

Y 2020 Earnings Call

Company Participants

- Carlos Mario Giraldo Moreno, Chief Executive Officer of Exito
- Christophe Jose Hidalgo, Chief Financial Officer, Corporate Services Officer
- Guillaume Gras, Vice President of Finance of GPA
- Isabela Cadenassi, Investor Relations Officer
- Jorge Faical, Chief Executive Officer of Multivarejo & Member of Executive Board
- Ronaldo labrudi dos Santos Pereira, Co-Vice Chairman of the Board

Other Participants

- Andrew R Ruben
- Danniela Eiger
- Guilherme Assis
- Gustavo Piras Oliveira
- Irma Sgarz
- Joseph Giordano
- Robert Ford

Presentation

Operator

Good Morning, ladies and gentlemen, and thank you for holding. At this time, we would like to welcome you to the GPA conference call to present the Earnings Results for the Fourth Quarter 2020. This event is being broadcast simultaneously through Internet through a video conference and can be accessed at www.gpari.com.br, where the respective presentation is available. You can flip through the slides at your convenience.

The replay of this event will be available soon after closing. We would like to inform you that the press release on the company's results is also available on the IR site. This event is being recorded, and all participants are in listen-only mode during the company presentation. Ensuing this, we will go on for question-and-answer, when further instructions will be given. (Operator Instructions)

Before proceeding, let me mention that forward-looking statements made during the conference call are based on the beliefs and assumptions of GPA and they are based on the company assumptions as well as on information currently available. These forward-looking statements involve risks, uncertainties and assumptions as they relate to future events and therefore depend on circumstances that may or may not occur in the future.

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

We will now give the floor to Isabela Cadenassi, the IRO officer for the company.

Isabela Cadenassi {BIO 20532610 <GO>}

A good day to all of you, and thank you for participating in our conference call for the fourth quarter 2020. We have Jorge Faical, the CEO of the Exito Group; Mr.Souza, CFO of Exito; labrudi, the Vice President of the GPA Board; and Mr.Christophe, member of the Board of the company. We're going to present the results. And ensuing this, we will go on to questions and answers.

I would like to give the floor to Christophe for his opening remarks. Thank you for your presence.

Christophe Jose Hidalgo {BIO 17982648 <GO>}

Okay. Thank you, Isa, and a good day to all of you. Thank you for participating in the conference call. Before giving the floor to Faical and Guillaume to speak about the performance for the fourth quarter and full year 2020, I would like to make some very short remarks.

As you know, we ended the year approving the spinoff of Assai from GPA operations. And with this, we have a new GPA that will represent retail operations in Brazil and retail operations in the Exito Group in Colombia, Uruguay and Argentina. This is how we have made up a Food Retail group with a consolidated revenue that is higher than BRL50 billion in 2020 and EBITDA of BRL3.9 billion in 2020 in this consolidated group. And this new GPA, this new perimeter, begins its life with a debt -- net debt EBITDA ratio very close to zero.

Some mention of 2020, a year of great challenges, a reality, and all of the GPA teams adapted very rapidly with a great deal of professionalism. And of course, I would like to congratulate the GPA team as a whole throughout our geography. In Brazil, we had a strong recovery in the growth of our profitability. In all formats, we do have a special highlight for the digital part. This year, the growth enabled us to become leaders in the food sector in digital channels in Brazil. Exito as well in the year 2020 has delivered robust results in sales as well as in profitability. Faical and Carlos Mario will comment on this.

Before I end, some additional words on 2021. We continue to be optimistic in terms of the growth of our business. In each different country, we will expand the digital platform throughout. This continues to be one of our priorities. One of the focuses is to expand the more profitable sectors, especially the premium one, which means that this will be a year where we have a great deal of ambition and we're very prepared to face the year.

Once again, I would like to thank all of you for your presence, and I give the floor to Faical.

FINAL

Bloomberg Transcript

Jorge Faical {BIO 21768322 <GO>}

Thank you, Christophe. Thank you, all. Good morning to all of you who are accompanying us in our conference call. It is very satisfying for us and for the team to share with you the results of the last quarter and the year 2020.

I will refer to Chart Number 4 of the presentation, where we show you the geography in South America, a very positive close of the year in all of our operations. This enables us to consolidate our action for the largest Food Retail group in South America. I underscore this, and I underscore it once again. Investors that buy our shares are buying the South American block and not only the Brazilian operations as a whole.

Throughout the countries, we have a highly diversified portfolio of operations, of brands, we're a multichannel, multiformat company, with leading brands in all of the countries where we operate. We ended the year with BRL56 billion in gross revenues. A growth of 12.7% pro forma, pro forma contemplates the operations within a closed year, and 2020 was a very positive year, with several operational challenges, a great deal of adaptation and speed in terms of adaptation when it comes to consumers.

In Brazil especially, we had a performance that reflects the efforts that we made in the last two or three years to remodel our portfolio, the conversions of Pao de Acucar on G7 or Extra, Compre Bem, from Exito, all of these was added value. Especially in Colombia, we have new and very successful value propositions, the WOW Exito format, for example, and Carulla FreshMarket. For those who do not know Colombia, Exito is a brand very similar to Extra and Carulla, a brand very similar to Pao de Acucar in Brazil, and similarity in the business, similar strategies among both countries.

In Chart Number 4, as Christophe mentioned, we have a highly positive highlight in terms of our digital platform, with more than BRL3 billion in sales, BRL1.1 billion in Brazil and BRL2.2 billion for the Extra group, an absolute leader in food e-commerce in Brazil and Colombia. We had a threefold growth in the digital platform in the last year, and this is, once again, one of the main highlights of our growth.

I would also like to highlight, before I give the floor to speak about our financial results, that the Exito Group is a company where GPA has 97% stake. We are the direct controller of the company. 3% of the share is in free float in the Colombian market. It is a listed company, and it is important to mention that as we are going to value this company after the spin-off, only the Exito Group in the Colombian stock market is worth BRL9 billion to BRL10 billion. This is a very solid data that has been amply verified by all of you, and we would like to reinforce that this value is incorporated into our results.

I will give the floor to Guillaume, who will highlight the financial results for the block for Brazil. And I will return to speak about operating results.

Guillaume Gras

FINAL

Bloomberg Transcript

FINAL

Thank you, Faical. A good morning to all of you. And thank you for participating in our conference call. I'm going to refer to the main highlights of the GPA results consolidated for the fourth quarter of 2020.

If you could please go to Slide Number 5, the consolidated perimeter considering Multivarejo and the Exito Group, as was mentioned by Faical, are important. Exito became part of this consolidated perimeter in December of 2019. After the spin-off process, the results of Assai are classified as a discontinued operation in the P&L for the quarter. We observed a robust growth of our results, and the results here are already reflected as being exceptional. We had a net revenue for GPA, and all of this refers to fiscal credits that are a -- remain of CBD and they refer to the PIS-Cofins calculation base.

