Operator:

Good morning and thank you for waiting. Welcome to the Assaí conference call to present the Company's results in the fourth quarter of 2020 and the year 2020.

This event is being broadcast simultaneously over the internet via *webcast*, and can be accessed at the address ri.assai.com.br, where the respective presentation is located. The *replay* of this event will be available shortly after its conclusion, and the slide selection will be controlled by you.

We inform that the *press release* on the Company's results is also available on the Investor Relations website. This event is being recorded and all participants will be listening only to the conference call during the Company's presentation, and then we will start the question and answer session, when further instructions will be provided.

If you need any assistance during the conference, please ask an operator to help you by dialing *0.

Before proceeding, we would like to clarify that any statements that may be made during this conference regarding Assaí's business prospects, projections of operational and financial goals, constitute beliefs and assumptions of the Company's management, as well as information currently available.

Forward-looking statements are not guarantees of performance; they involve risks, uncertainties and assumptions because they refer to future events and therefore depend on circumstances that may or may not occur.

Investors should understand that general economic conditions, industry conditions and other operating factors may affect Assaí's future performance, and may lead to results that differ materially from those expressed in such forward-looking statements.

Now, we would like to turn the call over to Ms. Gabrielle Helú, Investor Relations Officer of the Company. Please, go ahead.

Gabrielle Helú:

Good morning everyone, I thank you for participating in the conference call for the fourth quarter of 2020 and the year 2020 results of Assaí. I would like to introduce the speakers present today for this discussion.

We are with Christophe Hidalgo, Director of Assaí, interim CEO, CFO and Investor Relations Director at GPA; Belmiro Gomes, CEO of Assaí; Daniela Sabbag, CFO of Assaí; Ronaldo Iabrudi, Vice-Chairman of the Board of Assaí and Vice-Chairman of the Board of GPA; Wlamir dos Anjos, Commercial Director of Assaí; and Anderson Castilho, Operations Director at Assaí, and other members of the Company.

Before starting the presentation, I give the floor to Christophe Hidalgo for opening remarks.

Conference Call Transcript
4T20 Results
Assaí (ASAI3 BZ)
February 23, 2021

Christophe Hidalgo:

Good morning everyone. Before Belmiro presents the performance for the year and Q4, I wanted to make a quick comment about 2020.

2020 was a very special year in general, a year of many difficulties and challenges. For Assaí, it was another year of strong organic expansion, another year of *market share* gain. A year in which the adherence of the Assaí model to its markets is once again confirmed.

From a financial perspective it was a very efficient year as well, with increasing cash generation. It exceeded almost R$2.1 billion this year, and Belmiro will, of course, comment in great detail. A net income that surpassed the "psychological" line of R$1 billion.

Going forward, Assaí's expectations are very good. The focus will continue to be on organic expansion; this expansion will be self-sustainable, as well as the level of debt the Company operates, by generating its own cash.

2020 obviously, everyone already knows this, was a year marked by the split between Assaí and GPA, as you know. The impactful point is that Assaí becomes the first *pure cash & carry player* in Brazil.

By the way, I would like to remind you that ASAI3, that is, Assaí's shares, will be distributed with a cut-off date of February 26, this Friday, and will start trading in São Paulo as early as March 1st, and March 8th in New York.

Finally, before I pass the word to Belmiro, I want to emphasize that this high level of performance, far above the market, was and is given by a very professional, very committed team that I want to take this opportunity to congratulate. Congratulations to the team. Belmiro, I'll give you the floor.

Belmiro Gomes:

Thank you, Christophe. Good morning everyone and thank you for coming.

It is the first disclosure of results that Assaí makes segregated from GPA, so it obviously has a weight, a representativeness. Many who are listening to us have followed the work over these years, so for us it is an honor to be here today representing a team, as Christophe said, of 50 thousand employees and whose work is the result of this decision, the decision of the spin-off with GPA.

We had the opportunity to talk with some investors, with some people, and, in our view, it is a very assertive move, since it unlocks value for shareholders and allows each one to invest in a certain segment, that is, or the wholesale segment, or the retail segment.

As Christophe said, it becomes for the stock market a *pure player* in *cash & carry* segregated. In practice, the two companies already operated in segregated ways, although the two are in the food business.

We have particularities between the two businesses, wholesale and retail, which make most of the commercial, operational, management, marketing and logistics policies specific and atypical for each of the branches, so to make this segregation we had some efforts much more in the *back office* areas, but nothing that has been impacting or scratching the segment of each of the two companies.

But, anyway, for the team that worked on this project, I would like to thank you very much. It was in a short space of time, it was executed perfectly, the listing on both CVM and SEC also showed the result of the work and the team joining so that we can, today, make this disclosure of results separately.

Talking about 4Q20, as Christophe mentioned, there is no way to talk about 2020 without, of course, mentioning the pandemic and the difficulties it has brought to all areas. The whole team, it is difficult at this moment, then I think in the end I will talk a little more, because we continue to sell, we continue to open stores, we continue to hire people, we continue to invest, we continue to buy, we continue to operate and grow both in terms of sales and in terms of results.

