2020 full year results

I) Significant events for the Group in 2020

Jean-Charles NAOURI

Good morning everyone. Welcome to this call to present the 2020 results. We will go through the various slides of the document that you have in front of you, which has been made public. First, the key figures on page two. I will not comment on them one after the other as we will be examining them in detail over the coming minutes. With this being a highly uneven year, we have given separate consideration to H2. As H1 was already made public, we thought it relevant to also comment on H2, which showed strong improvement in terms of earnings momentum.

From the key figures on page 2, we see Group EBITDA, post-IFRS16, is growing significantly in France with an EBITDA margin rising from 9.8% to 11.5% during H2. There was also strong growth in Latin America, where the margin rose from 7.1% to 9.7%. After leases (i.e. pre-IFRS16), the margin also improved in France from 6.3% to 7.8% and in Latin America from 5.2% to 7.9%. Operating income also improved somewhat significantly. The operating income margin in France rose from 5.3% to 6.1%, and from 4.2% to 6.9% in Latin America. Then you have normalised net profit and normalised earnings per share, and on the next page – I am moving quickly because we will return to this in close detail when David Lubek presents the results – free cash flow, gross debt and net debt.

Let's move on to page 4: the highlights of the year, first of all for France. The highlights are that after an H1 marked by the high costs of the health crisis, profitability increased significantly in H2. Over the year, gross sales under banner improved by 4.9% on a like-for-like basis and in terms of profitability we can now state that all retailers, including hypermarkets, are profitable, with very satisfactory profitability for all non-hypermarket retailers.

France Retail's EBITDA margin increased by 155 basis points to 12% in H2 (9.5% year-on-year), with an operating income margin of 6.4% (4.1% year-on-year), mainly as a result of savings and operational efficiency plans. EBITDA after leases was up by 13% in H2, reaching an annual level of €946 million. Gross debt decreased by €1.3 billion and free cash flows increased by 30%. Again, we shall return to this in more detail.

The Group has now refocused on successful formats, which we have already described as such for some time now – indeed, for several years. The process is now complete, and priority for 2021 will therefore be given to the growth and expansion of convenience stores, either in an urban setting with Naturalia and Franprix, or a suburban and rural setting with Spar, Vival, Casino Shop, and other retailers. One hundred openings are forecast for Q1 and 200 for Q2, versus 169 for the whole of 2020.

The second priority is food and non-food e-commerce. For food, our focus, as in 2020 but ramping up in 2021, is on profitable models. This means – and we will also return to this point later – the O'logistique automated warehouse, the partnership with Amazon, and click & collect and home delivery from urban formats. In the case of non-food e-commerce, we are referring to Cdiscount, which will continue and accelerate its strategic plan.

Page 5: Latin America has had an excellent year in terms of both growth and profitability. The detailed figures have been made public in the last few days so I will not repeat them here. I will simply point out that sales have experienced strong growth, with like-for-like net sales up 12% over the year and organic growth of 17% driven by Assai, which grew by 29%. EBITDA increased by 36% at constant exchange rates and by 19% excluding tax credits.

Lastly, the proposed split of GPA from Assai is almost complete, as Assai shares are expected to be distributed to GPA shareholders in the coming days at the parity rate of one Assai share to one GPA share.

In France, we have made strides in all development areas in 2020. First, the profitability of the retail chains has improved – a point to which we shall return. Food and non-food e-commerce has experienced strong growth. New business, which is no longer so new – GreenYellow, which is now several years old and RelevanC, which is two or three years old – has seen accelerated growth.

Lastly, we must mention CSR: a priority area in which we have made great strides in 2020.

Page 7: retail chains posted an EBITDA margin of 12% for H2. Here again, all the Group's retailers in France are profitable, including hypermarkets, with very satisfactory profitability for all other retailers. This situation stems from the entire action plan implemented over the last few years involving, first of all, the sale of dilutive, loss-making businesses. This includes: Rocade, which involved the sale of hypermarkets and certain supermarkets; the now-completed sale of Leader Price; adapting the hypermarket model, with a dynamic reduction in non-food in favour of physical marketplace or shop-in-shop models; and the savings and operational efficiency plan implemented across all retailers. All these action plans led to France Retail's EBITDA margin increasing, as stated, by 155 basis points to a very satisfactory level of 12% in H2.

Significantly, the points of sale have been highly "digitised" in several respects. First, we fitted 533 stores with automated equipment. All of these can open in the evening or on Sunday afternoons without cashier staff, compared to 305 at the end of 2019. Significantly, 61% and 48% of hypermarket and supermarket payments, respectively, are now made without cashier workers, either by automated cashiers or by smartphone. These figures were 45% and 36%, respectively, in early 2020. And they will increase over the coming months.

The third critical and determining factor in the digitisation of points of sale is the development of the Casino Max app, with 22% of net sales generated by users of the app in Q4.

As stated previously, we opened 169 premium and convenience stores in 2020. This is in line with the initial target of 300 stores opened by end-2021. However, the outlook for 2021 is to ramp up these openings, with a keen emphasis on growth for both urban and suburban convenience stores. We plan to open 100 stores in Q1 and 200 in Q2, with a possible acceleration in H2.