I would like to highlight the strong growth of gross sales for the quarter and for the year, leading to a consolidated growth above BRL55 billion. In the fourth quarter, we had an acceleration in terms of same-store sales vis-a-vis the previous quarter for GPA Brazil and the Exito Group. All of this thrust by the sales in the remodeled portfolio throughout the years and in the e-commerce sales that continue to evolve very rapidly in all of the countries where we have operations. Regarding profitability, the adjusted EBITDA of this consolidated perimeter is BRL2.3 million, with a margin of 24%. As a result of this, we present one more quarter with very good adjusted EBITDA and a strong contribution of the Extra group.

And because of this, we have attained an exceptional EBITDA, we closed the year 2020 with an adjusted EBITDA of BRL3.9 billion and a margin of 7.8%, higher than the previous year. Now when we look at this per country, we see that contribution of Brazil is somewhat more than 55% in EBITDA and followed by Colombia, that has a share of 35%. We then have Uruguay with a rather robust operation, between 8% and 9%, and finally, Argentina with a marginal share in our results. If we now look at net revenue for the controlling shareholders and for -- which is the base for the payout of dividends, we have BRL2.2 billion for the year. Now this is the accounting profit and also the result of the discontinued operations. Now profit is one of the elements, we have BRL1.2 billion, and BRL52 billion from the operations, and you can observe in our evolution vis-a-vis the year 2019.

We now go on to Slide Number 6, where we can observe that the company began the year with 0 to 1 net debt over EBITDA ratio. This is how we began the year. We leave from a consolidated net debt in 2019 of somewhat more than BRL6 billion, and we ended 2020 with a very low net debt of BRL338 million. Part of this reduction comes from a cash generation before dividend of -- that is above BRL1.2 billion of the continued operations. The other part refers to the deconsolidation of Sendas that reduced the debt by BRL4.5 billion. Now this low-leverage scenario allows us to feel very comfortable and allows us to maintain the levels of CapEx going forward, all sustained by our operational cash generation.

We would now like to speak about the GPA Brazil perimeter in Slide Number 8. We can observe that Multivarejo presented another strong quarter with sales evolution and profitability. Like-for-like sales went from 9.2% and 11.5%, when we exclude gas stations and drug stores, the EBITDA margin reached 9%, the highest level in the last years with a growth of 51% of EBITDA vis-a-vis the previous year. Now this enhancement concentrates

on net revenue with an increase of 3 points and is due to a better level of shrinkage, a better mix and margin balance of promotions and regular programs and personalized sales based on the client's profile, enabling us to optimize our investments.

During the year, GPA grew 8% in total sales and another 12% for same-stores and delivered an EBITDA of BRL2.3 billion in 2020. The EBITDA margin for the year reached 8%, with an evolution of 80 basis points. Thanks to the recovery of our model, the maturity of the Super stores that were renovated, digital initiatives, besides our strict control and discipline and expenses, with a great focus on productivity in the stores and in the distribution centers.

Now I will give the floor to Faical, that will talk about the strategies of our businesses. Thank you very much.

Jorge Faical {BIO 21768322 <GO>}

Thank you, Guillaume. Now going to Slide Number 9, I will try to be brief. As a multiformat business, our explanations come in blocks. This is a quick summary. Pao de Acucar increased same-store sales, 5.8%, vis-a-vis the third quarter. We have 46 stores with the model G7, and they presented a growth 9 points above the rest of the other stores. And e-commerce had a 12% participation in sales of this banner.

As I already mentioned in our roadshow, we are going to expand Pao de Acucar after two and three years focused on hypermarket store conversions, that could be Hipermercado Extra or Compre Bem. But now Pao de Acucar will receive investments, and we will -- this is our premium format with a profit of double digit. And therefore, we believe that we will grow 50 stores in the upcoming three years. This is our main banner in profitability, a 26% -- we have 26% share in sales. And Minuto Pao de Acucar, that represents 30%. And we want to transfer this share to our premium brand, that is around 40%.

Our Proximity format, we are proud of what we have been doing in these two banners, Minuto and Mini Extra, and also with our B2B program, where we distribute and service small shop owners. We use the same logistics to our stores, and we use this with third parties, with the program Aliados. Program Aliados has already 1,000 partners from 1,000 stores that we service here in Sao Paulo through our distribution center in Sao Paulo. But in addition to Aliados, we have 10 consecutive quarters of growth in double digits.

The quarter number four had a growth that was much higher than average. We had 33% of growth. In same-store sales, I would like to highlight Proximity stores. We are one of the few retailers in Brazil that has a highly profitable Proximity program that will be expanded. And this is what we want to do. We want to increase in 100 new stores in the upcoming three years because the potential of Proximity stores is major within our supermarket or mainstream supermarkets or regional markets. Regional, this is 17% in sales. Here, we have Mercado Extra and Compre Bem. We practically ended.

In the last three years, we converted around 170 stores of Extra Supermercado to these new brands. This conversion was necessary to have a more at the yearend format to

service neighborhood customers and also copying the best practices of regional retailers in Brazil. We've grown a lot. This is the format that grew more after Proximity. Compre Bem grew 31%, totaling BRL1 billion in sales. And Mercado Extra grew 12%. In terms of sales, we would like to remind you that these are -- this is growth year-on-year. Since we converted the main unit, Hipermercado, that is 43% of sales, in the last three years, we converted Assai, or we closed around 30 stores.

Today, we have a number of stores that are profitable with a growth of high single digits and one high digit in EBITDA. Since April and May, we started converting some stores to a different format that are much more competitive than the market, by and large, and with the greater value proposition, with fresh products, that are according to the need of the Extra customer, that is a more popular customer. Now these conversions and these new stores, I'm talking about 23 stores, they grew 20% in sales, a growth in EBITDA. And we are going to roll out around 80 new stores during the year 2021.

On the next chart, Chart Number 10. Here, we have the highlights of one of our strategies that are very important. This is a cross-cutting strategy. And these are our private labels. Here, you can see, on the bottom part, we have the main brands, Qualita. Most of our sales of private labels and new brands like knows that it is hygiene and personal care brand that has been very successful in the beginning. Now private label represented 20% of our sales. This is an impressive data, 20% of penetration in food category. It grew when we compare it to last year. The customer recognizes our label due to their positioning and price and quality. We have an assortment of around 5,200 SKUs only in food. And we are including new categories like personal care. A number of highlights throughout the year would -- and there are potentials like Taeq brand. Taeq here in Brazil is one of the strongest brands in the country, and this is a brand that shows social and environmental commitment, not only with health.

And another important data here would be every 100 customers that go in, in the stores, 80 buy a private label. So it has a penetration in 80% of the tickets. And if we would have one supplier of products, it would be a leading supplier. And the sales are above BRL4 billion in 2020. This is one of our highlights.

We have to mention, of course, Chart 11. We have to talk about digital, that is our strategic priority now with GPA. Here, we presented a growth 3 times during the fourth quarter vis-a-vis last year, 190%. This year, we totaled BRL1.1 billion in sales. And last year, it was around BRL400 million. And as I mentioned, here, we would like to say that we have a profitable e-commerce single -- EBITDA in single digit. This is very important. It is sufficiently strong to support the growth in platform because of the cash. We have significant and operational figures. We totaled around 300 stores this year with shipment from store, and we also totaled six distribution centers scattered throughout the country, maintaining our hybrid logistics strategy with shipments. It could go from the CD, or it can go from the store, in our last mile strategies, that already totaled 355 stores in 32 cities throughout the country.