In other words, even in this year of the pandemic, which was a very challenging year, perhaps our sector has been the least impactful. It is not the same reality for other sectors of the economy. Since the beginning, we have tried to maintain a balance between the essentiality of our operation, as it is a food operation, as well as the care for our people.

Many of our clients were very impacted; this is the case of restaurants, especially the food service people linked to tourism. But it was also a year in which cash & carry, the channel itself, continued to grow, reaching the highest historical penetration rate in Brazilian households.

Assaí continued to be the strongest growth exponent within this sector. And it was a year in which many new consumers came to this channel. It is a business format that still has a very strong segment ahead of us, and we hope to continue to be an operation of excellence within it.

On slide 2 of the presentation, which you can go through, Assaí reaches 39 in this separation. It is a company of R $ 39.4 billion. We were close to R $ 40 billion in revenue in 2020. It is the tenth largest private employer in Brazil today. It is a company that, although it has national coverage, we are present in 23 states plus the Federal District, it is a company that has a balance between the national presence and the regionalized operation, given that we operate in a continent, a continent called Brazil, with regions with several different characteristics, economic power, and even at that moment with the end of the emergency aid, the impacts are different for the regions of Brazil.

In our view, one of the reasons for Assaí's assertiveness is the fact that we work very hard on the front, adapting the Company to each region and each state in which it operates, and not simply applying a model that is fully agreed.

In 2020, even with the impacts of the pandemic, we continued with an organic expansion plan, as in the past years. 19 new stores were opened and 2 new states were penetrated. We entered the state of Maranhão with 3 stores, as well as in Roraima. So, we consolidated our presence in 23 states and the Federal District.

Even in a year with all the impacts, our team continued to build stores, continued to expand, following the trend that Assaí has made in recent years with organic expansion.

So, within this separate earnings release, on slide 3 we see a little bit of Assaí's growth history, the Company's growth CAGR since it was acquired, 60% of the shares by GPA, until later on 2010, where the totality of shares was acquired, and the trend that it has been making in recent years.

A totally organic, self-sustaining expansion, as Christophe mentioned, with its own cash generation. An expressive gain not only of *market share* during this decade of growth, but also of results. Even with an organic expansion project, the Company moves from a deficit to a surplus company. On slide 3, we see this trajectory, how much it has been growing and what we hope to keep going forward.

In 4Q20, we had, as in other quarters, the challenges of operating under the pandemic period. The expenses are higher, be it with personnel care, store cleaning, PPE, the group of employees on leave, that is, they followed the same line as the other quarters, adapting to each of the regions. We have faced different impacts in regions of Brazil, as we signaled in the other quarters.

Our strategy for the Q4 was to seek a balance between sales growth and profitability, as well as cash generation. In our view, we have a very assertive strategy, since the growth in the quarter passed 33%, that is, total growth is composed of 20% of same stores growth and 13% of expansion.

The organic expansion has been extremely assertive in Assaí, it has been the growth lever of the Company in recent years and it is we expect to keep ahead, since that, for 2021, we expect to open 28 new stores.

More stores were opened in this 4Q and I thank the team, they are stores in distant regions. At the end of 2020, stores were opened in 10 different states in Brazil, so this means that the level of effort in this period of the pandemic has been higher. It is difficult to put this totally into words, but we cannot talk about the result without mentioning who did it, which is our team that is in this front line.

The Q4 follows the same line that we highlighted in the Q3, with a strong contribution from food inflation. Inflation was generated in the Q3 and Q4, it is an inflation that is not homogeneous, it is very heterogeneous within the product categories.

We have worked with high inflation in the past, but with such a big difference from one category to another it was the first time, while there were categories with a totally stable price, like the bazaar line, for example, even hygiene products, cleaning and perfumery. *Commodities*, mainly, hit close to 50%. We see this in the IPCA indicators, especially the IPCA 15 for inflation at home.

Obviously, it is a period in which comparisons end up being somewhat distorted, given this movement of inflation that we recorded and which, obviously, has a strong contribution within this sales volume.

When we look at the strategy adopted, in our view, we seek a price balance, whether for the commercial public or for the final consumer public, in a period that ended Christmas and the New Year, not happening as expected. Unfortunately, we had a greater impact on the pandemic, but the final results, the commitment of team in stores, the commercial team that was involved, brought us a result that, in our view, is extremely important.

As a result, the gross margin in the 4Q, even with those store openings, even entering new states, even making some investments, had no dilution, no pressure. We managed to maintain a stable gross margin, at a rate of 17.1% in the quarter.

