2021 full year results

I) Significant events for the Group in 2021

Jean-Charles NAOURI

Hello. Welcome to this call dedicated to Casino's 2021 annual results.

First of all, on page 2, a few introductory remarks: the health crisis affected key geographical areas for the Group, in particular Paris and south-eastern France. In this context, the Group profoundly transformed and has finalised its refocusing on the formats we believe are the most buoyant and structurally profitable, i.e. premium, convenience and e-commerce. The cost-cutting plans carried out during this period made it possible to lower the cost base and once again sustainably improve banner profitability. The execution of the disposal plan in France initiated in 2018, which totals €3.2 billion to date, slowed down during the health crisis. Cdiscount has profoundly transformed, shifting from a model based on direct sales to a model based on the marketplace and digital marketing, and to a decrease in direct sales, pending a significant launch in BtoB in 2022: Octopia.

In Latin America, the Group's geographies were considerably affected by the pandemic. The Group's brands have had to adapt to this situation. The structuring transactions carried out, Assaí spin-off and the disposal of GPA Assaí's Extra hypermarkets, now enable the Group to have the appropriate assets ready to pick up speed on their respective markets. In the current context, with the health situation normalising, the completion of the transformation plans and the continued expansion of the convenience formats and e-commerce enable the Group to aim for a return to growth in 2022. In view of the current outlook and available options, the Group is confident in its ability to finalise the €4.5 billion disposal plan in France by the end of 2023.

On page 3, you have the main figures. I will not comment on them one by one. We will see them in detail further on. I would simply call your attention to Group EBITDA in France: the margin line in percentage terms has been increasing regularly for three years, 8.3% in 2019, 8.8% in 2020 and 9.1% in 2021. The same was true for LATAM, where the EBITDA margin rose from 6.8% to 7%, then to 7.2%.

What are the highlights in France? The main information is refocusing on the most buoyant formats, which we believe are premium, convenience and e-commerce. These three now account for 76% of sales, up 16 points since 2018. EBITDA margin increased by 31 basis points to 9.1%, driven by the efficiency plans conducted over the past three years. The change thus amounts to 83 basis points compared with 2019. All banners are now profitable, or very profitable, particularly on the most buoyant formats. The Group now prioritises formats offering structural growth, convenience and e-commerce, in partnership with the European and global leaders, specifically Amazon, Ocado and Gorillas. In convenience, we opened 730 stores in urban areas, including Franprix, Naturalia, Monop, Marché d'à Côté, and suburban and rural stores, Vival, Spar, Petit Casino, Epicerie d'à Côté..

In food e-commerce, home delivery was up 48% over the year, well above the market, which was up by 25%, with strong leadership in Ile-de-France. We set up the partnership with Gorillas, which is now supplied by Monoprix. Lastly, as you know, we announced the signing of a partnership related to the development of Ocado's services in France. We launched the purchasing alliance with Intermarché last September. We are announcing today the extension to purchases of goods and services not for resale from April 2022. The disposal plan now amounts to €3.2 billion, with the finalisation of the sale of FLOA to BNP at the end of January for €200 million, the upward adjustment of the earn-outs of the Apollo and Fortress JVs for €118 million, the sale of 3% of Mercialys last year for €24 million and most recently 6.5% for €59 million.

As pertains to Latin America, you have the main figures on page 5. We can see that these figures are generally good or very good. For GPA, the year was mixed, insofar as it still included the hypermarkets that have since been sold to Assai, to be transformed into cash and carry stores. In these countries, the Group now has three assets that are perfectly suited to their respective markets and ready to drive growth. Grupo Exito, the leader in Colombia and Uruguay, to which we will return, and Assai, which is aiming for a gross turnover (including tax) of R$100 billion in 2024 in cash and carry. Let me point out that, in general, our figures stated tax-free, where this is a figure including tax. GPA, which is found on buoyant, premium, convenience and e-commerce formats in the most buoyant regions of Brazil, in particular Sao Paulo.

Exito posted excellent performance, with EBITDA up 20% to €333 million, i.e. a 9% margin, and trading profit up by 33% to €211 million. Exito confirmed its leadership in Colombia and significantly picked up the pace at the end of the year, with sales up 21% in Q4 and 7.5% for the year.

In Colombia, we can note the acceleration in sales of 16% in Q4, driven mainly by innovation in fresh foods and omnichannel. Trading profit increased by 32% in Q4 and by 43% year-on-year, driven by sales activity and property development.

In Uruguay, our profitability is excellent, with EBITDA of €59 million, margin of 10%, and an acceleration in sales of 7% in Q4, which now amounts to €600 million for the year.

Assaí now has strong forecast sales growth, as in 2021 we announced R$46 billion, a figure that is expected to almost double by 2024, thanks to the acquisition of 70 Extra supermarkets, previously owned by GPA. Assaí's EBITDA increased by 18%, to €489 million and the margin improved by 51 basis points. In 2021, 28 stores were opened. The total number of stores is now 212. The objective, as I indicated, is to achieve a gross turnover of BRL 100 billion, or approximately €17 billion, in 2024.

