Conference Call Transcript

Results 3Q22

Assaí (ASAI3 BZ)

October 21st, 2022

Operator:

Good morning everyone and thank you for waiting. Welcome to Assaí Atacadista´s Earnings Call for the 3rd quarter of 2022.

For those of you who need simultaneous translation we have this tool available on the platform, simply click on the interpretation button on the globe icon at the bottom of your screen and choose your preferred language, Portuguese or English.

This Earnings Call is being recorded and will available on the company's IR website at ri.assai.com.br where the release is also already available.

During the company´s presentation, all participants will have their microphones turned off, and soon after we will begin the questions and answers session.

To ask questions, click the #Q&A# icon at the bottom of your screen and write your #NAME#, #COMPANY#, and #LANGUAGE# to join the queue.

When announced, a request to activate your microphone will appear on the screen, then you must activate your microphone to ask questions. We request that all questions be presented at once.

We would like to highlight that the information in this presentation and any statements that may be made during the videoconference, related to Assaí's business perspectives, forecasts and operational and financial targets, represent the beliefs and assumptions of the Company's Management, as well as information currently available.

Future statements are not guarantees of performance. These 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 presented in such future considerations.

I will now pass the floor to Gabrielle Helú, the Investor Relations Officer.

Gabrielle Helú

Hello, good morning, everyone, thank you for participating in our Q3 2022 earnings conference call.

Today we will have the following executives presenting: Belmiro Gomes our CEO, Daniela Sabbag our CFO and Wlamir dos Anjos our Commercial and Logistics VP.

Before we begin our presentation, I will pass the floor to Belmiro for his initial remarks.

Belmiro Gomes

Thank you Gabi! Good morning everyone, I would like to thank the people accompanying us during this earnings call for the 3rd quarter of 2022.

I would like to start by saying that during this call we will stick to the company's results.

We have seen some news in the market, you must have heard about, but obviously, the company which is not aware of anything, will not discuss any possible rumors involving company shareholders.

The focus is talking about the 3rd quarter, an important moment the company is in, especially now with the opening of Extra stores and our expectations from the 4th quarter onwards.

In the 3rd quarter, you probably saw the release disclosed, was very strong, reinforcing the Assaí characteristic, that is to maintain constant performance regardless of economic moments, challenging moments, and external scenarios.

As the deflation that we have now faced within this 3rd quarter or even the moment we are working with, I think the biggest project the company has ever had is the conversion of Extra hypermarkets, and the 3rd quarter sets the scene for the openings. Before talking about the numbers, I wanted to thank our team for the numbers, as well as all the processes and openings. At the end of the day, with the size of the company, we reached 70 thousand employees within the third quarter, and we are proud to have generated 18 thousand new jobs this year.

Probably this year, Assaí will be one of the companies that will have generated most jobs in Brazil, within the national territory and all that is being done is thanks to the work, effort, determination and dedication of several people in our team, from various areas and in each of our stores, the conversion processes of these stores, the construction work, all strive with great determination. Thank you very much to our team, for the numbers and work in the third quarter.

In the 3rd quarter obviously, as we are working on a project, as you well know, it is one of the largest projects in the Brazilian food market, with the conversion of Extra hypermarkets into Assaí stores, sets the scene for the reopening of stores. Between August and September we reopened 14 new units, and in October we opened another 6 units. Today at 7: 18 am our vice president Anderson Castilho just opened the stores at *Mister Hull* in Ceará which is our 20th opening.

The processes of reopening stores and the evolution of the construction work necessary for the conversions also made us increase our targets and *guidance* for units opened for this year.

So we now have the target of opening 45 conversions from the Extra stores, which will be reopened now in 2022, in addition to 13 organic stores, which will be delivered within 2022, most of which are already open, adding up to a total of 58 new Assaí stores.

Among the construction projects that are happening in several states, I would like to highlight that we opened 20 stores, but actually reached 50 simultaneous construction sites. To give you an idea, this means that we had almost 14 thousand people working in civil construction, manufacturing, and assembly of equipment, plus 3 thousand Assaí employees hiring, training, and supplying these new stores and openings.

So there is a very large effort, that in our view, in addition to generating jobs, the resources invested also contribute positively to the country's economy.

The results, although we are at the beginning of the opening process, are extremely encouraging, that is, confirming the assumptions and what we had in mind when we decided to make the offer to GPA to buy these units.

When we look at them, the strength of the Assaí brand, the value proposition we have, the low-cost and low-price model, have made performance, as we had planned, extremely exciting. From the network of 239 Assaí stores, among the top 10 stores for customer flow, 6 stores are already from these new stores opened recently.

Confirming the expectations that, due to the location of these stores, the strong density and presence not only of the final consumer but also of a very large amount of businesses in the surrounding regions, we were very assertive with these units and the expectation that they would also have rapid maturity curves and customer flows.

Moving on to sales, as you saw in the release, and later our VP Wlamir will cover gross margins more, we went through a 3Q22 where we had to face a scenario of deflation in some product categories, also a level of indebtedness of the Brazilian consumer that hit the high point within the 3rd quarter. In the months of August and September there was an impact on trade in general, but by mitigating these effects we managed to have an extremely high growth rate.

The combination of the performance of the same stores at a level of 9%, but mainly the strength of the new units, and here I am talking about the 44 stores opened in the last 12 months, most of these stores, and there is a large amount of organic stores that were opened at the end of last year, allowed the company to maintain a high level of growth, surpassing the 30% milestone, 20% arising from expansion and 9% from our same stores.

With this, the opened stores already give us an annualized sale of R$ 65 billion, thus maintaining our *guidance* to exceed the R$ 100 billion milestone for revenue in 2024.

For the first time, considering this number of stores in progress, and the amount of pre-operational people that we have working at the moment, for the first time we decided to break this number down so you can have a better view of what the company numbers are.

Especially in the expense line and for EBITDA regarding pre-operational costs, Dani will then highlight this a little more, which is predominantly the previous costs that we have mostly related to personnel before the opening of the stores, people who are already hired at that moment to take over the stores that will open in the following months.

To give you an idea of this, in November, we should be opening 18 new units, so this whole team, all these people, have been in training in other units for a long time to be able to make the openings and keep up with this within the company.

So this segregation also demonstrates, in our view, very strong stability in the level of expenses for the company. It is the first time that we provide this level of separation, and it also shows that the changes made in our business model, especially the stores that are in slightly more privileged locations, close to high-income populations, where we made an addition of a series of levels of services, do not have an impact on the level of SG&A and the expenses in the company.

