Grupo Éxito – 4Q24 Results Conference Call Transcription

Feb 27, 2024

Ivonne Windmuller: Good morning, everyone, thanks for joining us today for Grupo Éxito's fourth quarter 2024 results. Please note that this conference is being recorded. At this time, all participants have been placed on mute to prevent any background noise.

It is my pleasure to introduce Mr. Carlos Calleja, CEO of Grupo Éxito; Mr. Carlos Mario Giraldo, General Manager for Colombia; and myself, Ivonne Windmuller, CFO of Grupo Éxito.

Please move to slide #2 to acknowledge the note on forward-looking statements.

Turning to slide three, we have the agenda we will begin with words from our CEO. Carlos Calleja followed by an update of the ADS and BDR delisting process. Then we have the review of the financial and operational highlights to continue with our financial performance for the fourth quarter and full year 2024. The call will end with key takeaways and Q&A session in which all participants can raise their hands to ask questions or send them through the chat available at the bottom of your screen. In any case, please indicate your full name and company's name. Thank you for your attention. I will now turn the call over to Mr. Carlos Calleja.

Carlos Calleja: Thank you, Yvonne, and hello to everyone. It's great to be here today with all of you. I prepared a few words written down a few words so that I can go over some points regarding what we've achieved, which has been quite a lot in the last year. So here goes. Thank you for joining us today as we review Grupo Exito's 2024 performance. It's been a year since the acquisition and change of control and I'm pleased to share that we're genuinely thrilled with how it's unfolding. We're united as a team, driven by a shared ambition to deliver meaningful value to our shareholders, our interests, our Board of Directors and governance and our strategy are fully aligned with all investors, and we are working relentlessly to turn that alignment into results.

Grupo Calleja and Grupo Éxito share a powerful common vision: a purpose-driven approach that shapes everything we do. Together, we're crafting a differentiated value proposition to connect with and serve every market segment effectively. Beyond that, we're committed to leveraging our business as a force for good—driving economic and social progress through our corporate responsibility programs and foundations.

At Grupo Éxito, our commercial strategy rests on two pillars: first of, we are focus on enhancing our value proposition and brand efficiency to create extraordinary customer experiences while delivering value through a smart mix of excellent assortment and competitive pricing. Secondly, but just as important, we're sharpening our focus on cost efficiencies, optimizing processes, boosting store profitability per square meters, and building a leaner, more agile organization.

We believe in fostering an "owner's mentality" across the company—stewarding resources wisely and working with passion and purpose to secure our sustainability over the short, medium, and long term. To our investors, I'll echo a timeless truth, we like to say this in our company, we focus intensely on taking care of the pennies, knowing the dollars will follow.

Our business hinges on three key fronts: sales, margins, and costs, and we're pulling every lever to drive results, in terms of gross sales We're collaborating closely with our teams and suppliers to unlock the full potential of our store network. By expanding our assortment, amplifying savings through a high-low pricing strategy, and keeping our textile and entertainment categories vibrant, we aim to be the one-stop shop for essentials and more. Speed and proximity matter, we're strengthening supplier partnerships and simplifying our brand structure under Éxito and Carulla in Colombia to boost same-store sales and efficiency.

In terms of gross margins, Our margins are solid, but we're not standing still. We're working hand-in-hand with suppliers to deliver greater savings to customers without compromising profitability on our end. Dynamic promotions, built on collaborative supplier relationships are key, especially as we navigate economic headwinds together.

In terms of costs; We're streamlining our organizational structure and simplifying processes to hit our cost-reduction targets. This is tough work, but it's where we see the greatest opportunity to fortify the business and lift margins over time in a consistent way.

Thanks to the dedication of our teams and partners, we're seeing a shift in momentum. While we're not yet at our ultimate goals, the last quarter of 2024 signals a promising trajectory, fueled by strong retail and real estate performance in Colombia and growth in Uruguay. We're confident we're on the right path.

Let me spotlight a few numbers before Carlos Mario and Ivonne dive deeper; Consolidated revenues reached $21.9 billion Colombian pesos, up 6.0% year-over-year (excluding currency effects), powered by a robust fourth quarter. Net profit surged 23% (including currency effects) in the fourth quarter, closing the year at $54.786 million pesos, a positive result we're proud of. In Colombia, sales grew 2.2% in fiscal year 24, with double-digit EBITDA margins in Q4, driven by food, a non-food recovery, and gains in e-commerce and direct channels. I should add also that the numbers we are getting from Nielsen, and our own numbers, and our supplier's numbers, are telling us that we are gaining important market share. Uruguay delivered the Group's highest EBITDA margin, with sales outpacing inflation thanks to our 33 Fresh Market stores and stellar traffic during the Punta del Este high season. In Argentina, local-currency revenue rose, with real estate growing at 90.6%.

