Casino France Business Plan update

Free Cash Flow 2024 –> 2028

Novembre 21, 2023

GROUPE Casino
NOURRIR UN MONDE DE DIVERSITÉ

Context and preparation methodology

- The limited update of 2024-2028 Free Cash Flow has been prepared based on:
  - Taking into account the carry forward of the 2023 reforecast deviation onto years 2024-2028
  - Integrating the following action plans which have been initiated:
    1. Reducing generosity in HM and SM
    2. Savings plans related to synergies at HQ level and operational support of Retail Business Units
    3. Transition to franchise in SM and finalization of transition to franchise within integrated proximity
    4. Deployment of the partnership with Prosol
    5. Shut down of non-food unprofitable product categories and surface reallocation

- 2023 EBITDA expected between €-126m and €-78m depending on the successful implementation of certain action plans at BUs level (mostly non-cash)
  - In the following tables, an average range has been displayed
  - 2023 reforecast has been reviewed by Accuracy and, which have estimated additional sensitivities, with a €-140m EBITDA estimate in case these sensitivities materialize

- Forecasts are based on action plans which has been initiated to date, notwithstanding any action or latency effect, should there be any, related to the ongoing financial restructuring

- They remain subject to common uncertainties related to the activity, notably the volume effect, and to the realization of various commercial or cash action plans

Executive Summary

Overview of main updates (1/2)

- **The update of the 2023 EBITDA is expected to be between <u>€-126m and €-78m</u> with a median range of €-100m** depending on the successful implementation of certain mainly non-cash action plans
  - **Accuracy and Advancy** have reviewed these forecasts by integrating sensitivities that, if realized, would result in a <u>sensitized 2023 EBITDA after rents of €-140 m</u>
  - **The 2023 EBITDA was impacted by tariff realignment measures on HM and SM and some non-cash accounting effects.** This update, carried out in November based on Q3 results and October data, led to a revision of the EBITDA of ~€-315m(*) compared to the July update
    - ✓ **In P11, according to Kantar, the Group is now gaining market share in customers** (+0.5 pt excluding A1) **and has stabilized in volume**, reflecting a reduction in market share losses excluding A1 disposals (-0.7 pt (**) vs -1.2 pt in P10)
      - The tariff realignment has now had its effects on the commercial dynamics of historical SMs (volumes and customers at +10% in W45)
      - Regarding HM, the inflection is underway (volumes at -10% and customers at -3% in W45), but it is taking longer than initially anticipated
    - ✓ **Margin improvement actions (private label mix, reduction in generosity) are more gradual than initially estimated**

- This delay in the Plan is expected to be mechanically resolved over the 2024-2026 period, distinguishing the accounting part (~€100m, which is mechanically resolved over 2024 and 2025) from the update of operational assumptions related to the margin rate, which has been resolved by ~50% by 2026

- **The following strategic projects are also included**:
  1. **Reduction of generosity** for HM and SM
  2. **€73m in savings beyond the usual plans planned** by the BUs covering the implementation of administrative **function synergies at headquarters and operational supports** (plan developed based on Alix Partners' recommendations) and **logistical dyssynergies**
  3. **SM and Convenience franchise plan** already launched for 2023
  4. **€60m plan to close Non-Food product groups** in the long term
  5. **€87m related to the integration of the Prosol partnership** in the long term

(*) Median range (**) The impact of the A1 store disposals accounts for 0.4 points of market share

Overview of main updates (2/2)

- **In order to achieve the synergies between the headquarters, NAL and Prosol, an additional investment of €113m (€78m in APCO and €35m in capex) is required over the period 2024 to 2025**, for an EBITDA gain of €207m over time, representing an average return on investment of 18 months

- **These strategic projects would ultimately improve the Group's profitability by more than €100m, with EBITDA reaching €912m and FCF at €271m**
  - The net improvement of 2028 EBITDA vs. the September update would therefore be around €82m(*)
  - The improvement in FCF 2028 would be around ~€96m

