

## **TRANSCRIPT – 1Q 22 VIDEOCONFERENCE**

### **GRUPO CARREFOUR BRASIL**

#### **Operator:**

Good morning, everyone, and welcome to the Carrefour Brasil Group 1Q22 earnings conference. From the Carrefour Brasil Group, with us today, we have CEO, Stéphane Maquaire; CFO, David Murciano; and IRO, Natália Lacava, who will begin the earnings presentation.

We would like to inform you that this conference is being recorded and will be uploaded to the Company's IR website where the respective presentation is also available. If you need simultaneous translation, the Company is offering that tool in the globe-shaped icon labeled interpretation at the bottom of your screen. By selecting it, you can choose between your preferred language, Portuguese or English. For those listening to the conference in English, you can also choose to silence the original audio by clicking mute original audio.

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

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

We would also like to say that if any technical problem occurs in this platform, we will continue our call after a short break via telephone using the numbers disclosed in the Company's IR website, [ri.grupocarrefourbrasil.com](http://ri.grupocarrefourbrasil.com) and the Zoom chat.

Now I would like to turn the conference over to the Company's CEO, Stéphane Maquaire, to begin our presentation. Mr. Maquaire, please proceed.

#### **Stéphane Maquaire:**

Good morning, everyone, and thank you for joining us again for our 1Q22 earnings conference. I am very happy to share such remarkable results and start the year with such strong deliveries.

Brazil is naturally a very dynamic country where attention to any change in consumer behavior is essential to deliver quality results. Food inflation is a global reality. And as a group, we have been paying close attention so that we can preserve our customers' purchasing power. And the result of that, we are growing sales volumes.

Our teams were constantly focused on ensuring consumers access and engaged in making the necessary changes in our business. A strong team, which is also prepared to lead Brazil's greatest retail operation, is what we had.

Our strategic priorities were guided by expansion, digitalization and our responsibility as a company to generate value to all our customers, collaborators, partners and shareholders. During this quarter, we have had significant accomplishments in each one of these building blocks.

Starting with expansion, we maintained a fast pace with over R\$20 billion in revenue, opening 40 Atacadão stores over the past 12 months. And in the 1Q alone, we have opened 2 stores with 7 already underway. In addition to that, we have had 4 more Express stores opened during this quarter. That allowed us to continue to increase our market share in food retail in Brazil by 100 bps.

Our bank has continued to expand its activities with billings growing by 10.6% year-over-year, strongly supported by the off-us channel, which suggests that our card has become the primary choice of our customers, generating a cross-sell acceleration, which is major by 38% year-over-year.

Lastly, I would just like to remind you that we are preparing in an intense way to integrate the big stores which we expect the antitrust authority to approve at the end of the 2Q. Once that takes place, we will receive stores with a major potential to grow our revenue after those conversions. Our investment plan, which was agreed to with the Company's selling group has been met, and we are confident in the outstanding asset that we have received.

One of my great priorities has been to structure or to set up this new company that we will have very soon. Therefore, we have intensified our HR work, establishing the top 100 managers of the new company, which have been chosen across Carrefour BIG end markets and which is also subject to the antitrust authorities' approval.

In digitalization, we are on a strong path with our e-commerce, which is over R\$1 billion in GMV over this quarter. And our food e-commerce has multiplied by 2.5x in the last year, now accounting for 50% of all sales. Atacadão has over 2% of its overall sales coming from e-commerce, whereas in retail, we have exceeded 5%.

And BIG, that penetration nears 7% in retail, which makes us very optimistic about the potential to unlock that value in digital once we attain the antitrust authority's approval. That result stems from our complete deployment of the in-store picking model during the 1Q.

At this point, 100% of our hypermarket stores and 100% of our Super and Express stores now have their operations underway. Our food 1P already accounts for most of our digital sales in the Food segment. That change is extremely significant seeing as it enables us to shorten the delivery perimeter, lower our prices and provide more convenience and more access to our customers' purchasing profile.

