Casino Q1 2019 Sales

25 April 2019

Good afternoon and welcome to our 2019 first quarter sales conference call.

I guess you have already seen the press release on our website. In short, this was a satisfactory quarter in all of our segments, with action plans proceeding at a good pace.

Group net sales grew by +4.3% on an organic basis and +3.0% on a same store basis. We registered a very strong growth in Brazil with +13.8% on an organic basis.

In France, net sales were stable on a same-store basis, with strong growth on high margin category like organic food and catering, and in Ecommerce which is a key priority.

Finally Cdiscount GMV grew by +9.2%, driven by the continued expansion of the market place and new services.

Before going through the detailed figures, let me start with a few general comments on the status of our 2019-2021 plan in France, which we presented in detail in our annual results.

Our 2021 strategy is based on a continuous improvement of the mix of sales and formats, a strong growth of ecommerce and digitalization, the fast development of our new business and significant cost-cutting and store rationalization.

This strategy is being implemented, with all our plans proceeding apace.

First, we keep **on improving our mix of sales**, with +10.6% growth in organic food, leading to a share of 5.6% of sales, + 60 basis points versus same quarter last year. Other high-margin categories such as catering at Franprix are also growing fast. With overall stable LFL sales, our gross margin is growing due to the improved mix.

Second, **in ecommerce**: we posted a double digit growth in food and non-food. The share of ecommerce in our overall gross sales increased by 2 points vs last year. All our banners have contributed to this performance. And as announced this week, our partnership with Amazon has been strengthened, with the extension of the Prime Now Monoprix offers to new cities, the offer of Casino products on all Amazon Prime and Amazon lockers in our stores. These are incremental sales, new sources of revenues and new customer reach.

Third, **on digitalization**, all our banners are now fully equipped with smartphone Apps. This allows us to roll out targeted loyalty programs, payment solutions, self-scanning and new services such as cashback partnerships. Franprix has launched its new digital loyalty program, Bibi, the success of which exceeds our expectations. Casino Max, which started last year, now has 3 million monthly visits, 15% of our sales in Hyper and Supermarkets, new services to customers and new sources of B2B revenues such as cashback with 400 third parties merchants.

Fourth, **on new businesses**, we are also on track. These new activities, launched in the previous years, are becoming an important component of our profitability. I would like to stress, in particular, Data monetization and advertising. These were already a significant part of Cdiscount's gross margin, they are now also growing very fast on our offline banners, with RelevanC reaching 8,5m€ quarterly sales in Q1 2019 (vs 100k€ in Q1 2018). As for GreenYellow, it keeps on developing its business with external customers, in line with the ambitious plan underlying the investment by Tikehau and BPI last year.

We are also on track with our financial targets.

As for our disposal plan: we announced an additional target of 1 Bn€ last March, to be completed in Q1 2020. Close to 40% of this plan is already secured one month after its announcement, after the signing of the deal with Apollo Group for the disposal of real estate assets for 374m€ to be cashed in immediately and additional upside for up to 110m€. Other assets are currently under discussion and we are very confident in our ability to deliver or exceed the target of our disposal plan on time.

The rationalization of our network is progressing rapidly, with 87 stores closed and 46 stores sold so far. We confirm our objective to improve our results by 90m€ on a full-year basis with this rationalization plan, which will be mostly secured by the end of H1. Hence, the overall mix of formats keeps on improving, with exits from unprofitable stores and targeted expansion in buoyant formats : 53 new premium and convenience stores compared to last year and 13 additional independent stores, operated by Quattrucci, delivered from the beginning of this year.

We are also making very good progress on our 200 m€ net cost-saving program.

The annual purchasing negociations were finalized at the beginning of March, with results above our expectation in the Horizon Alliance partnership.

In logistics, the mutualization initiatives between banners that started last year and accelerating this year are delivering significant savings, both in transport and warehouse costs. They also help us reduce our inventory needs.

In stores and other structures, productivity gains are being realized as planned, due to rationalization of our organization and the full use of new technologies in store monitoring.