Our strategy is taking root: unifying operations under Éxito and Carulla, expanding the assortments nationwide, refreshing thematic days, and doubling down on "Unbeatable Price" and high-low tactics. Amid inflation, we've kept food price increases to 0.9 points below the national level in Colombia, easing the burden on Colombian families through early buying and creative promotions.

We're building toward better returns for our shareholders, those who've stood by us and those considering joining the journey. With that said, I'll hand it over to Ivonne and Carlos Mario so that they can dive deeper into the numbers.

Ivonne Windmuller: Thank you Carlos, please move to slide number six to review the rationale behind the delisting of Grupo Exito's American repository shares from the New York Stock Exchange and the Brazilian repository receipts from the Brazilian Stock Exchange. As it was informed by relevant information released on December 20th of 2024 and February 14th 2025. Grupo Exito's board of directors approved the voluntary delisting and de-registration of the company's ADS from the New York Stock Exchange and the BRS from the Brazilian Stock Exchange B3, with the objective of seeking for a more efficient float distribution.

At the end of 2024, the shareholding structure of the company included more than 40,000 holders, representing a 13.2% float distributed across the two markets, of which 9.7% was in Brazil, 1.8% was in Colombia and the remaining 1.6% in the US. From December 31st 2024, up to January 21st 2025. The float in the Colombian stock exchange increased to 2.2% following the process of the ADS delisting. As of February 25th, the float in the Colombian market increased to 2.5%, while in Brazil decreased to 9.4% and in the US to 1.3%.

Group Exito's intention is to bring this 1.3% float from the US and the 9.4% from Brazil to the Colombian Stock Exchange, by already delisting the ADS and recently requesting the discontinuation of the BDRs, following the company's strategy to focus on maximizing returns to all shareholders with the aim of having a more efficient shareholding structure, as well as considering that Colombia is the natural market of our shares.

The company will continue to comply with its information disclosure and other obligations as a listed issuer under the relevant rules of the Columbia Stock Exchange, as well as other applicable laws and regulations. To illustrate the stages of this ongoing process, please move to slide #7.

According to the ADRs delisting process that started on December 20th 2024 and as it has been informed to the market on January 21st 2025 became effective, the termination of Grupo Exito's ADS program. As stated by JP Morgan on its DR market announcement release on December 20th, 41 days starting after the program termination on January 21st. This means at the close of business New York, time to March 3rd, holders may instruct depository JP Morgan about surrendering their ADS from cancellation to convert into common shares in Colombia to remain as shareholders or to definitely sell their position.

On February 14, the Board of Directors approved the voluntary discontinuation of the BDR program aligned with the previous decision to terminate the ADS program in the United States. That same day, the company submitted to the Brazilian Stock Exchange B3 the BDR discontinuation request. The Brazilian Stock Exchange has to deliver its evaluation and opinion to the Brazilian Security Commission, the CVM, then the CVM needs to grant its authorization for the discontinuation of the BDR program. The B3 and CVM have no legal terms for the revision and approval, but the company estimates a time frame of up to 30 days, with an estimate date of March 28. Once the approval is granted by the CVM, the BDR folders have up to 30 days after the release of the notice to the holders to inform the depository Itau the surrender of their BD Rs for cancellation and conversion into common shares in the Colombian Stock Exchange, the estimated deadline will be until May 9. When the BDR conversion period concludes the sale of the remaining BDRs that have not been submitted for cancellation will begin.

We advise the consult with your local market agent to ensure that the delivery of the instructions of the deposit securities are properly and timely provided to the depository and please contact JP Morgan and Itau for further information.

Now I will turn the call to Carlos Mario to present Grupo Exito's operating highlights for the fourth quarter and full year 2024.

Carlos Mario Giraldo: Thank you, Ivonne, let's go to slide #9 and speak about the consolidated highlights for the quarter and for the full year. The fourth quarter was no doubt the best quarter in the year following a very promising third quarter at all level expenses, EBITDA, net profit and it shows a trend that we hope, and we are working hard to see going through 2025.

