





2Q16 Results

July 28, 2016







2Q16:

Net sales: **R$ 16.7 billion**

Adjusted EBITDA[(1)]: **R$ 760 million**

Number of stores: 2,113



(1) EBITDA adjusted for Other Operating Income and Expenses

Net sales reach R$16.7 billion, driven by 8.7% growth in the food segment

- **Solid performance by Assaí, with sales growth of 36.9%**

- **Improved sales trend at Multivarejo:**
  - Significant recovery by the Extra banner
  - Strong growth in Proximity banners
  - Maintenance of market share in Pão de Açúcar

- **Resumption of sales growth at Via Varejo, resulting in consistent market share gains**

- **Consolidated adjusted EBITDA of R$760 million, with margin of 4.6%:**
  - Remarkable EBITDA[(1)] growth of 117.4% at Assaí
  - EBITDA[(1)] growth of 50.8% at Via Varejo

- **Continuation on expansion plan in higher-return formats:**
  - Inauguration of 9 stores in the quarter: 7 in the Food segment and 2 in the Non-Food segment
  - Openings in new markets: Assaí (Manaus, Amazonas) and Pão de Açúcar (Salvador, Bahia)
  - 7 Pontofrio stores converted to Casas Bahia stores.
  - 10 Assaí stores currently under construction, including 2 Extra Hipers in the process of conversion to Assaí

Key figures

R$ '000	Consolidated 2Q16	Change vs. 2Q15	1H16	Change vs. 1H15
Net Sales	**16,684**	**+3.5%**	**34,458**	**+3.4%**
Gross Profit	**4,243**	**+9.8%**	**8,157**	**+1.9%**
Gross Margin	25.4%	+140bps	23.7%	-30bps
SG&A	**-3,541**	**+11.8%**	**-6,994**	**+10.1%**
SG&A (% net sales)	21.2%	+150bps	20.3%	+120bps
EBITDA[(1)]	**760**	**-1.0%**	**1,286**	**-27.9%**
EBITDA Margin[(1)]	4.6%	-20bps	3.7%	-170bps
Net income (loss) – Company	**-583**	**n.a**	**-739**	**n.a.**
Net margin	-3.5%	-340bps	-2.1%	-280bps
Net income (loss) – Controlling shareholder[(1)]	**3**	**-97.9%**	**-6**	**n.a.**
Net margin[(1)]	0.0%	-80bps	0.0%	-110bps

- **Gross margin** of 25.4%: business mix effect and recognition of tax credits. Excluding the effect of these credits, gross margins of the businesses had the following behavior:
  - **Assaí**: gross margin stable (~13.8%)
  - **Multivarejo**: -160 bps due to efforts to drive competitiveness efforts concentrated at Extra
  - **Via Varejo**: -70 bps due to efforts in competitiveness, compensated by greater efficiency in service delivery
- **Increase in SG&A** due to the business mix effect: **Assaí:** +33.1% from store expansion **| Multivarejo:** + 7.9%, lagging inflation **| Via Varejo:** +10.1%, impacted by the end of tax relief on payroll
- **Adjusted EBITDA**: R$760 million and margin of 4.6%, stable compared to 2Q15
- **Other Income and Expenses**: R$481 million, mainly related to: additional provision for tax contingencies (R$184 million), Cnova investigation (R$127 million), restructuring (R$75 million) and result from property, plant and equipment (R$57 million)

(1) EBITDA adjusted for Other Operating Income and Expenses

Net debt and financial result

Net Debt

- **Financial strength:**

- Cash position of R$3.7 billion, in addition to approximately R$ 2 billion of receivables not advanced, with immediate liquidity if necessary
- R$1.350 billion in pre-approved lines of credit

- **Variation in net debt[1] by R$1.6 billion due to:**

- Payment to Morzan and others, amounting approximately R$400 million
- Deterioration of Cnova's debt by R$1.1 billion (R$600 million in EBITDA and R$500 million in Working Capital)

