Q1 2021 Earnings Call - Transcription
Assaí 1Q21 Results (ASAI3 BZ)
May 05th, 2021

Operator:

Welcome to Assaí's conference call, where 1Q21 results will be presented.

This event is being broadcasted simultaneously and can be accessed at https://ri.assai.com.br, where the respective presentation can be found. Slides' selection will be controlled by each of you. The replay of this event will be available as soon as the event is finished. We also inform that the press release is also available on the website for Investor Relations.

This event is being recorded and all participants will only listen to the teleconference during the Company's presentation. Right after, we will begin the Q&A session, when more instructions will be provided.

If you may need any assistance during the teleconference, please dial *0 to talk to one of our operators. Before we continue, we would like to clarify that any possible statements that may be made during this teleconference related to perspectives regarding the Company's business, forecasts and operational goals represent beliefs and assumptions from the board and leaders in the company, as well as available information. Any future forecasts are not guarantee for performance. They involve uncertainties risks and assumptions because they are related to future events and thus rely on circumstances that may or may not occur. Investors must comprehend that economic conditions, industry conditions and other operational factors may affect the future performance of Assaí, and could lead to results that materially differ from those expressed during these future statements.

Now, we would like to pass the floor to Miss. Gabrielle Helu, Investor Relations Officer of the Company.

Gabrielle Helu

I would like to present the speakers that are present today during this discussion. We have Belmiro Gomes, our CEO, Daniela Sabbag, our CFO, Wlamir dos Anjos, Commercial and Logistics Director, Anderson Castilho, our COO, and other Company members.
Before we begin the presentation, I'll pass the floor to Belmiro Gomes for his initial remarks. Belmiro?

Belmiro Gomes

Good morning, Gabi. Thank you everyone. I'd like to apologize for some technical issues we had in the beginning, and I hope you can hear us well.

This is the first quarter that Assaí is completely separate from GPA. It's the first event where we are disclosing our results. The fourth quarter of last year, Assaí was still a subsidiary of GPA and we had a pro forma disclosure. This is the first quarter where we actually are entirely independent. This was a very important decision, the spin-off brings in advantages not only to shareholders, but to the Company, and this first quarter is very important, and we are honored to disclose these earnings in the first quarter. We had a lot of work to structure the company. In

practical terms, both companies already operated independently, they already operated separated.
Now, with us on this presentation, as well as other members of the team, we have our Commercial Director that's been with us ever since the beginning of the Assai transformational journey, Daniela Sabbag and Gabrielle that started our presentation. The team will be available to clarify any questions and doubt.

And since this is the first quarter, we believe that the quarter was very positive for Assaí. When we think about numbers, of course, we don't want to keep reading the numbers of the presentation, but we want to comment the results of the first quarter. This was within a very challenging scenario, not only for Assaí, but for the market overall and the society, when it comes to the pandemic.

So, there was a severe factor with more negative impact than we had imagined last year. So this first quarter was very impacting for our customer base. The small businesses, small restaurants and bars were extremely impacted. The tourism sector, the schools, cafeterias were also impacted. So many different segments in the small business universe were impacted, and we really went through the first quarter, even with severe challenges.

This first quarter employed on very different restrictive measures, especially regarding the actual closure of businesses and activities that were even considered essential with the objective of really caring for the population. So, I really want to thank our team, especially the team working in the stores, as well as in our operations, our commercial logistics, administrative… they really sustained and made this effort so we could be here today.

Due to this situation, the Company is increasing investments in social aspects. Last week, we launched R$5.5 million for donations to support vulnerable areas like poor communities, in partnerships with other institutions, like CUFA, that has really been supporting us throughout 2020 and 2021 with this social work, so that the company can not only fulfill its role towards shareholders, generating sales and results, but towards the overall population as well. And we are very aware of our social role.