Expenses had, even with the higher expenses of the pandemic, an important dilution effect. It was together with the characteristic of our cost control discipline made by our areas of operations, human resources, this expense at a historical level. In the Q4, it reached 8.9%, vs 9.4% in the previous year. In the year, we had total expenses of approximately 9%. As a result, this maintenance of Gross Margin in the Q4 and the reduction in expenses make Assaí reach a record EBITDA percentage in the Q4 of 8.2%. We have an important increase in the Q4 from 7.8% to 8.2%.

There were some components here, mainly in the commercial and operational area, some negotiations also with a slightly shorter term, a guarantee of stock. At the end of last year, we had some suppliers with problems in their supply chains, so in our view, we did not seek sales at any cost, but we would rather privilege, at that moment, having inventories for all customers and, especially, the maintenance of result. This is visible in the 0.4% increase in the EBITDA rate in relation to the previous year, or R$ 255 million.

This adds to the performance of the other quarters of the year. In the year, we have an important EBITDA increase from R$ 1.947 billion to R$ 2.696 billion, an increase in rate of 0.50%, from 7% to 7.5%, and an addition of R$ 750 million in EBITDA value against 2019.

This result, this transition from Gross Margin and expenses, allows us to maintain the rate of net profit, even with the leverage issues arising from the purchase of Éxito, and with that the year closes with an extremely important result.

Given this outgoing movement, we need to give visibility in terms of cash. I'll give the floor to Dani so she can comment a little. You can see in the presentation, mainly in what is presented on slides 7 and 8, in terms of cash, and signaling that the numbers that we see in the *release* and in the presentation refer to continued operations. That is, the pure operation of *cash & carry* from Assaí.

I think Dani can comment a bit more on this topic. For those who are listening to us, you can take the release as a basis for future projection.

Thank you very much, I would like to give the floor to Dani Sabbag.

Daniela Sabbag:

Thank you Belmiro, good morning everyone.

As Belmiro said, the numbers, both of this presentation and of this *release*, refer to the Company that will be in operation from 2021 on, so it is only *cash & carry* that we comment in this *release*, in the presentation and here. And it is from the spin-off, approved at the 2020 meeting, that we started to operate in this way.

Moving on to slide 7, on the Company's indebtedness, reinforcing the numbers a little, we had a post-IFRS EBITDA of R$2.7 billion. It is a very relevant growth, of 38%, and R$ 750 million increase vs 2019.

But here, when we talk about debt, we bring the pre-IFRS EBITDA view, so this EBITDA grows 36%, as you can see in the presentation, with R$ 600 million increase year over year.

When we talk about net debt, in fact we have the opposite, we have a reduction of 36%. This reduction is also relevant. It is a reduction of more than R$ 2 billion, R $ 2.4 billion, to be precise. And this reflects this strong cash generation already mentioned by Belmiro.

We had an important cash generation growth. The dividends that we received from Éxito also amortized this debt, and some sales of stores, which we sold via SLB, which you monitored during the year. This net debt-to-EBITDA ratio had a very significant drop, which fell more than twice the EBITDA.

We went from almost 3.77x to 1.76x, so we are very comfortable with this debt, and obviously, over the next few years, we will de-leverage more and more, given this strong cash generation that we have here in Assaí.

Just a few comments before I pass back to Belmiro. I just wanted to comment on some numbers that are not here regarding two lines. First, if you look at our Financials that are available on the website, we have a line in 2020 of equity income. This equity line is related to Éxito, as Belmiro said, we are dealing here with the numbers from the continued operation, and Éxito is in the equity income in our Financials.

When we look at the net income, I am saying this because we, when analyzing the net income of our Financials, it is a higher value due to Éxito, through the equity income. So, talking about the net income of *cash & carry* in the Q4, we had almost R$ 300 million, 31% growth, and in the year we exceeded R$ 1 billion, with a 25% growth and a margin of 2.8%.

There is still *one-off* effect of the debt, the effect of IFRS-9, which we recognized R$ 70 million, which was the adjustment of the cost of debt. But this adjustment will be reversed quarter by quarter in the case of the validity of the debt contracts, which will continue until 2023. This is the point about net income.

Another point in relation to the equity income of FIC. It is not reflected in our numbers today, but, as a result of the spin-off, from 2021 onwards we will hold 18% of this result, which will be reflected in the equity income.

One last point regarding non-operating expenses. We had 36%, almost 40% of asset write-offs regarding stores' conversion. This has been recurrent in our non-operating expenses.

We also have a share of 30% that is related to the costs of the listing, of the spin-off; 8% of tax contingencies, and this is another very controlled line in the Company; and we have some expenses in the year related to covid, which we classify as non-recurring.

These are the comments, I will pass the floor back to Belmiro for final considerations.

Belmiro Gomes:

For 2020, final considerations for the year.

The year of the pandemic had impacts on society as a whole, and for any company, obviously, each one within the sector was affected differently in this period.

In 2020, Assaí not only maintains its trajectory, but also expands its own growth rate. There is no other way, even if this is a disclosure of financial results, every time we have the opportunity, we should say that, in the end, this is the sum of work of many people in our team, especially the ones in the front line.