Now within our ecosystem as a whole, our platform, one of our highlights this year is the launching of our retail coalition program that is the Stix program. It is not a loyalty program because the loyalty programs are our Mais or Clube Extra. Stix is a program that creates a

FINAL

coalition. They unite retailers in the country. And together with drug stores, Droga Raia Brazil, and a partnership with Itau, and we have a potential of 60 million customers. We've already reached 1.4 million customers up until the day with a high level of performance, and we intend now, this year, to go after new retail verticals in this coalition program. For example, retail verticals would be like fashion retailers, pet retailers, construction retailers. We're talking about retailers for the sports area, retailers of new segments where we will distribute stakes as a coalition currency, very similar to what Colombia did with Puntos Colombia.

On the next chart, here, we have some highlights. And here, you can see the performance, the concentrated performance in our main priority, that is e-commerce, and we would like to try to explain our strategy in this segment. Number one, it is -- this strategy is based in consumer data. We have a platform. We have recognized over 22 million customers. And these customers that comply or that adhere to omnichannels, that in addition to buying too in the brick-and-mortar store, they buy in the site. They spend an average 2.7 times more than what they would spend in the past. This is a central strategy for us. It doesn't create cannibalization. The other way around, it creates share of wallet in our customer. And we have a strategy as we can see. It's a combined strategy between 1P and 3P.

Number one, our 1P strategy. This is how we totaled our first billion in sales. We will maintain the experience of complete basket, the fulfillment experiments of fresh and dry products. So for example, we have of -- our logistics ready to deliver your complete lunch, from the appetizer, the salad, up until the dessert or ice cream, to deliver a chain of fresh products in the household of a consumer the same day or the next day. For this, you need a prepared distribution chain, and we have this through our 300 stores that are doing and six distribution centers.

We want to increase this expertise to increase our geographic radius of performance in new regions in 2021, more distribution centers and more stores as well that will be explored in order to increase the radius of distribution of 1P. That -- this is where we have experience, that is in food. We launched our marketplace platform in November. We are completing two or three months of existence of this 3P platform. Here, we have the ambition in the upcoming five years to be one of the biggest market -- generalized marketplaces in Brazil. But before becoming a generalized marketplace or platform, we want to specialize ourselves in categories where we have authority. Therefore, we are going to start our trajectory with a specialized marketplace. Here, we are highlighting 10 categories of the specialty, and we will start with a combined strategy between 1P and 3P. Here, we have grocery or fresh products, as I said.

In addition to this, we're talking about beers or craft beers, wines and liquors, for instance, or baby care or also pet care or cleaning products. All of these categories that you can see in this chart are categories that are highly connected with Pao de Acucar and Extra brands, like, for example, in wines. The wine category, we are already leaders in wine. Our sale is around BRL650 million, BRL700 million a year. We want to broaden. We want to invite all the players of e-commerce, so that they can sell wines through our marketplace platform and be, for these five years, where we will show that we are the retailer that has everything. This year, we want to have everything in terms of wines, in terms of beers. We

want to be a platform that is recognized, that has a complete assortment of baby care and pet care. So this is our main agenda, to accelerate our marketplace during this year.

In addition to this, there is something new that we're announcing here in this release. Our new strategy, that is something that we call, 3P out. What does this mean? We will specialize ourselves as sellers of major marketplaces. So we're going to sell within MercadoLibre. This is part of our strategy. We want to sell in a number of marketplaces, and we want to be specialized in these categories that are focused categories.

In addition to this, we're also changing our strategy regarding last milers. Two years ago, we bought a company called James, and up until the day, we've worked with something that is called a close platform. It made sense to do this. The market has evolved. The market has become, in 2020, become a much more competitive and open market, with more investments in last milers. We are changing our strategy with a more collaborative platform.

So yes, we are going to work with James. James continues being one of our priorities in terms of platforms, but we're going to work with other platforms in the last milers market. We had our first sale in Rappi. We started the Rappi operations here in Sao Paulo. And we are already starting to scale Rappi to the other areas of the country.

To end this part of digital, we would like to highlight what I just mentioned. Before being a generalized marketplace, we want to -- we will specialize on a number of categories, and we will accelerate in the verticals of these categories. Now Slide Number 13, regarding Brazil. Here, we have some of the main messages. After the spin-off of Assai, we are totally focused, and we are dedicated to Food Retail. We're dedicated to executing our strategy. This omnichannel strategy is about the most importance to service our customers wherever they are and for whatever they need.

Our -- due to our geography, we believe that we are highly competent to be one of the major digital players in the country. And as it has already been mentioned, we have a number of lever growths and we totally trust that what we have done up until the moment. And all our preparation will maintain our results, and now KPIs will be sustainable results for our future.

I would just like to highlight another point here. Our commitment with the solidity of ESG, not only regarding the governance of the company, but as we are listed in victory with the highest standards of governance in our Boards and our committees, but also our commitments and the responsibility that we have to change the planet where we live, where we have also an environmental responsibility. And we have social responsibility, not only together with our employees regarding diversity, female leadership and race, but also responsibility with our customers. We have evolved a lot in the past two years as a company, and this is a central agenda for our development.

I would like to return the floor to Guillaume, who will speak about the financial presentation, which is the second block of the presentation.

Guillaume Gras

Thank you, Jorge. We go on to Slide 15. The Exito Group also had a very strong contribution to our results, representing 50% of GPA's recurrent EBITDA. The like-per-like sales were mainly sustained by Colombia through Exito WOW and FreshMarket as well as the strong growth of sales online. The three countries had an EBITDA above 10%. This quarter, thanks to the commercial margins and the strong measures taken to reduce expenses in the annual vision, EBITDA increased 18%, maintaining a stable margin vis-a-vis last year of 8.3% of sales. And even when faced with the impacts of the COVID-19 pandemic and a scenario of significant restriction in Colombia, there was an impact of the complementary business of the group, especially the banking and the real estate activities.

On the other hand, the retail operation had an evolution in profitability because of the growth of innovative formats, such as Exito WOW and the FreshMarket and the Uni channel format. Besides a reduction of expenses during the year, simply to remind you, the values for the fourth quarter 2019 and the full year 2019 presented here are pro forma and we're showing them simply for reasons of comparison through the year. The month of December was consolidated for the GPA results.

I will return the floor to Jorge, who will speak about our main business strategies. Thank you.

Jorge Faical {BIO 21768322 <GO>}

Thank you, Guillaume. If we could go on to Chart 16, we do have some highlights of our operation in the other countries of South America. In fact, Exito, and as we see in Brazil, they faced a very challenging scenario, with significant restrictions in terms of circulation, a restriction that was more stringent than the one we had in Brazil.

Exito has a share in the non-food segment that is much greater than the one we have in Brazil, and it has a higher share in the real estate assets. Now despite all of these challenges, you have seen the results, results that make us very proud of the local teams in the three countries. Countries that with a great deal of devotion and adaptation were able to deliver significant progress with a very firm base for the future.