For revenues in full year, we have revenues for 21.9 Colombian pesos billion. That is an increase of 6% without the foreign exchange impact and of 3.6 with the effects impact. Our recurrent EBITDA grew by 2% without FX and was -0.9% with FX, that is flat versus the previous year. It is important to note that the Q4 had an Important contribution to the EBITDA with a growth of 21.1% and with the best margin in the year of 10.1% in margin. SG&As kept at the same percentage level versus 2023, regardless of the important inflation that we had in all the countries and it is important to highlight the performance of Colombia that in SG&A's came near to 0 during the year. The net result, consolidated net result was 54,786 million Colombian pesos, impulsed by 146,000 million that they were reported, that arrived during the fourth quarter.

Let's go to slide #11 to speak about the top line performance at consolidated level and at each country. It's important to highlight, that Colombia had a net revenue of plus 4.7% in the fourth quarter, improving versus the previous quarter and with a like for like market share, important gain for the year of 60 basis points arriving to 25% of the total market. Retail sales for the full year had a consolidated growth of 6% without FX with Colombia at plus 2.7%, Uruguay increasing 5.9% and Argentina 62%.

Colombia inflation in food for the whole country and the full year was 3.3% measured by DANE, and that compares against the 2.4% increase in food inflation at Exito level, that is that we are performing our promise of creating savings in the investment of our customers in their food basket. It is important to highlight the non-food trend and we saw non-food growing by 5.8% in the fourth quarter which is clearly a sign of an improvement of consumer demand and confidence.

Going to slide #12. In our strategic focus, it is consistent in enhancing the experience of our customers, first by the gradual conversion of stores into Exito and Carulla, which are the top-of-mind leading brands and which mean 88% of the total revenue of Grupo Exito in Colombia. As a whole, we did 26 conversions during the year, that added to 14 that we have done in this first part of the year now leads to a total of 40 converted stores of a potential of 150 stores to be executed in the following years and in this year, of course. But in simultaneous, we are making an intervention of the full store portfolio with the different brands to enhance the experience of our customers. We are working in a consistent way to have the best assortment for our customers so that they can always make their full purchase of food and some non-food items, and we increased this assortment by around 2000 SKUs, that is an increasing in average of 30%. The new products in the assortment now represent around 5% of the sales.

We continue to perform with innovation around the pillars of WOW in Exito stores and Fresh Market Carulla stores, an example of those are the textile boutiques, the Electro specialist, look and feel of the store, “Cocina del Mercado” and personal care and beauty, as some of the examples.

Going to slide #13. It is important to say that we continue to be consistent in the pillars of customer savings across all brands and to our customers that is very important today and we do it with things we are completely tangible and real at the moment, and very well received and perceived by our customers. I start with the thematic days, those are days in which we have consistent discounts in specific categories every Tuesday in all the brands, all the stores we have a fruit and vegetable discount, which now sees fruit and vegetable in these Tuesdays increasing by 28% versus previous year, every Wednesday we are seeing a meat, a very clear destination category in the food supermarkets with a very important discount and arriving to an increase in sales in all the meat of 54% versus the previous year and the Fridays we're seeing spirits and snacks in discounts with an increase of 45%. This makes and gives reasons to all the customers to have a special benefits in these days of the week. Of course, it is important to say that during the weekends we have consistent high and low offers in collaboration with our suppliers and taking profit of the payment weekends. This is an expertise that Grupo Calleja has done during many years in Salvador and that has been brought in a very important way to the Colombian market. We continue with our unbeatable products promise in price, around 1000 products, half of them in private brand and new national brand and international brand products also, the whole growing by 14% and in the branded offers of our suppliers growing by 50%.

Going to slide #14. We spoke about experience for the customers, we spoke about pillars of savings for the consumers, but at the same time we're working in a very reliable and consistent way in competitivity in cost and expense, as Carlos said in his introduction, this is a key pillar for the performance of results in our Grupo Exito, we have very important results during the year, for example in Colombia for the full year, total SG&A grew by 0.1% compared with a 9.3% inflation that we had as a pressure from the previous year, total savings captured were around 438,000 Colombian million, that is around $104 million dollars, and that's not only headcount, it’s also in material negotiation of our contracts, in control of shrinkage levels at our stores and synergies that we have been working as a group in the different countries, putting together Uruguay, Argentina and Colombia and of course, El Salvador.

