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Operator: Welcome to the Grupo Éxito's fourth quarter 2019 results conference call. My name is Hilda and I will be your operator for today. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session. During the question and answer session, if you have a question please press * and then 1 using your touchtone phone. Please note that this conference is being recorded.

I will now turn the call over to Mrs. Maria Fernanda Moreno, Investor Relations Manager. Mrs. Moreno, you may begin.

María Fernanda Moreno: Thank you, Hilda. Good morning everyone and thank you for joining us today for Grupo Éxito's fourth quarter and 2019 call. At this time, I'm pleased to present our Chief Executive Officer, Mr. Carlos Mario Giraldo, and our recently appointed Chief Financial Officer, Mr. Ruy Souza. We would like to welcome Ruy to our team of executives and hope he enjoys his new role in the company.

For this quarter's results, please note that the sale to Casino of the shares that Éxito held in CBD, Segisor and Wilkes closed on November 27, 2019. Hence, assets and liabilities of subsidiaries were excluded from the consolidated financial statements and their net results as of September 30, 2019, included as discontinued operations.

Now please move to slide 3 to see the agenda. We will cover Grupo Éxito's financial and operating highlights, performance by country and consolidated financial results for the fourth quarter and 2019 operations in Colombia, Uruguay and Argentina.

Besides, we will review the strategic outcome for 2019 and the outlook for 2020. The call will conclude with a Q&A session. Thank you for your attention. I will now turn the call over to Mr. Carlos Mario Giraldo.

Carlos Mario Giraldo: Thank you, Maria. I want to welcome you all to our quarter call that this year has also the full year results.

Let's turn to slide 4. Here, it is important to see the new consolidation perimeter of Grupo Éxito, which includes Colombia, Uruguay and Argentina. If you compare the data, this time we're speaking about sales of 14.5 billion between the 3 countries, a recurring EBITDA of COP 1.28 billion with a margin of 8.4% as recurring EBITDA. It is interesting to see in this chart, the weight per country of sales and of EBITDA. For example, if we take the recurring EBITDA, Colombia represents 79% of the total recurring EBITDA, while Uruguay represents 19%, and Argentina, 3%.

Let's go to slide 5, which is a big summary of the results of the year. Here, we can see, in a nutshell, that we had a very strong fourth quarter with a sustainable, profitable growth and a

very good full year imposed by this fourth quarter. Obviously, the other quarters had also been positive.

If we go to the financial highlights, the consolidated financial highlights, we can see that top line is imposed by innovation. We have a strong expense control in the different countries with a reduction in 40 basis points of expenses and EBITDA increasing 20 basis points.

Net profit has a positive input of operational results as we saw and has a negative impact coming from taxes, additional taxes that we did not have in 2018, and also the fact that we did consolidate the GPA operation for the full fourth quarter. And given the fact that the fourth quarter is normally in retail the strongest quarter, it has an important material impact on net results.

Net revenue, excluding FX, had an increase for the year of 6.3%. Recurring EBITDA, with the same FX exclusion, increased by 7.5% with a margin of 8.4 and gaining 20 basis points.

In operating highlights, we can see the impact in sales of an increase of 37% of our omnichannel, different alternatives of sales, their direct-to-consumer, with 4.3 million total deliveries that compare against 2.7 million deliveries. This is a very strong delivery figure, which shows that this will become every day a strength of the company going direct to our home deliveries and with our applications Carulla and Éxito with 1.9 million downloads.

If we go to investments and expansion, the year saw a Capex investment of COP 366,000 million. And in corporate and governance news, it is important in the fourth quarter an important change in the history of Éxito, with the sale of Éxito's stake in GPA, done with the highest standards of good governance and clearly accretive for the company, with the tender offer that was launched by Sendas and concluded with the acceptance of 96.57% of the shares of Almacenes Éxito, something that was also done with the highest standards and with the intervention of the audit committees and independent directors, both of GPA and of Éxito.

Important changes in top management with Jacky Yanovich as new Chief Operating Officer. Jacky has 19 years of experience in retailing, even though he's a 46-year-old young person. Ruy Souza as new CFO for Éxito, to whom I welcome to this call, and obviously, to the company where we're very glad to have him as part of the team. Claudia Campillo as Vice President of Corporate Affairs, Guillaume Seneclauze as Vice President of Sales and Operations, and Irina Jaramillo as Carulla brand Manager. This is clearly a show also of our direction to have more women in top positions of the company with Claudia and with Irina. It's interesting to see that Carulla has, today, 115 years in the market, and it is the first time that it has a woman at the head. We are very glad with this move.