Over the quarter, once again, our customer sales and ticket numbers have more than doubled compared to the last quarter. In addition to that, the latest data showed that the repurchase index has exceeded 30%, which shows a fast and intuitive repurchasing process. In our non-food 3P, growth has remained substantial, and we see that as a potential channel to develop acceleration.

Lastly, we have launched new digital services in retail, such as hiring consortiums and distance learning courses, focused on diversifying and providing better user experience with a lot of digital engagement.

With regard to our responsibility as a company in generating value to all our customers, collaborators, partners and shareholders, we have also achieved significant goals. Our own brand continues to gain share with nearly 20% penetration in sales, helping customers to maintain their purchasing power. In our diversity agenda, we have been gaining visibility for its acknowledged struggle.

More recently, we have won the Selo Paulista, whereas the program in black entrepreneurship has generated opportunities for over 11 suppliers. We continue to focus on reducing waste in packaging and in donations of food for communities surrounding our operations. During this quarter, we would like to point out the contribution we have made with the city of Petrópolis, which experienced some very difficult times.

Lastly, I would like to point out our rail freight operations, which has the purpose of reducing greenhouse gas emissions. As Brazil's greatest retailer, we understand the importance of making change in logistical structures of this company. And this is one of the many initiatives we have to curb the impact that our production chain has in terms of gas emissions.

All our deliveries show that we have had an excellent beginning of the year with major deliveries from our teams. I would like to thank the over 100,000 collaborators were part of Carrefour's family. And I assure you that we are engaged and confident that we will be leading integration and the greatest retail operation of this country.

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

**David Murciano:**

Thank you, Stéphane, and good morning, everyone. Because you have already had the opportunity to take a look at our results with the release that was published yesterday, I will briefly go over this quarter's figures starting on slide 8 with our sales performance.

The 15% growth over the previous year has taken our gross sales to R\$20.8 billion this year, a very balanced composition between like-for-like and growth. It's also important to point out the performance and the development we have had in terms of volume with significant improvement in both models and an already positive change in retail. The 100 basis point market share gain we have had according to Nielsen data, it reinforces the solidity of that result.

On slide 9, we see the strength and complementarity of our ecosystem, even with a very distinct composition across our business when we look at the annual comparison, we were able to maintain the same levels of gross margin and SG&A in the year as a whole.

In slide 10, as a result of that, we see record EBITDA in the 1Q, R\$1.2 billion. We will be talking a little bit more about the performance unit-by-unit, but I would like to point out right now Atacadão's performance, which had a significant 25% growth and a 30 basis point improvement in its margins.

Moving on to slide 11. We see that our net profit or adjusted net profit remain in the same level of 2020, a result that makes us very pleased considering the strong improvement we have seen in our interest rates and the impact on our financial expenses.

Our operating cash generation in the last 12 months is still strong coming to R\$5.7 billion and growing over a strong basis for comparison, which shows the strength of Brazil's greatest retailer, positioned in a very diversified way across important sectors of the economy such as food, financial services and real estate.

In slide 12, we see the effects of the changes we had already mentioned in 4Q21, allowing our net debt to remain at very comfortable levels. On the left side of the slide, the chart shows our net debt before discounting receivables. So you can compare according to the same criteria as other market players.

On the right, including the receivables and lease discounts, which naturally must be considered as debt, our multiple remained at 1.6x our EBITDA. At the end of April, S&P published its review report, maintaining our rating at the highest level for a Brazilian company and a stable outlook, really stressing our economic soundness and our consistent results.

Now I would like to address our quarterly results per business unit, starting with Atacadão on slide 14. We have been able to maintain a strong pace of growth and accelerate our online operations with a footprint of 124 stores and 33 wholesale delivery units, serving our B2B and B2C customers. In the 1Q, we opened 2 stores, and we have 7 more in pre-operating stage. This expansion has added 9.7% growth over the quarter, and we are now operating 252 stores and 33 wholesale delivery units.

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

Now in slide 15, Atacadão's gross sales in the 1Q came to R\$15 billion and our like-for-like has returned to positive levels with strong 9.2% growth as a result of our market knowledge and power of scale. The digital Atacadão channel accounted for 2.3% of sales in the quarter.

