Conference Call Transcription

1Q25 Assaí (ASAI3 BZ)

March 08th, 2025

Technical Operator:

Good morning, everyone and thank you for waiting.

Welcome to the earnings call for the first quarter of 2025 at Assaí Atacadista.

For those who need simultaneous translation, we have this tool available on the platform. To access, 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 made available 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 microphones disabled, and then we will start the Q&A session.

To ask questions, click on the **"Q&A"** icon at the bottom of your screen and type in your name, company and language to join the queue. When announced, a request to activate your microphone will appear on the screen and then you must activate your microphone to ask questions. Please submit all your questions at once.

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Now, I would like to pass the floor to Gabriela Helú, the Director for Investor Relations.

Gabrielle Castelo Branco Helú - Investor Relations Officer:

Hello, good morning, everyone.

Thank you for participating in our first quarter earnings call.

I will introduce the executives present today during this presentation:

Our CEO, **Belmiro Gomes**;

Aymar Giglio Junior - our interim CFO;

Anderson Castilho - VP of Operations;

Wlamir dos Anjos - VP Commercial and Logistics;

Sandra Vicari - VP of People Management and Sustainability.

I will now pass the floor to Belmiro... to begin the presentation.

Belmiro Gomes:

Thank you, Gabi. We can already put it on the first slide.

First of all, thank you all for your presence. The goal today — you have already had access to the numbers — is to have a quick and objective presentation, so that we have more time for questions and answers.

First of all, we would like to share a piece of information we received this week: Assaí was listed by Deloitte as the 100 largest retailers in the world, the first time that a company considered to have Brazilian capital enters the 100 largest retailers in the world, in the 92nd position. It is a ranking made more than 30 years ago, and it is the first time a Brazilian company is included among the 100 largest companies in this position.

Going straight to the numbers for the first quarter, in this quarter we have an important calendar effect, since there was February 29th in 2024 and the displacement of Easter. This affects both the total base and even the same store base.

Revenue: it reached 20.3 billion, a growth close to 8%, and same-store sales, at the adjusted level — obviously the calendar effect — at the level of 5.5%, below the inflation rate. Already anticipating some of the questions: this comes mainly from a strong trade down. We have already talked a little about this, about the *redu-flation* trends and the choices that the consumers have made.

We have observed this movement very strongly within the low-income region, especially in the Northeast region of Brazil.

So, what we have observed is: so much so that, when you look at the volume in the first quarter, on a same-store basis, the volume is positive. Without trade-down, same stores should be following the inflation rate, which is around 7.5% to 8%.

But, with the effect of the trade-down, rebranding and some packaging reductions, this has not been maintained. It is not an identical movement for all regions in Brazil. It is very connected to the C, D, E class audience.

Despite this, the expansion contributes 4.4%. And, as we have been saying, I think this quarter is very marked by consistency and continuity of performance. Our discipline in terms of cash generation, in a very strong balance between growth, sale, margin, but also cash generation discipline given the focus on deleveraging.

EBITDA exceeds the historic milestone of 1 billion reais and reaches a level of 5.5, which is the level of 2021, prior to the major expansion project that we made of the conversions of Extra stores. What do we attribute this increase in EBITDA to?

Mainly maturity — which obviously we still have a store network maturing, we will see this in the next slide — and the rigor and control of expenses, and the discipline and evolution that our team has achieved. And I also thank the team for the results in the first quarter.

Cash generation: as we have already said, cash generation hits 1.6 billion. Also this detail of EBITDA — Aymar will give us a little more info on the debt — but I think there is a factor worth mentioning: When we look at the pre-IFRS EBITDA for the first quarter, it is double our financial expense.

What does it mean?

Given that our EBIT-to-cash conversion rate is very strong, the company is generating twice as much cash as the cost of carrying debt, even in this high-interest-rate scenario that we have seen.

So, with that, with all this movement, net income is recovering — but it has an important advance compared to the first quarter of last year: an increase of 74% and 95% in the pre- and post view that we looked at.

I think the other highlight of the first quarter — as we all know — the company is very focused on reducing leverage.

