

Grupo Éxito - 1Q24 Results Conference Call Transcription

May 9, 2024

María Fernanda Moreno: Good morning, everyone, thanks for joining us today for Grupo Éxito's first 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.

I'm pleased to present Mr. Carlos Calleja, recently appointed as CEO of Grupo Éxito and CFO – Mrs. Ivonne Windmueller.

We also have the General Managers of all our operations; Mr. Carlos Mario Giraldo, General Manager of Colombia, Mr. Jean Christophe Tijeras, General Manager of Uruguay and Mr. Ramón Quagliata, General Manager of Argentina.

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

Moving now to **slide #3**, we have the agenda. We will start with words from our CEO, Mr. Carlos Calleja, to then continue with the Financial and Operating highlights and financial performance during the 1Q24, followed by Conclusions. The call will conclude with the Q&A session in which, all participants can raise their hands to ask questions or send them through the chat available at the top of the 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, my friend, I saw a chat saying that we have lots of echo. I just want to make sure that everyone can hear us, OK? Did you guys see the message, are all good? Right.

Hello everyone. Thank you all for joining us today. I am super exciting for me in my first call with investors and I was thinking it might be a good idea to share a little bit about our history as a family and as a company, also talk a little bit about how we got here, how would a book I entered into Colombia and decided to acquire Grupo Exito, and I think an important to talk a little bit about our purpose as a company as well as what plans we have going forward, a little bit about the future in the context of the opportunities and the challenges we are seeing. So I wanted to take this time to share with you guys.

Grupo Calleja is a family business conglomerate from El Salvador with operations in retail, real estate, finance, technology, and energy in Central America. Our core business within the group is retail supermarkets, where we have accumulated over 8 decades of experience and established a strong market position. We are retailers and we're passionate about what we do. To Super Selectos. we are the leading supermarket in El Salvador and hold roughly a 60% market share compared to our direct competitors, including multinational companies.

The groups values of integrity, quality and service have allowed us to connect the Salvadorian

families and provide them with a differentiated shopping experience focused on trying to find our customers through our extraordinary value proposition.

Currently, Super Selectos operates 113 stores across the country, ensuring consistent standards of service, savings and quality across all branches. Additionally, our group plays a crucial role in the Salvadorian economy.

As the largest employer in the country with over 12,000 collaborators working under our roofs, we firmly believe in the potential of Salvadorians and all people and are committed to generate opportunities for their development in hopes of contributing to a more prosperous society. Furthermore, we contribute to many other sectors through our relationships with suppliers, enabling us to offer a wide range of over 30,000 products, both local and foreign, including 2,500 private label products.

Through our cultivating opportunities program, which supports local farmers and producers, we have positively impacted the lives of thousands of Salvadorans who now supply over 60% of our foods and vegetables compared to just 5% a decade ago. Super Selectos possesses a significant advantage in the market due to the unified brand which it operates under, this allows us to be at the forefront of Salvadorians minds when it comes to shopping, positioning us as El Salvador's supermarket. Additionally, and this is very important for emphasis on efficiency, has led to higher profit margins than our competitors, ensuring long term sustainability.

Our relationship with Grupo Exito and with Carlos Mario goes back 15 years, when Colombian companies, including Exito, were looking to invest in Central America. They visited our operations back then and as we say in Spanish, we clicked and ever since we have maintained a close relationship and open communication between both organizations.

Grupo Calleja and Grupo Exito share a common vision, both companies believe in the importance of having a purpose in what we do and working as a team to fulfill that purpose. In both companies, we look to build a differentiated value proposition that allows us to connect and successfully serve all segments of the markets we operate in.

We also are committed to using our business as a tractor for economic and social development through our corporate social responsibility programs as well as the foundations we lead. If an analogy, I like to use to illustrate this differentiated value proposition, in Latin America years ago, our people used to walk on dirty paths to get around. Then came the dirty roads, and now everyone hopes for and is asking to travel on well-kept paved roads.

Latin Americans demands for quality service are continuously evolving as they should, and we believe that our value proposition must cater better than any other to those ever evolving and more sophisticated demands.

Because all Latin Americans deserve the best service near their homes, near where they reside with their families, we do this through our extraordinary in store experiences, our personalized customer

service, as well as other differentiating factors such as a larger variety of products and brands including imported items and our high-quality fresh produce and meat.

These are just a few things we do to go the extra mile. Our purpose as an organization, and this is very, very important, is to dignify the lives of the people we serve and work with. The purpose of dignifying the lives of Latin Americans is key, and we will work tirelessly, tirelessly to impact those lives positively while continuously creating great employment opportunities for the citizens of the countries we work in.

In Group Exito sa you all well know; Colombia is our biggest operation. We are one of the country's largest employers, operating an immense multiformat retail and commercial real estate operation. Aside from this, we have an important investment in our credit card business, Tuya, as well as the country's leading loyalty program Puntos Colombia.

In Uruguay we have a very successful retail operation with an excellent market share position and solid, really solid earnings, out of the three retail operations, Colombia, Uruguay and Argentina. Uruguay is the most profitable. GDU as we call our operation in Uruguay is also one of the country's largest employers.