- The EBITDA forecast would therefore be as follows:

In €m	2023	2024	2025	2026	2027	2028
DCF	-538	-281	-74	34	149	175
Monoprix	195	185	201	217	248	279
Franprix	85	99	113	131	146	153
Cdiscount	48	81	99	110	121	131
Other BUs	110	138	170	174	172	174
IGC	*27*	*12*	*4*	*3*	*1*	*1*
AMC (*)	*69*	*79*	*94*	*94*	*94*	*94*
RelevanC	*8*	*8*	*12*	*12*	*13*	*13*
ExtenC	*7*	*12*	*18*	*20*	*20*	*21*
LP	*-17*	*-4*	*-4*	*0*	*0*	*0*
Holdings and others (**)	*16*	*30*	*45*	*45*	*45*	*45*
EBITDA after rents - France	**-100**	**222**	**509**	**667**	**836**	**912**

[-126/-78]

(**) the AMC and other lines include gains that will eventually be paid back to the Retail BUs (as retention of purchasing gains and synergy savings respectively - see page 17)

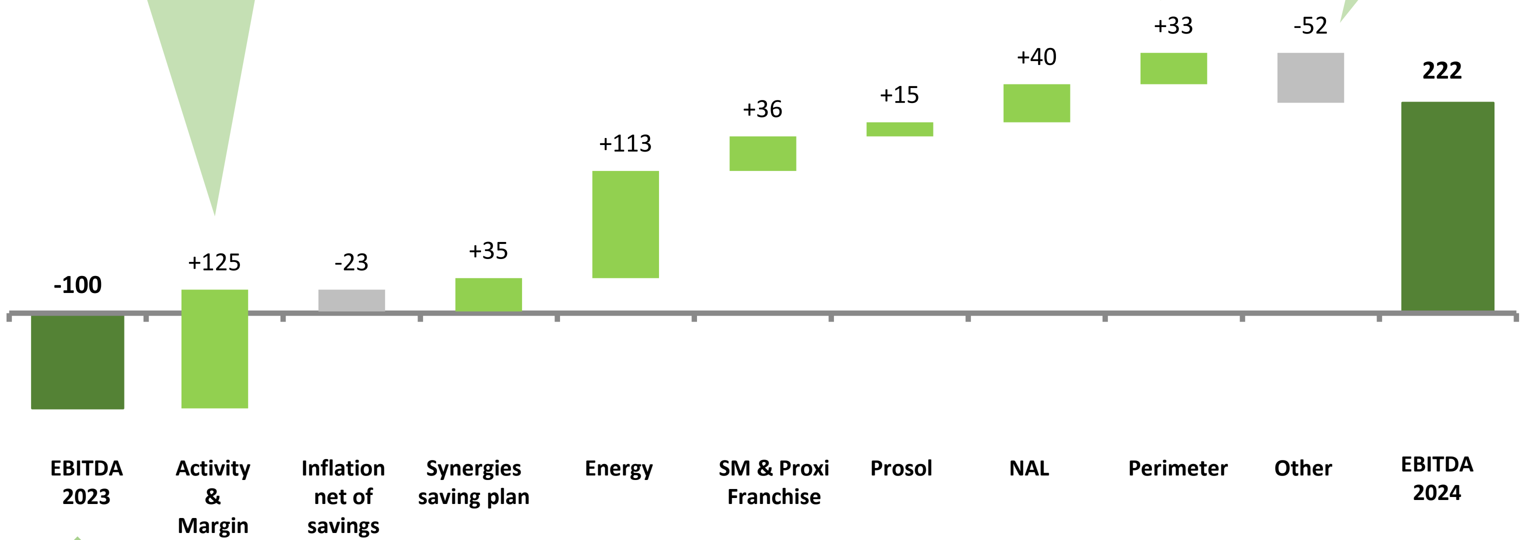
(*) September's BP included Prosol as an upside