It became visible during this period of the pandemic that the level of engagement, the level of love for the Company, the level of getting up to work, to open a store, especially the first months, if it weren't for that, this level of results, this level sales growth, this gives us confidence that the company's most valuable asset is its culture, the people who make it, the people involved in the project.

Within this extremely successful new phase, we have also constituted a new board of Assaí, with three independent members, Ronaldo and Christophe will be together with us. He has been working for many years. there is already a work synergy, be it between management and board members. So, in our view, Assaí continues on a very strong trend in the coming years, thanks to the people who compose it.

We continue to sell, we continue to operate, we continue to hire, we continue to build, we will continue throughout 2021. The numbers are part of the result, but the total balance for the end of the year is very, very positive.

Thank you, and that is what we can go through. I turn the floor over to Gabi.

Gabrielle Helú:

And now we are opening the Q&A session.

Guilherme Assis, Banco Safra:

Hello, good morning everyone and thanks for taking my question. In fact, I have two questions that I wanted to understand.

I think it is very clear in the Company's speech that you are changing a little the focus and investing a little bit more in services. Obviously, you are a segment of *cash & carry*, and the price makes the difference, but I would like to understand, looking ahead, you have these initiatives, and I think the one that is clearest is that you are offering the butchery service in stores.

As we should see, when we look at your result and compare it with Atacadão, for example, we see that the *gap* of gross margin is increasing. Do you think this is related to the service strategy, that we should expect that this *gap* will continue, or do you think there are some other impacts that make your gross margin a little different?

It was more resilient, it is higher, and you are managing to have operational leverage in the same way. I would like to understand a little bit more about the offer of services and price competitiveness. This is one question.

The second question is for Dani. I would like to understand, from these non-operating expenses, what we should expect from the recurring level, for example, for 2021, having things related to covid, that this should decrease or not even have in some means, but there are things related to taxes, conversion of stores also included there, and what we should expect in the future.

Daniela Sabbag:

Well, speaking of non-operating expenses. As I mentioned, 30% of them are related to the split. I mean, we shouldn't have a level, we shouldn't have that kind of expense again.

Likewise, we have store conversions. Roughly speaking, another third. This other third of the conversion, of asset write-offs via store conversion, which we do not foresee. You already have a good reference there.

If we take the history of our non-operating expenses, which is a good parameter for you, they have been 0.1% of the sale. These expenses were really punctual for this year, and we do not expect anything significant. Regarding contingencies, as you asked, this expense is very small, less than 10% of the year's expense. It's pretty low.

Belmiro Gomes:

And there is nothing related to covid, I think it is worth mentioning. There is nothing related to covid in non-operating expenses, Guilherme, within this Q4. They are very punctual. In the case of Assaí, there is no casualty, no expected hypothesis. We will see it go back to the levels.

We have, obviously, in the case of conversions, that it is normal to have this *rip-off*, this decrease in expenses; and costs that we had within the spin-off project, but you will see it return to non-material levels in a short period of time.

Regarding services, the sector, the *cash & carry*, is already changing. Even when we started Assaí's history, there were some changes, even in the sales area, in terms of numbering of stores, of better operational quality.

Our operating sector, Anderson is here and knows how much we have been looking for discipline in increasing our service while maintaining costs. We have been trying to correct. The Achilles heel of *cash & carry* it has always been offering a low price, but a shopping experience that, so to speak, was not so good.

What we seek is a balance, as long as it does not remove the main characteristic that made the customer come, which is the low price. In some regions of Brazil, we have seen that it makes sense to have some services. This is not a uniform reality for all regions.

There are regions, specifically as you mentioned, the butchery, that you have a good butcher shop, the person has a good butchery close to its home, of good quality, which sometimes would not make sense for Assaí. But, in more distant cities and regions, in our view, when the customer makes supply purchase, it may make sense to him.

So we remain cautious, always looking for balance. How much expense has been added and how much this will bring in terms of additional sales and margin. There is a caution, we do not intend in any way to mischaracterize, but it is an adaptation of the model, an evolution. Adapting to a new reality of consumption and to a greater participation of the consumer, you must see that the model in Brazil will follow an evolutionary route.

Looking at the Q4 question, in a comparison, the basis in my view is not entirely comparable. When we look at the results, there are only cash&carry stores. There is, for example, no operation, in the case of the company you mentioned, of the wholesale distribution, which the market estimates to represent 20% and, in the end, the expense of sales representatives and freight goes directly to Gross margin.

In the new wholesale you can, for example, choose to sell more *commodities*. You choose a little what you want to sell. This may have generated a bit of this distortion within the Q4, and I think it explains a little how the numbers are not separated between what is cash&carry and wholesale distribution, you end up having a negative impact on the comparison of the other company in gross margin and positive impact on the expenses line.