The main value proposition that is low expenses, allowing to deliver improvements in the shopping experience, seek to increasingly serve a much broader audience, and this is what Assaí has been delivering in the recent years, and the numbers from the 3rd quarter, in our view, reinforce this.

I would like to point out that with this, we exceeded for the first time the milestone of R$ 1 billion in EBITDA within the quarter. And R$ 1.1 billion when we exclude pre-operational expenses, but it also exceeds R$ 1 billion even considering the pre-operational expenses.

The company's cash generation, which Dani will highlight a little more, is an important achievement, given the investments made in the acquisitions of Extra stores, in the commercial points, construction and equipment, which the Company have already pointed out, keeping up with the plan and level of leverage.

We have a very strong cash generation, increasing more than R$ 1 billion in the last year, exceeding R$ 3.2 billion and it is this strong cash generation arising from our working capital from the business model itself, that supports the company's plans, and sustained the decision to acquire the Extra points, and it is what supports the company today to have leverage.

And in our view, given that most of these investments are in these new units, it is a leverage that has a beginning, a middle and an end.

As we start a strong cycle of openings, making investments in these stores, we start to count on the cash generation from the sale of these stores and also the working capital itself. Wlamir will highlight this a little more, due to the location of these units they also bring an improvement in the company's working capital.

With this, despite strong levels of leverage and financial expenses, the company's net income still beats the 2% level, R$ 281 million. It is not very comparable with the 3rd quarter of last year, we had a series of tax credits that we segregated, and if we disregard pre-operating expenses we would have a net income of around R$ 318 million that would be much more normalized.

So this leverage is obviously pressured due to the high-interest rate that we have seen in terms of deflation and the inflationary movement, we have an expectation, in the market as a whole, that in 2023 we will have less aggressive interest levels and in addition to the company's cash generation, will greatly improve the pressure on earnings and fast deleveraging for the company.

Having said this, I would like to pass the floor to our commercial VP Wlamir, who will highlight the margin aspects and some of the other impacts we had throughout the 3rd quarter.

Wlamir dos Anjos

Thank you Belmiro, good morning, everyone, thank you it is a pleasure to be able to participate in this conference with all of you.

At first, Belmiro has already presented some points, and looking at the commercial dynamics, we had many factors that contributed to this 3rd quarter. We have effects from inflation itself that still continues to pressure some categories, and even deflation has its perverse effects, we could say.

When you look at sales even with deflation in some categories, mainly in commodities, we managed to offset this. Our team is very used to working with inflation and deflation, so we have a commercial dynamic and close relationship with the supplier to anticipate some of these movements, either due to the exchange rate, or for climate reasons or any other event.

So we anticipate this and are assertive in directing both purchase volumes, stock volumes and price dynamics.

We managed to go through this quarter and we still have a very strong loss in purchase power among the population, but there is still a movement that we have been talking about throughout the year in each quarter which is the *trade-down* effect which is still strong. There is still a migration trend in certain categories noticed in our business.

But along with this combination and even a little bit of the deflation itself contributing. whether we like it or not, the purchasing power in these categories leads to an increase in customer flow which is very substantial in this 3rd quarter. And we also noticed a migration of customers, for B2B due to with issues related to proximity with the opening of stores, since they sometimes had no option to buy in cash & carry due to not having a nearby store, or also due to working capital reasons because the small entrepreneur is pressured by working capital and we end up being an option for purchases and stock for this small customer.

And there is still a migration movement among final consumers to our stores. I think there is a combination of this and the beginning of our anniversary campaign in September, which will continue until October 31, without the restrictions we had in 2020 and 2021 to the detriment of the pandemic.

This year we managed to be a little more aggressive in communication strategies, in negotiations, and our initiatives with suppliers, in order to have a more robust campaign. So much so that it is the biggest campaign Assaí had, with the biggest awards for customers in the food retail segment.

The combination of these factors has made us gain *share* in Nielsen's report, both in the total stores base and in the same stores base, and this is very significant because we have expanded strongly, and Belmiro will talk about expansion more, in olaces that we are already present in and consolidated. Perhaps differently from what happened in previous years, when we were occupying areas or states, now there is the strength of our brand.

With this project and the conversions of hypermarket stores, which we started at the beginning of the year with an adaptation of the assortment in services in the stores. So we have been trying to adapt our business model to the current Brazilian reality, we have been very successful in the inclusion of these services and new assortments in the stores, where it makes sense and we have an audience for this, regardless of whether it is a converted store or an organic store.

I think that when we look at the locations of the stores that we are converting, this has been said several times, we do not get tired of reinforcing that the points are irreplicable and this also avoided the need to make an investment in marketing or in margins.

Combined with the strength of the brand and the low-cost business model itself and regardless of the additional services, we can still work with around 9% of expenses, and Dani will detail this a little more, which enabled substantial gains this year in the gross margin. We ended the 3rd quarter with a 16.3% gross margin, despite all adversities and the weight of the expansion itself.

In order to compare, we have 44 stores that are still on a maturity ramp up or recently opened, as Belmiro mentioned. We opened many stores in the 3rd quarter, and we managed to balance this out considering the characteristics with this batch of stores.

This makes us very confident for the coming quarters and for 2023/2024, regarding the assertiveness in the company's strategy for the conversion of these hypermarkets, as well as our organic expansion, we are very confident of our very substantial results ahead.

Now about the working capital, I will be very brief. Even with the stock built up for these stores, a very large volume of stores opening which all require stock, we also managed to have an alignment with our suppliers, and have a genuine improvement in payment terms. And since these stores are in central regions, where the industry is closer, we managed to balance this issue well and we were able to work with lower inventory levels than when we arrive at a new market, or in a more remote region of the country, where we do not have distribution centers.

So basically the expansion of this project is very concentrated around 16 states scattered in many regions in Brazil, but most are in the south and southeast regions, where the industry is closer, which allows us to work with lower levels of stock, mainly favoring the company's *supplier finance* and working capital.

Before moving on to Dani, I would like to thank the entire Assaí team and special thanks to our suppliers, the challenge that we are facing has been very good and pleasant. But the number of stores and volumes, with the intensity we managed to deliver them in, when it comes to stock, and operational issues, is also due to the participation and very strong support from our suppliers.

Not only the merchants but also the other suppliers, like the construction companies, suppliers of equipment and services that have helped us enable this expansion plan and continue to grow solidly.