EBITDA evolution from 2023 to 2024

- Further improvement in DCF business (net): €20m (*)
- Comm. margin Monoprix / Franprix: €47m
- Cdiscount (MKP, services): €40m
- Auxo gain (extended ITM agreements): €19m

AP ITM A1 effect: €51m
Real estate disposals: €-18m

Non-cash accounting effects



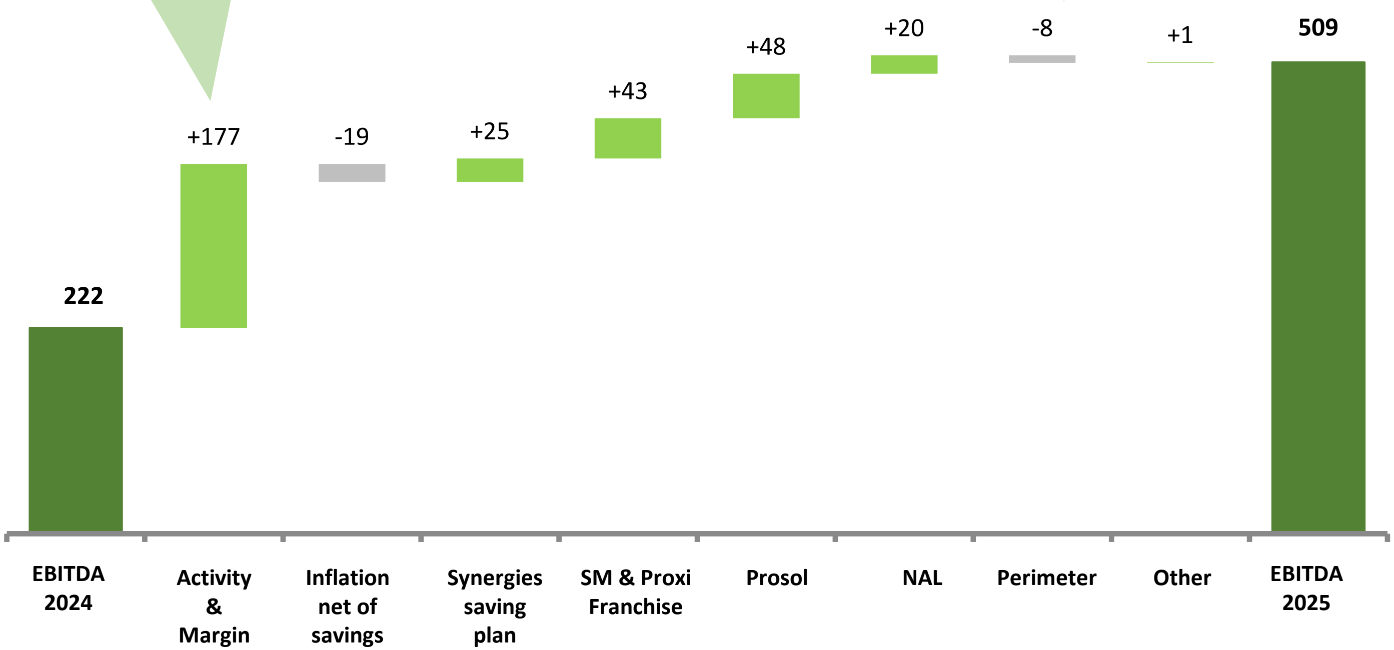
[-126/-78]

(*) Net effect between the recovery in HM/SM volumes and the residual margin differential (10% price cut and generosity savings described on p10)

EBITDA evolution from 2024 to 2025

- Further improvement in DCF business (net): €78m (*)
- Comm. margin Monoprix / Franprix: €45m
- Cdiscount (MKP, services) : €25m
- Auxo gain (extended ITM agreements) : €19m
- Other BUs (ExtenC, RelevanC) : €10m

Real estate disposals: €-8m



(*) includes continued recovery in sales and HM/SM margins, Proxi expansion and the end of logistics disynergies (cf. p11)

