

Q1 2022 Earnings Call

Company Participants

- David Murciano, Vice-President of Finance
- Stephane Maquaire, Chief Executive Officer

Other Participants

- Analyst
- Felipe Cassimiro
- Joseph Giordano

Presentation

Operator

Good morning everyone and welcome to the Carrefour Brasil Group Q1 2022 earnings conference. From the Carrefour Brasil Group with us today we have CEO, Stephane Maquaire; CFO, David Murciano; and IRO Natalia Lacava who will begin the earnings presentation. We'd like to inform you that this conference is being recorded and will be uploaded to the company's IR website where the respective presentation is also available. If you need simultaneous translation, the company is offering that tool in the globed shaped icon, labeled interpretation at the bottom of your screen. By selecting it, you can choose between your preferred language Portuguese or English. For those listening to the conference in English you can also choose to silence the original audio by clicking mute original audio.

For the Q&A session, please send your questions via the Q&A button at the bottom of your screen. As standard practice your name will be announced so you can ask your question live. At that point a request to activate your microphone should pop-up on your screen.

We'd like to point out that any information contained in this presentation and statements that may be made during this conference with regard to business prospects, projections, and operational, and financial targets are based on beliefs and assumptions of the company's management, as well as information currently available to the Carrefour Brasil Group. Forward-looking statements are no guarantee of performance. They involve risks uncertainties and assumptions and therefore relate to future events, which may or may not take place. Investors must understand that general economic conditions, the state of the market and other operating factors may affect Carrefour Brasil Group's, future performance and lead to results, which are materially different from those expressed and set in forward-looking statements.

We'd also like to say that if any technical problem occurs in this platform, we will continue our call after a short break via telephone using the numbers disclosed in the company's IR website ri.grupocarrefourbrasil.com.br and the zoom chat.

Now, I'd like to turn the conference over to company CEO, Stephane Maquaire to begin our presentation. Mr. Maquaire, please proceed.

Stephane Maquaire {BIO 19679225 <GO>}

Good morning, everyone, and thank you for joining us again for our Q1 2022 earnings conference. I'm very happy to share such remarkable results and start the year with such strong deliveries. Brazil is naturally a very dynamic country where attention to any change in consumer behavior is essential to deliver quality results.

Food inflation is a global reality and as a group we've been paying close attention so that we can preserve our customers' purchasing power and the result of that we're growing sales volumes. Our teams were constantly focused on ensuring consumers access and engaged in making the necessary changes in our business. A strong team, which is also prepared to lead Brazil's greatest retail operation is what we had. Our strategic priorities were guided by expansion digitalization and our responsibility as a company to generate value to all our customers collaborators partners and shareholders.

During this quarter, we've had significant accomplishments in each one of these building blocks. Starting with expansion. We maintained a fast pace with over BRL20 billion in revenue opening 40 Atacadao stores over the past 12 months and in the first quarter alone, we've opened 2 stores with 7 already underway.

In addition, to that we've had 4 more Express stores open during this quarter, that allowed us to continue to increase our market share in food retail, in Brazil by 100 basis points. Our bank has continued to expand its activities with billings growing by 10.6% year-over-year, strongly supported by the off-us channel, which suggests that our card has become the primary choice of our customers generating a cross-sell acceleration, which is major by 38% year-over-year.

Lastly, I'd just like to remind you that we are preparing in an intense way to integrate, the big stores, which we expect the antitrust authority to approve at the end of the second quarter. Once that takes place we will receive stores with a major potential to grow our revenue, after those conversions. Our investment plan, which was agreed to with the company's selling group has been met. And we are confident in the outstanding asset that we've received. One of my great priorities has been to structure or to set up this new company that we will have very soon. Therefore, we have intensified our HR work establishing the top 100 managers of the new company, which have been chosen across Carrefour BIG end market and which is also subjected to the antitrust authority's approval.

In digitalization, we are on a strong path with our e-commerce which is over BRL1 billion in GMV over this quarter. And our food e-commerce has multiplied by 2.5x times in the last year. Now accounting for 50% of all sales. Atacadao has over 2% of its overall sales

FINAL

coming from e-commerce, whereas in retail we've exceeded 5% and BIG that penetration nears 7% in retail which makes us very optimistic about the potential to unlock that value in digital once we obtain the antitrust authority's approval. That result stems from our complete deployment of the in store picking model during the first quarter. At this point, 100% of our hypermarket stores and 100% of our Super and Express stores now have their operations underway.