So, we maintain the same level of decline that we had in the first quarter of 24 in relation to 23, which is a drop of 60 bps. When you put the correlation of the net debt adjusted to all receivables — that is, as if we had not discounted any receivables — versus the accumulated EBITDA, the LTM, in 12 months... Given that, as we all saw — I think in the last Central Bank report — we saw another interest rate increase. We had already given a pre-signal, but, officially now, we are signaling a new guidance for opening stores in 2026, a postponement of projects, to face the cost of capital that we have today, and this increase.

So, with that, the expansion plan for 26 he will be the same as in 2025, with the target of opening 10 new units.

On the next slide, we bring a view of the store conversions project — Extra stores — obviously it is one of the largest projects ever done in Brazil, so it deserves attention.

When we look at EBITDA, especially in the pre-ifrs view for 2022— which were the first 47 stores converted by the company — they are already above the company's total EBITDA, that is, they reached 6%.

The stores in 23, which are still completing their second year of operation — they are already at the level of 3%, reaching an average of 5.3%, an increase of 1.3% compared to the previous year, which, obviously, explains the increase of 0.3% that we had in the total base.

I think that here it deserves an important highlight, given that the profile of the stores — especially the hypermarket network — was a profile that, from the point of view of expenses, lease, occupancy cost, location of the stores, operating costs, expenses — are stores that often have escalators, stores with a greater number of elevators...

So there was natural skepticism in the market whether this store batch could operate with a Cash & Carry brand and be able to maintain the level of expenses and especially the level of EBITDA similar to the organic stores.

But these stores allowed us to enter regions — in regions that through organic expansion, would be almost ... not impossible, but close to impossible — and especially expanding our penetration and share among AB class customers.

I think that was it on my side. I'm going to move on to Aymar, who will give a slightly more detailed view now of the financials, and I'll come back to talk about the last slide.

Thank you all.

Aymar Giglio Junior:

Thank you, Belmiro. Good morning to all. Thank you for attending.

So, providing more details now about the reduction in cash generation and debt, we had an operating cash generation of 3.1 billion in this quarter, and a CAPEX that was still 1.5 billion, 12 months, so a free cash generation of 1.6 billion. A cost of debt of 1.9 billion, -0.3 billion in the total cash generation.

Remembering that 700 million less receivables were discounted, which causes the net debt to fall from 13.8 billion to 13.4 billion.

Looking at it in another way, on the right side of the screen, we see a gross debt that was practically stable despite the evolution of the interest rate, 15.9 billion against 15.7 a year ago, a very stable gross cash as well, very stable available cash invested, 4.5 billion against 4.4 billion in this quarter, and an amount of discounted receivables of 2.6 billion last year versus 1.9 billion this year.

Cash adjusted for the receivables discount rises from 1.9 to 2.5 billion and, therefore, net debt falls from 13.8 billion to 13.4 billion. This is a change that will be accentuated as the quarters go by, where CAPEX will in 12 months be closer to 1 billion, from 1.5 to 1.2 perhaps, the cost of debt will remain declining, minimally declining, most likely at a very similar level, on the other hand, operating cash generation continues to grow due to the maturing of the stores, of operating gains and that sort of thing.

We see that this movement in the net debt caused our net debt to adjusted EBITDA ratio fall from 3.75x a year ago to 3.15x, showing a reduction of 0.6 times EBITDA in leverage, practically 500 million reais, also I think it is important to emphasize, that the company in the last 12 months has already been anticipating everything that had been happening and with the decisions to modulate CAPEX, with the decisions for the commercial strategy and with the store network in the Extra Project, becoming more mature as the quarters go by, so that the company, in a year that was complex for many companies, we have achieved this deleveraging.

This 3.15x, which is a relatively seasonal position of the first quarter, which would be the quarter with a negative seasonal impact in relation to the other Quarters, should reach, according to our previously disclosed guidance, 2.6x EBITDA by the end of 2025.

I think that was it when it comes to the cash and debt breakdown.

I will pass the floor back to Belmiro now.

Belmiro Gomes:

Thank you, Aymar.

Well, you've seen how focused the company is on the issue of deleveraging.

ASSAÍ is a company that is historically known for its strong cash generation, a company that got where it got, when we remember that 92nd position, with its own cash generation. The last investment the company received was back in 2011.

