

# Abilio's proposal is an expropriation, says Casino

07/06/2011 - 12H15



Tweet

ADVERTISING

**LEILA COIMBRA**

IN RIO

**TONI SCIARRETTA**

SPECIAL ENVOY TO RIO

The worldwide president of French company Casino, Jean-Charles Naouri, believes that the merger between Pão de Açúcar and Carrefour is a huge strategic mistake for two reasons.

First, it focuses its activities on retail through superstores, while the natural trend in the area is smaller stores. Second, it concentrates its area of activities in Europe, where there is no growth, to the detriment of emerging markets, which have a real perspective of growth in sales.

Based on these arguments, Naouri hopes to reverse market support for the merger.

In an interview with **Folha**, he said that the proposal to merge made sense only for Abilio Diniz, who wanted to be freed of the 2005 stockholder agreement.

"We paid double for control of Pão de Açúcar."

## **Folha - Is there some acceptable configuration for Casino in the merger proposal presented by Abilio Diniz?**

**Jean-Charles Naouri** - Independent of breaking the contract, the proposal has two strategic errors. First, it reinforces the weight of superstores, which began to lose importance in retail. The other is to invest in countries in Western Europe, where growth is slow or negative, and not in emerging markets. Internationalization, yes; but in more favorable countries.

## **Is there no possibility that Casino will approve the deal?**

The response will be made by the board, which is the place for it. You could say that I gave them some preliminary conclusions.

## **What is your opinion about the participation of BNDES (the Brazilian government's development bank)?**

I have no comment to make. We invested in Brazil convinced that the country is a nation of laws. We also believe the "Letter to the Brazilian People" by former president Lula da Silva, which spoke about the respect for contracts, is a key element for the Brazil of tomorrow.

It is this Brazil that we love, that we believe in, and for this reason we put in US \$3.2 billion. This proposal by Abilio Diniz is an expropriation, a violation of the contract, which does not look like the image of Brazil. That is what I told the president of BNDES.

## **And what did Luciano Coutinho respond?**

The same that he said in a communique the other day (that BNDES will only participate in the operation if there is agreement between the private-sector partners).

## **Is public support necessary?**

We invested US \$1.2 billion to buy the stock. If GPA (the Pão de Açúcar Group) had asked us for that money, we could have given it. The request was not made.

## And what about the rumors that Casino was negotiating the sale of control of Pão de Açúcar starting in 2012 with Walmart?

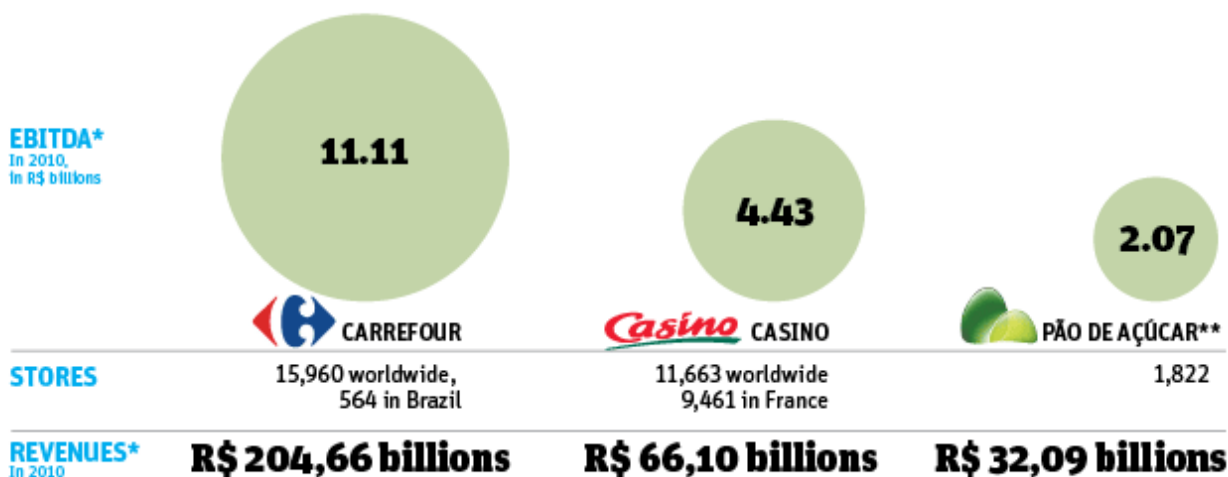
This is an insulting, false rumor, to legitimize an unacceptable proposal. Abilio Diniz proposed to buy our part, to compensate us. We are not a financial group, we are a retail business, with a long-term strategy.

## How did Casino finance the acquisition of Pão de Açúcar shares done recently?

After investing the US \$3.2 billion, we are in a good position financially.

Art/Folhapress

### PÃO DE AÇÚCAR-CARREFOUR Who's who in the operation



### UNDERSTAND THE NEGOTIATIONS



#### PROPOSAL

The BTG Pactual fund presented the proposal to Carrefour for a merger with the Brazilian Distribution Company\*\*\*



#### BNDES

R\$ 3.91 billion – 85% of what is necessary – comes from BNDES (the government development bank), which would become a partner, with 18% of New Pão de Açúcar



#### CASINO

Casino, which has 37% of the Pão de Açúcar group, may not accept the merger, which must also be approved by the Justice Ministry's Administrative Council to

### Defend the Economy (CADE)



#### RESULT

In case it is finalized, the merger would create a giant without competitor at this level, with 32% of the supermarket retail market in Brazil



#### LOSS

If the operation goes ahead, Casino would be diluted and would indirectly become a shareholder in Carrefour

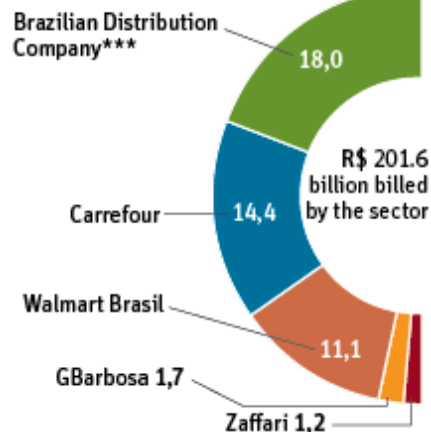


#### THE DISPUTE

Casino says that Abilio Diniz (of Pão de Açúcar) entered into the negotiations with Carrefour without its consent

### RANKING OF THE BIGGEST SUPERMARKETS IN BRAZIL

Market share in 2010 in %



\*Conversion of revenues and EBITDA of the French groups using yesterday's exchange rate at the Central Bank (€1 = 2.27 reais)

\*\*Observation with Globex: EBITDA is profit before interest, taxes, depreciation and amortization

\*\*\*Pão de Açúcar, CompreBem, Extra, Sendas, Assal, Ponto Frio and Casas Bahia

Sources: BTG Pactual, Estâter, Abras and Felsoni Consultants

Translated by JOHN WRIGHT