

D. Risk Factors

You should carefully consider the risks described below, together with all of the other information included in this annual report, in evaluating our company, the Sendas common shares and the Sendas ADSs. The following risk factors could adversely affect our business, financial condition, results of operations and the price of the Sendas common shares and the Sendas ADSs.

Risks Relating to the Spin-Off

The Spin-Off may not be successful and as an independent, publicly traded company, we will not enjoy the same benefits that we did as a subsidiary of CBD.

As a result of the Spin-Off, we are a standalone public company. The process of becoming a standalone public company may distract our management from focusing on our business and strategic priorities. Further, we may not be able to issue debt or equity on terms acceptable to us and we may not be able to attract and retain employees as desired. We also may not fully realize the anticipated benefits of the Separation and of being a standalone public company, or the realization of such benefits may be delayed, if any of the risks identified in this "Risk Factors" section, or other events, were to occur.

As a separate public company, we are a smaller and less diversified company than CBD, and we may not have access to financial and other resources comparable to those available to CBD prior to the Separation and the Spin-Off. We cannot predict the effect that the Spin-Off will have on our relationship with partners or employees or our relationship with government regulators. Furthermore, as a less diversified company, we may be more likely to be negatively impacted by changes in global market conditions, regulatory reforms and other industry factors, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

We may not achieve some or all of the expected benefits of the Spin-Off, and the Spin-Off may adversely affect our business.

We may not be able to achieve the full strategic and financial benefits expected to result from the Spin-Off, or such benefits may be delayed or not occur at all. The Spin-Off is expected to provide the following benefits, among others:

- permit each of the separate companies to increase their strategic focus on their businesses as each company operates in a different market with different opportunities and business models;
- improve the operational efficiencies of each of the separate companies by eliminating the inefficiencies of the current holding company structure and permit CBD to focus on the quality of products and services, customer convenience and the overall customer experience, while permitting Sendas to focus on supply chain issues, reduction in the number of stock-keeping units, or SKUs, and basic service needs;
- improve the resource allocation by the separate companies and permit each company to achieve more attractive financing terms as investors are better able to understand each stand-alone business; and
- create value for stakeholders as the intrinsic value of each separate company is recognized by investors based on the attributes and performance of the separate companies.

We may not achieve these and other anticipated benefits for a variety of reasons, including, among others:

- the Separation will require significant amounts of management's time and effort, which may divert management's attention from operating and growing our business;
- we may be more susceptible to market fluctuations and other adverse events than if we were still a part of CBD; and

our business will be less diversified than the CBD business prior to the Spin-Off.

If we fail to achieve some or all of the benefits expected to result from the Spin-Off, or if such benefits are delayed, our business, financial conditions and results of operations could be adversely affected.

Our historical financial information is not necessarily representative of the results we would have achieved as a standalone public company and may not be a reliable indicator of our future results.

Our historical financial information may not fully reflect the increased costs associated with operating as a standalone public company or the effects of our financial strategy, which is distinct from the strategy employed by CBD. In addition, for certain of the periods covered by our historical financial statements, our business was operated within legal entities which hosted portions of other CBD businesses, such as the Éxito Group. We urge you to carefully consider the basis on which our historical financial information included herein was prepared and presented as such results may not be a reliable indicator of our future performance, or the performance of any of our businesses.

Our ability to operate our business effectively may suffer if we do not, quickly and cost effectively, establish our own administrative and support functions necessary to operate as a standalone public company.

As a subsidiary of CBD, we historically relied on financial (including financial and compliance controls) and certain legal, administrative and other resources of CBD to operate our business. In particular, CBD historically provided us with services across the following service domains: treasury, legal, financial controlling and accounting, human resources operations and real estate. For more information, see “Item 7. Major Shareholders and Related Party Transactions–B. Related Party Transactions–Other Related Party Transactions–Agreements with CBD–Cost Sharing Agreement.”

In connection with the Spin-Off, we are creating our own financial, administrative, corporate governance and listed company compliance and other support systems, including for the services CBD had historically provided to us, or may be required to contract with third parties to replace CBD systems that we are not establishing internally. This process may be complex and time consuming. In addition, we are also establishing or expanding our own tax, treasury, internal audit, investor relations, corporate governance and listed company compliance and other corporate functions.

These corporate functions fall beyond the scope of the operational service domains formerly provided by CBD and will require us to develop new standalone corporate functions. We expect to incur one-time costs to replicate, or outsource from other providers, these corporate functions to replace the additional corporate services that CBD historically provided us prior to the Spin-Off. CBD will continue to provide support for certain administrative functions after the Spin-Off for approximately one year pursuant to the Separation Agreement we entered into with CBD. Any failure or significant downtime in our own financial, administrative or other support systems or in the CBD financial, administrative or other support systems during the transitional period in which CBD provides us with support could negatively impact our results of operations or prevent us from paying our suppliers and employees, executing business combinations and foreign currency transactions or performing administrative or other services on a timely basis, which could negatively affect our results of operations.

In particular, our day-to-day business operations rely on our information technology systems. For example, a significant portion of the communications among our personnel, customers and suppliers take place on our information technology platforms. We expect the separation of our information technology systems from CBD to be complex, time consuming and costly. There is also a risk of data loss in the process of separating information technology. As a result of our reliance on information technology systems, the cost of such information technology integration and transfer and any such loss of key data could have an adverse effect on our business, financial condition and results of operations.

Further, as a standalone public company, we will incur significant legal, accounting and other expenses that we did not incur as a subsidiary of CBD. The Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley, as well as rules subsequently adopted by the SEC and the NYSE, have imposed various requirements on public companies, including setting forth rules regarding corporate governance practices. For example, Sarbanes-Oxley requires, among other things, that we maintain and periodically evaluate our internal control over financial reporting and disclosure controls and procedures. In particular, we and our managers will have to perform system and process evaluation and testing of our and their internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of Sarbanes-Oxley.

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We currently test our internal controls over financial reporting on a regular basis, in accordance with the financial reporting practices and policies of CBD. However, doing so as a standalone entity may require our management and other personnel to devote a substantial amount of time to comply with these requirements and also increase our legal and financial compliance costs. In particular, compliance with Section 404 of Sarbanes-Oxley will require a substantial accounting expense and significant management efforts. We cannot be certain at this time that all of our controls will be considered effective and our internal control over financial reporting may not satisfy the regulatory requirements when they become applicable to us.

Furthermore, the listing of our shares on the B3 and the NYSE require us to comply with the listing, reporting and other regulations for each exchange. Compliance with two sets of regulations, which may have different standards and requirements, will require more time and effort from management.

The transitional services CBD has agreed to provide us may not be sufficient for our needs. In addition, we or CBD may fail to perform under various transaction agreements that will be executed as part of the Separation or we may fail to have necessary systems and services in place when certain of the transaction agreements expire.

In connection with the Spin-Off, we entered into a Separation Agreement and other related agreements with CBD. See “Item 7. Major Shareholders and Related Party Transactions–B. Related Party Transactions–Agreements Related to the Spin-Off.” The Separation Agreement provides for the performance of key business services by CBD for our benefit for a period of time after the Spin-Off, including services performed by the following departments: treasury, insurance, human resources, marketing/media and information technology, among others. All expenses and costs incurred by the parties in relation to the shared resources, including full labor costs and social security charges, depreciation charges for fixed assets and general expenses will be periodically allocated between the parties in proportion to the shared resources effectively used according to the criteria agreed between the parties. The costs and expenses are calculated, approved and charged on a quarterly basis. These services may not be sufficient to meet our needs and the terms of such services may not be equal to or better than the terms we may have received from unaffiliated third parties, including our ability to obtain redress.

We will rely on CBD to satisfy its performance and payment obligations under these agreements. If CBD is unable to satisfy its obligations under these agreements, including its indemnification obligations, we could incur operational difficulties or losses. If we do not have in place our own systems and services, or if we do not have agreements with other providers of these services once certain transitional agreements expire, we may not be able to operate our business effectively and this may have an adverse effect on our business, financial condition and results of operations. In addition, after our agreements with CBD expire, we may not be able to obtain these services at as favorable prices or on as favorable terms.

Risks Relating to our Industry and Us

We face significant competition and pressure to adapt to changing consumer habits, which may adversely affect our market share and net income.

