

GPA

Pão de Açúcar

extra

ASSAÍ ATACADISTA DESDE 1974

minuto Pão de Açúcar

mini mercado extra

ALIADOS CompreBem

4Q16 Results

February 24, 2017

Food segment revenue reaches R$45 billion in 2016, up 11.7%, accelerating to 12.5% in 4Q16

4Q16:

Net sales: **R$11.7 billion**

EBITDA [(1)]: **R$742 million**

2016:

Net sales: **R$41.5 billion**

EBITDA [(1)]: **R$2.2 billion**

Number of GPA Food stores: **1,135**



Extra Hypermarkets

- Commercial strategies boosted **sales growth with consistent market share gains**
- Solid **recovery in sales volume and customer** traffic
- Dilution of expenses due to **operating efficiency gains**

Pão de Açúcar

- **High profitability** maintained
- **Maintenance of the market share** in the last two years
- Two new stores in 2016 and **5 openings planned for 2017**

Assaí

- **Revenue reached R$15.7 billion, increasing 39.2% in the year**
- Solid **same-store performance of 18.6% and double-digit growth in customer traffic**
- **13 new stores in 2016 (2 conversions): 3 new states reaching now all the regions of Brazil**
- Converted stores registered **revenue 2.5x higher and profitability already higher than in previous format**

(1) EBITDA adjusted for Other Operating Income and Expenses

Key figures

R$ thousand	Food segment 2016	Food segment Change vs. 2015	Multivarejo 2016	Multivarejo Change vs. 2015	Assaí 2016	Assaí Change vs. 2015
Net sales	**41,454**	**+11.4%**	**26,967**	**+0.8%**	**14,487**	**+38.6%**
Gross profit	**9,520**	**+4.9%**	**7,350**	**-2.5%**	**2,170**	**+41.2%**
Gross margin	23.0%	-140bps	27.3%	-90bps	15.0%	+30bps
SG&A expenses	**-7,451**	**+11.4%**	**-5,957**	**+6.6%**	**-1,494**	**+35.8%**
SG&A expenses (% net sales)	18.0%	0bps	22.1%	+120bps	10.3%	-20bps
EBITDA[(1)]	**2,201**	**-12.8%**	**1,520**	**-27.0%**	**681**	**+54.5%**
EBITDA margin[(1)]	5.3%	-150bps	5.6%	-220bps	4.7%	+50bps
Net Income (Loss) - Controlling Group [(1)(2)]	**389**	**-49.4%**	**53**	**-91.1%**	**336**	**+95.3%**
Net margin [(1)(2)]	0.9%	-120bps	0.2%	-200bps	2.3%	+70bps

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

- **Food segment gross margin reached 23.0% in line with performance in 9M16**
  - Reflection of commercial actions implemented, mainly at Extra banner
  - Increased share of Assaí in sales mix (35% in 2016 vs. 28% in 2015)
  - Margins not expected to deteriorate in 2017

- **SG&A stable at 18.0% of net sales, helped by higher share of Assaí in sales mix**
  - Multivarejo: SG&A growth in line with inflation, with an increase in store expenses of only 1.2%. Highlight to reduction in consumption of electricity and personal
  - Assaí: Increase in expenses below sales, despite strong organic expansion and higher share of individual consumers, which increased operating costs

- **EBITDA[(1)] of R$2.2 billion, with margin of 5.3%**
  - Growth mainly due to investments in competitiveness at Multivarejo
  - Strong expansion of Assaí with 13 store openings in the year, totaling 107 stores

