TRANSCRIPT – 3Q 22 VIDEOCONFERENCE

GRUPO CARREFOUR BRASIL

Operator:

Good morning, everyone, and welcome to the Carrefour Brasil Group's 3Q22earnings conference. Joining us from the Carrefour Brasil group are CEO, Stéphane Maquaire; and CFO, David Murciano, who will conduct the earnings presentation.

We would like to inform you that this conference is being recorded and will be made available on the Company's IR website where the presentation is also available. If you need simultaneous translation, the tool is available under the globe-shaped icon labeled ‘interpretation’ on the bottom side of your screen.By clicking it, you may select your preferred language between Portuguese and English. For those listening to the conference in English, you can choose to disable the original audio in Portuguese by clicking ‘mute original audio’.

During our Q&A, we kindly ask that you submit your question using the Q&A button on the bottom side of your screen. By standard practice, your name will be announced so you may ask your question live. At that moment, a request to activate your microphone will pop up on your screen.

We would like to stress that all information contained in this presentation and any statement made during this conference relative to the Carrefour Brasil Group's business prospects, forecasts and operational and financial targets are based on beliefs and assumptions held by the Company's management as well as information currently available. Forward-looking statements are no guarantee of performance. They involve risks, uncertainties and assumptions seen as they refer to future events and therefore, rely on circumstances that may or may not materialize.Investors must understand that general economic conditions, the state of the market and other operating factors may affect Carrefour Brasil Group's future performance and lead to results which are materially different than those expressed in forward-looking statements.

Let me now turn over to CEO, Stéphane Maquaire, to begin the presentation.

Stéphane Maquaire:

Good morning, everyone, and thank you for joining us once again for our 3Q22 earnings conference. I am very happy to be with you again, even more so to report on a quarter when the integration of the BIG Group was in full swing and when our results showed once again the importance of having complemental businesses and an interconnected ecosystem.

We are constantly working on initiatives that add more value to our business. So today, I would like to start by highlighting the news we reported last Tuesday. We have begun our studies on a project involving our property unit, and that will create one of the greatest retail-focused real estate companies in Latin America.

This project will be divided in 2 critical stages.First of all, the carve-out of most of the Group’s over 450 assets; and second, the sale of a minority stake to a strategic investor.

This new company will be able to generate more than R$1.5 billion in net operating income a year. And we will have great diversification of activities, which will allow us to advance our real estate business and create even more value.

We also disclosed our target for our Atacadão store network in 2026. We expect to have over 470 stores in the Cash & Carry format by 2026.This is a very significant forward movement. We are talking about over 200 stores compared to 2022, obviously, including BIG Group conversions, as we have already announced, and on average, over 25 stores per year until the end of 2026.

This is a significant events when we compare the average number of stores via organic expansion that Atacadão had since 2018. This shows how focused we are on high-return formats to meet the needs of Brazilian consumers. Therefore, we continue to strengthen our leadership and consolidate ourselves increasingly more in the Brazilian market.

On slide 4, I would like to focus a little bit more on our initiatives during this 3Q. We reported a revenue of over R$29 billion, up more than 41%. Our EBITDA grew 14% and the 240 bps increase in market share in the 9M22 shows that we are increasingly winning over Brazilian consumers.

This quarter was also defined by the opening of the first stores converted from the BIG Group. There were 4 stores converted from the Maxxi brand to Atacadão and 3 stores converted from a BIG hypermarket to the Carrefour brand. We also continue to move forward with our organic expansion with 6 new Atacadão stores during this quarter, plus 14 stores or actually 14 stores in the 9M22.

On the digitalization front, we continue to grow strongly, totaling a R$1.4 billion GMV in the quarter, almost twice as in 3Q21. And here, I would like to highlight again the food GMV, which increased 2.3x in the nonfood GMV, which after a challenging period, rebounded to the strong level of 69% over 3Q21. The Carrefour Bank, 38% of new customers in the quarter came via the digital channel, which shows how significant that channel is to all our business units.