We operate in the cash and carry (*atacado de autoserviço*) sector of the Brazilian retail industry, which are highly competitive. We compete with other retailers based on price, product mix, store location and layout and services. Consumer habits are constantly changing and we may not be able to anticipate and quickly respond to these changes. We face intense competition from small and regional retailers, especially from those that operate in the informal segment of the Brazilian economy. We also compete with large chains in the cash and carry sector. In addition, in our markets, and particularly in the São Paulo and Rio de Janeiro metropolitan areas, we compete in the food retail sector with a number of large multinational retail food, general merchandise and cash and carry chains, as well as local supermarkets and independent grocery stores. See “Item 4. Information on the Company–B. Business Overview–Competition.” Acquisitions or consolidations within the industry may also increase competition and adversely affect our market share and net income.

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If we are unable to compete successfully in our target markets (including by adapting our store format mix or layout, identifying locations and opening stores in preferred areas, and quickly adjusting our product mix or prices) or otherwise adjust to changing consumer habits and preferences, such as shopping on mobile devices, we may lose market share, which would adversely affect our financial condition and results of operations.

We face increasing competition from internet sales, which may negatively affect sales through traditional channels, and we might not have an effective response to this competition.

In recent years, sales of food, clothing and home appliances over the internet have increased significantly in Brazil, and we expect this trend to continue as more traditional retailers enter into the online retail field or expand their existing infrastructure related to internet sales. For example, Amazon recently announced that it would focus more resources on its Brazilian business. Internet retailers are able to sell directly to consumers, reducing the importance of traditional distribution channels such as cash and carry stores, supermarkets and retail stores. Certain internet food retailers have significantly lower operating costs than traditional hypermarkets and supermarkets because they do not rely on an expensive network of retail points of sale or a large workforce. As a result, internet food retailers are able to offer their products at lower costs than we do and in certain cases are able to bypass intermediaries in the cash and carry segment and deliver products directly to consumers. We believe that our customers are increasingly using the internet to shop electronically for food and other retail goods, and that this trend is likely to continue, especially as a result of the COVID-19 pandemic.

Additionally, technology employed in retail sales of food and home appliances evolves constantly as part of a modern digital culture. We may not be able to adapt to these changes quickly enough to meet our customers' demands and preferences, as well as standards of the industry in which we operate.

We cannot provide any assurance that our strategy will be successful in meeting customer demands or maintaining our market share in light of our competitors' internet businesses. If internet sales in Brazil continue to grow, consumers' reliance on traditional distribution channels such as our retail stores could be materially diminished, which could have a material adverse effect on our financial condition and results of operations.

The Brazilian cash and carry industry is sensitive to decreases in consumer purchasing power and unfavorable economic cycles.

Historically, the Brazilian cash and carry industry have experienced periods of economic slowdown that led to declines in consumer expenditures. The success of operations in the cash and carry sector depends on various factors related to consumer expenditures and consumer income, including general business conditions, interest rates, inflation, consumer credit availability, taxation, consumer confidence in future economic conditions, employment and salary levels. Reductions in credit availability and more stringent credit policies adopted by us and credit card companies may negatively affect our sales, especially for home appliances. Unfavorable economic conditions in Brazil, or unfavorable economic conditions worldwide reflected in the Brazilian economy, may significantly reduce consumer expenditure and available income, particularly for lower income classes, who have less access to credit than higher income classes, more limited debt refinancing conditions and more susceptibility to be affected by increases in the unemployment rate. These conditions may have a material adverse effect on our financial condition and results of operation.

Restrictions of credit availability to consumers in Brazil and Brazilian government rules and interventions affecting financial operations may adversely affect our sales volumes and operations, and we are exposed to risks related to customer financing and loans.

Sales in installments are an important component of the result of operations for Brazilian non-food retailers. The increase in the unemployment rate combined with relatively high interest rates have resulted in an increased restriction of credit availability to consumers in Brazil. The unemployment rate reached 13.5% in 2020, compared to 11.9% in 2019 and 12.3% in 2018. These circumstances have not been noticeably improved by gradual reductions in the basic interest rate in Brazil, the SELIC rate, which reached 2.0%, 4.5% and 6.5% in December 2020, 2019 and 2018, respectively.

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Our sales volumes, particularly for non-food products, and, consequently, our results of operations may be adversely affected if the credit availability to consumers is reduced, or if Brazilian government policy restricts the granting of credit to consumers.

Additionally, we are involved through FIC in extending credit to customers through our partnership with Itaú Unibanco Holding S.A., or Itaú Unibanco, one of the largest privately-owned financial institutions in Brazil. FIC exclusively offers credit cards, financial services and insurance coverage at our stores. For more information on FIC, see “Item 4. Information on the Company—B. Business Overview—FIC.”

FIC is subject to the risks normally associated with providing financing services, including the risk of default on the payment of principal and interest and any mismatch of cost and maturity of our funding in relation to the cost and maturity of financing to customers, which could have a material adverse effect on us.

Furthermore, FIC is a financial institution regulated by the Central Bank and is therefore subject to extensive regulation. The regulatory structure of the Brazilian financial system is continuously changing. Existing laws and regulations may be amended, and their application or interpretation may also change, and new laws and regulations may be adopted. FIC and, therefore, we, may be adversely affected by regulatory changes, including those related to:

- minimum capital requirements;
- requirements for investment in fixed capital;
- credit limits and other credit restrictions;
- accounting requirements;
- intervention, liquidation and/or temporary special management systems; and
- interest rates.

Brazilian government rules and intervention may adversely affect our operations and profitability more than those of a competitor without financial operations.

We are dependent on credit card sales. Any changes in the policies of merchant acquirers may adversely affect us.

We are dependent on credit card sales. For the years ended December 31, 2020 and 2019, 46% and 50%, respectively, of our net operating revenue was represented by credit sales, principally in the form of credit card sales. In order to offer credit card sales to our customers, we depend on the policies of merchant acquirers, including fees charged by acquirers. Any change in the policies of acquirers, including, for example, their merchant discount rate, may adversely affect us.

Our business depends on our strong brands. We may not be able to maintain and enhance our brands, or we may receive unfavorable customer complaints or negative publicity, which could adversely affect our brands.

We believe that our brands, such as Assaí, contribute significantly to the success of our business. The Assaí brand was ranked the 19th most valuable brand in Brazil, according to a study entitled “Most Valuable Brazilian Brands 2020” published by global brand consultant Interbrand in 2020. According to this study, the Assaí brand is valued at approximately R\$580 million. We were also named the most admired company in Brazil by popular vote in the 2020 edition of Exame magazine’s “Melhores e Maiores” (“Best and Biggest”) survey. Exame magazine’s annual survey ranks more than 1,000 Brazilian companies under various categories. “Melhores e Maiores” is considered one of the most prestigious corporate awards in Brazil. We also believe that maintaining and enhancing those brands is critical to expanding our base of customers, which depends largely on our ability to continue to create the best customer experience, based on our competitive pricing and our large assortment of products.

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Customer complaints or negative publicity about our product offerings or services could harm our reputation and diminish consumer confidence in us. A diminution in the strength of our brands and reputation could adversely affect our business, financial condition and operating results.

The global outbreak of the novel coronavirus disease (COVID-19) could disrupt our operations and could have an adverse impact on our business, financial condition, results of operations or prospects.

Since December 2019, a novel strain of coronavirus known as COVID-19 has spread in China and other countries. In 2020, the COVID-19 outbreak has compelled governments around the world, including in Brazil, to adopt temporary measures to contain the spread of COVID-19, such as lockdowns of cities, restrictions on travel and public transportation, business and store closures, and emergency quarantines, among others, all of which have caused significant disruptions to the global economy and normal business operations across a growing list of sectors and countries. The measures adopted to combat the COVID-19 outbreak have adversely affected and will continue to adversely affect business confidence and consumer sentiment, and have been, and may continue to be, accompanied by significant volatility in financial and commodity markets as well as stock exchanges worldwide.

A detailed discussion of the measures taken by the Brazilian government to combat the health and economic impacts of COVID-19, as well as the impacts of the COVID-19 pandemic on our business and results of operations, can be found See in “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Current Conditions and Trends in our Industry—COVID-19,” for a detailed discussion of the impacts of COVID-19 on our business and results of operations.

While we have not experienced significant disruptions thus far from the COVID-19 outbreak, we are unable to accurately predict the future impact that COVID-19 will have due to numerous uncertainties, including: (1) the severity and duration of the pandemic, including whether there are new waves caused by additional periods of increases or spikes in the number of COVID-19 cases, future mutations or related strains of the virus in areas in which we operate; (2) evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures; (3) unknown consequences on our business performance and initiatives stemming from the substantial investment of time and other resources to the pandemic response; and (4) the long-term impact of the pandemic on our business, including consumer behaviors. Accordingly, our business may be adversely impacted by the fear of exposure to uncertainties related to or actual effects of COVID-19 or similar disease outbreak.

