Conference Call Transcription

3Q24 Assaí (ASAI3 BZ)

November 8th, 2024

Technical Operator:

Good morning, everyone and thank you for waiting, welcome to the earnings call for the third quarter of 2024 at Assaí Atacadista.

I would like to highlight that for those who need simultaneous translation, we have this tool available on the platform, and you can click on the interpretation button through the globe icon at the bottom of the screen and choose your preferred language, Portuguese or English.

This earnings call is being recorded and will be posted on the company's IR website at ri.assai.com.br where the earnings release is already available.

During the company's presentation, all participants will have their microphone disabled, then we will start the Q&A session.

To ask questions, click on the #Q&A# icon at the bottom of your screen and write your #NAME#, #COMPANY#, and #LANGUAGE# to join the queue. When you are announced, a request to activate your microphone will appear on the screen, and then you must activate your microphone to present your questions. Please submit your questions all at once.

We emphasize that the information contained in this presentation and any statements that may be made during the call, regarding Assaí's business perspectives, projections and operational and financial goals, represent beliefs and assumptions of the Company's Management, as well as information currently available.

Future statements are not guarantees of performance. They involve risks, uncertainties, and assumptions, as they refer to future events and, therefore, depend on circumstances that may or may not occur. Investors should understand that general economic conditions, market conditions and other operating factors may affect Assaí's future performance and lead to results that differ materially from those expressed in such forward-looking considerations.

Now, I will pass the floor to Gabrielle Helú, Assaí's Investor Relations Director.

Gabrielle Helú:

Hello, good morning everyone. Thank you once again for participating in our Q3 Earnings Call.

We are now going to introduce the executives who are present here in the earnings call today.

Our CEO Belmiro Gomes, Vitor Fagá VP of Finance and IR, Anderson Castilho VP of Operations, Wlamir dos Anjos our Commercial VP of Logistics, and Sandra Vicari VP of People and Sustainability.

Before we start the presentation, I'll pass on the floor to Belmiro for his initial considerations.

Belmiro Gomes:

Good morning, Gabi. Thank you everyone for participating in our call, we will share the numbers for the third quarter of 2024, as well as the company's plans and strategies for the moment we are facing.

The third quarter has a very important aspect because it sets a turning point in the company's net debt cycle.

It is the first quarter where the company reduces its debt not only from the point of view of leverage, but also the nominal value of the debt, a drop of R$ 218 million, but this is the beginning of the downward cycle.

The last downward cycle had been in the fourth quarter of last year, with seasonality, but from now on, a downward cycle in the value of our debt and, consequently, also in our leverage, remains.

I would like to thank the entire Assaí team for the work, for the numbers that we are going to present here in the third quarter.

And share the measures we are implementing to face a scenario of higher interest rates that we are experiencing at the moment. So, as I said earlier, we have a debt reduction of R$ 218 million.

On October 17, you may have seen that we released a material fact revising the company's investment projection for 2025.

The objective is to take balanced measures to face a scenario of higher interest rates, given the company's leverage, but also to maintain growth rates, total growth, especially in the company. Given that we are not present in very important cities or markets.

And according to the numbers that we will present later, the company's ability to generate cash, maintain margin, stability of the company's expenses and especially of Assaí's business model, continues with very strong acceptance and assertiveness in the markets where we are entering.

On the presentation you see a photo of a store here in the São Paulo metropolitan region, in the Guarulhos region, an extremely important region, Pimentas, in a region of Guarulhos with more than 400 thousand inhabitants, which is still Assaí's first store.

With this, we reached 21 openings in the last 12 months, an addition of more than 8% in our sales area and 4 new stores were delivered now in this third quarter.

We should deliver the 15 stores for 2024, we will exceed the milestone of 300 units, 300 stores operating now, in December.

A company that has grown in 38 years and this growth has always been supported by its own cash generation.

Throughout this journey since 2011, Assaí is a company that has never received investments, it has always managed, with its own cash generation, to sustain the growth, projects and investments made.

Speaking of the third quarter, revenues exceed R$ 20 billion milestone, an addition of R$ 1 billion and 714 in relation to the third quarter of last year.

The growth on a total basis of 9.3%, reaching 77.5 million tickets. An important addition of 1 million and 700 thousand tickets compared to the third quarter of last year.

And we want to remind you about our business model, as we are a company that is not purely retail, 60% of our sales are made to B2C and 40% to B2B. This audience is divided into what we call resellers, utilizers and food service.

Where the food service and the utilizer represent a more recurrent audience, but the reseller public is a much more price-oriented audience, especially considering payment terms.

So, obviously, our dynamics and market dynamics can affect this audience more than other audiences.

This is one of the reasons why the same stores in the quarter have an advance of 2.6%, due to a lower performance, especially among the retail public, which is an audience driven by price and driven by payment terms, as I will highlight a little later on.

Pre-IFRS EBITDA, at Assaí, had an evolution above sales, going over R$ 1 billion, in our case 100% of EBITDA in the pre-IFRS view.

As you have been following, it is cash, that is, it is cash generation and the EBITDA margin in the post-IFRS lands at R$ 7.3% and R$ 1.4 billion.

There is also a highlight for the LAIR (Profit after income tax), as we saw this year that we had an impact with credit losses, the tax changes in the subsidies, which affected the income tax line and, consequently, the net income.

That's why as Vitor will highlight a little later, the issue of LAIR will be presented as a measure of the company's operational performance and the company's cash generation capacity.

Here we within the third quarter we show how the evolution of part of the stores is going.

The first ones that are now still two years old, the first converted stores of the project that was the biggest project that Assaí has ever worked on, which was the purchase of Extra's hypermarkets.

These stores have now reached R$ 27.3 million in sales in the third quarter and a pre-EBITDA margin, fully in line with the company's margin of 5.4%.

These stores are better located, they put pressure on the post-IFRS EBITDA line, a higher rental value even because of the locations. But they continue to be decisive stores.

Still, obviously, they are on a maturity curve, and we have not even been able to implement some services yet.

There are still 2022 stores that are undergoing the implementation of services, and advances also with the store galleries.

And these stores are vital even for the company's new projects, from the point of view of new categories, new services, exploring other types of activities that we will highlight a little more later, within the Investor Day, which we will host next week.

We also present an evolution in the company's gross profit. The company, as we all know, has gone through a very strong growth cycle.

In the last five years, we have had a CAGR of gross profit growth of 21.5% year over year, within this five-year range, we are talking about the period before the pandemic.

The impacts we had in the Covid-19 pandemic, with the purchase of Extra stores, the entry of hypermarket stores, the period of inflation, the period of deflation.

This year now, 2024, we had a series of impacts with an increase in ICMS rates in several states in Brazil and the gross margin is very, very stable.

Even with 117 stores opened in three years, we still have practically 40% of this store network with less than 36 months of activities. If more than 50% of the stores received services, at least three services that are already available, plus the commercial strategy, negotiation, performance of the commercial team, value proposition.