Now the group strategy is divided in Colombia in innovative formats, which are the two formats to the left. First, Exito WOW, a hypermarket that renders more services, has more experience and is more devoted to categories as if we were working with stores within stores, with a sales improvement of 17% in this format, 10 basis points superior to the rest of the non-converted stores, and we're ready for the rollout of this format. Another format where we had the exchange of experiences between Brazil, Colombia and Uruguay is the Carulla FreshMarket. The G7 holds a great deal of this model with a great deal of exchange of experiences. It is a format with a sales growth of more than 15% in the fourth quarter, 7 basis points higher than the non-converted stores and represents almost 30% of the sales for the Carulla format.

FINAL

Bloomberg Transcript

FINAL

As part of the features of Colombia, there has been an advance in the hard discount format in the last decade. We are strengthening this format, which is called Surtimayorista. This is a low-cost format for the country and a format that we're very proud of, one of the few low-cost formats in the country that is profitable, that has shown to be profitable. And private label is the great highlight for the business. We have almost 17% penetration in food, very similar to what we have in Brazil, and we work jointly in Brazil with Finlandek, Taeq and others. And in the textile and home categories, they represent almost 40% of the sales for the segment.

Now the real estate was a highly challenged sector last year. Simply, to give you an idea, the Brazilian investors, the Exito Group in Colombia, if it were a separate shopping mall group, would be the first in the market. It is the largest real estate company in the Colombian market. And in Argentina, despite our low market share, it is the third real estate operator in the country.

Now to get to that level in a year with a pandemic, with 92% of occupancy rate in December, is a result, of course, that makes us proud, something very difficult to attain. That was only possible because of the efforts of the team. The real estate of the Exito Group represents 12% of the EBITDA profitability for that group. And in the past, it represented almost 20% of their profitability. Looking forward with the rate of occupancy achieved in December, real estate will be a very strong leverage of results in the future.

In Chart Number 17, a strategy that is very similar to the Brazilian digital strategy, significant results, BRL2 billion of sales in 2020 through omnichannels, a share of 12% in the business. If we think of 12% share, this is comparable to worldwide benchmarks in the food segment, a very important share. It is a strategy that is also divided between e-commerce, 1P and marketplace, that has reached 300 and some sellers in the first months of performance. They have launched a digital wallet, which is called Tuya Pay, an association with Bancolombia and Argentina, one of the main Colombian banks and a last mile and delivery strategy.

In Colombia, we have an exclusive partnership with Rappi, with a growth of 83% in the total number of orders. I would also like to highlight Puntos Colombia. If we launched Stix in October of last year, Puntos Colombia was launched three years ago. It reaches 13 million clients, which means one-third of the Colombian population that is already using Puntos Colombia as their payment portfolio, very expressive figures, perhaps one of the best mileage or loyalty programs in the country and an absolute leader in the food segment.

Going to Chart Number 18. Colombia is a country, that is quite complex. Based on this chart, you can see how robust and how large the Exito ecosystem is in Colombia, and it is sustained through highly innovative initiatives, with the customer at the core of this omnichannel. I'm not going to read everything, but the strategy is divided in brick-and-mortar stores. It is based on those brick-and-mortar stores. All have a very strong omnichannel strategy, with loyalty coalitions. There is monetization of customer traffic, travel, insurance or the sale of real estate, is our mobile phone operator.

Bloomberg Transcript

Now in Colombia, the real estate business is called VIVA. In Argentina, it is called PASEO. And we also work with partner banks in different modalities. Therefore, this is a full ecosystem in the country, with highly acknowledged brands in the countries where they perform.

In Chart Number 19, some of the main messages. And this is the last chart of the presentation. I would like to give the floor to Carlos Mario, the CEO of the Exito Group. And although GPA Brazil is the controlling company for the Exito Group, we, of course, preserve full local autonomy in all countries. No one better than the Colombians to manage businesses in their own country.

I will then give the floor to Carlos Mario.

Carlos Mario Giraldo Moreno {BIO 21611023 <GO>}

(Technical Difficulty) our unmatched digital penetration, which is a benchmark in the region and I would say, in the world, BRL2 billion of sales last year going from what was already a high level of 4.5% of sales, to 12.4% of sales and very interesting, 8.8% share in food in consumer goods, which amounts to near to BRL1 million.

We had 8.5 million deliveries. That's top not only in the country but in the region, and it gives us a big comparative edge against our competitors. It's interesting to see that it is a combination of two forces. The force of Rappi, which is exclusive for consumer goods in Colombia, which makes around 55% of these deliveries. And our own force, our own deliveries made by Exito, Carulla and our other brands, which makes 44% -- 45%.

The second differentiation element is innovation. Innovation even in pandemia is more important than ever. Our Exito WOW is a hypermarket with experience, going to create a differentiation against any other hypermarket proposition and even department stores in the country. Our WOW stores now represent more than 20% of our Exito sales, with a high ROI above 30%, which is very positive for the future construction of profitability.

And in Carulla FreshMarket, which is the premium format of Colombia, the only national premium format, it accounts now for 28% of sales, and it has an ROI above 15%. Finally, our Surtimayorista is a very good combination going to professional customers like mom-and-pops and to the end consumer in the low-cost segment. And our third differentiation is the ecosystem of which Jorge Faical was speaking. That is we combine a seamless on-off strategy. Given the high share of on sales, we have integrated all the processes. We don't have a team for on and a team for off, except for things like IT, but it's integrated in one vision.

And the second part of this is that, in the ecosystem, our complementary businesses have been a historic strength for Exito, with strong partnerships with the leaders in insurance, with Suramericana, going to 1 million customers, in credit, with Bancolombia, going to 2.7 million cards in Colombia. And I highlight the customer coalition.

FINAL

The customer coalition, as Jorge says, now getting to near 30% of the Colombian population, but more than 60% of the purchasing capacity now has 105 companies, which are allies for issuance and retention of Puntos Colombia, and Puntos Colombia deemed to become the second currency of Colombia after the peso.

Finally, what I would say is we had a year with a strong retail result performance, more than 80 bps improvement in EBITDA, which compensated for the difficulties that we had in complementary businesses, given our decision to support our tenants in the real estate business and to maintain occupation above 92%, and given also our commitment with our credit customers and the reinforcement of provisions which make today, our credit business, a very strong business. This would be the most important part of Exito, saying that for 2021, we remain positive and -- in retail and that we have a very important upside coming from the complementary businesses.

Now to Isabela. Thanks.

Isabela Cadenassi {BIO 20532610 <GO>}

Thank you, Carlos, and we can now go on to the question-and-answer session.

Questions And Answers

Operator

(Question And Answer)

We will now go on to the question-and-answer session. (Operator Instructions) Our first question is from Danniela Eiger from XP.

Q - Danniela Eiger {BIO 20250080 <GO>}

Good day and thank you for taking my question. Congratulations for the results and both operations. I do have some questions. The first referring your sales format, you have had very productive achievements. And this, of course, is the indication that you will continue to deliver this performance. As you convert the stores to this format, which has proven to be very positive.

Now which is the rate of conversion that we should expect? Will all stores be converted during 2021 or going forward? And what are you thinking in terms of the sales performance of this segment? We know that this will depend on the demand of supermarkets. But which will be your behavior during 2021 as we have the emergency aid and much more. So what are you expecting in terms of sales and the conversion of these stores?