Moving to Slide 2, talking about growth, it's really been a growth trend extremely consistent quarter-by-quarter, Year-over-year, Assaí has been able to deliver a very high level of sales. In the first quarter, we went over R$10.4 billion in revenues, with an addition of R$1.8 billion compared to an R$8.55 billion. But of course, within this quarter, it can't really be compared to last year, because in the first quarter, we had cancellation of Carnival, we didn't have a back-to-school phase and also in the last quarter of last year, we had a Mega Supply event due to the pandemics.

And so, within this scenario, we believe that this growth of 21% is over R$ 1.8 billion in revenue, which was extremely positive, especially when we consider the origin of this revenue. From this R$ 1.8 billion, approximately R$ 1 billion comes from new stores, of the 19 stores opened throughout 2020, which performed around R$ 18 million per month in average, our organic expansion has been a major lever for Assaí’s growth. And it continues extremely strong and positive, being responsible for the increase in gross margin, once part of stores opened in 2020, where in regions that we were already present.

And even the pandemic movement, with lower promotional share and the mix between end-customers and corporate customers, is responsible for an increase in gross profit of 24%, that's even higher than the sales growth.

The expenses also went through some pressure, because we are operating with the pandemic and as we incorporate the expenses and costs after the split with GPA, costs that come from the creation of new areas, adaptation of Assaí's structure, so that it can operate as a real independent company.

This led to an EBITDA growth of 27% to R$641 million and a gross profit profit that's doubled compared to last year, reaching R$ 240 million in the first quarter of the year, which, in our perspective, is the most challenging quarter of the year.

The first quarters of any year on the calendar are always the quarters that you have the biggest impact, either by a lower purchasing power that customers have because of the accounts of the beginning of the year, and this year also in the pandemic, is the first quarter of the pandemic without emergency aid. So in our view, it's an extremely positive result, and we're going to go a little bit further into the context and the relevant facts that led to this.

Also, the Company had an extremely important deleveraging movement: it came out of a debt ratio of four times the EBITDA in 2020, to 1.93x in this first quarter of 2021.

When we look at slide 3, the growth of Assai has actually followed a constant trajectory. We are in a cycle of expansion, organic expansion, year after year. Assaí has grown 50% in the last two years. We should really have this 2-3 year vision because of the pandemic period over 2020.

So the company really keeps this strong growth trend, more than 50% growth in the last two years, more than 24% CAGR growth in the 4 years. In the last decade, Assai has grown at CAGR by more than 30%.

Again, when we look at this, we can see that it is a significant growth by the store base, especially if we consider that restaurant and the transforming public, where Assaí has a very strong participation, are closed. But what we have been observing, and what we saw during 2020, is a greater search for the wholesale segment in this first quarter of 2021 by the end-customer.

Moving forward to page 4, it's a bit repetitive to talk again about gross profit, but most of this increase in gross profit actually has an important contribution, and even a mechanical effect here, due to the increased participation of the final consumer: since we have wholesale prices, and the public requires a lower purchase activity, we mechanically generate that increase in gross profit. As well as the contributions made from the stores opened last year and a great effort made by the trading team in negotiations and actions together with suppliers in some specific product categories, a very strong discipline of our team regarding the control of shrinkage in stores.

And especially when there's some kind of price variation between the fourth quarter of last year and the first quarter of this year, the correct positioning of purchases, through stock management, has allowed us to work with a very satisfactory margin compared to the previous year.

When we think of the EBITDA we have already mentioned, I would like to pass the word to Dani our Chief Financial Officer, to comment on the net profit ratio, the level of indebtedness and the leverage of the company. And then I'll come back to talk about slide 8, in relation to the expansion plan and store opening for this year. Thank you.

Daniela Sabbag

Thank you, Belmiro. Good morning everyone.

And now we move on to slide 7. I remind you that you have the control of the presentation. So, slide 7 brings a perspective of the financial results and the level of indebtedness that Belmiro mentioned very quickly, but I want to really highlight the message that we've had a significant evolution in this quarter: negative total financial result, but in terms of sales, we have a major 60 bps reduction, so it goes from 2% on last year to 1.4% of our sales, including lease liability interest.