Page 9: food e-commerce. Growth was 67%. It should be emphasised that this growth resulted from profitable e-commerce models or channels. We have essentially favoured profitable channels over those that are experiencing strong growth but which are not structurally profitable. The channels we consider profitable are click & collect and home delivery based on urban and local formats, such as Monoprix or Franprix, the signing of partnerships with Deliveroo or Uber Eats, the extension of the partnership with Amazon in Lyon and Bordeaux, in addition to Paris and Nice, and, finally, the initial rollout of Ocado.

Ocado – and hence the automated O'logistique warehouse – now covers 93% of the population of Ile-de-France, with 27,000 products on Monoprix Plus. However, Casino Plus has joined this Monoprix distribution channel. So both Monoprix and Casino products are now distributed by Ocado. The growth in deliveries is extremely rapid. We are now at our planned level, with a week-on-week acceleration and a positive contribution margin. The more we deliver, the more we sell through Ocado, and the more positive the margin. The priority for 2021 is growth via the same profitable e-commerce models. We are hence not going to ramp up channels that we consider structurally unprofitable.

Page 11: Cdiscount, which released its results a few days ago. Again, I will comment on these briefly. EBITDA increased by 63% to €133 million, or €101 million after leases. This profitability growth is mainly driven by the marketplace, whose revenues increased by 23%

to €182 million, accelerating to +40% in Q4. We now consider this to be the key driver of Cdiscount's momentum, whose retail sales have seen a change in the product mix towards categories with high recurring purchases and higher margins, namely home, leisure and beauty.

The marketplace accelerated in 2020, with GMV growth of 22%, rising in H2 with a 30% increase in orders. The marketplace's share of total GMV was up 5.3 points to 43.6%, accelerating in H2 with an increase of 6.1 points. Fulfilment is an important area of strategic focus for the marketplace. Improved service for sellers mean that they, in turn, provide better service to customers. Cdiscount Fulfilment services are up 26% and now represent 33% of the GMV marketplace. We recently launched a turnkey marketplace solution for e-commerce distributors and sellers in France and abroad. These are complete marketplace solutions that integrate both Cdiscount technology and fulfilment logistics products and services. They give access to the Cdiscount catalogue, which includes 100 million items and 13,000 sellers.

The outlook for 2021 is to continue the strategic plan, with the growth of the marketplace, the evolution the product mix in the direction I mentioned, increases in digital marketing and, finally, the rollout of the new turnkey marketplace solution.

Let’s move on to page 13: RelevanC. EBITDA increased significantly to 50%. RelevanC is a Casino subsidiary that was created two or three years ago from scratch, and which now has an EBITDA of €18m and sales of €55m. This involves the monetisation of data, which basically entails two main activities: on the one hand, a platform that allows a retailer and its suppliers to personalise promotional campaigns; and, on the other, a retail media platform that allows suppliers and marketplace sellers to buy advertising space either on the Group's websites or externally.

Like GreenYellow in its day, RelevanC started out by serving only Casino, its subsidiaries, its customers and its suppliers. Now, RelevanC offers its services externally, with a very swift increase in the proportion of external customers.

The outlook for 2021 is for accelerated growth driven by the acquisition of new external customers.

Page 14: GreenYellow. GreenYellow is a unique player in the energy transition, whose business accelerated in 2020 and will continue to do so in 2021. Here again, GreenYellow was originally created to serve the Casino group, both in France and abroad. From now on, a majority of customers are increasingly external to Casino, with no links to the Casino group. The company is involved in various activities. Its historic business is of course photovoltaic energy, which is accelerating, with installed capacity up 56% to 335 megawatts and a pipeline up 25% to 565 megawatts. There are also energy savings, with an 8% increase in the volume of energy savings generated by customers, reaching €85m in 2020.

GreenYellow is continuing its geographical expansion. It now has customers on all continents, South-East Asia, Latin America, the Indian Ocean and Africa. Its services include photovoltaic energy and energy savings, as well as new services such as charging stations, floating solar power plants, etc.

In 2021, the goal is to ramp up GreenYellow’s activity and expansion with a pipeline that is expected to grow significantly, reaching 700 megawatts in 2021 and with a target installed capacity of 1 gigawatt in 2022. EBITDA is expected to reach €90 million in 2021 versus €64 million in 2020.

One point, on page 16: CSR. This is a recognised commitment for the Casino group. We are known to be highly committed in this area. According to Vigeo Eiris, we are the leading retailer and the eighth largest company in the world in terms of CSR. We were selected by the *Wall Street Journal* as the only retailer in the world's top 100 most sustainably managed companies. There are a huge number of actions in this area. To choose just three... In terms of carbon emissions, the reduction in France for 2020 was 18%. We went from 461 kilotons of CO_2 in 2019 to 380 kilotons in 2020. In terms of employment, we want to be a responsible, inclusive employer that promotes diversity. At present, 43.2% of our managers in France are women, and our target is to reach 45% for the group by 2025. In terms of offers, finally, there are likewise many actions. As we know, organic produce has been a priority for many years, both for traditional retailers such as Monoprix or supermarkets and hypermarkets, as well as for specialised retailers such as Naturalia. Sales of second-hand products also increased with Cdiscount Occasion, and food waste was reduced via a large number of highly diverse initiatives, which are described in detail in the special report on CSR.