As far as GPA is concerned, GPA is now refocused on formats which we believe to be very promising, specifically premium, convenience and e-commerce, in rich areas, especially São Paolo.

Let us now turn to page 8 and detail the activity in France. As I stated previously, the business portfolio has been profoundly transformed in recent years. We are now positioned on buoyant formats, with 76% of our net sales generated on these buoyant formats, +16 points compared to 2018, and we can see the comparison with the market. Hypermarkets now account for only 20% of net sales. It should also be pointed out that half of these net sales is derived from rich and buoyant regions such as the French Riviera, Auvergne-Rhône-Alpes and the Bordeaux region.

On page 9, our priority is to speed up the major strategic plans listed above, with the acceleration of the expansion in convenience. We have opened 730 convenience stores since January 2021, in urban, suburban and rural areas. This is a development model based almost exclusively on franchising, and thus entails very low capital intensity for the Group. Furthermore, the expansion extends to all geographies, both urban and rural, with formats adapted to each catchment area. The Group’s performance, which was not in line with the market at the beginning of 2021, has now moved very close to the market, with the trend you see on the left, a change in Kantar market share. The table on the right shows the change in net sales on a same-store basis, which were down by -8.4% in Q2, -4.3% in Q3 and -3% in Q4. Over the last four weeks, as of Monday, we were at -1.6%. We will come back to this in detail.

We have further strengthened the features pioneered by the Group. As you know, we launched subscription services on Géant Casino and Casino supermarkets. Subscription services were also launched on Monoprix. As regards home delivery, which is a strategic priority for us, we now have partnerships with the three market leaders, Amazon for express delivery, Ocado for household shopping, and Gorillas for quick commerce. Lastly, we have continued to scale back the non-food spaces in favour of food and specialised non-food spaces.

On page 10, you see a focus on our subscription services. We launched them in 2019, offering a 10% discount for a subscription that costs a few euros per month. The Group currently has over 210,000 members, either Casino or Monoprix: in other words, the figure has doubled in the past year. Monoprix rolled out its subscription in September 2021 and has seen a significant increase in its number of subscribers over the last four months. For us, subscription is a way to strengthen customer loyalty, by giving banners significant price competitiveness thanks to the 10% discount. Note that subscribers in Géant and Supermarchés Casino spend on average four times more than unsubscribed customers.

On page 11, we have a focus on home delivery, which, as already stated, was up by 48%. It is a very dynamic market. The market is up 25%. We have strong leadership in Ile-de-France. And to continue this development in home deliveries, we have signed three partnerships, the history of which you can see on page 11. Today, we are partners with Amazon for express delivery, Ocado for household shopping, and Gorillas for quick commerce. We have also implemented many innovations, enabling a unique customer experience, with the development of various affinity offers, in particular commercial interface thanks to WhatsApp, the broadcasting of Live Shopping, the development of virtual reality products, and a presence on the metaverse.

On page 12, let's move to digital, which is distinct, as we see it, from e-commerce. Digital enables to achieve greater technological efficiency, thanks to digital tools. As you know, we have developed a digital customer journey, thanks to the Casino Max App, enabling customers to make completely digital in-store purchases: use of smartphones to access the catalogue, view the special offers, scan products, and pay. We now have 639 autonomous stores, able to open in the evening or on Sundays (vs 533 at the end of 2020). 63% of sales in the Géant hypermarkets and Casino supermarkets are made via smartphone or automatic cash register, a significant increase, at least in the supermarkets, compared to end-2020. As you know, we have significantly developed the customisation of our offers and data monetisation, with relevanC. Lastly, we continue to optimise operations using digital tools with the use of in-store AI tools, in particular to reduce product shortages using the real-time solutions Belive.ai and SES Imotag, and for logistics activities. We have also developed in-house AI expertise within relevanC. Lastly, we have announced two partnerships with Google and AWS.

On page 13, a word about our purchasing partnership with Intermarché: in September 2021, we launched the purchasing partnership AUXO. This is a long-term, five-year partnership with a broad scope: food purchases, non-food purchases, marketing of international services and monetisation of customer data. With a market share of 24%, AUXO is the second-largest player on the French market. It will make it possible to improve Group purchasing conditions with its major suppliers. In April, the partnership with Intermarché will be extended to purchases of goods and services not for resale.

On page 14, a word about Cdiscount. Cdiscount’s model has been completely transformed over the past two years, with the shift from a model based on direct sales to a model based on sales through marketplace, which account for a 50% share. The development of digital marketing, which increased by 75% compared to 2019, to 69 million euros. The start of B2B development, with Octopia. Octopia is expected to experience its full development in 2022. The customer indicators are all improving, with CDAV up by 20% compared to 2019. NPS was up by eight points vs. 2019, six points vs. 2020. Lastly, with regard to Octopia, B2B GMV has been multiplied by a factor of 3.5 over two years. A few days ago, we announced a contract with Rakuten. We are in negotiations for a series of contracts that will be announced in the coming weeks. Lastly, an agreement was announced between Octopia and Ocado to bring the Octopia Marketplace to Ocado customers.