Another question that refers to the e-commerce. I would like to gain an understanding as you make partnerships with other players in marketplace such as MercadoLibre, will you have exclusivity or will you be acting in different areas? And the issue of James that you

mentioned of acting in other last miles. Will you expand to other marketplaces? Will you continue to this -- doing this exclusively?

And my last question, referring to your levels of profitability. You have achieved very good profitability this quarter. What will happen going forward? There are several levers and in-house enhancements. Now if you can still retrace all of this to reach a more normal level? Thank you very much.

A - Jorge Faical {BIO 21768322 <GO>}

Thank you, Danniela. Okay. So let's start. I understood that part of your first question is regarding conversions. I believe that you're talking about hypermarket, right? Hipermercado, is this right?

In reality, it's about the new formats like G7, like the new model of hypermarket and Grupo Exito. I want you to elaborate on the models that appear to be very successful. Number one, in terms of Brazil, we have -- in Hipermercado, we have a new positioning that always generates thousand -- tens in the market because it's a positioning that is more competitive in supply categories. And also regarding fresh products, we have 23 stores. We believe that, up until June, we will have 80 new stores. We believe that in June, we will conclude this.

Now regarding Pao de Acucar conversions to G7, we are changing a little bit our strategy. Instead of converting 1 store that was a G6 to a G7, for example, now I am rollouting the successful concepts in G7. Let's say, for instance -- let's say, butcher, the butcher category in the G7 categories, it was very successful. It was a service with the Balcony, they cut the meat in front of the customer. And this model was highly successful.

I am going to rollout this butcher to the other stores in the country. The bakeries, for example, we will have rustic bakery that has been very successful. Our customers love -- customers love it. So I will rollout the rustic bakery to all the stores upon --. What we're doing is roll outing the concepts and the micro concept. We will focus -- we will focus on the expansion of Pao de Acucar. That is our main focus.

Now regarding the conversions of Exito, well, yes, we have a potential. We can expand Exito to other 43 stores in the country. And also Carlos Mario, can help me here, we have 101 stores that are well economy format that is a format geared toward priceless experience. Claudia, Claudia presents a potential for 34 stores that will be expanded now in the upcoming months. And Turchi Maoris that is a discount format. I wouldn't say that it's similar to cash and carry, but it does present characteristics that we learned from the Cash & Carry in the country. The planning is -- what we plan is to have four or five expansions this year. Carlos, would you like to add something?

A - Carlos Mario Giraldo Moreno {BIO 21611023 <GO>}

You were now regarding the scenario. I don't like to talk about future scenarios. About a scenario that is extremely volatile. And it's -- there is still uncertainty in the country this week. And we may have curfews throughout the country. We are seeing curfews

FINAL

Bloomberg Transcript

throughout the country, which changes our night operations. We -- the employees have to go earlier home to respect the curfew, there are cities that are banning the sale of alcoholic beverage. There are cities that close supermarkets, they're only working through e-commerce. So the scenario is still highly volatile.

So we can't answer this question. What I can say actually is that we are very cautious, and we are preparing ourselves to deal with the volatile scenario since the third quarter of last year. Dropping costs, improving the productivity of our stores here in our headquarters. Well, we are prepared to maintain the solidity of the delivery of the EBITDA that we have delivered.

I remember, one year ago, when I participated in my first results call, I said the GPA Multivarejo would deliver results in 2020 that was gradual and never growing. In 2021, I can say that we will deliver something very similar. It will be balanced and it will be very similar to what we observed in the past quarters. This is what we intend to do with the solidity of the EBITDA together with this, a volatile and unstable scenario.

Regarding partnerships, when we talk about exclusivity, and when we see who is our competitor and a partnership in this disrupted scenario in the digital world, this has been changing a bit. We don't necessarily want to be the exclusive partner of this marketplace platforms, but we want to be the big partner. Why? Because we have national scale. We have 800 stores that can be a distribution hub together with the distribution hub of the marketplace. And we have the fresh experience that it's very difficult to be copied to do the fulfillment of lettuce, of eggs, of ice cream. We're talking about frozen products. You need supermarket stores. You have to be specialized in this area. And you have to be in the last mile of the consumer to be profitable. We do know that we present these characteristics, and we will achieve exclusivity. This won't be in contract.

Now regarding James. Yes, as we are going to work with other Last Milers, James will be able to work with other supermarkets, if these supermarkets are interested. This is what we call an open collaborative platform. Thank you very much.

Operator

Our next question from Guilherme Assis from Banco Safra.

Q - Guilherme Assis {BIO 21406331 <GO>}

Good morning. Thank you for taking my question. Faical, could you elaborate on the recovery of the new stores of Pao de Acucar, you're talking about opening 100 stores in the next three years. I want to understand how you see this expansion? And what are your objectives? What do you want? Do you want to be -- have more presence in the areas where you perform? I know that, in Sao Paulo, you have a lot of stores, but I believe that the growth would be outside Sao Paulo. What do you want? Do you want to be present in the interior? Do you see an opportunity here or other states? How should we interpret this? And you closed some stores last year in Curitiba. I would you like you to elaborate on your view regarding the geographic expansion of Pao de Acucar? That is one.

Now the second question would be the change of the value proposition of Extra. You are clear that these 23 stores present relevant growth and generating value. What should we expect regarding the rollout of these 80 stores until June? Does this impact the growth and the EBITDA margin? Can we see an impact in the gross margin because of your investing? Do you expect -- will you have operational leverage? Is this how we should see things regarding the changes in Extra? These are my two questions.

A - Jorge Faical {BIO 21768322 <GO>}

Thank you, Guilherme. Well number one, Pao de Acucar. Let's start by Pao de Acucar. Just to correct the number. And to clarify, we're talking about 50 Pao de Acucars in the upcoming three years and 100 stores of Minuto Pao de Acucars in the upcoming three years. So 50 supers and 100 proximity stores. This is our plan, okay?

So currently, we are working on our expansion plan. And during the second quarter, I will announce this plan more clearly, but there are a number of assumptions that we must bear in mind, saturation of the cities where we're present. So here, in the state of Sao Paulo, there are opportunities in Baledo, (Inaudible) -- Sao Paulo and the interior could be close to Campinas or it could be a more distant interior. There is a possibility in Rio de Janeiro, where we already have a strong operation in the center West, very close to the capitals like Companhia Brasileira, --. These are areas that present potential, therefore, our strategy is, it will start because of the saturation inside of these regions.

Now a number of regions that depend on more aggressive entry like Belo Horizonte, well, we still do not have a solid plan, and I'm not going to say anything about these other capitals. I would like to give you an example and a disclaimer of a store that we will expand this year in the city of the interior of Sao Paulo, that is Limeira. Limeira is a city that is approximately 30 or 40 kilometers from Campinas, approximately. And it presents potential inside the cities to sustain that Pao de Acucar format. So in addition to the city of Limeira, we are interested in opening in Limeira distribution hub of Pao de Acucar or Pao de -- for radius of 15 kilometers from the city with 15 kilometers of performance. We can service Americana, we can service Novo des, we -- much more (inaudible) and even a small part of Campinas. With its -- with many distribution hub in Limeira in addition to the saturation of Pao de Acucar in the cities, the expansion has to bear in mind the digital potential that the brick-and-mortar area contemplates. We're talking about an expansion that would be more in the forefront, okay? And Pao de Acucar is going to have to spearhead this movement.