This concludes my quick overview of the 2020 highlights. I will now give the floor to David, who will tell you about the financial results.

II) 2020 Financial Results

David LUBEK

Thank you Jean-Charles. Page 18: before going into the details of the full year results, some preliminary remarks on the main standards applied.

The first point concerns the application in 2019 and 2020 of IFRS5 relating to Leader Price's discontinued operations, the sale of which was finalised on 30 November 2020.

The second point concerns IFRS IC's decision on determining the enforceable term of leases and the link with the amortisation of inseparable fixtures and fittings. The retrospective application of this decision resulted in the 2019 financial statements being restated.

Lastly, with regard to non-recurring costs relating to the Covid-19 pandemic, the Group applied the AMF recommendation to record these costs in EBITDA and operating income, including the non-recurring bonus paid to employees during the first half of 2020 (€47 million at the Group-wide level and €37 million in France).

Page 19: the usual key figures for the annual results are shown in this table. Net sales reached €31.9 billion, up 9 % on an organic basis compared with 2019. EBITDA was €2.742 billion, up 17% at constant exchange rates. Operating income was €1.426 billion, up 25 % at constant exchange rates. Operating income excl. tax credits was €1,287 million, up 14.8 % at constant exchange rates.

Net income, Group share was €268 million, an increase of 37%. Normalised diluted earnings per share was up 48%. Lastly, net financial debt, excluding IFRS 5, fell by €1.023 billion over the year, including €318 million in France and €705 million in Latin America. We will return to this in detail.

Page 20: before examining the results by segment, a word on the changes in Group net sales in Q4. This increased organically by 10.7% over Q4, driven by excellent performance in Latin America.

France has stable like-for-like net sales, with good performance in the buoyant e-commerce and convenience store formats. We will come to this in due course. The fall in total net sales in France is mainly due to the petrol effect and the sale of Vindémia.

Net sales in Latin America grew by +13.5% on a like-for-like basis and +22.2% as organic sales, driven once again by the excellent performance of Assai.

Page 21: let's look at France’s Q4 net sales in detail. Gross sales under banner, including Cdiscount, increased by 3.2 % on a same-store basis. The impact of the second lockdown and restrictive measures for non-food departments was broadly neutral, with e-commerce and convenience store channels over-performing, to the detriment of hypermarkets.

As mentioned above, Cdiscount had an excellent Q4, with a 40% growth in marketplace earnings underpinning its GMV growth.

Note the healthy increase in convenience stores (+5.8%), supermarkets (+3.3%) and Naturalia (+12%). All these formats continued to meet customer expectations in the context of the pandemic.

Our premium retailers performed relatively well in a Parisian market that declined in Q4. Franprix rose by 0.7% and Monoprix by 1% – an increase compared to Q3 despite the closure of non-food departments in November.

Lastly, hypermarket sales were impacted by restrictions on non-food departments and changes to the business model with the shop-in-shop transfer of some categories under partnerships, such as the C&A partnership for textiles.

Page 22: let's move on to results by segment, starting with France. In line with the operational performance monitoring of our banking and bond covenants, we present the sum of the results for Retail France and Cdiscount for this year. We will then explore these two segments in more detail.

France gross sales under banner increased by +4.9% on a like-for-like basis over the year, and net sales by +3.2%. As Jean-Charles pointed out, this was a highly uneven year. H1 was marked by the impact of the first lockdown, which was reflected in additional volumes but also and above all by significant costs related to health measures and the exceptional bonus paid to employees.

These Covid costs have normalised during H2, and we have implemented major transformation plans across all retailers. This has allowed us to substantially reduce costs and hence improve the EBITDA margin in a structural, sustainable manner.

H2 2020 thus shows a sharp increase in profitability with an EBITDA margin of 11.5%, up 164 basis points compared with 2019. All retailers contributed to this increase.

EBITDA after leases, which is the indicator used in our covenants, is up 9.5% year-on-year, excluding the impact of the Covid bonus, accelerating to 13% in H2 due to the transformation plans.

We naturally expect the effects of these H2 2020 plans to continue in 2021, and hence to see further improvements in the EBITDA margin.

Lastly, the operating income margin rose by 79 basis points in H2 to 6.1% and by 13 basis points to 3.9% over the year, including the impact of the exceptional bonus paid to employees.

Page 23: let's examine the Retail France segment in detail, which includes food retailers as well as GreenYellow. Gross sales under banner increased by 3.5% for the year on a like-for-like basis and net sales by 3%. After an H1 marked by Covid costs, in particular the €37 million exceptional bonus, the EBITDA margin increased by 155 basis points in H2 versus 2019, reaching 12%.