And without this effect of lease liabilities interest, the decrease is even greater, we have about 36% of reduction year over year. Financial result in terms of net sales went from 1.4% of sales to 0.7%, it is a significant decrease. And a debt that reflects a lower level of net debt of almost R$ 3 billion less and a lower level of CDI in the period.

Regarding the debt level, in the second part of the slide, we also have an important improvement in deleveraging, as Belmiro commented. On this aspect, if we take a look at this, considering the EBITDA pre-IFRS16 to calculate the net debt/EBITDA ratio, we had a significant evolution of +38% in the last 12 months.

While the net debt, as mentioned, fell almost R$ 3 billion with these movements, we actually have a lower net debt/EBITDA ratio, below 2x, a reduction of almost 2x the EBITDA compared to the previous year.

So, we ended the quarter with a net debt around R$ 4.7 billion and cash position of R$ 2.8 billion. I want to really point out that this is a very comfortable and healthy position for the company and very quickly we were able to deleverage the company as well. I believe that this is an extremely important indicator to be monitored.

Regarding our level of indebtedness, I would like to highlight all the work that the company has been doing since the split. We have already managed to do a job of extending our debt profile and bring lower costs of this current debt.

Already in the first quarter, we had an intense work of our new treasury team that has worked very well; you probably saw a notice that we published at the end of April, when we announced our first issuance debenture after the split of R$ 1,2 billion. So, this first debenture is to cover the commitments that we have, with maturity in this second semester, so we are very well-positioned to be able to face those salaries. And we are also preparing, as I said here, to further lengthen the debt profile and bring more attractive costs to improve the cost of our debts.

So basically, this is what I wanted to highlight. I go back to the word again for Belmiro, so he continues the slides of the presentation.

Belmiro Gomes

Thank you, Dani.

I hope you can hear me better. I'm so sorry we did all the tests, but some technical issues still came around, but we hope the sound level is a little bit better now.

About 2021, when you look at slide 8. I think one of the main Assai's trajectory characteristics has really been organic expansion and we will continue to strongly fulfill this purpose. Normally, Assaí, by strategy, concentrates the opening of stores in the third and fourth quarters of the year, and, in our vision, 2021 follows the same strategy. At the moment, we have 18 stores under construction, those 18 stores and a few more that will start in the coming months is what will take us to 2021 to have this very strong growth rate.

I believe that we are having some technical problems with the audio… I'm going to turn off the video to see if I can improve a little the sound quality here of the transmission.

Moving on to slide 9.
Assaí was already a publicly held company because it is a subsidiary of the GPA, and within that movement, we now follow strongly ESG topics; We are one of the few large companies in Brazil that has achieved the rate of people with disabilities required, a very strong work when it comes to promote diversity, and also perform environmental management work, 89% of the energy we consume already comes from clean and renewable sources, and we will donate this year R$ 5.5 million to fulfill its social role as well.

So this is what we had to present. And I'd like to go back to Gabi, and then we can start with our Q&A session.

Gabrielle Helu

Thank you, Belmiro. Let's start our Q&A session.

Operator

Now we're going to start the Q&A session. We kindly ask you to make all questions at once. To ask questions, please press *1.
Our first question comes from Robert Ford, from Bank of America.

Robert, you may continue.

Robert Ford, Bank of America

Good morning, everyone and congratulations for your results.
Belmiro what is the level of increase in sales you expect with the return of transformers and users to your stores? And how are you planning on keeping the largest number of end-customers in your business? And is there also some non-recurring expenses associated with the split from GPA? And how much did the health protocols against COVID contribute to expenses in the quarter? And finally, your payables in relation to inventory decreased this quarter, why is that? And what should we consider about working capital in the future? Thank you very much.

Belmiro Gomes

There should be an increase with the return of the transformer customer. Obviously we can't predict the correct date for this return, but we, as citizens, hope that this moment will pass as soon as possible with vaccination. We hope to capture something about 8% to 10% when it comes to volumes with the return of all transforming customers, not only the most obvious, like restaurants, but we expect something very strong when we think of bars, clubs and nightclubs, festivities as well as schools and other sectors that for now are on pause.