Slide #15. Let's speak about sales in Colombia, they had the best quarter with an increasing same store sales of 4.4% with a positive performance of the Exito brand growing 4.8%. And Carulla brand growing 10.9%. We had a very important sign coming from non-food with a 5.8

growth in the Q4, and our low-cost formats, Super inter, Surtimax and Surtimayorista as a whole, grew 2.7% in food.

Side #16, we continue to be very strong and aggressive in our omnichannel sales as a competitive and comparative advantage, arriving in Colombia to 2.3 Colombian billion growing, 6.5% and that is a total sales figure of around $550 million Dollars, completely material and with a share in retail sales of 14.7% and that is also important in food, we speak only of consumer goods with 13.4% share. Our big bets include our apps that grew by 27%, and in home delivery we had 23.5% orders of home delivery growing by 21 percent.

Going to slide #17. I start to speak about our complementary businesses, as you have seen, real state is becoming increasingly important, it's consolidating its leadership position in Colombia and its number three position in Argentina. The current valuation of Viva Malls, for example our vehicle in which we own 51 percent, is 3.7 billion Colombian pesos, that is around $450 million dollars. Our total GLA, including Viva Malls and the other additional commercial galleries that the company holds at 100%, is 807,000 square meters with a very strong occupancy level of 98% and with revenues growing by 13.6% for the full year. We have to highlight Viva Envigado with the inclusion of the IKEA store, 17,000 GLA square meters, Viva Malls arrived to be the most important shopping mall in Colombia with around 160,000 square meters of GLA.

Slide 18 speaks about our other two material complementary businesses, our credit business under Tuya and Puntos Colombia. Puntos Colombia is going in an exponential manner, it now has a penetration, according with Kantar measurement of one of each three households, it is the number one brand perceived in loyalty coalitions in the country, and it has a powerful database coming from Bancolombia and Exito of 7.8 million habeas data, which are frequent users of Puntos Colombia within our brands and also with our allies, we arrive to around 404,900 allies, which redeem points or issue points within Puntos Colombia.

Tuya had a good fourth quarter, it maintains the triple-A rating with a loan portfolio of 2.1 Colombian billion and 1.3 million credit cards. With a very important percentage of activity, that is, those credit cards that are being used every month or that have some charge in the credit card. The most important point for Tuya was that improvement in non-performing loans decreasing by 571 basis points and getting to single digit. Something that we have not seen in the previous years.

I handed back to Ivonne for financials and then we'll come back to conclusions.

Ivonne Windmuller: Thank you Carlos Mario, let's continue to slide #19 to Review the operating performance by country.

In Colombia, as previously presented, net revenues for the quarter at 4.5 billion Colombian pesos growing 4.7% and for the full year 16.2 billion Colombian pesos with a 2.7% growth, sales in the quarter posted the best performance of the year driven by food sales that grew in line with the local food inflation, the recovery of the non-food segment and the omnichannel. Other revenues grew 17.4% for the quarter and 11% for the year, driven by the recurrent real estate operation and other complementary businesses performance both with double digit growth. Quarterly gross margin at 23.6% gaining 57 basis points and at 22.1% for the full year reflected the strong commercial activities compensated by the positive real estate recurrent performance that grew 12.7%. SG&A, with an outstanding performance decreased 5.9% during the quarter and improved 174 basis points, reaching an historical double rate of revenues. To highlight the full year expenses that were stable with previous year, taking into account the indexation of expenses with a CPI of 9.6% and a legal minimum wage increase of double digit. This was achieved thanks to the ongoing cost control action plans and efforts that amounted 438,000 Colombian pesos during the year.

Colombian recruiting EBITDA for the quarter at 532,211 million Colombian pesos increased 30.5% and with an historical 11.3% rate that improved 223 basis points. For the full year, EBITDA increased 4.7% and gained 34 basis points when excluding property sales base. This result reflects a positive change in the sales performance strength, the positive contribution from the real estate and other complimentary businesses, as well as a strong action plan in cost and expense.

Uruguay for the quarter with a top line that grew above inflation at 6.1% in local currency and 4.2% in Colombian pesos and a full year revenues that grew 5.8% in local currency, the positive top line evolution was supported by the solid commercial strategy and the performance of the fresh Market. Quarterly gross profit in local currency grew 6.6% above revenues growth, full year gross profit reached a rate of 36.2% improving 58 basis points, thanks to the solid sales evolution, the improvement in logistic cost and a better negotiation with suppliers to support the commercial activities. SG&A for the quarter grew below inflation at 1.7% in local currency and improved 115 basis points in rate, thanks to the cost control action plans and efficiency. Returning EBITDA for the quarter at 136,326 million Colombian pesos increased 22.9% when excluding FX effect, for the full year, EBITDA grew in local currency 13.5% and with double digit margin of 11.4% improving 76 basis. The Uruguayan operation remains, therefore, as the most profitable business unit in the group.