In Argentina, we have an important footprint which we hope to grow from both in retail and real estate. Some people over the last few weeks, month and a half, asked me if we plan on divesting Argentina. The answer is no. I was actually there two weeks ago and **helped** optimism among the Argentinian people as to the country's future. That said, no one has a crystal ball as to what will happen, but we are convinced that staying in Argentina and exploring growth opportunities is our best bet.

The best way for us to do this is by bringing our Uruguayan and Argentinian teams closer together to lever each strength and create a formidable player in the Cono Sur, in the Southern cone. At this moment, if is possible, I would like to introduce Jean Christophe, who heads up our operations and Ramon who heads up our operations in Argentina. I think they might be connected. I see Ramon there. Hola Ramón.

Ramon Quagliata: Hola Carlos.

Jean-Christophe Tijeras: Hola, estoy por ahí pero no me dan acceso a la cámara.

Those are our two team heads in Argentina and Uruguay, both with incredible experience in retail and a passion for the business. Gracias señores.

Ramon Quagliata: A pleasure to greet you all from Argentina.

Jean-Christophe Tijeras: Gracias. Thank you.

Juan Carlos Calleja: Thank you.

Juan Carlos Calleja: Now I'd like to talk about the challenges we are facing and the opportunities we are seeing. In terms of challenges, first of all, I want to say we are committed to addressing them head on. We are of the mentality that opportunities exist in each crisis, but only if one works hard in realizing that for that we must understand well where we are situated today and what challenges lie ahead. Everyone here is aware of the challenging environment and tough economic conditions currently in both Colombia and Argentina.

Carlos, Mario and Ivonne will speak to this more in the financial part of the presentation. That said, I want to emphasize that these challenges have moved us to focus intensively on finding the best way to navigate the current economic situation, Trust to come out of this environment stronger than when we went in for that, we have to transform the company into a leaner, fitter and more dynamic organization.

This objective is something that we have spoken about at length and started working on with management in all three countries over the past weeks. In our business there are three big levers you need to work on and execute well to obtain good results.

One is top line sales, two, gross margins and three, costs. Sales you want to push out, gross margins you want to grow as well and cost you want to push down. To do this the work needs to be constant, and you can never be satisfied with the results. We like to say in our organization and in our family, we have to do things better today than yesterday and tomorrow, better than today. If you do this consistently, the results will come. That's important. You have to do this every day.

In terms of sales, we are working with our team and our suppliers to better leverage the potential of our entire store platform through more assortment of products and consumer goods and offering more savings with a super dynamic high low strategy, which is where our experience comes from, we want people to be able to buy all their grocery necessities within all our stores while maintaining our textile and entertainment categories just as strong.

We want to be closer to our suppliers and quicker to market, that way we can get a step ahead of our competitors. We are also working on simplifying our brand and format structure to both increase same store sales and create efficiency in costs.

The idea in Colombia is to migrate the entire platform under the Exito and Carulla brands. We did a pilot of two stores recently and the results have been very, very good.

In terms of margins, we feel we have a healthy gross margin, but regardless are working closely with our suppliers to find ways to bring more savings to our customers without diminishing our margin. To do this, we are negotiating dynamic, high low promotions with the full support of our suppliers. We firmly believe in the importance of having collaborative and close relationships with our suppliers and have reached out to them over the past few weeks to find the best way to navigate together through the economic headwinds we are all facing.

The relationship with our suppliers with that group of stakeholders and the collaborative form, which way we look at it, we look as a differentiation factor as well in the way we do business. That's important to mention.

In terms of costs, I want to be very clear. We are building towards becoming a leaner organization. In a sense, the job entails taking a corporation and transforming it back into a lean, agile, and efficient company while retaining top talent. Right now there's work being done both on the organizational structure, making it leaner, as well as simplifying processes, which in turn will facilitate our cost cutting objectives.

This is the toughest part of our job, but also where we see important potential for strengthening the business and eventually lifting margins.

We are also actively working on capturing value across all the countries we operate in, including El Salvador, with the teams working cross borders on getting the best conditions for everything, from the purchase of refrigeration equipment, AC's display, cases, shelves, IT to maintenance, digital marketing, and service contracts. We are looking at it all.

Like I said, our family business experience is rooted in best practices with regards to cost structures, margins go to market strategies and overall financial results. The idea is to use that experience in helping to strengthen Grupo Exito.

Well, that was my part of the presentation in terms of sharing an introductory message with you guys. Hopefully this will give you a better sense of where we come from and how we're looking at things and where we want to go. I'm here I want to pass it over to Carlos Mario, so that we could begin the next part of the presentation and start looking at the numbers.

Thank you.

Carlos Mario Giraldo: Thank you, Carlos and welcome all to this call. I'm happy to be here as general manager of Colombia and I'm going now to **slide #6** where we will highlight some of the results of the first quarter.

In the first quarter at consolidated level, we sold COP\$5.3 billion with a decrease of 3.3% in pesos, mostly impacted by the exchange rates comparing Colombia with Uruguay and Argentina and if we exclude the FX impact there was an increase in sales of 7.9%. All the three countries were in positive grounds Colombia growing by 2%, Uruguay 7.6% and Argentina 228%.