On page 15, relevanC continues to grow in a highly buoyant business. In 2021, we launched Infinity Advertising, in partnership with Intermarché, to offer retail media and promotional targeting services for food brands, on a cumulative basis of 17 million profiles. We have launched the business in Latin America, in Brazil and Colombia. We have announced two partnerships with Google and Accenture, and with AWS. Lastly, a few days ago we announced a partnership with Everli, since Everli is now a client of relevanC.

On page 16, GreenYellow enjoys good momentum in the current environment, with very strong growth in the installed or under construction photovoltaic base at +31%, and in installed or under construction energy efficiency projects at +16%. You have the main figures on the slide. What you can see is that the context is very promising since a few years. Recent events confirm the buoyancy of all things related to energy efficiency and the development of photovoltaic base. We have announced new contracts in Eastern Europe; we have also announced a strategic partnership with Schneider Electric, as well as with Amazon. Lastly, we have raised €109 million with an institutional investor and established an €87 million syndicated credit facility to finance the development of the pipeline, which is currently extremely strong.

On page 17, a word about CSR. Casino's commitment to CSR has been recognised, in particular by Moody's, which ranked us Number 1 retailer and 8th-largest company in the world in its ESG ranking. We have committed to reducing our carbon emissions by 38% by 2030. In 2021, the Group's carbon emissions fell by -12%, -20% since 2015. At Monoprix, we opened the first low-carbon warehouse BREEAM Outstanding certified in France, with 25% of the electricity coming from a solar power plant installed on the roof. We have more than 480 low-carbon trucks. Lastly, as you know, we are active in responsible consumption, with organic sales of €1.2 billion, a Nutriscore displayed on 100% of Casino brand products, more than 1,400 plant-based protein products and, lastly, strong activity in the circular economy, with one telephone out of four on Cdiscount being reconditioned.

We also believe that we are an inclusive player, in favour of professional equality and diversity, with Top Employer certification at Monoprix and Casino, a Great Place to Work certification at Cdiscount, 41% of women in management positions at Group level, and more than 8,700 workers with disabilities.

I will now give the floor to David LUBEK, who will tell you about the financial results.

David LUBEK

Thank you Jean-Charles.

Some preliminary remarks on the main standards applied. The first point concerns the application of IFRS5 in 2020 and 2021 to reflect the discontinued operations at LeaderPrice, the disposal of which was completed in November 2020 and the stores of which were transferred to Aldi between November 2020 and September 2021.

The second point is the decision by the IFRS IC relating to the recognition of liabilities for certain post-employment benefits Applying this IFRS IC decision retrospectively, the accounts for the financial year 2020 have been restated.

Finally, in view of the disruptive effect of the pandemic on the years 2020 and 2021, marked by lockdowns, the closure of non-food shops and various access restrictions, we compare 2021 performance not only to 2020, but also to 2019, thus providing a baseline for the pre-Covid period.

Page 20: before examining the results by segment, a word on the changes in Group net sales in Q4. It was virtually unchanged on a same-store basis and rose by 7.7% over two years, driven by the good performance of Latin America. France recorded a -3% decline in net sales on a market that fell by 3.7% in the quarter, as we will see later. The decline in Cdiscount's sales compared to 2020 is explained by the high base in Q4 2020, marked by the closure of brick-and-mortar non-food shops. Over the two-year period, the volume recorded by marketplace, which is now Cdiscount's key business indicator, increased by 14.6% in the fourth quarter, reflecting the structural momentum initiated. Net sales in Latin America grew by +3.4% on a same-store basis and +17.4% over two years. We can note a strong recovery in sales in Colombia, +16% in the fourth quarter, reflecting excellent sales momentum as the pandemic receded.

Page 21: let's look at the Q4 net sales in France in detail. The fourth quarter continued the sequential improvement trend of previous quarters, with same-store sales improving by

1.3 percentage point compared to the trend in Q3. This improvement was seen in most of the formats, including hypermarkets, where the trend improved by +3.8 percentage points. While the market in Ile de France slipped by -5.6% in Q4, Monoprix was down by -2.8% and Franprix by -2% on a same-store basis, i.e. around 3 points better than their main market. These two brands with their significant presence in Paris thus improved sequentially by +1.3 points and +1.6 points in a temporarily difficult context, marked by the effects of the omicron variant and the absence of tourism. Focusing on total net sales, which also includes the impact of the expansion, we also see a steady improvement each quarter in 2021. The effect of the numerous store openings in the Casino convenience banners becomes clearly perceptible in Q4, with sales up by +3.5% and gross sales under banner up by +5%.

