on April, which explains that uptake in our growth. And when it comes to the expansion plan, I'll leave it to Marcelo.

### **A - Marcelo Ribeiro Pimentel** {BIO 20296021 <GO>}

Right. And just to add on to that disruption topic, we created a task force to be able to work together with our commercial teams, our stores operations teams, and our suppliers. We prioritize the main items. That's one. On April, we were able to decrease the disruption in 50% compared to early in the month. And right now, we continue with our expectation to come very close to zero disruption when it comes to the main items.

And of course, we have to continue to reduce the absolute disruption all across our channels, not only deliver the out [ph] products. So we hope to have a constant improvement and this is important for the new GPA. Constants here is the keyword. We are moving away from a hypermarket format and steering towards a work model where we have more predictability. Our interaction with the industry is based on this new model. And this is going to ensure a constant assortment on our shelves. And it's not going to make us dependent on negotiations, which can be very erratic.

Now, when it comes to G7, we are very happy with it because what it gives us especially is a major development on perishables. We have more room for perishables. So we gain

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ground, especially on FLV and bakeries. This already has an impact. And additionally, what we have seen is that there has been a growth on perishables, and also a 2% growth on groceries. We're going to continue to advance like I said. There is a lot of strides to be made. As of the second and third quarter, this is going to accelerate even more. And we are going to benefit from those figures.

When it comes to the flow, it's hard to say, at least for now. The growth in flow, it's hard to relate it to G7 as of right now. What we see is an increase in our experience. Our NPS is improving. There is a growth in sales, like I mentioned before. But on the other hand, we are seeing a growth in the flow that is separate from the business.

**Q - Guilherme Vilela** {BIO 21298590 <GO>}

Very clear. Thank you.

## Operator

The next question comes from Andrew Ruben, sell-side analyst with Morgan Stanley. You may turn on your microphone now, please.

**Q - Andrew R. Ruben** {BIO 20391468 <GO>}

Hi. Thanks for taking the question. Most have been answered. Just one item, if you could talk more on the conversion of stores. What's your updated timing? And any thoughts on the banners here, considering for the remaining Extra stores? And you also mentioned the incorporation of Compre Bem. If you could please provide more detail on the plans there. Thank you.

**A - Marcelo Ribeiro Pimentel** {BIO 20296021 <GO>}

Thank you, Andrew. As far as conversions from Extra, we should finalize all the conversions by the end of the Q3. I think we should be able most of them to happen during Q2, and then we have a few left on Q3. As far as Compre Bem, we are finalizing -- I think John [ph] could help me here with the precise dates, but we are pretty much there. And that will bring, I think, productivity to the Extra and the supermarket model. As we unite the teams, the commercial side will benefit from that. But I'll give Guillaume the word here to give you some specific dates and the process that is closer to it.

**A - Guillaume Gras**

Thank you, Marcelo. As regards the buyout, the date is the end of May. This does not involve a change in the flag. So Compre Bem will continue with its own flag. This involves more synergy, synergy in terms of IT, logistics, purchases, commercial negotiations and admin costs of the headquarters. Compre Bem has 28 stores. It's a small network that is not able to dilute the overhead. So this integration has to do with synergy and this should help us gain 2 points in terms of EBITDA by integrating the flag.

**Q - Andrew R. Ruben** {BIO 20391468 <GO>}

Great. Thank you both.

## Operator

The next question comes from Felipe Reboredo, sell-side analyst of Citibank. You may open your microphone now, sir.

### Q - Felipe Reboredo {BIO 22424267 <GO>}

Good morning. We have a question here from Citibank. I would like to understand in terms of same-store sales. You said that it's close to double digits. But given the premium positioning, especially for Pao de Acucar, do you expect same-store sales to be above the inflation by year end?

### A - Unidentified Speaker

Felipe, I think that above the inflation of food? No. The reality and what we are focusing on especially now is on regaining customers, especially in terms of Pao de Acucar. We are trying to win over A and B class customers. We want to give reasons for this customer to come back. We want to focus on experiences for these customers. They come to us because of assortment and purchase experience. And this is what we are focusing on. This is going to come back gradually, but we have to focus on this, especially in terms of the brand. We have to bring customers back to Pao de Acucar. We have a strategy that we had designed to achieve this, but it's very difficult to say that we are going to grow above the food inflation.

### Q - Felipe Reboredo {BIO 22424267 <GO>}

Thank you. That's very clear.

### A - Unidentified Speaker

Maybe our reform program will help us sustain the like-for-like growth, especially those stores that we are going to revamp. Of course, we expect to grow about inflation.

## Operator

The next question comes from (inaudible), sell-side analyst of Bradesco BBI. You may continue, sir.

### Q - Analyst

This is a follow-up about competition. What is the competition like for those stores where you have been focusing on by revamping them or by adjusting disruption in supplies? Do you see anything in the competitors' omni-channel strategies? What is your view on the digitization of regional competitors in terms of e-commerce? Thank you.

### A - Unidentified Speaker

As regards competition and our competitors, it's very difficult to talk about it. We have seen -- especially at the regional level, we have been focusing on our stores and how we can grow. As regards the first quarter, there was -- we maintained our market share.



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There was a slight drop, but this has picked up in April. The scenario is very competitive. When we exclude the expansion of our competitors in terms of like-for-like, we gain.

In terms of multi-channels, what we see is our competitors getting ready or trying to get ready, and they have been using last-milers to actually do the multi-channel sale. They don't have an own Board structure to sell their own products, unlike our strategy with the (inaudible) clients and we also have a capacity for last-mile. I think it's something that we have to watch very carefully. They are moving ahead and we cannot minimize their efforts. What we do have to do is to focus on what we do really well. We are leaders and we cannot lose our leadership. We are going to focus on the consolidation and growth of our multi-channel strategy.

## Operator

The Q&A session is now ended. I would now like to turn the floor over to Mr.Pimentel for his final remarks.

## A - Marcelo Ribeiro Pimentel {BIO 20296021 <GO>}

I would like to thank you all very much for participating in this video conference, and I would like to take this opportunity to thank the warm welcome that I received from the team of GPA in this process of joining the group, in the stores, in the distribution centers, in the office. I was always very warmly welcomed. This has been very good for me.

It is a senior team, a committed team, a very dedicated team, and I'm happy to have joined this wonderful team. I am extremely impressed with the quality of the team and their commitment, their focus and dedication. And this will allow us to execute the company's strategy in the next few years. We are confident that we have the right strategy. Our team has clarity, has the objectives very clear. And every quarter, we expect to deliver on the results. Thank you very much and have a nice day.

## Operator

The video conference is now closed. The IR department remains available to take any questions you might have. Thank you very much to the participants and have a good day.

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