It makes us jump from R$ 1.1 billion gross profit there in 2019 to more than R$ 3 billion now obtained in the third quarter of 2024. These changes, because we are talking not only about a very strong expansion cycle, but also about a change in the business model and the model of operation and operation of Assaí or the cash and carry market.

I think Assaí has been one of the exponents, one of the great innovators within this sector, to increase penetration, especially in all social classes.

It is a model that is very democratic, I think it is perhaps one of the most unique models in the world, because it services consumers from all social classes today in Brazil.

Based on the *Nielsen* perimeter of the market, the channel today supplies to more than 50% of Brazilian households.

Assaí, a cash and carry store, has become the best-known brand in physical and digital retail in Brazil.

We are present today in more than one in every four households in Brazil, with a flow of more than 40 million people passing through our stores per month.

And obviously this evolution would not have been possible with the previous model that we operated in, regarding the customer flow and results.

So, we brought a little bit on this slide about how much the expense... When we look mainly at the issue of rent, since the central stores, obviously have real estate costs that are higher.

It is much more of a real estate factor, but without it we would not be able to have stores, especially for the A and B classes, or to serve food service better.

And in this graph we see that the expense, when we look at the pre-IFRS view, which is practically the account without rent, is extremely stable.

The expense, pre-IFRS, we ended with in the third quarter, now 2024, is lower than the expenses that we operated with in 2011, back in 2013, 2015.

Where the model couldn't deliver the shopping experience and prices we offer today. So, this shows the company's discipline and how much productivity gains it has had over the years, and that a good part of these productivity gains were invested to improve the shopping experience.

To be able to increase the scope of the number of customers and have the evolution and revenue that we have had in recent years.

I had already mentioned that the EBITDA had an increase of 12%, we reached R$ 1.21 billion of pre-FRS EBITDA, which in this case, is cash actually. An evolution, within these nine months, of 24% to 21% compared to last year. And with constant evolution in our shopping experience.

Even in 2024, which is a year of a shorter expansion cycle, there will be 15 stores, we are still making great progress in the rollout, especially with our services.

This year alone, so far, from January to now, 184 services have been added. We started to have the cold cuts, emporium, and bakery.

So we have 63% of the network covered, operating today with 560 units, which is also one of the great transformations that Assaí and and the Cash & Carry sector in Brazil have been going through.

We have now inaugurated, on 09/04, our fourth unit in Manaus, it was followed by our first distribution center.

Which will be an important support for our operations within that great capital, in a very important region of Brazil.

I wanted to close my part here with the EBITDA. You can skip to the next slide.

I wanted to pass it on to Vitor, who will share the financial part and the debt, and the financial results. Thank you very much everyone.

Vitor Fagá:

Thank you, Belmiro. Good morning, everyone.

Let's talk, then, as Belmiro just commented, a little more detail about the financial result, debt, leverage and profit.

So, here we can see on this page an important improvement in the financial result, both in nominal terms and as a percentage of net sales, going from 3.0% of net sales last year to 2.6% now.

And this improvement in the financial result is associated with higher cash profitability, as we presented to you in the release, our average cash invested has grown and we will go into a little more details ahead.

There was also a reduction in the anticipation of receivables and, finally, we no longer have the incidence, when we compare it with the previous quarter, of the interest related to the debt we had from the acquisition of the hypermarkets.

So these three factors together helped to bring this financial result to a better level, contributing nominally and as a percentage of sales.

The consequence of this is the very strong evolution here of the LAIR, Belmiro mentioned this at the beginning of the presentation, we grew 83% of the LAIR.

A direct combination of the evolution of EBITDA, with all the operational improvements and this improvements in the financial results as well.

So, the profit before income tax goes from R$ 142 million to R$ 260 million, comparing this last quarter against the same period last year.

And finally, the net income evolves, net income in the pre-IFRS grows 10%, a consequence of the evolution of the LAIR, but it is also affected by a smaller positive impact of the credit for the investment subvention.

This is not a new topic, we have already discussed this in the previous two quarters, and the impact is the reduction of the credit this year.

Which makes the comparison against the previous year not as strong as the comparison we see in the LAIR.

Moving on to the next page, we share a comparison of two years, and here it is important to highlight that the strong investments that were made, as we have already described here, in this transformation of these hypermarkets, which was a major boost for Assaí in the last two years.

This strong investment cycle was practically all financed with our own cash generation, 90% of these investments were financed with our own cash generation.

When we look at the operating cash generation in this period it was R$ 7.7 billion. We see it here on the left side of the slide. And we see that the investments in this period were R$ 8.5 billion.

So, it is very important, as Belmiro has already pointed out, that Assaí is a strong cash generator and has managed to support this very strong cycle of investments and growth.

Placing Assaí in a prominent position today within the food retail market, generating cash and financing its own growth.

When we move on to the next slide, it is important to look at the company's deleveraging trend.

Deleveraging is a focus today in the company and will be a focus in 2025, as we have already anticipated in the latest earnings releases and especially considering the material fact that we recently released.

And here, I think it is worth highlighting, first the evolution of our net debt to EBITDA, and the leverage indicator for the third quarter, where we reached the level of 3.52 times, it is a reduction of 0.13 times net debt/EBITDA.

Sequentially, that is, compared to the previous quarter, and it is a reduction of almost one times EBITDA, 0.93 times EBITDA when we compare it to the end of the third quarter last year.

So it is a strong deleveraging process, and we will continue with this process, we expect to reach the end of 2024 with this indicator below 3.2 times EBITDA.

I think one more important point here is that this indicator is the composition of the evolution of EBITDA and debt reduction.

And this quarter we had a reduction in our net debt, both when we compare it with the end of the third quarter of last year, that is, it excludes any seasonality effect, but also when we compare it with the previous quarter. So a nominal evolution of the debt.

And what we expect, looking at 2025, is the continuation of this deleveraging, we expect to be around 2.6 times net debt / EBITDA by the end of 2025, and equally important is the composition of this. We see that deleveraging throughout 2024 has happened much more due to an evolution in EBITDA than to a reduction in the nominal debt.

And we do expect the reduction of our nominal debt to continue until the end of 2024, but especially in 2025 the deleveraging will happen in a more balanced way between the evolution of EBITDA and the reduction of the nominal debt.

It is also important for us to highlight, and here we are improving our disclosure of results and financial indicators, so that you can have a better understanding of the company.

Here we bring the cash availability, I think that at this point we closed the availability at practically R$ 5.9 billion, that is, it is an availability that is 16% higher than what we had at the end of the third and last year.

But just as important as this is the breakdown of this availability, where we have a much higher volume of undiscounted receivables, practically three times higher.

We closed the quarter with R$ 1.86 billion non-discounted compared to a little more, almost R$ 700 million in the same period last year, and the discounted receivables much lower as a counterpart.

So, we see greater availability here, and also a greater volume of non-discounted receivables.