On page 22, the most recent trends, over the last four weeks as at 20 February, confirm the gradual improvement trend of the previous quarters. With an improvement of +1.3 points between Q3 and Q4, a further improvement of +1.4 points can be seen between Q4 and the last four weeks. The progress was particularly noticeable in the hypermarkets, where the net sales trend has improved by +7 points since Q3 to -1.5%, and in the convenience stores, delivering solid growth of +5.9% over the last four weeks. Lastly, regarding the convenience banners in the process of expansion, the key growth indicator is the gross sales under banner generated by all integrated and franchised stores. On average, growth in Franprix and Casino convenience banners was +5.1%, of which more than +10% for Casino convenience brands, the openings of which completed until the end of 2021 are now clearly reflected in 2022 volumes. This impact is likely to gain magnitude in the coming months with the effect of the new openings.

Casino convenience includes many banners such as Vival, Spar, and Casino Shop, tailored to new consumer trends and various catchment areas – rural or urban –, customer types and types of franchise partners. The diversity of these banners and the scale effect connected with the largest convenience network in France gives them great flexibility to deliver profitable growth. As regards Franprix, overall performance included a figure that is still negative in central Paris due to teleworking and the lack of tourism, but a positive figure in the rest of Ile-de-France and very positive in the other regions, where Franprix is now speeding up its expansion. There is strong demand for this qualitative and innovative banner, with franchisees ready to develop it into new geographical areas. As Jean-Charles reminded us, a return to growth is the objective of all our store managers, who are fully mobilised for the opening of the new franchise stores and the development of omnichannel.

Page 23, let's move to the profit by segment, starting with the France Retail segment. Net sales amounted to -2.6% over two years on a same-store basis, due to the effects of the pandemic for retailers with high exposure in the tourist and Paris regions. The drop in total net sales is of course explained by the asset disposals carried out over the period: Vindémia in 2020 and the Rocade Plan in 2019. On the so-called "Retail banners EBITDA" scope, which is defined as all our food banners excluding Vindemia sold in 2020, EBITDA amounted to €1,281 million, stable over two years. In a context that saw a reduction in net sales, this stability reflects an +83bp increase in the EBITDA margin, which now stands at 9.1%, following the efficiency plans carried out at all of the brands. All the banners, excluding hypermarkets, now post double-digit EBITDA, with hypermarkets recording positive EBITDA. Lastly, the trading profit margin of the French retail banners was 3.4%.

With regard to GreenYellow, there was an increase in EBITDA stemming from growth in the installed base. The decrease in trading profit is explained by the change in GreenYellow's business model, from a development-based model to a long-term photovoltaic asset holding model, which leads to more significant investments and thus an increase in depreciation. This growth model, which guarantees long-term value creation, is financed by the own resources of GreenYellow, which this week announced the raising of nearly €200 million in new financing.

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. 2020 was an exceptional year for Cdiscount, in the context of the successive lockdowns and closure of non-food stores as a result of the pandemic. Compared to 2019, which makes it possible to smooth out this effect, the key indicators confirm Cdiscount's structural shift towards a more profitable business mix, based on marketplace growth, digital marketing and B2B rather than direct sales. Over two years, there was a +22% increase in marketplace GMV, with a nearly seven-point increase in its contribution to total GMV, 38% to 45%, an acceleration in digital marketing to +75%, and a -7.6% reduction in direct sales, consistent with the adjustments made to the model. This positive development in the mix led to a +170 bp increase in the EBITDA margin and a +54% increase in EBITDA over the same period. Lastly, the growth in Cdiscount's trading profit reflects the impact in 2021 of additional amortisation linked to investments made in its subsidiary Octopia, which offers turnkey marketplace services drawing on its technological resources, its catalogue of 14,000 sellers and 100 million products. The development of this subsidiary, together with the marketplace and digital marketing, is a major long-term growth driver for Cdiscount.

Let us move on to Latin America, on page 25. GPA and Assaí published their results on 21 and 23 February, and the details of their performance and activity are provided in their press releases. I will highlight the salient points. Once again, Assaí surged significantly: (+17% year-on-year and +51% over two years at constant exchange rates), in connection with an accelerated expansion dynamic, with EBITDA and trading profit improving on the same scale. Assaí opened 28 new stores in 2021, bringing its total number of shops to 212. This opening pace will pick up further in 2022 with the conversion of 40 Extra hypermarkets from this year, along with the opening of ten shops. Assaí aims to reach BRL 100 billion in gross sales by 2024, and the recently-published figures confirm the relevance of the project to convert Extra hypermarkets in view of the success of the 23 conversions carried out previously. On these conversions, turnover has increased threefold, and profitability is +150 basis points higher than the average for other Assaí stores.

GPA, in Brazil, posted mixed performance during the year with a decline in turnover and profit mainly related to the hypermarkets now sold to Assaí or being converted to Pão de Açúcar and Supermercado Extra. GPA is now positioned on more buoyant formats such as premium, convenience and e-commerce.

Lastly, Grupo Éxito has delivered excellent performance since the second Half of 2021, with strong recovery in sales growth and EBITDA, both up over 20% in the fourth quarter. This performance was also driven by the real estate activities. EBITDA increased by +33% year-on-year after stagnating in 2020 due to the pandemic situation.