Our food 1P already accounts for most of our digital sales in the food segment. That change is extremely significant seeing as it enables us to shorten the delivery perimeter lower our prices and provide more convenience, and more access to our customers', purchasing profile. Over the quarter once again, our customer, sales and ticket numbers have more than doubled compared to the last quarter. In addition to that the latest data show that the repurchase index has exceeded 30%, which shows a fast and intuitive repurchasing process. In our non-food 3P growth has remained substantial and we see that as a potential channel to develop acceleration.

Lastly, we've launched new digital services in retail such as hiring consortiums and distance learning courses focused on diversifying, and providing better user experience with a lot of digital engagement. With regard to our responsibility as a company and generating value to all our customers collaborators partners and shareholders, we've also achieved significant goals. Our own brand continues to gain, share with nearly 20% penetration in sales helping customers to maintain their purchasing power. In our diversity agenda, we have been gaining visibility for its acknowledged struggle. More recently, we have won the SCOO[ph] Paulista, whereas the program and black entrepreneurship has generated opportunities for over 11 suppliers.

We continue to focus on reducing waste in packaging and in donations of food for community surrounding our operations. During this quarter, we'd like to point out the contribution was made with the city of Petropolis which experienced some very difficult times. Lastly, I'd like to point out our first cargo -- actually our rail freight operations, which has the purpose of reducing greenhouse gas emissions. As Brazil's greatest retailer we understand the importance of making change in logistical structures of this company. And this is one of the many initiatives we have to curb the impact that our production chain has in terms of gas emissions.

All our deliveries show that we've had an excellent beginning of the year with major deliveries from our teams. I'd like to thank the over 100,000 collaborators who are part of Carrefour's family, and I assure you that we are engaged in confidence that we'll be leading the integration in the greatest retail operation of this country.

With that I'd like to turn the conference over to David, who will be going over our financials.

David Murciano {BIO 21696215 <GO>}

Thank you, Stephane and good morning everyone. Because you've already had the opportunity to take a look at our results with the release that was published yesterday. I

will briefly go over this quarter's figures starting in Slide 8, with our sales performance. The 15% growth over the previous year has taken our gross sales to BRL20.8 billion this year, a very balanced composition between like for like and growth. It's also important to point out the performance and the development we've had in terms of volume with significant improvement in both models and in already positive change in retail. The 100 base point market share game we've had according to Nielsen data reinforces the solidity of that result.

In slide 9, we see the strength and complementarity of our ecosystem. Even with a very distinct composition across our business when we look at the annual comparison we were able to maintain the same levels of gross margin and SG&A in the year as a whole. In Slide 10, as a result of that we see record EBITDA in the first quarter BRL1.2 billion we'll be talking a little bit more about the performance unit by unit but I'd like to point out right now Atacadao's performance which had a significant 25% growth and a 30 base point improvement in its margins. Moving on to Slide 11, we see that at our net profit, our adjusted net profit remained in the same level of 2020.

A result that makes us very pleased considering the strong improvement we've seen in our interest rates and the impact on our financial expenses. Our operating cash generation in the last 12 months is still strong coming to BRL5.7 billion and growing over a strong basis for comparison, which shows the strength of Brazil's greatest retailer, positioned in a very diversified way across important sectors of the economy, such as food, financial services and real estate. In Slide 12, we see the effects of the changes we had already mentioned in Q4 '21, making our net debt or allowing our net debt to remain at very comfortable levels.

On the left side of the slide, the chart shows our net debt before discounting receivables, so you can compare according to the same criteria as other market players. On the right, including the receivables and lease discounts, which naturally must be considered as debt, are multiple remained at 1.6 times our EBITDA. At the end of April, S&P published its review report maintaining our rating at the highest level for a Brazilian company and a stable outlook. Really stressing our economics' sturdiness and our consistent results.

Now, I'd like to address our quarterly results per business unit. Starting with Atacadao on Slide 14. We have been able to maintain a strong pace of growth and accelerate our online operations, with a footprint of 124 stores and 33 wholesale delivery units, serving our B2B and B2B customers. In the first quarter, we opened 2 stores and we have 7 more in pre operating stage. This expansion has added 9.7% growth over the quarter and we are now operating 252 stores and 33 wholesale delivery units.

Once again, I'd like to reinforce that despite BIGs or BIG stores integrations, which we expect to have in the second half of the year. Our pace of organic growth is expected to remain at the same levels of the last few years in 2022.