All of this after the pandemic, as it decreases and begins to be solved, we should, of course, have an impact on our sales. Regarding end-customers, we are really focused on keeping them. What we saw in other times of crisis, not only in Brazil, if you remember 2008, when we had the real estate crisis in the US, for example, was when we had the biggest growth for Costco, about 18 percent growth, and then they kept growing.

So usually when consumers come to this format, hardly they cease to continue to supply themselves within this format, so in our view there may be a loss perhaps for this consumer at some moments of purchase, but he might keep buying in the C&C.

In the quarter it still has, obviously, health protocols, expenses related to COVID, not only that, but I think one of the biggest impacts we've had in this first quarter is the amount of restrictions that the authorities have placed on us. So, for example, we had to operate stores for only 6, 7, 8 hours, with a concentration on the smaller staff at that time, we had this year cities that closed supermarkets entirely due to the gravity of COVID.

So we had about 0.2% of expenses of COVID, and they did, and it's impossible to quantify that now when it comes to sales, whereas of the 184 stores that we started the year with, we've got almost 100 stores affected by some kind of restriction, whether in terms of number of people, whether in opening hours, in general every store was impacted, not necessarily at the same moments.

I hope I've answered all your questions.

Robert Ford, Bank of America

Yes, Belmiro. We're just missing one question here. What about the accounts payable? Regarding inventories, they have decreased… Why is that? And how should we think about the working capital in the future?

Belmiro Gomes

Working capital continues to be positive in this business model, because we have the inventories rotation in a lower term than the terms obtained with suppliers. Last year base is not very comparable, since in the first quarter of 2020, we had the 15 days of mega supply, which made the stock of the first quarter left the normal axis. So if this is the comparison, then last year's comparison base was damaged, we reduced the stock and had a lot of supply portfolio.

When you look at the comparison from 2020 vs 2021, you get the impression of maybe losing a little in number of days, but if you do the comparison suppliers versus stock, then I don't know if it was a comparison you made…

Robert Ford, Bank of America

Yes, very clear. Thank you very much, Belmiro, and once again, congratulations.

Belmiro Gomes

Thank you.

Operator

Our next question comes from Danniela Eiger from XP Investments.

Danniela Eiger, XP Investimentos

Good morning, Belmiro. Thank you for taking my question, and congratulations on the result.
I have three questions.

First, about the perspective of the year, if you could share a little bit of how was the performance in April, if you have any kind of feeling about any kind of trend versus the first trimester?

And thinking about the return of bars and trade of transformers… We imagine seeing the C&C segment as the main beneficiary of this moment, thinking on the food sector retail, besides, as you mentioned this point of the final consumer, we will probably be in a moment when we have a difficult income situation, where consumers are actually going to continue in search of a better cost-benefit. So we believe that this channel would probably be the most resilient and benefiting from this moment, even with the resumption of normality and then, of course, people going back to consuming and spending a little bit more outside their homes. We want to understand if that this is in line with your expectations for the year.

And I'd like to have two updates. The first concerning the digital strategy initiatives that you mentioned in the last quarter call, that you were reviewing the strategy and that you could announce some news. Do we have some progress? And about entering the wholesale distribution if you have any news. Thank you.

Belmiro Gomes

Thank you, Danniela.

Yes, when you look at Nielsen's numbers, we gain, for example, within our format, participation in both same stores and the total view. When you consider the C&C channel, it grew more than other channels in the first quarter in 2021. Now in April, of course I can't disclose the figures, but this trend has really accentuated. So, what is the expectation? We should see a scenario, not only in this period of pandemic crisis, but also in other times of economic crisis, the format is usually very capable of winning customers in moments when there is greater economic pressure and to keep these customers. Even with the research we do with people who are visiting store for the first time, we really notice a balance of value proposition and with a very efficient spread of selections and consumer choices. So even with bars and restaurants coming back, we consider that a lot of the clients will stay within the format; we have worked on it, has even prepared the store structures for it in the post-pandemic scenario, in our view this movement must continue like this.