Lastly, in April, we saw an upward trend that was very sharp with results coming from sales initiatives that took the LFL in April to near 20%, which makes us very optimistic with the 2Q of the year.

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

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

Our adjusted EBITDA showed growth by 25% with a 6.9% margin in keeping with the Atacadão margin levels, which have returned to normal. I would like to mention or to make special mention of the chart on the right, it shows our store performance per crop,

analyzing margins by store maturity, we see that adjusted EBITDA margin for those mature stores, which are those which open until 2019 has increased by 50 bps coming to 8.2%. The ramp-up of those new stores, which opened as of 2020 is also on the right path with a combined margin improvement by 480 bps, which once again reinforces our expertise and great execution capacity.

In slide 18, I would like to talk about retail being customer-focused when making decisions and a very favorable competitive environment in the hypermarket has allowed that model to gain importance by capturing new clients. The hypermarket NPS went up by 1.7 percentage points versus March 2021. Our in-store picking initiative is now at 100% of our stores, including all the Carrefour and drugstore labels, bringing more convenience to customers.

This quarter, as we said before, our numbers of customer sales and ticket for the in-store picking model has more than doubled over the previous quarter. And the latest data show that our repurchase index has exceeded 30%, which is an excellent performance.

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

Moving on to slide 19. Our overall retail sales grew by 5% year-over-year, with a special highlight to the higher volumes, which have returned to positive territory. Our like-for-like over the quarter was 3.1% with the Food segment showing 8.4% like-for-like.

In the non-food segment, we see the bazaar and textile categories with a positive double-digit like-for-like index. But however, the electronics category, which accounts for about 55% of non-food sales is still going back to normal following the impact from the pandemic with a decreased by 16.7% in like-for-like. In April, we see the Food segment reaching over 20%, reflecting this excellent month.

On slide 20, we see the result of our focus in maintaining our customers' purchasing power. During this quarter, especially when inflation reached a peak and traffic has increased in our ecosystem because of our competitive dynamics, we have positive results. Our initiatives to improve our price positioning, our image and to attract new customers proved effective, bringing our gross margin to 22.6%.

Once again, our operational efficiency allowed us to increase our sales considerably below overall inflation. SG&A expenses as a percentage of sales reached 18.4% despite the wage and salary adjustments. Lastly, our adjusted EBITDA came to R\$227 million or 4.4% of our growth or net revenue in the quarter.

On slide 22, we see that the digital channel continues to grow especially because of the Food segment. Our overall GMV grew by 1.5x coming to R\$1.1 billion, 10.5% more than in 4Q21, the seasonally stronger quarter for e-commerce.

Our food GMV grew 2.5x, especially in the digital channel for Atacadão, which accounted for growth by 7.8x and already accounts for 2.3% of overall sales in Atacadão.

In retail, the digital channel accounts for 5.1% of food sales, and we continue to develop to bring more convenience to our customers. In 1Q22, we will finish deploying

our in-store picking, which, as I mentioned, is now at 100% of our retail stores, including drugstores.

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

On slide 25, we can see very clearly the trend for the quarter for our financial operations. Considering the challenging economic scenario and how relevant our core is for our customers; our revenue grew by over 30% during the quarter. Naturally, given the scenario that I have described, growth has been followed by some pressure to the delinquency levels.

I would like to point out, however, that our current outlook of over 30 is already going to normal, which makes us even more confident in stating that in 2022, we should go back to the strong levels of 2019.

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

Our net profit has increased 19%, driven by our efficient tax operations, which led to our insurance broker in 2021 because of the diversification of revenues that we are implementing.

In slide 28, a little bit about BIG. As you know, with the overall meeting, we have also had the consolidated financial information for 2021 being released. And comparing a 2-year period, sales results and our margin performance proved very resilient, and we saw very structural improvements in the business with the Capex reinforcing our store conversion plan and the fact that it's being very well deployed.

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

With that, I would like to turn the conference back to Stéphane.