Now in Hipermercado, the initial results of the first 23 stores, they contemplate the following P&L. They contemplate an increase of sales of around 20%, a drop of gross margin of 2 points. And the EBITDA, 1 point above the past when we compare it to the same-store. So with this growth, with this elasticity of sale of 20 points, we can dilute. Marketing expenses, fixed expenses, also shrinkage, and this is important to be able to maintain the soundness of our EBITDA. And this is the format of the hypermarket in the future. What do we expect here? A slight drop of gross margin and the sustainability of the levels of EBIT is for the future. This is what we can expect with a top mind, more leveraged on customers and sales.

FINAL

Bloomberg Transcript

Q - Guilherme Assis {BIO 21406331 <GO>}

Just one question regarding Extra Hiper. In the past, you said that you would, perhaps, close stores. Now your speech -- now you want to change your value proposition. Do you believe that this new strategy has already eliminated that view that, perhaps, you were going to close some stores? So as from now, do you think we -- you will not close any hypermarkets?

A - Jorge Faical {BIO 21768322 <GO>}

Well, perhaps, we will have half a dozen of stores that will be closed. These are the ones that are that under -- that are on our radar that are stores that present deficit. I believe that we will not see conversions or closures and volumes that we saw in the past years. Hypermarket, as I mentioned, well, here, we don't disclose the EBIT of each one of the formats, but it is a format of a high single-digit. It is a format that provides us revenue and strong cash generation, unlike something that we saw years ago. So this is a format that, with this positioning, we believe, we will maintain the profitability at the same -- at these levels for the future.

Q - Guilherme Assis {BIO 21406331 <GO>}

Okay. Thank you very much, Faical.

Operator

Our next question in English from Andrew Ruben, Morgan Stanley.

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

Hi. Andrew here. Thanks very much for the question. So my question is on digital. I was curious if there's any integration between the Brazil and Exito operations? Do you see an opportunity to work together more in the development of digital initiatives across the countries? Thank you.

A - Jorge Faical {BIO 21768322 <GO>}

Thank you for your question, Andrew. Yes. There are major opportunities for integration, not necessarily operating because these are two geographies that are totally separate, but there can be integrations in service. We can have similar strategies. We talk a lot about Rappi that is a common point, and we -- and part of our digital ecosystem. And system is our loyalty program Pontos Colombia, and stakes in Brazil. We also have -- we have established synergies like Mi Descuento in Brazil that was launched in 2017 and, in 2018 Colombia launched Mi Descuento as well. Very similar -- with a very similar approach. In terms of knowledge on your customer, how to carry out a customized offering to each one of these consumers. And there are -- there is major potential to increase the digital integration amongst two countries, but they are more geared toward strategies and processes and not fulfillment because we're talking about separate geographies.

Carlos, would you like to add something?

A - Carlos Mario Giraldo Moreno {BIO 21611023 <GO>}

And it was brought to Colombia, and we are working on how to take the best proposals with profitability and growth from one country to the other.

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

Very helpful. Thank you.

A - Isabela Cadenassi {BIO 20532610 <GO>}

Thank you, Andrew.

Operator

Our next question Joseph Giordano Bank JP Morgan.

Q - Joseph Giordano {BIO 15875778 <GO>}

Thank you for taking my question. I would like you to elaborate on Pao de Acucar banner. Could you talk about the rollout of the best initiatives of G7. And let's say, same-store sales was weak when we compare it to other types of formats from the competition. I would like to better understand what you see internally inside the banner? And I would like some feedback regarding stock out, perhaps, price positioning to understand why this banner underperforms vis-a-vis the others? And perhaps it's the most important banner for your medium-term strategy.

And another point, would the constant provisions for fiscal -- what about other -- the other entries that sometimes present values higher regarding fiscal contingencies. And another thing, how was the change of mindset inside the company so that you could adopt these platforms of aggregators? And one was to become a great partnership with Rappi. Why was it so different? And now you've changed this mindset?

A - Guillaume Gras

Thank you, Giordano, for the question. I'm going to answer the question of aggregators, and then I will give the floor for your other answers. Now Pao de Acucar did improve in the last quarter. In the second and third quarters, it suffered due to the migration of consumers to other cities in the hinterlands to the Baixada, leaving the capital where we have a higher concentration of stores. In the fourth quarter, this continued on, perhaps, with lesser intensity.

Several families returned to Brasilia, Rio de Janeiro and Sao Paulo to resume their activities to send their children to school. But two additional factors also happened, downside, of course, in Pao de Acucar hampering our performance. First of all, the migration as Pao de Acucar has a higher price format, the level of unemployment, the drop in income. And I remind you that Pao de Acucar is not only for AA premium clients. It also is used broadly by B minus customers to supply their homes and not only to replenish their homes.

FINAL

So we did have a loss of consumers who went to lower cost channels. Several consumers migrated to Extra Hiper, and we also have information of a migration towards our competition. Another factor that refers to the last milers, the competition of last milers became more intensified in the year 2020. The growth of the platforms took place with three digits, some of them growing four digits month-after-month. And we did face a change because of the scenario of the pandemia, and we moved away from a closed platform, the James platform that was closed, and we began to enter this game with very robust and sound partnerships with third parties.

Pao de Acucar was one of the formats that most suffered a loss in market share because of this advance of the last milers throughout the market. I think this is something that is well known, and it happened more specifically in the Southeast and Sao Paulo and Rio. The digitization of purchases -- of food purchases by the population begins with the highest social bracket of the population. It begins with Class A, migrates to Class B and begins in the southeast and spreads to other regions in the country. And this was a very strong impact on the Pao de Acucar sales.

Now when we think about the future of Pao de Acucar, with this change of strategy of having a more open platform, we will be able to mitigate these effects. We should have the contrary effect. We will have a gain of share in Pao de Acucar working with external platforms and with an extremely strong e-commerce. Pao de Acucar is the largest Internet sales platform in the country. And the effects of the pandemic will gradually be reduced throughout the year. Pao de Acucar continues to be the banner with the highest rates of profitability. It has increased the EBITDA rate vis-a-vis 2019. It is the preferential banner for growth for us. It has a very clear, mature and solid value proposition. And it's not because of a short-term movement that we're going to abandon or drastically alter any strategy in our format. We're very confident and very secure that Pao de Acucar is part of the core growth going forward.

In terms of what I can say for this year, we ended this year with the value mainly impacted by the revaluation of what we had with FIC in Assai. And in previous years, we had significant amounts of this. I would like to remind you that we underwent company reorganizations. We acquired Exito, we worked with Multivarejo. And we now have the Assai spin-off, which, of course, has generated significant costs. And in terms of the operational part, we had the restructuring of stores, the revaluation of Hiper with an elimination of 23 stores, 30 of which were converted to Assai. And we had a restructuring of our Super Park, representing 150 stores. We had expenses with COVID-19 and different natures of expenditures, structural expenditures that are a given.