And, on the other hand, an increase in the average cash invested. And this increase has been happening gradually, quarter by quarter.

So, in the previous quarter, we had R$ 835 million of average cash invested and now surpassing R$ 1.3 billion of average cash invested in the quarter. And this cash also evolves a lot, when we compare it to the third quarter of last year.

So more and more here we are looking for greater liquidity for the company, looking for a more robust cash flow for the company.

And managing to discount fewer receivables here, that is, having this liquidity buffer that are the receivables to be discounted.

But you don't need to use of them at the end of each quarter, and especially throughout the cash cycles, which we have already detailed here.

The company has a cash cycle with three major payment dates, so it fluctuates its cash within months depending on this payment cycle. And receivables are an important way to manage cash according to this strategy of three payments, three major payment dates throughout the month.

And finally, guys, I think it is important to highlight, in addition to this reduction in leverage, the initiatives that we have implemented in recent months about the company's liability management.

There were three important debt operations that we made with the market, two issuances, the two most important.

The two debenture issuances, the first that we concluded at the very end of the second quarter and the second that we concluded at the beginning of October.

These operations allowed us to have, first, an important evolution here in the debt profile in two relevant dimensions.

First, by reducing the cost, given that we had an average cost at the end of the first quarter of CDI plus 1.49% of our debt.

These two main issues came out with a cost of CDI plus 1.25%. They had a CDI plus 1.25% coupon, against the previous average CDI plus 1.49%.

And then we reach the end of this process, and already considering the prepayment that was associated with this second issue of debentures, prepayment of bonds that matured essentially in 2025, but a little bit also in 2026, as I will already detail here in the chart.

So, we get there at the level of CDI plus 1.40% as the average cost of our debt in October 2024.

And, in addition, an evolution of the average term. The average term, which was 32 months, is now 41 months.

Now I will detail here a little bit of the maturities in the coming years. We can clearly see here that the maturities for 2025 and 2026 had a reduction in the compound amount of almost R$ 3 billion, R$ 2.1 billion plus R$ 2.9 billion moving on to 2028 and 2029.

So, this change, this lengthening of the profile and this reduction in payments in the next two years, we will see these payments appearing in 2028 and 2029.

Therefore, this extension of the term and mainly leaving this payment flow much more constant over the next few years, obviously bringing more security and more stability to our cash flow.

Well, that's what we wanted to share here about the financial aspects. I'm going to pass it on now to Sandra to talk about the developments we've had in the sustainability area. Sandra, it's with you.

Sandra Vicari:

Thank you, Victor. Good morning to all.

Now about our advances in sustainability, I wanted to highlight that this quarter, aligned with our strategy, which is also based on three actions.

We had the publication of the Animal Welfare Policy, which establishes guidelines and recommendations for our suppliers of animal-origin products.

This policy is also aligned with international guidelines and the main objective is to engage our business partners in better and more ethical practices.

Also along with our efforts in relation to diversity, we carried out our diversity census and we were able to identify that more than 67% of our employees declare themselves black.

With the result of this census, we also identify that more than 43% of leadership positions in the company are occupied by black professionals and we have more than 25% of women in leadership positions.

So, these are very expressive numbers and reinforce our commitment to diversity.

Speaking of the Assaí Institute, which works with social impact actions, we promoted the donation of more than 3 and a half million meals throughout the year, through the projects we have with our “Cozinha Solidaria” (solidary kitchens), Destino Certo, and our emergency campaigns.

And in our entrepreneurship area, we held the seventh edition of the Assaí Academy award, where we had more than 2,100 food entrepreneurs who received financial support and technical training.

We had regional recognition, national recognitions in this award, in short, there were 2,100 entrepreneurs awarded and who received training.

Speaking of the issue of ethical and transparent management, we had our data audited on climate change that were certified for the third consecutive year, with the gold seal in the public registry of emissions in the Brazilian GHG Protocol program.

Still on recognition, we had several awards throughout the quarter, and I would like to highlight some of them here.

Among them the ranking of the best and biggest in 2024 by Exame magazine, where we were selected for the first time as the best retail and wholesale company.

We also had the Folha Top of Mind award for the third consecutive year, being the most remembered brand in the supermarket and wholesale sectors.

And, for the first time, we were present in the GPTW ranking, in the GPTW national ranking, where we occupy the 18th position among companies with more than 10 thousand employees.

There are several awards and I would like to reinforce here that these advances are the result of the commitment of our entire team, which has increasingly sought to build an ethical, inclusive and sustainable company.

Thank you very much. I think now I will pass it back to Belmiro.

Belmiro Gomes:

Going back on a slide, I think you have been following the transformation of Cash & Carry sector, and Assaí itself, I think that we are proud to have been one of the protagonists.

And, honestly, if we had said a few years ago that a company operating with a pre-expense of 9, with total expenses of around 10, would one day be elected by Exame as the best retail company or retail segment.

Or the most remembered brand in the country, like Top of Mind, and most remembered in the supermarket and wholesale sector, it would be something almost unimaginable for those who follow us, Assaí's format has been evolving for a long time.

So, it is an achievement that makes us very proud and that, in fact, the customer is the basis and this translates into the more than 500 million people who visit our stores.

Consequently, this will take longer, it will take less, it will translate into results, it will translate more and more into more cash generation and debt reduction, which is an issue that has obviously concerned everyone.

Then you can move on to the next slide, but I would like to highlight this, for those who are involved within our sector, within our work, I think it is a point of great pride to have achieved this whole transformation.

Returning to the theme, I think providing a perspective of what we can see forward.

Vitor highlighted this a lot, I had also highlighted the issue of the beginning of the cycle, it is a downward movement with deleveraging because the interest curve did not behave as expected. Not only regarding our expectations but I think the entire market, considering the moment when we performed the Extra acquisitions.

And obviously the measures, both the company's board of directors and the management of this company are very close, very aligned, from the point of view of us having this focus going forward.

To reduce the leverage level, which has already been shown in this quarter, and reinforce the guidance we have already given for the end of 2025, of 2.6x.

The company, obviously, has not completely reduced expansion either. There are very important markets, there are extremely important projects for the company to evolve the business model, but it is a joint effort.

So, what we are working on is prioritizing cash generation, especially to be able to maintain this focus on deleveraging.

The stores for 2025, we have projects still for this end of the year and very important projects, the cycle of an organic store, it is a slow cycle, as we have already highlighted.

So it was good to postpone this, to be able to focus on facing the rise in interest rates.

We also have an evolution of the phygital strategy, the evolution of the App, which has proven itself a lot now in Assaí's anniversary campaign, and there are a number of other partnerships that we have made with the Last Mile operators.

As well as a series of new projects that the company should implement from now on based on the greatest strength we have, the most remembered brand in Brazil, the most present company in any sector in the Brazilian households, and a flow of practically 500 million people who visit our stores yearly.

Which creates a fortress for us and opens a series of opportunities for us from now on. I think that would be it on my part. I will pass it back to Gabi to begin our questions and answers. Thank you.