This quarter, we established 3 strategic foundations for our e-commerce, which will focus on leveraging physical stores, creating recurring purchases and democratizing access to food e-commerce, bringing more convenience to all our customers.

Now as to our responsibility as a company, I would like to underscore the creation of our Forestry committee composed by executives from the Group and market specialists, including an investment of R$50 million for initiatives to preserve Brazilian biomes. Another important highlight during this quarter was the inclusion of the Carrefour Brasil group in the TEVA Women in Leadership Index, which awards companies with the highest rate or the highest percentage of women in leadership roles in its boards, committees and C-level positions.

This is a very important achievement and shows how effective our initiatives to promote diversity and inclusion within our group have been. For me, in particular, it is a reason for even greater price since I have been working really diligently on this issue since I joined the Group.

Moving on to slide 5, I would like to reinforce what I said at the beginning. The integration of the BIG Group is in full swing. The first 7 converted stores in the first month, reached 60% of the sales per square meter target at maturity. We saw excellent increase in sales in these stores with the conversion of brands, and we have accelerated the conversion plan even more.

We expect to convert 40% of all our stores by the end of 2022. That's at least 50 stores a year. We received many questions about how we were able to accelerate even further our aggressive store conversion plan. This progress is a result of a great alignment and preparation that we had prior to day 1 of the integration. This allowed us to not waste time on planning in the first months of the integration and fully focused on execution.

Again, I would like to emphasize how proud I am to lead such an engaged team and how excited I am about everything that we are building. We are fully committed to this integration to our employees and to creating more and more value for our shareholders and all our stakeholders. With that, I would like to turn it over to David, who will talk about our financial data.

David Murciano:

Thank you, Stéphane, and good morning, everyone. Since you have already had a chance to see our results and the release we put out yesterday, I will just quickly go over the numbers for the quarter, bearing in mind that the final figures include the BIG Group's results for the entire quarter.

I will start on slide 7 with our sales performance in 3Q. Our gross sales came to R$29.3 billion, up over 41% over the previous year, with a market share gain of 240 bps in the year-to-date. We reported double-digit LFL growth both in retail, up 15% and with a takedown up 10.5%.This strong growth came in a quarter of slowing food inflation, which further underscores the strength of our business.

On slide 8, you can see we were able to sustain resilient margins even as we integrated the BIG Group. Our SG&A was naturally impacted by the store conversions. But if we remove the BIG Group effect, we can see an improvement in the indicator as a percentage of net sales.

It's important to highlight here that we see not only an impact from the converted stores, but of all stores involved in this accelerated conversion plan. During the quarter, we had over 70 stores already affected. As an example, 13 supermarkets that will be converted to Maxxi remained closed throughout September. So the moderate effect that we see on our result clearly shows our ability to absorb a company as large as BIG, all the while sustaining excellence in all our operations.

On slide 9, we see our EBITDA has grown 14%. So we see our EBITDA has grown 14%, totaling R$1.7 billion despite the impact from banking caused by the more volatile Makro environment, which only goes to show how important complementarity is for our business.

Moving on to slide 10, we can see the result of our higher indebtedness after the acquisition of the BIG Group and increased interest rates over our net income, which amounted to R$256 million over the quarter.

Our operating cash generation over the last 12 months was still very strong. Our operating free cash flow was R$6.4 billion, up 17%, and our free cash flow came to EUR 2.2 billion with the BIG Group integration having virtually no impact.

On slide 11, our indebtedness reflects the effects of the BIG Group acquisition and accelerated store conversions. On the left-hand side of the slide, the chart shows our net indebtedness before discounting receivables to allow for a like-for-like comparison with the other players in the market. On the right-hand side, after discounting our receivables and lease payment in keeping with the standard adopted by rating agencies, we see an increase over 2Q, owning to the accelerated pace of store conversions.