**Stéphane Maquaire:**

Thank you, David. In conclusion, I would only like to remind you of the acceleration in like-for-like and the strength of our ecosystem, which shows that we have been able to balance different trends and still deliver strong results with our EBITDA remaining steady at high levels and retail, we have deployed a number of initiatives and our price positioning was critical to help support our customers during this period of higher inflation.

With Atacadão, the strength of our model has proven every day that it is strong with assertive commercial strategies and increasingly higher volume. The bank, in turn, is still proving to be a critical lever at times when the customer needs access to credit. All of that delivered from decisions that we are making faster, with a more digital and responsible agenda.

When you think about the future, we have to think of the new company that we will have starting in 2022 once we consolidate our operations with BIG. Therefore, I would like to remind you that we are at a time of intense preparation to integrate those stores and our main priority was to define the top 100 managers for the new company, which were chosen from our pool of managers between Carrefour BIG and the market and is still subject to CADE's approval.

Different fronts of the Company have been challenged in terms of streamlining and making our headquarters more efficient. As an example, we took a step to optimize our treasury structure, rethinking governance and our management model, focusing the strategic responsibilities and standardizing our transactional roles for all of our businesses. That work has been made in several different areas of the Company from an integration and agility perspective.

In the digital pillar, with Samuel coming in, we will have structural changes in how we organize, attract talent and look at our data. And in 1Q, we have already seen strong acceleration in our food 1P, which has been our priority.

Lastly, when I think of our customers, the work of our operation teams has been tireless. In Atacadão, the sales trend in April brought a remarkable increment in sales of about 20%. In retail, where our trends in food are even stronger, we have been implementing new items and a new category positioning's and new digital services every month. We can already see robust results with like-for-like sales over 20% in April in the Food segment.

We are very pleased with the start of the quarter, which started in April with, once again, sturdy trends, all of which make us really confident that we are in the right levers to maximize our top line.

Once again, I am confident that we will have results that are sturdy as a consequence of the assertive sales strategies and effective administrative structures we have had. All of that, combined with the new company, we will set up with the best leaders in the market will allow us to have a 2022 that's emblematic for the Carrefour Brasil Group.

Thank you.

**Gabriela Morais, Itaú BBA:**

Good morning. Thank you for taking our questions. We have 2 main points here. The first with regard to Atacadão. You talked about managing to maintain strong sales. We wanted to know if we could expect strong same-store sales in line with double-digit growth that you have had in the 1Q in digital?

And also about Atacadão, if you could once again talk about the maintenance of the margins we saw in the 1Q and whether we should expect that same trend over the course of the year?

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

**Stéphane Maquaire:**

Thank you, Gabriela, for your questions. I will start and then turn the conference back to David. Atacadão is a business with strong volume growth. We have been working with our teams to deliver the highest possible volumes at any time. We have had a very, very strong month of April with the Atacadão Anniversary. This was the year Atacadão turned 60 years old. So we were able to support our customers during this time of inflation, especially in the month of April.

But in addition to April, we plan to continue to operate in a customer-focused way, in a volume-focused way. It's hard to say what level we will be able to achieve this quarter, but the important thing is to focus on our customers and to grow our volumes.

I will let David add his comments.

**David Murciano:**

Yes, I can confirm what Stéphane has said. Our sales development has been very positive. We can see that our trend in sales and volumes has always been upward facing. Our performance has been very strong, which allows us to be very confident and optimistic about the present quarter.

And I think it makes sense that 2Q will be one where we will see the trend at least remain flat compared with the 1Q. Atacadão operates in a very efficient way. It's a very well-controlled model. So evidently, we do not see any negative margin development for Atacadão, quite the contrary.

As we showed you in the release, we have a very efficient model that really adds to our existing stores, but every margin improvement we have in Atacadão is really customer-facing and volume-focused. It's not focused on changing the EBITDA ratio.

As to the bank, there is a seasonal aspect to our results. And you can see in the document, our record that we have tidal waves in delinquency. And we believe that the EBITDA for the bank will see a ramp-up effect over the year. And even so, we will continue to grow.

If you look at the development in the 1Q, we also had some positive trend during that time. We do have expertise in the bank, and we capitalized over what we did during the pandemic crisis, we showed our lending criteria to our customer. So we are really confident in the banks profitability this year.