Everything that has been done since then has always been done with our own cash generation capacity, and this has sustained the expansion; it is what is sustaining the Extra project and other events that we have had along the way.

So, the company is known a lot for its cash generation, so deleveraging will occur even in this scenario of higher interest rates.

I think that to close the presentation, obviously, we must also go through the ESG points, where Assaí is also a market benchmark, we want to share a recognition that is very important for us, given that the company was born here in the city of São Paulo.

We were elected for the tenth consecutive time by a relevant award made by Data Folha, by the Folha de São Paulo outlet, the best wholesaler within the capital of São Paulo.

Obviously, we are in Brazil, not only São Paulo matters, we are a country of continental dimensions, we have to act differently in each region, but, obviously, the recognition in the largest market in the country makes us proud and satisfied, in addition to a series of other recognitions that we have received.

In addition to other indexes, the maintenance of the company within ISE at B3, integrating for the third consecutive year, the new disclosure of our new annual sustainability report, still now in this first quarter of 2025, and I want to invite whoever can access it on our website to take a look, the material was exceptional, very good information.

And in addition, we are a company with 87 thousand employees, a company with the largest flow of stores and customers, a physical store where almost 38 million people, Brazilians, visit our stores.

So, obviously, our role in social responsibility and inclusion is also present, guiding the company's actions, as you can see in the numbers below.

More than 48.3% black professionals in leadership.

26% women, 33% of employees are aged 50 or over, and this year we will also have the eighth edition of the ASSAÍ Academy Award, in which more than 2,100 entrepreneurs will be awarded, among more than 70 thousand people registered.

For those who serve almost one million small entrepreneurs in Brazil, it is something that we continue to do, promoting prosperity for all, and being recognized for our social responsibility actions.

That's it Gabi. Now we can go to the questions and answers part.

Thank you very much.

Q&A

Rodrigo Gastim - Itaú BBA:

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

The first is in relation to the sales dynamics now for the second quarter.

Just want to understand, Belmiro, how are you perceiving the favorable calendar effect now ?

Anyway, if you look at the sector's growth data, I think Easter obviously helps.

And how has the sales acceleration dynamic been, in your perception, and how can this help the working capital dynamics throughout the second quarter. This is the first question.

And the second, on gross margin, I think this was the highlight in the quarter.

Just trying to understand this a little better, Belmiro, who were the main promoters and detractors for the gross margin? We saw the consolidated numbers, but in fact, what is behind this gross margin evolution and how much of it do you believe to be a structural recurring level for the rest of the year.

These are my questions.

Thank you.

Belmiro Gomes:

Thank you, Rodrigo.

Well, talking about sales in first quarter, obviously, we have the Easter shift. So, April obviously has a much higher selling effect. It is a month that, from the point of view of growth in stores, is well over double what we are seeing portrayed in the first quarter, because it also has the effect of the Easter shift.

I think the best thermometer of the second quarter will be now in May. In fact, in April, we close the calendar effect, and the assessment now should be that the best view that will have in May. What we have observed in the second quarter is that we should portray, by the calendar effect, a continuity of the first quarter.

As I highlighted in the first speech, the effect of changing brands has been far above what we expected, to say the truth. The monitoring is done constantly, it occurs in an inflationary period, although it is not the first time that Brazil has gone through an inflationary cycle, nor is it the first time with an interest rate cycle like this.

We attribute much of this trade-down, especially in the low-income sector, to changes in behaviors that are occurring in society.

So much so that it was not expected, when you look at the numbers, especially the economic framework, from the point of view of the unemployment rate, injection of credit into the market, social programs, all the efforts that are being made to increase income, the level of trade down was not expected.

Some categories, yes, had large price increases, but is is above what we expected.

For the second quarter, obviously, we have to wait for May to close, but the trend is to follow, at least, what we signaled in the first quarter, whether from the point of view of working capital or performance. Obviously, we will always be looking for more, seek the sales volume and continue, mainly, the delivery of the EBITDA evolution.

For the gross margin obviously, there are several components.

On the negative side, there is the trade down effect.

Often, someone may even look at the numbers and say, "But if the margin has improved, haven't you tried to seek more sales…..? " Because the volume isn't falling.