Now I would like to talk about the quarterly results of our business units, starting with the Atacadão on slide 13. As Stéphane mentioned earlier in his presentation, we sustained our strong pace of growth began our Maxxi store conversions and continue to focus on prioritizing our customers as evidenced by our NPS level, which reached its peak for the year in 3Q.

Because all Makro stores have been open for more than a year and are now accounted for in our LFL metrics, the expansion effect has returned to its regular levels, contributing 5.3% growth during the quarter. The conversion of all 4 Maxxi stores contributed 0.3%. We currently operate 268 stores and 33 wholesale delivery centers. We opened 6 stores during this quarter, adding up to 14 organic stores through September. By the end of the year, we expect to have over 90 new cash & carry stores between organic openings and BIG Group store conversions.

Moving on to slide 14, gross sales in the Cash & Carry format, which includes the Atacadão and Maxxi brands, came to R$19.7 billion in 3Q22 with contributions from our expansion and LFL sales, which remained in the double digits at 10.5% despite the more subdued inflationary environment.The digital channel, while impacted by inflation was still meaningful, accounting for 2.8% of Atacadão's overall sales during the quarter.

To conclude our remarks about Atacadão on slide 15, we see that our margins mirror the integration of the BIG Group, but the stand-alone channel remained at standard levels despite the challenging environment. Atacadão's gross margin for the quarter was 15%, up 50 bps over 3Q '21.

Our SG&A reflected the accelerated expansion and as a percentage of sales showed a slight increase by 45 bps year-over-year. Lastly, our adjusted EBITDA grew 8% with a 7.3% margin in standalone Atacadão.Despite the impacts of integrating the BIG stores, the margin remained within its historical levels for the format, demonstrating once again our capacity to grow organically via acquisitions.

On slide 17, a little bit about retail. The results of this business unit in the quarter reflect customers' positive perception of our long-term loyalty strategy and initiatives as well as, of course, the integration of the BIG Group stores. We reported continued improvement in some important NPS indicators such as price and assortment, which shows how well customers have received our initiatives.

Our private label products also continued to break records with 19.8% penetration during this quarter, showing there's significance in the customers' baskets. We had 3 hypermarket stores converted from the BIG brand to Carrefour with material improvement in sales. On the digital front, we launched a quick commerce pilot in 5 stores. Now our ambition is to deliver to customers within as short as 15 minutes, adding more convenience and leveraging our store network one of the strategic foundations of our digitalization plan.

Now moving on to slide 18. We reported strong retail sales performance in both the food and nonfood categories, which have rebounded after a challenging period. Total sales, which include the Carrefour and BIG brands, grew 55.7% and like-for-like sales during this quarter was a strong 15% with double-digit LFL in both food, which reached 17.5% and nonfood with 10.7%. Note also that volumes in the retail segment remained at positive levels. Once again, our sales performance has shown how important this format is for our customers.

On slide 19, we see that the Carrefour brand showed solid profitability rates with a sustained gross margin and excellent sales performance diluting its SG&A. Carrefour's stand-alone EBITDA margin in the quarter was 5.6%, up 41 bps over the same period last year. This is a result of our continuous effort in improving our operations. The integration of the BIG Group stores naturally had an impact on our EBITDA margin for the segment as a whole during this quarter.

On slide 21, we see that the digital channel has continued to grow, driven by Atacadão and by improvements in our execution. Our overall GMV has doubled to R$1.4 billion during this quarter. Food GMV grew more than twofold with Atacadão's digital channel as a special highlight, which remains strong even in this changed inflationary environment, accounting for 28% of our business unit sales.

The 1P food operations grew 3.5%, and we relaunched a click and collect in our stores. Now, moving on to Carrefour Bank, we see that our bank continued its strong pace of growth with an increase by 24.5% in earnings in the year-over-year. The office and cross-sell channels continue to show solid results. And I would like to point out what Stéphane has mentioned at the beginning, which the penetration of acquisition via digital channels came to 37.8% during the quarter. Once again, our bank is delivering solid performance, supported by a strong database.