Argentina, with the full year net revenues that grew 61.2% in local currency, sales performance reflecting the macroeconomic adjustments to address the inflationary context affecting the consumption, partially compensated by the real estate business contribution that grew 72.5% and continue with solid occupancy rates. Gross margin up 29.7% reducing 452 basis points showed the higher price competition and the sales performance. SG&A above sales grow heavily impacted by inflationary pressures partially mitigated by the ongoing plans and efforts in the cost controls. Recurring EBITDA for the quarter drove full year figures into negative territory, reflecting the lower sales evolution, price investment and inflationary effects on costs and expenses.

At consolidated level, net revenues for the quarter posted its best sales performance and reach 6.3 million Colombian pesos and grew 16.1% and 3.8% when excluding FX effect from international operations. Year to date, net revenues of 21.9 million Colombian pesos that grew 3.6% and a 6% when excluding FX effect. Top line reflected the consistent commercial strategy in Uruguay, the recovering of the Colombian retail operation and its solid real estate performance. Full year gross margin impacted by the strong commercial activity from new strategies to improve the sales dynamics. In terms of SG&A, the consistent focus on action plans and cost and expenses, compensated the inflationary pressures in wages and other index expenses, leading to a stable expense rate of revenues. The fourth quarter closed with a consolidated recurring EBITDA at 338,209 million Colombian pesos and grew 21.9% and a 28% when excluding FX effects, full year EBITDA stable versus previous year and grew 2% when excluding FX effects.

Going to slide 20, the group net results for the quarter, reached 146,116 million Colombian pesos and for the full year 54,785 million Colombian pesos. The effects in net results for the quarter were first, the positive operational contribution from Colombia and Uruguay, offset by the operating performance in Argentina, which we already reviewed. 2nd, a better performance from the financial business Tuya reflecting the improvement by over 500 basis points in the non-performing loans. 3rd, an improved net financial results with lower financial cost in Colombia offset by higher costs in Uruguay due to additional debt to purchase 7.5% of minority stake. These positive effects were offset by higher taxes from a better operational performance and an increase in non-recurring expenses from the restructuring plan in Argentina. The effects for the full year were Lower operational contribution were the negative effect from Argentina completely offset the positive contributions from Colombia and Urugay, Higher non-recurring expenses for the restructuring process in Colombia and Argentina amounting around 66,000 Colombian pesos during the year. These impacts were partially compensated by the better performance from the financial Business Tuya that showed a consistent recovery throughout the year.

Going to slide 21, in terms of cash, the company closed a year with an impacted free cash flow coming from the effect of working capital by the cancellation of a special factoring operations to reduce the financial costs. When excluding this effect, positive free cash flow improving when compared to 2023. These results reflects a better operational performance and higher dividends received from the Uruguayan operation. Net financial debt reflecting a stable level in cash but impacted by a higher level of debt at year closing to finance the working capital affected by the cancellation of the special factoring operations. Nevertheless, the average debt level with a lower change around 300 million Colombian pesos. The effective working capital strategy achieved with close collaboration with suppliers helped to mitigate the high inventory levels while supporting the commercial dynamics. We remain strongly focused on optimizing and prioritizing the investments to ensure the liquidity and protect the cash flows of the company.

As a summary for the financial performance, the company posted an improved top line performance during the fourth quarter thanks to the food sales growth and the recovery of non-food, to highlight the solid Omnichannel performance and the positive recurrent results of the real estate business, the consistent and strict cost and expenses action plans compensating the inflationary pressures, allowing the Colombian operation to be stable in its expenses. Quarter by quarter the company improved its EBITDA results and closed the gap from a challenging first half. The improved operational performance, the strategic management of the working capital and the investment prioritization partially mitigated the impacts from factoring operation in the cash flow generation.

Thank you for your attention and I now give the word back to Carlos Mario for the conclusions.

Carlos Mario Giraldo: as conclusions as you have seen during the presentation, we would say we had the best quarter in Q4 driving at the end of the year to a stable EBITDA and a net profit in positive grounds. Colombia, also with a very positive quarter in sales and EBITDA with 11.3% margin and growing by 4.7% EBITDA for the full year, our focus continues to be on a strong commercial strategy around the experience for the customer savings, clear savings for the consumers and efficiencies at all levels.