Now in Slide 15 Atacadao's gross sales in the first quarter came to BRL15 billion and are like for like remained at -- or has returned to positive levels with strong 9.2% growth, as a result of our market knowledge and power of scale. The digital Atacadao channel

accounted for 2.3% of sales in the quarter. Lastly in April, we saw an upward trend that was very sharp with results coming from sales initiatives that took the LFL in April to near 20%, which makes us very optimistic with the second quarter of the year.

To end our comments about Atacadao on Slide 16. Once again, the inflationary environment allowed us to make some very opportune purchases to benefit our customers. Combined with that, some of our stores we opened last year matured allowing us to enjoy a gross margin of 15.5% and expansion by 0.7 percentage points year-over-year, in line with what we saw in the last quarters.

Despite the strong expansion and pre-operating costs before opening, our SG&A as a percentage of sales increased by only 0.4 percentage points year-over-year, showing our ability to absorb inflation with energy and labor costs. Thanks to our operating efficiency initiatives.

Our adjusted EBITDA showed growth by 25% with a 6.9% margin in keeping with the normal -- the Atacadao's margin levels which have returned to normal. I'd like to mention or to make a special mention of the chart on the right that shows our store performance per crop analyzing margins by store maturity we see that our adjusted EBITDA margin for those mature stores, which are those who -- which opened until 2019 has increased by 50 basis points coming to 8.2%, the ramp up of those new stores, which opened as of 2020 is also on the right path with a combined margin improvement by 480 basis points, which once again, reinforces our expertise and great execution capacity.

In Slide 18 I'd like to talk about retail, being customer focused when making decisions in a very favorable competitive environment in the hypermarkets has allowed that model to gain importance by capturing new clients, the hypermarket NPS went up by 1.7 percentage points versus March 2021. Our in store picking initiative is now at 100% of our stores including all the Carrefour and drugstore labels, bringing more convenience to customers. This quarter as we said before our numbers of customers sales and ticket for the in store picking model has more than doubled over the last quarter over the previous quarter. And the latest data show that our repurchase index has exceeded 30%, which is an excellent performance.

Lastly, our white label products continue to break records, reaching 19.7% penetration in sales over the quarter. Once again standing out and showing the relevance of our role in society.

Moving on to Slide 19. Our overall retail sales grew by 5% year-over-year with a special highlight to the higher volumes which have returned to positive territory. Our like-for-like over the quarter was 3.1% with the food segment showing 8.4% like-for-like in the non-food segment we see the bazaar and textile categories with a positive double digit like-for-like index but however the electronics category which accounts for about 50% -- 55% of non-food sales is still going back to normal following the impact from the pandemic with a decreased by 16.7% in like-for-like.

FINAL

In April, we see the food segment reaching over 20% reflecting this excellent month and 20% -- the Slide 20, we see the result of our focus in maintaining our customers purchasing power during this quarter, especially when inflation reached a peak and traffic has increased in our ecosystem because of our competitive dynamics we have positive results. Our initiatives to improve our price positioning our image and to attract new customers showed up proved effective, bringing our gross margin to 22.6%. Once again, our operational efficiency allowed us to increase our sales considerably below overall inflation. SG&A expenses as a percentage of sales reached 18.4%, despite the wage and salary adjustments. Lastly, our adjusted EBITDA came to -- BRL227 million or 4.4% of our growth or our net revenue in the quarter.

In Slide 22, we see that the digital channel continues to grow especially because of the food segment, our overall GMV grew by 1.5 times coming to BRL1.1 billion, 10.5% more than in Q4 '21, the seasonally stronger quarter for e-commerce, our food GMV grew 2.5 times, especially in the digital channel for Atacadao which accounted for growth by 7.8 times and all the accounts for 2.3% of overall sales in the Atacadao. In retail, the digital channel accounts for 5.1% of food sales, and we continue to develop to bring more convenience to our customers. In Q1 '22, we will finish deploying our in-store picking which is I mentioned is now at 100% of a retail stores, including drug stores.

Now, moving to Banco Carrefour, I'll quickly take a look at Slide 24, seeing as our earnings information was -- were already released in the preliminary sales and the trends are very similar to what we have seen with strong growth particularly driven by off-us sales, which means that the Carrefour card has become our customers' de facto first choice generating more engagement and potential cross-sell -- cross-sales.

In Slide 25, we can see very clearly the trend for the quarter for our operation, our financial operations considering the challenging economic scenario and how relevant our card is to our customers, our revenue grew by over 30% during the quarter. Naturally given this scenario that I've described growth has been followed by some pressure to the delinquency levels. I'd like to stand out to point out however that our current outlook already is of going back to -- over three going back to normal, which makes this even more confident in stating that in 2022 we should go back to the strong levels of 2019.