In addition, the COVID-19 pandemic may negatively impact our business by causing or contributing to, among other things, the following, each of which could adversely affect our business, results of operations, financial condition and cash flows:

- To the extent that the additional emergency aid offered by the Brazilian government to informal workers, independent small businesses and the unemployed in March 2021 to combat the economic crisis caused by the COVID-19 pandemic is not extended, that may generate some reduction in customers’ average ticket, especially those dependent of such government aid, which may reduce our revenues.
- We cannot assure you that the emergency health measures we have adopted will continue to be effective or that we will not have to adopt new protective measures, including work from home policies, which may divert our management’s attention and increase our operating costs.
- If individual states and municipalities continue to implement different COVID-19 preventative measures, we may be required to expend additional time to implement them, which may increase our operating costs. In addition, we cannot assure you that we will be able to fully comply with these measures, which may negatively impact the way we operate our stores.

- In case we face a worsening in the pandemic situation in the future, we may require some investments with additional temporary workers or new adaptations in our stores, which may increase our operating costs. In March 2021, amid escalating COVID-19 cases, hospitalization and deaths, many states and municipalities in Brazil reinstituted strict lockdown measures. In São Paulo, for example, a statewide lockdown was imposed from March 6, 2021 to March 19, 2021.
- If new restrictions are imposed that again impact the production capacity of some of our suppliers, we might face new shortages in the future, in which case we may have to seek alternate sources of supply which may be more expensive, may not be available or may result in delays in shipments to us and subsequently to our customers.

These and other impacts of the COVID-19 pandemic could also have the effect of heightening many of the other risk factors described herein, including but not limited to “We face significant competition and pressure to adapt to changing consumer habits, which may adversely affect our market share and net income”, “We face increasing competition from internet sales, which may negatively affect sales through traditional channels, and we might not have an effective response to this competition”, “The Brazilian cash and carry industry is sensitive to decreases in consumer purchasing power and unfavorable economic cycles”, “Some categories of products that we sell are principally acquired from a few suppliers and changes in this supply chain could adversely affect our business”.

We may not be able to protect our intellectual property rights.

Our future success depends significantly on our ability to protect our current and future brands and to defend our intellectual property rights, including trademarks, patents, domain names, trade secrets and know-how. We have been granted numerous trademark registrations covering our brands and products and have filed, and expect to continue to file, trademark and patent applications seeking to protect newly developed brands and products. We cannot guarantee that trademark and patent registrations will be issued with respect to any of our applications. There is also a risk that we could inadvertently fail to renew a trademark or patent on a timely basis or that our competitors will challenge, invalidate or circumvent any existing or future trademarks and patents issued to, or licensed by, us. Although we have put in place appropriate actions to protect our portfolio of intellectual property rights (including trademark registration and domain names), we cannot be certain that the steps we have taken will be sufficient or that third parties will not infringe upon or misappropriate our proprietary rights. Any failure in our ability to protect our proprietary rights against infringement or misappropriation could adversely affect our business, results of operations, cash flows or financial condition, and in particular, on our ability to develop our business.

We may not be able to renew or maintain our stores’ lease agreements on acceptable terms, or at all, and we may be unable to obtain or renew the operational licenses of our stores or distribution centers in a timely manner.

Most of our stores are leased. The strategic location of our stores is key to the development of our business strategy and, as a result, we may be adversely affected in the event that a significant number of our lease agreements is terminated and we fail to renew these lease agreements on acceptable terms, or at all. In addition, in accordance with applicable law, landlords may increase rent periodically, usually every three years. A significant increase in the rent of our leased properties may adversely affect our financial position and results of operations.

Our stores and distribution centers are also subject to certain operational licenses. Our inability to obtain or renew these operational licenses may result in the imposition of fines and, as the case may be, in the closing of stores or distribution centers. Given that smooth and uninterrupted operations in our stores and distribution centers are a critical factor for the success of our business strategy, we may be negatively affected in the case of their closing as a result of our inability to obtain or renew the necessary operational licenses.

Our product distribution is dependent on a limited number of distribution centers and we depend on the transportation system and infrastructure in Brazil to deliver our products, and any disruption at one of our distribution centers or delay related to transportation and infrastructure could adversely affect our supply needs and our ability to distribute products to our stores and customers.

Approximately 33% of our products are distributed through our 10 distribution centers and warehouses located in the Southeastern, Midwestern and Northeastern regions of Brazil. The transportation system and infrastructure in Brazil are underdeveloped and need significant investment to work efficiently and to meet our business needs.

Any significant interruption or reduction in the use or operation of transportation infrastructure in the cities where our distribution centers are located or in operations at one of our distribution centers, as a result of natural disasters, fire, accidents, systemic failures, strikes (such as the May 2018 Brazilian truckers' strike) or other unexpected causes, may delay or affect our ability to distribute products to our stores and may decrease our sales, which may have a material adverse effect on us.

Our growth strategy includes the opening of new stores which may require the opening of new distribution centers or the expansion of the existing ones to supply and meet the demand of additional stores. Our operations may be negatively affected if we are not able to open new distribution centers or expand our existing distribution centers in order to meet the supply needs of these new stores. For more information on our distribution and logistics operations, see "Item 4. Information on the Company-B. Business Overview-Distribution and Logistics."

Our systems are subject to cyberattacks and security and privacy breaches, which could cause a material adverse effect on our business and reputation.

We, like all business organizations in the digital world, have been subject to a broad range of cyber threats, including attacks, with varying levels of sophistication. These cyber threats are related to the confidentiality, availability and integrity of our systems and data, including our customers' confidential, classified or personal information.

We maintain what we believe to be reasonable and adequate technical security controls, policy enforcement mechanisms, monitoring systems and management oversight to address these threats. While these measures are designed to prevent, detect and respond to unauthorized activity in our systems, certain types of attacks, including cyberattacks, may occur.

Furthermore, some of our suppliers and service providers have significant access to confidential and strategic data collected by our systems, including confidential information regarding our customers.

Any unauthorized access to, or release or violation of our systems and data or those of our customers, suppliers or service providers could disrupt our operations, particularly our digital retail operations, cause information losses and cause us to incur significant costs, including the cost of retrieving lost information, which could have a material adverse effect on our business and reputation.

Our information systems may suffer interruptions due to factors beyond our control, such as natural disasters, hacking, failures in telecommunication and computer viruses, among other factors. Any of these types of interruption may adversely affect our operations, thereby impacting our cash generation and our financial condition.

Failure to protect our database, which contains the personal data of our clients and employees, and developments in data protection and privacy laws, could have an adverse effect on our business, financial condition or results of operations.

We maintain a database of information about our suppliers, employees and customers, which mainly includes, but is not limited to, data collected when customers sign up for our loyalty programs. If we experience a breach in our security procedures that affect the integrity of our database, including unauthorized access to any personal information of our customers, we may be subject to new legal proceedings that could result in damages, fines and harm to our reputation.

Currently, the processing of personal data in Brazil is regulated by a series of laws, such as the Federal Constitution, the Consumer Protection Code (Law No. 8,708/90) and the Internet Civil Registry (Law No. 12,965/14). Failure to comply with provisions of these laws, especially in connection with: (1) providing clear information on the data processing operations performed by us; (2) respect for the purpose of the original data collection; (3) legal deadlines for the storage of user data; and (4) the adoption of legally required security standards for the preservation and inviolability of the personal data processed, can give rise to penalties, such as fines and even temporary or permanent suspension of our personal data processing activities.

The General Data Protection Act (Law No. 13,709/18), or GDPR, became effective on September 18, 2020, except for the administrative sanctions provided thereunder, which will become effective on August 1, 2021. The GDPR establishes a new legal framework to be observed in the processing of personal data, including that of our customers, suppliers and employees. The GDPR establishes, among other things, the rights of personal data owners, the legal basis applicable to the protection of personal data, requirements for obtaining consent, obligations and requirements relating to security incidents, data leaks and data transfers, as well as the creation of the National Data Protection Authority (*Autoridade Nacional de Proteção de Dados*), or ANPD. In the event of non-compliance with the GDPR, we may be subject to administrative penalties, including blockage or elimination of the personal data to which the infraction relates, the suspension or blockage of activities relating to personal data and fines of up to R\$50 million, as well as legal proceedings, which may materially adversely affect us, including damage to our reputation. The ANPD may revise data protection standards and proceedings based on the GDPR in the future, and the public prosecutor's office, consumer protection agencies and the judiciary will have significant roles in the interpretation and application of the GDPR.

In preparation for our compliance with the GDPR, we have reviewed our internal policies and procedures. However, given its recent effectiveness, the lack of regulation of critical aspects of the GDPR by the ANPD and the uncertainty about the possible interpretations of the GDPR by different agents, we cannot guarantee that we will not be exposed to litigation or subject to sanctions with respect to the GDPR in the future.