We continue to strengthen our Omni channel different capabilities, with a 14.7% share of sales and with that competitive advantage in the food market, where in the Omni channel capabilities and in the different alternatives we have more than half of the total market share in the country. Complementary businesses with a very positive contribution come from real estate, reinforcing the leadership that we have in Colombia, with the Tuya Improvement in returns and in results and with Puntos Colombia as a clear differentiator.

Uruguay remaining with high margins and EBITDA growth and innovation in its Fresh Market that now represents 60% of the total sales in the country. Argentina, with the adjustments in the economy which make us to be optimist as a future view and of course impacted in the short run given the impact it has had in consumer demand.

And finally, we announced the delisting of ADRs and that discontinuation of BDRs to create a strong floating in Colombia for our shareholders as a whole.

After these conclusions, we open to a Q&A session and then at the end we will have the final remarks coming from Carlos Calleja

Ivonne Windmuller: Thank you Carlos Mario, I'd like to remind all participants that you can raise your hand to ask your questions or submit them via the chat function at the bottom of your screen, if you wish to ask a question aloud, Please remember to unmute your microphone and state your full name as well as your companies name, if you prefer to submit your questions through the chat, please include your full name and company name and I will read your question out loud.

So, we have the first question through the chat from Sixto Vannevar

Why is the presentation still in English, when the stock was already delisted from the US? **R/** Thank you Sixto, is for several reasons, The first is because we are a listed company in the

Colombian stock exchange, and we follow IR good practices. 2nd, we are still under the SEC, we have been delisted from the New York Stock Exchange, but we are still registered under the SEC, we are waiting for the deregistration and 3rd because we have international investors as well.

Nicolas Larrain: Hey, Ivonne, thank you Ivonne, Juan Carlos and Carlos Mario, thank you for the presentation, for taking my question. I want to touch a bit first on the conversion of banners, right, the unification strategy, I wanted to understand what have you been seeing from those clients that maybe were used to going to the Surtimax, Super inter, Surtimayorista? How are you thinking about including those type of clients? You know there may be more professional? The Horecas? The B2Bs? into the new dual strategy. How are you envisioning including them eventually into the value proposition? That's my first question, and also very interested to know how have you seen January and February specially in Colombia? How has the consumer reacted to the changes in the strategy?

Carlos Calleja: Thank you, Nicholas. With your first question, you touch a good point and it's something that we are very, very focused on. Because the idea behind our strategy is to continually add without subtracting customers, we don't want to lose customers. So, we're very focused on how we are rolling out that expansion of the say, Carulla banner in some stores. First, I think we have to start off by the fact that when we dove into Surtimax, Surtimayorista and Superinter, the reason why we're even migrating them is because those were not profitable store banners, so the model in itself wasn't contributing value to shareholders being present, as it stood.

Now the stores that we've converted so far have shown uplift in sales and uplift in margins, so that's telling us that we're moving in the right direction, that said, there's a specific customer that you mentioned, which we have our eye on to make sure we don't lose, which is say the institutional customer. So, we're taking measures within the strategy so that we can service them in a certain way with the right pricing and the right value propositions so that we can keep them on board. That said, we hope to penetrate much further into the consumer, the end consumer in those stores with the migration. But even before the migration, because we're bringing our “Mas es Mas” strategy to those stores and the increased assortment, even before we change some of those banners, is bringing an uplift in sales and by bringing that increased assortment as well, we can bring an uplift in margins because we're no longer just selling, let's say, staple or commodity products with low margins, which is one of the challenges that format had. So the idea is to build a more varied value proposition in terms of product assortment, but not lose competitiveness in pricing and we're seeing really good feedback and from the work that we've done so far, as Carlos Mario has stated this is like a two year process that is going to take us to do this roll out completely, but the idea is to not lose customers, but build incrementally on that base. I hope that answers your question somewhat and we're clear that we have to cater to those Institutional customers, “Las tienditas que nos compran”, restaurants, etcetera, etcetera.