Our recurrent EBITDA came to a margin of 5.7% at the consolidated level, decreasing 22% in Colombian pesos and 14% when we exclude the fx impact.

There was a Net loss of COP\$37,863 million given three main impacts. The first one, the financial costs, the non-recurrent expenses, and the share of profits of Tuya where we have 50% of the business, there was a free cash flow generation positive of COP\$291,000 million.

I would like to highlight under the numbers, first, the difficult consumer demand in Argentina and Colombia. In the case of Colombia, given the materiality for the consolidated results, I have to say that when you look at official data February to February 12 running months, the whole retail had that reduction of 4.7%. We have a focus in the following things: As Carlos was saying, first, strengthen the commercial strategy to impulse the top line and here it comes first with the gradual store portfolio optimization around EXITO and Carulla, we are going to advance in more than forty of these consolidations this year where at the moment we have done 5 and this will be the I would say, the main emphasis in the following months, the first sensations are positive and the first numbers are very positive.

The second one is having a richer assortment of products for all our customers, so that, our brands and our stores will be the full solution, especially in food for any customer in Colombia. Having as Carlos said, a very strong high and low strategy and adding to this the unbeatable portfolio of products.

As you probably heard in the press conference that was done some days ago, we started with around 500 products, unbeatable products of private brands and that has been for some years and very successfully, now represents around 12% of our food sales.

Now the innovation is that in collaboration with our suppliers, we added more than 500 products of leading national and international brands and this is very important because it creates a big, big advantage for our customers that can buy the main brands in Colombia and of multinationals at unbeatable prices. That means that it assures that lowest price in each city and if, for some reason it's not there, we corrected between within one week.

The cost efficiencies also come, and they were already engaged in that going to a liner structure and the back-office reduction to create this result has already started especially at the Colombian level.

Omni channel continues to be a priority, as in the three countries it represents 11.2% of our sales and in Colombia a top 14.6% share. Our real estate business continues to perform in a very positive way and Viva Malls have continuous growth at a constant recurrent level. It had 8.4% increase in revenues and 16.6% increase in EBITDA. At the governance level, the dividend distribution was with a payout ratio of 52% and seven new board members were named at the last General Assembly.

Let me go to **slide #8** to speak about Colombia specifically about the top line performance. Food had a very positive performance of 5.8% growth. If you compare it with the last food inflation that we know for the quarter of 1.7% increase, it is a more than four points above the food inflation in Colombia and these reflected volumes that grew by 3.1% and tickets by 4.3%. Really, the impact that we're seeing is in the basket size given the current situation in consumer, they are coming more frequently, they are buying more times, but their basket size is lower at this very moment. When you ask about our 2% increase, then what was the negative impact? The negative impact came in non-food. It is normal in this economic cycle that the consumers delay the purchase of things that are not really needed at that very moment.

Of course, we continue with a very important position both in electronics and in textiles and we believe that as economic improves and the credit becomes more dynamic, the access to credit is going also to improve our non-food performance.

Let me go to Uruguay, there's a very stable economic and political country, situation attracting a lot of investment. There are some people even saying, increasingly that Uruguay is like a small Switzerland in Latin America and is probably one of the most stable countries, a very positive commercial dynamic of Grupo Disco in the quarter with total sales growing by 7.6%, that is 380 basis points above inflation. This is a result also of a better-than-expected tourism summer season. The summer season in Uruguay is normally by the end of December, January and February, and also a very good effect of our Fresh Market portfolio and conversions that now account for 62% of the total sales.

In Argentina, sales increased by 228%, that is below the CPI, which came to 287%. The result impact the Colombian figure because of the foreign exchange effect that we saw there. As you know, at the end of last year, we had near to 80% devaluation, which of course has a reality in the first quarter sales result, real estate continues to perform very well and we have a high occupancy rate of 94.4%. A very good development is our Cash & Carry strategy in Argentina, which adapts very well to the needs of the consumer, is growing constantly and now the stores of cash and carry represent 18.5% of our total retail sales in that country.

Going forward to **slide #9**, we speak about the performance in Colombia by segment, by brand, Exito in food grew by 5.9% compensating the reduction in the non-food. As you know, the non-food is basically focused and concentrated in the Exito brand. As a total, the sales in Exito grew by 1.5%. Carulla was the best performing brand, growing with more than 6% impulse by food with a growth of 7.2% and Omni channel sales growing more than 27%. The low-cost segment had a total growth of 4.2%, with food having a dynamics of a 4.9%.

Let me go to speak about the Omnichannel performance in **slide #10**. We had a total omnichannel sales of COP\$550,000 million with a growth of 7.9%. The share of Colombian omnichannel came to 14.6% and in food 13.7% with a growth of 21%, we came to 5.5 million orders delivered to the Colombian households and the apps which are a high priority, the apps of Exito and Carulla grew during the quarter at 43%. Misurtii, which is an app B2B going especially to the mom and pops multiplied sales by two, coming to near COP\$23.6 million in the quarter. This is a high potential growing app for the future, given the importance that mom & pops markets have in the consumer goods in Colombia, more than 40% share of the consumer goods market.