So what has not led sales to follow inflation, which is usually what happens for the cash and carry sector, there is not a drop in volume. On the contrary, we had an increase in volume in the first quarter. And then, in this scenario, reducing prices further will not bring more volumes.

On the other positive side, also, as I said, we already had an expansion, either in EBITDA margin or in EBIT itself, kind of hired which is the store network that is on ramp. Obviously, this is done on a store-by-store basis, not necessarily the entire network, whether it's the price increase or staggering.

So, on the negative side, you have the trade-down itself, the competitiveness in some regions of the country, some more accentuated than others. And on the positive side, you have initiatives, projects. The service part also makes an important contribution in increasing the margin.

The new stores also have important growth, and other projects that the company has done to be able to add greater sales and, mainly, higher margins.

I hope I answered you, Rodrigo.

Wlamir dos Anjos:

Rodrigo also asked about working capital.

Belmiro Gomes:

I didn't hear it, but if you want to comment, feel free.

Wlamir dos Anjos:

You asked, right, Rodrigo, about working capital?

Rodrigo Gastim:

Yes, exactly, please.

Wlamir dos Anjos:

In fact, to make it clear to you, we have been commenting for several quarters, sharing the same message. We have very strong discipline on working capital. We intend to keep this going forward.

We should not have an improvement in working capital, in the same way that the interest rate impacts our business, it also impacts suppliers. So, we should not have an improvement in working capital, but maintenance from now on.

We have discipline. This without losing with the disruption of supply in the store. In short, we can maintain adequate inventory levels and payment terms so we can go through the year. We should not have too many variations.

Obviously, you have seasonal points, such as there was an increase in stock at Easter, as we have in our anniversary campaign in the third quarter. You have some stock swings, but, when you look at the closed quarter, no variations.

And one thing that we are questioned a lot about, that I wanted to make very clear to all of you, anyway, and to you, Rodrigo, is that, even with our leverage, with our debt, this does not impact the commercial dynamics, okay?

We don't reduce inventory, we don't interrupt purchases, we don't harm our business, the sale, the customer, to the detriment of our debt. So, we are at a level of inventory with adequate coverage for our model, for our format and the way we supply the stores.

And it's very calm and comfortable to maintain what we've been delivering in the last few quarters, okay?

Rodrigo Gastim:

Excellent, Wlamir.

Thank you, Belmiro.

Thanks for the replies.

Belmiro Gomes:

Thank you, Wlamir.

Danniela Eiger - XP:

Good morning, everyone.

Thank you for accepting my question and congratulations on the results.

I have two, in a way, it's a bit of a follow-up to the first one.

The first, is about the acceleration of sales.

You mentioned Belmiro, there is still a pressured trade down dynamic, and spoke of a slight recovery in volumes.

I wanted to understand what you are seeing as levers to be able to accelerate these sales, what you can do that is in your hands and what you are already working on.

And then, my second is in relation to this gross margin dynamic.

As you presented the break-down in an interesting manner by batch of converted extras.

I have almost a contracted margin, but then, wouldn't it make sense for this to be invested in competitiveness or some other initiative to try to cause this increase in sales? Or is the idea really that this translates into margin and flows there until the end?

So, I think it would be these two. Thanks.

Belmiro Gomes:

Thank you, Dani.

Backwards: we even discussed and even did tests in some regions. The fact that we are present in 25 states in Brazil, obviously, makes it easier to look at the dynamics, but what we have observed is that there is no elasticity.

That is, the investment you would put in margin would not reach the sale, or perhaps the sale would even be the same or lower.

So, given a sum of factors — not to extend the answer too much — from the point of view of the population's income, food inflation is also one of them, this movement would end up, in our view and in the tests we did, not making sense.

In terms of levers – obviously, without giving in the game to our competition online – the company is always seeking to improve the existing operation from the point of view of ruptures, commercial negotiation and supply, there is always an aspect of Assaí that is about innovation.

Given that today we have the largest flow of stores in Brazil, among all players, with a greater diversity of social classes, store size, location, this opens up a series of possibilities for the company to explore new categories.

Those who were at the Investor Day saw the project with tires and air fryers that we highlighted.