The other thing you asked, I think you asked January and February. We're optimistic with what we're seeing, we're always very careful we don't like to sort of give guidance or anything like that going forward, It's not our stick, but we can say that we're optimistic with what we're seeing, what's coming in and Carlos Mario and Ivonne gave a great presentation in terms of how the business has evolved. Quarter over quarter over quarter over quarter and we're hoping and we're seeing that this quarter, first year, first quarter of 2025 is coming in well. So what you're seeing or what you've seen in the last year, I think is reflective of the work that we're doing and that work continues, And like I said, we're not where we want to be, but we're getting closer and I think in Q1 of 2025 relative to Q1 of 2024, will be consistent with that messaging and those results. Carlos Mario, I don't know if you want to add anything

Carlos Mario Giraldo: I would only add, Carlos to your very complete answer that in January, February, one thing that we are seeing is a consistent growth in non-food which is important given the sign that means for consumer, number two, a consistent reduction in non-performing loans in our Tuya card and going to the bottom line, we continue with a very strict controlling expenses and the probably with good news about profitability.

Ivonne Windmuller: Next questions come from Javier David Villegas from Bancolombia, what is the estimated Capex from updating the 150 stores?

Carlos Calleja: Do you have those numbers Ivonne in terms of?

Ivonne Windmuller: Yes, so we have approximately 70% of our Capex from these years to expansion and maintenance, but for the 150 stores we are estimating of around 50 million U.S. dollar.

Carlos Mario Giraldo: I would only add, Carlos, that this year it's going to be around between 40 and 50 million U.S. dollars for that conversions and then next year probably something similar or higher, It all depends on the Number of stores that we convert and this year in our plans, we already did 14 and we hope that we can do at least 40.

Carlos Calleja: One of the things I want to add was and this goes to Nicolas's question as well, what we call the triple S which is Surtimax, Surtimayorista and Superinter, above all in Surtimax, there was also a need for investment in maintenance, so we're not going to wait for those conversions to give those stores that need maintenance and refrigeration, capacity or lighting capacity, which is super important for the customers. We're not going to wait for store conversions to do that, se want to bring and we put on us a mandate to bring our value proposition up to a standard where we can feel proud of what we're doing in every single store and that's an objective that goes parallel to the store conversions, like I said, we want to dignify the lives of our customers with our value proposition. So, there's a budget above and beyond what we've had in years past to do that sort of maintenance, which is important. Any questions?

Ivonne Windmuller: Again, Nicolas, please go ahead.

Nicolas Larrain: Just if I may, guys abuse a little bit here. What are your mentioned Capex on the companies of course turning the corner in terms of operating results? What's your mindset around dividends and potentially increasing the payout? From the current 50% just to the extent that you that you can share of course.

Carlos Calleja: To be honest with you, we've been so focused on the operating that what we've done is respect the past, sort of policies on dividends, which is 50%. We can look to that in the future and obviously we're going to be interested in looking for that. As a group, put yourselves in our shoes, as a Group as a family we invested in buying this company, we did not put any leverage on the company because we respected the company, wanted the company to be in a space and a place to grow. But as investors, like our other minority investors, we are interested in being able to receive a return on that investment eventually. So that will be taken into account, obviously in terms of you know, dividend policy, etcetera. But I don't want to get ahead of myself and say exactly what we're going to do, but as to now what we've been doing is respecting the past. But obviously, the idea is for Grupo Exito to help us generate those returns on that investment we did when we acquired the company, which we acquired without putting any debt on the company.

So that means that obviously we're going to be looking to dividends for that return, so dividends will be important for us, but we're very we want to take care of the company and that's why we're doing. I would say this historical policy, we don't want to, you know, put too much pressure on it. But obviously to future investors, I could say that dividends are important and we'll take that into account. I don't know if Nick does that answer your question in any way?

Nicolas Larrain: Let me. It does. It does. Thank you, Carlos.

Ivonne Windmueller: Thank you Nicolas. Our next question is coming from Javier David Villegas from Bancolombia. Regarding debt, what could be the current average cost? **R/** We managed last year to reduce our financial cost or debt cost over 300 basis points it came first; because of the reduction of the reference, but second for restructuration of debt. What we are expecting for this year, as you know we are waiting for the decisions of the Central Bank in terms of repo rate, but we are looking into continuing the negotiation and restructuring of the debt I can't not mention any spreads or anything but to be efficient in the debt renegotiations throughout the year.

Next question is coming from Gloria Hernandez; Grupo Exito plans to buy back the retail balance of shares?