Going to **slide #11**, let me speak about real estate. In Colombia remains with a strong occupancy of 97.6% and this is very important because it's a occupancy level which technically is almost no lack of occupancy and it is above what we had before pandemia. As a total in Colombia, we have today 788 thousand sqm of GLA in 33 assets of this joint venture with Viva malls where we have 51% and represents 71% of the total GLA with the 17 most important assets. The recurrent consolidated revenue showed a slight decrease of 0.6% but this is mostly impacted by foreign exchange effect coming from Argentina. If you exclude that, we grew recurrent revenue in real estate between

Colombia and Argentina at 11%. Viva Malls revenues grew 8.4% and recurrent EBITDA 16.6%.

A big event happening is the introduction of IKEA, 17,000 square meters into Viva Envigado, our most important shopping mall. This will be opening at the fourth quarter of this year and this will drive Envigado to be a shopping mall with around 130,000 square meters of GLA, making it the main shopping mall in all Colombia.

These are the highlights for the results of the quarter and then now turn for the financials. I will give the floor to Ivonne Windmiller.

Ivonne Windmuller: Thank you, Carlos Mario, good morning and thank you for joining us today. I will be presenting the financial results of the company for this first quarter.

Let's continue on **slide #12** to review the operating performance in Colombia. In Colombia, as previously presented, Net revenues for the quarter at COP\$3,9 billion, that grew 2,6% thanks to the consistent performance of the omnichannel, food sales growth over yearly food inflation, growing volumes despite a slowdown in consumption, the recurrent Real Estate operation and other complementary businesses performance, that were partially offset by a base effect of development fees and property sales. When excluding this non-recurrent base effect, revenues grew 3,5%.

Quarterly gross margin at 21,5%, 107 bps below last year reflected the price investment for commercial activities and the base effect of property sale and administrative fees accounting for 67 bps of margin loss, compensated by the positive real estate recurrent performance.

SG&A grew 5,9%, below inflation despite a minimum wage increase at double digit and impact of other indexed expenses such as property tax. This was achieved thanks to the ongoing cost control action plans and efforts that amounted around COP\$42 thousand million during the quarter.

Colombian recurring EBITDA for the quarter at COP\$177.111 million, decreased 24,2% and with 4,5% rate, reflects the impacted sales performance, the inflationary pressures in costs and expenses partially mitigated by the positive contribution from the real estate and other complementary businesses as well as the strong action plans in costs and expenses.

Uruguay for the quarter with a top line that decreased 10,7% in Colombian Pesos due to exchange rate effect. In local currency a positive top line evolution of 7,6%, with same store sales growing above inflation in almost 2PP driven by a strong tourism season and the performance of the Fresh Market stores.

Gross profit in local currency grew 9,6%, above revenues growth, and reached a rate of 36,2% improving 67 bps thanks to the solid sales evolution and the increased share of the Fresh Market format. SG&A grew 12,7% in local currency impacted by labor cost increase and one-off impact from a lease contract fee.

Recurring EBITDA for the quarter at COP\$122,404 million, increased 5,7% when excluding fx effect and with double digit margin of 11,7%. When excluding one-time lease fees effect, EBITDA at 12,1% margin improving 20bp. The Uruguayan operation remains as the most profitable business unit in the group.

Argentina with its results in Colombian pesos strongly affected by devaluation showed Net revenues that grew 226% in local currency but decreased 33,9% in Colombian pesos. Sales performance reflecting a slowdown in consumption compensated by the Real Estate business contribution with solid occupancy levels.

Gross margin at 32,8% reflected the higher share of the Cash and Carry format that reached 18,5%. SG&A grew above sales growth in local currency impacted by labor costs from wage increases partially compensated by efforts in cost control.

Recurring EBITDA for the quarter reached COP\$2.598 million and decreased in local currency 9,5%.

At consolidated level net revenues reached in the quarter COP\$ 5,3 billion and decreased 3,3%. When excluding FX effect from international operations net revenues grew 7,9%. During the quarter the three operations showed a resilient sales growth, thanks to the consistent commercial strategy, the omnichannel share improvement and other revenues with positive contribution driven by the performance of the recurrent Real Estate revenue.

Gross margin reflected the slowdown in consumption, the price investment for commercial activities to improve sales dynamics and the higher base effect of non-recurrent real estate revenues in Colombia. In terms of SG&A, consistent focus on action plans in cost and expenses across the three operations partially compensating the inflationary pressures in wages, other indexed expenses and one-offs.

The first quarter closed with a consolidated recurring EBITDA at COP\$302,113 million Colombian Pesos with 5,7% margin, decreasing 22% and a 14,2% when excluding FX effect.

Going to **slide #13**, the group Net Result for the quarter with a loss of COP\$37,863 million reflected the consumption trend, inflationary pressures and devaluation from international operations. The negative variations compared to the first quarter 2023 are:

(First) lower operating contribution from Colombia and Argentina and devaluation effect in the Uruguayan operation.

(Second) higher non-recurrent expenses related to the restructuring process, closing of non-profitable stores and other fees related to SEC and CVM reporting.

And (third) an impacted Net financial result by higher interest payments due to higher structural debt and revolving credit lines in use and FX effect in Colombia with impact in hedging results.