So, obviously, there are other initiatives underway to be able to transform, increase the share of wallet and, consequently, dilute expenses and, consequently, continue to increase the margin. In addition to, as we said — you saw, Dani — the part related to expansion.

I hope I have answered your question.

Danniela Eiger:

Yes you did.

Thank you and congratulations again for the results.

Eric Huang - Santander:

Good morning, everyone.

Thank you for taking our questions and congratulations on the results.

I think we have two here on our side.

The first: if you can comment a little on how you see the same-store dynamics by region. I think that, Belmiro, you even commented at the beginning that the northeast had a slightly more complicated situation.

So we want to understand how you are seeing this in the country itself — I think to help us here to have a slightly clearer vision, especially here in the southeast, São Paulo.

And the second is in relation to the dynamics that we saw from the reduction in the anticipation of receivables.

Aymar even commented that we should see a reduction in this throughout the year.

So, just want to understand this a little better, maybe direct a little more of what we can expect here in terms of improvements in this sense, and then even how this has related to the evolution of your average cash flow over the period.

Thank you.

Belmiro Gomes:

Thank you, Eric.

I'll be first and then Aymar will cover the part on the reduction of receivables.

There is, yes, a difference in the regions of Brazil.

Perhaps, that is, it is much less according to the region and much more, in our view, by social class.

So, that is, where there is a greater part of the composition of the population of the C.D.E class is where we have noticed this greater trade-down movement.

Anyway, I ended up signaling the northeast and north regions of Brazil.

When you look, most of this downward movement, of changing brands, difficulty in purchasing power — we follow this very closely, region by region — so it is much more linked, in our view, to social classes and, consequently, as Brazil is not totally standard in this composition, this ends up also impacting each region of Brazil.

Aymar, are you going to talk about receivables?

Aymar Giglio Junior:

Well, Belmiro.

As for receivables, the volume of discounted receivables should maintain a level similar to what we have been doing in recent quarters. Gross receivables have remained fully in line, quarter-over-quarter, year-over-year.

The structure of cash sales versus card sales has been very stable over the last few quarters, so we understand that the volume of gross receivables will continue in the same proportion as the sale is today, and the level of discounted receivables, even in absolute values, will continue at the levels we saw in this first quarter.

Regarding the average cash, we have kept this average cash around one billion... In fact, we have kept the minimum cash, practically, around one billion and four hundred, one and a half billion, invested daily.

Obviously, due to our behavior of ten-year flows, we have some fluctuations — or over this a bit usually— over the decades, so that the average cash has been around one billion seven hundred, one billion eight hundred.

There should also be no change in behavior there.

We understand that it will continue at this same level over the next few periods.

Eric Huang:

Perfect, thank you for your answer Belmiro and Aymar.

Belmiro Gomes:

You're welcome.

Tales Granello - Safra:

Good morning, Belmiro.

Good morning, Gabi.

Good morning, Aymar.

I wanted to explore the performance of stores opened and converted in 2023.

When we look at their performance now, in 1Q25, and the performance of the converted stores in 22, in 1Q24, we see a gap in the average sales per store and in the EBITDA margin. I wanted to understand the reason for this sales and margin gap — if it's a matter of location, competition, or if there's some other factor. If you converted the best stores in the project first. I wanted to understand this issue a little more.

Thank you.

Belmiro Gomes:

Perfect Tales. I think there are two factors.

The store location is a factor, yes. Obviously, the company has always focused — although it wasn't totally, because there was the issue of licensing — but, obviously, large stores, especially in São Paulo, we managed to open first. But most of its EBITDA has a one-year difference in duration.

In the batch of stores that is going to be three and two years old, one year makes a big difference from the point of view of the ramp. If you look at the stores from 22, the year before, was very painful, confiscating margin. They are different-sized stores.

The expectation, throughout 25, is that they will also enter a maturity curve, and we will have a better view in the first quarter of 2026. But it is a year difference that seems like a small thing, but it is very relevant. It's 30% more life for the store.

That's it, Thales.

Tales Granello:

That's right, Belmiro.

It's super clear.

Thank you.

Joseph Giordano - J.P. Morgan:

Hello, good morning everyone.

I wanted to explore a little bit here... We had the revision of the number of stores — maybe it won't come with much surprise to the market, given the fees and leverage.