In total, trading profit excluding tax credits in LATAM rose by +7.9% year-on-year and +34% over two years at constant exchange rates. Total trading profit rose by +42% over two years at constant exchange rates. Over one year, at current exchange rates, trading profit fell due to a lower level of tax credits than in 2020, €28 million compared with €139 million, and a negative currency effect of -€48 million.

On page 26, normalised net income Group share amounted to €94 million in 2021 and diluted net earnings per share to 54 cents. Compared to 2020, this fall is mainly due to non-operational effects. The drop in tax credits, property development and foreign exchange explains the decreased in trading profit, while the increase in financial expenses is mainly due to the reduction in tax credits booked as financial income in Latin America and a one-off expense in France of €38 million, mainly non-cash, linked to the accounting impact of the refinancing of the Term Loan B in the 1st quarter of 2021.

Page 27: after the income statement, let's move on to our usual focus on cash flow and debt in France. First, a reminder of the achievements under the disposal plan: total disposals have amounted to €3.2 billion since June 2018. This plan has enabled us to sell mature real estate assets, to speed up GreenYellow's growth by bringing new investors into its capital, and to refocus our French retail business on profitable formats with the disposal of Leader Price. As we announced in March 2020, the plan's execution slowed down during the pandemic. We have nevertheless totalled €400 million in disposals since early 2021, the bulk of which will be received in 2022: Floa Bank for €200 million in total (plus a potentially significant earn-out to be received in 2026), Mercialys for €83 million and the earn-outs from the real estate JVs with Apollo and Fortress, where progress on asset re-sales has allowed us to secure €118 million receivable.

As in the past, we will not be commenting on the assets under discussion but we are sufficiently confident, given the various options available to us to finalise this plan, to confirm the target of €4.5 billion of asset disposals in France which requires an additional €1.3 billion of disposals, and to set a completion date of no later than the end of 2023.

On page 28, the table shows the free cash flow for France scope, including Cdiscount and excluding GreenYellow. This presentation is consistent with the scope of our covenants and financing arrangements, as GreenYellow has its own resources. Operating cash flow, which is our structural cash generation, has increased by €42 million over two years. The reduction compared to 2020 is mainly due by Cdiscount, which experienced, as we emphasised, an exceptional year in 2020. It should also be noted significant exceptional expenses over the period, stemming from the transformation plans carried out. These exceptional expenses are decreasing and are due to plans that have made it possible to permanently increase the profitability of our banners, with a reduction in their cost base.

Our CAPEX has remained stable compared to 2019: we have, as we indicated last year, financed our expansion within a contained CAPEX budget, as the expansion is being carried out mainly in the franchises. The same will be true in 2022.

Lastly, cash flows this year were marked by a temporary effect due to the year-end WCR, which is explained by two factors. First of all, an impact of around -€90 million on the France Retail banners, due to strategic precautionary stockpiling in a context of tension on the supply chains and anticipated inflation. Next, there was a business effect of around -€40 million on France Retail and -€40 million on Cdiscount, linked to lower-than-expected sales, which generated excess inventories. These temporary effects at the end of 2021 are, of course, expected to reverse in early 2022 as excess inventory is cleared.

For 2022, all the store managers are of course fully mobilised on cash flow generation, in relation to the growth initiatives mentioned previously, and strict discipline on costs, CAPEX and WCR.

On page 29, the table shows the Group’s net debt by segment. I will not go into the details of the data already published by our Latin American subsidiaries and by Cnova. The increase in the net debt of Assaí, which is a highly cash-generating business is of course due to the first payments made in connection with the acquisition of the Extra hypermarkets.

On GreenYellow’s scope, the subsidiary went from a net cash position of €122 million in 2020 to a debt position of €34 million at the end of 2021. This change is explained by GreenYellow’s investment strategy, consistent with its transition to an “infrastructure” model, which assumes raising project debt on a non-recourse basis. These investments, a source of long-term value creation, are financed strictly by Green Yellow’s own resources, without any contribution from Casino.

On page 30, let us move on to the details of the change in net debt at France Retail. It increased from €3.7 billion to €4.4 billion in 2021. This increase is mainly due to transitional factors: the WCR effect already mentioned, which is expected to reverse in 2022, exceptional expenses stemming from the Group's transformation plan and lastly the operational and WCR losses of Leader Price, the last stores of which were transferred to Aldi in September 2021. These losses, already commented on at our half-year results, are rooted in the transitional period during which the stores were operated by Casino, pending their conversion. All the stores concerned were converted to Aldi at the end of Q3.

Excluding these effects, net cash flows after financial expenses were close to balance. Cash flows are expected to increase from 2022 onwards with the reversal of the WCR effects mentioned above, the resumption of growth in profitable formats, the reduction in exceptional expenses in connection with the end of the transformation plans and the future reduction in financial expenses, in connection with the resumption of debt reduction and the completion of the disposal plan.