If we focus on the performance of the food retailers in our reporting scope for H2 2020 (i.e. the retail EBITDA scope, excluding GreenYellow and Vindémia) EBITDA increased by €40 million (i.e. +5.3%) in a business context that is generally stable on a like-for-like basis, and while absorbing residual Covid costs. So this is a very solid performance, which is linked to the savings plans implemented during the half-year and which will also have a deferred positive impact on H1 2021. We also expect this growth in the EBITDA margin to increase in 2021 via the return to growth of buoyant formats, the expansion of local convenience stores, and the development of our profitable e-commerce channels.

A word about GreenYellow's EBITDA. The fall in its contribution to French EBITDA in 2020 is explained by the transition to an asset holding model guaranteeing recurring income and long-term value creation. The disposal margin, which accounted for half of the 2019 EBITDA, has not been renewed, while the recurring EBITDA increased by 50%. This increase is based on photovoltaic assets, energy performance contracts signed with B2B customers, and energy savings certificates. As stated, this growth in recurring EBITDA, based on the installations already completed and the contracts recently signed, as well as on the pipeline of projects, is expected to continue in 2021, reaching €90 million.

Page 24: Let's move on to the e-commerce segment, i.e. Cdiscount. All elements of Cdiscount's results and future performance drivers were commented on in detail during the publication of Cnova's results last week. Cdiscount experienced major acceleration in 2020. Its business volume increase by 8.6% to €4.2 billion, while its EBITDA margin improved by +285 basis points (i.e. +€60 million) to reach an EBITDA of €129 million. Current operating income, meanwhile, rose from €4 million to €53 million.

This excellent result is primarily linked to the increase in the marketplace share, which increased by 5.3 points over the year, including by 6.1 points in H2. Marketplace business volume increased by 21.6%, with marketplace income reaching €182 million for the year, rising to +40% in Q4. As you know, the marketplace is structurally profitable through its commission model, which is cash flow positive as it does not require the purchase of stock. Likewise, its scale makes the site attractive to customers, with 100 million products on offer.

On top of this contribution from the marketplace is the favourable change in the mix for direct sales, with a shift towards everyday products with more recurring purchases and a higher margin.

Page 25: Let's move on to Latin America. GPA and Assai published their results on 22 February, and details of their performance and activity are given in their press release. I will highlight the salient points.

In a word, this was a particularly remarkable year for our retailers in Brazil, both in terms of growth and profitability. H2 saw an acceleration in which same-store Latin American net sales increased by nearly 13%, EBITDA excluding tax credits rose by 27%, and total EBITDA by 58%, while operating income increased by 88%.

Operating income excluding tax credits for the year increased by 25% at constant exchange rates. Multivarejo posted a very sharp turnaround of +70% driven by the new commercial strategy and rigorous operational efficiency plans across all its retailers.

Assai delivered another year of extremely strong profitable growth driven by expansion and strong like-for-like growth, with organic turnover and operating income again around +30%. This is the tenth year of sustained growth for Assai, and the prospects for profitable expansion remain as good as ever given the pipeline of store openings.

In Colombia, under difficult conditions due to the pandemic, the Exito group is stabilising its operating income thanks to the success of its omnichannel plan for which sales have increased by a factor of 2.7 and the share of total sales has increased from 4.5% to 12.4% in one year.

Lastly, the total current operating profit of the Latin American segment, including tax credits and foreign exchange effects, rose by 19.1% (i.e. +€120 million), taking into account the year's €139 million tax credit catch-up and a negative foreign exchange effect of -€227 million.

Page 26: normalised net income, Group share, increased by 37% year-on-year to €268 million, with a sharp acceleration in H2 to +90%. This is in line with the increase in operating income and the decrease in financial expenses.

Page 27: normalised earnings per share came to €2.17, of which €3.38 in H2, up 88% over the half year. This was in line with the increase in normalised net income, Group share.

Page 28: after the income statement, let's move on to our usual focus on the changes in debt and cash flows in France. First, a reminder of all that the disposal plan has achieved: total disposals have amounted to €2.8 billion since the plan's launch in June 2018. This plan has enabled us to sell mature real estate assets, to accelerate GreenYellow's growth by adding new investors to its capital, and to refocus our French retail business on profitable formats with the sale of Leader Price.

As previously, we do not comment on assets under discussion. However, we are sufficiently confident, given the various options we have to finalise this plan, in confirming a target of €4.5 billion in asset disposals in France.

Page 29: this graph summarises the changes in gross debt since H1 2018 when the disposals plan was launched. We include the GPA forward and TRS instruments that were unwound in 2019 and 2020 and considered as debt by the rating agencies. As you can see, this aggregate has steadily decreased each half-year from €7.6 billion to €4.8 billion – a decrease equivalent to the disposals made over the period.

The level of gross debt at end-2020 was 4.8 billion – less than the 5 billion target that we had set. This is the lowest level of gross debt in France for 20 years. The decrease in 2020 is 1.5 billion, including the settlement of the GPA TRS. This fall is the result of both ongoing bond purchases starting in the summer, two successive public buyback offers, and the allocation of all our sale proceeds for the year to the escrow account.

We intend to continue reducing our gross debt through our future disposals.

