

GPA, Libertad

Multicriteria valuation report

22 July 2015

Strictly confidential

GPA

Multicriteria valuation report of GPA

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In performing our analyses, we have (i) reviewed certain publicly available business and financial information concerning GPA and the industries in which it operates; (ii) reviewed the publicly available financial terms of certain transactions involving companies we deemed relevant and the consideration received for such companies; (iii) compared the financial and operating performance of GPA with publicly available information concerning certain other companies we deemed relevant and reviewed the current and historical market prices of shares of GPA and certain publicly traded securities of such other companies; (iv) reviewed certain internal financial analyses and forecasts prepared by the management of the GPA relating to GPA’s businesses; and (v) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this presentation. In addition, we have held discussions with certain members of the management of GPA, Casino and Exito with respect to the past and current business operations and the financial condition and future prospects and operations of GPA, and certain other matters we believed necessary or appropriate to our inquiry.

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Methodology

1

This valuation report relies on publicly available information as well as on information communicated by the company:

- BPs at the subsidiary level have been derived on the basis of two approaches:
 - Financials derived from brokers publications
 - Company Business Plan which provides the financial projections for GPA and each of its subsidiaries
- Share prices as well as brokers publications (target prices and projections) dated 20/07/2015

2

Key valuation assumptions:

- No synergy or positive impact from the transaction factored-in the valuation (standalone valuations)
- Valuation as of January 2015, 1st
- Net financial debt as of end 2014 (without any seasonality adjustment); taken at book value for Via Varejo and GPA and including discounted receivables treated as debt

3

Multicriteria valuation of GPA has been performed based on the following methods

- **market prices:** spot, 1-month and 3-month average share prices of GPA;
- **trading multiples:** based on a sum-of-the-parts approach and brokers consensus (cross-check on BP aggregates);
- **target prices:** price objectives of analysts covering GPA post-release of GPA FY2014 results.
- **discounted cash flows method based on brokers consensus** (sum-of-the-parts approach);
- **discounted cash flows method based on company's Business Plan** (sum-of-the-parts approach)

Executive summary

1

The acquisition of 50% of the ON shares shall reflect a controlling premium regarding current PN shares market price

A multi-criteria approach has been performed on GPA. On a methodological standpoint, it is proposed to retain the intrinsic value of GPA to reflect the above-mentioned controlling premium. The intrinsic value is derived from a Discounted Cash Flow approach (DCF)

2

Results of the Discounted Cash Flow valuations (based on consensus and BP) are as follows:

- **Based on management business plan, GPA is valued at 102 R\$/share (central value), exteriorizing a premium of 40%, 38% and 20% based on spot price, 1-month and 3-month average**
 - Low point at 92 R\$ and high point at 113 R\$
- **Based on brokers consensus, GPA is valued at 95 R\$/share (central value), exteriorizing a premium of 30%, 27% and 11% based on spot price, 1-month and 3-month average**
 - Low point at 85 R\$ and high point at 104 R\$

→ A value per share comprised between 90 R\$ and 110 R\$

3

This value range is consistent with other market references:

- TP (105 R\$ since Q1 2015 release)
- SOTP trading multiples valuation (95 R\$ based on management business plan and 107 R\$ based on consensus)
- Premium (c.25% premium on spot, 1m and 3-month average on tender offer), resulting in a price of 91 R\$, 93 R\$ and 107 R\$ per share

Implied premiums of selected valuation methods

Implied premiums of selected valuation method (figures in BRLm)

	Target prices			SOTP Trading multiples			SOTP DCF - Market consensus			SOTP DCF - Management BP		
	Min	Mid	Max	Min	Mid	Max	Min	Mid	Max	Min	Mid	Max
Equity Value (BRLm)	21,234	27,949	34,506	25,200	26,767	28,335	22,656	25,173	27,691	24,473	27,192	29,911
Equity Value (EURm) ¹	6,092	8,018	9,899	7,229	7,679	8,129	6,499	7,222	7,944	7,021	7,801	8,581
Value per share (BRL)	80.0	105.3	130.0	94.9	100.8	106.8	85.4	94.8	104.3	92.2	102.4	112.7
Implied premium (%)												
vs. spot share price	+9.3%	+43.9%	+77.6%	+29.7%	+37.8%	+45.8%	+16.6%	+29.6%	+42.5%	+26.0%	+40.0%	+53.9%
vs. average 1-month share price	+7.4%	+41.3%	+74.5%	+27.4%	+35.3%	+43.3%	+14.6%	+27.3%	+40.0%	+23.7%	+37.5%	+51.2%
vs. average 3-month share price	(6.4%)	+23.2%	+52.1%	+11.0%	+18.0%	+24.9%	(0.2%)	+10.9%	+22.0%	+7.8%	+19.8%	+31.8%