In slide 6, we can see that in sales and same-store sales, we had the best sales performance in three years, with a full year increase of 4% in comparable same-store sales, with seven quarters of permanent growth in the top line of the company, and with the last quarter, which had same-store sales ex calendar growth of 4.6%.

When we go to slide 7 and see how this can be seen in the different brands and formats, clearly the biggest growth is driven by the Éxito brand, with a positive yearly 5.2% increase

in same-store sales, which shows the vitality of the hypermarket, driven by the omnichannel sales but especially by the innovation in the offer of the different product categories and in the experience of our customers. Our popular brands, Super Inter and Surtimax, are coming from a negative 7% in the fourth quarter of 2018 to a positive brand in the fourth quarter of 2019. And our Cash & Carry saw an increase of 19% in same-store sales for the year, arriving to represent now a material figure of 4% of the total sales of the company.

If we go to slide 8, this depicts the importance of innovation in the growth of Éxito and in the differentiation towards the market. Here, we can see, first, how the WOW format of the Éxito brand arrived now to nine stores, an increase in sales of 13.4% for the joint nine stores and representing now 17.5% of the Éxito banner.

The Carulla FreshMarket concept also did a very positive performance with 13 total stores, a 12.7% increase in sales, and representing 17% of the Carulla banner.

In the Cash & Carry format, which came as a synergy with GPA, we arrived to a total figure of 30 stores with a growth of 17.8% in sales. And another innovation which is very important for us in private brands, we want to highlight the importance of the Taeq private brand for health, which is now the third most important healthy brand in Colombia, including all the supplier healthy brands, and which is a synonym for a style of healthy life, of balanced life, with an increase of 25% in sales.

When we go to slide 9, we try to show, in every quarter, the main innovation that we launched and which is going to drive change in the company and experience to our customers. We launched in the north of Bogotá a store which is, for us, an innovation and high-tech laboratory. It's called the Carulla SmartMarket. The Carulla SmartMarket is deemed to be frictionless for our customers, high experience for our customers. It combines high-tech solutions near to 20 technological solutions, which include facial recognition, which is a big innovation not only in Colombia but also in Latin America, automatic recycling as sustainability, technological solution, e-sommelier for wine scan solutions, for scan and pay, scan and go, automatic cashiers and also solar panels in the exterior of the store.

Not only is it high tech, but it's high fresh. It is not only a technological store, but you need to have good stuff inside. You have to have good product categories so it has the best of our fresh market. For example, with a new experience around chocolate, showing how it goes from the cacao plant to the chocolate bars or to the chocolate mix, with the history of coffee, showing how coffee goes from the plant to the great flavor and smell of good coffee, the mozzarella made within the store, the products of the day, which are coming from the farms the same day, only to speak about some of the solutions that we are giving our customers. But this smart market is also highly sustainable, and it is the first store in Colombia which offers no plastic in fruit, in vegetables and in bread, something that our customers have highly appreciated.

Going to slide 10. We continue advancing in digital penetration with a permanent evolution of our applications Éxito and Carulla with 1.9 million downloads. These applications will continue evolving gradually and permanently to not only become a transactional solution to

be able to buy food and nonfood, but also to permit our suppliers to direct a general directed or one-to-one discounts to our customers through Mi descuento. They will also evolve as communication devices with our customers, education channels and personal solutions according with the style of life of each of our customers. We include now a wine recommender with a machine learning device and also a device to be able to select the cashier in which you want to pay and the time in which you want to pay.

Going to slide 11, we show the result of our omnichannel strategy, which represented now 4.5% of the total sales of the company, increasing 110 basis points versus the 3.4% they represented last year. Omnichannel sales, as a whole, increased 37% and we had 4.3 million deliveries, increasing 56%. Marketplace increased 29% and we arrived to a total now material figure of COP 0.5 billion of sales.

Going to slide 12, we can see how the accumulation of innovation through WOW, through FreshMarket, of omnichannel solutions, and of our Cash & Carry gives us that 75% of the total growth of the company, represented by these differentiation strategies.

In slide 13, we speak about our customer coalition Puntos Colombia, which arrived to 3.5 million habeas data given directly and expressly by each of our customers, with 237 million transactions and 75 coalition allies, which complement our offer and which can issue but also consume points, creating an ecosystem of products and services, which is going to be very valuable for our customers, increasing valuable year after year.

Going to slide 14, we can see the result of our accretive real estate business, which is an important contributor to the operational profits of the company. In Viva Malls, in the private vehicle that we have with FIC, we got to 568,000 square meters of rented area. It received five awards of the International Council of Shopping Centers, most of them because of innovation or digital penetration. And the innovation concept which have been introduced and are very well accepted by customers are Viva Park for children, Viva Sports for all the family, Viva Motors, mostly for guys, and Bistro Street of high-end restaurants within our shopping mall.

