

## Casino Q4 2018 Sales

17 January 2019

Good afternoon, and welcome to our 2018 fourth quarter sales conference call. I'm here with Régine and the IR team. It is still time for me to wish all of you a happy new year.

**Let me start with a few general comments on full year performance in 2018 before going into the details of Q4.**

Looking at full year 2018 numbers, the commercial initiatives and transformation plans developed over the past years in all of our banners are clearly paying off.

Reported Group sales amounted to €36.6Bn, with full year LFL growth at +3% and organic growth at +4.7%. Total growth, which includes Forex effects of -7.3%, was at -2.4%.

All our segments posted strong performance.

In France, total gross sales under banner, including Cdiscount, were up +2.8%.

**Our French banners** delivered +1.3% LFL Growth in 2018 and +1.2% organic growth. These numbers are better than any of the 5 previous years, despite the impact of the Yellow vests movement in Q4. This is the outcome of the deep transformation operated over the last 3 years, each banner being adapted to the specific needs of its customers. It comes with an improved mix of sales, particularly fresh and organic, and the development of online sales.

**Two highlights** in particular about our French banners:

**The first highlight is our strong performance in organic food: €959M, growing +16.3% year on year. 5.4% of our sales in France** are now in organic food. According to the most recent estimates, this level of organic food sales puts us in second position in France among general retailers, far above our overall market share. Organic food is a high priority, we have some of headstart with close to 200 pure organic food stores (Naturalia) and all the banners are delivering strong results in this category, as we'll see later on.

**The second highlight is the digitalization of our brick-and mortar banners**, particularly Monoprix and Géant. Online sales grew by +59%. Géant Drive, Monoprix.fr, Monoprix sales through Amazon all exceeded our expectations. In 2019, we particularly look forward to further expansion of the Amazon partnership, the full benefits of Sarenza integration and the opening of the Ocado warehouse at the end of the year. We are well positioned to take advantage of the acceleration of E-commerce in France.

As for digitalization, we have reached over 3 million downloads of our apps (Casino Max, Monop'easy and Franprix) and developed integrated payment solutions, self-scanning and personalized promotions.

Our advance in digital solutions, and our omnicanal integration of Cdiscount corners in Hypermarkets, are part of the attractiveness of our banner for our customers and our franchises.

Overall, including Cdiscount, the share of online sales in our French business stands at 18% in 2018.

**This leads me to Cdiscount:** it had +9.3% GMV organic growth this year, accelerating quarter after quarter. This growth came with an improved mix of marketplace vs. own sales, and the expansion of B2C activities. Both are key to the Cdiscount's continued improvement in profitability.

**Three key numbers**, to illustrate the **overall trend of profitable growth at Cdiscount** this year:

**Fulfillment by Cdiscount**, a key driver to the growth of marketplace, grew **+63%**.

**Cdiscount à Volonté**, our loyalty program, enjoyed a **+23% growth of its membership** with a new enriched package at €29 (instead of €19).

**Monetization initiatives** grew **+23%**, delivering **€64M** of revenues.

Finally, **Latam Retail:** FY sales were up **+4.5% LFL and +8.9% in organic**, with the success of commercial turnarounds of Hypermarkets in both our listed companies and the continued excellent performance of the Cash&Carry model.

In Brazil, FY growth stood at +10.7% with the strong recovery at Multivarejo and the continuation of Assai's success (+23% year on year). Exito has also shown continuous improvement in its sales trends as well as growing margins quarter after quarter. In both companies, the foundations have been laid for continued, sustainable and profitable growth, with the transformation of hypermarkets and the development of new formats such as Compre Bê in Brazil and Surtimayorista in Colombia.

**Before getting to Q4 sales, a few words about our FY results.** The books are being closed as we speak, and this call is meant to present the sales number. The detailed results will be presented at our annual results presentation in March. So I won't get into any details during this call.

Since the Yellow vests movement had a significant impact on the overall retail market in France, observers are, understandably, waiting for some first numbers about our results. Hence, I may already confirm, based on our first snapshot, that our Retail EBIT growth in France should be at least 10%. We had, as you remember, very good results in H1, excellent sales in Q3 and we are also developing our B2B business (data and energy in particular) all of which should allow us to meet our target despite the impact of the Yellow Vests movement.

