

## Decision time

Take note of this date: 22 June 2012. For many people it could be a typical day marking the start of winter in Brazil. For businessman Abilio Diniz, chairman of the board of directors of Pão de Açúcar group, the largest retailer in the country, it is marked in his calendar for a long time. It is on this day that French group Casino, led by Jean-Charles Naouri, will be able to exercise the option to purchase one share from Diniz and, with this, take command of Wilkes, the holding that controls Pão de Açúcar. Everything points that this will, in fact, happen. Diniz is less than six months away from losing this battle which began in June of this year with a controversial proposal to merge Pao de Açúcar with the also French Carrefour, presided globally by the Swedish Lars Olofsson. The agreement, at the time, was rejected by Naouri.

Diniz has not yet thrown the towel in this dispute with his foreign partner. In the last months he changed his strategy. No more declaration that can be understood by Naouri as signs that the war can be reinitiated. "The bruises were open and now are being healed," says a source close to Diniz. "But they still hurt when you touch them." At the moment one advisor on each side negotiates an exit for this delicate shareholding relationship. Diniz is represented by Pécio de Souza, owner of the mergers and acquisitions boutique Estáter. Naouri nominated Ricardo Lacerda, founder of the investment bank BR Partners, as his mediator.

The conversations between both have been kept in secret. "The meetings are being conducted at the request of Diniz," according to one source close to Casino. "We are waiting to hear his proposals." In this approximation, Diniz wants to re-establish the trust in the relationship which existed with the French partner until the first semester of the last year. The advisor of the Brazilian businessman, however, will have to overcome an ocean of hurt that separates currently the relationship between both. The hard-line Naouri maintained his stance until now and, whenever possible, reaffirms that he will take control of Pão de Açúcar. Sources close to Diniz claim that keeping control was never the final objective of the Brazilian. "Even with Casino having control, Diniz will remain chairman of the board and will influence management decisions," says one of these sources.

In the negotiating table, however, is one topic dear to Diniz which was one of the arguments in favour of the union with Carrefour: the growth strategy of Pão de Açúcar going forward. With revenues that should be around R\$50 billion in 2011, the group has a large lead in the food and electronic retail sector in Brazil. Carrefour and the American Walmart are a comfortable distance away, far from threatening the hegemony of the company founded by Valentim dos Santos Diniz, father of Abilio, in 1948. "This is what Naouri needs to answer," says a source connected to Diniz.

The solution for this soap opera is still undefined. Analysts heard by DINHEIRO, however, claim that even under Casino's control the role of Diniz would be an important factor in this transition. "He professionalized the company, but the values remain his," says Marcio Roldao, partner of management consulting firm Avention. For those who know Diniz well, he will only not stay in the group if he is relegated to a decorative position. "He does not have a vocation to be the queen of England," says the former president of a retail chain acquired by Pão de

Açúcar. “In this case, he can move towards a solo flight.” Contacted, neither Diniz nor Naouri wanted to make statements.

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