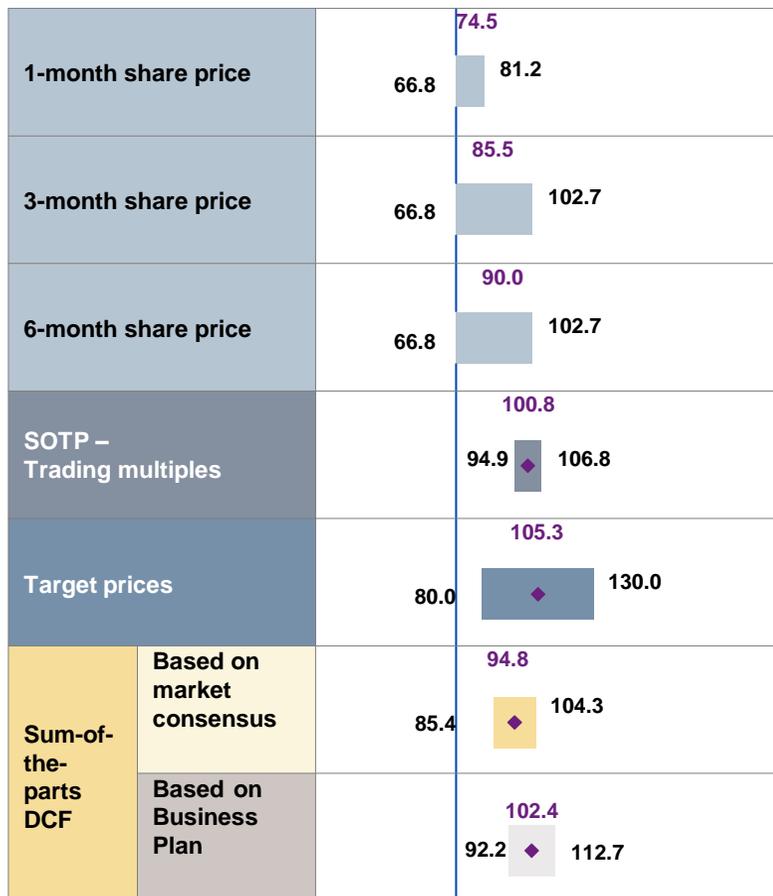
Sources Company, Factset (20/07/2015), analysts

Note

1 Converted into Euros based on BRL/EUR FX rate as of 20/07/2015

Valuation summary of GPA

GPA value per share (BRL)



intrinsic value of GPA reflecting the controlling stake

Spot share price: BRL73.2

Comments

- Minimum and maximum share prices in BRL over the last month
- Minimum and maximum share prices in BRL over the last 3 months
- Minimum and maximum share prices in BRL over the last 6 months
- SOP approach based on EBITDA trading multiples
- Minimum and maximum target prices communicated by analysts post-release of 2014 FY results
- DCF-based sum-of-the-parts approach based on analysts' consensus and extrapolations beyond 2017e
- Min and max values derived from central case +/-10%
- DCF-based sum-of-the-parts approach based on management Business Plan and extrapolations beyond 2018e
- Min and max values derived from central case +/-10%

Premia analysis

Premia offered in acquisition of control / co-control in Brazil

Year	Target	Buyer	Premium/ (discount) over last offer - ON / most liquid share	
			30 days before	90 days before
2015	Abril Educação	Tarpon	16.2%	9.1%
2015	Abril Educação	Tarpon	25.0%	35.6%
2013	Amil	United Health	31.3%	44.6%
2011	Usiminas	Techint	210.4%	216.4%
2011	Vivo	Telefônica	143.7%	148.6%
2009	Light	Cemig	104.1%	105.8%
Average of the 2 most relevant transactions			28.2%	40.1%