On slide 24, we see that the rebound in lending added a little bit more volatility to our bank during this quarter, but the business fundamentals remained unchanged. The financial intermediation revenue grew 21% and NPL levels went up because of the aforementioned rebound in lending, but also because of a more volatile economic environment. The over 30 came to 18.2%,and the over 90, 13%. We, therefore, would like to reinforce that our credit portfolio is still healthy, and we are confident in the results for this year.

On slide 25, our profitability remained resilient, reflecting the effects I mentioned before. The bank's EBITDA was R$165 million with an R$81 million profit.

I would like to conclude the financial highlights and turn it over to Stéphane for his final remarks.

Stéphane Maquaire:

Thank you so much, David. In conclusion, I would like to say I am really happy with the first accomplishments we have had with BIG integration. Our teams are really engaged and working with sharp focus on our customers. The strength of our ecosystem is growing more than ever, and our store conversion timetable is moving quicklier than expected, and the other fronts on integration, such as synergies, are also moving forward in a very healthy way.

As we said at the beginning of this presentation, I would like to reiterate that we are reaping the benefits of a very well-planned integration that had all of the teams on the same page and with a culture that was made even stronger with engaged teams that continue to work diligently and strengthening us as a company.

In 4Q, we have major events for retail such as the World Cup and the holidays, and our teams will remain engaged and committed to our customers, stakeholders and other shareholders.

Thank you very much. And we will now move on to your questions. Thank you so very much.

Thiago Macruz, Itaú:

Good morning, and thank you for taking my question. I have a question about BIG. Naturally, your business legacy has done really well with another very strong quarter. We were surprised with the results of the transaction, excluding Carrefour, and the results it had on your leverage levels with a slightly worse deterioration than we had expected. So I wanted to understand that trend a little bit more. Is it reasonable to say that these margins we saw for BIG do not mean much, and that it may not really reflect the operational trend for the assets that you have acquired? If you could give me a little bit more clarity on that, that would be great. Thank you.

Stéphane Maquaire:

I will answer the first question you asked and then let the David take your second question. Naturally, as I said, the integration of the BIG Group is in full swing, especially with the integration of stores.

We have said that 4 Maxxi stores have been converted to Atacadão and 4 BIG hypermarkets to the Carrefour brand. But in fact, we are talking now in this month of October, of 70 stores, excluding those BIG Group conversion stores. So we were overhauling its operations to be able to sell, or even in the 3Q, as David mentioned, we had 13 hypermarket BIG hardware markets that were completely shut down during the month of September and October.

All of this is to say that every movement that we had with the BIG Group stores are in the process of being converted, whether demobilized or under construction. So we are converting our systems, we are converting our suppliers. And all of that is to say that this is only a temporary period where we are making all of these shifts across these converted BIG stores. It will take a bit longer for us to conclude this entire store conversion process and realize all synergies.

We said that store conversions from the end of 2020 to the end of 2023, it is absolutely expected for us to have a slower traffic as you saw in the beginning of the process in 2Q, when we began the integration of the BIG Group.

David?

David Murciano:

Good morning, Thiago. On the issue of leverage, I could say exactly the same thing. We are seeing exactly what we expected. There was an increase in interest rates, but when you compare it to last year, it seems a lot because we had the acquisition, we had the transformation CAPEX, and we have higher interest rates. So it is perfectly reasonable to see these levels. So really, there's been no surprise in that sense here at Thiago. Our cash flow generation for these new stores still remains to be seen, but it's still early to expect to have a positive impact from the stores that we just converted.

And we are also negotiating with suppliers, bearing in mind the effects of the BIG projects cash flow. If we take a snapshot of late September, we can say that this effect on our leverage is perfectly reasonable and expected. And as we said in the year as a whole in 2022, we will see a higher leverage than we have historically seen because we had the transformation CAPEX and the acquisition of the BIG Group. But with everything that we said, this is because of this integration.