Page 30: the table shows free cash flow for all of France, including Cdiscount and excluding asset disposals. This new presentation is consistent with the scope of our covenants, which includes Cdiscount, and with the allocation of all our sale proceeds to debt reduction. Free cash flow excluding disposals is the resource that is freely available to us. This aggregate saw a 30% increase over the year (i.e. over €67 million), reaching €288 million (i.e. €484 million excluding exceptional expenses).

Cash flow from operations decreased in H1 in line with Covid costs (€50 million of net costs) before picking up again in H2 for around €25 million. We expect this upward momentum to continue in 2021, with an increase in EBITDA as a result of the 2020 transformation plans, and a reduction in exceptional expenses as restructuring costs and other exceptional costs are mostly behind us.

Other notable factors this year include a good WCR performance. This includes the aforementioned positive cyclical effects in H1 and ongoing efforts to reduce inventories, both for food retailers and at Cdiscount. The aim of these inventory reduction efforts is to bring us closer to the best-in-class models. They will continue in 2021, with much of the progress already in place.

Lastly, the increase in capital expenditure is down due to two main effects. First, GreenYellow's investments, linked to its switch to an asset holding model. These investments are fully financed by our subsidiary's own resources, with no new contribution from Casino or the other shareholders. Second, ramping up store digitisation investments, with the widespread rollout of automated cash registers and self-scan checkouts, which enabled us to accelerate our savings plans.

These investments have now been made, so we expect capital expenditure for both food retailers and Cdiscount to be contained at a lower level from 2021, with successful convenience store models being expanded in franchise formats that require little investment. With regard to GreenYellow, its investments will continue to be financed autonomously, either from its own funds or by other financing sources such as non-recourse project debt.

Looking ahead, our goal is hence to continue to improve cash generation in France, first and foremost through improvements in operating cash flow, an increase in EBITDA, and a sharp reduction in exceptional expenses. This increase in operating cash flow will be accompanied by a positive change in WCR and controlled capital expenditure. The aim is that cash generation continues to grow, excluding proceeds from disposals, as it has done for the last three years.

Page 31: let's move on to changes in net financial debt, excluding IFRS 5. This is the relevant aggregate for analysing France's net leverage, based only on disposals made to date. Compared with last year, this aggregate improved by €566 million over the year, taking into account the settlement of the GPA TRS, which the rating agencies considered as debt.

Free cash flows excluding disposals of €288 million are opposite financial cash expenses of €328 million, of which €40 million relate to bonds now fully repaid at end-2020.

The pro forma debt structure at end-2020 thus reveals free cash flows excluding disposals to be at the level of financial expenses. Financial expenses are intended to be reduced via debt repayments or redemptions financed by the €487 million available in the escrow account at end-December, and by future sale proceeds allocated to the ongoing reduction in gross debt. We therefore expect free cash flows before disposals to exceed financial expenses from this year, especially given that we anticipate cash flows increasing over the period. Note that after the settlement of the GPA TRS we no longer have an off-balance sheet derivative of this type, simplifying the calculation of our leverage ratio. Lastly, the significant reduction in net debt in 2020 is accompanied by a €48 million increase in EBITDA after leases, and hence a sharp fall in our net leverage of almost one turn of leverage in France.

Page 32: the summary table presents the change in Group net debt, by segment, pre- and post-IFRS 5. Net debt excluding IFRS 5 fell by more than €1 billion, of which €705 million in Latin America and €318 million in France (€566 million including the unwinding of the GPA TRS, which was a form of debt reduction).

In France, net debt after IFRS – i.e. including assets whose disposal is in progress with probable completion within one year – amounted to €3 billion, of which €2.8 billion for France Retail and €213 million for Cdiscount. Compared with 2019, this increase is mainly due to the settlement of the GPA TRS. Disposals carried out during the year did not, of course, have an impact on this aggregate as they were already classified in IFRS 5 at end-2019.

Latin America experienced a sharp fall in debt. This was driven both by a currency effect and by a strong improvement in cash generation in Brazil.

Page 33: the bond payment schedule as at 31 December 2020 includes 4.6 billion in bonds and Term Loan B. As you can see, bond debt was sharply reduced during 2020 with the repayment in March of the €257 million bond, followed by the buyback and cancellation of 1.4 billion in bonds in H2 via sale proceeds, a new unsecured issue for €400 million, and the matching contribution of €225 million from Term Loan B.

In H2 2020, the refinancing requirement for 2021-2023 was therefore reduced by €1.5 billion from €1.8 billion to €246 million, taking into account the €487 million available in the escrow account reserved for the repayment of the 2021-2023 maturities. This major transaction helps secure the maturity of the RCF in October 2023, enabling Casino to return to the unsecured debt market for the first time since early 2018.

Page 34: a few words on liquidity in France. The Group had €3.15 billion in liquidity in France at end-December 2020, including €2.3billion in undrawn credit lines and €819 million in cash or cash equivalents, to which was added the €487 million in cash in the escrow account to cover debt repayments. This is a cash level in line with sector benchmarks, and consistent with an assessment of the Group's debt based on gross debt. Most of our credit lines expire in October 2023, as I mentioned earlier. We can of course draw on these lines at any time, so our liquidity is guaranteed over time.