As a compensation we have the following effects

Positive differed tax due to higher fiscal losses and lower income tax.

Lower minority interest from affected performance in Uruguay by devaluation and

A better share of profit by lower net losses from the Financial Business Tuya and positive contribution from Puntos Colombia performance.

Going to **slide #14**, regarding the cash and debt position of the company, we would like to highlight a positive Free Cash Flow of COP\$406 thousand million, with cash generation of COP\$291 thousand million, thanks to the improvement in working capital by reducing inventories in 4.7 days. Cash generation despite sales slowdown and pressures in expenses with a strong focus on investment optimization and prioritization to guarantee liquidity and cash protection amidst the consumption environment.

Net financial debt with a positive variation of COP\$183 thousand million despite interest rate pressure and higher gross debt level.

Gross debt increased by COP\$305 thousand million due to new line to cover the share increase in Grupo Disco in Uruguay and use of additional revolving lines, compensated by the planned debt maturities.

Moving to next **slide #16**, to the conclusions on the financial and operating outcome for the quarter, we had a resilient top line performance, with net revenues that grew 7,9% when excluding FX effect, reflecting the slowdown in consumption and a base effect from Real Estate revenues. To highlight the food sales growth above food inflation in Colombia and Uruguay and the increasing Omnichannel share with positive contribution. The consistent and strict cost and expenses action plans compensated the inflationary pressures allowing the Colombian operation to grow its expenses below inflation. Actions and control at working capital level led to an improvement in inventories and therefore a reduction in Net Financial Debt and a free cash flow generation, despite the impacted operational results.

Thank you for your attention and I now give the call back to Carlos Calleja for his conclusions.

Carlos Calleja: Thank you, Ivonne. Thank you, Carlos, Mario.

I think it's important to mention before wrapping up and passing this over to Q&A that in terms of the acquisition and the change of control the Grupo Calleja is super enthusiastic in terms of the opportunities that lie ahead.

I'm very aware and we are very realistic people, pragmatic people, and we come from that background of the challenges that lie ahead. But like I said, we believe that through hard work, teamwork and constant work we can get through this challenging period and come out stronger and we're laser focused on terms of what we have to do in the way we want to do it. There is a clear strategy which has been built to boost the top line. I don't want to go into more specific detail before entering the Q&A session, but basically what we're trying to do is leverage the enormous potential of the sales platform we have.

Colombia is our biggest market and it's the market with most potential for growth in our view right now for Grupo Exito. We have an incredible platform that we can build upon and that's the focus of

our investment, so that, we can grow same store sales, aside from that, we're working very closely and we've been very well received by our suppliers in terms of making our store assortment wider and reaching those categories and battling in every category in terms of grocery the market share, so as to grow the top line sales and grow winning market share, which is one of the key indicators that we follow in the group and that's important to mention, market share for us is something that we look at.

In terms of the optimization of the portfolio, we have incredible brands, for example, in Colombia Exito and Carulla already mentioned, are the core brands with huge top of mind levels and not only that, but they are also love brands, love marks which are valued and followed by the Colombian population. We see enormous potential in migrating the other brands underneath these two umbrella brands and strengthening our value proposition while at the same time creating efficiencies in the organization and in the cost structure.

Lastly, I would like to say that we're laser focused as well on cost cutting initiatives. Like I said, it's the most difficult job we have, but we are assuming responsibility in terms of working on that and getting to levels where we feel the company stronger each day. So, we are committed to that, creating a leaner, more agile, more competitive organization.

I think with that maybe we could open it up for Q&A, which is always important.

Thank you everyone for being with us.

Maria Fernanda Moreno: Thank you. I would like to remind all participants you can raise your hands to ask questions or send them through the chat available at the bottom of the screen. If you are going to ask your question out loud, please remember to activate the microphone in your device indicating your full name and company 's name and I will proceed to read your question.

We have a question raised through the chat. It is from Leonardo Botero- Valora Analitik. He would like to know about the simplification of the brands in Colombia through the Carulla and Exito brands that Mr. Calleja has mentioned when discussing the challenges of the Company.

Carlos Calleja: Thank you, Leonardo, for your question. I think the best way to illustrate this is through a case study of an example which we would just recently executed.

As you know, to give some context, our two strongest brands are Exito and Carulla, Exito is part of Colombia's culture and part of Colombia's identity, so we feel that the thesis was based on the idea that Exito is a brand and a value proposition that dignifies the lives of Colombians with its service. It's also something aspirational for Colombian population and by migrating stores, which are currently not under the Exito and Carulla brands to those brands, we feel we can attract more customers not only because of the value proposition in itself is greater, but also because people will aspire and be appreciative of having the opportunity to have an Exito near their home.

Like I said, we're based on the idea that every Colombian and every one of our customers deserves

the best service, the best quality near their homes. So, I'm going to ask Carlos Mario to speak more in detail about these two case studies, but we transformed 2 Surtimax stores in the last month and a half into Exito stores, and the results have been surprising in the positive sense. I mean, we expected positive results and I don't want to make the mistake of trying to put up a flag and say that this is the way it's going to go going forward, but this results have been very, very positive and the feedback not only in the numbers of sales and the way sales lifted, the feedback from the customers and the way they were received in these communities where Exito was not situated, was very positive as well.