I wanted to explore with you a little bit what you are seeing in CAPEX for next year, given this revision of the volume of openings, and how you are seeing the opening costs per store.

And, in this context, among these around 10 stores that you hope to open, what is already mapped within your pipeline?

And a second question — maybe a low-hanging fruit — I think remains as an opportunity: how do you see the opportunity to leverage a little bit of wholesale distribution in your operation?

Thank you.

Belmiro Gomes:

Thank you, Joseph.

On the new stores for 26, for now it is not yet possible for us to have a CAPEX vision, we have an approximation, we had an initial forecast of 20 stores, obviously we had already been working internally with the possibility of a reduction, but the choice depends a lot on the stores, if there is a store, we need to consider its size, its location, hiring model, If the land is owned, if the store is fully rented, if it is a sales lease back or a Built-to-suit , sorry, and even at this moment it does not have the visibility.

There is the issue of permits, which is the licensing part, we should have this information more clearly throughout the second and third quarter of 26.

Obviously the company, as it is focused on deleveraging, the idea is to make a balance in the stores for 26 between ramp time, not necessarily the stores with the lowest investment, but mainly the stores with the highest ROE and IRR, which is always the determining factor in the choice of investments that the company makes, But we still haven't been able to share this vision at the moment.

Distribution wholesale is always an opportunity, so much so that when we look at this segregated, in terms of cash and carry, what is really a store, in terms of revenue, ASSAÍ is the largest cash and carry store in Brazil. We have our competitor, which operates in both formats, they have cash 7 carry like us, but also the distribution wholesale which is a format that we have not been in.

But it's a format, being very serious, that has opportunities, the company is fully interested, but there has not been a window of opportunity. In other words, it is a market totally focused on price and logistics and at this moment we still have many challenges from the point of view of store maturing with the new store formats that we have implemented.

On Services, Anderson can later more about this, but for self-checkout, we implemented more than 100 self-checkouts, now there are 100 more to be implemented in May.

So, in other words, this could take the focus away from our vision of what recurring sales are, which is within the existing store network, but it is always an opportunity, yes, that the company can explore.

I hope I have answered.

Joseph Giordano:

Perfect, yes, Belmiro. Thank you very much.

Felipe Hussein - Citibank:

Thank you, good morning, everyone.

Belmiro, we always calculate the net revenue minus the sales area to understand how marginal productivity is, and the fear of store sales.

And, unlike the last three, if our calculation is correct, we saw a slight improvement in productivity in the marginal area. Is there any dynamic that improves, that explains this movement, either due to locations with less competition or a more aggressive commercial dynamic in these new units?

Thank you.

Belmiro Gomes:

The profile, honestly, I would need to look at it later, we can do this analysis.

There is an improvement, I think in this first quarter, but if it is coming from store productivity, it would be from the service inclusions. You can remember that we are at the end of the project, there are still many stores that have now received a butchery, bakery, I don't know if the point refers to this or if it is about locations, if you could be a little more explicit.

Felipe Hussein:

Well there are different analysis on this…

What would be the reason for this improvement, right, if they were the stores with the best location, anyway, but I think what you said is clear.

It is probably more linked to the inclusion of services.

Belmiro Gomes:

Probably yes, when you look at the productivity effect, indisputably, given that we already had the cost of occupation covered.

Many stores, especially the organic ones in 21 and the conversions in 22 and 23, the goal at first was to open the store, to be honest.

Then we enter with the services part, because there is the licensing part that is a little different, so as we said, when we talk about the ramp, the ramp is not only the preference, with the customer returning to that store, and it becoming a new point of purchase, but also within this, we are adjusting the mix, including new products, services, which is what will guarantee the ramping up of these units.

So, there is no way to have an improvement in EBITDA if there is not an improvement also linked to some point in productivity. In other words, it's not just price.

Felipe Hussein:

Excellent, thank you very much.

Andrew Ruben - Morgan Stanley:

Hi Andrew from Morgan Stanley here thanks for the question. I am curious to hear your view on the potential for consolidation in the cash & carry sector. When you think about the 10 stores for next year, is that only Organic openings or would you consider any type of M&A. What do you think would be needed industry wise or macro to open up more of the consolidation opportunities. Thank you.