I would now hand it to Ruy Souza to speak about the results, and I will come back later in the conference.

Ruy Souza: Thank you Carlos Mario and good morning everyone. I'm pleased to join you today and I'm very honored to be part of Grupo Éxito's team.

I'll continue on Slide 15, going to the operating performance in Colombia, starting with net revenues that grew by 6% during the quarter and continued the positive trend advanced during the year, reaching COP 11.7 billion and growing 4.8% in 2019.

The top line was driven by: first, solid performance of innovative formats like WOW, FreshMarket and Surtimayorista; second, strong omnichannel growth; and third, strengthening of digital transformation activities.

Other revenues also grew by 24% in the quarter and 18.7% on year-to-date figures, showing the solid performance of our complementary businesses. The gross margin grew by 67 bps, or 67 basis points, to 25.5% in the quarter and on full year figures reached the same level of last year at 23.5%. This margin is explained by a new way of shopping, resulting from a great commercial proposal and higher share of the non-food category in the sales mix in retail business, as well as higher contribution of other revenues, as already mentioned.

SG&A continued to be below inflation rate along 2019 at a level of 3.3% and below sales growth, despite the pressures from wage increase and property taxes. This was possible thanks to a strict cost control with internal efficiencies and implementation of productivity methodologies. Thus, the recurring EBITDA in the operation in Colombia grew by 7.9% and gained 25 basis points during the year, resulting from expense efficiencies and remarkable performance of the top line. Excluding the IFRS 16 impact, the EBITDA margin would close at 9.6% in the quarter and 6.3% in the year, 30 bps higher than 2018.

Moving forward to slide 16, starting with the peaks for Uruguay operation as the level of sales growth, FreshMarket format with differentiation, and superior service promoting first, prepared food; second, premium fishery; third, fresh fruits; and fourth, self-checkout [unintelligible], the model reached a total of 17 stores by the end of 2019 and grew by 4.7% in sales, which is 140 basis points above the regular stores. The FreshMarket concept represents now 40.3% of total sales in Uruguay as key lever for sales growth.

Moving to slide 17 to review our operating results of Uruguay, starting again with net sales that grew by 9.2% in local currency during the quarter and 3.7% in 2019, both adjusted by calendar effect, mainly explained by same-store sales' positive performance, despite a challenging first quarter of the year affected by a difficult touristic season due to the neighbors' economic context. The strong second semester was leveraged by the FreshMarket model and the new commercial proposal in our Express format. The net revenues reached COP 2.6 billion, growing 0.3% versus 2018, affected by FX in the level of minus 3.5%. Gross margin was 33.7%, slightly below last year, reflecting a gross profit growing below top line despite intense promotional activities along the year. The recurring EBITDA reached COP 238,000 million and 9.2% margin with 7 basis points gain due to expenses growth below inflation in local currency, which grew by 3.6% versus an inflation rate of 8.8, thanks to internal efforts and cost control initiatives. Excluding the IFRS 16 impacts, the EBITDA margin would land at 7.9%.

Now moving to slide 18 to review the Argentinian operation. There are two main work fronts. First, the implementation of value-added propositions with FreshMarket, just as we are doing on the other countries. We were able to do it in three stores during the year and during the quarter and reaching four at year-end for Argentina. And second, the asset traffic monetization strategy with the dual model retail / real estate, which is a profitable lever with 15 shopping centers and commercial galleries along the 170,000 square meters of gross visible area and a strong presence in the country, consistent operational evolution with occupancy rates at 93.9%.

So moving to slide 19 to review the numbers and the figures for Argentina operating performance. Amidst the challenge macro environment and taxes the top line trend improved. This evolution is below inflation, affected by the loss of purchasing power for Argentinians due to delay in real wages adjustments. Net sales there grew by 40.3% in local terms and 40.9, excluding hyperinflationary effect. Net revenues grew by 38.6% in local currency to almost COP 1 billion, reflecting a stable contribution of retail and the solid performance of real estate business, as I already mentioned. Gross margin at 34%, evidencing the price investment strategy held during the year to face the challenging consumer environment in the country, partially offset by the real estate contribution. As for operating SG&A, we grew below sales performance driven by, again, a strong cost control, mainly focused on operating costs and internal efficiency projects. Therefore, recurring EBITDA margin closed at 3.5 in 2019, with a strong last quarter at 6.9, reflecting pressures in commercial margins due to the high promotional activity. The FX effect was minus 36.4% in full-year figures.