In Slide 16, the 14% EBITDA growth for the bank is a testament to our knowledge and expertise in balancing risk and return. Here, we also see there's some seasonal effect from the indicator over the course of the year. So we can expect our EBITDA to continue following the same trend as last year.

Our net profit has increased 19% driven by our efficient tax operations which led to our insurance broker in 2021 because of the diversification of revenues that we're implementing. In Slide 28, a little bit about BIG. As you know with the overall meeting, we've also had the information -- the consolidated financial information for 2021, being released and comparing a two-year period sales results and our margin performance shows -- proved very resilient and we saw very structural improvements in the business with the CapEx reinforcing our store conversion plan, and the fact that it's being very well deployed.

With that I'd like to conclude the presentation. Our teams are continuing to the intense work with planning for the integration and we're confident in the process.

Well, with that, I'd like to turn the floor back or the conference back to Stephane.

Stephane Maquaire {BIO 19679225 <GO>}

Thank you, David. In conclusion, I only like to remind you of the acceleration in like-for-like and the strength of our ecosystem, which shows that we've been able to balance different trends and still deliver strong results with our EBITDA remaining steady at high levels. In retail, we've deployed a number of initiatives and our price positioning was critical to help support our customers during this period of higher inflation. With Atacadao, the strength of our model has proven every day that it is strong with assertive commercial strategies and increasingly higher volume.

The bank in turn is still proving to be a prime critical lever at times when the customer needs access to credit. All of that delivered from decisions that were made more fastly with a more digital and responsible agenda.

When we think about the future, we have to think of the new company that will have starting in 2022 once we consolidate our operations with BIG. Therefore, I'd like to remind you that we are at a time of intense preparation to integrate those stores and our main priority was to define the top 100 managers for the new company, which were chosen from our pool of managers between Carrefour, BIG and the market and is still subject to CADE's approval. Different fronts of the company have been challenged in terms of streamlining and making our headquarters more efficient. As an example, we took a step to optimize our treasury structure rethinking governance in our management model, focusing the strategic responsibilities and standardizing our transactional roles for all of our business or all of our businesses.

That work has been made in several different areas of the company from an integration and agility perspective in the digital pillar with Samuel coming in we'll have structural changes in how we organize attract talent, and look at our data. In Q1 we've already seen strong acceleration in our food 1P which has been our priority. Lastly, when I think of our customers, the work of our operation teams has been tireless. In Atacadao, the sales trend in April brought a remarkable increment in sales of about 20%.

In retail where our trends in food are even stronger we've been implementing new islands and new category positionings and new digital services every month, we can already see robust results with like-for-like sales over 20% in April in the food segment. We're very pleased with this start of the quarter which started in April with a once again story trends all of which make us really confident that the investment we have made in those -- we're in the right levers to maximize our top line.

Once again, I'm confident that we'll have results that are sturdy as a consequence of the assertive sales strategies and effective administrative structures we have had. All of that

FINAL

Bloomberg Transcript

combined with the new company we will set up with the best leaders in the market will allow us to have a 2022, that's emblematic for the Carrefour Brazil Group. Thank you.

Questions And Answers

Operator

(Question And Answer)

We will now begin our question-and-answer session. (Operator Instructions) Our first question comes from Gabriella Maurice, sell-side analyst with Itau BBA. Please Gabriella, you may proceed.

Q - Analyst

Good morning, Stephane, David and Natalia. Thank you for taking our questions. We have two main points here, the first with regard to Atacadao, you managed -- you talked about managing to maintain strong sales, and we wanted to know if we could expect strong same-store sales in-line with double-digit growth that you've had in the first quarter in digital. And also about Atacadao, if you could once again talk about the maintenance of the margins we saw in the first quarter and whether we should expect that same trend over the course of the year.

And if I could add something else with regard to your bank results, as you mentioned, we see an increase in your NPL over the quarter as well as an impact in your portfolio coverage. If you could give us more detail as to how you see those indicators developing over the course of the year, that would be great. And also, if you expect the portfolio to accelerate because of a more selective landing attitude, because of the macroeconomic scenario we have right now? Thank you, guys.

A - Stephane Maquaire {BIO 19679225 <GO>}

Thank you, Gabriella for your questions. I will start, and then, turn the conference back to David. Atacadao is a business with strong volume growth. We have been working with our teams to deliver the highest possible volumes at any time. We've had a very, very strong month of April with the Atacadao Anniversary. This was the year Atacadao turn 60 years old.