The Casino Group has the ability to direct our business and affairs.

We are a wholly-owned subsidiary of CBD. As of April 22, 2021, the Casino Group was the beneficial owner of 41.17% of the total capital stock of CBD. The Casino Group has the power, through CBD, to: (1) appoint the majority of the members of our board of directors, who, in turn, appoint our executive officers; and (2) determine the outcome of the vast majority of actions requiring shareholder approval. Accordingly, the Casino Group is considered to be our controlling shareholder pursuant to Brazilian Corporate Law. The Casino Group's interests and business decisions may prevail over those preferred by our other shareholders or ADS holders.

Unfavorable decisions in legal or administrative proceedings could have a material adverse effect on us.

We are party to legal and administrative proceedings related to civil, regulatory, tax and labor matters. We cannot assure you that pending legal proceedings will be decided in our favor. We have made provisions for proceedings in which the chance of loss has been classified as probable by our management in consultation with external legal advisors. Our provisions may not be sufficient to cover the total cost arising from unfavorable decisions in legal or administrative proceedings. If all or a significant number of these proceedings have an outcome unfavorable to us, our business, financial condition and results of operations may be materially and adversely affected. In addition to financial provisions and the cost of legal fees associated with the proceedings, we may be required to post bonds in connection with the proceedings, which may adversely affect our financial condition. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal and Administrative Proceedings," and note 20 to our audited consolidated financial statements included in this annual report for a description of our material litigation contingencies.

We may be unable to attract or retain key personnel.

In order to support and develop our operations, we must attract and retain personnel with specific skills and knowledge. We face various challenges inherent to the administration of a large number of employees over a wide geographical area. Key personnel may leave us for a variety of reasons and the impact of these departures is difficult to predict, which may hinder the implementation of our strategic plans and adversely affect our results of operations.

We could be materially adversely affected by violations of the Brazilian Anti-Corruption Law, the U.S. Foreign Corrupt Practices Act, the Sapin II Law and similar anti-corruption laws.

Law No. 12,846, of August 1, 2013, or the Brazilian Anti-Corruption Law, the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA, and similar anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. Recent years have seen a substantial increase in anti-corruption law enforcement activity, with more frequent and aggressive investigations and enforcement proceedings by both the U.S. Department of Justice and the SEC increased enforcement activity by non-U.S. regulators, and increases in criminal and civil proceedings brought against companies and individuals.

The Brazilian Anti-Corruption Law, introduced the concept of strict liability for legal entities involved in harmful acts against the public administration, subjecting the violator to penalties both in administrative and civil law. The Brazilian Anti-Corruption Law considers that an effective implementation of a compliance program may be used to mitigate the administrative penalties to be applied as a consequence of a harmful act against the public administration.

Additionally, French Law No. 1,691, of December 2016, or the Sapin II Law, relates to transparency, preventing corruption and the modernization of economic activity, and stipulates that companies must establish an anti-corruption program to identify and mitigate corruption risks. Under the Sapin II Law, among others, any legal entity or individual may be held criminally liable for offering a donation, gift or reward with the intent to induce a foreign public official to abuse their position or influence to obtain an undue advantage. The Sapin II Law is applicable to companies belonging to a group whose parent company is headquartered in France and whose workforce includes at least 500 employees worldwide. As such, the Sapin II Law applies to us. The key anti-corruption provisions of the Sapin II Law have been in force since June 1, 2017.

Our policies mandate compliance with these anti-corruption laws. We cannot assure you that our internal control policies and procedures will protect us from reckless or criminal acts committed by our employees, the employees of any of our businesses, or third party intermediaries. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, including the FCPA, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management.

Failure to comply with anti-corruption laws to which we are subject or any investigations of misconduct, or enforcement actions may result in criminal or civil sanctions, inability to do business with existing or future business partners (either as a result of express prohibitions or to avoid the appearance of impropriety), injunctions against future conduct, profit disgorgements, disqualifications from directly or indirectly engaging in certain types of businesses, the loss of business permits or other restrictions which could disrupt our business and have a material adverse effect on us and our reputation.

We cannot guarantee that our service providers or suppliers do not engage in irregular practices.

Given the decentralization and outsourcing of our service providers' operations and our suppliers' production chains, we cannot guarantee that they will not have issues regarding working conditions, sustainability, outsourcing the provision or production chain and improper safety conditions, or that they will not engage in these irregular practices to lower service or product costs. If a significant number of our service providers or suppliers engage in these practices, our reputation may be harmed and, as a consequence, our customers' perception of our products may be adversely affected, causing a reduction in net revenue and results of operations as well as in the trading price of the Sendas common shares and the Sendas ADSs.

Some categories of products that we sell are principally acquired from a few suppliers and changes in this supply chain could adversely affect our business.

Some categories of products that we sell are principally acquired from a few suppliers. Notably, we procure our beverage and meat products mainly from five suppliers. The products provided by these suppliers represented approximately 10% of our total sales for the year ended December 31, 2020. If any of these suppliers is not able to supply the products in the quantity and at the frequency that we normally acquire them, and we are not able to replace the supplier on acceptable terms or at all, we may be unable to maintain our usual level of sales in the affected category of product, which may have a material adverse effect on our business and operations and, consequently, on our results of operations.

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In addition, some of our principal suppliers are currently involved in *Lava Jato* investigation and developments in the related investigations or possible convictions of such suppliers may adversely affect their ability to supply products to us and, consequently, our sales levels for such products. For more information, see “–Risks Relating to Brazil– Political instability has adversely affected and may continue to adversely affect our business, results of operations and the trading price of the Sendas common shares and the Sendas ADSs” below.

We may be held responsible for consumer incidents involving adverse reactions after consumption of products sold by us.

Products sold in our stores may cause consumers to suffer adverse reactions. Incidents involving these products may have a material adverse effect on our operations, financial condition, results of operations and reputation. Legal or administrative proceedings related to these incidents may be initiated against us, with allegations, among others, that our products were defective, damaged, adulterated, contaminated, do not contain the properties advertised or do not contain adequate information about possible side effects or interactions with other chemical substances. Any actual or possible health risk associated with these products, including negative publicity related to these risks, may lead to a loss of confidence among our customers regarding the safety, efficacy and quality of the products sold in our stores. Any allegation of this nature made against our brands or products sold in our stores may have a material adverse effect on our operations, financial condition, results of operations and reputation.

We are subject to environmental laws and regulations and any non-compliance may adversely affect our reputation and financial position.

We are subject to a number of federal, state and municipal laws and regulations relating to the preservation and protection of the environment. Among other obligations, these laws and regulations establish environmental licensing requirements and standards for the release of effluents, gaseous emissions, management of solid waste and protected areas. We incur expenses for the disposal and handling of wastes at our stores and distribution centers. Any failure to comply with those laws and regulations may subject us to administrative and criminal sanctions, in addition to the obligation to remediate or indemnify others for the damages caused. We cannot ensure that these laws and regulations will not become stricter. If they do, we may be required to increase, perhaps significantly, our capital expenditures and costs to comply with these environmental laws and regulations. Unforeseen environmental investments may reduce available funds for other investments and could materially and adversely affect us.

Our indebtedness could adversely affect our business.

As of December 31, 2020, we had total borrowings and financing and debentures of R\$7,831 million, of which R\$2,120 million was classified as current borrowings and financing and debentures and R\$5,711 million was classified as non-current borrowings and financing and debentures. If we are unable to repay or refinance our current or non-current borrowings and financing and debentures as they mature, this would have a material adverse effect on our financial condition. Our combined indebtedness may:

- make it difficult for us to satisfy our obligations, including making interest payments on our debt obligations;
- limit our ability to obtain additional financing to operate our business;
- require us to dedicate a substantial portion of our cash flow to serve our debt, reducing our ability to use our cash flow to fund working capital, capital expenditures and other general corporate requirements;

- limit our flexibility to plan for, and react to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage relative to some of our competitors that have less debt than us;
- make us more vulnerable to increases in interest rates, resulting in higher interest costs in respect of our floating rate debt; and
- increase our vulnerability to general adverse economic and industry conditions, including changes in interest rates, lower cattle and hog prices or a downturn in our business or the economy.

In addition, any business that we acquire by borrowing additional funds may increase our leverage and make it more difficult for us to satisfy our obligations, limit our ability to obtain additional financing to operate our business, require us to dedicate a substantial portion of our cash flow to payments on our debt, reducing our ability to use our cash flow to fund working capital, capital expenditures and other general corporate requirements, and place us at a competitive disadvantage relative to some of our competitors that have less debt than us.