Isolated these two effects, we obviously have a margin increase in relation to the previous year. In our view, in the format that would be comparable to cash&carry, obviously we will say that our strategy, our view, is more correct.

In the end, the numbers will show a balance between competitiveness, but also between maintaining the Company's profitability level. Competitiveness, of course, is vital, especially in a low-cost sector, especially in a sector that offers low prices.

You can rest assured that we have detected nothing in terms of competitiveness. I think that much more of this issue has to do with a historical difference. We work for store characteristics, a greater share of the final consumer with a larger gross margin, and I also think that the vision between wholesale distribution and cash&carry, which ends up being grouped in the company you mentioned.

I hope I have answered you.

Guilherme Assis:

It's clear, Belmiro. Sounds good. Thank you.

Joseph Giordano, JP Morgan:

Good morning, everyone. Thanks for taking my question. There are three questions.

The first enters a little into this issue of expansion. The company is a *player* of very consistent organic growth within the opening of stores, you are giving an impetus to the institutional issue, and there is a slight acceleration in the openings. I would like to understand if it would be possible to speed up a little more by looking, perhaps, for the purchase of points, or perhaps buying regional players, considering now that the company runs *standalone*, has a strong cash generation and relatively low leverage that would allow such investments.

Going back to the gross margin, I would like to understand if you see any kind of space for… I don't know if the right word is "to get more promotional", but perhaps invest a little more in competitiveness to further accelerate this growth and leverage sales per store even more.

Lastly, I would like to understand if, when you look at the sales mix today, you've already seen B2B returning 100% back to normal, or if we still have a space to capture in B2B, while B2C continues well.

Belmiro Gomes:

Thank you, Joseph. The expansion will continue to be organic. The organic expansion has been very assertive. The Company's ROCE today is above 25%, so obviously, we will always look at the return on capital.

Right now, at least what we've been looking at, the comparison between organic expansion versus a possible acquisition of another *player*, the difference has been very large, even with the purchase of points from other *players*. In our view, you only start to buy points when you start to have difficulty in expansion, which is not happening in the case of Assaí.

If you look, you can get an idea. Discount the total growth by the number of stores opened, how much is the average performance of each store. So, obviously, within this movement, it is not a possibility that we say "No, there is no way", but at least what we have planned ahead is the organic expansion. Remembering that the detection of a point, we have a bottleneck which are the legal approvals, permits, project approvals.

So, not necessarily with a greater availability of capital, you could lead to an increase in the number of stores, mainly maintaining the performance that is in them. We have given a lot of priority to the issue of commercial aspects, of assertiveness, and thanks to this, the company has managed, even in an aggressive expansion plan, to improve the margin. The ramp curve of these new units for 2021 now has a huge challenge, which is 28 new stores, it will be an acceleration, but feeling that we have space, mainly for 2022, we can accelerate the organic expansion.

The acquisition, for now, at least at that moment, we do not see. When we look at the return on capital, the difference is very big, almost 60% difference. This has a great impact, and that is why we are focused. Also, we have a bank of projects that are already very strong for the next few years, in addition to the opening that is now scheduled for 2021, so we continue within this organic expansion project.

When we look at the gross margin, investment in competitiveness makes sense in some cases when you lower the margin not necessarily, especially for the final consumer, when we have stores with a larger share of the consumer, you have no elasticity in the same proportion. Part of this improvement in the gross margin that we saw, this maintenance of the margin in the Q4, comes from some commercial dynamics that were implemented in the Q3 and Q4 by our commercial area, and that resulted in this maintenance of the margin.

In some cities, we already have a sale per square meter of between R$ 4,600 and R$ 5,000. Right now, as much as we may have seen an issue of decreasing the pandemic, we are still facing it. Today we still have 35 stores with restricted hours, there is a matter of the number of people in the store.

There is also a caution in this moment, when you accelerate, often cause service difficulties, a greater agglomeration in the store, and that is why we were a little more cautious within the Q4, trying to balance as much as possible commercial aggressiveness, competitiveness aggressiveness as well as the margin. It may be that in 2021 we feel this need, so it is better to be on a slightly larger margin basis, because if it is necessary to invest in competitiveness, we have a little more space at that moment.

For 2021, we still expect a return from the B2B. Unfortunately, the pandemic did not allow, contrary to our general expectation, that in the beginning of 2021 there could be a decrease. It was not what happened in some regions of the country, such as the northern region, which is very impacted at the moment. There are several cities with restricted hours, Bahia recently issued a new decree. So, at this moment, between keeping the balance of sales and compliance with sanitary rules, obviously we are following sanitary rules.

There is a great uncertainty in the market. I think that until you have a slightly clearer period of vaccination, the daily number of infected people, we will still live with movements of opening and closing of the market, and this creates the worst scenario for this B2B customer, which it is the scenario of uncertainty.

In the scenario of uncertainty, be a reseller, he does not want to stock; be someone who operates in the *food services*, he is also afraid of being closed and does not stock. So these customers have reduced their purchasing volume a lot and are very cautious regarding their inventories.