And now in relation to other initiatives, we do have a few projects ongoing, and we should have some clearer view on that now in the second quarter, but it's not yet the time to talk about it, but, of course, there's news.

We only made our perspective clear, especially regarding e-commerce when we were with GPA, this was already being discussed by the company as a whole, so there is no less difference you operate in the e-commerce of food, in different formats, for example, what was Assaí, Extra, Pão de Açúcar, form what it is now. So yes, there are some initiatives that Assai must now follow, but of course we need some more time before we can clear that up. But of course, we're going to have some very interesting things.

Danniela Eiger, XP Investimentos

Great. And then finally about distribution wholesale. Is that still being analyzed to receive news a little more up ahead, right? Ok. Thank you.

Operator

Our next question comes from Helena Villares, Itaú.

Helena Villares, Itaú

Good morning, thank you so much for taking my question. Itaú's question is actually about the second quarter, what you can give color on it, as we already entered the quarter, is very interesting… we have received many questions from investors about the first quarter that has full positive impact there in 2020 in relation to the pandemic. So, if you could just give us some color would be helpful.

And regarding this point, with a scenario going back to normal, how do you look at competitive environment? Do you think it might deteriorate? Or will you need more aggressive pricing or some kind of more aggressive consumer stimulus? Or do you feel that this is going to achieve some kind of normality similar to what we are currently? Thank you.

Belmiro Gomes

Regarding the second quarter, obviously, we have a limit of what we can talk about it. But the first quarter, which is the quarter where we had the pandemic, without emergency aid, without carnival, in our view, the first quarter was the most challenging of the year. So when we look at it sequentially we imagine having a second quarter stronger than the first quarter.

Of course, in some product categories the basis of comparison vs last year suffers impacts, mainly by base effects, either due to 2020, for example the first quarter of 2020 vs the second quarter, in the first 15 days of the mega supply in last year's pandemic, many people saw the example of toilet paper, and other cleaning products that customers bought and only bought again in August for example, many people made a mega stock inside their homes.

This year, for example, we won't have an impact on the beverage line, because we didn't have carnival, but on the other hand in cleaning products no one is buying the same amount they bought last year, and this year we will not have that same movement. What am I trying to say? That we have, however small, the return of emergency aid, which, in our view, will be destined more to food products.

So, within the limits of what we can talk about regarding the second quarter, in a sequential view, the second quarter should present a better trend than this first quarter. And when you compare it against last year, you shouldn't have much variation in our perspective, which is so significant once you have offenders in the second quarter. But also there are positive points, especially in some of these categories that I mentioned didn't exist last year. I think the balance of that is either positive or neutral, when you compare this to the second quarter of 2020. Of course, I'm talking about the same store base, because when you have the expansion, you always have the base contribution that continues from the stores that were opened last year.

Helena Villares, Itaú

What about the competitive environment?

Belmiro Gomes

Well, as far as the competitive environment is concerned, we don't notice any kind of aggressiveness. We can remember that even in the second or third quarter in the pandemic period, all companies were not able to hold big offers, big events, promotions. There may be a big drop, a flattening of prices, but we don't see that possibility either. Because when you look at products, even though there is no shortage of products in our industry, there is still pressure.

If you look at the trade balance in April, we've seen that the amount of what we exported is a record, and there's still a lot of protein exports, soybeans and agricultural products, which when you look, You say, "Well, is someone going to try to knock down too much price for the market and take the risk of shortage?" We don't see that it's possible. Perhaps it has, in the market in general, errors in administrating these prices in relation to inflation, categories that have gone up a lot in prices, other categories that then went down, categories that in the end have an exchange rate impact, as the inputs that are in dollar.

Helena Villares, Itaú

Thank you very much.

Operator

Next question comes from Guilherme Assis, Banco Safra.

Guilherme Assis, Banco Safra

Hi, good morning, everyone. Good morning Belmiro, Dani, Gabrielle. Thanks for picking up my question.