Certain of our debt instruments contain covenants that could limit our ability to operate our business and have other adverse consequences.

Certain of our debt instruments contain financial covenants that require us to maintain specified financial ratios, measured on a quarterly basis. See “Item 5. Operating and Financial Review and Prospects–B. Liquidity and Capital Resources–Indebtedness–Long-Term Indebtedness” for more information. Complying with these financial covenants may require that we take action to reduce debt or to act in a manner contrary to our business objectives. Events beyond our control, including changes in general business and economic conditions, may affect our ability to meet these financial ratios. We may not meet these ratios, and our creditors may not waive any failure to meet them. In addition, the instruments governing our first issue of debentures contain restrictive covenants that limit our ability to distribute dividends in excess of the legally required minimum dividend.

Our failure to comply with any of these covenants could result in an event of default under the relevant credit facility, and any such event of default or resulting acceleration under such credit facilities could result in an event of default under other debt agreements. Our assets or cash flow may not be sufficient to fully repay borrowings under our outstanding debt agreements if accelerated upon an event of default, and there is no guarantee that we would be able to repay, refinance or restructure the payments on those debt agreements.

Risks Relating to Brazil

The outbreak of communicable diseases around the world, including COVID-19, may lead to higher volatility in the global capital markets and recessionary pressure on the Brazilian economy. Any outbreak in Brazil could directly affect our operations, each of which may materially and adversely affect our business, financial condition and results of operations.

The outbreak of communicable diseases on a global scale may affect investment sentiment and result in higher volatility in global capital markets and may have a recessionary effect on the Brazilian economy. Since December 2019, a novel strain of coronavirus that causes the disease known as COVID-19 has spread in China and other countries. In 2020, the COVID-19 outbreak has compelled governments around the world, including in Brazil, to adopt temporary measures to contain the spread of COVID-19, such as lockdowns of cities, restrictions on travel and public transportation, business and store closures, and emergency quarantines, among others, all of which have caused significant disruptions to the global economy and ordinary course of business operations across a growing list of sectors and countries. The measures adopted to combat the COVID-19 outbreak have adversely affected and will continue to adversely affect business confidence and consumer sentiment, and they have been, and may continue to be, accompanied by significant volatility in financial and commodity markets as well as stock exchanges worldwide.

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In Brazil, reflecting the scale of investor's risk aversion, the stock market triggered several automatic suspensions, known as circuit breaker, and the benchmark index of about 70 stocks traded on the B3, or the Ibovespa index, fell 36.9% from January 1, 2020 to March 31, 2020, following the trend of international stock markets mainly related to the beginning of the pandemic. After a decrease of 17.8% in the first half of 2020, the Ibovespa index recovered strongly and increased 3.3% by the end of the year.

The spread of COVID-19, especially if the measures to curb the spread of the virus lingers, may have broader macroeconomic implications, including reduced levels of economic growth and possibly a global recession, the effects of which could be felt well beyond the time the spread of infection is contained. Many countries are implementing relief plans to reduce the effects of COVID-19 in the local and world economy. Due to the uncertainties related to the length of this novel virus, we cannot estimate the additional impacts that COVID-19 may cause on the price and performance of our securities. Any material change in the Brazilian and international financial markets or the Brazilian economy as a result of these events or any developments may materially and adversely affect our business, financial condition and results of operations.

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions may adversely affect us and the trading price of the Sendas common shares and the Sendas ADSs.

The Brazilian government has frequently intervened in the Brazilian economy and has occasionally made significant changes to monetary, credit, tariff, tax and other policies and regulations. The Brazilian government's actions to control inflation have often involved, among other measures, increases and decreases in interest rates, changes in tax and social security policies, price controls, currency exchange and remittance controls, devaluations, capital controls and limits on imports. Our business, financial condition, results of operations and the trading price of the Sendas common shares and the Sendas ADSs may be adversely affected by changes in Brazilian policy or regulations at the federal, state or municipal level involving or affecting various factors, such as:

- economic, political and social instability;
- increases in the unemployment rate;
- interest rates and monetary policies (such as restrictive consumption measures that could affect the income of the population and government measures that may affect the levels of investment and employment in Brazil);
- significant increases in inflation or strong deflation in prices;
- currency fluctuations;
- import and export controls;
- exchange controls and restrictions on remittances abroad (such as those that were imposed in 1989 and early 1990s);
- modifications to laws and regulations according to political, social and economic interests;
- efforts to reform labor, tax and social security policies and regulation (including the increase of taxes, both generally and on dividends);
- energy and water shortages and rationing;
- liquidity of domestic capital and lending markets;
- public health, including as a result of epidemics and pandemics, such as the COVID-19 pandemic; and

- other political, diplomatic, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian companies. These uncertainties and other future developments in the Brazilian economy may adversely affect our business activities, and consequently our results of operations, and may also adversely affect the trading price of the Sendas common shares and the Sendas ADSs.

Such factors are compounded by the overall health and growth of the Brazilian economy. In 2020, Brazil's gross domestic product, or GDP, decreased by 4.1%. Prior to 2020, Brazil was emerging from a prolonged recession after a period of a slow recovery, with only meager GDP growth in 2019 and 2018. Brazil's GDP growth rates were 1.1% in each of 2019 and 2018. Our results of operations and financial condition have been, and will continue to be, affected by the weakness of Brazil's GDP. Developments in the Brazilian economy may affect Brazil's growth rates and, consequently, the demand for our products and services, which may adversely affect the trading price of the Sendas common shares and the Sendas ADSs.

Political instability has adversely affected and may continue to adversely affect our business, results of operations and the trading price of the Sendas common shares and the Sendas ADSs.

The Brazilian economy has been and continues to be affected by political events in Brazil, which have also affected the confidence of investors and the public in general, adversely affecting the performance of the Brazilian economy and increasing the volatility of securities issued by Brazilian companies.

Brazilian markets have experienced heightened volatility due to uncertainties from ongoing investigations into money laundering and corruption conducted by the Brazilian Federal Police and the Office of the Brazilian Federal Prosecutor, including the *Lava Jato* investigation. These investigations adversely affected the Brazilian economy and political scenario. The effects of the *Lava Jato* investigation and other investigations of corruption had and continue to have an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy, political environment and capital markets. We have no control over and cannot predict whether the ongoing investigations or allegations will result in further political and economic instability, or if new allegations against government officials and/or companies will arise in the future.

In addition, any difficulty by the Brazilian government in obtaining a majority in the national congress could result in congressional deadlock, political unrest and demonstrations or strikes, which could adversely affect us. Uncertainties relating to the implementation by the government of changes related to monetary, fiscal and social security policies, as well as to related laws may contribute to economic instability. These uncertainties and additional measures may heighten the volatility of the Brazilian securities market, including in relation to the Sendas common shares and the Sendas ADSs.

Brazilian government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm us and the trading price of the Sendas common shares and the Sendas ADSs.

Historically, Brazil has experienced high inflation rates. Inflation and certain actions taken by the Brazilian government to curb it, including the increase of the SELIC rate established by the Central Bank, together with the speculation about governmental measures to be adopted, have materially and adversely affected the Brazilian economy and contributed to economic uncertainty in Brazil, heightening volatility in the Brazilian capital markets and adversely affecting us. Brazil's annual inflation, as measured by the general price index (*Índice Geral de Preços - Mercado*), was 23.1% in 2020, 7.31% in 2019 and 7.54% in 2018. Brazil's Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*) recorded inflation of 4.52% in 2020, 4.31% in 2019 and 3.75% in 2018, according to IBGE.

Tight monetary policies with high interest rates have restricted and may restrict Brazil's growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate decreases have triggered and may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect our business and increase the payments on our indebtedness. In addition, we may not be able to adjust the prices we charge our customers to offset the effects of inflation on our cost structure.

Recently, the Brazilian Monetary Policy Committee (*Comitê de Política Monetária*) decreased official interest rates, which have reached historical record lows. We cannot assure that interest rates will remain at current low levels in the future. Any future measures adopted by the Brazilian government, including further reduction in interest rates, intervention in the exchange market and the implementation of mechanisms to adjust or determine the value of the Brazilian *real* may trigger inflation, adversely affecting the overall performance of the Brazilian economy.

Furthermore, interest rate decreases may affect our ability to maintain interest margins we charge on installment sales, which could have a negative effect on net operating revenue. Brazilian government measures to combat inflation that result in an increase in interest rates may have an adverse effect on us, as our indebtedness is indexed to the interbank deposit certificate (*Certificados de Depósito Interbancário*), or CDI, rate. Inflationary pressures may also hinder our ability to access foreign financial markets or lead to government policies to combat inflation that could harm us or adversely affect the trading price of the Sendas common shares and the Sendas ADSs.