Gabrielle Helú:

Thank you, Belmiro. We can start Q&A.

Technical Operator:

Now we will start the Q&A session, remembering that to ask questions you must click on the #Q&A# icon at the bottom of the screen and write your #NAME#, #COMPANY# and #LANGUAGE# to enter the queue.

When you are announced, a request to activate your mic will appear on the screen, then you must activate your microphone to begin asking your question. We kindly request that your questions be submitted at once.

Kicking off with our first question from Joseph Jordano, JP Morgan's Sell Side Analyst. Joseph, we will enable your audio, so that you can proceed.

You can proceed please.

Joseph Giordano – JP Morgan:

Hello, good morning, everyone, good morning Belmiro, Vitor, Gabi, thank you for taking my question.

I wanted to explore three quick points here, I think the first of them is perhaps the most trending point.

How are you seeing the evolution of this food inflation? we see some categories with rising prices, so I wanted to understand how you are seeing this. And how maybe here we have some substitution effect in this context.

The second point goes a little on the issue of expansion of these ten stores for next year. What is already hired in fact?

Maybe we could have some upside here, thinking about even changing the strategy with *Build to Suit* or something like that.

And finally, we had a little margin gain in this tri, I wanted to understand what you are seeing here, maybe a margin gain for next year.

Trying to break down a little between, what would be the operating leverage for maturity of this relatively new portfolio and the second is efficiency.

Thank you very much.

Belmiro Gomes:

Thank you, Joseph. These are three very broad themes.

Sequential inflation, we still saw, I think the sequential movement of deflation in July and August, September is already a first sign of inflation and October does have an index, some categories already register price increases.

So yes, we are already working on the scenario of food inflation.

Obviously, we also have a scenario of demand still on behalf of the consumer, still under pressure.

But there is a scenario, yes, of inflation that in October itself was already shown, it was visible in some categories, and in performance there is an inflationary movement.

Obviously, we have an exchange rate influence, depending on the level it gets, even the climatic events we had, with the big issue of the drought, periods ago, and this is reflected in some product categories.

So, an inflationary movement is expected, yes, for the fourth quarter, higher than what we saw in the third quarter.

On the expansion for next year, I think among these ten, we already have five or six that are signed, some were even projects that were already planned for this year.

So much so that, obviously, some of them can still be reviewed, but what we have today is still the number that we put there in the relevant fact of the ten units for that level of investment that we stated there.

It is important to note that we also have part of that investment in maintenance expenses, which is low, with Assaí's survival CAPEX.

Especially because most stores, in addition to being new, the cash & carry model does not have such high costs for refurbishing. Our survival CAPEX, is approximately 20% of the depreciation we had before.

But there are important evolution projects, to extract more value and prepare the assets, which are also being implemented. There are still services, there are advances in the self-checkout in some units, and others ahead.

Expectations, obviously, the company has a 40% margin, we observe the market in terms of competitiveness, but the goal is to always be gaining a little more margin.

This year, in fact, there is an increase in the margin that the ICMS rates ended up reducing the impacts we had, in a series of states, an increase in ICMS rates, of 2%, 3% in the first and second quarters of this year. So, if it weren't for that, it would be approximately 0.30 or 0.40 more.

Obviously, it is not possible to know what is coming from a tax point of view, and competition in the market, but from the base and progression, an increase in margins is expected for 2025.

Given that in our view, at least for 2024, obviously, everyone is cautious, we think that the *trade-down* part and everything, the worst is over, so to speak. From now on, the consumer can recover this.

The return of a little inflation also helps us as a sector, the sector has always benefited a lot in periods of inflation. Whether due to the supply capacity of SMEs, as well as the price difference we have in relation to traditional retail channels, which is still a relevant part.

When we look at the 50% for the food channel this is a Nielsen view, that does not take the food market as a whole into consideration.

When you look outside, at what it would be for the total market, there is still room for advances within our sector.

I hope I've answered your questions, Joseph.

Joseph Giordano:

Thank you very much, Belmiro.

Technical Operator:

Moving on, the next question comes from Joao Soares, Sell Side City Analyst. You can continue, please, João.

João Soares – Citibank:

Thank you. Good morning, everyone.

Following this logic here, Belmiro, I wanted to understand how Assaí´s competitiveness is today versus other cash and carry stores.

We are seeing the company gain a lot of margin, I think it has been a very positive point, but in terms of growth, anyway, we have seen a very competitive scenario, obviously challenging, here there has been a lot of openings in recent years.

So, I wanted to understand how Assaí's competitiveness is, going a little into a broader point here, you yourself said, the business model is changing. You have to adapt, you have to have a different store format, with services, etc.

I wanted to understand today how the positioning is? How do you get into that context? What do you want? How do you think Assaí has to position itself, Belmiro?

Thank you.

Belmiro Gomes:

Let's see João, if I understand your question.

From the point of view of competitiveness, you saw what I said on the first page, I think it is important that the cash and carry model, everyone looks at it as a large retail model, that has reached a percentage of households.

But it is a model, especially ours and other competitors, which has 40% of its sales taking place with B2B customers which have very different dynamics when compared to B2C, we have, for example, the food service public.

So, we have a range of customers, which we consider customers who are recurring, which is the B2C, food service and a good part of the utilizers. In this case, Assaí always maintains a very strong level of competitiveness.

Maybe the best indicator is when you look at sales per square meter or sales per store, and that is only possible because of our competitive stance. Obviously, it is often not only price, there is also the store location, other factors, brand strength, but competitiveness is maintained.

And there is an audience, which is the reseller public, which is a very price- and term-oriented audience, given the pressure of the cost of capital in Brazil.

This audience is not a very loyal audience, as they buy in several cash and carry stores, buy according to the opportunity, when we look at this audience, honestly, sometimes you don't follow a dynamic that is exactly the same as the rest of the market.

Because also, if in a period this customer is buying at another competitor, he will also not stop buying at Assaí. So, that is, why when we look at the final number of total sales base per store, we are looking at a combination, as if it were two businesses that need to be analyzed separately.

The company's strategy in this third quarter was not to burn cash, we didn't burn cash, quite the contrary, we still generated cash to repay the debt.

You may think this occurred at the cost of losing competitiveness. No, we did not lose the recurring audience at all.

As much as, obviously, some volume sales dynamics for the reseller public or strategies focused on price and terms, we decided not to follow, even if it had an impact from the point of view of the same stores.

But then when we look at our same Stores, for this audience, we are well, we are competitive. I don't know if that was the question and if I was able to answer it, João.

João Soares:

Well, that's it, Belmiro.

And taking advantage of just a quick point here in relation to this scenario of food inflation, how are you seeing the B2B customers, are they already buying again, and stocking up again?

Belmiro Gomes:

No, honestly we don't see this movement, because I think that prices, as much as the scenario in the past where you have a drop or an increase in inflation, but based on a high price basis.