Actually, I have two questions. On this topic of competition and market share, we have seen that the hypermarket channel, it has come with initiatives to reduce prices and equate to the C&C. The question is, if you have noticed any change in the growth trend of market share of the C&C channel, back to hypermarket with this new positioning; Extra itself, for example, from GPA is with this new positioning, I think they are rolling out this new pricing policy, and I wanted to know, if you have any sense in the gain of Market Share that you measure some change or some slowdown of the gain of Market Share from you and the C&C within the food retail. So that was the first question.

The second question I have is in relation to the initiatives you are mentioning, about testing new types of services in their stores. I think in the last call you mentioned about the butcher service. So, Belmiro, if you can talk a little bit about how you've seen the results of these initiatives, if this has helped bring flow to stores, I know it's a quarter affected by many pandemic effects, the lack of carnival, but if you already have any idea of what you have seen of result and if there are plans to carry out an implementation for a larger store base? Those are the two questions I have.

Belmiro Gomes

Thank you, Guilherme. About the first question regarding the hypermarket, obviously there is a movement in the market as a whole, of course, all competitors, regardless of format, will seek a strategy or even communication terms for initiatives, having more promotional moments, because wholesale prices are associated with low price. Decrease prices is very simple, but you need to have wholesale costs to be able to compete in wholesale prices.

So when we talk about the market share gain we had in the first quarter, it is both on same stores and total basis. We haven't set the exact numbers yet because Nielsen asked for a reprocessing time, it has confirmed the gains, but we still need to get the numbers right.

But when you look at the operations of the channels, I think if you ever look at Nielsen, unless I'm mistaken, I think in the first quarter, the C&C as a whole grew by about 18%, the entire format, and the hypermarket by about 2.8%. The hypermarket has other product categories, a mix, and apparently what we're seeing is a strategy that should also make customers loyal, but

I think in terms of taking market share back from the C&C, there's no way we see anything like that, there's Nielsen's numbers so we can say it.

And regarding services, as you said yourself, it's still the first quarter with many components. The project is still pilot, these conditions are specific to some store groups in some regions. There are regions that have good offer, for example, of butcher shop, you have good offer of other types of products, but have our stores that are in regions further afield, as well as players, for example, who have shops in very isolated areas, where it often manages to have a sales function that in big cities is not possible.

So this is a project that has gone well, the numbers are very encouraging, but the great difference is the definition of regions, store and market profiles, which this project would adhere to or not. And we are in pilot project, the first numbers are very positive, but we will wait another period to be able to provide more details.

Guilherme Assis, Banco Safra

OK, thank you. That's clear.

Operator

Our next question comes from Joseph Giordano, from JP Morgan.

Joseph Giordano, JP Morgan

Hello, good morning all. Good morning, Dani, Belmiro. Congratulations for the very strong results.

I wanted to explore with you two points here. One, what you've commented on which concerns prices and exports, and I wanted to understand this: with this high exposure to food, as you are seeing the evolution of prices within the domestic market, even to try to understand what would be the favorable events by the end of the year, besides the B2B coming back, the food inflation as well?

And the second point is about expansion: we continue to see the company opening new stores and I wanted to understand when we look at the next two - three years, how you are prospecting and hiring points of sale to support this expansion of 25 to 30 stores a year. And if, based on that, we might think about buying a small C&C group, with two or three C&C, if that's getting on your radar today… Thank you.

Belmiro Gomes

Obviously, 2020 and 2021, you have a great difficulty with the forecast scenario. For example, last year we saw inflation booming, especially in the third quarter and a peak in the fourth quarter, there was some doubt at the end of last year as to whether this year of 2021 might have a deflation, but that is not what it looks like now. We believe that the products that were most impacted were commodities: they hit their peak in the fourth quarter, they went up more than they should, and then they stabilized; it's not that it dropped from last year in the first quarter, but it is smaller, more than the commodities mainly of the fourth quarter of 2020.

I don't know if that was the question, but in terms of price, we're going to see an inflation rate going down quarter by quarter. As prices remain stable as they are today, you should have a natural fall curve over the third quarter and over the fourth quarter of last year.