Any further downgrading of Brazil's credit rating may adversely affect the trading price of the Sendas common shares and the Sendas ADSs.

Credit ratings affect investors' perceptions of risk and, as a result, the yields required on debt issuances in the financial markets. Rating agencies regularly evaluate Brazil and its sovereign ratings, taking into account a number of factors including macroeconomic trends, fiscal and budgetary conditions, indebtedness and the prospect of change in these factors.

Standard & Poor's initially downgraded Brazil's sovereign debt credit rating from BBB-minus to BB-plus in September 2015 and subsequently downgraded it to BB in February 2016, maintaining its negative outlook, citing Brazil's fiscal difficulties and economic contraction as signs of a worsening credit situation. On January 11, 2018, Standard & Poor's further downgraded Brazil's credit rating from BB to BB-minus. In February 2019, Standard & Poor's affirmed Brazil's sovereign credit rating at BB-minus with a stable outlook. In December 2019, Standard & Poor's affirmed Brazil's sovereign credit rating at BB-minus with a positive outlook, further maintaining the sovereign credit rating at BB-minus, but revising the outlook on this rating from positive to stable in April 2020.

Moody's placed Brazil's Baa3 sovereign debt credit rating under review in December 2015 and downgraded it to Ba2 with a negative outlook in February 2016, citing the prospect for further deterioration in Brazil's debt indicators, taking into account the low growth environment and the challenging political scenario. In April 2018, Moody's maintained Brazil's sovereign debt credit rating at Ba2, but changed its prospect from negative to stable, maintaining it in September 2018, citing the expected new government spending cuts. In May 2019, Moody's affirmed Brazil's sovereign credit rating at Ba2 and changed the outlook to stable, which rating and outlook were further reaffirmed by Moody's in May 2020.

Fitch initially downgraded Brazil's sovereign credit rating to BB-plus with a negative outlook in December 2015, citing the country's rapidly expanding budget deficit and worse-than-expected recession and subsequently downgraded it to BB with a negative outlook in May 2016. In February 2018, Fitch downgraded Brazil's sovereign credit rating again to BB-minus, citing, among other reasons, fiscal deficits, the increasing burden of public debt and an inability to implement reforms that would structurally improve Brazil's public finances. In November 2019, Fitch maintained Brazil's sovereign credit rating at BB-minus, citing the risk of tax and economic reforms and political instability. In May 2020, Fitch reaffirmed Brazil's sovereign credit rating at BB-minus and revised the outlook on this rating to negative as a result of the impact of the COVID-19 pandemic.

Any further downgrade of Brazil's credit rating could heighten investors' perception of risk and, as a result, increase the cost of debt issuances and adversely affect the trading price of our securities.

Exchange rate volatility may adversely affect the Brazilian economy and us.

The *real* has historically experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. In 2018, the *real* depreciated against the U.S. dollar in comparison to 2017, reaching R\$3.875 per US\$1.00 as of December 31, 2018. In 2019, the *real* further depreciated against the U.S. dollar in comparison to 2019, reaching R\$4.0301 per US\$1.00 as of December 31, 2019. In May 2020, prompted by the COVID-19 crisis, the Brazilian *real* depreciated significantly in relation to the U.S. dollar, reaching to R\$5.9372 to US\$1.00 on May 14, 2020. In 2020, the *real* depreciated against the U.S. dollar in comparison to 2019, reaching R\$5.1967 per US\$1.00 as of December 31, 2020. On April 22, 2021, the real/U.S. dollar exchange rate was R\$5.4970 per US\$1.00. There can be no assurance that the *real* will not depreciate further against the U.S. dollar. Depreciation of the *real* against the U.S. dollar could create inflationary pressures in Brazil and cause increases in interest rates, which negatively affects the growth of the Brazilian economy as a whole, curtails access to foreign financial markets and may prompt government intervention, including recessionary governmental policies. Depreciation of the *real* against the U.S. dollar has also, including in the context of an economic slowdown, led to decreased consumer spending, deflationary pressures and reduced growth of the economy as a whole. Depreciation would also reduce the U.S. dollar value of distributions and dividends and the U.S. dollar equivalent of the trading price of the Sendas common shares and the Sendas ADSs. As a result, we may be materially and adversely affected by *real*/U.S. dollar exchange rate variations.

Developments and the perception of risk in other countries may adversely affect the price of securities of Brazilian issuers, including the Sendas common shares and the Sendas ADSs.

The market value of securities of Brazilian issuers is affected to varying degrees by economic and market conditions in other countries, including developed countries such as the United States and certain European and emerging market countries. Investors' reactions to developments in these countries may adversely affect the market value of securities of Brazilian issuers, including the Sendas common shares and the Sendas ADSs. Trading prices on B3, for example, have been historically affected by fluctuation in interest rates applicable in the United States and variation in the main U.S. stock indices. Any increase in interest rates in other countries, especially the United States, may decrease global liquidity and the interest of investors in the Brazilian capital markets, adversely affecting the ADSs and our common shares. Moreover, crises or significant developments in other countries and capital markets may diminish investors' interest in securities of Brazilian issuers, including the Sendas common shares and the Sendas ADSs, and their trading price, limiting or preventing our access to capital markets and to funds to finance our future operations at acceptable terms.

Risks Relating to the Sendas Common Shares and the Sendas ADSs

The volatility and illiquidity of the Brazilian securities markets and of the Sendas common shares may substantially limit your ability to sell the Sendas common shares underlying the Sendas ADSs at the price and time you desire.

Investing in securities that are traded in emerging markets, including in Brazil, often involves greater risk and are generally considered to be more speculative in nature than investing in securities traded in the securities markets of more developed countries. These investments are subject to certain economic and political risks, including: (1) changes in the regulatory, tax, economic and political environment that may affect the ability of investors to obtain a total or partial return on their investments; and (2) restrictions on foreign investment and return of capital invested.

The Brazilian securities market is substantially smaller, less liquid, more volatile and more concentrated than major international securities markets, including the securities market of the United States. B3 had a market capitalization of R\$4.9 trillion as of December 31, 2019. The ten most traded stocks by volume on B3 during 2019 accounted for approximately 51.6% of total trading on B3 during that period. Conversely, the NYSE had a market capitalization of approximately US\$41.0 trillion as of December 31, 2019. Furthermore, the regulations of B3 may differ from what foreign investors are accustomed to seeing in other international exchanges. The characteristics of the Brazilian securities market may substantially limit the ability of holders of the Sendas common shares underlying the Sendas ADSs to sell them at the time and price they desire and, consequently, may adversely affect the market price of the Sendas common shares and the Sendas ADSs. If a liquid and active trading market is not developed or maintained, the trading price of the Sendas common shares and the Sendas ADSs may be negatively affected.

We cannot assure you that an active trading market will develop or be sustained for the Sendas common shares or the Sendas ADSs or that we will be able to maintain our listing on the B3 or the NYSE. The trading volume of the Sendas common shares and the Sendas ADSs may be volatile, and holders of the Sendas common shares and the Sendas ADSs may not be able to sell their respective securities following the Spin-Off.

Currently, no public market exists for the Sendas common shares or the Sendas ADSs. We have applied to list the Sendas common shares on the *Novo Mercado* listing segment of the B3, and we intend to apply to list the Sendas ADSs on the NYSE. The listing of the Sendas common shares and the Sendas ADSs on the B3 and the NYSE, respectively, does not guarantee that a market for the Sendas common shares or the Sendas ADSs will develop or be sustained or that we will be able to maintain our listing on the B3 or the NYSE. No assurance can be provided as to the demand for or trading price of the Sendas common shares or the Sendas ADSs following the completion of the Spin-Off.

The trading price of and demand for the Sendas common shares and the Sendas ADSs following completion of the Spin-Off and the development and continued existence of a market and favorable price for the Sendas common shares and the Sendas ADSs will depend on a number of conditions, including:

- the risk factors described in this annual report;
- general economic conditions internationally and in Brazil, including changes in interest and exchange rates;
- actual or anticipated fluctuations in our quarterly and annual results and those of our competitors;
- our businesses, operations, results and prospects;
- future mergers and strategic alliances;
- market conditions in the Brazilian cash and carry industry;
- changes in government regulation, taxes, legal proceedings or other developments;
- shortfalls in our operating results from levels forecasted by securities analysts;
- investor sentiment toward the stock of companies in our industry in general;
- announcements concerning us or our competitors;
- maintenance of acceptable credit ratings or credit quality; and
- the general state of the securities markets.