There were some changes in behavior, especially last year and this year, which reduced a little, so much so that the food market was below the market's expectations. The *trade-down movement* that had to happen has already happened.

This year there was a lot of movement to reduce the size of the packages, especially in the categories that involve the purchase of indulgences. A basic product, for example, does not have this, but a box of chocolate, anyone who looks at it today will see that it has the same package size, but a much smaller quantity. So this also creates instability among B2Bs.

The issue of the high-interest rate level and the pressure on working capital also creates a concern for them, so much so that at this moment now, payment terms, sometimes becomes even more important than price. At times, for this reseller public. We do not notice a stocking movement unless there is a sign of a higher increase than we see now.

And if we remember, if we go back to the curve in 23 and 24, we can see that there were periods when everyone was surprised even with deflation, when it wasn't supposed to happen.

A drop in inflation was expected, but there was even deflation. This also creates caution within the reseller public, which would be the public that could stock up. The food service public have a recurrence of more than eleven times a month.

So, normally, there are many perishable products, because they do not have the capacity to store these products, because there is a *shelf life* risk.

So, at least, we haven't seen it yet João.

João Soares:

Wonderful, Belmiro. Thank you.

Technical Operator:

Moving on, the next question is from Daniela Eiger, Sell Side XP Analyst. Daniela, we will enable your audio so that you can proceed. Can you continue, please.

Daniela Eiger – XP:

Good morning, everyone. Thank you for taking my question.

The first one, Belmiro, is about the dynamics of store openings in 2025. You have just reviewed this, because of the macro scenario, in short, the leverage.

But unfortunately, we have seen a worsening in the margin in this macro dynamic, especially in interest rates, indicating an increase for next year.

So, we would like to understand how the company's mindset is about a possible new review of openings, and also levers to enhance or mitigate this expansion on the leverage.

You mentioned the *sales lease back,* in the recent guidance review, but I also don't know if with this interest rate hike, it is more difficult to have a more attractive agreement.

So it would be kind of an update, I know it's been a short time since you talked about this, but since the macro context changes very fast, I would like to see how you're thinking about it for 2025.

And then my second question is in relation to volume, you mentioned that tickets are rising 6%, it seems to me that this is mostly due to new customers rather than an increase in volumes per customer.

But just understand a little bit about this and how you have seen this movement forward as the anniversary campaign matures a little more.

Thanks.

Belmiro Gomes:

Thank you, Dani.

As you said, we have just revised the stores for 25, the interest curve has obviously worsened, we don't need to go into the details about it. And now we have work to be done between management and the board of the company.

But I think it is important to look at it from this point of view, with this reduction and the cash generation that the company has, even considering the expectations that we have for next year. We enter a deleveraging curve, the reduction was a drop of the EBITDA in the past year.

Obviously we are hurt, and a good part of the EBITDA is going to interest payments, which is something that Vitor has also talked about on the other calls.

It may be that we can do a review, maybe for 26, but at this moment, for 25, most of them are hired. And we are maintaining this because the company is a large cash generator.

We look at what will be the end of the debt landing in 2025, which we project for 2026, we know where the company is headed.

There are other levers, that you also mentioned such as the *sales lease back,* but as long as this also makes sense.

I think that at the moment, we would perhaps lock in an interest rate at a high level for 10, 15 years, and maybe in 2, 3 years from now we will be in a very different cash or debt situation than we are in today.

It is obvious that regarding any other measure, management and the board will sit down, make the best decision of the company, looking at the balance, between short term and long term.

What is in our hands at the moment to work on is discipline in working capital, generating cash every quarter to be able not only to deleverage in the EBITDA ratio, but to reduce our debt.

We are very focused on our working capital discipline. Wlamir and his team have been working intensely on this.

Anderson has also, together with the operations team, with the stock levels that we are operating with.

So, the company is a great cash generator, we have a piece of EBITDA above what we would like for interest payments at this time, but we have a lot of confidence in the ability to generate cash. I think this third quarter has already been very visible, and the fourth quarter will give us another strong demonstration in this sense.

Volumes, I think going back a little from what I answered to João, the volumes we lost were among the reseller public, but for B2C public you are right, you have a gain in tickets, you notice stability, a decrease in the *trade-down*, I think that much of the *trade-down* that had to occur, already occurred. But among indulgence categories, there are some products that were impacted, by reducing the size of the package. If the customer bought four packages of cookies of 200 grams, then it became four of 180, four of 160, four of 120, four of 100 grams.

So, I think it was also a way for industries to be able to maintain penetration after the inflationary period. But from what we have also observed, in recent months, this trend also reached the levels it should be in we think.

So, I think despite the interest curve, we also expect that the worst is over from the point of view of consumption.

Looking at the economic activity and unemployment levels, we do not expect, even with this new cycle of increases, a new reduction in the purchasing power of the population.

It didn't come with the increase as we expected, you yourself followed the expectations we had for 2023 and 2024. But also a new drop, is not something that we imagine can happen, when we look at the consumers.

Daniela Eiger:

Excellent. Thank you for the answer.

Technical Operator:

The next question comes from Eric Huang, Santander Sell Side Analyst. Eric, we'll enable your audio so you can proceed. Please Eric.

Eric Huang – Santander:

Good morning, everyone. Thanks for picking up our question. On our side, we have two here.

One, looking at the services, you mentioned that even in some 22 conversion stores, they are not 100% implemented. So, we would like to understand the upsides, whether in revenue or margins for 2025.

And on the second point here, looking a little more at the working capital dynamics, right, Belmiro you mentioned being very attentive to this, seeking to optimize cash generation, but we have seen it more stable, I think that your communication has been more towards stability as well . I just wanted to understand if you have seen new opportunities or something like that, or really if this focus here on discipline is much more geared towards this maintenance.

Thank you.

Belmiro Gomes:

Thank you.

I think that, obviously, on the working capital part, we have seen the stability that we had already mentioned in previous quarters. The company is always looking for new opportunities, but we believe that, even if so, it is not something very differentiating for 2025.

I think there is much more in our management from the stock point of view, if Wlamir can later add on, I think with the discipline towards stock optimization. So obviously we always try to look for better terms with the supplier, but I think it's mostly stock control.

And for services, I would like Anderson to also contribute here, but many of the stores still needed a license, they needed a series of things that we are implementing. But most of these stores will still give us an upside in our margins, as they consolidate customer flows in some and even explore new product categories.

Wlamir, do you want to talk about the working capital?

Wlamir dos Anjos:

Yes, I do. Thank you, Belmiro. Good morning everyone.

I think that to add on to this issue, I think that in recent quarters I have talked a lot about the discipline we have with working capital and this will be maintained.

What we have sometimes is some kind of seasonality, like now at the end of the third quarter or beginning of the fourth quarter, where we stock up a little more due to Black Friday, as we stock up on seasonal items, but we balance this out at the end of December with these movements.

I think that in the not so distant past, we had volatility in working capital, due to our pace of expansion and this growth with 117 stores. But from now on, even at a slower pace of expansion, as already mentioned by Belmiro, we should maintain a very balanced working capital.