So we were able to support our customers during this time of inflation, especially in the month of April, but in addition to April, we plan to continue to operate in a customer-focused way and in a volume focused way. It's hard to say, what level we will be able to achieve this quarter, but the important thing is to focus on our customers and to grow our volumes. I'll let David add his comments.

A - David Murciano {BIO 21696215 <GO>}

Yes. I can confirm what Stephane has said. Our sales development has been very positive. We can see that our trend in sales and volumes has always been upward facing. Our

FINAL

performance has been very strong, which allows us to be very confident and optimistic about the present quarter. And I think it makes sense that Q2 will be one where we will see the trend at least remain flat over compared with the first quarter.

Atacadao operates in a very efficient way. It's a very well controlled model. So, evidently, we do not see any negative margin development for Atacadao and quite the contrary. As we showed you in the release, we have a very efficient model that really adds to our existing stores. But every margin improvement we have in Atacadao down is really customer-facing and volume facing, volume focused. It's not focused on changing the EBITDA ratio.

As to the bank, there's a seasonal aspect to our results and you can see in the document, a record that we have waves of rise, tidal waves in delinquency. And we believe that the EBITDA for the bank will see a ramp up effect over the year and even so we will continue to grow if you look at the development in the first quarter. We also had some positive trend during that time.

We do have an expertise in the bank and we capitalized over what we did during the pandemic crisis. We showed the -- our land criteria to our customers so we are really confident in the bank's profitability this year.

Q - Analyst

Thank you for your answers, guys.

Operator

Thank you. Our next question comes from Eric Huang, sell-side analyst with The Santander Bank. Eric, please, you may proceed.

Q - Analyst

Good morning, guys. Thank you for taking our questions. What we wanted was to understand your retail operations a little bit better. This was a quarter of positive performance. But you saw a stronger impact on your gross margins. So we wanted to understand what can we expect for the gross margin trends over the course of the year and even understand a little bit of your comments about the strong sales in April.

So, from those nearly 20%, how much of that comes from growing volumes, and how much of that comes from price or cost transfer to and customer prices. We wanted to understand where exactly that growth is coming from when Carrefour. Thank you Eric for your questions. In food retail, what we're doing is to monitor and support our customers during this time of high inflation.

We are looking very closely step-by-step how inflation is doing we have weekly reports and meetings to understand how the sales trends are doing and the ticket trends are doing and the initiatives we must take in the food segment. Our plan is to continue to

monitor and to grow our volumes naturally balancing that out with a gross margin that we have with those sales.

The important thing is that we have a global ecosystems with retail, wholesale and bank which allows us to make that type of investment within the group. And that can take weeks or even months. So that's something we plan to continue a policy, we plan to continue because we've had good results in terms of both volumes and sales. Let me turn over to David, who will add his comments to my answer.

A - David Murciano {BIO 21696215 <GO>}

Yes. What we saw this quarter and also with what we started last year, is that pricing versions prove efficient in retail. We started with that policy last year and we saw a significant improvement in retail volumes. Of course, it was a particular set of circumstances both in terms of our own activity and the macroeconomic context, which now allows us to have a positive outlook for our retail volumes, that will be an impact in our rate, but we see our volumes rallying and recovering very significantly. And we also expect to really increase our customer base and really make them more loyal as well. That's essentially what we can say, what we can expect as well for this period of time.

Q - Analyst

That was very clear. Thank you guys.

Operator

Thank you, Eric. Our next question comes from Felipe Cassimiro, sell-side analysts with HSBC. Felipe, please, you may proceed.

Q - Felipe Cassimiro {BIO 20321618 <GO>}

Good morning, guys. Stephane, David, Natalia, I hope you're all doing well. What I wanted was to understand a little bit better in the different fronts of Atacadao and wholesale, how much of that is traffic and how much of that is price? I wanted to understand, especially with the decrease in customer traffic, how you're working with that?

And what are the price needs you see from customers in this time. There have been some sort of replacement with products. If you could add some more color to those comments that would help us a lot. Thank you.

A - Stephane Maquaire {BIO 19679225 <GO>}

Thank you, Felipe. Well, that takes us back to what we were saying earlier. We are looking very closely to our different formats, especially Atacadao, which operates in a slightly different format. How we can keep up with our customers and support them. With Atacadao, we have a slightly different policy, which is to buy little bit earlier in a little bit more seeing as we are going through a time of pressure inflation. We have this financial ability to bring our inventories up at times like this.

