



COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

PRESS RELEASE

Companhia Brasileira de Distribuição (“GPA” or “Company”), in line with the notice of Material Information published on this day with regard to the launch of studies to spin-off its Cash & Carry units operated by Sendas Distribuidora S.A. (“Assaí” and “Transaction”, respectively), provides the following clarifications.

Implementation: The Transactions, which is subject to the satisfactory conclusion of the studies authorized by the Board of Directors and by the receipt of all necessary approvals, will be implemented in the following phases: (1) the transfer of the equity interest currently held by Assaí in Almacenes Éxito S.A. (“Éxito”) to GPA; (2) the partial spin-off of Assaí from GPA; (3) the listing of the stock issued by Assaí on the Novo Mercado segment of B3 S.A. – Brasil, Bolsa, Balcão and the listing of ADRs representing the stock issued by Assaí on the New York Stock Exchange (NYSE); and (4) the distribution of the stock issued by Assaí to the shareholders of GPA on a *pro rata* basis.

Objective: The Transaction aims to release all the potential of the Carry & Carry operation of Assaí and of the retail businesses operated by GPA and Éxito. The result will be two fully independent companies operating autonomously that both enjoy good growth prospects and a solid equity story, which will enable: (i) a total focus on the respective business model and market opportunities of each company; (ii) separate management teams fully dedicated to implementing the strategies best suited for each market segment; (iii) better visibility for investors in terms of the positioning, strategic initiatives and performance of each company; (iv) more efficient allocation of capital; (v) direct access to capital markets and other financing sources, considering the business models and prospects of each company; (vi) both companies adhering to the highest governance standards of the B3-Novo Mercado and listing on the NYSE.

- **Assaí has a record of success** in the Cash & Carry segment marked by high growth, with additional opportunities to expand into new regions and those where it already operates, both organically and via consolidation. The Company operates a platform of 173 stores (end-August 2020) and its gross revenue registered a CAGR in gross revenue of 24% from 2016 to 2019, with R\$30.4 billion in 2019 and R\$33.9 billion in 2Q20 (last 12 months), reaching market shares in its segment in Brazil of 28.5% at end-2019, up from 21.% at end-2014. The expansion was leveraged by the continued maturation of its store base, which supported higher profitability. Assaí has various competitive advantages, which include (i) a sustainable profile of strong cash generation, simple stores with low investment needs and positive dynamic of inventory turnover/supply; (ii) considerable capacity to expand with a moderate level of investment, given the logistics and distribution base already constructed; (iii) mastery of the operational model with stores of various sizes and that market to different segments of the target public. In the opinion of its management, Assaí also offers **additional opportunities for growth and margin gains**, including by advancing its development of financial services and its wholesale distribution platform.
- **GPA, jointly with Éxito, is a diversified and widely recognized platform** of banners with **significant market share** and **strong growth prospects in e-commerce digital services** in the retail industry in Brazil and Latin America. This

unique platform generated approximately R\$49.5 billion in gross sales in 2019¹ and has over 1,300 stores in four countries in Latin America². Its leadership position in each market enables it to generate attractive margins and high returns on capital. GPA also is well positioned to benefit from the boom in online food sales as it continues to develop its digital/omnichannel strategy to consolidate its leadership position and significant captive client base through **recognized loyalty apps and programs, as well as exclusive digital and O2O assets**.

The rationale of the Transaction is supported by **four key pillars**:

- Strong Strategic Focus
- Operating Efficiency Gains
- Access to and Allocation of Capital
- Value Creation for Shareholders and Stakeholders

On the first point, according to Mr. Jean-Charles Naouri, Chairman of the Board, “The rapid transformation of the market demands agile strategic decision-making and distinct investment needs in each segment. *The diversified retail platform of GPA and Éxito will be able to focus on the shift in consumer trends to capture opportunities for creating long-term value and profitability leveraged by its leadership position, strong banners and optimized portfolio, as well as by building and consolidating its e-commerce and omnichannel initiatives. Meanwhile, Assaí will be able to focus on opportunities for accelerated growth and consolidation by directly tapping the capital markets.*”

With regard to Operating Efficiency, Mr. Arnaud Strasser, Co-Vice-Chairman of the Board, said: “*We expect the Transaction to eliminate the current inefficiencies at the holding level of group with a minimal negative impact on economies of scale, given the differences in the operating models of the Cash & Carry segment and traditional retailing. For example, today, the distinct product assortments offered by each business and different commercial dynamics do not allow for joint sourcing by Assaí and Multivarejo. As independent organizations, the two companies will enjoy full independence to concentrate on their respective strategies and to offer higher growth and profitability.*”

Mr. Ronaldo Iabrudi dos Santos Pereira, Co-Vice-Chairman of the Board, said: “*We expect the Transaction to benefit both companies and their shareholders and stakeholders, since the management team of each will have greater flexibility to prioritize investments and allocate capital for capturing new opportunities in the market. Meanwhile, for investors and creditors, the greater clarity and visibility of each business will facilitate access to financing and enable more efficient allocation of capital.*”

¹ Proforma figure taking into account the total gross revenue of Grupo Éxito in 2019, for comparability purposes.

² Excludes service stations and drugstores.