On page 31, the bond maturity schedule as at 31 December 2021 includes 5.1 billion in bonds and Term Loan B. Over the year, the Group actively managed its debt. We carried out several bond buybacks on the 2023, 2024, 2025 and up to 2026 tranches, as well as two refinancing transactions including the extension to 2025 and the loan top-up of the Term Loan B, as well as the issuance of an unsecured bond maturing in April 2027. This has enabled us to significantly improve our maturity profile. As you can see, the amount of the remaining maturities 2022 and 2023 is less than the sum of the funds available in the escrow account as at 31 December 2021 and the disposals already cashed in 2022.

Page 32: a few words on liquidity in France. The Group had €2.6 billion in liquidity in France as at end-December 2021, including €2.051 billion in confirmed undrawn credit lines and €562 million in cash or cash equivalents, plus €487 million in cash in the two segregated accounts. As indicated in the first Half, we extended the maturity of our liquidity mechanism this year, since last June we have €1.9 billion in lines maturing in 2026 instead of an initial maturity of October 2023 for this same syndicated loan. Our liquidity is therefore guaranteed over time.

Page 33: to conclude the financial part of this presentation, a word about our covenants. Our main syndicated loan has two covenants, a secured gross debt to EBITDA ratio and an EBITDA to net finance costs ratio. Both covenants are met as at 31 December 2021, with a comfortable margin equivalent to €178 million of EBITDA on the former and €55 million of EBITDA on the latter. Excluding one-off financial expenses of €38 million from the refinancing already mentioned in the first quarter of 2021, the margin on the second covenant comes to a comfortable level of around €150 million on EBITDA. The impact of this refinancing will of course no longer have an effect on the calculation of the covenant from the first quarter of 2022.

Jean-Charles NAOURI

Thank you, David.

To conclude, as the formats are all profitable, our priority now is organic growth. In 2021, we completed the repositioning on the buoyant and profitable formats. In 2022, as the health situation normalises, our priority is to regain growth momentum by capitalising on differentiating assets and innovative services: convenience formats, with a target of more than 800 openings, mainly through franchising, and lastly, confirming our leadership in e-commerce, particularly in home delivery, thanks to partnerships with Ocado, Amazon and Gorillas.

We aim to maintain a high level of profitability and improve cash flow generation. Finally, as indicated, we confirm the €4.5 billion disposal plan in France and, in view of the various options available, we confirm our confidence that this plan will be fully implemented by the end of 2023.

Thank you. We will now be able to answer your questions.

Speaker

Thank you.

Ladies and gentlemen, if you would like to ask a question, please dial 01 on your telephone keypad.

We have a first question from Mr Arnaud JOLY, from Société Générale. Please go ahead.

Arnaud JOLY, Société Générale

Good morning. I will ask my questions in French.

The first is as follows: you are speeding up the opening of convenience stores. Can you provide an update on these stores, and in particular on their upsurge in terms of turnover and profitability? I'm referring in particular to the profitability of the franchisees themselves, and not just yours.

The second question is the following: can you provide the same-store trends in France on a year-to-date basis, and not just over the last four weeks?

Lastly: can you go back over the non-recurring expenses in France? The amount is higher than initially expected. What gives us reason to believe that the non-recurring expenses will decrease next year and that we are at the end of the process of transforming the banners in France?

Thank you.

Jean-Charles NAOURI

So, a word about the franchise. As you know, we have a variety of formats in franchise, quite large in number, with many banners, because, in essence, we believe in customer segmentation in this area. Consequently, we have urban and suburban brands, Franprix being the best-known of course. Franprix stores are found inside Paris proper, but above all in the Paris suburbs, across Ile-de-France, which is a fast-growing market. As much as Paris proper has been affected by the Covid, the suburbs are posting very strong demographic growth and consumer trends. The second brand is Marché d'à Côté. We also have Monop', of course, which is a distinct brand. Lastly, for small-town or rural targets, we have SPAR, Vival, Petit Casino, Épicerie d'à Côté, and lastly, what we call "corners", which are small food corners. Taking all these formats and brands into account, we opened 700 to 800 stores. We forecast a significant acceleration in 2022.

Are these formats profitable? For us, absolutely, as franchisors. For the franchisees, our perception is that these formats are also either very profitable or quite profitable. The perception that we have is thus that there is strong demand on the market, basically, on a significant extension of the number of convenience stores in France. In the long term, we can see that these convenience stores meet both a consumer need, an obvious one, as the demand is there, but also a potential synergy with e-commerce. The vision, ultimately, is to converge the convenience stores and convenience e-commerce. This is the vision we are trying to develop in 2022. In any case, we are already seeing significant growth in legacy Casino convenience stores gross sales under banner.

David LUBEK

On the other two points, we provided the 4-week figure, as it is the one we see as the most indicative of current trends. Obviously what we saw – and you saw it between Q2, Q3, Q4 and the present – is a sequential improvement. January was midway between Q4 and now, and we can assume that it will continue in this direction.