Thank you all very much and I'll give the floor back to Dani.

Daniela Sabbag

Thank you, Wlamir. Good Morning everyone!

I will move here to the SG&A and EBITDA slide, on this slide we are bringing a more detailed analysis of our expenses, as Belmiro said, this was an important highlight in the quarter.

An important aspect of this quarter was the control of expenses, and the company´s discipline towards this was even more fundamental when it comes to the conversions of hypermarket stores and the weight that these pre-operational expenses represented in the quarter.

So the main nature of the expenses, as Belmiro pointed out, is personnel, since the store teams are hired about 3 months before, and here we are talking about more than 6,000 employees hired in the quarter to handle the conversions. The expense was equivalent to 0.4% p.p. of the sales, adding up to R$ 56 million and we have a normalized view on this, let's say, where the expenses reached 8.8%.

And this obviously resulted in an EBITDA of about R$ 1.1 billion. In a normalized margin, this EBITDA, excluding these expenses, was 7.7%, which is a level that is very in line with the 3rd quarter in 2021, demonstrating that the performance of our stores remains very solid.

And in the accumulated amount for the year, we are talking about R$ 2.7 billion in EBITDA with a margin of 7.1%. I want to remind you all that this margin level is very much in line with the company's expectations for the conversion project, but the *guidance* back there that was considered for this year was actually 7%, so we are reaching 7.1% in the accumulated period.

Turning to the financial results, I think the highlight here is known by everyone, but we had R$ 440 million in the quarter, with R$ 126 million in interest under lease liabilities, so a net Pre-IRFS expense of about 2.3% of the revenue and R$ 314 million.

And this expense is greatly impacted by this strong increase in the CDI which practically tripled in the quarter.

In addition, we have the highest volume of gross debt, given the high investments for the expansion project, but this is totally in line with what was planned and we have been disclosing about this project, so totally planned here.

Moving on to operating cash generation, Belmiro has already mentioned this, but as you know more than 90% of our EBITDA is converted into cash, and we had very strong cash generation this quarter once again, more than R$ 1 billion in generation during the last 12 months, adding up to R$ 3.2 billion.

And this growth, which is more than 53%, will continue to accelerate, given the openings of store conversions that were not yet reflected in these numbers, so we have already opened 20 stores, there will be 45 by the end of the year and then we will continue to open stores during the first half of 2022, and this contribution will bring this number to even more substantial levels, with stronger growth than we are seeing now.

So this is a very important point to draw attention to. The investment levels here, also R$ 2.9

billion and R$ 1.4 billion, are moment-driven, considering this investment phase that is very relevant for the company, with this higher leverage we are working with, but with all of the cash generation, it will return to less than 2x as we have mentioned to you at the end of 2023.

Thus, with this strong generation and these payments, with the financial expenses practically tripling compared to last year, we are closing with a Net Debt/Ebitda ratio that is lower than 2.7x. I want to remind you that the 2nd quarter was 2.7x, so we are very comfortable and very much aligned with what we planned for this project and the company's leverage.

Moving on to the next slide about net income, we can summarize everything we presented here: net income of R$ 281 million in the quarter and R$ 814 million in the first 9 months.

With this normalization calculation, we can bring you a recurring view of our profit. So excluding the pre-operating expenses and tax credits that we had last year too, to have comparable bases for the profit generated by our operation, we would have R$ 318 million of net income and a 4% growth with a margin above 2%, 2.3% in the quarter, and 2.2% in the 9 months, and a net income of R$ 860 million in this normalized view.

To end this financial part, our earnings demonstrate the solidity of our business model, we had strong operational leverage, strict control of expenses, important *share* gains which were greater than what we saw in the previous period, and strongly impacted obviously, by the high investments made in the expansion as well as the context with high interest rates.

I am finishing my part now and I will pass on the floor back to Belmiro now for expansion details and ESG progress.

Belmiro Gomes

Thank you Dani!

At the beginning of our speech, as everyone that follows the history of Assaí knows, we highlighted that we have managed to maintain a constant pace in sales growth results, year by year, supported by our cash generation.

This is what our expansion has done, Assaí has not acquired any ready businesses, even for the acquisition of Extra stores, they require heavy modifications from a construction point of view to transform a hypermarket store into a wholesale store, and I will talk about this more soon.

The Assaí team has been supported by several companies, Wlamir expressed gratitude, but I wanted to reinforce this, as we have several of our partners who have worked on this together with us, including equipment suppliers and construction companies, in several different states in Brazil, to be able to have such a massive amount of store openings.

There were 44 stores in the last 12 months, we have already carried out 28 organic stores, 16 conversions, with the 6 stores opened in October, we are reaching 22 conversions, adding more than 30% to our sales area.

The assertiveness of the business model, as we said, has allowed the company to keep high growth rates sustained by the expansion and maintain a very healthy balance with sales and margins.

And all together today we have 239 stores operating, the conversions as highlighted, which we will not be able to cover individually here, are points that make us very excited with the project and our experience on a daily basis of course.

They are extremely assertive locations, that are almost irreplicable nowadays from the real estate point of view, so this has allowed us to place the brand, our business model and the strength of Assaí within regions that were very difficult for many years, due to the real estate boom and the license approval time for stores. So, we have stores with our model that consumers are attracted to.

In Brazil, which is a country with a lot of logistical difficulties, we have become a complementary distributor, a stock to supply small merchants, so this project allows us to place the Assaí brand and format in extremely privileged locations.

As I highlighted at the beginning, the conversions have been delivered and the first numbers confirm the guidelines we had at the beginning of the project. Today we have already reached 20 converted units and November and December have a strong schedule for openings, so we should see the first numbers in terms of stronger sales contributions within the 4th quarter and of course even more in the 1st quarter of 2023.

It is an extremely strong effort, to perform the conversion of a hypermarket, as it is necessary to do flooring reinforcements, change electrical installations, and a gigantic amount of structural work. To give you an idea of the numbers for the Extra stores, we will use an amount of steel that is equivalent to two Eiffel Towers, concrete equivalent to 6 stadiums of Maracanã, and more than 8,000 kilometers of electrical cables are being installed.

So obviously these stores end up with the same conditions as new stores, given their locations, and they will allow the company to have extremely valuable real estate points.

Within this movement, we also implemented a series of changes in our own business model, and this change in the model is something we have already highlighted in other opportunities, and this is not related to the acquisition of the hypermarkets, it is actually an evolution within the C&C model itself, and the Assaí model.