Any of these factors may impair the development or sustainability of a liquid market for the Sendas common shares or the Sendas ADSs and the ability of investors to sell the Sendas common shares or the Sendas ADSs at an attractive price. These factors also could cause the market price and demand for the Sendas common shares and the Sendas ADSs to fluctuate substantially, which may negatively affect the price and liquidity of the Sendas common shares and the Sendas ADSs. Many of these factors and conditions are beyond our or our shareholders' control.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us or our businesses, the price and trading volume of Sendas common shares and Sendas ADSs could decline.

The trading market for the Sendas common shares and the Sendas ADSs will depend in part on the research and reports that securities or industry analysts publish about us or our businesses. While securities and industry analysts currently cover CBD, securities and industry analysts do not currently cover us, and may never publish research on us. If no securities or industry analysts commence coverage of us, the trading price for the Sendas common shares and the Sendas ADSs would likely be negatively impacted. In the event securities or industry analysts initiate coverage, if one or more of the analysts who cover us downgrade our securities or publish inaccurate or unfavorable research about our businesses, the price of the Sendas common shares and the Sendas ADSs would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for the Sendas common shares and the Sendas ADSs could decrease, which might cause the price and trading volume of the Sendas common shares and the Sendas ADSs to decline.

Future sales, or the perception of future sales, of substantial amounts of the Sendas common shares on the B3 or the Sendas ADSs on the NYSE, or the anticipation of these sales, could adversely affect the market price of the Sendas common shares and the Sendas ADSs prevailing from time to time or their liquidity and could impair our ability to raise capital through the sale of equity securities.

The market price of the Sendas common shares and the Sendas ADSs could decline significantly as a result of sales (or anticipated sales), including by the Casino Group, of a large number of shares of the Sendas common shares on the B3 or the Sendas ADSs on the NYSE. The perception that these sales might occur could depress the market price of the Sendas common shares or the Sendas ADSs prevailing from time to time or adversely affect their liquidity. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. For more information about our principal shareholders, see “Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders.” As a result of, and immediately following, the Spin-Off, the shareholders of CBD will become shareholders of Sendas.

If you exchange the Sendas ADSs for Sendas common shares, as a result of Brazilian regulations you may risk losing the ability to remit foreign currency abroad.

Holders of Sendas ADSs will benefit from the electronic certificate of foreign capital registration obtained by the Sendas ADS Custodian in Brazil for the Sendas common shares underlying the Sendas ADSs, which will permit the Sendas ADS Custodian to convert dividends and other distributions with respect to the Sendas common shares into U.S. dollars and remit the proceeds abroad. If you surrender your Sendas ADSs and withdraw Sendas common shares, you will be entitled to continue to rely on the Sendas ADS Custodian’s electronic certificate of foreign capital registration for only five business days from the date of withdrawal. Thereafter, upon the disposition of or distributions relating to the Sendas common shares, you will not be able to remit abroad non-Brazilian currency unless you obtain your own electronic certificate of foreign capital registration or you qualify under Brazilian foreign investment regulations that entitle some foreign investors to buy and sell common shares on Brazilian stock exchanges without obtaining separate electronic certificates of foreign capital registration. If you do not qualify under the foreign investment regulations, you will generally be subject to less favorable tax treatment of dividends and distributions on, and the proceeds from any sale of, the Sendas common shares.

If you attempt to obtain your own electronic certificate of foreign capital registration, you may incur expenses or suffer delays in the application process, which could delay your ability to receive dividends or distributions relating to our common shares or the return of your capital in a timely manner. The depositary’s electronic certificate of foreign capital registration may also be adversely affected by future legislative changes. See “Item 10. Additional Information—D. Exchange Controls.”

Holders of Sendas ADSs are not entitled to attend shareholders’ meetings and may only vote through the Sendas Depositary.

Under Brazilian law, only shareholders registered as such in Sendas’s corporate books may attend Sendas’s shareholders’ meetings. All Sendas common shares underlying the Sendas ADSs are registered in the name of the Sendas Depositary. Consequently, a holder of Sendas ADSs is not entitled to attend Sendas’s shareholders’ meetings. Holders of Sendas ADSs may exercise the voting rights with respect to Sendas common shares only in accordance with the deposit agreement relating to the Sendas ADSs. There are practical limitations upon the ability of holders of Sendas ADSs to exercise their voting rights due to the additional steps involved in communicating with holders of Sendas ADSs. For example, Sendas is required to publish a notice of Sendas’s shareholders’ meetings in certain newspapers in Brazil. To the extent that holders of Sendas common shares are entitled to vote at a shareholders’ meeting, they will be able to exercise their voting rights by attending the meeting in person or voting by proxy. By contrast, holders of Sendas ADSs will receive notice of a shareholders’ meeting by mail from the Sendas Depositary following Sendas’s notification to the Sendas Depositary of the shareholders’ meeting and Sendas’s request that the Sendas Depositary inform holders of Sendas ADSs of the shareholders’ meeting. To exercise their voting rights, holders of Sendas ADSs must instruct the Sendas Depositary on a timely basis. This voting process will take longer for holders of Sendas ADSs than for holders of Sendas common shares. If the Sendas Depositary fails to receive timely voting instructions for all or part of the Sendas ADSs, the Sendas Depositary will assume that the holders of those Sendas ADSs are instructing it to give a discretionary proxy to a person designated by us to vote their Sendas ADSs, except in limited circumstances.

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We cannot assure you that holders of Sendas ADSs will receive the voting materials in time to ensure that such holders can instruct the Sendas Depositary to vote the Sendas common shares underlying their Sendas ADSs. In addition, the Sendas Depositary and its agents are not responsible for failing to carry out voting instructions of the holders of Sendas ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of Sendas ADSs may not be able to exercise voting rights, and they will have no recourse if the Sendas common shares underlying their Sendas ADSs are not voted as requested.

Holders of Sendas ADSs may not be entitled to a jury trial with respect to claims arising under the Sendas Deposit Agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The Sendas Deposit Agreement provides that, to the fullest extent permitted by law, holders of Sendas ADSs irrevocably waive, to the fullest extent permitted by applicable law, the right to a jury trial with respect to any claim that they may have against us or the Sendas Depositary arising out of or relating to the Sendas common shares, the Sendas ADSs or the Sendas Deposit Agreement, including any claim under the U.S. federal securities laws.

If we or the Sendas Depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the Sendas Deposit Agreement, by a federal or state court in the City of New York, which has exclusive jurisdiction over matters arising under the Sendas Deposit Agreement with respect to any legal suit, action or proceeding brought by the holders of Sendas ADSs against or involving us or the Sendas Depositary. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the Sendas Deposit Agreement and the Sendas ADSs. It is advisable that you consult your legal counsel regarding the jury waiver provision before entering into the Sendas Deposit Agreement.

If you or any other holders or beneficial owners of Sendas ADSs bring a claim against us or the Sendas Depositary in connection with matters arising under the Sendas Deposit Agreement or the Sendas ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us or the Sendas Depositary. If a lawsuit is brought against us or the Sendas Depositary under the Sendas Deposit Agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the Sendas Deposit Agreement with a jury trial. No condition, stipulation or provision of the Sendas Deposit Agreement or the Sendas ADSs serves as a waiver by any holder or beneficial owner of Sendas ADSs or by us or the Sendas Depositary of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

You might be unable to exercise preemptive rights with respect to the Sendas common shares underlying the Sendas ADSs, as a result of which your investment may be diluted.

You will not be able to exercise the preemptive rights relating to the Sendas common shares underlying the Sendas ADSs unless a registration statement under the Securities Act is effective with respect to the securities to be issued upon the exercise of those rights, or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement or to take any action to make preemptive rights available to holders of Sendas ADSs. Unless we file a registration statement or an exemption from registration applies, you may receive only the net proceeds from the sale of your preemptive rights by the Sendas Depositary or, if the preemptive rights cannot be sold, they will lapse and you will not receive any value for them. In addition, we may issue a substantial number of common shares as consideration for future acquisitions or for any other fundraising needs, and we may choose not to extend preemptive rights to holders of Sendas ADSs.

To the extent that you are not able (or choose not) to exercise pre-emptive rights granted in connection with an issue of Sendas common shares, your proportional shareholding in our company would be diluted.

Holders of Sendas common shares and Sendas ADSs may not receive any dividends.