Obviously, we are always negotiating longer and better terms, to support a good part of our operation which is not supplied by distribution centers and then we need a little more stock in these markets.

But always finding a balance between seasonality, sales, stock for new stores, but maintaining this discipline that we have already demonstrated in recent years. I hope I have answered your question, Eric. Go on, Anderson.

Anderson Castilho:

Thank you Wlamir. Eric, once again.

Actually as we are looking at the new services, we still have a lot of ramping up, just to give you an idea, we opened more than 90 stores, and there were more than 180 services, Eric.

So, we are still in line, they are stores that still have a lot of opportunity, there is a ramp for growth, there are projects where the stores started a month or two months ago, and we are still working on the evolution of these projects in-house.

To give you an idea, within this month I have practically more than 40 services being added to stores.

And this work has been growing and strengthening itself in each store that we have been opening, consequently adding new customers, we have been adding much more.

And with the new year, especially in early January, we will be adding on to this project, especially within this first semester, we see the opportunity to put it in many other stores. It is well mapped, it is a project that has been generating very positive results, but its still a new project.

There is significant evolution, it has been growing year after year, it is still in the beginning, and there is a lot of maturing ahead of us, there are major opportunities for us to continue working. It's a learning experience, we've been evolving, we've been growing, we see categories that we can evolve in still.

So I think that within services, we have been working on the evolution of this segment. I don't know if I made it clear to you, but I think that, in general, it has been very positive and we have been growing year after year.

Eric Huang:

Perfect, very clear here, thank you.

Technical Operator:

The next question comes from Luiz Felipe Guanais, BTG Pactual Sell Side Analyst. You may proceed please.

Luiz Felipe Guanais – BTG Pactual:

Good morning, Gabi, Belmiro, Vitor.

A question here on my side, Belmiro. If you could discuss this a bit.

First, performance dispersion by region throughout the quarter. How did you see this? Is there a specific region that has stood out in terms of performance?

And then a second question, if you could talk a little bit about cannibalization, especially of the converted stores, you reported the number of sales of the converted stores in relation to the legacy stores.

Thank you.

Belmiro Gomes:

Thank you, Guanais.

Well, by region, like, we honestly don't notice much difference. Obviously, you have a market where there was much more expansion, such as the North and Northeast, of other competitors, where you always have a greater impact.

But from the point of view of customer behavior, or even performance, it is aligned with our history with the numbers we saw in the second quarter and third quarter. You can see that the movements, the big movements, have been made at the national level, there is no kind of atypicality in one or another region of Brazil.

Cannibalization was already foreseen within the project, there is also work that we are doing in the legacy network with renovation, or as Anderson highlighted, implementing new services. Much of this was given that, if you look closely at the square meter, or especially some stores in São Paulo, the customer did not have a store nearby, so he went to Assaí, which was further away.

As you open a new store, which is much closer to the client, even if they are in Food Service, they will migrate to the store that has a better location. But also because we also start with the most competitive price at first, which is the opening period, and then it is our job to pull customers to that other store that lost the customers.

I think we will still see a little more stabilization regarding this, because it was a large movement with new stores entering, not only ours with the conversions, but other conversions that the market has made. Cash & carry grew by converting the customer, especially the B2Cs.

Regarding store openings, you have a period now, in the last two years, where perhaps the number of stores has exceeded the conversion speed, but it is a conversion that continues to occur. So this should have a more stabilized view from 2025 on, when these stores will start to complete a three-year cycle.

Which for a physical food store seems like a long time, because it happened a long time ago with the Extras, but some are still reaching two years open. From now on, whether this year or next year, and then we should see this a little more stabilized from 2025 onwards.

Luiz Felipe Guanais:

Thank you very much, Belmiro.

Technical Operator:

The next question comes from Irma Sgars, Goldman Sachs Sell Side Analyst. Irma, we will enable your audio so that you can proceed. Can you continue, please.

Irma Sgarz – Goldman Sachs:

Hello, good morning, or good afternoon, almost. Thank you for taking my question.

I wanted to ask just briefly about the inclusion of new product categories in some stores in the overall product mix of the stores. How has this advanced?

I know that we are still at the beginning of this project, but I wanted to think together a little bit about how this should not only impact sales, but also the margin. And what lessons have you learned so far?

Belmiro Gomes:

Obviously, Irma, we have already highlighted that due to our customer flow, everything we mentioned, we do see a series of opportunities to improve existing categories or implement new categories.

On the 13th now there is the Investor Day next week, we will bring some very interesting numbers, which should even cause a surprise for many of those who are listening and are following us.

So, I didn't want to give you a spoiler here, let's leave a little for the Investor Day, but, yes, it opens up an opportunity for us.

We have seen other operations in the cash & carry segment in around the world, which sell products and especially some products that were not obvious, when you are only talking about food.

Much of what I said, I think before, would be almost unimaginable, not so long ago, that a cash and carry company in Brazil could be the most recognized brand, or that it could win an award from Exame with the best and greatest.

So, this does open up a series of opportunities for us. It was two years, as I said, the stores are new, we had to adjust even the products we worked with. But there are a number of pilots underway and, yes, there is an opportunity in our vision that is very clear and broad not only for services, but also new products, looking at the existing flow.

You notice a customer becoming more and more omnichannel. The customer has much less resistance, if the product is at a good price, at the time of purchase. Whether with the online itself, or physical stores, this is something that goes both ways.

So, I think there is a lot of opportunities, yes, if you can be with us on the 13th, I think there are some very interesting numbers that are worth following.

Irma Sgarz:

Perfect. We are excited. Thanks.

Technical Operator:

The next question comes from Rodrigo Gastim, Itaú BBA Sell Side Analyst. Rodrigo, we will enable your audio so that you can proceed. You may proceed please.

Rodrigo Gastim – Itaú BBA:

Good morning, guys. Two questions here on my side.

First, Belmiro, I was thinking here, help me to better understand how you strategically look at the trade-off between gross margin and sales.

Because, anyway, in fact, you had a same store below inflation, but you had 20 bips of margin growth. So, how do you equate this internally?

Because, anyway, at the limit, the same stores below inflation makes it difficult for you to dilute your expenses but on the other hand you didn't have gross margin pressure. How do you think about this over time? How do you guide and weigh this commercial strategy thinking about this trade off. This is the first question.

And the second maybe for Faga. I wanted to understand how FIC is doing. Some strategic updates on exactly what you are thinking of doing in finance.

Belmiro Gomes:

I'll answer the first one.

The Issue of the balance between sales and margin, obviously again, I think it is very important for us to look at this separately, between what is going on with B2Cs and what is going on with B2Bs.

I think it's the first point that needs to be clear, I highlighted this in several speeches, why? And now it's not, we've seen some market movements, where the decision is not just by margin and sales volume. Margin, sales volume, and payment terms. So, obviously, we work with the reseller public, but we look separately at the consumer.