**Gabriela Morais:**

Thank you for your answers.

**Eric Huang, Santander:**

Good morning. Thank you for taking our questions. What we wanted was to understand your retail operations a little bit better. This was a quarter of positive performance, but we saw a stronger impact on your gross margins. So we wanted to understand, what can we expect for the gross margin trends over the course of the year? And even understand a little bit of your comments about strong sales in April. From those nearly 20%, how much of that comes from the from growing volumes. and how much of that comes from price or cost trends to end-customer prices? We want to understand where exactly that growth is coming from in Carrefour.



**Stéphane Maquaire:**

Thank you, Eric, for your questions. In food retail, what we are doing is to monitor and support our customers during this time of high inflation. We are looking very closely, step by step, how inflation is doing. We have weekly reports and meetings to understand how the sales trends are doing and the ticket trends are doing and the initiatives we must take in the Food segment.

Our plan is to continue to monitor and to grow our volumes, naturally balancing that out with a gross margin that we have with those sales. The important thing is that we have a global ecosystems with retail, wholesale and bank, which allows us to make that type of investment within the group. And that can take weeks or even months. So that's a policy we plan to continue because we have had good results in terms of both volumes and sales.

Let me turn over to David, who will add his comments to my answer.

**David Murciano:**

What we saw this quarter and also with what we started last year is that price inversions prove efficient in retail. We started with that policy last year, and we saw a significant improvement in retail volumes. Of course, it was a particular set of circumstances, both in terms of our own activity and the macroeconomic context, which now allows us to have a positive outlook for our retail volumes.

There will be an impact in our rate, but we see our volumes rallying and recovering very significantly. And we also expect to really increase our customer base and really make them more loyal as well. That's essentially what we can say, and what we can expect as well for this period of time.

**Eric Huang:**

That was very clear. Thank you.

**Felipe Cassimiro, HSBC:**

Good morning. I hope you are all doing well. What I wanted was to understand a little bit better in the different fronts, Atacadão and Wholesale, how much of that is traffic and how much of that is price?

I wanted to understand, especially with the decrease in customer traffic, how you are working with that, and what are the price needs you see from customers in this time? Has there been some sort of replacement with products? If you could add some more color to those comments, that would help us a lot. Thank you.

**Stéphane Maquaire:**

Thank you, Felipe. That takes us back to what we were saying earlier. We are looking very closely to our different formats, especially Atacadão, which operates in a slightly different format.

How we can keep up with our customers and support them. With Atacadão, we have a slightly different policy, which is to buy a little bit earlier and a little bit more. Seeing as

we are going through a time of pressured inflation, we have this financial ability to bring our inventories up at times like this.

And then we can more easily support customers over the following weeks and months, making good use of this ability that we have to buy more and buy earlier because of the wave of inflation. So that's the policy we plan to continue to adhere to with Atacadão.

And in retail, as I said, we are looking at market share and sales tickets and also sales volumes week-by-week to see category-by-category where we can sort of pass along some of that inflation along. At some point, obviously, we will have to pass along those inflationary costs to customers. But we obviously are looking also at the competition and the level of where we want our prices to stand.

So we are maintaining our margins to look for a massive sales.

**David Murciano:**

Just to add to what he just said, one indicator that really helps us to look at retail is growth and the development of your white label or your private-owned label. So that shows us that the strategy is working because customers are looking for good prices, not only in Atacadão, but also in retail.

So we have our own brands where we can offer promotional sales, but also, we can see the impact of what we are doing. But whenever you look at the private label performance, that's a good indicator in terms of sales.

**Felipe Cassimiro:**

That was great. Thank you, Stéphane and David.

**Thiago Suedt, XP:**

Good morning. Thank you for taking our questions, and congratulations on such a positive results. What we wanted was to quickly follow-up on your sales performance and what you are seeing now at the beginning of 2Q. So if we could try to break down by category, how house appliances are doing now during this quarter, and you have also addressed food, which is doing very well. You mentioned that before.