Moving to slide 20. With all that said, we can now revise the consolidated results. So first, net revenues grew by 2.8%, including a negative FX effect of 3.3, and it grew to COP 15.3 billion. Revenues benefited from innovation and omnichannel strategy, as Carlos already mentioned, as well as the 40 stores opened during the last 12 months and the refurbished stores in the region. Gross profit in 2019 grew by 1.9%, reaching 25.9% of margin. The margin reflected the price investment strategies in the region and the contribution from the real estate business. SG&A remains under control and well below sales growth levels and below inflation in other countries. Therefore, recurring EBITDA gained 20 basis points in 2019 and 67 basis points in the quarter. Excluding IFRS 16 impacts, our EBITDA margin would be 6.4% for 2019.

Now please move forward to slide 21, so we can review the group's results. So full year net income was COP 57.6 million, mainly reflected by a positive variation in operational performance in Colombia at the level of COP 57,000 million, a financial result reduction of COP 60,000 million thanks to lower interest expenses, but this was offset by a lower contribution from international operations and performance of discontinued operations, mainly regarding the no consolidation of GPA in the fourth quarter figures and less by lower deferred tax, mainly by Colombia and taxes in Argentina when we compare to 2018.

Finally, on slide 22, we can see the net debt situation at holding level. We closed our net financial debt at a positive position of COP 2 billion, shifting from a negative position in 2018 to this positive position in 2019, which means that the cash amount is higher than the debt amount at this time. The gross debt closed at COP 0.2 billion, reducing COP 3.5 billion in structural debt. Cash and equivalents closed at COP 2.2 billion, increasing 0.3% after transaction, cash in and debt repaid.

What I would like to emphasize is that if we exclude the transaction effect, the net financial debt would have improved 0.23x EBITDA, reflecting the excellent operational performance of 2019.

At this point, I would like to give the floor to Mr. Carlos Mario to go on with the call.

Carlos Mario Giraldo: Thank you, Ruy. In slide 23, we do something that we do once a year, and it is to do a back check of how we accomplished the guidelines that we have given to the market. Here, we can see that our main guidance that were given for 2019 were accomplished by Grupo Éxito.

First, in Colombia, those related to stores renovated or opened, revenues that grew by 4.8%, driven also by not only retail in 4%, but complementary businesses that grew by 18.7%. The representation of innovation that we said would be beyond 20%. Fortunately, the excellent performance of WOW, Fresh, Cash & Carry, etcetera, drove that representation to 75% and recurring EBITDA, which we said would be at least stable, growing 7.9% and gaining 25 basis points in margin. And Capex that we said would be above COP 270,000 million arrived to COP 300,000 million.

In Uruguay, we exceeded also the stores to be converted, converting five stores. And in Argentina, the growth that we expected from real estate, really important 4G operation with a growth of 31.7%. We spoke about synergies, and synergies continued in a very strong way with business models being transferred between the countries as the FreshMarket, the Cash & Carry or the model of Aliados to work with independent small retailers. And now we advanced in new priorities, which started to be worked at digital applications, Mi descuento, which was originated in Brazil, and the big data to be managed not only inside the companies in loyalty programs, but also recently in the coalition of Puntos Colombia.

Going to slide 25, we go to the main conclusions. The main conclusions for the fourth quarter and the full year are, at the LatAm level, that we have a new perimeter of consolidation, which includes Colombia, Uruguay and Argentina. Our recurring EBITDA margin expanded 67 basis points in the fourth quarter to a margin of 10.9% and 20 basis points in the full year 2019 to a margin of 8.4%.

In Colombia, net sales with same-store sales with a strong growth as customer response to the new models and formats. A solid contribution from omnichannel, growing 37% and representing 4.5% of total sales achieved. The Carulla SmartMarket as a new lab for innovation for tech, for fresh and for sustainability, improved recurring EBITDA margin 90 basis points better for the fourth quarter and 25 basis points better for the full year, and our structural gross financial debt of the company canceled.

In Uruguay, a solid contribution coming from FreshMarket stores, a recuperation from a difficult start in the summer season of last year, and operating margin gains from successful cost control strategies. And in Argentina, a retail stable in the middle of difficult circumstances and real estate as a protection and hedge versus the macroeconomics of the country.

I will now go to slide 26, which is very important and we do every time in the first conference of the year, and it is our outlook for 2020. For 2020, at the LatAm platform level, we will continue sharing best practices with focus on innovation models and on strengthening digital transformation activities.