So that in regions with a population that has greater purchasing power and greater density you can also offer services, and in our vision the customers had significant demand for them, which would be the objective of our business model, to support consumers during their monthly shopping.

This has been very strong and along with this we have also advanced within the new Assaí APP. Assaí is focused on uniting the customer experience in the physical store with a digital experience. This advance in the app should be highlighted a little more in the next quarter, because the company's focus is strongly geared towards converting stores.

It will allow for a higher level of customer relationship and explore a range of day-to-day business opportunities in terms of sales, as well as with our suppliers.

I would like to thank our expansion team that is on the field, led by José Leon, Deise, Anderson who are really involved in this process, which will allow Assaí to deliver a significant number of stores within the fourth quarter in line with what we presented to the market.

The company's expectation is that we will also continue with the organic ones, and have organic store openings within the 4th quarter, within the company's *landbank* today we have more than 35 - 40 projects for new organic units in the coming years.

Obviously the priority at this time is to perform the conversions of Extra stores as soon as possible, which allows us to estimate both the R$100 billion in revenue as I said at the beginning, as well as approximately 300 stores under operation at the end of next year. So the company's growth path remains extremely strong.

Moving on to the next slide, we will highlight the ESG part. For those of you who have accompanied our journey, on a daily basis closely, you all know how Assaí is characterized within the market as an extremely inclusive company, a diverse company, which is related to all topics currently, and this is the main highlight in the quarter.

And within this quarter, we would like to highlight that we launched a new Institute, Instituto Assaí. Up until the split with GPA, we were under the umbrella of the Instituto GPA. Now Assaí, due to its size and the role of social responsibility that we believe companies have, especially companies our size, will have an Institute which will allow us to operate with various initiatives we have today, and one is very much focused on entrepreneurship. Brazil is a country with continental dimensions made up of micro and small entrepreneurs, thousands of them distributed around the national territory.

Today through the Assaí Academy we provide training, recognition, awards, and now the Institute will provide strong support in this sense, as well as working with sports, which is another initiative that Assaí has always been closely linked to as a brand.

And also regarding food due to the economic situation, we joined the Zero Hunger Pact, and we increased our food donations fulfilling our social responsibility role, as citizens and as a company.

An important highlight this quarter is also the reduction of carbon emissions. We had a significant reduction of more than 27%, the company is aware of climate issues and made investments in these new stores with more modern equipment and technologies that allow us to reduce scope 1 and scope 2 emissions and this is a great highlight.

The company has grown, but it has grown sustainably not only with cash as we like to highlight, but also from an environmental impact perspective, as well as impacting society. This is what we would like to convey.

And our expectations for the 4th quarter are very strong, since in addition to the store openings, this will be the first holiday season without a pandemic, we experienced this in July with a very strong increase in flow. Also, in the 3rd quarter, as Wlamir highlighted, we had some climate issues impacting *food service* within the 3rd quarter a bit. In the 4th quarter there will be the world cup, then there is obviously the elections, we also have a year end where festivities and family meetings during Christmas and New Year we will not be impacted by the pandemic.

Along with our model of offering low prices and offering low costs, even with the population going through a challenging economic moment, our model should continue to be very strong and we have great expectations for growth in the 4th quarter.

During the 3rd quarter as you saw, despite the whole scenario, the company maintained its stability and this is what we also see ahead for the 4th quarter.

Given this, I would like to end and pass the floor back to Gabi, thank you very much everyone.

Gabrielle Helú

Thank you Belmiro, I think we can move on then with the #Q&A#.

Operator:

Now we will start the Q&A session and would like to remind you that in order to submit a question 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 announced, a request to activate your microphone will appear on the screen, then you must activate your microphone to ask questions. We kindly ask that all questions be submitted at once.

Our first question is from Luis Felipe Guanais - Sell Side analyst at BTG.
Luis we will activate your audio so you can proceed.
You may proceed, please, Luis.

Luis Felipe Guanais - BTG

Good morning everyone, good morning Belmiro and Dani!

I think two questions here on our side, a first question for Belmiro is if you could share a how the evolution of volumes throughout the 3rd quarter for both B2B and B2C was, and then the expectation for the 4th quarter, and how you think this volume will behave ?

And a second question, taking advantage of the point you mentioned about openings for the 4th quarter and also thinking about next year, do you think there is any difference in the margin dynamics and the sales dynamics given the location these new conversion stores, or do you think it should be very similar to what we have seen so far with these first 20 openings?

Thank you.

Belmiro Gomes

Thank you Luis, I will start backwards, for the openings in the 4th quarter the expectation is maintaining even better results than those in the 3rd quarter because we will have some regions that are extremely strategic such as the Congonhas store or Penha, or Tiquatira, where construction work is even more complex.

Because timing is a bit more difficult working on the construction sites than in regions that are more central, although we had the opening of Anhanguera, Guaianases and Freguesia stores that were also following this profile.

The Q4 openings now have higher expectations than the openings in Q3, so the expectations are much more positive for Q4 openings or at least at a stable limit.

So there are extremely important stores such as Santos, an extremely well located store, and I could mention several of them for the 4th quarter, where there is anxiety from both us and the population. And now taking advantage of your question, the level of anxiety from the surrounding population is high, ever since they closed the Extra stores and their expectation for the reopening of stores has surprised us a lot.

We already had a high expectation due to the brand strength, but this has been renewed with each opening so there is a highly positive expectation for the openings in the 4th quarter.

Now about the volumes in the 4th quarter compared to the 3rd quarter: the 3rd quarter presented signs of a price drop in some categories such as milk, soybean oil, dairy products, some others, we noticed that the B2B public was afraid because prices have risen a lot in the last 3 years, so they we concerned with stocks. So especially in the month of August, we noticed great caution from B2B customers with their purchases and building up stocks, so they greatly reduced the purchase volumes and in our view the level of stock that these small businesses have is at one of the lowest levels.

So the expectation for the 4th quarter in terms of volume, is that it will be a little more positive than in the 3rd quarter due to fear of a very sudden drop in prices, which can happen when there is deflation in some categories or commodities, which can be harmful if you have very big stocks in businesses.

So just like them, we also made performed an effort to reduce stock in categories that may have more deflation, performing slightly shorter replenishment, and this adjustment in my view has already happened in the 3rd quarter.

And in the 4th quarter, from a base effect aspect, will be the first end of the year period after the pandemic, there is a world cup; and there will be an impact throughout December, with families during the holiday season parties, going to the beach, visits, Christmas lunches and all the things that did not happen in the last 2 years. And the expectation is that with government aids and money put into the economy, people will give prioritize this, so we are very optimistic about the fourth quarter Luis.