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

**Stéphane Maquaire:**

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

Obviously, when we talk about food, that seems to be sort of the most problematic sector, but we have seen a very, very positive development in those promotional stores, what we call bazaar. So we are really taking the opportunity that we have with the current situation to really boost sales in these categories.

As we said, we had to really review our organization and make changes, as I said. We are now looking into how we should change our organization to deliver better results in home appliances in the next few quarters.

We usually have positive trends in the 2Q. We had the Atacadão Anniversary. So that's something that makes us really confident about our 2Q results, despite the challenging macroeconomic scenario. Now with regard to BIG, answering your question, yes, there have been a few store conversions from BIG and Bompreço to the Cash & Carry format.

That was part of our agreement with the BIG Group at the time we set up a purchase. Obviously, we have to wait for the antitrust authority's approval to conclude the purchase, but on our side, we are absolutely open to refer or convert Atacadão stores to Cash & Carry.

And obviously, whenever that could be something that's relevant to our customers. We are looking into all our hypermarkets to see their physical positions and how relevant that is to customers and to us. We may have further conversions as they did. This is not a taboo subject for us.

David, would you like to add anything?

**David Murciano:**

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

**Thiago Suedt:**

That was perfect.

**Stéphane Maquaire:**

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

**Felipe Reboredo, Citibank:**

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

**Stéphane Maquaire:**

We plan to continue with the hyper format as long as it makes sense to our customers. As I said earlier, we are open to converting any of our stores, even the Sam's Club format. That's not a taboo issue.

We believe that hypermarkets are stores that are very relevant to the Brazilian market, especially with the growth that we have seen in the promotional sales and the strength of our Food segment.

So we do not see the hypermarket with bad eyes. I think they are a response to Brazilian reality because we have the presence format with hypermarkets. So we have hypermarkets within cities. So this proximity positioning is also important to the digitalization that we are working on.

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

**Felipe Reboredo:**

That was perfect.

**David Murciano:**

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

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

**Felipe Reboredo:**

That was very clear. Thank you.

**Joseph Giordano, JPMorgan:**

Good morning. Thank you for taking my question. I would like to talk a little bit more about how you explore the ecosystem and how you see the M&A space in Brazil, if you are still with some appetite to acquire new companies even in the digital segment. Should we expect a more significant rebound in terms of provision over the next few quarters?

**David Murciano:**

With regard to our M&A operations, at this point, we are focused on BIG's operations and on the closure of that transaction. And following that, we will stay attuned to the opportunities the market is offering. We have a very good level of leverage. We have the ability to make new investments if the opportunity presents itself, but at this point, our priority is the BIG group and to conduct that integration in a very successful way. And after that, we will be open to the opportunities that come along.

I am sorry, I think I was not hearing Joseph very well, but apparently, you had a question about our banking operations performance. And what we can say about that is, as you could see with the presentation, there is a seasonal effect playing out, and we expect to see a ramp-up and for the situation to improve.

This is an election year where there might be help from the government or the administration in that sense. So it is a challenging situation, but we do not see any high risk to that operation. We are confident about the bank's results moving forward.

**Joseph Giordano:**

That was perfect. Thank you.

**João Paulo Andrade, Bradesco BBI:**

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

**David Murciano:**

I can confirm that our month of April was really good. We had over 90% in Atacadão. Also, the effect of inflation was very positive for interest. But with regard to our margins, yes, as we said, we had an inversion with our margins, and we expect to stay in this level at least for the near-term.

But once again, we are seeing our sales volumes recovering, and what we are doing is building relationships with our customers and suppliers.

**João Paulo Andrade:**

Thank you. That was perfect.

**Alexandre Namioka, Morgan Stanley:**

Thank you for taking our question. I think you have covered most of our questions, but perhaps following up on the gross margin aspect, it was clear what you said about inflation, but I wanted to hear whether there's any effect, especially in 1Q, on your customer mix or product mix when considering delivery wholesale and Cash & Carry?

And also if you could guys address the BIG situation, do you have any information about the Max wholesale versus Atacadão? That's essentially it. Thank you.