I can also confirm that we should meet our net debt target reduction of €1Bn in France, despite the impact of this movement on sales.

As for our Group results, our listed subsidiaries will publish their detailed numbers in February. Based on the information that we have, I can already confirm that our targets for Group EBIT growth should be met as well.

**After these comments on FY 2018, I will now turn to the detail of Q4 sales numbers. Group sales were at +5.1% in organic and +3.6% in LFL. Total sales, including -5.4% Forex effects, were +0.2%.** During the previous quarters, total sales were negative due to Forex effects – that is no longer the case.

Now turning to the detailed sales by segment reporting and banner.

**First, let's look at France.** Total sales stood at +1.4%, LFL at +0.5% and organic at +0.2%. These numbers include the impact of the yellow vest movement, which mostly explains the slowdown compared to Q3. **We estimate the impact of the movement at about €50M in sales**, that is, around 1% in LFL. So the underlying trend is close to the numbers published in Q3.

The impact of the movement was mostly felt at Géant, with around 30% of stores touched by significant blockades. There was also some impact at Monoprix and Franprix due to demonstrations on Saturdays and a reduction in tourism in Paris at the end of December, and finally a slight impact in Supermarkets where around 15% of the stores were somehow affected.

Going through the different banners:

**Monoprix** had +0.5% in LFL and organic growth this quarter. We estimate the direct impact of the demonstrations in Paris at -0.5%, with more impact on textile than on food. Food sales were up +1.9% despite the impact of the demonstrations, and organic food sales posted a solid +13%. In organic food, Monoprix benefits from its experience with Naturalia, which now has 188 opened stores (25 stores opened over the year and 9 during this last quarter).

Online sales at Monoprix grew double digit this quarter as the previous ones. 11% of Monoprix sales are now omnicanal. The Amazon Prime partnership continues to deliver beyond expectations and textile sales on Monoprix.fr had a very strong showing, which is a first effect of the integration of Sarenza. Finally Monop'Easy the mobile app which includes a payment and a self-scanning solutions, has been deployed in all the stores. It will help Monoprix enhance its customers relationships and also deliver savings – such as the suppression of 30 million paper catalogues that was recently announced.

**Casino Supermarkets** grew +0.8% in LFL and +1.1% in organic growth, including 3 new franchises. Overall, social unrest had an impact on 15% of the stores, and some positive spillover effects on others. Total impact of the movement was around -0.5%. Organic food performance was particularly good at +20%. The banner continues to innovate with the opening of 24/7 store in Lyon, after the successful start of our “Le 4” flagship in Paris. And the Casino Max App (used in Casino Supermarkets, Géant and Proximity) has now been downloaded 1.8 million times.

**Franprix** LFL were stable this quarter, slowing down compared to Q3 due to the reduction of tourism flow in December. Traffic was positive, around +1% including in Paris. Organic food grew double digit. One important category which is a priority of the banner had a very strong showing: catering and snacking, growing +21% in Q4. And the banner keeps innovating, with 55 stores able to open without staff part of the week and more than 1 million downloads of its app – which allows customers in Paris to be delivered at home or at the office in less than 40 minutes.

**Géant hypermarkets** showed quite a remarkable resilience, with LFL sales stable and growing +0.3% organically. This can be explained by the geographic positioning of most of the stores. Aside from the 30% of stores affected by the demonstrations (mostly in rural and suburban areas), LFL stood at +2%, consistent with previous trends. The quality of fresh and organic products has continued to produce excellent results with organic food sales growing +20%. We also saw an acceleration of Ecommerce during this quarter, with Drive-through sales at +24%. And once again the 50% of stores equipped with Cdiscount corners strongly outperformed, both in food and non-food.

In **Convenience stores**, LFL was +2.5% and organic growth +5.3%. Franchise stores now represent 84% of the banner and continue to deliver strong LFL at +3%. Growth was driven in particular by high double-digit growth in organic food, the result of the renewed commercial policy in place for the last few quarters. This format is now on a strong footing, after our consistent optimization of the network over the past few years.

Lastly **Leader Price** had good LFL performance at +2.1%. We now have 112 stores under the Next concept with a particular focus on fresh and organic food. They contribute to the excellent growth of fruits&vegetables at +27% in Q4, after a continuous acceleration this year. Organic sales registered the impact of the closure of non-performing stores, which will contribute to improved results quarter after quarter.