Even with the accelerated store conversion plan, this is still what we expect. So we will convert more stores, we will spend more of our CAPEX, but we are still focusing on the same leverage goals that we had before.

Thiago Macruz:

Thank you, everyone. This was absolutely clear.

Gustavo Frattini, Goldman Sachs:

Good morning. We have 2 questions, very much about the more deflationary scenario. Could you add a little bit more color about this inflationary environment that led to this 50 bps decrease in Atacadão's margins, and if we should expect to see further decline in the Cash & Carry market? And could this scenario be maybe offset by an increase in volume, and if the EBITDA that could lead to a higher leverage in the next few quarters?

Stéphane Maquaire:

Thank you for your question, Gustavo. Actually, the Brazilian Geography and Statistics Institute reported today of the inflationary scenario with an inflation of 5% in the country, plus 0.8% again. This is for food inflation at home.

So we had 2 months of deflation August and September, and as we said before, that had an impact on the entire Cash & Carry business, especially with Atacadão in our case. But as I said before, these more complicated shifts, the shifts that are more difficult to manage are something that we will be able to offset later with our activities.

If we talk about the B2B operations for a Atacadão, these are 45 days where we do not see the same standard levels that we have seen because customers are waiting a bit more to buy, to enjoy even lower prices. So that scenario has obviously changed.

We are moving back to a situation where inflation is under control month by month. So we should control these movements, especially as these B2B clients fear buying at a higher price in the following weeks.

So I think that 4Q will look a lot different than 3Q, seeing as we had a time of deflation, and now going back to a time of inflation on the Cash & Carry market. There's always a trade in for business, as we said before.

Thiago Suedt, XP:

Good morning, everyone. Thank you for taking our questions and once again, congratulations on the excellent results. On our side, we have 2 topics that we would like you to address. First, from a more strategic perspective and looking at the update that Carrefour had in France to their strategic plan through 2026. I believe that is in keeping with the store openings that you accelerated, and also the real estate strategy.I would like you to detail more your strategy in terms of keeping up with the controlling company’s history, and also if we could expect the same thing to happen here in Brazil, especially in supermarkets and hypermarkets. That would be my first question.

And then, a more objective question about the expansion of Atacadão's operations. Do you have anything to share with us in terms of the areas where you plan to open these new stores, and maybe what would be the profile of these cities?That would be it. Thank you.

Stéphane Maquaire:

Thank you so much for your questions. As you all know, we went through an important time in French Carrefour announcing its new plan for Carrefour through 2026, and we are absolutely in line with corporate, and the targets that they showed and that we also brought to Brazil in terms of the mindset for Atacadão stores. This is something that we already had in-house, and now is a guidance for 2026.

With regard to savings on the corporate side, we were already working on part of the synergies that we want to realize by integrating the BIG Group stores that will involve having a consolidated executive structure. We are now integrating the BIG Group and Carrefour group outlining a leaner corporation after that integration.

So we are playing the same game with slightly different topics. We are looking at integration, and they really showed the role of synergies and the role of Latin America, especially Brazil, the role of growing bigger and bigger. So we are on the same page, but dealing with slightly different themes.

About your second topic, looking at the Carrefour 2026 strategy. And I know Maxxi very well because it comes from Argentina. This is a method that was slightly adjusted for the reality in France. And I think this was very specific. I think the words of Alexandre Bompard, the Carrefour France CEO were specifically to answer to these requirement of supermarkets in France. But looking at the Maxxi method, for example, which is to have all their own white label products at the forefront, We are absolutely on the same page. Part of that Maxxi model are now coming to Brazil from Argentina.