So, maybe Carlos Mario can talk to us about those two.

Carlos Mario Giraldo: Thank you, Carlos. What I would say is that in these two cases, there were one store in a small city outside of Medellin and one in the Comuna trece, a very popular place in Medellin, both went to the Exito brand, adding a small, focused portfolio of non-food products and growth has exceeded for the moment, after some months, more than 35% as an average.

We believe that it has to do with the strength of the brand that came together also with an enrichment of the portfolio. It was not only changing the sign, but changing what was the value proposition for the customer inside. Looking forward, we see in Colombia for this year, more than 40 transformations and we believe that in the following three years, hopefully two, we will be able to execute the full portfolio of transformations. Off course we have to learn, off course, the consumer will give us some reaction of what he loves and what we can do better and according with this experience, we will strengthen the value proposition in the transformations.

Carlos Calleja: I just want to add that for these two stores we have to do it alongside other drivers in our strategies such as an amplified product assortment across Exito and Carulla as well as an aggressive high- low strategy as well as doubling the amount of unbeatable prices. But this is what I want to say is we have a colleague in the corporation who used the word massify and I like that word, to massify by our value proposition and make it accessible to all Colombians, regardless of the banner, that means that Exito which hadn't been since these two communities, which are communities that are very focused on getting a bank for their buck as we say or getting excellent prices because of the necessity to be able to live within their budget, Exito with this strategy, with the high-low will be able to attend to those needs and our promotions are high-low strategy will be a driver of traffic to these stores and the idea, the objective is everywhere, there's an Exito store or one of our stores in our portfolio which whether it be Exito or Carulla that be the store of destination for that community. So, the focus right now is to invest in the current platform and like Carlos Mario said, I think there's 40 or so projects, but there are 140 stores that we can work on it and we plan to work on above and beyond this first phase. So, it's 40 within the context of over 140 stores that we can do this.

Maria Fernanda Moreno: We have a question from Felipe Gomez from Ashmore. He would like to know about how we are planning to improve working capital while increasing the assortment in the stores, what the trick is. He also thanked for the call and the interesting explanation of the strategy and the background of the Grupo Calleja.

Carlos Calleja: that's an excellent question and it was something that we discussed. As we were building this strategy and the way to do the best is to do that, hand in hand with our operations team and hand in hand with our suppliers as well and there's been an incredibly rigorous process in terms of selecting the assortment that we are putting into the stores, we're not just putting any product into the stores, we are choosing those products which we know and the market knows and our suppliers know that will be well received and will move off the shelves.

The idea here is to keep our commitment to managing a healthy inventory level in terms of day's inventory, but also bringing a value, a value-added assortment in terms of a greater assortment of products which will help us boost sales. As we say, speak concretely, the idea is to bring products which sell into the stores, not products which stay on the shelves, and we're doing that through rigorous analysis, data driven decisions hand in hand with our suppliers. We've already been doing it for a couple weeks. I'm not saying everything's perfect in terms of every product fly off the shelf, but everything is working in our favor and the numbers are working well.

There is nothing that we are seeing that makes us want to stop doing this, Now I should be completely honest, this is a change to what many retailers think is the right strategy, but we are about differentiation, that is what made us successful in our history, there may be some retailers and we know them, who right now are cutting assortment, but that's OK, when we hear that people are cutting assortment, we're happy, we're going in another direction, looking to differentiate our value proposition through a greater assortment of highly sold and wanted products.

Carlos Mario Giraldo: I would like to add financially that with most of our suppliers, we have terms of payment that are longer than their inventory, so if you add some assortment and that assortment has a good rotation, it should have not only a mutual, but even a positive impact on the final working capital figure.

Carlos Calleja: And it's actually another positive note, when the industry is telling suppliers listen, we're cutting this portfolio, we're cutting this portfolio. When one retailer comes to them and says listen times are tough, we want to be the best platform, we want to drive growth for you, drive market share for you, we want to sell more of your products in our stores, they are very happy, so they are willing to invest with us in order to move those products as well.

Maria Fernanda Moreno: We have a question also from Sebastian Gallego from Ashmore Group, he would like to know about the capex plan that the company has and the capital allocation for the coming years. He also wants to know what the plan regarding the listing of the company is. Exito is now listed in three stock exchanges which was partially used for the acquisition of Grupo Calleja. What is the plan ahead? Should we expect a follow-on for Grupo Exito or any mechanism to boost price formation?

Carlos Calleja: With regards to CapEx, I just want to say something and then I want to pass it off to Carlos and Ivonne, then we can go back to the delisting question.

With regards to CapEx, as with everything we are lesser focused and by that, I mean we are counting the pennies and making sure that each investment is well done and goes to where it needs to be. There is no, the idea is a change from like I said, the idea of corporation into a company, it's no longer start the year there's this budget and we have to execute the CapEx. Everything is being looked at throughout the year, to make sure that the investments are going to where they need to be going in order to drive top line sales and make sure that our results are driven, and we look at the bottom line.