Thank you for your questions.

Luis Felipe

Excellent Belmiro, thank you for your answers.

Operator:

Continuing to the next question from Thiago Suedt - Sell Side Analyst at Xp.
Thiago, we will activate your audio so you can proceed.
You may proceed, please, Thiago.

Thiago Suedt, XP

Good morning Belmiro, Dani, Gabi and Wlamir, good morning everyone.

Thank you for taking our questions, I think on our side I also have two questions, one I think will be basically a follow up here on the question by Guanais, if you could talk about how the B2B channel performance is doing when compared to 2019?

I think this is an important point so we can understand how the channel is doing a bit more.

And the second one, is also a follow up on the *economics* and the Extra stores, if you could share more details about how the sales and margin evolution is behaving, as you mentioned the earnings generated by these stores has surprised you.

So I just wanted to understand a little bit better about this surprise, if it comes from margin and sales, or if you have some other highlight regarding these two points you can share.
I think on our side these are basically our questions, thank you everyone.

Belmiro Gomes

Thank you Thiago, just as with the questions from Guanais, I will start backwards.

On the Extra stores, obviously the strongest part of the openings began in August and now we have 20 stores opened, so obviously there are only a few days of activities, but the first days are certainly decisive.

The first month is a great flag, and as I highlighted here, among the top 10 Assaí stores in terms of flow, six are Extras converted stores, because obviously in C&C you can even attract sales with a low price at the beginning, but the flow always, mainly in stores with a higher income population, is where you have the best performance indicator.

So you can imagine that among the top 10 we already have 6 stores that came from this batch, and most likely that by the end of the year it will be 10 out of 10, or at least 9, so the great highlight is definitely the flow.

The level of activity that these stores have surprised us a lot. Whoever saw an opening like this, has probably noticed the anxiety among the surrounding population, and how it is very important to have a closer wholesaler for some merchants.

So in terms of sales, they are in line or even better than planned, we are being a little more cautious with the signs we disclose now, but you obviously have an initial opening movement.

In fact, we expected even a little more margin compression, Wlamir highlighted this in his speech, with 44 stores open in the last 12 months, that is, many of them where opened in this 3rd quarter and the fact that we did not have margin pressure is due to their contribution, or perhaps because we did not to operate with very low margins in these units.

Wlamir also highlighted in his speech, that there are some units where the brand is already present and very strong, and there is not much competition, and the normal prices, for example, or with some level of activity, are already extremely strong for that region.

Obviously, we need to balance this out store by store, and market by market, as this depends on how we behave, and how the competition itself also reacts to the openings, but as expected, it was one of the great motivators for this project, and the performance of these stores will deliver an EBITDA margin level that is above the levels in the normalized stores.

Today with the expertise we already have in converting hypermarket stores, these stores deliver almost 150 bps more in margin, so this is maintained upwards in this new store network, and the scenarios are very positive.

Now about the 2nd question, when you look at B2B, obviously they have not yet returned to the level of activity we had in 2019. The food service sector has unfortunately been suffering a lot, there were signs of a recovery in July in the middle of the year with vacations and this was affected now in August and September partially due to a climate issue.

When you look at September, it was the lowest temperature in 30 years, if you walk around the streets and see the bars, restaurants, cafeterias during this rainy season these sectors lost business, a series of articles about this came out, but it is a sector that has been recovering and has still not returned to pre-pandemic level, but it has been recovering quickly.

Our expectation is that this sector, which is important for our numbers, should be able to recover now a little within the 4th quarter. Also, I think that some scenarios regarding available income among the population can impact this.

The other part of our B2B customers which are resellers, honestly did not have such an impact during the pandemic, as it is mainly represented by mini markets, grocery stores, and neighborhood businesses.

Honestly, the impact was very low and they are keeping their levels of activity, and what we saw in the 3rd quarter is that to the extent that products such as milk and soybean oil had a very fast drop, and these clients obviously, as natural, are very cautious.

During this inflation movement, us and the small businesses, who really have knowledge concerning the market and management, are very in tune with the changes. So, in the inflationary period they stock up more to make money off their stocks and in the period of deflation, as they feel that the category is dropping, they abandon this strategy and work with the lowest possible stock, so these customers were not affected.

Another important group of customers are the churches, schools and offices, which we call end-users, and in our vision this group still has space to be grow back to pre-pandemic levels. Still, in our view, we have a portion to capture for sales, as the pandemic practically has very little impact and they will resume a normality condition.

I hope I have answered your question, Thiago.

Thiago Suedt

Perfect Belmiro thank you very much and congratulations on the results again.

Operator:

Continuing to our next question from Marcela Recchia - Sell Side Analyst at Credit Suisse Marcela we will activate your audio so you can proceed.
You may proceed, Marcela.

Marcela Recchia – Credit Suisse

Hi guys good morning thanks you for taking my question.
In fact, my questions have already been answered, but I had a question about the share gains that you pointed out as the biggest in the year.

Do you have granularity on how much of these gains are already reflecting the stores that were reopened and which main channel has been capturing this share gain?

Thank you very much.

Belmiro Gomes

Thank you, Marcela.

The share gain has obviously been growing week by week very strongly, driven by the reopening of Extra stores, as each week we receive a measurement from Nielsen.

So we have seen this curve now week by week, as the large stores, heavy stores which you yourself accompanied for example at the Anhanguera store, and the other stores have a very high level of performance.

They are opening, especially in São Paulo, and gaining important share for the company. As we still do not have the whole quarter, in the 4th quarter we will provide more details on this.

Part of this movement comes from other cash & carry operators to the extent that the customer in the surrounding region, either did not have a very close cash & carry store and ended up buying from another store, which may not have the same value proposition.

Some went on to the traditional retail market, either supermarkets or hypermarkets, when we look inside the channels, we realize, not only due to the opening of Extra stores, that the hypermarkets have challenging performance due to the issue with the channel itself and the supermarkets.

But there is a mix between customers from other cash & carry, other wholesalers and a part of retail, we are waiting to have a greater number of stores opened to be able to make a slightly more accurate measurement.

For example, to give you an idea, approximately 2/3 comes from retail and 1/3 from other wholesale stores.

Marcela Recchia

Perfect, thank you Belmiro.

Belmiro Gomes

Thank you Marcela.