Belmiro Gomes:

Thank you, Andrew.

All stores are organic, the forecast for both 2025 and 2026, obviously the company has been looking at possibilities, because M&A processes, as well as organic, they have a long time between you planning and the execution time.

An organic store, it takes on average, depending on the region in Brazil, up to two or three years between the decision and until you can open the store for the customer. The company has been looking, but obviously at this moment the target is to deleverage. That is, the reduction, there was uncertainty, that is, from the point of view of interest, if we go back simply a year ago, looking at the expectation for the interest rate it is a reality of the cost of debt that is very different from what it is today. Given that the focus is on deleveraging, not that the company isn't looking at opportunities, but the focus is on organic growth.

I think that as long as there is no reduction in the cost of the interest rate, a balance as well, and clarity about the market, either from the point of view of what is the new purchasing power, destined for food, or also from the point of view of absorbing the number of stores that have been opened, market consolidation is avoided. that it will inevitably happen at the moment when companies or potential buyers are more unleveraged or even in a position to merge between other companies.

It will happen, but the entire macroeconomic scenario in Brazil at this moment and the cost of capital, in my view, hinders or delays this process that will happen one day.

I hope I have answered your question.

Andrew Ruben:

Thank you, Belmiro.

Belmiro Gomes:

Thank you.

Irma Sgarz – Goldman Sachs:

Good morning, thank you for the opportunity.

I just wanted to go back to the point of the trade-down and understand if you are seeing this as a movement potentially that has some more structural elements or absolutely a more cyclical issue, linked to the moment of leverage, the moment of the consumer in this environment in which inflation in some categories is still higher.

And maybe given the answer, if it's a more structural thing, if you felt some opportunities to maybe change some brands more to regional brands or even explore a bit of private label.

And the second question is, quickly, I wanted to hear a little bit about this new partnership that you closed with iFood, and this obviously brought a lot of growth, but I wanted to understand a little more about the economics there and also the consumer profile attracted to the platform.

Thanks.

Belmiro Gomes:

Okay, let's divide it here into three parts.

Anderson will talk about the iFood part, Wlamir will talk about the issue on regional brands.

Private label is not a project focus in the company. We have, obviously, evaluated some possibilities, but it is not what is very much in focus, because at this moment, you have a strong trade-down.

In terms of trade-down, there is also a structural change within the country. Inflation we have always had in Brazil.

I think there is a side that is a response to a true fact that is inflation, but especially in the low-income classes, Brazil has become the largest country accessing sports website access in the world. These are numbers that we do not have clear visibility on, but they indicate something at around 360 to 400 billion per year.

This has had an impact, so much so that this has, in our view, been one of the elements, in addition to inflation itself, which is true, in addition to income not having kept up with food, but there is something else structural happening at this time, especially from the social classes with lower purchasing power, which has contributed to this trade-down effect.

Wlamir will talk a little bit about this too, we are very quick to adjust the customer's brand choices, and then Anderson talks about the iFood partnership.

Then I'll come back at the end, if you have any other questions, I'm happy to answer.

Anderson, do you want to talk about iFood?

Anderson Castilho:

I do, Belmiro.

Can you hear me?

Belmiro Gomes:

Perfect.

Anderson Castilho:

Irma, thanks for the question.

iFood is a partnership, it is on the Last Mile list, right?

We started the work last year, we have practically 60 stores there working with this platform, it is a very strong platform, so it has really had a very positive result. It interferes, believe it or not, we have stores with lower purchasing power which have a very good result, and stores with purchasing power more from class A and B, which also have a very strong result.

So it has been performing well.

I think it's more of a buying opportunity for our customer. There are some adaptations that we are adjusting to, but there has been good acceptance.

We evaluate, of course, store by store, each region, and where we can really serve the customer, it has an area of reach, we distribute it in some markets, in some stores, but it has been servicing us well. So, within this Last Mile audience, I think it's another service that we offer to our client.

Wlamir dos Anjos:

Hi, Irma. Thanks for the question.