As regards non-recurring expenses, it is true that they remained at a fairly high level in 2021, in relation to the transformation that we carried out. This includes in particular the entire digital transformation, not only in stores, but also upstream, which has led to a number of costs. There has also been a logistical reorganisation, which we implemented to further optimise our costs last year. Obviously, these non-recurring expenses are offset by a reduction in our long-term costs: this is how we were able to improve our EBITDA margin by +83bp over two years. There is therefore a lasting gain, in the face of a one-off cost. The objective is now as follows: we have almost finalised these transformation periods, even if there may still be a few. In the past, we have experienced very low levels of non-recurring expenses: we were at less than €50 million before 2015. We have embarked on a number of transformations, and today, in the stores, we can say that, with 65% automatic check-out, we are at the right level. It is thus our view that the bulk of the work has been completed.

A speaker

Thank you, sir. Our next question comes from Mr Nicolas CHAMP, from Barclays. Sir, please go ahead.

Nicolas CHAMP, Barclays

Good morning. Thank you for taking my questions.

The first concerns rents. I am referring in particular to the table on page 28 of your *free cash flow* in France. Could you specify whether these rents are indexed to inflation? How do you see this rental line developing in 2022, given the expected acceleration in inflation?

The second question concerns your financial expenses, which are growing quite sharply in France, but also internationally. Can you also give us a little bit of colour on how you see your financial expenses developing in 2022? Can we, perhaps, hope for a decrease?

My third question concerns the new partnership that was announced recently with Ocado. Could you go back over the reasons that prompted you to agree to lose the exclusivity of using the Ocado platform in France? Do you find that, ultimately, the technology was not as differentiating as it was compared to the competition? Was it the rise of *quick commerce* players that prompted you to make this decision?

Finally, my very last question is: how do you see your operating expenses in France developing, and in particular staff costs? Some of your competitors have already announced having signed with trade unions for wage increases of around 3%. This is more or less what we also see in other industries. Could you also give us a bit more colour on how you see your personnel costs, your personnel expenses, developing, in particular in France, for this year 2022? Thank you very much.

David LUBEK

With regard to these various points, Nicolas, I will first of all come back to the indexation of rents. There are various reasons for indexation, but what we do above all every year – and we have been doing it for a long time – are regular negotiations with our lessors. The reality is that in the past we have often managed to secure rent reductions. In an inflationary context, it is probably easier to negotiate with the lessor on this kind of topic than in a deflationary context. We are therefore not particularly worried about our rents: every year, we actively negotiate on a number of these situations. We do not anticipate any significant increases in this respect.

On financial expenses, and as I noted earlier, the increase in financial expenses which you observed in 2021 is essentially due to one-off items. In France, there was the non-cash charge due to the refinancing, but which was a very good operation, because it enabled us to optimise the debt maturity schedule. Obviously, in the future, what we are aiming for in France is a reduction in both the level of debt and thus the level of financial costs. This will take place at the same pace as our debt reduction efforts, because less debt means less financial costs, and less debt means refinancing at lower rates, which is what we have started to do on our latest unsecured refinancing. The aim is to bring them down. As for Latin America, I refer you to the communication from the different subsidiaries which commented on the situation. What we look at more closely, in particular of course, are our financial expenses in France.

As for the Ocado partnership, it is not a loss of exclusivity for us.

Jean-Charles NAOURI

On Ocado, we can say that we are very satisfied with the partnership. We are now convinced that the efficiency that Ocado gives us is quite unique in terms of costs and warehouse preparation. These are highly-automated systems. The new partnership with Ocado thus enables us to deploy these CFCs throughout France, making it possible to saturate the CFCs by bringing in other partners: now, any CFCs not saturated or efficient will be so thanks to the proposal made to other players. Lastly, this also reflects a development which perhaps, you are seeing in our Group, which consists, whenever possible, of moving from B2C to B2B. This is a strategic direction which we see as the right one: we know that B2C is subject to very high competitive pressure, and if we can move to a position as service provider and B2B player, it is preferable.

With regard to personnel costs, it is a bit early to talk about it in detail. The yearly discussions are underway. We are very grateful to all the Group employees for what they did in 2021, and also in 2020. We are aware of their expectations, and will do everything in our power to meet these expectations and to confirm the climate, which is currently very good, so that we can take on the period of growth that is opening up with a conquering spirit. It is in this spirit that the annual negotiations are being negotiated. What we can say today is that our personnel costs are at a level which we consider to be entirely satisfactory. When we compare our various competitors, we see that we have a level of personnel expenses that has been significantly reduced thanks to the various efficiency plans carried out over the past few years, in particular on check-out automation, on product scanning, etc. We have now reached a level that is satisfactory. The aim of the annual negotiations will thus be to confirm the social climate, which is currently quite satisfactory.

Speaker

Thank you, sir. Our next question comes from Xavier LE MENE of Bank of America. Sir, please go ahead.

Xavier LE MENE, Bank of America

Thank you. I have two questions.