Net Debt and Financial Result

Net Debt

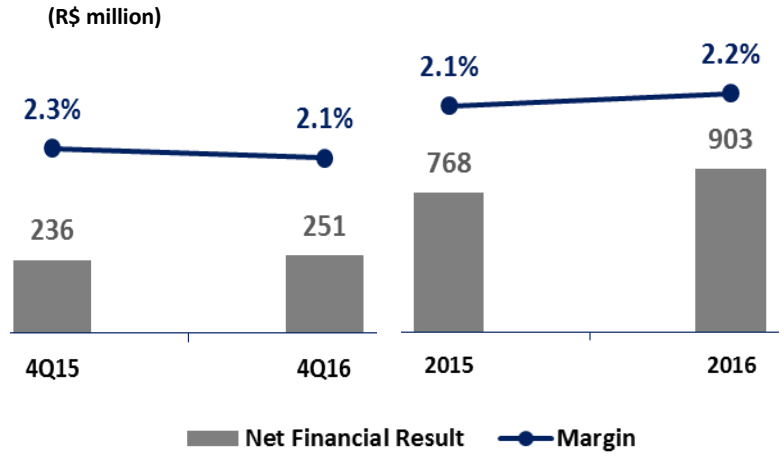
- **Lower level of leverage:**
  - Net debt [1] / EBITDA [2] of 0.3 times at the end of 2016 vs. 0.4 times in the same period in 2015
  - Reduction of R$357 million in net debt
- **R$5.4 billion in cash available:**
  - **Cash position reached R$5.1 billion** in addition to receivables not discounted totaling R$241 million
  - In addition, **R$1.3 billion in pre-approved/confirmed credit lines**
- Gross debt increased R$1.2 billion, of which around **R$1.0 billion refer to the issue of CRA at 97.5% of the CDI rate** and maturing in 3 years

(R$ million)	4Q15	4Q16
Food Segment Net Debt(1)	(873)	(516)
Net Debt(1)/ EBITDA (2)	-0.38x	-0.32x

(1) Includes balance of receivables not discounted totaling R$241 million in 4Q16 and R$136 million in 4Q15.
(2) EBITDA in the last 12 months.

Financial Result

- **4Q16:**
  - Lower level than in 4Q15 (2.1% of sales vs. 2.3%)
- **2016:**
  - Reached 2.2% of net sales, practically stable compared to the previous year. Note the 20 bps reduction in the cost of gross debt
- **2017:**
  - In the current scenario, an expected reduction of 100 bps in interest rate would generate savings of around R$40 million in financial result



Multivarejo

4Q16:

Net sales: **R$7.5 billion**

EBITDA[(1)]: **R$494 million**

EBITDA Margin[(1)]: **6.6%**

2016:

Net sales: **R$27.0 billion**

EBITDA[(1)]: **R$1.5 billion**

EBITDA Margin[(1)]: **5.6%**

Number of Stores: **1,028**



(1) EBITDA adjusted for Other Operating Income and Expenses

Promotional strategy combined with cost discipline enabled sequential improvement throughout 2016 at Multivarejo

Multivarejo:

- Focus on strengthening Extra banner, innovation at Pão de Açúcar and growth of Proximity model with Minuto Pão de Açúcar
- Current **EBITDA Margin[(1)]** reflects commercial initiatives and changes in consumer habits. Highlights:
  - **Gross margin in a trend of growth** over the year, reflecting adequate level of competitiveness
  - **Focus on adjusting costs**, with increase in **SG&A expenses in line with inflation** in the year

Extra:

- **New commercial strategy implemented since 1Q16** reinforces banner's image of price competitiveness:
  - **Sequential acceleration of sales during the year: Hiper SSS** of 5% in 4Q16 (vs. -2.5% in 9M16)
  - **Market share gain** in volume in the last 9 measurements (Apr–Dec)
- **Operating efficiency with reduction of 1.1% in store expenses**, through (i) optimization of electric energy; ii) review of logistics processes and efficiencies
- Turnaround of trend in same-store sales in **non-food categories: positive performance in 4Q16**
- The Implementation of Éxito Group textile model in 4 Extra stores, led to an increase of 20% in the category
- **Adequate level of competitiveness** given the current consumption scenario

Multivarejo

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(1) EBITDA adjusted for Other Operating Income and Expenses