FCF Trajectory 2024 - 2028

In €m	2023	2024	2025	//	2028
EBITDA after rents	**-100**	**222**	**509**		**912**
APCO	-284	-237	-147		-58
Other items	-206	-120	-91		-87
Operating cash flow	**-590**	**-135**	**272**		**767**
Net capex	-455	-487	-487		-513
CAF - CAPEX	**-1,045**	**-622**	**-215**		**254**
Tax	-27	-17	-16		-8
Change in WC*	-990	29	59		25
o/w WC financing	*-837*				
o/w postponed social charges	*216*	*-216*			
FCF	**-2,062**	**-610**	**-173**		**271**
FCF excl. WC financing	***-1,442***	***-394***	***-173***		***271***

- The FCF includes the **effects related to the action plans** (EBITDA, APCO, Capex)
- **The FCF thus returns to the level of the previous forecast by 2026. At the end of the BP (2028), the Group would show higher profitability** with an FCF of €271m (vs €175m in the September forecast), reflecting the improvement effect of the action plans on its cash generation
- **The action plans would allow covering the cash flow gap vs the previous forecast in 2024 and 2025 related to** (i) the 2023 base shift and (ii) investments in strategic projects during the 24-28 period

(*) The WC includes the impacts of the social debt deferral and the ITM disposal
The deferral amount has been revised; €80m have been placed in escrow and are no longer considered as debt

Integrated action plans

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Main action plans integrated into the BP

1 Generosity

Gradual reduction of generosity in HM/SM during the year 2024

2 Efficiency plan

Plan of €185m full-year synergy target between Retail Business Units with 3 components:

- Increased convergence of the product offering, merchant and non-merchant purchases, and merchandise flows (supply chain) for a target of €113m in EBITDA (ensuring the margin rate targets of the brands)
- Savings related to synergies between DCF, Monoprix, and Franprix headquarters and operational support functions for a target of €60m in EBITDA
- Coverage plan for logistical dyssynergies related to the decrease in volume following store disposals to ITM for €13m in EBITDA

3 Franchisee conversion plan

- SM: Goal to transition 70 SM stores to franchises in order to ultimately bring the franchise share to ~55% of the network, more in line with the market
- Convenience: Completion of the plan to transition 320 integrated stores to franchises, bringing the franchise share to ~95%

4 Prosol partnership

EBITDA gain estimated at €87m in the long term under the Prosol partnership, aimed at installing Fresh subsidiary corners in some HM and SM stores, with expected gains starting in 2024

5 Non-food

Reduction of exposure to unprofitable non-food product groups , in order to strengthen the profitability of HM and store surfaces. Full-year EBITDA gain estimated at €60m

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I. 2024-2028 trajectory

A. Distribution Casino France
B. Monoprix
C. Franprix
D. Cdiscount
E. Other BUs

Details by BU

Distribution Casino France
Key financial indicators

In €m	2023	2024	2025	//	2028
EBITDA after rents(*)	**-538**	**-281**	**-74**		**175**
APCO	-163	-142	-71		-20
Other items	-79	-50	-50		-50
Operating cash flow	**-780**	**-473**	**-195**		**105**
Tax	-6	-4	-4		-4
Change in WC	-445	55	35		18
o/w postponed social charges	*82*	*-82*			
Capex	-194	-209	-197		-182
FCF before allocation to other BUs	**-1,426**	**-631**	**-361**		**-63**
AMC purchasing retention (p17)	34	37	43		43
HQ ecos synergies simulation(**) (p17)		15	23		23
EBITDA after allocation to other BUs	**-504**	**-228**	**-8**		**241**
FCF after allocation to other BUs	**-1,392**	**-578**	**-295**		**3**

- Only the disposal of A1 list stores to ITM is included. No assumptions have been made regarding the timetable for the transfer of A2 list stores