A few words about **GreenYellow**, our solar panel and energy-saving company, for which there has been strong interest recently. Its contribution to sales is marginal since its activities are mainly recorded as other revenues, but I think it is worthy to mention commercial developments this quarter with the signature of a number contracts in Brazil, Thailand and Madagascar for a total of 76 MWp. This is to be compared to 190 MWp developed to date – we clearly see the acceleration of growth. Their new JV with Engie is now operational and should deploy at least 50 MWp next year.

As for its energy savings business, it is also growing fast with one recent notable example: GreenYellow has signed an exclusive contract with AccorHotels to assist them in the optimization of energy costs in its 1400 hotels in France.

Overall we are very optimistic about the development of GreenYellow on this high-growth market in the coming years.

Moving to **Cdiscount**. It had another strong quarter, with +11.9% GMV. A record-breaking performance was registered on Black Friday with €57M GMV in one day. Mobile sales, a key measure of customer reach, were at 47% of total sales this quarter.

New services have been successfully launched such as Cdiscount Voyage (travel agency, +51% compared to the previous quarter), Cdiscount Energie oil offer, Cdiscount Billeterie (ticketing) launched at the end of Q3. These new services offer the opportunity to engage customers on a regular basis and contribute to the increased loyalty – at the same time they contribute to the higher share of pure commissions in Cdiscount revenues.

And the marketplace development has continued – there are now 48 million products available on the marketplace, growing +37% vs. last year, and the share of marketplace in total GMV keeps growing compared to the previous year, quarter after quarter.

Finally, we have seen this year a consistent expansion of financial services, notably credit card issuance and fast consumer credit, our so-called “Coup de Pouce” offer which grew +67%.

Overall, this quarter concluded a dynamic and successful year for Cdiscount which is now firmly on a path to profitable growth.

I will now turn to our **Latam** operations. GPA has already published its detailed sales numbers, while Exito will publish its annual results in February. So I will just highlight the main takeaways.

As a whole, the Latam Retail segment grew +10.4% in organic and +6% LFL, accelerating on the back of an excellent Q3. Forex effects were still negative at -12.1%. We expect these effects to subside this year, from Q2 2019 with current market expectations.

**In Brazil**, total sales grew by +12% in organic and +6.9% in LFL, driven by the continued excellent performance of Assai and a new quarter of improvement in all of Multivarejo banners.

**Assai** now represents 48% of GPA sales and has opened its 144<sup>th</sup> store, after 10 new openings this quarter. Its organic growth was at 23.3% in Q4, the same excellent pace as previous quarters. Expansion has been particularly successful: stores opened in the last 12 months have recorded the best sales performance per square meter in the past 5 years. Same-store sales were at +9.7%, with continuous gains in volume and customer traffic.

**Multivarejo** showed strong sales dynamic in all of its banners, with +4.8 % in LFL.

Two particular highlights on Multivarejo:

First, the roll-out of private label brands has accelerated with over 500 new products. Private label penetration has increased by 100bps since October, reaching 11.5%. GPA plans to keep increasing that rate, targeting 20% by 2020. It is a strong contributor to margin expansion.

Second, digital transformation. Meu Desconto App reached more than 7,5 million downloads. We now have 40% of the identified sales made by customers who use the app, and their average monthly spending is more than double that of other customers.

All Multivarejo banners had a strong showing in Q4. Hypermarkets have been on a successful turnaround since Q2 and kept growing in food and non-food, with a particular focus on the quality of perishable products. Supermarkets accelerated their turnaround, with double-digit growth in the new formats Mercado Extra and Compre Bêm. 36 stores have been converted to these successful formats.

Sales at our premium stores Pao de Acucar accelerated with the impact of renovations and increased loyalty.

Finally, Proximity stores delivered an outstanding +19%, with buoyant sales boosted by the new commercial excellence in fresh and promotions.

As for **Exito**, group sales, excluding Brazil, continued to grow organically as well as in LFL, with a continuous improvement in Colombia. The successful turnaround of Hypermarkets and the success of Surtimayorista conversions continued to deliver.

To sum up, this has been quite a satisfactory quarter for the group, at the end of a successful year, with all the initiatives launched previously showing their results.

This ends my introduction and I am now happy to take your questions.

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