Going forward, we do not think that we will have projects of this magnitude that will have an impact on our results. Of course, in future years, we may have the isolated closure of some stores, as Jorge mentioned, but it would be something isolated. In terms of the fiscal part this quarter, we had a tax contingency referring to the IPE due to the internal transfer of merchandise and this based on a decision of the Supreme Court in the second semester. This risk, of course, did have a provision.

What I can state, of course, is that the contingencies are part of a permanent review of our teams and our attorneys, all of this under the control of auditors. The level of

FINAL

provisioning that we have at present seems to be comfortable. We have BRL1.4 billion of contingencies that have been fully provisioned for. And the balance of the possible contingencies are under control, and, of course, are submitted to permanent monitoring by our attorneys. And we have no warning or alarm in this issue.

Going forward, in 2021, we certainly do not anticipate facing additional risks of that magnitude as the one we saw in 2020. I would also like to point out that, alongside this, we have reduced our portfolio of litigation. In terms of labor litigations, last year, we had a reduction of 11% after a reduction of 25% the prior year. And when we speak about the real estate and civil litigations, we also had a reduction in our portfolio of minus 36% of litigation cases. Thank you.

Q - Joseph Giordano {BIO 15875778 <GO>}

Thank you very much. When you speak about other items, I understand that you have a very adequate level of provisions. And to go back to what was said by Faical, there was a relevant difference in performance of the formats cells that had been renovated and those that had not been renovated.

A - Jorge Faical {BIO 21768322 <GO>}

Yes. Yes, Giordano, we had this. Pao de Acucar had a performance that was four points above. In the last quarter, Pao de Acucar had the same-store sales growth of 5.8. The renovated stores grew 8%. I truly do not remember this figure, 9%, it seems. A 9% growth vis-a-vis 8.5%. Now the value propositions that they deliver, and that we're going to include in our expansion project, we're also going to include the concept for other stores, will now become a core point for Pao de Acucar going forward.

Q - Joseph Giordano {BIO 15875778 <GO>}

Thank you. Thank you.

Operator

Our next question comes from Gustavo Oliveira from UBS.

Q - Gustavo Piras Oliveira {BIO 15129435 <GO>}

Good afternoon to all of you. Thank you for taking my question. I have a follow-up in terms of your relationship with Rappi. You have been pioneers in this relationship way back. And there was that issue of who was the owner of the data? Who was the owner of the customers' data? I would like to know if you do have access to the customers' data from Rappi? If you will be able to participate and use the tickets, the points? What will change basically? And which would be the ideal balance for you to have direct deliveries carried out per store or ship from store that already represents 57% for you or the last milers, if you could give us a reference in terms of this?

The last question refers to the supermarkets. You mentioned that there were 5 stores that are working in the red, with a deficit. Can these stores still be converted? Would it

Bloomberg Transcript

make sense to convert them to Assai perhaps. Assai, of course, is independent, but it still works with a controlling company. What are you thinking in terms of this going forward?

A - Jorge Faical {BIO 21768322 <GO>}

Thank you, Gustavo, for the questions. Our relationship with Rappi, as I mentioned, is beginning. Once again, we are resuming this relationship. It is a relationship that is far more advanced. It goes beyond the exchange of data and experience of the data of consumers that by at Pao de Acucar and Extra stores will be shared. We will use these data jointly. We have also had an evolution in our strategy. Not only are data important, more important than data is the customer's journey because when the customer is in the Rappi application, they're entering a subdivision of the Rappi application, which is Pao de Acucar. And at this point in time, we have to offer and render even better services. When they leave the tab of Pao de Acucar to that of another competitor, they're at the distance of a single finger, a single click. So compared with the last miler platforms, what we want to do is improve our service rendering. And the services that we render in e-commerce that are our own have attained 95% of service level agreements in several indicators in terms of lead time, for example, full orders, perfect orders, all of these are internal indicators, and our service levels are above 95%.

Now if we bring this same indicator into last milers platform, we know that we're going to conquer the consumers' journey, which is very, very important. Our own e-commerce Pao de Acucar has the club mile, and this is one of our priorities. We have reached this first billion, and we are planning to have leverage growth this year, maintaining profitability. And one of the secrets behind maintaining profitability is precisely this equation of having 60% to 70% of sales made through shipment from store. This is the most lucrative model. We have much more lucrative than distribution center hubs. Now to respond more concretely, we're going to maintain a high share for e-commerce, one that will be ever growing and with shares and with fulfillment shares that will maintain the business very profitable and sustainable.

As part of your second question, referring to hypermarkets. Indeed, we can converse with Assai. We could have other conversions, perhaps, at a slower pace than in the past. We're going to begin to deal with this as separate companies and as related parties within the Board and within commissions. Of course, we're going to deal with Assai as if it were a competitive company, although we have the same controlling company. These five or six stores that I refer to will not necessarily be converted to Assai. They could undergo closure because of the lack of sustainability in their results. Our core strategy in the hypermarket is the rollout of this strategy and a single high digit of profitability.

Q - Gustavo Piras Oliveira {BIO 15129435 <GO>}

Thank you. Thank you very much.

Operator

Our next question comes from Bank of America, Mr.Ford.

Q - Robert Ford {BIO 15127836 <GO>}

Thank you very much and good day to you. Congratulations for your results. Carlos Mario, what are your thoughts about Argentina. The sales seem to fall below inflation and there are reports of scarcity. It seems that the challenges are intensifying. Faical, regarding your payout strategy, are you going to base yourself on your full assortment, on different sets? And when it is about collecting at the store and data, which is your opinion on this? Thank you.

A - Carlos Mario Giraldo Moreno {BIO 21611023 <GO>}

A macroeconomic problem. What we did this year was to try to protect profitability. That was very important. And we got a positive EBITDA and probably one of the worst years of Argentina. We did an investment to protect the occupation of our real estate, of our 15 galleries. That's key because it's an important part of the value of our operation, and we kept it at a high level of 90%, which is incredible for our country as Argentina. It's important to bear in mind that each gallery, in each of those cities like San Martin or Cordova or Posadas to the north of Argentina, the (inaudible), excuse me, they are the first or the second most important gallery in each city. And they have been very much resilient at this moment. Also, we come from a difficult moment in the first semester to a much better one in the second semester, not only in profitability, but also in sales growth. And in the -- as you can see, for example, in the last Q, we had an EBITDA margin of 10%, which is very strong for Argentina.

A - Jorge Faical {BIO 21768322 <GO>}

In the question that refers to the payout of dividends. We're going to begin gradually, Robert, to expand our assortment as a seller we should begin with approximately 1,000 SKUs, still in the grocery products, the dry products. And gradually, and along with a partner, we're going to offer different possibilities by store, where we will include the fresh categories. These are the initial two steps, what we call Phase 1.

Now Phase 2 of this process is to go towards those 10 categories in a more robust fashion. These are categories where we deem to have a sourcing of authority, a purchasing authority expertise on the category. And in the future of Phase 3, perhaps for 2022, expand our portfolio to non-food categories.

Q - Robert Ford {BIO 15127836 <GO>}

This year is to start operating with external partnerships, broadening the assortment and with a service level above 95% of SLA. Now what about store collecting and data. How do you see this operation?

A - Guillaume Gras

I think that you're talking about the click and collect experience. Is that right?

