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Falabella Group's Vision and Strategy Focusing on our five growth engines to strengthen our ecosystem

Alejandro González, CEO

Hello, everyone. Good morning. Thank you for being here. Last time we met was two years ago, as Enrique was mentioning. Two years ago, the highlight of the presentation we made was not all the capabilities that we were building, and we will share with you later on, but it was an operational leverage plan that we had, so the mood was totally different. And as Enrique was mentioning, we're coming to the most volatile years in which not only things were not as new market expected from Falabella, but also the performance that we had was worse than what we were expecting.

And it's relevant, because at the end of the day, the mood in which we are today is different. The outlook we see to the future is different. And this is one of the main highlights I would like you to get from here. Falabella today, you know what we are, still very relevant company in the markets in which we operate. With a few exceptions, we lead the main units in which we are, home improvement, fashion, electric products, food, financial services, digital banking, shopping malls. But the one point that I would like to make is that we're still a company that's preferred by our customers, and the highlight of this meeting is going to be the CEOs of the units that are driving growth moving forward for Falabella.

Following what Enrique was mentioning, we did some twist in the strategy that we had. And we say that we have these four main pillars that we'll elaborate on in a few minutes, but it's important that we highlight five business engines and the value that we're willing to create, the sustainable value we are willing to create is coming from these five engines, the five different divisions. The other thing is the focus on our digital strategy, driving a more effective organization. And finally, a tight, more efficient capital allocation process, and I will elaborate on this later on.

The five engines, I know that you've met this, you know this, but I'd like to highlight something that's so relevant for us. This is what we call the retailer units, home improvement. Francisco is going to give you some details on the evolution that we're having there and thought as a supermarket, shopping malls and digital banking, financial services. These are the same businesses that we have had since 1990. And I mentioned this because the sources of growth that we had from now on are not only coming from what we do here, but some adjacent capabilities that we've been able to create with some strategic enablers that we have, the loyalty program, talent, the people that we have, not only the amount of the talent density that we have, but also having an efficient organization of finding the technology and data.

And with that, it's impossible to go through this without tackling ESG as a relevant part of us. 20% reduction on scope one and two emissions. Since '21, 73% of our energy from renewable sources, by the way, is 73 because we have some stores and some units that are in places that do not have access to renewable energy. But the commitment that we have is to go as much as we can. More than 100,000 boys and girls have been educated in the educational institutions that we have sponsored by Falabella. Why this is relevant? Because the company has been in business for 135 years. Our aim is to go for the very long run, sustainable growth for us.

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This is a glimpse of what you're going to see later on, but keep in mind that part of the process that took us on a very hard moment, given the macro environment, was also the fact that we were building capabilities that when the pandemic came, we didn't have. Now we have those capabilities. Benoit will get further details on that. So now we're in the moment in which we are leveraging on that. There are several sources of income that we have today that were not even close to be a reality pre-pandemic.

As an example of the capabilities that we built, this is ecommerce. "Will you see on the right part of the slide, right for me, right for you, is what we had until a year and a half ago. Marketplace, three retail units. We twisted that. We changed that in order to have a more specialized marketplace, but also a very specialist approach when it comes to home improvement and food. Why did we do this? Among other things, because the customer also was very clear, saying that the same person, all of you, don't forget that the retail industry is the most democratic one. Everyone in the world buys or sells something, everyone, either formal, informal. And I don't know you, but when I'm buying tools, the expectation, the attitude, the experience that I want to have is totally different than the one that I'm expecting when I'm buying, I don't know, maybe a perfume, a shirt or food for lunch. That's what drives this, also partnered with the best brands and the best products that we've always had, and with some cross-functional enablers that we have today, not only product, as I said, home delivery unit, and also the digital capabilities that we've been able to build.

Going into the more simple and focused structure and the way we work, there's some things that may sound very simple, but as Enrique was mentioning, when you become a company with more than 85,000 people, this is key. It's important to have empowerment, to have ownership. Those are the things that we're promoting this year. Alignment, incentives, very well-established in order to make sure that everyone has the same objective that you are expecting for a company like Falabella. So that's why we're having a leaner structure, a simple organization, making sure most of the effort is basically to face the customers that we have so.

Another thing that we mentioned about our strategic capital allocation, and in this sense, be very efficient. A year ago, we lost our investment grade, but we've always been a company that has taken care of cash. We had \$700 million when we were downgraded. We are close to \$600 million today. We're taking care of that. And it's important not only take care of that, but also capital allocation, make sure that it goes in line with long-term value creation. Very simple things that we didn't do before, but continuously monitoring the value of the investments that we have. If there's an investment that's not performing as we are expecting, we either set a path to the performance that we are expecting, or we might as well find a way to get rid of it.

As I said before, we didn't meet the expectations that you had, but we learned lots of things. The first one, the one that I was mentioning about focusing where growth will come, be very tight in holding that. Second one, an agile organization, fails fast. We chose some examples of that last year. At some point, we had an on the map application called Facile, gone. The wallet that we had, gone. So, we are leveraging, and we are locating our resources where things can create further value in this ecosystem that we already built.

The third one, from the retail units, enhances inventory management. Francisco will get into that one, shorten the cycles, make sure that working capital requirements are lower, the most optimizations that

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DAY

2024

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went. And third one, data driven decisions. Today, the level of information that we have is more than ever, and that's what we are using, to supply and to bring personalized experience to our customers.

This is a glimpse of what the team will share with you in further detail, just for you to get. I'm not going to get into too much detail, just to make sure that you are clear that what each of this five business units needs to do is very clear, it's in the hands of everyone. But as I said before, you're going to get more detail of that, but there's a lot of opportunities of growth within what we have today. It's not the growth that Falabella will have from going to a new business or a new region. These are clear examples of the main objectives that we have today.

And before I end, I'd like to share with you some trends that we're seeing in the industry. These are the trends that we're taking into account in order to see what the next steps of Falabella will do. The first one, a lot of discussion when the pandemic ended, if customers will be online, physically. Well, there's some things that are not challengeable today, are undeniable. The customer is omnichannel. The customer can and it will be omnichannel. And most of you, in some cases, you interact with the retailer, with the app. Sometimes it's physical. But the right of being omnichannel is in the customer, and they have the power to that.

The second, I remember when I joined company 18 years ago, the product was king. Well, today, product and experience are one thing. Sometimes, the reason why you end up buying something is because the experience is better, sometimes the product. So today, it's something that you cannot divide and that's relevant for you to be aware of, and it's part of the things that we're seeing today. The third one, in this world, given the empowerment, the information that customers have, loyalty is a thing really hard to keep, unless you have a very strong loyalty program. And it's important to be a program, and we're going to see some part of that right after I end.

And the fourth one, something I was sharing with you before. Francisco will get into further detail. But five years ago, there were so many sources of value within the core of what we do that we didn't have value-added services, fulfillment services. Those are things in which we're leveraging towards the future to see the numbers and the growth that we're expecting to have.

And with that, I would like to leave you with Andrea, the best of Falabella.

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