Operator:

Moving on to our next question from João Soares - Sell Side Analyst at Citi.
João we will activate your audio so you can proceed.
You may proceed, please, João.

João Soares - Citibank

Thank you. Good morning, everyone.

Belmiro, I think the first point is that I wanted to understand more about your perspective as I see you have been using very positive language and even in the release you mentioned that stores, the initial conversions, have already been above expectations. You already started this new phase of conversions with adjusted expectations and naturally you have your own *guidance review.*

So, I think I wanted to hear a little bit about how we should look at that initial *guidance* you mentioned during the beginning of the call, about R$ 100 billion for 2024.

And considering this aspect of food deflation in some categories, what is the message towards the 2024 *guidance* and medium-term growth.

And the second point would probably be better for Dani to answer, and it is regarding the margin you mentioned of 7% as a guidance for this year.

I wanted to hear from you about this, as you have this wave of conversions in the fourth quarter which is very significant, how should we imagine at least one qualitative message regarding expenses in the fourth quarter.

Thank you.

Belmiro Gomes

Thank you.

Obviously when we idealized the acquisition project, we performed a survey with GPA, due to the company´s great knowledge towards opening stores, on the potential of these locations with Extra stores.

So obviously, we have very strong conviction towards our business model and value proposition, and the potential of this project for the future. It is fundamental and a differential for the company and we are obviously working on the store openings based on our market knowledge that allowed us to increase the target for the number of stores and reinforce our *guidance.*

As you yourself said, even though there is a risk of deflation or economic uncertainties for the next year, maintaining revenue and the number of stores is due to the positive perspectives we have, confirming our initial expectations.

And this is even stronger, as I pointed out, especially when looking at the customer flow issue, and the level of margins we managed to operate with in these units.

But obviously to reach another level that is even better we need to have a larger number of stores, for a longer open period, so we are also obviously concerned about the numbers, and what we commit to with the market as well as our controlling and minority shareholders, so that we can always manage to deliver this.

And we are careful with the expectations created in the market, but if I were to provide some initial signs, yes things are in line with our plans and even better actually than what we planned or estimated, but we will still wait for a greater amount of openings now in the 4th quarter.

November is a fundamental month as we will add a huge amount of stores within the 4th quarter and during the 4th quarter earnings release we may share numbers that are maybe a little more optimistic than we have now in the 3rd quarter.

And now I will pass the floor to Dani to talk about the expense question.

Daniela Sabbag

Well, when it comes to 4th quarter expenses, you know that we will continue with the schedule and even faster actually than we initially disclosed, as we reviewed the guidance for store openings, with 45 openings in the 2nd semester.

So, we will continue to have significant SG&A impacts with the openings, and we will continue with levels above 9% expenses as we saw during this quarter.

And due to these expenses, we will also disclose the breakdown with pre-operational expenses, but it is still early for us to signal anything other than that, but our projections are certainly above 9%.

João Soares

That's right Dani. Thank you, and thank you Belmiro.

Operator:

Moving on to our next question from Thiago Macruz at Itaú.
Thiago, we will activate your audio so you can proceed.
You may proceed, please, Thiago.

Thiago Macruz - Itaú

Thank you. Thank you, everyone. Good morning.

I have two questions, the first one is for Belmiro.

Belmiro, I wanted to understand if these store conversions in different locations which you would not have access to before, have created different opportunities with suppliers?

Suddenly specific campaigns you could not do, due to the type of stores you opened before and that you are now managing to do, if this has evolved in any way and eventually surprised you.

I think it might be an interesting *upside*.

And on the other side my second question is for Dani, can you give us an idea about the next periods, the level that we should expect for capitalized financial expenses,

maybe regarding the 4th quarter or 1st quarter just so we have an idea.

Those are my two questions, thank you guys.

Belmiro Gomes

Thiago thank you. I think the first one I will pass to Wlamir as he can answer it better along with the question about suppliers.

Wlamir dos Anjos

Thank you Belmiro. Hi Thiago, thanks for the question.

In fact, yes, these stores allow us to develop new things with suppliers, but initially during the 3rd and 4th quarters we are very likely to continue with the conversions in the beginning of the year, in the first and second quarters.

The goal is to put these stores under operation in the best way, with the additional services, increased assortment, assortment adequacy and then secondly after opening these stores, we can calmly consider the potential to develop new things with suppliers.

But initially we chose to open the stores as we are used to, without adding new things so we do not disturb the process.

There are a lot of people involved and starting anything new without a focus, will probably not succeed, so we'll probably leave it for the 3rd or 4th quarter next year.

We will start adding new things in 2023, so there is a lot to explore regarding these points, I hope to have answered your question Thiago.

Thiago Macruz

Yes, you answered it thank you Wlamir.

Daniela Sabbag

I'll move on to the capitalization question.
When you read explanatory note 11.3 regarding the capitalization of interest, I just wanted to highlight one point, the total capitalization number is presented and it contains the numbers for 9 months, about R$ 200 million from the IRFS that is highlighted in the financial earnings.

The capitalization you want to analyze must consider this difference, this is the first point.

The second thing I wanted to talk about is that when we analyze the capitalization of the project through the purchases of commercial points and construction work, as we explained during our last quarter here, the concept in the accounting standard we follow states that it must be capitalized, therefore it is not an option for the company.

So, what I want to explain to you here is that there are two main components in this capitalization, one is the acquisition of the commercial real estate point, and the other is the capitalization of the actual construction work and the equipment, which is complete as soon as the asset is ready.

During this quarter, we had a drop compared with the last quarter, with this capitalization representing about R$ 15 million, however there is an increase compared to last quarter of almost 13% in the interest rate as well, so this drop is not that evident but there is a drop in capitalization for these expenses as I explained.

And I want to cover a third point. The capitalization follows the work schedule, it is not even the store opening schedule, we opened 20 stores this quarter as presented many times during the presentation, but the construction work schedule is much more intense than that.

And sometimes you have a displacement, because obviously we have a forecast for this schedule, but there are some delays or anticipations that lead to variations of a few weeks. I could even use an analogy here, which is when we renovate our house or apartment, no one can actually set the exact date when the renovation will end.

So, we are very much in line with our openings schedule, but internally there a few changes and delays between certain stores and we are of course talking about 70 stores.

So, in this schedule there are stores in 2023, and the number is very significant, but it is difficult for me to provide an estimate here, but the fact is that it will continue to drop again in the 4th quarter.