Page 35: to conclude the financial part of this presentation, a word about our covenants. At end-2020, our gross debt/EBITDA ratio improved sharply by a factor of 5.03, in line with the debt reduction implemented and the increase in our EBITDA. We therefore have a comfortable margin compared to the 5.75 times limit in Q4 2020, with a margin of €679 million for gross debt. The other ratio stipulated in our covenants, EBITDA on financial expenses, was largely achieved, as is the case in each quarter.

Given the trajectory of our EBITDA growth and our debt reduction through the allocation of sale proceeds, we are of course confident about future compliance with our covenants. These limits for the whole of 2021, which take into account the seasonal nature of cash flows, are shown on the graph.

This concludes the financial part of the presentation.

Jean-Charles NAOURI

Thank you, David. To conclude on the 2021 outlook, we envisage improved profitability, in line with that of H2 2020. The Group's change of focus to buoyant formats meant that priority is now given to growth, first by a general expansion of convenience stores (urban, suburban, rural, etc.), and also by stepping up the development of food e-commerce for profitable models such as Ocado, Amazon, click & collect, and home delivery in urban formats.

Likewise, the continued development of so-called "new" activities such as Cdiscount, GreenYellow, relevanC, etc., the increase in self-financing capacity and free cash flow through continued EBITDA growth in line with H2 2020 trends, the reduction in exceptional expenses, and, finally, the fact that we are seeing an expansion of local food e-commerce formats that themselves require little capital expenditure.

Lastly, our continued debt reduction. Given the successful development of all French business portfolios, with all retailers now either profitable or highly profitable, the group now has greater optionality in implementing the disposal plan, the €4.5 billion target for which has been confirmed. Finally, in light of the priority given to debt reduction, the Board of Directors will propose at the 2021 General Meeting that dividends should not be paid in 2021 for 2020.

This concludes the comments that we wanted to make about the 2020 results. We are now available to answer any questions you may have.

Arnaud JOLY (Société Générale)

I have three questions. The first concerns Cdiscount. A few years ago, you mentioned a potential partner for your e-commerce subsidiary. Are you still open to this option today?

My second question refers to the confirmation of the 4.5 billion disposals programme. You did not give a timeframe. However, you specified that you had more flexibility. Can you give us a little more information on the timeframe for completing the remaining €1.7 billion in disposals?

My final question: EBITDA for France at end-December 2020 over 12 months is €1.580 billion. At end-September 2020, EBITA over 12 months is €1.572 billion. Can you give us the "bridge" to see the gains and losses for Q4 2020 compared to Q4 2019?

Jean-Charles NAOURI

I will answer points 1 and 2. We are completely open to partnerships for Cdiscount. Cdiscount currently has a valid, self-supporting model. It therefore does not need partnerships as such. However, any partnership that creates value would naturally be welcome.

Your question about timing is difficult to answer. As you know, confidentiality is the rule when it comes to disposals – both regarding the nature of the assets concerned and the timing. But I can tell you that formal processes are underway, so it is not simply a question of intentions. There are formal processes in place. But I cannot tell you much more than this. To repeat: the assets held today by Casino are all profitable or highly profitable. Some are seeing very strong growth. So we are extremely confident about our ability to sell assets up to the amounts that you mention.

David LUBEK

Regarding the bridge, the easiest thing is to start from Q3, as we published our EBITDA in Q3 as part of our covenants. EBITDA excluding leases was €925 million at the end of Q3. It was €946 million for France at the end of Q4, which is €20 million more over one quarter, i.e. €30 million in savings on retail. Opposite this, there is €5 million less in Covid costs, and €5 million less for the total of the other items.

This is how the bridge is calculated.

Jean-Charles NAOURI

Thank you. Next question.

Maria-Laura ADURNO (Morgan Stanley)

Yes, hello. Thank you for taking my questions. My first question is to ask if you could comment on the Covid costs for 2021. Could you give an indication of what type of costs will remain in place, to give us a better understanding of the issue? The second question refers to hypermarkets' Q4 performance, which was extremely negative. What comments do you have in relation to this?

Jean-Charles NAOURI

David, I will let you answer.

David LUBEK

Regarding the Covid-19 costs, we are in line with what we set out in Q3 and Q4: €5 million per quarter, mainly for employee protection (masks, etc). There is also hand gel protection in the stores. These costs are much lower than they were at the start, as we had very high initial costs relating to installations, protective measures, etc. at the time of the first lockdown. Furthermore, the equipment itself (masks, gel, etc.) was extremely expensive in Q2 2020. Since then, prices have completely normalised. Masks are now at 10% of their former price. So these costs are around 5 million euros per quarter, and we do not expect any increase. Even in Q4 with the new lockdown measures, there was no increase in these Covid-19 costs.