(*) EBITDA after rents, excl. IFRS 16
(**) Provisional distribution based on the respective weight of the BUs to date. The final distribution may differ depending on arbitration between headquarters

Monoprix
Key financial indicators

In €m	2023	2024	2025	//	2028
EBITDA after rents(*)	**195**	**185**	**201**		**279**
APCO	-41	-40	-35		-20
Other items	-43	-30	-21		-17
Operating cash flow	**111**	**115**	**145**		**242**
Tax	-5	-5	-5		0
Change in WC	-123	-37	13		3
o/w postponed social charges	*95*	*-95*			
Capex	-105	-129	-147		-180
FCF before allocation to other BUs	**-122**	**-55**	**7**		**65**
AMC purchasing retention (p17)	25	30	36		36
HQ ecos synergies simulation(**) (p17)		11	16		16
EBITDA after allocation to other BUs	**220**	**226**	**253**		**331**
FCF after allocation to other BUs	**-97**	**-15**	**59**		**117**

(*) EBITDA after rents, excl. IFRS 16

(**) Provisional distribution based on the respective weight of the BUs to date. The final distribution may differ depending on arbitration between headquarters

Franprix
Key financial indicators

In €m	2023	2024	2025	//	2028
EBITDA after rents(*)	**85**	**99**	**113**		**153**
APCO	-17	-10	-10		-5
Other items	-7	-10	-10		-10
Operating cash flow	**61**	**79**	**93**		**138**
Tax	-7	-1	-1		-1
Change in WC	-108	-9	0		-1
o/w postponed social charges	*20*	*-20*			
Capex	-54	-55	-64		-73
FCF before allocation to other BUs	**-108**	**14**	**28**		**64**
AMC purchasing retention (p17)	10	12	15		15
HQ ecos synergies simulation(**) (p17)		4	6		6
EBITDA after allocation to other BUs	**95**	**115**	**134**		**174**
FCF after allocation to other BUs	**-98**	**30**	**48**		**85**

(*) EBITDA after rents, excl. IFRS 16
(**) Provisional distribution based on the respective weight of the BUs to date. The final distribution may differ depending on arbitration between headquarters

Cdiscount
Key financial indicators

In €m	2023	2024	2025	//	2028
EBITDA after rents(*)	**48**	**81**	**99**		**131**
APCO	-13	-8	-3		-3
Other items					
Operating cash flow	**35**	**73**	**96**		**128**
Tax	-4	-3	-3		-3
Change in WC	-111	47	8		4
Capex	-59	-52	-53		-56
CB4X	-26	-24	-23		-26
FCF	**-164**	**41**	**25**		**47**

- The 2024-2028 trajectory, reviewed by Groupe Casino and its advisors, includes certain contingency items in relation to Cnova's business plan
- The BP does not include the development of Octopia, in a conservative approach
- Furthermore, as Cdiscount is in line with its projected EBITDA, notwithstanding a decline in business volume forecast for 2023, the BP has not been modified compared with the September BP. The trajectory integrates the same volume assumptions as before

(*) EBITDA after rents, excl. IFRS 16

Other BUs
Key financial indicators

In €m	2023	2024	2025	//	2028
AMC	69	79	94		94
o/w future gains paid to DCF	*34*	*37*	*43*		*43*
o/w future gains paid to Monoprix	*25*	*30*	*36*		*36*
o/w future gains paid to Franprix	*10*	*12*	*15*		*15*
ExtenC	8	8	12		13
RelevanC	7	12	18		21
IGC	27	12	4		1
LP	-17	-4	-4		0
Holdings and others	16	30	45		45
EBITDA after rents(*)	**110**	**138**	**170**		**174**

- The AMC line (structure responsible for pricing negotiations with suppliers) records purchasing gains which will eventually be allocated to the distribution subsidiaries ("retained profit margin")
- The line “Holdings and others" includes part of the headquarters synergies savings plan (p10), pending allocation by BUs

(*) EBITDA after rents, excl. IFRS 16