For consumers sincerely, in our view, there was no point in increasing promotional levels, because that would not provide elasticity to the consumer, especially in a scenario of reducing package sizes and everything.

Our quest is to improve the shopping experience, to win new B2Cs.

Food Service we also need to maintain them, avoid rupture, keep the product they use in the recipe and maintain this recurrence among this audience.

The reseller public, which are big volume sales, we analyze separately.

The level of effort that maybe we would have to put into this reseller public, to have the same stores better, which is an audience that we don't understand, because this audience in one morning will visit our store and also competitor A, B, C, D, E….looking at what is the best price opportunity, but another component recently appeared which is the payment terms.

And then the level of effort in terms of payment terms that we would have to put in, or the margin with the public that is not an audience that will be loyal, and is mainly focused on whoever offers the best proposal, and we always knew that. This is part of the cash and carry business model, which is approximately 20% of the sale.

So many times you will have the same stores below, but if it is concentrated in this audience, and the level of investment, or margin, or terms, or working capital that we would have to dedicate to keep it at an adequate level, and that could even contaminate some other audience, we think is not interesting.

So, that's why we can live with the same stores, often smaller, when looking at the total geography, as long as when we look at the recurring public, we are still in line with inflation. At least because perhaps, the level of effort that we would put into margin or risk capital would be too great and this would not bring a recurrence. This does not change the future decision of this B2B client.

This occurs with distribution wholesalers and occurs with a portion of the cash and carry sales.

I don't know if I managed to be clear on this point, Gastim.

Rodrigo Gastim:

Super clear, Belmiro. Before just talking about FIC Faga, just let me understand it a little better, Belmiro.

This payment term point is very relevant. You didn't follow the Atacadão policy of three installments for all cards. I think that was super clear. My question is if you see other competitors eventually following this measure, such as regional players who still have a good model, a profitable model, an interesting ROIC passing part of this excess ROIC on to the payment terms?

Is this a specific competition, from Atacadão or do you see other competitors also migrating with this theme of the payment terms you mentioned.

Belmiro Gomes:

We don't see it. We have a one-off initiative that took place here in São Paulo, but in general, and I think that even more so now with this new interest curve, with this other issue of financial cost, it is not a strategy. Obviously there is no way to know what the market movement is, but apparently no one is very willing to follow this.

You can imagine, it would be the same as paying restaurant food in three installments, due to the level of working capital you can risk within it. As it rises, obviously each company has its decision and strategy, but our strategy at this moment is not to follow, from what we observed, most of the market is not going to follow.

Rodrigo Gastim:

Right, perfect Belmiro, thank you.

Vitor Fagá:

Let's talk about FIC. Specifically, I think we have to separate this here as two discussions.

First, how is the FIC. FIC today is a good operation for us, it is an operation that supports our B2C customers, it has generated good dividends, as you have been following for us. And operationally it has very little friction with our customers, it has a very good level of service for our customers. So it is an operation that works for individual customers.

Of course, together with the other partners that are part of FIC, we look for additional alternatives here. Any changes and improvements in this business model, so that we can serve individual customers even better. So I think this is a piece of our analysis.

The other part of our analysis is the development of products for B2Bs, something that FIC does not have. And for B2B, what we have been working on is the development of a project that can provide some services, especially services related to sub-acquirers.

And associated with sub-acquiring, we need to work with an increase in the loyalty of our B2Bs and also be able to monitor the information of these customers' data.

So this is a project that is in progress, we are developing a business model and we will bring more evolutions to you as soon as we have other highlights, okay.

Rodrigo Gastim:

Excellent Fagá, super clear. Thank you for the response.

Technical Operator:

The next question comes from Vinícius Strano, UBS Sell Side Analyst. Vinícius, we will enable your audio so that you can proceed. You can proceed please.

Vinicius Strano – UBS:

Good afternoon, everyone. Good afternoon, Belmiro, Vitor, Gabi.

Can you comment on how the dynamics have been here looking at the gross margin, legacy stores, vis-vis converted stores?

And what do you see in terms of gross margin ramp-up space, coming here from the maturity effect with the Extra stores throughout 2025?

And a second question here, looking at the long-term expansion horizons, if you can comment on the profile of cities that you are aiming to enter.

And also how you see the competition in these new markets and the size of the stores that you intend to work on.

Thank you.

Belmiro Gomes:

Thank you, Vinícius.

The converted stores operate with a higher level of gross margins, not only because of their location, but also because they have a larger number of customers, especially customers in classes A, B.

In our view, there is still room for evolution of this gross margin, as we signaled at the beginning of the project. We took the food market in 23 and 24, maybe below what we expected, so we held on, we are also being cautious in making these movements.

There is still a lot of adjustments in the assortment, in categories that, in our view, can be included in these stores, as I said, again, leaving a hook there for next week's Investor Day, for the 13th. Where we will be able to give you a little more details or granularity about it. And these stores, as I said, they are decisive in this new evolution of the cash and carry segment.

Those who have followed our journey for many years have seen how much we have broken paradigms, how much we have been able to surprise the market.

So, I have already said on a few occasions, if someone imagines that the model is at its end or at its limit, they are very wrong.

So, yes, there is space in our vision, because of the location, the level of customers and what we can deliver today, keeping expenses under control. From the point of view of our expansion, there are two major movements.

The main movement is to still occupy cities and states, as incredible as it may seem important, states where we are already present, and where we do not have Assaí stores.

The first store in São José do Rio Preto will begin this year. The second, which is a main point in São José, where the Clube Palestra used to be, which is in the center of São José do Rio Preto, will be opened in 2025.

We have a project for Angra dos Reis, for example, in Rio de Janeiro, where we still don't have a store. Osasco, practically, here in São Paulo, we only have one store, with the population there. So, there are still important projects. Most of them are stores.

Obviously, as we hold the *landbank* in projects, they are the projects with the best ROIC, where the break-even is as fast as possible. Because we have this ramp, and they are the company's best projects.

There are also smaller stores that are being evaluated. In the case, for example, with Rio de Janeiro, we have two store projects with about 3,000, 3,800 sqm.

So, there is granularity. And I think that among all the players in Brazil, the player that has the greatest diversity in its store network is certainly Assaí. We operate stores from 1,800 sqm to 9,000 sqm of sales area.

So, this capacity within the network gives us expertise, because when I talk about square meters like this, it is isn´t just the area of the store that changes. The logistics also change, even the equipment that we supply and display the goods in the store changes, the store's floor load changes.

But this gives us expertise so that also in the expansion, if it is a city or a region that has a need for a store that is 5,600 sqm or 6,300 sqm, it is possible. And if it is also necessary, and we understand we need a store that is 2,800m² or 3,000m², as there are two projects in this sense, this will also be done.

I think this diversity also enables us from the point of view of future expansion, especially in central markets. But believe it or not, in the North of São Paulo, with two and a half million inhabitants, we only have three stores. So you have a lot of opportunities still.