Regarding hypermarkets, what we see in Q4 is that, on the one hand, lockdown measures were introduced leading to restrictions for non-food departments. This obviously impacted our hypermarkets. We also intensified the decrease in our non-food items with a shift to a shop-in-shop model. As you know, the shift to a shop-in-shop model means that we receive commission, but we no longer have revenue. This impacts the accounts even further. The point to remember is that in this context, we have managed to increase profitability, improve the use of our tools, and grow customer loyalty. If you compare us to the market using the data we receive from Kantar, in-store food sales are entirely in line with – probably even a little better than – the rest of the market. The shortfall is in the click & collect (the so-called "Drive") segment. We have not invested heavily this area as we are looking for profitable e-commerce channels. We do Drive, but we do it profitably, which largely explains the shortfall that you see. This did not prevent hypermarkets from making progress in profitability and customer loyalty, in particular with the use of membership schemes and the Casino Max app.

Jean-Charles NAOURI

We can add to this by saying that we do not give NPS indicators by format – but of course we use them. Naturally, NPS has increased over the year across all the Group's retailers, and in particular hypermarkets.

Clément GENELOT (Bryan GARNIER)

I actually have three questions, if this is possible. The first is on your price strategy in France, mainly for convenience stores and Franprix. In your opinion, is this strategy still tenable in an environment where we know that convenience stores will come under intense pressure in 2021, where French people's purchasing power will also be under significant strain, and where, in addition, the emergence of online shopping risks trimming a portion of your customer base?

My second question is more about the price repositioning you have implemented for the Drive segment. Is this a sign that you believe the Drive segment deserves to be more heavily promoted? Are you not afraid of triggering a kind of price war, at least on the Drive segment, or even in stores?

My third question is more of a financial nature. It relates to improvements in WCR during 2021. Is this something that we can expect? Could this be linked to a fuel effect"?

Jean-Charles NAOURI

I will answer the first two questions and ask David to take the third. Regarding convenience store prices, we feel we have a strategy that is pre-adapted to each location. This strategy has existed for many years. We do not have indicators suggesting that Franprix is performing poorly, for example. Indeed, when we look at the figures for Franprix, I would say "quite the opposite". We see that despite the relative downturn in Paris, in terms of tourism in particular, the figures for Paris are slightly up in recent months. So we have the sense that Franprix is performing rather well. Customer pressure on Franprix has improved, leading to the perception that Franprix's price strategy fits perfectly, as is the case for Petit Casino, Spar and Vival. So we do not feel that there will be a decline in 2020 or that there is a future threat to urban or suburban convenience stores. You could equally have asked the same question about Monoprix. As we see, Monoprix also performed quite respectably with net sales slightly up in a Parisian environment that was relatively empty of tourists. So Monoprix's behaviour in commercial terms has been quite satisfactory, as has been the case for many years. Here again, Monoprix's NPS has increased significantly.

So our feeling is that the price strategy for physical stores is appropriate. It's an age-old question that we have been answering for many years. Fundamentally, we feel that we have the right strategy for each micromarket in which we operate.

With regard to Drive pricing, the reductions that we made for Drive outlet prices, which were mainly in supermarkets as our hypermarket prices were already at about this level, had no impact in terms of margins. This is because the amounts involved in supermarkets' Drive outlets are very small. So this doesn't really impact us beyond increasing supermarkets' net sales, which was desirable. It remains at a fairly low level. Is there a desire to trigger a price war? Absolutely not. That is not the aim at all. For us, simply, it is that Drive prices appear beyond the scope of the store's usual customers: it's a price that is visible on the internet. It is therefore important that this price, which can be easily compared, is a competitive one. It seems quite logical to us that Drive prices are aligned with those of the cheapest competitors, whether they are located near the store or not. The underlying logic is hence one of price transparency rather than commercial aggressiveness.

David LUBEK

In terms of WCR, we have made a sustained and constant effort to reduce inventory levels over the past two years. This is the key word in the WCR management that we perform on a regular – I would say weekly – basis for all retailers and for Cdiscount. For Cdiscount, there is also the transfer to the Marketplace of a certain number of categories, improving WCR as we were able to bring inventory.

Looking back over the past two years, we see a cumulative improvement in WCR of around €500 million. Of this, about 400 is for France Retail brands and 100 for Cdiscount. At Cdiscount, the drop in inventory is linked to the transfer to the Marketplace and the optimisation of warehouse storage using their tools. We gave retailers a target of 200 per year. We were slightly behind in 2019 as we lost a little at the end of the year due to strikes. We have caught up in 2020. There may be many and varied cyclical effects. On average, however, these turn back on themselves, they cancel each other out, etc. What matters, if we want to continue improvements to WCR over the long term – and this is what we are most interested in – is that we continue to reduce our inventory levels. And we think we still have the margins to move closer to best-in-class. So we will carry on. Our goal for 2021 is of course to continue to be positive. Perhaps not for such a large amount as in 2020, but to remain clearly positive.

Xavier LE MENÉ (Bank of America Merrill Lynch)

Thank you for taking my question. Regarding the disposal plan, you initially provided details of the so-called “strategic” assets. You mentioned convenience stores and other activities. Is there a change in vision for the Group’s so-called “strategic” assets? Where are you now in respect of your initial position?