So we have already brought this focus on our own brands. And obviously, once I came, we froze the prices of our private label products for 3 months between November 2021 and January 2022. All of that is part of this method, which is to have your private label brands at the front. But in Brazil, we have hypermarkets following a very clear line and a different business that we have is Cash & Carry, which is very strong with our Atacadão arm.

So we will not mix and match those methods. We will follow different strategies with each of these different channels to respond to the needs and desires of our customers. Now moving on to the expansion of Atacadão. We have talked a little bit about that in the last conferences and nothing has changed. We will have the opportunity to open Atacadão stores across every Brazilian state, especially here in São Paulo. And in the city of São Paulo, we can still grow.

But naturally, there is a new concept, a slightly leaner concept in terms of size. We are looking at stores of 3,000 to 4,000 square kilometers, which work a lot better for smaller cities, or adding to the store network that we have in slightly larger cities.For example, late last year, we opened in Salvador, the state of Bahia, which is a huge city where we can also adopt that model.

So the answer is, the capacity to grow in Cash & Carry will encompass every Brazilian state in every cities of every size but adjusting our response to the needs and the size of each city.

David?

David Murciano:

I just wanted to remember that these new stores and this new format that Stéphane mentioned of having slightly smaller stores in the countryside, we are now a lot more comfortable with their level of profitability. We expect them to go to the same profitability level of other stores and see the same return on investment as our other stores.

This is a model that allows us a lot of optimism in terms of our growth ambition, and also expecting the same return on investment for the Company.

Thiago Suedt:

Perfect. Thank you very much for your answers.

Luiz Felipe Guanais, BTG:

Good morning, everyone. Thank you for taking our questions. We have 2 questions on our side. One of them is about the BIG Group. If you could tell us a little bit about how you see the competition in these markets that BIG operates in, andhow do you expect that advance, especially in terms of profitability of those stores that are being remodeled and converted?

And going back to the issue of the global Carrefour strategy, on the Cash & Carry side, how can we think about the productivity of these new stores, especially in smaller cities and also the trend of your margins versus what you already have with your current stores?

Stéphane Maquaire:

Thank you very much for your questions, Luiz. We have competition left and right all across Brazil, which is the same as we see in other countries. So we are not seeing greater competition for our stores, excluding the BIG Group. This is a time of significant changes in the market. We are seeing several stores be converted. We ourselves have converted several stores from the BIG store to the Atacadão format, to hypermarket and to Sam's Club, but we do not see higher competition where we have these new converted BIG stores.

We have to remind you that not only we have BIG hypermarket and Maxxi stores, but we also have other stores such as Todo Dia and the Sam's Club format, and they are all growing more strongly during this 3Q compared to previous quarters. So what we see is a positive sales trend across all formats that were not involved in this store conversion process.

About Atacadão's productivity, especially in profitability in those smaller cities, We know that every store that we are opening in the Atacadão brand has followed the same productivity curve. We talked about the process of integrating the BIG Group stores and the synergies. These stores have followed more or less the same growth curve in terms of productivity over the course of their first years in operations.

So why am I not talking about a change in the model? Because that's not it. It's just a slightly smaller size for these stores for specific geographic locations.

Anything you would like to add, David?

David Murciano:

With regard to margin, we have already covered that in the last question, with the new growth model that has already been covered in the previous question.

Felipe Reboredo, Citibank:

Good morning, everyone. Thank you for the opportunity to ask our questions. What we wanted to understand on our side is the trend credit in 3Q. So delinquency indicators and what your prospects are for the credit market in 2023? Do you expect your portfolio to continue to grow? How do you see that moving on to the end of the year and in 2023?

David Murciano:

Good morning, Felipe. It's a volatile trend, naturally. We are seeing the market in a time of significant volatility. But for the Carrefour bank, we have visibility to stay a little bit ahead of the trend as we look at our consumer behavior data. So it's a volatile market. We look at the situation and adjust our level of opening or closing of credit to customers that allows us to stay ahead of the market trend, which is what we saw over this quarter.