I talked about market share being as an indicator that we like to look at. The other indicator that we like to look at is Net income and that's very, very important, so I don't want to say it is, you know I think there is a term for like a zero budget CapEx mentality because there is a strategy we know where we want to go but we're reviewing every investment as we go to make sure we're negotiating the best conditions for that investment and that it makes sense for the business. But we are of the mentality, and this is important that you need to invest to grow. We believe you need to invest to grow, and we are not stopping investment. We are focusing investment like I said on the platform, which has enormous potential.

Carlos Mario Giraldo: I would add to what Carlos is saying that speaking in the short-term CapEx in Colombia, it is going to be focused on the transformations of the different brands into Exito and Carulla, being consistent with their strategy, number two, in the WOW and Fresh Market. What we have decided is not to make only full store transformation, but to measure those value propositions in Fresh Market and Wow that have been astonishing, that have been absolutely winners and taking them to different stores portfolio so that we can accelerate more the good results, I'll give you some examples. All the food proposition to eat within Exito and Carulla has been very successful, so we will advance in that, in Carulla that bread value added proposition of organic bread and different kinds of bread will be taken to other stores and at Exito level the boutiques of Arkitect and Bronzini are an excellent example and in that way we have teamed with our liquor and beer suppliers to give an experience within the stores both in Exito and Carulla will also be taken. So this will take part of the CapEx and in Uruguay, as you know, the Fresh Market proposition has been absolutely a winner so we will have continuity.

Carlos Calleja: Should we do the delisting thing? In terms of what I can say is, as in every decision we are looking to see what's best for the company, not only in the short term but also in the middle and long term and what is the best for the investors. No decision has been taken in terms of delisting. It's being analyzed. At the moment we take a specific decision or if we have more clarity or visibility or with regards to timing, more information we would be communicating that responsibly to all of you.

Maria Fernanda Moreno: In line with that answer, we have a question from Julian Ausique from Davivienda Corredores. He would like to know if Group Calleja is interested in increasing the volumes of transaction of the share or even to increase in some way the share price.

Carlos Calleja: I think with regards to the share price and Maria spoke to this in the General

Assembly, we acquired roughly 87% of the shares. I think there's roughly, I'm not gonna be exact, but maybe 1% roughly in the US, roughly be a little less or a little more in Colombia and the remaining shares in Brazil. So, in terms of liquidity in New York and in Colombia and in terms of the ownership in Brazil, it's very limited, right. So I think you have to put that into context with regards to share price and how much you can drive share price. What I can say is that we want to drive sales, we want to drive earnings. We want to drive market share. We want to drive results and that's where our focus is right now.

Maria Fernanda Moreno: Julian also has a question about the focus on Exito and Carulla banners and he would like to know what would happen with Surtimax, Surtimayorista and SuperInter banners

Carlos Calleja: Would you repeat that?

Maria Fernanda Moreno: Julian wants to know about what the situation is, what is the future for the brands Surtimax and Surtimayorista considering that the focus of the company is on Exito and Carulla banners.

Carlos Calleja: That's being analyzed now. Obviously, as you know the strength of the two brands relatively, the other three brands, will have to go in the other direction. It's not that we don't appreciate those brands or the role they played in the past, but the focus is as migrating the stores underneath the Exito and Carulla brands. So necessarily, that means that those brands, through the course of this migration, which isn't going to happen just in 2024 or it will probably take, as Carlos Mario said, maybe two years, but we're going in that direction. That said, product assortment, high-low strategies, those are "*transversales*". That means those are across all platforms, even before we change the flag of some of those stores. We're not waiting to paint the store a different color to implement those strategies, which we're hoping to grow revenue and results from.

Maria Fernanda Moreno: We now have a question from Daniel Guardiola, analyst of BTG. He would like to know about the thoughts on Exito operation in Argentina. Did you consider this unit to be a core asset? Are you considering reshuffling and perhaps a streamline the portfolio of countries where Exito operates?

Carlos Calleja: That's a great question. I'm super intrigued by not only our operation Argentina, but by Argentina is a country. We've made two trips down in the last couple weeks and like I said, no one has a crystal ball but what I sense in that country is that people are optimistic.

Obviously, there's a lot of pain because of the reforms, but surprisingly, people seem to be willing to withstand that pain and they're giving benefit of the doubt at least an important part of the population is to these initiatives that are happening and I think it would be irresponsible for us to start thinking about jumping ship from Argentina and that's why I said when people ask us about whether we're getting out of Argentina right now, we are not thinking about getting out. We are trying to get to know the business better, Ramón is doing a great job there trying to navigate a difficult situation because obviously the reforms are affecting consumers.

That said, we believe that Argentina, I like to say Argentina is a sleeping giant that if it receives the right medicine, you know, it could really, really take off. And if Argentina takes off, it will be something like has not been seen in Latin America in a long time.

I'm not saying that is definitely going to happen, but I'm saying that there isn't an option of what can happen and that's in a mix of things that we are studying. So, to your point, now, we are sticking to Argentina. We are working with Argentina team and what we're doing which is new and I think important is we are bringing Jean Christophe and Ramon and their teams closer together and we're looking at the Southern Cone as a unit, let's say, why? Uruguay where we have more than 50% of the market and we have an incredible retail operation really focused and supermarkets, but two great hypermarkets as well, customers love what we're doing there, we have incredible formats and really excellence in terms of supermarkets and Uruguay is right across the river from Argentina.