FINAL

And then we can more easily support customers over the following weeks and months, making good use of this ability that we have to buy more and buy earlier because of the wave of inflation. So that's the policy we plan to continue to adhere to with Atacadao and in retail as I said we are looking at market share and sales tickets, and also sales volumes week by week to see and category by category where we can sort of pass along some of that inflation along. At some point, obviously, we will have to pass along those inflationary costs to customers but we obviously are looking also at the competition and the level of where we want our prices to stand. So we are maintaining our margins to look for a massive sales.

A - David Murciano {BIO 21696215 <GO>}

Yeah just to add to what he just said, one indicator that really helps us to look at retail is growth and the development of your white label or your private own label so that shows us that the strategy is working. Because customers are looking for good prices not only in Atacadao, but also in retail. So we have our own brands which we -- where we can offer promotional sales, but also we can see the impact of what we're doing. But whenever you look at the private label performance, that's a good indicator in terms of sales for you.

Q - Felipe Cassimiro {BIO 20321618 <GO>}

That was great. Thank you, Stephane and David.

Operator

Thank you, Felipe. Our next question comes from Thiago, sell-side analyst with XP. Thiago, we are now releasing your microphone. Please, you may proceed.

Q - Analyst

Good morning guys. Thank you for taking your questions, and congratulations on such positive results. Well what we wanted was to quickly follow-up on your sales performance and what you're seeing now at the beginning of Q2. So if we could try to break down by category how house appliances are doing now during this quarter, and you've also addressed food, which is doing very well you've mentioned that before.

And my second question would be with regard to BIG. We saw in the release that you guys put out yesterday that there should be some conversion of the BIG and Bompreio brands to wholesale stores. So how do you see this movement of closing, BIG and Bompreio, Cash & Carry stores.

A - Stephane Maquaire {BIO 19679225 <GO>}

Thank you, Thiago for your questions. With regard to our sales development as we said during the presentation we had very good results in food and also in textile, and in promotional sales.

Obviously, when we talk about food, that seems to be the sort of the most problematic sector, but we have seen a very, very positive development in those promotional stores

Bloomberg Transcript

FINAL

what we call Bazaar. So we are really taking the opportunity that we have with the current situation to really boost sales in these categories. As we said, we had to really review our organization and make changes as I said, we are now looking into how we should change our organization to deliver better results in home appliances in the next few quarters. We usually have a good trend, positive trends in the second quarter. We had the Atacadao Anniversary. So, that's something that makes us really confident about our second quarter results despite the challenging macroeconomic scenario.

Now with regard to BIG, answering your question, yes, there have been a few store conversions from a BIG and Bompreio to the Cash & Carry format. That was part of our agreement with the BIG Group at the time we set up the purchase.

Obviously, we have to wait for the antitrust authorities approval to conclude the purchase. But, on our side, we are absolutely open to revert or convert Atacadao stores to Cash & Carry. And obviously, whenever that could be something that's relevant to our customers. We are looking into all our hypermarkets to see their physical positions and how relevant that is to customers and to us. We may have further conversions as they did. This is not a taboo subject for us. David, would you like to add anything?

A - David Murciano {BIO 21696215 <GO>}

Yes. I just like to remember the potential that the new group offers with the new brands, such as Sam's Club. So, we should have even more opportunities to adjust those stores to different formats.

Q - Analyst

That was perfect, guys.

A - David Murciano {BIO 21696215 <GO>}

Thank you. I just like to say that it is the strength of our ecosystem which is growing even bigger with the acquisition of BIG.

Operator

Thank you, Thiago. Our next question comes from Felipe Vergara. Sell-side analyst with Citibank. Felipe, please you may proceed.

Q - Analyst

Good morning, everyone, and thank you for taking my question. I think your strategy with hypermarkets was very clear, so I only wanted to ask about the medium to long term. Understanding the investment from your main competitor. Do you believe your hypermarket segment is performing better despite inflation and how do you see that line of business doing moving forward?

A - Stephane Maquaire {BIO 19679225 <GO>}

FINAL

Well, we plan to continue with the hyper format as long as it makes sense to our customers. As I said earlier, we're open to converting any of our stores even the Sam's Club format. That's not a taboo issue. We believe that hypermarkets are stores that are very relevant to the Brazilian market, especially with the growth that we've seen in the promotional sales and the strength of our food segment. So we do not see the hypermarket with that eyes.

