





GPA

3Q16 Results

October 28, 2016







3Q16:

Net sales: **R$15.1 billion**

Adjusted EBITDA[(1)]: **R$619 million**

Number of stores: 2,089



Net sales R$15.1 billion, driven by sharp acceleration in growth at Assaí, the start of a recovery at Extra, and growth above the industry average at Via Varejo

- **Extra's new strategy proves effective: recovery in sales, volume growth and market share gains**
- **Assaí's total sales growth accelerates to 45.7%, with double-digit same-store sales growth**
- **Via Varejo's same-store sales outperform the industry average (PMC), supporting market share gains**
- **Consolidated EBITDA[(1)] of R$619 million with margin of 4.1%, representing improvement over 2Q16 (excluding tax credits):**
  - Growth of 140 bps in Multivarejo's EBITDA margin from 2Q16 (excluding tax credits), driven by 230 bps EBITDA margin expansion at Extra stores
  - Solid performance at Assaí, with EBITDA growth of 62.2% and margin expansion of 40 bps
  - Via Varejo's EBITDA margin expands 140 bps to 3.6% (excluding tax credits), reflecting its capacity to adapt to market conditions
- **Company's financial position remains solid:**
  - Solid position of R$5.2 billion in instruments with immediate liquidity[(2)]
  - R$1.3 billion in pre-approved/confirmed credit facilities
  - Reduction in net debt from June 2016 at brick-and-mortar businesses

(1) EBITDA adjusted for Other Operating Income and Expenses
(2) Includes unsold credit card receivables of R$1,824 million in 3Q16.

Key numbers

R$ '000	Consolidated 3Q16	Consolidated Change vs. 3Q15	Food 3Q16	Food Change vs. 3Q15	Via Varejo 3Q16	Via Varejo Change vs. 3Q15
Net sales	**15,094**	**+4.4%**	**10,090**	**+14.0%**	**4,060**	**-0.4%**
Gross profit	**3,789**	**+5.1%**	**2,238**	**+5.2%**	**1.407**	**+4.8%**
Gross margin	25.1%	+20 bps	22.2%	-180 bps	34.7%	+180 bps
SG&A expenses	**-3,216**	**+8.2%**	**-1,787**	**+10.4%**	**-1,216**	**+4.2%**
SG&A expenses (% net sales)	21.3%	+70 bps	17.7%	-60 bps	30.0%	+140 bps
EBITDA[(1)]	**619**	**-9.7%**	**478**	**-10.8%**	**208**	**+6.0%**
EBITDA Margin[(1)]	4.1%	-60 bps	4.7%	-140 bps	5.1%	-30 bps
Company's Net Income (Loss) [(2)]	**-210**	**+274.2%**	**-14**	**N/A**	**-32**	**+160.9%**
Net margin [(2)]	-1.4%	-100 bps	-0.1%	-60 bps	-0.8%	-50 bps
Net Income (Loss) - Controlling Group [(1)(2)]	**-27**	**N/A**	**26**	**-77.2%**	**-1**	**N/A**
Net margin [(1)(2)]	-0.2%	-90 bps	0.3%	-100 bps	0.0%	-70 bps

- **Consolidated gross margin of 25.1%, up 20 bps, due to the change in the mix of businesses**:
  - **Assaí:** virtually stable compared to 3Q15, with margin expansion of 10 bps
  - **Multivarejo**: margin contraction of 130 bps, reflecting the onoing price-competitiveness initiatives at Extra and the change in consumer behavior due to the current economic scenario
  - **Via Varejo:** expansion of 180 bps due to better balance between sales growth and profitability, as well as the higher penetration of the technology category

- **SG&A expenses increased 8.2% in the quarter, in line with period inflation**:
  - **Multivarejo and Via Varejo:** streamlining of expenses led to below-inflation increases (4.4% and 4.2%, respectively)
  - **Assaí:** increase of 40.8%, lagging sales growth in the period and reflecting the strong organic expansion with 12 store openings in the last 12 months

- **Adjusted EBITDA of R$619 million with margin of 4.1%** (excluding tax credits), representing improvement on 2Q16:
  - **Food:** margin expansion of 140 bps at Multivarejo, driven by the 230 bps recovery in EBITDA margin at Extra stores from 2Q16. Expansion of 40 bps in Assaí's adjusted EBITDA margin
  - **Via Varejo:** 140 bps gain in EBITDA margin to 3.6%, reflecting its capacity to adapt to market conditions

(1) EBITDA and Net income (loss) adjusted for Other Operating Income and Expenses (2) Considering only the continuing operations.