I hope I have answered.

Joseph Giordano

Thank you very much, Belmiro.

Danniela Eiger, XP Investments:

Good morning, thanks for taking my question. I have two questions.

The first is relatd to how you have seen the performance throughout this year. We almost closed two months of the quarter. Are you seeing any kind of trend change, any slowdown?

A concern that we are always asked about is the reduction of emergency aid, if this can have any kind of impact, especially in the cash and carry channel, given that there is a greater participation of low-income classes. I was wondering if you have seen anything in this regard.

One thing that draws your attention very positively is your strong deleverage throughout the year. How can we think of this pace of deleveraging for the next? Because, if you don’t have these two times, that would be for next year, but you are also looking to increase organic expansion, and I think 2020 was a strong year even in terms of results. How are you seeing this pace of deleveraging ahead?

If I can ask a third, more specific question, do you comment on the possibility of adding new categories within your assortments. How are you seeing this kind of movement? That would make sense, or it is something that is still at the base of thinking about the subject, or if you are already having some kind of pilot. Thank you.

Belmiro Gomes:

The Company has always been a major cash generator. As the cash was destined for expansion, many times if it came you would not look at it, so the ability to de-leverage very quickly.

If we consider that Assaí opened approximately 130 stores organically, which in today's values have an average investment of R$ 55 million per store in the last six years, even in a smaller amount this already means that we have invested around R$ 7 billion. Obviously, as we grow, the percentage that was allocated of CAPEX in relation to EBITDA has been falling, that's why we expect this year will be approximately 40%. This allows for deleveraging.

Our expectation is to bring this down, to give a rate of 1x, that is, to have a slightly faster deleveraging than we talked about in a round made around 2023. We believe that this can even be done before, and then it makes room for you to think about a larger number of stores or some other project that can be done.

But it is a characteristic of the Assaí model to grow self-financed, to grow with its own cash generation. It is a business in which we do not depend on designing deadlines to generate wind, we manage to turn inventory in less time than the deadline obtained with suppliers, and this makes, as Daniela mentioned, comfortable with the level of debt, and that we do a quick deleveraging.

Obviously, we will wait for this goal to reach 1.1% to assess whether there is room for growth with an accelerated growth rate, if we continue to maintain the assertiveness of the expansion, if we are going to continue on this path.

Did you have another question, Daniela?

Daniela Eiger:

About the categories, and also about the performance this year, if there was any kind of acceleration.

Belmiro Gomes:

What do we see for 2021? There is still a scenario, as I said, of a lot of uncertainty and a lot of fluctuation. Some regions of Brazil are very impacted, such as the northern region at the moment. I think that Manaus has been known to everyone, so even, for example, in January, we could give accelerated, but the *cash & carry* is what is being less affected.

It is worthy to take a look. Nielsen has already released the January report showing Brazil's food segment. C*ash & carry* grows again around 25%, we are growing above that number. January, obviously, may not reflect what will happen between February and March, because in February you have the effect of not having the carnival, in March we took the period when there was that high supply last year.

What we have observed so far is that, in the end, the *cash* accelerated this migration of customers, consumers of other formats to the channel. And then it's worth taking, this data has been made public, it shows all the food channels and what's happening month by month, week by week. There, you will see that there is a big difference performance between the channel *cash & carry*, that is, there was an acceleration of trends. What was expected, the moment of crisis, of uncertainty, causes a natural search for low-price channels. Throughout 2021, we will have impacts due to the end of the aid, but it is the channel that will be less impacted.

In terms of new categories, we started out well evaluated. There is a balance between this improvement in the purchase proposal, we have already commented. In the last few years, the number of SKUs has gone up, we already have approximately 9 thousand SKUs, but obviously there is always a care with the operational cost. We have been looking for a series of optimizations in the store model, in the stocking of merchandise, in reductions of better level of consumption of electricity to allow you to balance expenses.

The low price of the sector is not because we decided to lower the price. To generate results, you need to have a wholesale cost. Without the wholesale cost, without the expense, mainly obtained from what we get from our operating model, you cannot keep the price policy low. Obviously, in our case, we always look at operating costs first, then what allows within that balance, between balancing an improved shopping experience versus strict cost discipline.

Danniela Eiger:

That’s great. And sorry, I know I should have asked them all in the beginning, but just one last question if you will allow me. You commented on your competitor accelerating with the wholesale distribution, he has even accelerated this. What is your view on acting in this direction? Do you possibly think about going in that direction or do you understand that you don’t?

Belmiro Gomes:

Yes. Yes, we think. To be very direct, very clear, yes. In our view, what happened in the case of Assaí? Unlike the other competitor, who started with wholesale distribution mainly, then went into cash&carry, so he already had a well-established base.

In the case of Assaí, we jumped from R$ 3 billion in revenues in 2010 to R$ 40 billion that you see now in 2020. The goal was to be present, mainly with the Assaí brand, store positioning and commercial points.