I think they are a response to Brazilian reality, because we the short the presence format with hypermarket. So we have hypermarkets within cities. So this proximity positioning is also important to the digitalization that we are working on.

We're also working to deliver our customer's orders via digital or which are make via digital in a shorter time. So hypermarket plays into that strategy and will continue to do so over the next few years. And we have that possibility to make better use of our ecosystem, which once again will be unique to Brazil.

Q - Analyst

That was perfect. Thank you.

A - Stephane Maquaire {BIO 19679225 <GO>}

Yeah, and still on the ecosystem. The ecosystem is also complemented by our bank. We also have a door in retail to grow our banking business. And seeing that this is the only hypermarket format that operates on a national level puts us in a very special position when talking to suppliers.

So, whenever we have to build that relationship with our suppliers, providing them with that data and how their products will be able to participate being the only national hypermarket segment in the country also adds a lot of value to us.

Q - Analyst

Yeah, that was very clear. Thank you.

Operator

Thank you, Felipe. Our next question comes from Joseph Giordano, sell-side analyst with JP Morgan. Joseph, please, you may proceed.

Q - Joseph Giordano {BIO 20154008 <GO>}

Hello. Good morning, everyone. And thank you for taking my question. I'd like to talk a little bit more about how you guys explore the ecosystem and how you see the M&A space in Brazil. If you're still with some appetite to acquire new companies, even in the digital segment. Should we expect a more significant rebound in terms of provision over the next few quarters.

FINAL

A - Stephane Maquaire {BIO 19679225 <GO>}

Well with regard to our M&A operations. At this point, we are focused on BIG's operations and on the closure of that transaction and following that we will stay attuned to the opportunities the market is offering.

We have a very good level of leverage. We have the ability to make new investments if the opportunity presents itself, but at this point our priority is the BIG Group and to conduct that integration in a very successful way. And after that will be open to the opportunities that come along.

A - David Murciano {BIO 21696215 <GO>}

Thank you, Joseph. (Foreign Language)

I'm sorry. I think I wasn't hearing Joseph very well. But apparently, you had a question about our banking operations performance. And what we can say about that is as you could see with the presentation, there's a seasonal effect playing out, and we expect to see a ramp-up and for the situation to improve. This is an election year, where there might be help from the government or the administration in that sense. So it is a challenging situation but we do not see any high risk to that operation. We are confident about the bank's results moving forward.

Q - Joseph Giordano {BIO 20154008 <GO>}

That was perfect. Thank you.

Operator

Thank you, Joseph. Our next question comes from [ph] Paulo Dias Andrade, sell-side analyst with Bradesco BBl. Please Joao, you may proceed.

Q - Analyst

Good morning, everyone. And congratulations on the result and thank you for taking my question. I just wanted to confirm something. I think you guys mentioned this but I wanted to hear it again. You talked about a 20% increase in same-store sales and following up on that. How would the margin trends would do considering the trends of sales and inflation are going closer to your level of inventories. What can we expect in terms of margin performance moving forward?

A - Stephane Maquaire {BIO 19679225 <GO>}

Yes, I can confirm that month of April was really good. We had over 90% in Atacadao, also, the effect of inflation was very positive for interest. But with regard to our margins, yes as we said we had an inversion with our margins and we expect to stay in this level at least for the near term. But once again we are seeing our volume, our sales volumes recover and what we're doing is build relationships with our customers and suppliers.

Bloomberg Transcript

Q - Analyst

Thank you. That was perfect.

Operator

Thank you [ph]. Our next question comes from Alexander Candy[ph], sell-side analyst with Morgan Stanley. Please, sir you may proceed.

Q - Analyst

Good morning, everyone. Thank you for taking our question. I think you've covered most of our questions but perhaps following-up on the gross margin aspect. It was clear what you guys said about inflation, but I wanted to hear whether there's any effect, especially in Q1 on your customer mix or product mix when considering delivery wholesale and Cash & Carry. And also, if you could guys address the big situation, do you have any information about the max wholesale versus Atacadao that's essentially? Thank you.

A - Stephane Maquaire {BIO 19679225 <GO>}

Well answering your first question and thank you for your questions. We're seeing growth and our customers in terms of tickets in both of the channels and both the formats you mentioned, both Atacadao and wholesale, and parallel to that and our digital sales with Atacadao as well as with retail. So we've had that inversion in Q1 but we're seeking is more clients both with Atacadao retail and in both digital and brick and mortar. What we were able to deliver in Q1 will be working to deliver time and again. David, would you like to talk about the trend with the BIG Group, sales in Maxxi?