Net Debt & Financial Result

Net Debt

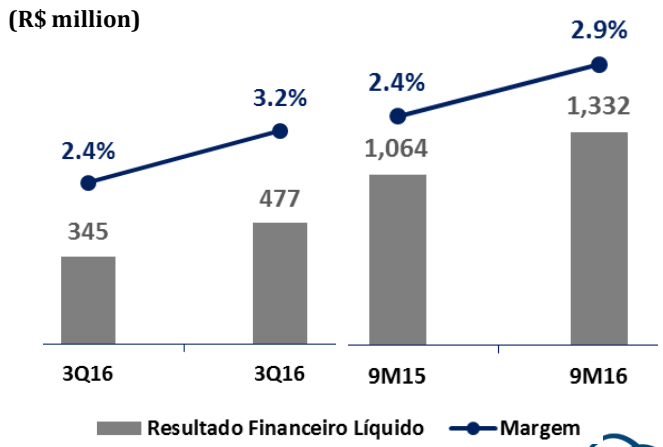
- **Financial solidity:**
  - Solid position of R$5.2 billion in resources available: cash position of R$3.4 billion plus ~R$1.8 billion in unsold receivables
  - R$1.350 billion in pre-approved credit facilities
- **Reduction in net debt from June 2016 in brick-and-mortar businesses, adjusted for unsold receivables:**
  - Improvement in Food segment of R$130 million, even with organic expansion at Assaí
  - Via Varejo continues to strengthen its financial solidity with a reduction of R$180 million in net debt, excluding CDCI
- Compared to 3Q15, increase of ~R$1.1 billion, reflecting the deterioration in Cnova's debt (R$500 million in EBITDA and R$600 million in working capital)

(R$ million)	3Q15(1)	3Q16
Consolidated Net Debt(2)	(3,077)	(4,160)
Net Debt(2) / EBITDA(3)	-0.80x	-2.05x

(1) Excludes Cdiscount to improve comparability with 3Q16.
(2) Includes debt with payment book operation at Via Varejo and the balance of unsold receivables of ~R$1.8 billion in 3Q16 and ~R$1.1 billion in 3Q15.
(3) EBITDA in last 12 months.

Financial Result

- **Increase of 25.2% in 9M16 vs. 9M15:**
- Increase of 32% in interest on bank debt: lower average cash position due to deterioration at Cnova
- Increase below CDI rate in cost of sales of receivables from payment books
- Change in Other Assets and Liabilities: positive impacts on 9M15 due to inflation adjustments and restatements



Multivarejo

3Q16:

Net sales: **R$6.4 billion**

EBITDA[(1)]: **R$313 million**

Number of Stores: **1,019**

Pão de Açúcar	184
Minimercado Extra	208
Minuto Pão de Açúcar	68
Extra Hiper	134
Extra Supermercado	194
Drugstores	155
Gas Stations	76



Effectiveness of Extra's commercial strategy drives performance at Multivarejo

Multivarejo:

- **Sequential growth in same-store sales since 1Q16, driven by stronger sales at Extra banner**
- **Adjusted EBITDA margin (excluding tax credits) of 4.9%, expanding 140 bps on 2Q16, supported by significant drop in SG&A expenses:**
  - Disciplined control of expenses, with 7.9% drop in Selling expenses from 2Q16, with the highlight:
    i. Personnel expenses: -5.4% due to streamlining of ~7,000 employees (FTE criteria) since start of year
    ii. Optimization of marketing efforts: -8.8%
    iii. Energy efficiency projects support sharp drop in consumption: electricity expenses -19.1%.