According to our bylaws, we must pay our shareholders at least 25% of our annual net income as dividends, as determined and adjusted under the Brazilian Corporate Law. This adjusted income may be used to absorb losses or otherwise be appropriated as permitted by the Brazilian Corporate Law and may not be available to be paid as dividends. We may not pay dividends to our shareholders in any particular fiscal year if our board of directors determines that such distributions would be inadvisable in view of our financial condition. For further information, see “Item 8. Financial Information–A. Consolidated Statements and Other Financial Information–Dividends and Dividend Policy” and “Item 10. Additional Information–B. Memorandum and Articles of Association–Allocation of Net Profits and Distribution of Dividends–Distribution of Dividends” and “–Interest on Shareholders’ Equity.”

U.S. securities laws do not require us to disclose as much information to investors as a U.S. issuer is required to disclose, and you may receive less information about us than you might otherwise receive from a comparable U.S. company.

We are a “foreign private issuer” under U.S. securities laws. Accordingly, the corporate disclosure requirements applicable to us may not be equivalent to the requirements applicable to a U.S. company and, as a result, you may receive less information about us than you might otherwise receive in connection with a comparable U.S. company. We are subject to the periodic reporting requirements of the Exchange Act that apply to foreign private issuers. The periodic disclosure required of foreign private issuers under the Exchange Act is more limited than the periodic disclosure required of U.S. issuers. For example, we are required only to file an annual report on Form 20-F, but we are not required to file any quarterly reports. A U.S. registrant must file an annual report on Form 10-K and three quarterly reports on Form 10-Q. In addition, we are required to file current reports on Form 6-K, but the information that we must disclose in those reports is governed primarily by Brazilian law disclosure requirements and may differ from Form 8-K’s current reporting requirements imposed on a U.S. issuer. Finally, we are not subject to the proxy requirements of Section 14 of the Exchange Act and our officers, directors and principal shareholders are not subject to the short swing insider trading reporting and recovery requirements under Section 16 of the Exchange Act.

Our status as a foreign private issuer exempts us from certain of the corporate governance standards of the NYSE limiting the protections afforded to investors.

As a foreign private issuer, we will be entitled to rely on exceptions from certain corporate governance requirements of the NYSE. Under the NYSE listing rules, a foreign private issuer may elect to comply with the practice of its home country and not to comply with certain NYSE corporate governance requirements, including the requirements that: (1) a majority of the board of directors consist of independent directors; (2) a nominating and corporate governance committee be established that is composed entirely of independent directors and has a written charter addressing the committee’s purpose and responsibilities; (3) a compensation committee be established that is composed entirely of independent directors and has a written charter addressing the committee’s purpose and responsibilities; and (4) an annual performance evaluation of the nominating and corporate governance and compensation committees be undertaken. Therefore, holders of Sendas ADSs do not have the same protections afforded to shareholders of companies that are subject to all NYSE corporate governance requirements.

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For example, as a foreign private issuer, we will rely on an exemption under Rule 10A-3(c)(3) of the Exchange Act with respect to our audit committee. For a further discussion of our statutory audit committee and the audit committee exemption, see “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Board Committees—Audit Committee.”

Holders of Sendas common shares and Sendas ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.

Sendas is incorporated as a corporation under the laws of Brazil, and substantially all of our assets are located in Brazil. In addition, all of our directors and executive officers reside outside the United States and all or a significant portion of the assets of such persons may be located outside the United States. As a result, it may not be possible for holders of Sendas common shares or Sendas ADSs to effect service of process within the United States or other jurisdictions outside Brazil upon such persons, or to enforce against such persons judgments of U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the laws of such other jurisdictions. Further, it is unclear if original actions against us, our directors or our officers predicated on civil liabilities based solely upon U.S. federal securities laws may be brought in courts outside the United States, including Brazil. In addition, payment must be made in *reais* in proceedings brought before the Brazilian courts seeking to enforce obligations against us and any judgment rendered in Brazilian courts in respect of any payment obligations would be payable in *reais*.

Holders of Sendas common shares are required to resolve disputes with us, our senior management and holders of Sendas common shares only through arbitration in Brazil.

In accordance with our bylaws, all disputes or claims based on our bylaws, the Brazilian Corporate Law or other relevant laws or administrative rules, and concerning matters between holders of Sendas common shares, us, or our directors or officers, must be submitted for arbitration at the Market Arbitration Chamber (*Câmara de Arbitragem do Mercado*) of the B3. The governing law for any such disputes or claims is Brazilian law. Accordingly, shareholders would be required to initiate such arbitration proceedings in Brazil, which could have the effect of discouraging shareholders located outside Brazil from bringing such claims. In addition, arbitration proceedings in Brazil are known to be costlier than other dispute resolution methods, such as court proceedings.

The protections afforded to minority shareholders in Brazil are different, and may be more difficult to enforce, than those in the United States and some European countries.

The protections afforded to minority shareholders in Brazil are different from those in the United States and some European countries. In particular, jurisprudence with respect to shareholder disputes is less developed in Brazil than in the United States and some European countries and there are different procedural requirements for bringing shareholder lawsuits, including shareholder derivative suits. There is also a substantially less active plaintiffs’ bar for the enforcement of shareholders’ rights in Brazil than there is in the United States. As a result, it may be more difficult in practice for our minority shareholders to enforce their rights against us, our directors or executive officers than it would be for shareholders of a U.S. or European company.

Acquisition, ownership and disposal of Sendas common shares or Sendas ADSs could result in substantial U.S. tax liability for you.

You may be subject to U.S. federal income taxation in connection with the acquisition, ownership and disposal of Sendas common shares or Sendas ADSs. For more information, see “Item 10. Additional Information—E. Taxation—Material U.S. Federal Income Tax Consequences.”

We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. holders of the Sendas common shares and the Sendas ADSs.

A non-U.S. corporation will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes in any taxable year in which the corporation satisfies either of the following requirements:

- at least 75% of its gross income is “passive income”; or
- at least 50% of the average gross fair market value of its assets is attributable to assets that produce “passive income” or are held for the production of “passive income.”

Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. Based upon the composition of our income, our assets and the nature of our business, we believe that we were not treated as PFIC for U.S. federal income tax purposes in 2020. Further, there can be no assurance that we will not be considered to be a PFIC for any particular year. If we were considered to be a PFIC for any taxable year during which a U.S. Holder (as defined in “Item 10. Additional Information–E. Taxation–Material U.S. Federal Income Tax Consequences”) owned our common shares or ADSs, such U.S. Holder could be subject to significant adverse tax consequences. U.S. Holders should consult their tax advisers regarding the application of the PFIC rules to their investment in our common shares or ADSs. For more information, see “Item 10. Additional Information–E. Taxation–Material U.S. Federal Income Tax Consequences–Passive Foreign Investment Company.”

Acquisition, ownership and disposal of Sendas common shares or Sendas ADSs could result in substantial Brazilian tax liability for you.

You may be required to pay Brazilian capital gains or other taxes in connection with the acquisition, ownership and disposal of Sendas common shares or Sendas ADSs. For more information, see “Item 10. Additional Information–E. Taxation–Material Brazilian Tax Consequences.”

ITEM 4. INFORMATION ON THE COMPANY

A. *History and Development of the Company*

General Corporate Information

Sendas Distribuidora S.A. is a corporation (*sociedade anônima*) organized under the laws of Brazil and registered with the Brazilian corporate taxpayers’ registry (CNPJ/ME) under registration number 06.057.223/0001-71. Sendas was formed on December 18, 2003 for an indefinite duration.

Sendas is domiciled in Rio de Janeiro, Brazil, and our headquarters are currently located in Rio de Janeiro, Brazil at the following address: Avenida Ayrton Senna, No. 6,000, Lote 2, Pal 48959, Anexo A, Jacarepaguá, 22775-005, Rio de Janeiro, RJ, Brazil. Our telephone number is +55 11 3411 5042.

History

We were founded in 1974, with the opening of the first Assaí Atacadista store, a wholesaler with a focus on supplying small businesses. In 2007, we were partially acquired by CBD, which is controlled by the Casino Group, a French conglomerate and world leader in food retail. In 2011, we became a wholly-owned subsidiary of CBD. Prior to CBD’s acquisition of us in 2007, we operated exclusively in the state of São Paulo. Following CBD’s acquisition, we began to expand geographically within Brazil. By the end of 2008, we expanded our operations to 28 stores in the states of São Paulo, Rio de Janeiro and Ceará, and by the end of 2011, we operated 59 stores in the states of São Paulo, Rio de Janeiro, Ceará, Tocantins, Pernambuco, Goiás and Federal District.

In 2011, we began to invest in a new store format, with a larger assortment of goods, self-checkout and improved ambiance including covered parking, in-store Wi-Fi, air conditioning and natural lighting. By 2017, we became Casino’s largest brand worldwide (in terms of gross revenue), and in 2018 and 2019 we were named one of Brazil’s Top 25 Brands by Interbrand.