Q - Robert Ford {BIO 15127836 <GO>}

A bit of everything. Thinking about delivery, is it going to be wide open in terms of the last mile fulfillment to the final client? And then when you're thinking about the data, is the

data sharing agreement going to be like what you expressed earlier with Rappi? Or is it going to be a little bit different? I'm just trying to understand the detail because, I think, sometimes the devil is in the detail, and you really want that great consumer experience. That's what you've been -- you've been expressing so far.

A - Jorge Faical {BIO 21768322 <GO>}

I understood. Now something that we call picking or shopping, the shopper experience that is one of the highest costs of the digital world. We have a strategy that is a combined strategy together with the partner shoppers and our own shoppers. We have trained and we have around 1,500 -- we have people that are trained in picking for the fulfillment on the shelves. Those people that have an experience in paodeacucar.com will be trained to be multitasking and also to do the picking for third-party partners. We are still in the first operational steps and there is a model -- modality where the partner, Rappi, puts the shopper inside our store picking exclusively for Rappi. Everything will be combined, but we do not want to disrupt the experience of the consumer in a brick-and-mortar store.

We don't want to have a store with great intensity of picking in e-commerce, but the amount of stores that we have, I believe, that we can have a separation strategy. Here in Sao Paulo, for instance, in Diogenes, I can have a store, in Diogenes with Rappi, and I can have a store in Moema with MercadoLibre, for instance. And I do not concentrate a lot of shoppings, pickings and motorcycle riders disrupting the experience of the brick-and-mortar customers.

Now sharing our contracts with the third parties will encompass the data sharing clauses. They respect the loss of data protection. We are going to include this data in a data lake, and we will work with these consumers in different ways. This is not -- it's not clearly defined how we're going to use this data in cross loyalty programs, like the consumers of Rappi can have access to the discounts of -- and vice versa. So this is still under discussion right now. So we have taken the first steps to accelerate these partnerships the quickest possible.

Q - Robert Ford {BIO 15127836 <GO>}

Thank you very much, Faical.

Operator

Our next question, Irma Sgarz from Goldman Sachs.

Q - Irma Sgarz {BIO 15190838 <GO>}

Good morning or good afternoon. Most of my questions have been answered, but I would like to go back to something that you stated. That would be a promotional strategy. With the loyalty programs, I want to know how about leveraging the customer base to monetize median marketing opportunities with suppliers, something that you did in the past because you could offer interesting promotions. And what about the additional revenue that this could result in? Is there a market where you could do this, something that you could work -- something that you could do through media?

FINAL

A - Jorge Faical {BIO 21768322 <GO>}

Irma, we already have a recurring business that is a sale of insight. We see the transactional data, and we transform this in intelligence, and we sell this to our suppliers as category insights. This is used for category management. It is of marginal volumetry in our business, around BRL25 million in revenue. This is a recurring business. We do this with a partner in Colombia. That is -- is our partner of inside sales, the monetization update and all media monetization. We already studied the market that could be focused on. We've seen a revenue of around BRL100 million, where we want to approach a market in the next three years.

We are under negotiation with a partner of digital media. They are specialized in the sale of digital media, and our strategy is going to be media in, media out media, and where we're going to sell media based on the traffic of our apps and sites. And media out where we buy media in a portal, for instance, an external portal, and we sell this media to partners, to agencies or -- so this is a program that, in the middle of the year, perhaps during the second and third quarter, we will give you a detailed disclaimer about the launch of this program.

Q - Irma Sgarz {BIO 15190838 <GO>}

Okay. Thank you very much. Okay. My last question is valid for Brazil and for Colombia.

Operator

Our Q&A session has come to an end. I would like to give the floor to our Board for their final remarks.

A - Jorge Faical {BIO 21768322 <GO>}

So first and foremost, I would like to thank you all and to apologize for the time it took us. It took us almost two hours, and we're to be very brief now. I would just like to strengthen that with the separation process with the spin-off of Assai, we have also decided to assume the GPA brand for the retail operations in Brazil. You -- we will not talk about Multivarejo in our material of IR, or external communication.

Multivarejo was in an internal subdivision. And with this spin-off, it doesn't make sense to have a division with this name. Now we will use GPA of high-quality, of high-value for this public. Now also, once again, I would like to strengthen that we are a group that works in South America. GPA is a controlling company with local autonomy with many leading brands in all the countries where we are present and that we despite, we are facing an unstable and volatile scenario. Yes, we will continue growing, we will continue being lucrative and with an EBITDA similar to what we had last year with the foundation is solid so that we can continue working in the future.

And not least important, I would just like to thank the team, the GPA team that is here with us. We have a great amount of people here. I would just like to congratulate everybody. Congratulate people from Colombia, Argentina, Uruguay, Brazil, for --, for a year that will

be a turn -- and we will see a turn around and I believe that we will charter a path of growth.

So now I would like to give the floor back to Ronaldo. Ronaldo, you are mute.

A - Ronaldo Iabrudi dos Santos Pereira {BIO 5151863 <GO>}

I would like to thank as well on behalf of the Board. I am speaking on behalf of the Board and on behalf of myself. I think that we are thinking for the exemplary execution of the strategy, the spin-off that was implemented. And I would like to say that this was a surgical strategy when we had the spin-off of the both companies -- of the company. And this was transparent and Exito had autonomy in Colombia. This is a very important point that we have to highlight.

Now in my view, this is the most structural changes that we have undergone in GPA, a spin-off like it was and how it was. And I believe that our view, as a Board member, is that this strategic change will allow the companies. Number one, to have a management even more independent, totally focused on the strategy and the execution. I think that the second important point is that this will provide more opportunities of growth and opportunities of value for everyone. What I mean all is for everybody that is here listening to us.

And, three, that is not least important, that is very important to highlight at this in a transparent fashion will allow each shareholder investor. Well, we will be able to better understand and to follow the strategy, the management and the delivery of the company. And I also believe that, at the end of the line, everything will allow -- will allow Faical to look -- we'll be able to look for the best investment so that there is greater return for this banner for this company. We feel reassured because one thing is to have a strategy, a proper strategy and a plan properly deployed, but we are reassured because we have a team, and I refer to all of you, everybody that is listening to us, and this team has a great capacity of execution. The delivery of each quarter during 2020, that was an ever-growing delivery of results, demonstrates very clearly what I am considering as an important differential beyond the surgical spin-off that we underwent.

And at last, I believe that the spin-off, the way it was planned and executed, will allow management to deliver results and a governance that is 100% focused on defining a strategy and support and will support the management in the execution, in the surgeon pursuant to what Carlos presented, what Faical presented. I'll say that would be better results and results following the best practices of ESG. Faical mentioned what has already been done, but we will do even more. Results focused on the best ESG practices.

So we are confident that we are -- we believe that we're on the right path. The outline of 2020 is a good indicator for the future. So congratulations to the team, and I thank everybody that participated in this journey of almost two hours. So thank you very much to Faical and his team, GPA, the team from Colombia, Carlos and to our entire team that makes up this company. Thank you very much, and good afternoon to everyone.

FINAL

Bloomberg Transcript

Operator

The GPA conference call has come to an end. The IR department is at your disposal to answer any further questions. We thank you for your participation, and have a good afternoon.

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.

FINAL

Bloomberg Transcript