Finally, we maintain a very strong discipline on cash-flows, which are our priority for 2019. On top of the 10% Retail EBIT increment, we focus on the decrease of exceptional costs below 100m€ (excluding store closures which are self financed), the return of gross capex to normative level (slightly above amortization, at 350 m€) and a strict management of working capital to deliver above 200m€. Annual bonuses and weekly reviews at all level of the organization are focused on reaching the cash-flow targets and we are on the right track at this stage, with a particular focus on inventory management and a strong budget discipline.

Overall, the development of our plans and the results of our banners allow us to maintain all our annual objectives with a strong level of confidence.

I will now go through the detailed sales by banner.

Starting with France. Total sales were at -3,3%, including a calendar effect of -1,9% and the impact of store closures for -1,5%. Excluding these effects, on a same-store basis, net sales were stable, on a strong 2018 Q1. They grew by +1.3% over a two-year period, accelerating compared to Q4 2018. Overall sales momentum have been improving since March, and as stated at the beginning, in this stable environment, we have seen very good performance in higher-margin categories, improving our mix and therefore our margin.

Going through the different banners:

Monoprix had stable sales this quarter, and a +1.2% LFL growth over two years. Customer traffic, which is our key metric for the commercial attractiveness of this banner, grew +1.7% this quarter.

Organic food posted a strong +9.7%, with a good momentum at Monoprix and Monop', and the opening of three new Naturalia stores. E-commerce increased by a solid +11.8% in food, driven by the partnership with Amazon Prime Now, which is still performing ahead of expectations. It now covers Paris and more than 35 border towns, and will soon be extended to new cities. As for textile: sales are back on a good trend, both in-store and online. Synergies with Sarenza are being developed with effect, with a strong focus on marketing and website design.

At Franprix customer traffic increased by 2%, with 50 autonomous stores in place. Its new digital loyalty program, called "Bibi", was launched at the beginning of the year. It allows us to offer real time personalized offers, as we already do with Casino Max and Monop'Easy. The take-up rate has been very quick and the customer experience will keep on expanding, with new services added.

Franprix is growing strongly in higher-margin categories. Sales of organic food now represent a share of more than 6%, growing +4,8%. Catering is up a very solid +12%, with a share of sales at 7%.

On top of this, the banner continues to offer new services such as Lime "JuiceBar", La Poste deposit or Glovo delivery.

Finally, 6 new Franprix stores have been opened this quarter, including a second store in Brussels. Expansion in franchise is very profitable at Franprix, both for the franchisee and the banner. We will keep on developing along this line.

Casino Supermarkets sales were stable, up +1.4% over a 2-year period. Our supermarkets now offer 23 autonomous stores, including 3 open 24/7. Sales of organic food were up +11.0%. Drive-through and home delivery has been extended to new stores.

Géant Hypermarkets delivered +1.1% growth on an organic basis. LFL was at +0.3%, and 2-year LFL at +2.4%.

Food sales maintained their positive trend, while non-food improved sequentially, driven by the performance of 58 Cdiscount corners, including 9 opened during the quarter. The banner has also expanded its beauty and wellness line-up with the roll-out of the Franprix "…le drugstore parisien" store-in-store concept in 3 Hypermarkets.

High priority categories had good performance, with organic food up +7.4% and Ecommerce at +11.2%.

Casino Max app has reached 3 million monthly visits, and a share of 15% of Hypermarkets and Supermarkets sales on the quarter. The application reached around 2 million of downloads. The cashback offer through CasinoMax now totals 400 partners with many major players.

Convenience had a strong performance again during this quarter, with +3.6% LFL.

Commercial dynamics has been driven by the roll-out of a new business offer, with a particular focus on organic food, which posted a very strong +53.4%. Casino Max is now used in 500 stores, after a fast roll-out that started in H2 2018.

Lastly **Leader Price** sales were mainly impacted by closures and disposals of loss-making stores, with organic sales decreasing in due proportion.

The banner showed a good performance on fresh products, in line with the initiatives to improve the offer and the impact of the Next concept.

Overall, in France, with stable sales LFL, we have seen strong growth in the best segments and rapid progress in the store base streamlining plan, which will have a major positive impact on our EBIT.

A few words about our new activities, which are a key component of our strategy of increased profitability: GreenYellow, Data and Datacenters.