And in terms of expansion, right now we have 18 to 19 works in progress, usually we concentrate the inaugurations in the third and fourth quarter of the year, because in our view are more favorable moments and have a stronger economic activity, and in this year I think it will be even more vital, because in this period, we will have a good concentration of openings, and there's a chance that maybe we're at the end of this pandemic.

Today, we have 78 projects that are the opening throughout 2021, 2022 and 2023. Of course, there is a period of approval with public institutions, some projects are approved in a year, there are cities that sometimes take 2 or 3 years to approve a project, but what is our biggest criteria, Joseph, is the quality of the point, the quality of the expansion. Just look at the first quarter of this year vs last year: if you take the delta of the same stores without the adjustment of the calendar effect, you will see that has R$ 1 billion in contribution, divided by 19 stores, this gives R$ 18 million average sales for each store per month, and that's a very positive number. And the points we have at the moment to be opened in 2021 should be stronger than the park of 2020.

You have followed our trajectory, expansion and performance. And regarding M&A, we have recently created an M&A area within the strategic planning team, as well as other post-spin-off divisions, to be able to keep up with the market, but the goal and our focus is organic expansion. But if any opportunity arises, some business appears in the middle of the way, that can be justified either by positioning or by the return of capital employed, obviously the Company will look will evaluate and will make the best decision that is best for its shareholders. What has been advantageous in organic expansion? You have a much stronger return on capital, you have more control over cash outflows, over investments, over this expansion, and the opening schedule of stores.

Joseph Giordano, JP Morgan

Thank you very much.

Operator

Our next question is from João Soares from Citibank.

João Soares, Citibank

Good morning, everyone. I have two quick questions here.

The first is about gross margin. We also see the gross margin expanding, much effect of store maturation and also the share of B2C. I want to understand from you how you see this evolution of gross margin as B2B resumes its activity and normalizes. If today you can see, perhaps this gross margin sustaining itself still coming from store maturation anyway, what is the vision of this line?

And the second point, talking about balance sheet, we saw naturally a very significant reduction of financial expenses, very related to the cost of debt. So, I want to hear from you two points. First, what is the ideal leverage level today for the Company to operate? Is there still a possibility of further reducing financial expenditure? These are the points, thank you.

Belmiro Gomes

Thank you, João.

About the gross margin, what we should see from now on, like we signaled at the end of 2020, a stability of margins vs 2020, since, as the B2B comes back, of course, even by the prices we sell, by working with differentiated price, must have a natural turn, but there is by mechanical effect, mix effect, return the levels of margin stability that we presented last year; that's why the focus of this year is a growth rate in the levels you have been following, and a gross margin stability, and a net margin stability in relation to 2020.

Obviously that depending on market trends and the opportunity to capture, we can have positive effects. So this year, in the first quarter, what made the gross margin rise was the fact that the store opening park in 2019 and 2020, they accelerated a lot in relation to their maturation curves, because every year we have a number of stores maturing in relation to the previous year, because the expansion process, it is a continuous expansion process, thanks to this good performance this rapid maturation, was what allowed this best gross margin within that first quarter. So looking at the coming quarters, we should expect a larger margin than the previous year. About debt, I think Dani could answer.

Daniela Sabbag

Yes, I will answer.

Talking about leverage, we had, as pointed out during the presentation, a very important reduction, João, and we will continue to deleverage the Company. As you know, we have a very relevant cash generation, which has helped us in this process, and this generation of cash has been enough to deleverage the Company face all the investments that we have and all this Capex that Belmiro mentioned with the new stores.

So when we project forward our leverage, and sharing with you, we are already thinking in 2023, to reach a quite comfortable level of less than 1x EBITDA.

Talking about the cost of the debt, you also asked about the financial result, obviously it is extremely important this work that we are doing to lengthen the debt maturity, we are also exchanging for cheaper debts, this was the first issue, but we will continue working on this agenda for the second half. We also have debts due to next year, so we're starting to work on that. And it reduces the level a lot, because we have a debt, just so you know, CDI + 1.85%-1.90%, we're already changed it to a level of 1.70% the first series and 1.95% the second series.