I will work with Gabi to try to give you more disclosure, so you can watch this closer, excluding IRFS, but in fact this number will certainly drop in the fourth quarter and the next quarters as well.

Thiago Itaú

Great Dani, thank you it's super clear.
Hey guys thanks for the answers.

Operator:

Now we are moving on to our next question from Nicolas - Sell Side Analyst at JP Morgan. Nicolas we will activate your audio so you can proceed.
You may proceed, please, Nicolas.

Nicolas Larrain – JP Morgan

Thank you. Good morning, Gabi, Belmiro, Dani. Thanks for taking our question.

Belmiro you talked a bit about the expansion and I wanted to hear from you about any M&A opportunities with any regional chains, or any other point of sale that could be attractive to Assaí in 2023 / 2024 ?

Thank you.

Belmiro Gomes

Thank you, Nicolas.

Well, I think I could even add on to that one by saying that a lot of what we are doing in these converted Extra stores now is related to locations, and it was already done with some organic stores where we already purchased some points.

On November 1st we will be opening a store on Marginal Tietê which Etna operated, we also acquired the commercial point, in order to be present in a region with greater density.

We also have projects that will be executed in 2023, 2024 and 2025 for organic stores, many of them are also acquisitions of the real estate point or location where there was some other operation previously. And so, the company's quest is to occupy locations in urban centers especially.

The company's focus, even due to our leverage at this time, is the conversion of the Extra stores, we have a number of stores, which are currently in the construction process, so this is our initial focus.

The company will then begin some strong deleveraging movements and of course some alternatives and M&A operations at this point are not the priority focus, but they cannot be ruled out either.

So, the extra project has a beginning, middle and end until the end of the 1st and 2nd quarters next year at the latest, when we will have converted all the stores.

Any organic stores and opportunities that may eventually appear in the market will be looked at, and we will also continue to listen to the market today for opportunities, but at the moment the company's focus is on this. However, next year it is possible that some other operation or movement appears and cannot be discarded within this growth and expansion plan that Assaí has ahead.

I hope I have answered your question.

Nicolas Larrain

It's super clear, Belmiro, thank you!

Operator:

Our next question is from João Paulo Dias Andrade - Sell Side Analyst at Bradesco BB.
João we will activate your audio so you can proceed.
You may proceed, please, João.

João Paulo Dias Andrade – Bradesco

Good morning everyone, Belmiro, Gabi, Dani and Wlamir congratulations on your results.

I wanted to follow up on your comment to Guanais, regarding inflation, how are you seeing the most recent evolution in basic items, is it following in the same trend?

And for volumes, the dynamics for B2B were very clear. How can we think about B2C, can we already start thinking about volume increases, and *trade-up*?

And a second question is about working capital, how can we think about this working capital dynamic with new stores in central regions with better supply conditions. Can you think of a significant improvement with the entire store network in Assaí once the project ends?

Thank you.

Belmiro Gomes

Thank you, João Paulo, I will start backwards.

Yes, when it comes to working capital, we signaled this throughout the project and this will be visible when the conversion project is finishing, and with the conversion project at the moment we are also building stocks in the new stores.

The stores that will open now in November, are mostly already stocked up, so there is a significant amount of stock already in these units, but as we pointed out, Wlamir spoke about this also, we negotiated and have been able to improve the suppliers' payment terms and the location of the stores, as they are inside the urban centers where logistics is less difficult, for the entire Assaí network.

There are stores in distant regions, such as the northern region of the country, or cities in the countryside where you need to work with a greater stock volume, due to the nature of the region.

So, we do expect to capture an improvement in the supplier payment terms, improving working capital as the stores are opened and begin to enter what we call a normality cycle.

We always prepare stocks considering a larger volume than the sales projection, in order to evaluate what is the product mix that each of the stores will have and then during the second and third months they are reaching normality and this process is very fast.

But it also generates impacts as many stores are being built at the same time, so this improvement is expected, and it will probably be visible when we release the numbers for the 1st quarter next year.

In terms of inflation, we still have a lot of distortion in the market, that's what we have seen, we have been following the IPCA 15 and there is a drop month by month in some product categories that will continue in our view, some prices with increases that were even higher than they should be during the pandemic and this scenario has already been considered in the 4th quarter. I think the biggest impact we had was in the third quarter now.

As I said, B2B customers were cautious with stock replenishment for some products like milk which is perhaps the most emblematic example, due to the level of price drops which allows the consumer to resume their volumes, but on the one hand you also have the weight of the debts that families carry.

So, I think it's still early, but next year we should see inflation much more stabilized even due to the price base effect and probably some trade-up, based on this movement.

But we are considering this more towards the next year and not for this year, at least not based on what we have observed so far, the adjustments that the consumer had to make in his shopping basket remain.

Some categories such as oil and milk had price drops, but other categories such as cosmetics, industrialized products, some things that depend on imported inputs and oil components still have high prices.

This improvement is expected next year, I hope I answered you.

João Paulo Dias Andrade

Perfect, thank you Belmiro, you did.

Operator:

Now our next question is from Irma - Sell Side Analyst at Goldman Sachs
Irma we will activate your audio so you can proceed.
You may proceed, please, Irma.

Irma Sgarz – Godman Sachs

Good morning or good afternoon now.

I just wanted to follow up on the payment terms for suppliers that have now improved in Q3, I imagine that some of this is related to the improved deadlines you mentioned.

But I wanted to understand if this is something that we should also expect to remain forward, if there was also a part that was perhaps a little more atypical with the stocks that you were building and negotiations related to opening stores now in the 4th quarter that may not be replicated from now on.

And the other question, is that you mentioned the new Assaí app, so if you could just mention anything you've already learned, which you're observing during this new journey with Assaí's app strategy.

Thanks!

Belmiro Gomes

Thank you, Irma.

The improvement in the 3rd quarter is not due to occasional negotiations, Wlamir has been conducting this in the commercial area, and these conditions are from now on, and actually there is no effect with longer terms due to the store openings. It's not that.

We have improved our working capital management a bit. At this moment, we have already seen an improvement in the 3rd quarter. In the 4th quarter it will depend a lot on the number of stores, but according to the dates it will be balanced out between the anticipated stock, but what we expect is an improvement in working capital, as I told João Paulo.

This will happen naturally even due to the location of these stores, and the time for stock building.

So, we are working with this normalization scenario, within the term levels, obviously we always try to expand this with our suppliers. There are also effects in the sales mix, as there are also categories in these new stores that are already have a slightly longer term, due to their nature.