Extra:

- **Effectiveness of commercial strategy in current economic scenario: better sales trend at Extra (Hyper and Super):**
  - Extra Hiper: SSS growth accelerates 720 bps with sales volume recovering 1,210 bps vs. 1Q16
  - EBITDA margin recovery of 230 bps at stores (Hyper + Super) vs. 2Q16
  - Extra Hiper captures market share gains in sales volume in last 5 measurements (April to August)

(1) EBITDA adjusted for Other Operating Income and Expenses

Multivarejo

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Profitability stable at Pão de Açúcar and gradual improvement in Proximity

Pão de Açúcar:

- Continuation of SSS growth trend vs. 1H16 and market share stable for over 2 years
- Profitability remains at high level and stable vs. 3Q15
- The banner's anniversary campaign in August posted the strongest growth rates of the year
- Mais Program continues to account for a growing share of sales and already represents approximately 73% (vs. 65% in 3Q15)

Proximity:

- Same-store sales growth stable vs. 1H16, with consistent market share gains
- Portfolio optimization: closing of stores with structural problems and focus on conversions/openings of Minuto Pão de Açúcar, pursuing higher profitability (5 new stores under construction)
- "Aliados Compre Bem" Project already includes 85 stores and is expected to end 2016 with 100 stores
- Dedicated distribution center, now shared with Aliados and Delivery, seeking greater cost dilution

Delivery (Food e-commerce):

- Profitability reached breakeven in September and is expected to end the year with this same trend

(1) EBITDA adjusted for Other Operating Income and Expenses

Strong net sales growth of 45.7% drives adjusted EBITDA growth of 62.2%

3Q16:

Net sales: **R$3.7 billion**

EBITDA[(1)]: **R$165 million**

EBITDA Margin[(1)]: **4.4%**

Number of Stores: **100**



- **Acceleration in sales growth and continued organic expansion:**
  - Double-digit growth in same-store sales and customer traffic
  - 12 new stores in the last 12 months
  - Currently 8 stores under construction, including 2 conversions
  - Format with largest share of Food segment (37% in 3Q16)
- **Stronger profitability** on higher dilution of sales and greater discipline in controlling SG&A expenses, **supporting a reduction as ratio of net sales of 30 bps**
- **Adjusted EBITDA growth** of 62.2% to R$165 million, outperforming net sales growth in the period
- **Higher operating leverage** supported **net profit growth** of 75.6% to R$65 million

(1) EBITDA adjusted for Other Operating Income and Expenses

viavarejo

3Q16:

Net Sales: **R$4.1 billion**

EBITDA[(1)]: **R$208 million**

EBITDA Margin[(1)]: **5.1%**

Number of Stores: **970**



(1) EBITDA adjusted for Other Operating Income and Expenses

Consistent market share gains combined with improved profitability

- **Total and same-store sales growth stable**
  - Strong performance in the technology and service category, with appropriate assortment at stores
- **Adjusted EBITDA margin growth to 5.1%, up 30 bps.**
  - Positive impact from tax credits on gross margin
  - Efforts to capture internal efficiencies that mitigated the impact of inflation on expenses and the negative effect of the end of tax relief
- **End of tax relief under the "Lei do Bem" law (negative impact of R$100 million on EBITDA)**
- **Solid financial health and healthy capital structure**
  - Higher net cash position
  - Financial protection in an environment of greater uncertainty
- **Challenges in the short term**
  - Maintenance of competitiveness strategy
  - Integration of logistics structure of online and offline channels
  - Integration of online and offline teams
  - Focus on cash management and inventory optimization

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Forward-looking statements

The forward-looking statements in this presentation are based on current assumptions and projections of the Company's management, which could differ materially from actual results and performance and future events. These projections include future results that could be influenced by historical results and investments. Actual results, performance and events may differ significantly from those expressed or implied by these forward-looking statements due to a variety of factors, such as general economic conditions in Brazil and other countries, interest and exchange rate variations, future renegotiations or prepayment of obligations or loans denominated in foreign currency, legal and regulatory changes and general competitive factors at the regional, national or global levels.