Premia analysis of public offers in Brazil during the last 3 years

Premia analysis of public offers in Brazil during the last 3 years				
Year	Target	Buyer	Premium / (discount)	
			30 days before	90 days before
2015	Abril Educação	Tarpon	16.2%	9.1%
2015	Abril Educação	Tarpon	25.0%	35.6%
2015	Souza Cruz	British American Tobacco	20.2%	33.1%
2014	Companhia Providencia Ind e Comercio	PGI Polímeros	25.9%	24.2%
2014	BHG	GP Investments /Razuya	42.8%	36.9%
2014	Cacique Café Solúvel	Horácio Sabino Coimbra	79.7%	69.4%
2014	Docas investimentos	Santa Maria Participações	15.0%	15.0%
2014	Brookfield Incorporações	Brookfield	44.7%	43.5%
2014	Cia Iguazu de Café	MBC Europe	107.3%	96.2%
2014	Autometal	Autometal	27.1%	20.0%
2014	M&G Poliester	Mossi % Ghisolfi	52.8%	56.2%
2014	Santander	Santander	12.5%	16.4%
2014	Cremer	Tarpon	51.1%	41.3%
2013	Vigor	FB participações	27.4%	17.7%
2013	Vicunha Textil	Vicunha Textil	20.9%	19.1%
2013	Arteris	BROOKFIELD AYLESBURY S.A.R.L	10.3%	18.6%
2013	Redentor Energia	Redentor Energia	33.5%	54.3%
2013	Amil	United Health	31.3%	44.6%
2013	Comgás	Cosan	34.7%	31.5%
2013	NET	Embratel	43.2%	77.4%
2013	Rasip	Dramd Participações	10.6%	12.3%
2012	Ampla investimentos	LatinoAmérica S.A	(0.4%)	(0.4%)
2012	Ampla energia e serviços	LatinoAmérica S.A	4.5%	1.2%
2012	Marisol	GFV Holding	(7.6%)	(7.6%)
2012	Confab	Tenaris	(0.8%)	(0.8%)
2012	JBS / Vigor	JBS	3.0%	16.6%
2012	Redecard	Itaú	(0.5%)	(0.5%)
2012	CCDI	CCDI	50.3%	42.4%
Average			27.9%	29.4%
Median			25.4%	22.1%

Project Libertad

Valuation report of Libertad

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Methodology

1

This valuation report relies on publicly available information as well as on information communicated by the company:

- BP of Libertad which provides the financial projections for the retail and real-estate activities until 2021 (in US\$)
- Share prices and projections for Libertad comparable dated 20/07/2015

2

Key valuation assumptions:

- Valuation was performed on three different perimeters:
 - A standalone basis and current perimeter (excluding openings)
 - A standalone basis including new openings
 - Synergies
- Valuation as of January 2015, 1st

3

Multicriteria valuation of Libertad has been performed based on the following methods

- **trading multiples:** based on a sum-of-the-parts approach (retail and real estate); and
- **discounted cash flows:** based on company's Business Plan (sum-of-the-parts approach for retail and real estate)

Executive summary

1

A multi-criteria approach has been performed on Libertad. On a methodological standpoint, it is proposed to retain as central approach the Discounted Cash Flow methodology (DCF), which better reflects (i) a majority approach, (ii) the turnaround of the business.

Valuation based on trading comparable (based on 2015 and 2016 financials) is only shown for illustrative purpose as this methodology does not capture the turnaround of the business

2

Key assumptions of the business plan are the following:

- Strong development of the real estate activity on the existing properties
- Macroeconomic rebound after the elections, translating in a catch-up effect on 2017 and 2018 strong like-for-like growth
- Better overall management of revenues per sqm, to a conservative level compared to peers
- EBITDA margin improvement thanks to (i) better cost control in Retail and Real-Estate, (ii) mix effect (between Retail and Real-Estate)
- New hypermarket openings
- Synergies with Exito (purchase synergies, commercial synergies and Headquarter costs) amounting to USD9m on a run-rate basis

3

Results of the Discounted Cash Flow valuations are the following:

- Including new openings, Libertad valuation stands at:
 - High point: USD312m
 - Mid point: USD287m
 - Low point: USD265m
 - Synergies are valued at USD29m
- **Based on DCF valuations, Libertad valuation is comprised between USD265m and USD310m excluding synergies**
- **Synergies valuation to provide additional comfort on such valuation range**

Valuation summary

		Enterprise Value (USDm)	Comments
<i>For illustrative purpose only</i>	2015e and 2016e trading multiples ¹	<p>169.9 191.4 212.9</p>	<ul style="list-style-type: none"> Based on average 2015e and 2016e EV/EBITDA and EV/EBIT applied to 2015e and 2016e EBITDA and EBIT of Libertad Retail and Real estate
	2017e trading multiples ¹	<p>312.2 329.2 346.3</p>	<ul style="list-style-type: none"> Based on average 2017e EV/EBITDA and EV/EBIT applied to 2017e EBITDA and EBIT of Libertad Retail and Real estate
intrinsic value of Libertad reflecting the controlling stake and the turnaround of the business	DCF base case ¹	<p>265.3 287.1 312.0</p>	<ul style="list-style-type: none"> 2015e-2021e forecasts based on management BP and extrapolations beyond 2021e WACC: 15.3% for Retail and 12.2% for Real estate / PGR: 2.5% Min: WACC +0.35% and TGR -0.35% Max: WACC -0.35% and TGR +0.35%
	DCF base case ¹ , including synergies	<p>292.9 316.1 342.7</p>	<ul style="list-style-type: none"> 2015e-2021e forecasts based on management BP and extrapolations beyond 2021e WACC: 15.3% for Retail and 12.2% for Real estate / PGR: 2.5% Min: WACC +0.35% and TGR -0.35% Max: WACC -0.35% and TGR +0.35%

Source Factset (20/07/2015), Company, analysts, Rothschild estimates

Note

¹ Libertad figures comprise new openings contribution but excludes potential synergies