In our view, this capillarity that we have today makes this project, especially distribution, easier to execute, since it is a market ... The wholesale market is already a very price-oriented market. In wholesale distribution, it is just price.

So our vision has always been to enter two years ago, three years ago, five years ago, and entering next year or this year does not change much, because the corporate client, we say that there are two types of corporate clients: there is the one who quotes all items separately and buys at the lowest price, and the one that will break. If he has been buying wholesale and distributing for 20 years, 30 years, and tomorrow a seller from another with a cheaper price appears, he migrates immediately. In other words, there is an interest on our side.

Obviously we are going to identify the best time, so we will not lose focus on the cash&carry, on which you have a dispute for points, best points, customer preference, brand strength, service, quality, a series of other issues in relation to that market. But, yes, this is one of the growth levers that Assaí has insurance and now has ahead of it.

Danniela Eiger:

Excellent, thank you and congratulations again.

Helena Villares, Itaú:

Good morning, all. Thanks for taking my question. In fact, a discussion that we have had here on the team is in relation to *e-commerce*.

We have seen the *e-commerce* to participate more and more in different types of categories, and we wanted to get a little bit of your vision. What do you think of this channel for Atacarejo? Do you think it makes sense? What are the challenges? What are the opportunities? I really wanted to get a view from you in relation to this channel.

Belmiro Gomes:

Thanks for the question, Helena.

The *e-commerce* undoubtedly, the digital revolution and transformation has impacted the life of society as a whole, but in our view it is not uniform for all categories. Obviously, the food product, especially the perishable product, has its difficulty.

You have a portion of the population that will follow, will buy online, and others that should remain in the physical store, especially when you look at the perishable product.

The shopping experience has been complicated, since the value of the freight is proportional to the weight, and in the customer's perception there is a phenomenon that goes something like this: the person buys a 1-kg speaker from JBL; if someone charges $ 10 to deliver, he/she pays. If he/she buys 5 kilos of sugar and someone charges R$ 10 to deliver, he/she doesn't pay. Why? Because the perception is in relation to the value of the product.

In our view, even before the split of GPA, our understanding is that the Company, the group, GPA as a whole, was already providing *e-commerce* through Extra and Pão de Açúcar banners. In our view it made no sense to open another website to perhaps even cannibalize itself.

At the moment, now that you have the spin-off of the two companies, we are revisiting this strategy and there should be news soon. We obviously want to be positioned for the consumer's preference. If he wants to buy in a physical store, he has a physical store; if he wants to buy in *e-commerce*, has *e-commerce*.

We will have News, and also more focused on the B2B customer. We are aware of this, we are following, part of the *know-how* for this we were already observing when the two companies, GPA and Assaí, were together. But, until then, we understood that we shouldn't go to one point to put another one on the air, since the delivery speeches are identical, whether you buy on the Assaí website, on the Extra website or on the website, for example, of Pão de Açúcar. But the price, in the case of *cash & carry*, suffers a little more pressure.

Now, in the spin-off movement, this is one of the projects that will be revisited, mainly for the final consumer, through partnerships with companies already in this ecosystem and also for the B2B customer that comes with a very interesting thing in a short period of time.

Helena Villares:

Great, thank you very much.

Irma Sgarz, Goldman Sachs:

Good morning and thanks for the opportunity. I would like to ask how you are thinking about potential conflicts of interest with a GPA hyper operation, since the main shareholder who has control over the board is the same. I understand that, obviously, the two models have business in Atacarejo and the hyper one has great differences, but I think it also has an area of *overlap*, and maybe in certain regions it ends up having even more *overlap* with you bringing new services, maybe a little more in some categories that you may not have touched so much in the past. I just wanted a little help in how we can think about it from a corporate governance point of view. Thank you.

Belmiro Gomes:

I think that question translates into two answers. From an operational and commercial point of view, even though they are under the same umbrella, the companies were already operating well apart, and in many cases even competing with each other.

The evaluation was always that it was useless to say "well, I will not place an Assaí store near an Extra", "I will not practice such a policy near an Extra store", if another competitor of *cash & carry*, another wholesaler, could do.

In fact, trading was already totally segregated, store positioning points totally segregated. If you look even at the store park, you will see stores very close to each other. Imagine, I have an Extra in a region, if there was an opportunity for a point, Assaí would say: "No, I won't open it, so as not to cannibalize"? And then Roldão, Atacadão or some other company might take it.

In practice, if you really look at Extra, it has a wholesale price policy that it had been doing even before the spin-off. He has already tried, this is the third time that this policy has come, that is, in practice the two companies understand that, if we are small in relation to the market as a whole, we will not fail to make a decision as a result of this. At this point, from an operational point of view, you can be very calm.

If it is any category in which this is appropriate for us to understand that the customer today has space, he would be accepted, either before or after the spin-off. That would not, honestly, change the decision to place or not. Another point is that Assaí has grown in regions where it already had the Extra banner.