We had a delinquency level, which is not improving, unfortunately, but it's not deteriorating either thanks to the efforts of our teams. In the meantime, we will continue to adapt and adjust, and we will continue to keep track of how the market develops. But we do not expect neither significant growth nor negligible growth. We will keep adjusting according to what we see. That's how we see the portfolio moving forward.

Nicolas Larrain, JPMorgan:

Good morning, everyone. I have 2 questions. First of all, with regard to your leverage, I would like to understand what is Carrefour's plan once the BIG Group has been integrated, and maybe a gross debt target that you are comfortable with moving forward.

And my second question, looking at retail, how do you see the competition in 3Q, considering that now we have more of those converted stores in operation?

Stéphane Maquaire:

Thank you. I will jump to your second question and let David answer your first one. About retail. If you remember, this is a year of strong growth on our retail side with the Carrefour brand. We are also improving our capacity during this quarter doing exactly what we had planned for this year, which is grow our sales and sort of recover the position we occupied at the beginning of the year.

And this is something that we are doing really well. The sales growth in 3Q was very significant, both in food and nonfood segments. And this shows how important it is to keep this hypermarket operation within our ecosystem.

And this is a response to part of Brazilian consumer base. And we know that we work our hypermarkets here in Brazil with all of the preparation of the orders that are coming in via the digital channels. So the entire Carrefour ecosystem here in Brazil has been well managed. So, we are seeing a strong trend across all segments, whether they are in food or non-food. And we will continue to follow this same strategy.

As we said before, where we had extra stores being closed, we did not see a huge difference in that every supermarket across the country in our network grew significantly. And the same is true after the first openings that we had. I visited a hypermarket store that was growing exponentially. It was converted and we were still growing at the same speed, which shows that consumers that like Cash & Carry, and we have customers that like our retail supermarkets strategy a bit more.

So I keep saying this, we are still very open-minded on locations where we believe it will be better to have an Atacadão store or a Sam's club store, we may convert a few of these hypermarket stores to this new format. So we are keeping an open mind.

David Murciano:

About the leverage rate, from the answer to Thiago's questions, we know that our leverage is significantly high. We historically saw leverage around 2x to 3x our EBITDA. Now with the store conversions, we have gone up to about 2%, which is a high level that we did not expect to sustain.

Our goal is to stay far below that over the long run. So I would say that the level where we stand today is high, but we expect it to improve over the medium to long term now that we have acquired the BIG Group and once we generate more cash.

Alexandre Namioka, Morgan Stanley:

Good morning, everyone. If you could explore a little bit more the hypermarket operations, this is at least the second quarter where we see very strong same-store sales within this format. So I wanted to understand, where do you believe these hypermarket clients are coming from? And if you could add a bit more color about the Sam's Club brand. I believe that maybe it's doing a little bit better than in 3Q, but itssame-store sales remain relatively weak when compared to other formats.So if you could add a bit more color on these 2 topics, that would help a lot.

Stéphane Maquaire:

Thank you so much for your question, Alexandre; and thank you for giving us the opportunity to talk a little bit more about Sam's Club. First of all, the Sam's Club format has begun to grow again. The first 4 months after we acquired the BIG Group were months they were slightly complicated the first 5 months in 2022.

These were very complicated months for the Sam's Club format where sales were significantly low and lower than they were at the beginning of the year. So we are now seeing in advance in this level of sales compared to last year, especially in September, and they are following the same trend in October. So it's doing significantly better than they were in previous quarters.

We have the Director of Sam's Club, Vitor Faga, who has come with a lot of energy, renewing the synergies of the entire Sam's club Group. We know that the Sam's Club team is really looking closely at this format, we are strengthening its commercial dynamics and the increase in the number of members. We talk in their case about members, Sam's Club members as opposed to clients, and we are seeing a very positive trend in Sam's Club sales, going back very strongly to the game. And in this 3Q in Carrefour retail, they compared really well.