The first is as follows: Casino has left the hypermarket format in Brazil – or at least will be doing so under its plan. I wanted to know whether this might lead to reflexion in this segment in France. What is the strategy for hypermarkets in France over the next five years?

Furthermore, there are many rumours today about the potential reconfiguration of the market in France, with potential mergers or consolidation. What is your view of the possible reconfiguration of this market?

Jean-Charles NAOURI

In Brazil, yes, we have left the hypermarket segment. It is fairly widely-recognised that, in Brazil, *cash & carry* is very buoyant, while hypermarkets are not quite so. Ultimately, the Brazilian market is a very mixed landscape, in which it was clear that the Extra hypermarkets needed to be transformed into Assaí *cash & carry*. That operation has now been completed. We believe it will create a great deal of value on both sides. For Assaí, it will enable net sales to double in three years. Meanwhile, GPA will be able to exit a segment that was struggling. As a result, we will have two entities, one with strong growth and the other with profitability, perfectly positioned for the Brazilian market.

In France, as you know, we have a sold a few stores, a few hypermarkets. Our vision of the hypermarkets segment has been known for quite some time now, for more than 10 years: we have stated our perception of what this segment is experiencing and that it is not a buoyant segment for us. Today, however, out of the 20% of our net sales which we continue to derive from hypermarkets in France, more than half are in extremely buoyant areas, where the shops are very profitable. When you have a hypermarket in Saint-Tropez, yes, it is a hypermarket, but it is above all Saint-Tropez. In reality, our hypermarket segment is ultimately a banner that is now profitable. It is admittedly less profitable than the supermarkets, less profitable than Monoprix or Franprix, but still profitable. We do not currently have any specific plans for our hypermarkets in France, aside from working on them to improve their profitability and adaptation to the market.

With regard to your question on possible consolidations, I would say that there are no particular comments to make.

Moderator

Thank you, sir. The next question is from Robert Joyce of Goldman Sachs. Sir, please go ahead.

Robert JOYCE, Goldman Sachs

Hi. Actually, just one question from me – I hope it has not been asked already – but GreenYellow recently, I think it was in the press, as having announced some financing, including convertible debt. I was just wondering if you could help us understand what the valuation of GreenYellow was used to calculate that particular instrument?

Thank you.

DAVID LUBEK

Thank you, Rob. Since this is a private deal with Farallon Capital and implying GreenYellow, the amount, the valuation, the underlying valuation is not disclosed – but you can assume that it is substantially higher than the previously run evaluation that was used when Tikehau and Bpi went in. The deal was validated by all shareholders, so it was a substantially higher valuation. It is a private deal and we cannot disclose it.

Moderator

Thank you, sir. The next question is from Mr Clément GENELOT, Bryan Garnier. Sir, please go ahead.

Clément GENELOT, Bryan GARNIER

On covenant, we clearly saw that, at the end of 2021, you still had space left. We also know that the seasonality of the debt is much harsher at the end of Q1. In your opinion, what are the factors that will make it possible to fulfil the *covenant* at the end of Q1? Is this based solely on receiving cash from the sale of FLOA and any *earn out*, or are you hoping that EBITDA will improve by the end of Q1?

My second question is about inflation. I understand that discussions are underway. Nevertheless, if we recall what is happening in the rest of the market, we know that there will be additional costs embedded in the P&L. Do you have any plans to develop a new cost-cutting plan to offset them, and thus to preserve the margin, or should we have in mind that there will be a negative impact on the margin in 2022?

David LUBEK

On the first question, we are of course entirely confident about the level of margin coverage on our *covenant* in Q1. Compared to last year, it's true that, usually, there are negative variations in Q1 on cash, and then positive ones. You need to have in mind that, compared to last year, we have quite a few items on which we have improvements. Of course, we have the cash from the disposals, FLOA and Mercialys, but also we no longer have the *cash burn* from Leader Price, which weighed quite heavily (300 million last year in the First Half). Lastly, we have the reversal of the WCR effects: we mentioned that there was €170 million if we combine Casino and Cdiscount at the end of the year, which will be reversed for the most part in the first quarter. As a result, we have quite a good amount of cash resources, so we obviously expect something that will be substantially better than usual in Q1. Looking ahead as well, we of course have our forecasts, and every quarter we aim for a comfortable margin on *the covenants*.

Jean-Charles NAOURI

With regard to inflation, it is true that the context is inflationary. However, as you saw, we now have a purchasing agreement with Intermarché. Our supplier negotiations are thus carried out with Intermarché. We are now the second-largest purchasing centre in France:

consequently, we are fairly confident that the price increase will be relatively decent. We have thus not planned any particular cost reduction plan at this stage. We now have a fairly thrifty internal culture: we are going to continue this. It is important for us to have very low costs, everywhere and all the time: we believe very much in efficiency. There is no specific plan to counter market price increases, though. We think that the agreement with Intermarché allows us to have fairly decent conditions.

Speaker

Thank you, sir. There are no further questions.

Jean-Charles NAOURI

Thank you. A very good day to you.

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