In Colombia, in the retail expansion, we will have at least 24 stores from opening, conversions and remodeling, with a lot of focus in strengthening same-store sales with six to seven Éxito WOW conversions, six to seven Carulla FreshMarkets. We will go back to the main initial WOW and FreshMarket and make a second-generation WOW and a second-generation Fresh for at least two Éxito stores and two Carulla stores, and we will be opening between eight and ten Surtimayorista stores.

Revenue growth from retail and complementary businesses will be seen during the year. We expect that innovation activities, as it happened in 2019, will be representing around 50% of total sales of the company in Colombia, recurring EBITDA margin to be at least in line with the level posted in 2019, and Capex increasing versus 2019 from COP 366,000, as we saw, at least to COP 400,000 million, of which COP 300,000 would be going to retail and COP 100,000 would be going to real estate starting with an important project in Suba, Bogotá, around one of our most important hypermarkets and renovation and expansion of Puerta del Norte shopping mall to the north of Medellín.

In Uruguay, a retail expansion between four to six stores, including between two and three FreshMarket stores and two and three Express. And the EBITDA margin at least in line with the level posted in 2019. And in Argentina, developing a casual leasing with our renting partners in the real estate portfolio.

This would be the presentation for this call. We thank you all for being present. We will open it now to Q&A and then come with some final remarks. Thank you very much.

Operator: Thank you. We will now begin que question and answer session. If you have a question, please press * and then 1 using your touchtone phone. If you wish to be removed from the question queue, please press the # sign. You may need to pick up the handset first before pressing the numbers.

We have a question from Daniel Duarte from Corficolombiana.

Daniel Duarte: Good morning and thank you for the presentation. I just have a question regarding the Capex level that is expected for 2020. I would like to know how COP 400,000 million pesos are going to be funded. Are you looking forward to raising debt? And what is the target debt-to-EBITDA level for 2020? Thank you.

Carlos Mario Giraldo: This is a good question. What I would say is that for the moment, at this Capex level, we believe that it can be funded with internal cash generation of the company or only with a short-term debt responding to cyclical moments. And it's important that we see 300,000 million in retail and only 100,000 million in real estate. But that is given the fact that we will be starting the real estate project probably in the second half of the year, so most of the Capex will be seen in 2021 and 2022. But for this matter, we think that unless we find another Capex important project, which is not seen at this very moment, most of it can be funded by internal cash generation.

Operator: Once again, for any questions please press * 1.

We have no further questions in queue. I would like to turn the call to Mr. Carlos Mario Giraldo for final remarks.

Carlos Mario Giraldo: Yes. I would say that 2019 is a historical year for Éxito, for Grupo Éxito, first, because of the conclusion of the LatAm transaction with the best governance standards, which was clearly accretive for the figures, financial, commercial and strategic figures of the company. We strengthened our competitive and commercial proposal and our financial position, as you have seen. It was the best profitable growth in three years, and it consolidated a business model where monetization, where activity and innovation are at the center of our proposition.

I think that at Éxito today we're recognizing what some retailers are seeing in the world, and it is that we have to work on innovation, on technology as enabler, and on the creation of experience to our customers, that we have to play on our asset strength, that we have some strength in our assets that, for example, few players do not have and that we have to exploit in a very important way.

And we have two main assets, apart, obviously, from our talent and our people within the company. These assets are: first, our stores. Yes, our stores are a very strong asset. In the front store, that is where people are buying and where people are walking and where people are entertaining themselves. We have to play with innovation by telling stories to our customers with modernity and with experience creation. We have to make them a key element also of the omnichannel competitiveness by giving our customers all the alternatives, buying at the stores, getting everything to their homes, the click-and-collect or something in between.

And we have to exploit in the back part of our stores, our stores as delivery centers, as some players are now doing in very important cities in the world, making it a huge competitiveness advantage and comparative advantage against other players. I'll give you a figure, which is astonishing. For example, for the last-mile delivery, 80% of the market is in the northern part of Bogotá. In the northern part of Bogotá, we have seven hypermarkets, 24 express stores and 44 Carulla stores, which gives us 75 stores to the north of Calle 73, which is not comparable to any other player with a full assortment. This gives a competitiveness in cost of delivery that no other player can beat.

We have to continue in our stores with frictionless technologies and also with the dual model, which makes it possible to make entertainment malls around the most important and best located stores.

And the second asset, which is key for us, and it is the reason of the mission of the company, are our customers. By promoting an ecosystem to provide services and alliances to our customers, as we are doing today with the coalition of Puntos Colombia. And by making their visit and experience an opportunity to sell high-value services as we do today with credit, insurance, and travel services, only speaking about some of the most profitable and mature ones.

I want to thank you all for being present today, and we will be back in the next conference call. Thank you very much.

Operator: Ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.