Talking a little about the issue of the regionality of the trade-down, in fact, the company has an ability to adjust the volumes purchased, not in the assortment. Because the issue of the regional brand, with our business model, ASSAÍ, was no different from this. We grew, our operation and our business model, greatly strengthened by national brands and regional brands. It has always been a point of great concern. We always had a close look at this.

To give you an idea, from the average assortment sold in stores, when I look at items I work with from regional brands, I practically double my number of SKUs sold on average per store because of regionality.

What is our concern?

It is this agility that Belmiro commented on us being able to reallocate the volumes purchased to meet this trade-down.

Stop buying brand A to buy brand B. And then I need to migrate the supply and the volume of purchase, but, let's put it this way, in addition to the inclusion of new categories. But this is an issue that is already on our radar. We didn't have to register suppliers, for example, do something new, you just have to balance the stocks and the way to supply the stores, but that's already a given. It is just simply perhaps a momentary market issue. We had this strongly in the pandemic, then it was regularized, there was reduflation, anyway, and now we have felt this very strong trade-down.

What makes us most relieved is that we don't lose volume, we gain volume in this first quarter and the trend is to keep it going forward.

I hope I have answered you.

Irma Sgarz:

Perfect, thank you.

Iago Souza - Genial Investimentos:

Good morning, Belmiro and team. Thank you for the space.

I have two questions here on our side. The first is about the expansion of stores, whether it should be concentrated there in the southeast axis or if you should expand participation in another region, and here we are trying to understand in the sense that, if it is another region, where do you see a lot of opportunity in terms of tier — in the Northeast, Midwest of Brazil — what can you share in relation to this?

And the second question: Regarding how the plans for financial services are coming along after Fagá left (Vitor Fagá).

So, do we have any plan postponement here because of this?

Belmiro Gomes:

Ok, no, there is no postponement of the plan.

With his departure (Vitor Fagá), Aymar and I personally are taking care of the projects related to this, we are advancing in the project, and should be able to provide more info in the second quarter.

Obviously, it also did not occur at the speed that we had initially signaled, but there is no impact from the point of view of the execution of any of the company's projects, nor the capital discipline, at any point, no significant change, given that the team is very experienced and very strong, with the capacity to handle all this.

In terms of expansion, for 2026 we still don´t have definitions.

All regions, obviously, are under analysis at this moment, but it will be concentrated in the Southeast axis or in the Midwest axis, the agribusiness axis, where we have important projects.

Obviously, in this scenario of choice and reduction in the number of store openings, due to the increase in capital costs, the projects that are looked at will always be privileged. There are several components in decision-making: one that is not in our hands, which is the licensing part, but a second that are the returns, store, break-even time, how much faster the stores generate returns.

So this will naturally lead to a greater focus within the Southeast region of Brazil. I hope I have answered your question.

Iago Souza:

Yes, yes. Thank you, Belmiro. Congratulations on the result.

Belmiro Gomes:

Thank you to everyone who participated, who followed the first quarter. In our view, the results mainly show solidity and consistency, which is visible in Assaí's operations — not only now in this period.

If we look a decade back and follow it, we will see, especially in terms of cash generation, discipline, and adjustment to the changes that the market imposes on us.

The company always seeks to be a source of reference, a source of innovation within the sector, but it also needs to be adjusted to the changes — as I highlighted — economic changes. We remain firm on the path of deleveraging, we went through a period with the execution of very important projects.

Obviously, we are experiencing a scenario of difficulty from the point of view, whether in terms of labor or the expectation of the population's purchasing power, which is not responding as we expected. But, on the other hand, it brings more movement to the cash and carry side, which is the lowest cost channel today for the population to get supplies and also with greater penetration in Brazilian households and participation of food. Which makes us keep evolving, hoping to present positive and consistent results. For those who went through the expansion project, this gave us very important, relevant locations. The interest rates are there, the cost of debt is there, but this will pass. Our Mooca store that we opened will stay, the Congonhas store will stay, and so on — 10 years from now they will be generating results and contributing to the company.

I think that's it. I want to thank the team once again. We remain firm in deleveraging, maintaining the consistency of the results, usual cash generation as always. We thank everyone who participated.

Thank you.

ASSAÍ's earnings conference for the first quarter of 2025 has ended.

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

Thank you very much to the participants and have a great day.