Carlos Calleja: By that, Ivonne, how do you understand that question? If we're thinking about Privatizing the company and buying up the 13 or 14% shares that are out there is that the question? No, that's not in our plans at the moment. No, we're what we're thinking about doing and I think Ivonne spoke to this. Is bringing the shares back to Colombia and aspiring to have a a float of say, 13% - 14%, a 13% float in Colombia, where the company is known and has been loved by Colombians for many years. If we can get liquidity into that flow, we think we can position the stock in a positive way in Colombia, there's not that many companies or stocks in Colombia that can offer the food retail sector and exposure to the entire country. I mean, we're one of the few that can do. So, I think that could play a role for investors in terms of, you know, diversifying their risk in the country and that's what our objective is.

As Ivonne said, you know, we've taken measures with regards to the ADRs and that's a process that we've begun a process where we've asked for approval by the regulator in Brazil to do the same and bring those shares back. When we spoke to people in Colombia, we feel that this strategy is the right one for now. That’s what we're interested in doing.

Ivonne, I don't know. You want to add anything to that point?

Ivonne Windmueller: No, Carlos, I think it was very clear. Thank you.

Next question is coming from Sebastian Palacio. What is the outlook for 2025?

Carlos Mario Giraldo: What we have said, and we stated it before, it is that first we're looking for a CapEx of around $115 million dollars of which 65% would be in Colombia, 30% in Uruguay and the rest in Argentina. That we will continue with a conversion plan in Colombia, as the main destination for Capex and we will continue investing in our real estate for the entertainment areas in Envigado and Barranquilla as something clear to do in the next months and we will hope to be able to begin with the Suba shopping mall if the output permits are received on time, and gradual improvement in EBITDA level. Still, I wouldn't give a number, but we are seeing that in the short term.

Carlos Calleja: Strategically I'll say the following with regards to 2025 because we don't like to generate expectations as to guidance. We're going to continue to be doing what we've been doing. Last year, the focus was on Colombia, that focus will stay and you can see it in the results in terms of how the costs have been impacted in the benefit of results, that work continues, but also last year was a year where we focused on Colombia, the good thing about 2025 is with the results that we're beginning to see in Colombia, we can focus I personally as well, next week I'm flying down to Uruguay, focus on even improving Uruguay, which even though it's a good business, we think it could be better. And our philosophy is, do things better today than yesterday and do things better tomorrow than today and we’ve spoken to the management in Uruguay, and we want to improve the results there as well and we want to grow the company there. So what I would say is, from our role and my role specifically, we're advancing and we're seeing good stuff in Colombia, that's going to continue and with the bandwidth now that we have to because we're seeing stuff improving in Colombia, we can get to work on Uruguay too in terms of improving, you know and lifting the margins in that business as well.

Ivonne Windmuller: So next question is from Sexton Vannevar. Do you think the stock price is reflecting the price of the company?

Carlos Calleja: Personally, definitely not. If you look at the stock price, it's well below what we paid for the company and we're happy with our investment and the and the company that we're building.

Carlos Mario Giraldo: Carlos, I will complement by only giving one figure and it is that the book value of this stock in Colombia, December 31 is 5.153 and the stock price today is around 40% of that book value.

Ivonne Windmuller: and additionally, what we are seeing of the stock price right now is that it's reflecting the inefficiencies that we have in the separation of the float in the three markets.

So, I think there are no further questions at this time. So, I will now turn to Mr. Carlos Calleja for your closing remarks.

Carlos Calleja: Thank you, Ivonne, thank you Carlos Mario, I will just close by saying that at Grupo Éxito, we're a result driven team, and we know the numbers matter. But experience teaches us that with the right strategy, execution, and people, those results will follow. Our mission is to enrich our customers' lives with an aspirational yet accessible shopping experience. because that's what fuels our long-term growth and resilience. The core of our entire strategy is customer centric; we will never lose sight of that.

The road ahead demands focus, excellence, and an unwavering commitment to sustainability today, in 50 years, and beyond. We're transforming retail, uplifting communities, and adapting boldly to market challenges. These aren't just goals; they're opportunities to emerge stronger, more innovative, and closer to our customers.

With steady effort, positive results increase; and that's what we're chasing across Colombia, Uruguay, and Argentina. We remain committed to driving a strong performance, and we look forward to building on our progress in the year ahead. And like I said, we are optimistic about what we can achieve seeing how January and February have started off our business year.

Let's keep moving forward together, creating a future brimming with opportunity and growth for Latin America.

Thank you for your trust and support. And I wish you guys all a great day, thanks for joining us today.

Ivonne Windmuller: Carlos. So, this concludes today's conference. Thank You all for participating.