In addition to several initiatives that we had to reposition or supermarket prices compared to the end of last year and early this year, with a significant push on our private label brands, and also the household, appliance teams also strengthening our stores so that they have a greater digital strength in household appliances, and this is working really well. So also, we have made changes to the organizations to sort of hold those better results.

The store pickup, which we developed also in the last months of 2021 and early 2022, so results of a pick in store, for example, in late February, really helped to strengthen our hypermarket with the strength of our ecosystem, both on the brick-and-mortar side and the digital side and our stores.

And lastly, also a small impact on our organization with the closure of other supermarkets at a time of deflation, which was also good to advance our sales with less pressure from inflation, so less pressure on our customers' purchasing power. So clients are enjoying our hypermarkets even more during this time.

David Murciano:

I just wanted to add something because whenever we talk about Cash & Carry, we also talk about supermarkets, but I wanted to underscore the great performance of our supermarket stores even though these have a smaller rate, but we are seeing convenience in supermarket stores growing double digit, which is also important to highlight.

They may not be as strong for the country as a whole, but this is a trend that we are seeing across all the Carrefour Group's brands. This trend that we are fostering across the Group has impacted the entire organization.

Giancarlo Ferro Vanetti, Citibank:

Good morning. First of all, thank you for the opportunity to ask my questions. I would like to understand your strategy for the short-term debt.

David Murciano:

Our short-term debt, as we said before, we are dealing with the short-term impacts of acquiring the BIG Group stores and the store conversions will continue to generate cash flow. Carrefour Group's ex-converted stores has also performed really well. And also on the BIG stores, we expect to generate more free cash flow over the next few months. And we calculate that by the end of 2023, the converted BIG Group stores will already be generating cash. So we expect to see positive effects in terms of our cash generation.

And also in the shorter term, we are negotiating with suppliers to open other arms. This is another EBITDA synergy more so than a cash synergy that we have identified.

We are always working regardless of the process of integrating BIG, but including that as well to work a little bit better on the tax impacts that may lead to cash generation.

So we have a number of projects to improve our cash position and our cash flow more than we had before. We do not have strong bottom strong cash. We have the Carrefour Group, which for the renewal of lines is alongside us this year. We also issued something very successfully. So we have all funding tools available for the Company.

And as I said before, our leverage is also going to improve. It's currently at a high level, but we believe that it's really a one-off situation because of the moment that we are living.

Manuela Ribeiro, Citi:

I had a question about refinancing which I believe David answered. And also, he mentioned that he is negotiating with suppliers precisely to improve cash generation. We see that in 3Q, the working cash had an impact.So what do you expect in terms of working capital for the end of the year?

David Murciano:

Thank you, Manuela, but we cannot provide any guidance. We cannot tell you what we expect through the end of the year. But what you mentioned about this point of negotiation, about the alignment of the payment price, that's ongoing, and we expect to have results of that by the end of the year. But for the time being, there's no negative effect on our working capital. I am not sure where you saw that.

Operator:

With no further questions, we conclude our Q&A session and turn the conference back to the Company for their final remarks.

Stéphane Maquaire:

In conclusion, I would like to reinforce how happy and content I am with what we were able to deliver in the first few months of integrating the BIG Group stores. We are doing really well. These are very encouraging months. Also the consequences on our profitability, excluding the BIG Group store conversions were really positive. And I believe that success and the integration process lies on the speed and also on the work based on the culture of this new group that we are creating. And we are doing really well on both front.

So I am very confident in our ability and what we have shown in the next few months, we have shown the very accurate path that we are following with increasingly positive results, first of all, for our clients and also our shareholders and the entire market and Brazilian society.

Thank you.

Operator:

Group Carrefour Brasil's 3Q22 Earnings Conference has now concluded. The IR department will be available to answer any further questions you may have. Thank you to everyone who joined us, and have a great day.