GreenYellow finalized two new solar plant installations, in Mauritius and Morocco. The development of new activities is also proceeding with new a partnership between GreenYellow, Casino and Meridiam. The partnership aims at installing the largest network of ultra-quick charging stations in France (5 to 10 minutes charging time, instead of 30 to 45 minutes for usual charging stations), with 80 stations to be installed in our parking lots. 100% Green electricity will be provided by GreenYellow.

Data activity, driven by 3W.relevanC, is also performing well with 8.5M€ sales on the Q1 2019 for the offline business, compared to 100k€ in 2018. RelevanC welcomed a new CEO, Blandine Multrier coming from Omnicom Media Group. We are very excited by the potential of advertising and data monetization, boosted by the increased digitalization of our customer relationship and the signing of new B2B customers. It has been a significant part of Cdiscount's gross margin for years, where it has been growing at a very good pace, and it is now becoming also a significant contributor to the margin of our offline banners.

Our ScaleMax **Data Center** activity is also on track. It has started its operations in early April, and has already signed a number of cloud computing contracts, including with major banks such as BNPP. We aim at opening two new sites before the end of the year.

Let's move to **Cdiscount**. The detailed sales report was published on April 12th. It was, again, an excellent quarter of profitable growth, with a +9.2% increase in GMV and the expansion of the marketplace at 35.8% of GMV in Q1 2019, up +3.2 points versus Q1 2018. Mobile sales which are a key measure of customer reach, were at 68%, a 6 point increased compared to last year.

B2B services toward marketplace vendors keep on expanding, with a strong +46% in Fulfillment by Cdiscount services. B2C services showed a quick ramp-up, with Cdiscount Voyages tripling its sales compared to Q4 and Cdiscount Energie, more than doubling compared to last year.

Finally, the customer base within the Cdiscount loyalty program increased by +16%. Overall, Cdiscount registered 255 million of visits over the quarter.

Moving to our Latam Operation. GPA already provided a detailed report on its Q1 sales yesterday, and Exito will publish its result on May 16th.

Latin America sales rose by +6.0% on a same store basis and by +11.4% on an organic basis mainly driven by Brazil. The strong recovery that we saw last year is still going on, driven by the excellence of the Cash&Carry format and the success of the turnaround of Hypermarkets and Supermarkets.

In **Brazil, GPA Food** posted a +7.1% increase in sales on a same-store basis, and +13.8% on an organic basis driven by the excellent performance of Assai.

Assai sales accelerated to reach a +25.8% growth on an organic basis and a +10.3% growth on same-store basis. The banner converted one Extra Hypermarket to the Assai format this quarter to reach a total of 145 stores. The Cash&Carry format is still extremely attractive and has a lot of potential in expansion in new states, all while increasing its profitability.

Multivarejo recorded a +4.6% same-store growth this quarter, with market share gains in all banners. Private label expansion, is proceeding rapidly, with a penetration rate around 12%. It's a key driver of added profitability and differentiation. Ecommerce posted double-digit growth, thanks to the expansion of click & collect and express delivery services. And digitalization is still going strong, with the "Meu Desconto" App reaching more than 8.3 million downloads. Active users of the app now represent 40% of Pao de Acucar net sales.

Extra hypermarkets posted another quarter of growth, driven by non-food.

Extra Supermarkets converted to the new Mercado Extra and Compre Bem formats are still experiencing double-digit growth. The conversion plan is proceeding with 7 new Mercado Extra this quarter.

Pao de Açucar sales have accelerated, driven by the performance of renovated stores and the success of Meu Desconto offers.
Convenience stores reported double digit growth thanks to sales initiatives and private label development.

In Colombia, **Éxito** Group (excluding GPA Food) delivered a good performance, on the back of the recovery registered last year.

To sum up this quarter: our 3-year plan in France is being implemented successfully, with strong profit drivers and good commercial dynamics in our priority categories and formats, particularly organic food and e-commerce. Cdiscount is firmly on a trend of profitable growth. And the trends we saw last year in Latam are still very strong, with a particularly impressive showing in Cash&Carry once again.

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

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