(R$ million)	2Q15	2Q16
Net Debt[1]	(1,639)	(3,295)
Net Debt[1] / EBITDA[2]	-0.37x	-1.83x

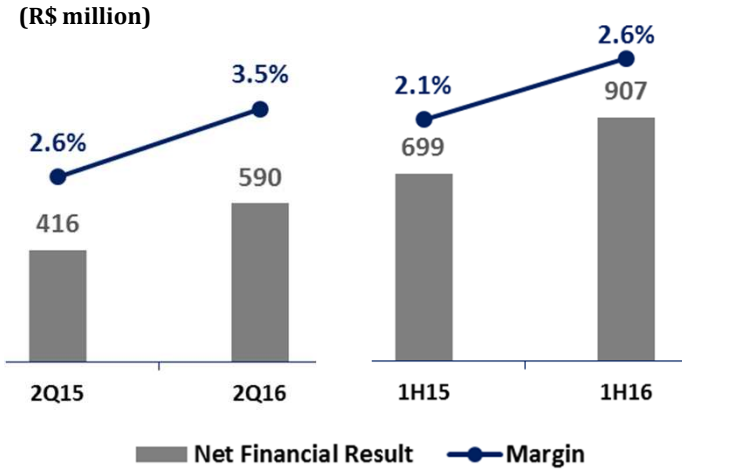
(1) Includes debt with the payment book operation of Via Varejo and the balance of approx. R$2 billion of receivables not advanced in 2Q16 and R$158 million in 2Q15

(2) EBITDA of last 12 months.

Financial Result

- **Increase of 29.8% in 1H16 (vs. average CDI increase of 13%):**

- Increase of 40% in bank debt charges: lower average cash balance and specific payments related to Multivarejo
- Increase in the cost of advancing of credit card and payment book receivables lagging the increase in CDI: lower sales of non-food products and R$2 billion of receivables not advanced
- Variation in Other Assets and Liabilities: (i) negative impacts in 1H16 due to expenses with guarantees, interests and fines, in addition to the negative effect of Cdiscount; (ii) positive impact in 1H15 from the monetary restatement of taxes recoverable and restatements of real estate projects



Multivarejo

2Q16:

Net sales: **R$ 6.4 billion**

EBITDA[(1)]: **R$ 384 million**

Number of stores: **1,041**

Pão de Açúcar	184
Minimercado Extra	230
Minuto Pão de Açúcar	67
Extra Hiper	135
Extra Super	194
Drugstores	155
Gas Stations	76



Improved sales trend and gradual increase in food volume

Multivarejo:

- **New commercial dynamics launched in the Extra banner reinforce the image of competitive daily prices**
- **EBITDA[(1)]: R$384 million, with margin of 6.0%**

  - Gross margin expansion due to the recognition of tax credits

  - SG&A growth below inflation: optimization through the revision of processes and operating improvements at stores
- **Optimization of store portfolio**

Extra:

- **Gradual acceleration of the recovery in sales and food volume through new promotional dynamics:**

  - 1,2,3 Savings Steps: progressive discounts (20% on the 1st unit to 33% on the 3rd unit). Launched in April
  - Hyper-fair: everyday competitive prices for Fruits and Vegetables. Launched in May
  - The Cheapest: cheapest price for everyday products. Launched in June
- **Promotional strategy already resulting in efficiency gains:**
  - Improvement in store productivity
  - Reduction in shrinkage and stockout levels
  - Optimization of logistics
  - Rationalization of marketing expenses
- **Progressive increase in supplier engagement in the actions**
- **Focus on increasing volume and customer satisfaction in order to recover market share**

(1) EBITDA adjusted for Other Operating Income and Expenses

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Pão de Açúcar:

- **Maintenance of market share and high profitability level**
- **Focus on satisfying the needs of customers**:

  -New tools to improve customer service
- **Continuous improvement in assortment and products/services:**

  - Monthly wine subscription ('Viva Vinhos')
  - Pão de Açúcar Delivery grew 18% in 2Q16
- **'Mais Program' reached a historical milestone:** more than 4 million customers, with intensification of individual digital communication with customers.