So, what we should observe, is what I said, and what should be more visible from the 1st quarter onwards is an improvement in this ratio, as this period of stock anticipation for the stores ends and they begin operating normally.

We should present our experiences in the app with more details now in the 4th quarter. As I said, the company is focusing on the conversion of the stores, but in this 3rd quarter we also advanced with another *last mile* partner at Assaí, in line with our policy.

What we are focused on is *Phygital*, so in our stores we have around 30 million people going by per month. The strength of the brand today is very significant and there are several demands from customers to have a more digital experience and even some demands from our suppliers, in terms of CRM, identification, especially for B2B customer which will be explored through the new app.

We are working very hard on this project, we did a test in several regions, and I will still hold on to some news a bit, but I believe it will help a lot to strengthen the brand and this strategy the market has called *phygital*, uniting the physical store with our brand strength but adding other services, including more information, promotions, or something directed to that customer through a digital experience, this is the company's strategy.

Irma

Perfect, thank you.

Operator:

Now our next question is from Bob Ford, Sell Side Analyst at Bank of America.
Bob we will activate your audio so you can proceed.
You may proceed, please, Bob.

Bob Ford – Bank of America

Sorry I'm here now. Gabi and Belmiro congratulations on the results.

Belmiro, how are you thinking about the real estate market and where are you seeing higher quality opportunities?

And can you also talk about your experience with (inaudible) and how this is affecting sales ...

And how many more units do you need to refurbish?

Thank you.

Belmiro Gomes

Bob if you could repeat that last one, I understood the real estate market part, but then the audio failed. If you can repeat it again.

Bob Ford

Of course.

How are you thinking about the real estate market and where are you seeing the highest quality opportunities?

And also if you can talk about your experience with services, how is this impacting sales and frequency in stores that have been refurbished?

And how many more units do you need to refurbish?

Belmiro Gomes

The real estate issue obviously the Landbank, which is where we get our prospects, is the most confidential information for the company, but within what we can say, we have been looking for the best business model.

The changes that have been made and this balance between an improved shopping experience, low prices and the penetration rate in wholesale, has led us to seek points within more central regions.

Also, because most of the stores in the beginning were in the metropolitan regions or regions further from urban centers, so we have kept this strong focus, and the acquisition of Extra stores was only one of the steps in line with what we were already doing in our organic plan.

We have a real estate market that is challenging, and it is difficult to approve projects in Brazil, there are great logistical difficulties, you have very dense large capitals with enormous urban mobility problems and this will probably get worse.

So that's why we have also positioned C&C as a complementary distributor for the industry and B2B public, so we do not think the real estate market will get easier, the real estate market is extremely valued and booming and there are barriers regarding approvals so we will maintain the strategy of searching for these points in central regions.

There is a great effort from our prospecting team, which also works on prospects for properties so we can keep up with the organic expansion ahead.

The experience that we have had with more services for customers, I believe was already a desire among customers, when we started the project either to add a butchery, or sliced cold cuts, and this was due to the understanding that, when you look at wholesale segment, although there are many cash & carry each one specialized more in B2B or B2C.

In our case, as we have a very strong performance within food service and with the final consumer, the experience with the new services has been very positive, which is what has led us to follow this within the company.

This does not mean that the services are going to be added to the entire Assaí store network, we have a very diverse store network, we operate stores with 1,500 m² of sales area and others with 10,000 m² of sales area.

Stores that are in the outskirts of urban centers that are much more focused on a low-income or high-income population, and this makes us have great diversity in the model.

So, we add services according to each region, but obviously we have kept on with this because the experience has been positive Bob.

Bob Ford

Thank you very much.

Operator:

Okay, moving on now to the last question and it's in English and is from Andrew Ruben - Sell Side Analyst at Morgan Stanley.

Andrew we will activate your audio so you can proceed.
You may proceed, please, Andrew.

Andrew Ruben

Hello, Andrew Ruben here, thanks for taking my question. When thinking about the oldest portion of your store base, how do you look at the need for refurbishing and are there lessons learned from the Extra conversions that could change the time for refurbishing or new features that some of these older stores might have? Thank you!

Belmiro Gomes

Thank you for the question.
As I said, we are adding services in hypermarket stores but already did this in organic stores, but obviously today there are very large model differences.

Along with the conversion movement we have also structured a gigantic refurbishing plan that is also being executed, whether to implement butchery services, or other services, as well as flooring recovery.

So, there is a plan, which is being implemented, and 5 old units that we closed in the 2nd and 3rd quarters, due to location issued and we replaced them by new units.

So, the company does have a modernization plan in this old park of stores, although we know that there are stores that will fulfill one type of paper and other stores will fulfill another type of paper.

There are some lessons learned for this conversion project that will be applied inside the older stores, either regarding techniques for improving the construction and existing flooring or store lighting.

So, this next year within our refurbishing plan, some stores will go through a slightly bigger *retrofit* than we initially predicted.

As we are seeking to bring to these stores, depending on the location, a better experience, but there are lessons learned from this project that will be applied to the other Assaí units.

Andrew Ruben

Very helpful OK, thank you.

Operator:

The Q&A session is now complete and we would like to move on to the company's final remarks.

Belmiro Gomes

Thank you for accompanying us during this 3rd quarter, it is only a quarter, but I would like to highlight the consistency and solidity that Assaí and the team have managed to deliver when it comes to results quarter by quarter, obviously in the company's view we are focused on the 4th quarter and have already opened 6 stores.

Our team is all focused-on October, November and December and the challenges that we have at the end of the year to perform all of the store openings.

Today we reached our all-time high with 29 units and we have 29 more expected ahead.

We have a huge schedule for openings in the 4th quarter, and the numbers we have for October, are very encouraging, so we also highlighted this a lot now during the 3rd quarter.

Looking at the consumer environment, we want to highlight that the company is confident about the business model, during the 4th quarter our expectations are very positive, we have challenges of course, but the team's work has been fundamental.

I would like to thank the entire Assaí team once again, there are a lot of people also listening to us, because the numbers we showed, the data, the challenges are not due to one person´s efforts, we have a group of people that stand together, making the company bigger every day, 70,000 employees and will reach 100,000 employees soon.

So, the culture has remained extremely strong allowing us to have this stability, solidity and deliver results despite challenging environments.

I would like to thank you for your support and end this call.

Operator:

The Assaí earnings call for the 3rd quarter of 2022 is finished.

The Investor Relations department is available to answer other questions and concerns.

We would like to thank all of our participants and have a good day!