**Stéphane Maquaire:**

Thank you for your questions. We are seeing growth in our customers in terms of tickets in both of the channels and both the formats you mentioned, both Atacadão and Wholesale. And in parallel to that, and our digital sales with Atacadão as well as with retail.

So we had that inversion in 1Q. But what we are speaking is more clients both with atacarejo, retail and in both digital and brick-and-mortar. What we were able to deliver in 1Q will be working to deliver time in again.

David, would you like to talk about the trend with the BIG Group? Sales in Maxxi?

**David Murciano:**

We cannot address the trends for the BIG Group because the transaction still has not been concluded because it has not been approved. So we can only talk about older figures of the prior performance, but we cannot share with you any trend for the future. We should be able to very soon. Once CADE, the antitrust authority approves the transaction, we will be able to address that.

**Alexandre Namioka:**

Thank you. But even with the trend in the past for Maxxi and the Atacadão, is there any color that you may add in any way?

**Gustavo Frattini, Goldman Sachs:**

Good morning. In your release, you mentioned you had a market share gain of about 100 bps. I just wanted to understand how that breaks down between wholesale and Cash & Carry, if you are gaining more in either side. And do you believe you are gaining share over regional, local players or national players?

**Stéphane Maquaire:**

I would say we are gaining share globally in the Brazilian market, also in the hypermarket format, and significantly so. We are gaining share in the like-for-like Cash & Carry format, or Cash & Carry sales.

**David Murciano:**

And also in B2B. We have seen strong market share gains with Cash & Carry. So that's a little bit about our channels.

We do not have the detail as to who were gaining market share from. But I think it's safe to say we are gaining on all of them. We have stronger performance within the Company, and that's a trend for the long-term. So it's probably a little bit more locally, but I would say, it's a global trend.

**Gustavo Frattini:**

That was perfect. Thank you.

**Carlos Herrera, Condor (via webcast)**

I have 2 questions. The first one is, with the synergy gains in BIG's operations, what margin levels do you expect to attain?

And the second question, do you study increasing your mix of pet products, perhaps even open a dedicated pet space in your parking lot so that you can enjoy this wave and begin to tackle that market?

**Stéphane Maquaire:**

Thank you. And about your second question, as we have said before, we are seeing slightly greater synergies than we communicated before. Over a year ago, we saw R\$2

billion in synergy, and these synergies involve gross margin and EBITDA. But I will let David talk a little bit more in-depth about that.

In addition to that, we also see the trend in the pet market very clearly. I was visiting a few hypermarket stores yesterday. And talking to some of my colleagues there about that space in our hypermarket stores. That's a good example because the strength of the hypermarket stores to keep up with market trends, especially in this time, the specific time for the Brazilian market.

When we talk about its importance for customers moving on to the future is you can add new categories or remove some categories and use our private brand to do that as well.

I will let David answer your first question.

**David Murciano:**

Thank you, Stéphane. With regard to synergy, the synergies between BIG and the new group with regard to margins, we cannot provide any guidance with regard to the new group's margins. But what we can say is that the purpose of our operations is to convert every BIG store into our format, whether that's Carrefour or Atacadão. And we will also preserve the Sam's Club brand.

I think the natural path would be for every BIG store to reach the same profitability and margin level for all of our formats. So naturally after a while, every store is expected to reach the same levels of Atacadão, of retail and Sam's Club.

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

**Operator:**

There are no further questions. We now conclude our Q&A session. I will now turn the conference over to the CEO for his final remarks.

**Stéphane Maquaire:**

As we saw, we have stepped into 2022 with the right foot. And before we begin, we said that the month of April is already doing very well. So we are very happy about our trend during this quarter, both in brick-and-mortar and digital. And we are now preparing very intensely for the integration of the BIG Group, obviously, waiting for the antitrust authority's approval within the next few weeks.

That will offer a very important opportunity to have a successful group with Carrefour and BIG together, showcasing the strength of this ecosystem, both for our customers, our collaborators and our partners and shareholders.

Thank you very much.

**Operator:**

The Carrefour Group's 1Q22 earnings conference is now concluded. The Company's IR department is available for any additional questions. Thank you to all the participants, and have a great day.

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