Irma Sgarz:

Thank you. The second question is about consolidation, maybe not at first including you, but as you have already answered the question about organic versus inorganic growth, I would like to have your view on the market regarding smaller cash&carry players. If you see space for consolidation movements, how do you basically see the competitiveness of these *players*. Thank you.

Belmiro Gomes:

Thank you, Irma. I think it will happen on the horizon, at least three years from now. Even because the channel has grown a lot, it has created space in the market.

When you look at the penetration rate of *cash & carry* in Brazilian households, although today it is the largest supply channel, it still has a space of at least 20% to be added when you compare, for example, the greater São Paulo with the rest of Brazil.

The ease with which we have had to expand organically has avoided the issue of acquisitions. The low interest rate has allowed several *players* manage to grow at the same time. I imagine that this scenario, the equations for that scenario, will change approximately three years from now. That's why we even mentioned a strong organic growth plan for these next three years, but it is possible that in three years from now we will be able to see the first consolidation movements within this market.

Irma Sgarz:

Very clear. Thank you and good luck.

Tobias Stingelin, Citibank:

Good morning Belmiro, congratulations. Good luck. Actually, no, you have done a good job in the past, I think it will just continue.

My question is as follows. You spoke in response to a question from Danniela regarding wholesale distribution. How can we see this impacting your *business* from now on? Is it more growth, smaller margins? Can you talk a little more about this, please? Thank you.

Belmiro Gomes:

I said that there is a possibility. If it happens, what should we see? Incredibly, the level of conflict between cash&carry wholesale and wholesale distribution is lower than imagined.

One is very specialized in selling perishable products with low added value, and that the customer buys in cash; the other, specialized in selling high value-added products, you can justify delivery and logistics, and you need to grant terms.

Advancing to this market, what would happen? We obviously want to be capillary first, so that you have a dilution of costs when entering a new segment without having to make big investments, having an operation already set up. In our view, in an eventual scenario, this will not pressure costs, it should help in some cases even in the negotiation of some specific categories.

And obviously, when you close both operations, what are you going to see? A decrease in the rate of gross profit and a decrease in the rate of expenditure as well. Probably it should follow practically the same proportion, but in recent years we have had an organic course, so for 2021 now, post spin-off, this is a project that we are studying with great care, with a lot of interest, for sure.

Tobias Stingelin:

Perfect, great. Thank you, Belmiro.

Andrew Ruben, Morgan Stanley:

Thanks very much for the question, and my congratulations as well. I have a couple questions on inflation. You mentioned a bit of an uneven backdrop. And I am curious for some of the categories with the highest inflation. Can you walk us through how you make the pricing decisions, and at what point did the inflation affect volumes? And then also, how can these certain categories of high inflation affect your gross margin? Thank you very much.

Belmiro Gomes:

I'm sorry, I don't understand. Dani, can you answer? Or translate?

Daniela Sabbag:

In fact, he is asking how inflation affects categories.

Belmiro Gomes:

You do the translation later. As I said initially, it was very heterogeneous in the product categories. Some categories have price stability. Inflation was concentrated on agricultural products and products that have, historically, value in dollar value. Depending on the mix of categories, we even had stores that operated with 10% inflation, stores with 8% and stores that operated with 18%, depending on the mix of products sold. It is important to keep in mind that, although food inflation is high, it is not uniform across all categories.

Jessica Aragon, Charles River Capital:

Good morning, congratulations on the results. I have a very quick question about the monetary restatement line in financial income. Would you know how to comment on what it represents, and how do you see it going forward, please? Thank you.

Belmiro Gomes:

Daniela, did you manage to understand?

Daniela Sabbag:

I didn't hear it. If she can speak louder, I couldn't get it.

Jessica Aragon:

It is about the line of monetary restatement in financial income. I would like to know what they represent, and also how you see this line forward, please.

Daniela Sabbag:

We have the exchange variation related to Éxito, which is reflected here. Basically, that's it. You see that it is very insignificant. In the Q4 it has no effect on this, but it has to do with the Éxito debt. It had an impact during the year. Then I'll give you a little more details about it. It is basically the decrease in the exchange variation of the investment we made in Éxito.

Operator:

There being no further questions, the question and answer session is closed. I would like to turn the call over to the final remarks.

Christophe Hidalgo:

Thank you. Just a quick conclusion. I would like to thank everyone for their presence and, above all, congratulate Assaí's 50,000 employees for the performance we had this year, despite the circumstances we all know. Finally, I would like to say how good our prospects are for this very strategic asset, and also to convey the confidence that this whole team has in becoming the leader of this market. *cash & carry* in short time.

Once again, I thank everyone for their presence and wish everyone an excellent day.

Operator:

Assaí's results conference call is now closed. The Investor Relations department is available to answer any other questions and concerns. We thank you for your participation and have a nice day. Thank you.