Proximity:

- **Maintenance of same-store sales growth at double-digit levels, with significant market share gain**
- **Continuation of expansion plan:**
  - Priority to Minuto Pão de Açúcar (higher return), with 5 new stores in 2Q16
  - Increase profitability through economies of scale and process improvements

(1) EBITDA adjusted for Other Operating Income and Expenses

ASSAÍ
ATACADISTA
DESDE 1974

2Q16:

Net sales: **R$ 3.3 billion**

EBITDA[(1)]: **R$ 168 million**

EBITDA Margin[(1)]: **5.0%**

Number of stores: **97**



Strong same-store sales growth and significant organic expansion: higher share of the format within GPA

- **Acceleration of net sales growth, at 36.9%:**
  - Double-digit same-store sales growth, significantly above inflation
  - Increased customer traffic
  - 10 stores opened in the last 12 months
  - Format with the largest share of the Food segment (34% in 2Q16)

- **Gross margin expansion of 160 bps** supported by maturation of stores, evolution in the client mix and positive impact of tax credits

- **Reduction in SG&A as a percentage of net sales of 30 bps** through disciplined control of expenses and increased operational leverage

- **Adjusted EBITDA of R$168 million, outgrowing sales in the quarter (117.4%)**

- **Net income growth of 57.3% to R$38 million**

- **Continuous organic growth:**
  - Opening of the 1st store in the North region (Manaus)
  - 10 stores under construction, including 2 Extra Hiper stores in the process of conversion to Assaí

(1) EBITDA adjusted for Other Operating Income and Expenses

viavarejo

2Q16:

Net sales: **R$ 4.3 billion**

EBITDA[(1)]: **R$ 375 million**

EBITDA Margin[(1)]: **8.7%**

Number of stores: **975**



Resumption of sales growth combined with consistent market share gains

- **Sequential improvement in same-store sales as result of projects rolled out and competitiveness strategy:**
  - Market share gains in Specialty and Total markets: levels similar to the highest ever recorded in VV's history

- **EBITDA[(1)] Margin of 8.7% supported mainly by:**
  - Positive impact of the growth of telephone and services categories, in addition to tax credits
  - Negative impact of the end of tax relief on payroll and collective bargaining agreements
  - Maintenance of other selling general and administrative expenses at levels similar to in 2Q15

- **Solid financial position and healthy capital structure in an environment of greater uncertainty:**
  - Reduction in gross debt by R$763 million
  - Higher net cash position and financial hedge
  - Increase in average cost of sale of receivables in the first half of the year, though below CDI growth in the period

- **Lower delinquency level compared to 2Q15, in line with 1Q16:**
  - Continued investments in approval and collection tools to minimize loan risks
  - Improved client segmentation by risk, with lower approval rates for the higher-risk band

(1) EBITDA adjusted for Other Operating Income and Expenses
(2) Includes the balance of credit card receivables not discounted in the period

Cnova

CDISCOUNT & NOVA PONTOCOM

GMV: **R$ 1.6 billion**

Share of marketplace: **16.6%**



Progress in Cnova Brasil operations

Cnova BR: Increase in share of marketplace to 16.6%, up 780 bps from 2Q15, with over 3,500 salespeople. **Increase of 21.4% in traffic, totaling 257 million visits (mobile reached 43.6% share), through operating efforts in 2Q16:**

- **ERP implementation**
  - Problems with delays in deliveries and customer service were addressed. SLA is already normalized
  - New system offers greater flexibility and adaptability
- **Logistics**
  - Greater synergy with VV, leading to lower costs and better service levels
  - Reduction in stockout levels to 8% in top-selling products
- **Platform**
  - New and more efficient internal search tool
  - Increase of 46% in SEO vs. previous year

Priorities for 2016:

- **Operational excellence**
  - Reduction in stockout
  - Focus on SEO growth
- **Improvement in customer service**
  - Improve buying experience and mobile channel
- **Expansion of marketplace**
  - Expand the sales team



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Forward-looking statements

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