

## **Muddy Waters Releases Statement on Developments with Casino Guichard-Perrachon and its Parent Companies**

In December 2015, Muddy Waters Capital warned about Casino, Rallye, and their management – in particular Jean-Charles Naouri. We stated that Casino was being hollowed out to support an unsustainable debt burden in the holding companies above it. We also made clear that Casino was materially misleading investors about its finances in order to perpetuate this structure that essentially served the interests of only one individual: Mr. Naouri.

Today's news that Rallye, Finatis, Euris, and Foncière Euris have entered safeguard proceedings due to financial distress likely marks the beginning of the end for this financing structure, which has been a parasite on Casino for years. It is also a resounding vindication of the warnings we sounded in 2015. However, we do not celebrate.

In the approximately three and one-half years since we raised these issues, Mr. Naouri has been allowed to continue to strip Casino of assets and cash. Had this stripping been stopped at some point, Casino would be a stronger company than it is today. Yet rather than heeding the message, certain persons have instead spent the time focusing on the messenger. As a result of the continued stripping, Casino is more vulnerable to foreign competition and its ability to ensure employment for more than 220,000 workers is less certain. (This is to say nothing of the French banks and investors who have lost money in Rallye and the other holding companies.)

Regardless of the companies' attempt to blame their failures on "speculative attacks", these proceedings are the direct result of Mr. Naouri's mismanagement and selfishness. It is he who directed these companies to turn themselves into a foolish de facto hedge fund financing structure. The capital markets, which he once championed, merely took notice – despite the obfuscating accounting these companies employed.

It was made clear to us in late 2016 that Mr. Naouri had obtained support from certain powerful individuals, and as a result, we felt compelled to close our short positions. We also canceled our intended publication of a new report on Rallye and Casino. An AMF investigation concerning us is ongoing. While it is too early to know what its result will be, it is clear that through today, France has been an unwelcoming place for investors who are also whistleblowers.

It is critical for democratic societies that people be able to criticize not only politicians, but also those who have access to, and are able to influence, politicians and policymakers. We are skeptics, and our skepticism has unfortunately been stifled. The result is that investors, lenders, and Casino employees are worse off for our having been gagged while Mr. Naouri's predation has been allowed to continue.

We hope that the ensuing safeguard proceedings strengthen Casino, and preserve – even grow – jobs. Further, we encourage the AMF to redirect its focus from skeptics and focus instead on their warnings.

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