So there is significant relevance, because we will have less pressure on the financial result if CDI increases, and that financial result, apart from the interest on the lease liability, we must have a level of around 1% of the net sale, it is quite reasonable to assume, so this is the context that we see ahead.

João Soares, Citibank

Thank you, Dani. Thank you very much Belmiro as well.

Operator

The next question comes from Irma Sgarz, Goldman Sachs.

Irma Sgarz, Goldman Sachs

Well, good morning and thank you.

I have one question about the same store in the first quarter, if you had to break in volume compared to price, how would that breakdown be? Was there growth in volume? And how do you see this dynamic forward? Thank you.

Belmiro Gomes

Thanks for the question, obviously as they are the same stores, the LFL, in our case, we separate what is B2B from what is B2C. Obviously, if you have B2B that are closed, customers aren't buying, you're not selling that volume that you would normally sell. End-customers show a volume gain.

But when you look at the whole, obviously, separating, you have a gain today with the volume gain in the end, at the resellers, but obviously that the transformers or others who are with their activities stopped and customer not buying, you have no way to have progression. The volume increase of the final consumer it almost makes up for this total loss between B2B, but in the same stores, when you put all of them at balance, you have a volume drop compared to last year, simply by the effects of the closures of these businesses.

Irma Sgarz, Goldman Sachs

Thank you very much, that's clear.

Operator

Our next question comes from the English room. It's from Andrew Ruben, from Morgan Stanley.

Andrew Ruben, Morgan Stanley

Hi. Thank you.
Just a quick follow-up on the new stores. How should we think about the split of openings between existing and new markets for 2021? And for new markets is there a different sales or margin maturity curve to consider? Thank you very much.

Belmiro Gomes

Thank you, Andrew.

Regarding the 2021 expansion, we have planned openings in 16 states of Brazil, there is only one state that is a new state, which should be inaugurated in the third or fourth quarter of this year. Since the other stores are already in states where Assaí is already present, so as much as they are new stores, when you are already with the brand, with our team that already has marketing positioning, buying structure, has a smaller impact on our vision. The expansion to be made now in 2021, 2022 and 2023 does not have large new entrances into new markets, to be honest.

That is why we imagine this stability of margin or perhaps something little bit more. The maximum we have is a new state for the next year of 2022, I cannot of course mention what that state is, and nor give a confirmation of it obviously full, but a majority of entry into new states, Assai has passed in the last 5 years. It is worth remembering that in the last ten years, we left a single state of Brazil to 23 states. So most of the biggest investments and brand positioning have already been made.

Operator

The Q&A session is closed. Now we would like to pass on the word once again to the company for the final remarks.

Belmiro Gomes

Well, we'd like to thank everyone who heard. Again, we're sorry and we apologize for the technical problems that have slightly impaired the quality of the transmission of the information.

But the numbers were extremely positive in the first quarter. Assaí has a growth rate, a predictability, has a team with a lot of experience in our sector and is committed to continue this movement.

We have a very strong expansion cycle, now throughout 2021, 2022, 2023, as well as our role within the Brazilian market, with R$1.5 billion, R$1.6 billion in investments. When we say this, in a scenario with lower economic activity, this also contributes to the country, not only with the generation of sales, but this year we should have more than 10,000 new jobs generated. Today we are the 10^{th} largest private employer in Brazil, and, with these new hirings, Assaí probably becomes the 8^{th} largest employer in Brazil, contributing to job creation, contributing to society, in addition to other roles of social responsibility.

And within the challenges ahead, I would like very much to thank you all for the work and effort placed in all areas, so that even in a period of pandemic, with all the doubts, with all the uncertainties, we can deliver something extremely positive, and continue in the maintenance of this growth trajectory.

I thank everyone who heard, if they heard our teleconferencing of results, as well as the other members of the team who accompanied us. And once again, we very much regret the technical problems.

Thank you.

Operator

Assaí's results conference call is closed.
The IR Department is available to answer the other questions you might have.
Thank you very much for your participation and have a good day.