A - David Murciano {BIO 21696215 <GO>}

Yeah, we cannot address the trends for the BIG Group, because the transaction still hasn't been concluded because it hasn't been approved. So, we can only talk about older figures or the prior performance, but we can share with you the any trend for the future. We should be able to very soon once (inaudible) or the antitrust authority approves the transaction we will be able to address that.

Q - Analyst

Okay. But even -- thank you, even with the trend in the past for Maxxi and Atacadao, is there any color that you may add in anyway?

Operator

Well, thank you, Alexander. Our next question comes from Gustavo (inaudible) sell-side analyst with Goldman Sachs. Please, Gustavo, you may proceed.

Q - Analyst

Good morning, everyone. In your release, you mentioned, you had a market share gain of about 100 basis points. I just wanted to understand how that breaks down between

FINAL

Bloomberg Transcript

wholesale and Cash & Carry, if you're gaining more in either side? And do you believe you're gaining share over regional local players or national players?

A - Stephane Maquaire {BIO 19679225 <GO>}

Well, I'd say we are gaining share globally in the Brazilian market, also in the hypermarket format and significantly so. We're gaining share in the like-for-like Cash & Carry format or Cash & Carry sales and also in B2B. We have seen strong market share gains with Cash & Carry. So that's a little bit about our channels. We do not have the detail as to who we're gaining market share from, but I think it's safe to say we're gaining on all of them. We have stronger performance within the company, and that's a trend for the long term. So it's probably a little bit more locally, but I would say it's a global trend.

Q - Analyst

That was perfect. Thank you.

Operator

Thank you Gustavo. Our next question comes from Carlos Herrera, sell-side analysts with Condor. We will be reading Carlos's question.

He says, hello guys. I have two questions. The first one is with the synergy gains in BIG's operations. What margins do you guys -- what margin levels you guys expect to attain? And the second question is, do you study increasing your mix of pet products, perhaps even open a dedicated pet space and your parking lot. So that you can enjoy this wave and begin to tackle that market?

A - Stephane Maquaire {BIO 19679225 <GO>}

Well. Thank you about second question as we've said before, we are seeing a slightly greater synergies than we communicated before over a year ago, we saw BRL2 billion in synergy. And these synergies involve gross margin and EBITDA, but I'll let David talk a little bit more in depth about that. In addition to that, we also see the trend in the pet market very clearly.

I was visiting a few hypermarket stores yesterday and talking to some of my colleagues there about that space in our hypermarket stores. That's a good example, because the strength of the hypermarket stores to keep up with market trends, especially in this time, the specific time with the, for the Brazilian market. When we talk about its importance for customers moving on to the future is you can add new categories or remove some categories and use our private brand to do that as well. Now, I'll let David answer your first question.

A - David Murciano {BIO 21696215 <GO>}

Thank you, Stephane. With regard to synergy, the synergies between a BIG and the new group with regard to the margins we cannot provide any guidance with regard to the new group's margins. But what we can say is that the purpose of our operations in is ticking

FINAL

convert every BIG store into our format, whether that's Carrefour or Atacadao and we will also preserve the Sam's Club brand. I think the natural path would be for every BIG store to reach the same profitability and margin level for all of our formats. So naturally after a while, every store is expected to reach the same levels of Atacadao of retail and Sam's Club.

That's essentially the goal for us. We do not expect to have a negative effect quite the contrary, we expect that to have a very positive effect and the rate may come to the same levels of every other format. And that will depend on how those formats perform within the new group. Thank you for your answer.

Operator

(Operator Instructions) We have no further questions. We now conclude our Q&A session. I will now turn the conference over to the CEO for his final remarks.

A - Stephane Maquaire {BIO 19679225 <GO>}

Well, as we saw we have stepped into 2022 with the right foot. And before we begin, we said that the month of April is already doing very well. So we are very, very happy about our trend during this quarter, both and physical -- both in brick-and-mortar and digital and we are now preparing very intensely for the integration of the BIG Group.

Obviously waiting for the antitrust authorities approval within the next few weeks, that will offer a very important opportunity to have a successful group with Carrefour and big together showcasing the strength of this ecosystem, both for our customers, our collaborators and our partners and shareholders. Thank you very much.

Operator

The Carrefour Group's Q1 2022 earnings conference is now concluded. The company's IR department is available for any additional question. Thank you to all the participants, and have a great day.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.