Jean-Charles NAOURI

Hello Xavier. If we answer for non-transferable assets, this means that we are answering indirectly for transferable assets – so you understand that we cannot go down this path. I apologise for this. But the disposal plan can only be completed as intended if the nature of the earmarked assets is not revealed in the course of the sale.

Robert JOYCE, Executive Director, Goldman Sachs

Thank you very much, good morning. I have got a few from me, apologies if I missed any of these in the earlier descriptions, I did not catch all of the text. In terms of the French cashflow a couple of questions. The first one, if I just look at the EBITDA after lease payments and how that translates into what you might call a cash EBITDA, there is a 400 million gap there this year and it is up from just over 300 last year. I was just wondering when we should expect to see that fall and what are the core drivers of that difference? That is the first one.

Second one is just on the working capital, clearly a very strong working capital performance and I think an improvement of sort of eight days in the year, and maybe 16 days in the second half alone. Can you just explain the drivers of that working capital improvement and whether we should think about a sustainable?

Third one is just on Cdiscount, really strong profitability performance there. Just looking at the GMV growth of sort of 8%. Tracking below I think we saw Bol.com, a similar size business, last week showing around 50% growth in the year. I am just wondering what the drivers of that 8% and the difference there versus peers might be, and whether we could expect to see an increase in that growth rate?

The final one, I think it is the same question you always get, in terms of the ongoing asset disposal programme, can you give us any more visibility on the types of assets you are looking dispose and just remind us of the size of those disposals you have got left? Thank you very much.

Jean-Charles NAOURI

David should answer questions 1 and 2. I will answer question 3. I think that we’ve already answered question 4. David?

David LUBEK

First question around the gap between the EBITDA and the operating cashflow, there are two things there. First, the exceptional items, the restructuring costs and the other exceptional items, these have been going down in H2, you have the detailed numbers in the appendix of the presentation, page 40. These cash exceptional items, they went down from 214 million to 126 million EUR in H2 so 90 million drop. We expect the exceptional cost to continue to decrease very strongly in 2021 because the restructuring, the transformation has been mostly now done in H2; we did a lot of restructuring there. The return investments is very high if you look at around 100 million EUR restructuring costs and we generate with that 120 million EUR cost savings per year basically, so we think it is a very good return investment. Mostly now it is done so after Q1, we still have a few in Q1, it will be very low in Q2, Q3, Q4. That is why we guide on an increase in the operational cash flow.

The other elements below, one of these in the 200 that you see is just the compensation of the non-cash EBIDTA that we got in the real estate gains so if we had none of these, we would not have this kind of compensation anymore, so the kind of compensation we can see there is just the tax credits from donations from charities which should be stable and the headquarter costs which are actually going down. Overall, I would say the gap between the EBIDTA and the operational cashflow is going to decrease strongly in 2021.

In terms of working cap, it has been an ongoing effort to decrease the inventory level year after year since at least – we started that in 2018, in 2018 we had the “Gilet jaunes” impact at the end of the year which kind of disrupted what we did. In 2019, we did a rather good job, 160 million improvement in France and in ’20 it is a 250 million improvement if you just focus on France excluding Cdiscount, so again that is the main thrust of the decrease. You have other effects, for example in H1 we had a big increase in working capital because – we had a big increase in cashflow from working capital because we had very good sales. These are items that can go on – the idea is that in 2021 we will continue to reduce inventory, we cannot expect 300 per year obviously, but we expect to be still positive and we expect to have a contribution of the cashflow that it will be positive due to the increase of the operational cashflow and continued positive working capital.

Jean-Charles NAOURI

Cdiscount's retail sales have seen a moderate change. For us, the key thing is really the Marketplace. This is the change in strategic impetus that came about in 2020. So for us, the key thing is the growth of the Marketplace. This includes sales and the Marketplace, Marketplace GMV, the number of products sold on the Marketplace, and the number of customers who buy on the Marketplace. If there is one indicator to bear in mind above all others, it is Marketplace income. We believe that the 182 million euros of Marketplace income, which is growing significantly, represents Cdiscount’s value creation both now and in the future.

The companies you mention have quite incredible performances. There are other well-known companies in Eastern Europe, which are also listed on the market, whose focus is not on total GMV but really on the Marketplace and on growth in income from the Marketplace. This is really our strategy: Marketplace income, supplemented by digital marketing and Marketplace software sales abroad. Here once again, our focus is on the growth of the Marketplace.

It took us many years to get to this point, as Cdiscount needed sufficient traffic so that, basically, there was a kind of “snowball effect” that accelerates all on its own. We currently have many unique customers or visitors – between 22 and 25 million – depending on the month. So these unique visitors sustain the Marketplace. Sellers are satisfied because there are a lot of unique visitors. Sellers also come to the Marketplace, giving rise to a “snowball effect”. And it is this effect, this momentum, that we want to ramp up in 2021 more than the retail sale of products that are often commodities with zero profitability – assuming they are not actually in deficit.

Are there any other questions?

Thank you very much everyone. I wish you all a good day. Goodbye.