Last week, no, two weeks ago, we flew down to Montevideo, Uruguay, some of the Argentinian team up across the river, worked in Uruguay. when we went back to Argentina, worked in Argentina to see what we can build in Argentina to strengthen Argentina for a potential growth of Argentina.

We've met with investors, real estate investors, people who would be willing to, if Argentina gets rolling, invested real estate and help us with our expansion in Argentina. So, we are focused right now in making Argentina and Uruguay a stronger, more united unit and growing the businesses.

Maybe just to clarify for investors, is important, in terms of Argentina risks and this is something that you may be wondering. So, what we've spoken about with Argentina and Ramón, Argentina is cash flow positive. Argentina has resources. Argentina can grow. It also has incredible assets in terms of real estate. I don't know the numbers exactly, but maybe Ivonne can get us those numbers later. I can send them to hundreds and hundreds of thousands of square meters in GLA, and the idea is that Argentina will grow Argentina. No one is thinking about right now sending dollars into Argentina. What we are sending into Argentina is our experience, our know how our team who wants to help from Uruguay from other countries and helping Argentina out, which I think is a very smart investment, a smart way to support Argentina.

Maria Fernanda Moreno: We have a question from Diego Salvador from Robeco He would like to know if there are more best practices from Calleja Group that we would like to implement and any positive surprises that you've seen after you have started supervising the company.

Carlos Calleja: I'll take the first part and then maybe you can remind me of the second part. So I think obviously it's inevitable that the way we're looking at this company is from a perspective where our history in Grupo Calleja brings our criteria.

So, I think every way we're looking at this company it is impacted by that. That said, we are and we believe we have to be humble and understand that there's no one perfect model and there are strengths on both sides of this transaction. There are strengths in El Salvador, modesty aside, is a world class operation in terms of results and we feel we can bring sort of our best practices in terms

of cost structures, efficiencies, differentiation. In El Salvador, we've been competing with the biggest retailer in the world for, I think, roughly 15 years and we've been able to hold our own operation, we've been able to grow and grow our leadership position in our market share throughout those 15 years. So obviously, yes, we're trying to bring that with us.

That said, there's an incredible talent in Grupo Exito that we are super happy with and working with and they are stuff that's flowing north as well from Colombia, from Uruguay and from Argentina in terms of best practices and know how I would say there's a fluid movement of best practices of talent in terms of things we've learned and knowledge going both ways.

Maria Fernanda Moreno: The second part of the question is that if you have found any positive surprises that you have seen after you have started the supervising the Company.

Carlos Calleja: I think surprises is an interesting term, we've known Exito for 15 years, right. I think the acquisition has ratified important things for us, for example, the quality of the team and the people, the *mística*, the spirit of the company and the level of identification by the team with the company and that to us is important because that's where we come from, a family business where *la mística*, the service or the spirit of service, the sense of urgency, those are important to us and so is being part of a family and we found that here and I think that's been really, really nice to receive.

Maria Fernanda Moreno: The next question comes from Mauricio Paz from BBVA. He would like to know about the capital structure of the Company, if there are any plans to pass along, in whole or part the debt that Claridon took to purchase the shares of Exito.

Carlos Calleja: There are no plans for that in terms of the acquisition finance for the transaction, the transaction was structured the way it was and I think it was good because it didn't put any pressure on Exito and Exito right now is being worked on by an entire team of people. The three of us, here and many other people to make it every day more efficient, stronger, more profitable and the fact that it doesn't have that debt on it, it let us all breathe a lot easier obviously. So, there is no, there's no current plans to put any debt on. I don't think it be a smart move either be, I mean the the cost of debt in Colombia is through the roof, right? And even though it's coming down little by little, we're hoping there's still a long way to go in terms of how far it can go down.

Maria Fernanda Moreno: ok thank you. There is no further questions at this time. I will now turn the call to Mr. Calleja for closing remarks.

Carlos Calleja: Well, let me get this, everyone, thank you again and closing, I want to say that although I am the CEO of Grupo Exito, I am also a member of the Calleja family, a family which has made a significant investment in Colombia, Argentina, Uruguay and in Grupo Exito, basically all in bed, as you would say, we are all in on Grupo Exito. We did this because we were convinced that

Exito will turn out to be a good investment with good returns. We are also aware that to achieve a good return, there's a lot of work to be done and that this will take time.

As CEO, my interests are aligned with those of all investors. Both family and minority investors, and I'm committed to working tirelessly together with my teammates as a team we are committed to ensure our company sustainability and success going forward. We have a long-term view. The idea is that the company will be bigger and stronger than ever, 50 years, 100 years down the road. We here probably none of us on this call won't be able to see it 50 years down the road, maybe some of us will, but our kids and our grandchildren will, and that's the idea.

So, thank you all, it has been great to share this first earnings call with all of you and look forward to the next one.

Maria Fernanda Moreno: So, this concludes the conference. Thank you for participating.