High profitability in Pão de Açúcar and Proximity, apart from the launch of "Aliados Compre Bem"

Pão de Açúcar:

- **High level of profitability**, the highest level among GPA Food banners
- New **monitoring** already reflects progressive improvements in **service level**, **customer service** and **assortment**
- **Maintenance of market share** of the banner for more than **24 months**

Proximity:

- **Net revenue of over R$1.1 billion** and same-store sales above inflation, with market share gains
- **Higher profitability than in 2015** due to improvement in processes and expansion of scale
- More selective investments: **expansion plan focused on Minuto**
- **"Aliados Compre Bem" project based on Éxito Group business model in Colombia**
  - ✓ Partnership between GPA and independent retailers
  - ✓ GPA provides its expertise to reach out and enhance the potential of this market segment
  - ✓ **102 partner stores in 2016; expected to increase to 500 in 2017**





Revenue of R$15.7 billion and consistent same-store sales of 18.6% drive EBITDA[(1)] growth of 55%

4Q16:

Net Sales: **R$4.3 billion**

EBITDA[(1)]: **R$248 million**

EBITDA Margin[(1)]: **5.8%**

2016:

Net Sales: **R$14.5 billion**

EBITDA[(1)]: **R$681 million**

EBITDA Margin[(1)]: **4.7%**

Number of Stores: **107**



- **Consistent sales performance:**
  - Consistent same-store sales growth in all quarters of the year
  - **Format already accounts for 35% of Food segment** (vs. 28% in 2015)
  - **Gain in market share of about 400bps** in a strong growing market
  - **Customer traffic increasing double digit**
- **Solid expansion and conversion plan:**
  - 13 new stores in the last 12 months, including 2 conversions, with self-financed resources
  - **Converted stores (Pilares-RJ and São Vicente-SP) have already registered revenue 2.5x higher and customer traffic increase of 30%**
- **Reduction in SG&A expenses as percentage of net sales of 20bps in the year** despite strong organic expansion
- **EBITDA[(1)]growth of 54.5% in the year,** reaching a total of R$681 million. EBITDA margin improved 50 bps and reached 4.7%
- **Increase of 95.3% in net income[(1)],** with margin of 2.3%
- Inauguration of the first SurtiMayorista Store in Colombia based on Assaí operating model

(1) EBITDA and net income adjusted for Other Operating Income and Expenses

Outlook for 2017

Multivarejo

- Store portfolio optimization
- Gross margin reflects adequate level of competitiveness and no additional pressures are expected
- Operational improvements and continued disciplined control of expenses
- Digital transformation of loyalty programs and improvements in store shopping experience
- Optimization in working capital, with R$ 500 million reduction of inventories (approx. 10 days)
- Estimated investments of R$ 500 million[1]:
  - Approximately 5 new Pão de Açúcar stores + 10 Minuto Pão de Açúcar stores
  - Higher investments dedicated in store maintenance

Assaí

- Sales growth should outperform industry with *market share* gains
- Improvement in adjusted EBITDA margin due to maturation of stores, with the goal to reach level of around 5%
- Strong expansion plan with self-financed resources of about R$ 600 million[1] :
  - 6 to 8 new stores
  - 15 Extra Hiper conversions into Assaí with average return > 20%



1.0x	***Sales***	[2.0x to 2.5x]
[-2% to 2%]	***Mg. EBITDA***	[5% to 6%]
[-10d to -5d]	***Working capital*** [2]	[-4d to 0d]

Food

- Sales growth above market[3] expectations with *market share* gains
- Working capital optimizations should generate a reduction of about 5 days in food business
- 'Maestro' synergies project may deliver at least US$ 50 million savings in the region
- Improvement in leverage levels: expected net cash[1] at the end of 2017 with ratio of 0.1x EBITDA
- Average term of gross debt lengthened by 170 days

[1] without proceeds from Via Varejo operation, [2] WK in days of COGS, [3] ABRAS 2017 forecast

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