The real estate market has its difficulties. Brazilian metropolitan areas are very dense with appreciation in the real estate market. The time for obtaining licenses are long. And this was one of the great motivators for the acquisition of the Extra stores. But the expansion is very focused on regions where Assaí already operates in with a a fast break even and ROIc within the levels expected by the company.

Vinicius Strano:

Perfect. Thank you, Belmiro.

Technical Operator:

The next question comes from Gustavo Fratini, Sell Side at Bank of America. Gustavo, we will enable your audio so that you can proceed. Please, Gustavo.

Gustavo Fratini – Bank of America:

Hi, Belmiro. Hi, Fagá. How are you, guys? Thanks for the question.

I just wanted to go back a little bit to the point on B2B performance. If you could, maybe give us a little more color, on how different the performance of same-store sales was for the B2B audience versus B2C.

And how much this B2B customer may be impacted by this credit offer from your competitor.

And also another curiosity, without wanting to anticipate anything you will talk about during the Investor Day, but maybe some of these new categories you will introduce can be done with your own brand, or is this not yet being considered?

Thank you.

Belmiro Gomes:

Nothing is disregarded, the truths change, so much so that within the issue of innovation we are always reviewing things, even reviewing the strategic trend and what we will present at the Investor Day, still has nothing to do with that.

Obviously, Brazil has always had some difficulties, when we talk about private label or exclusive brands, but in the future new opportunities may always arise. Nothing is totally ruled out, many of the evolutions we have made would be impossible.

I invited those who follow us for over a decade to remember how many modifications and how many things we started to do, that no one believed in and that ended up succeeding.

The dynamics, yes, they are different between B2B and B2C, and they have always been, a new component with this issue of the term, this makes this customer, what is the interest of the month for him. It is the interest on the credit card advances.

So, how much does it cost to anticipate the receivables they have, so it is a client that has a little sensitivity to this. In September we had a strong movement from the competitor towards B2B, with the price and term proposal. And we chose to not follow this, because this could also catch the company's other audiences. So I think we need to follow the quarter even more to see how this dynamic will be.

The company, as we said and highlighted several times throughout this call, is very focused on cash and profitability preservation.

Obviously, if this ever affects our recurring audience, the company can take more competitive measures, but it is not the case, honestly, at this moment.

This has always been part of a market dynamic, and when we look at what was affected, maybe it affected 1%, 2%, of the overall sales.

But maybe at the level of effort that we would have, we would not have delivered the cash that we delivered within the third quarter, we would not be talking about the debt having fallen by R$ 200 million or what we signal now for the fourth quarter, and then you can do the calculation. I think that's it, Gustavo.

Gustavo Fratini:

Super clear. Thank you, Belmiro.

Technical Operator:

Continuing, let's go to our last question of the day. It's from Daniela Brathauer, Sell Side Analyst at HSBC. Daniela, we will enable your audio so that you can proceed. You can continue, please, Daniela.

Daniela Brathauer – HSBC:

Thank you for accepting my question. Well, the last one. Let's go. A question for Vitor. I wanted to understand, Vitor, the issue of the discount on receivables strategy, because in fact, you had a reduction in the average discount, I was seeing, last year around R$ 2.6 billion, now it's around R$ 1.6 billion.

And obviously the reflection of this is also in your average cash invested, and not specifically in the fourth quarter, because you enter your quarter with the best seasonality, so naturally you will have a lower need for discounting receivables.

But looking at 2025, what can we include in our strategy models for the discount on receivables. And, linked to this component, I have two more points.

One, if you could share with us, how were the *savings* of no longer having that hypermarket payment debt and how much each decision to reduce the discount on receivables, also generates as savings for you.

Vitor Fagá:

Hi, Daniela. Thanks for the question. So, let's go.

Looking at the discount on receivables, we will see from now on, gradually, because the company is more capitalized and has a larger liquidity buffer, the need for lower discounts on receivables over the quarters.

This is from a relative point of view, because of course, the company is growing, and then it generates more receivables assuming the same similar payment term conditions.

So we expect to have a gradual reduction in the discount of receivables, relatively due to this strategy of the company, which is more capitalized and needs to resort less to these discounts on receivables in the intra-month and intra-quarter.

So that's the first point here. Of course, when we see deleveraging and a reduction in debt throughout 2025, as we have already discussed here, this becomes even more evident. Now, we can and should adjust this strategy as we eventually have new conditions in the market, especially in the debt market.

We took advantage of two important operations this year, as I have already commented here. Also because of a favorable debt market and if we have more opportunities over the next few quarters, we will take advantage of them.

Regarding the impact of hypermarkets, the non-recognition of interest related to hypermarket debts, they have a net effect of approximately R$ 40 million on our financial results for this quarter.

This was similar to the previous quarter, because we made the payment of the last installment in January 2024, January this year. So this is the result of this saving.

And finally, your last question about discounts on receivables, we see here, in the quarter-over-quarter comparison, a cost that was R$ 10 million lower than the receivables discount, it went from R$ 30 million in the third quarter of last year, to R$ 20 million in this quarter.

So, you have an important reduction in the cost of discounting receivables. Of course, otherwise, you have debts on the balance sheet that are structured for the long term.

But, specifically on the discounts on receivables, the account was R$ 30 million in the third quarter of last year versus R$ 20 million this quarter.

Daniela Brathauer:

So, okay. Just for *wrap-up* the explanation.

For 2025 we will have two types of savings in the account for financial expenses. One, that you no longer have this payment from hypermarkets, so you will have this saving.

And also, in your strategy of being more capitalized and reducing the discount on receivables, you will also naturally have these *savings*, which I understand have a cost, that is even greater than what you are managing to equate in your debt profile. That's it?

Vitor Fagá:

So, first yes, that's it, there is no longer this expense for 2025, and second yes, the expense of discounting receivables should be proportionally lower.

But we must share the disclaimer Daniela, that we're increasing sales, so it generates more receivables. So it may be that at some point you nominally have a higher cost, but, in proportional terms, the trend is to reduce this discount on receivables cost.

Daniela Brathauer:

It's super clear. Thank you, guys.

Technical Operator:

The Q&A session is closed. And now we would like to pass the floor to the company for final considerations.

Belmiro Gomes:

Well, I think once again thank everyone who participated, good questions, and reinforce the invitation to our Investor Day on November 13th.

And thank the 77 million customers, the 85 thousand employees and the company's board of directors, which has been providing relevant support to our work and monitoring.

Thank you all, we are going to the fourth quarter, which is the most important period of the year, it is a period in terms of seasonality, as has already been highlighted, that the company is focused on.

We hope to have given increasing transparency on this information, the challenges that the company has and the expectations for gains and improvements that we have for the future.

Thank you very much everyone.

Technical Operator:

Assaí's earnings call for the third quarter of 2024 is ended.

The Investor Relations Department is available to answer other questions and concerns. Thank you very much to all participants and have a great day.