

## Assaí Atacadista

# EPS miss, decelerating sales, higher interest expense, higher leverage

Reiterate Rating: NEUTRAL | PO: 20.00 BRL | Price: 11.48 BRL

## EPS miss, decelerating sales, interest expenses, leverage

Assaí reported EPS of BRL0.05, 49.0% below a BRL0.10 consensus. Same-store sales (SSS) grew 7.2% y/y, decelerating sequentially as food inflation fell from an average of 13.1% in 4Q22 to 10.0% in 1Q23, and the 59 new units opened in the last 12 months added 24.7ppt to growth. Total sales grew 31.9%. Gross margin expanded 10bp y/y to 16.1%, and Adjusted EBITDA grew 26.5% as margin narrowed 30bp on higher pre-operating expenses and store maturation. Net financial expenses more than doubled on higher debt and funding costs. Net income fell 66.4% to BRL72mn (-91.7% to BRL12mn ex-capitalized interest). Net debt (including GPA payables) increased BRL2.3bn q/q to BRL12.1bn (4.1x EBITDA ex-IFRS 16 vs 3.4x in 4Q22 and in 1Q22).

## Decelerating inflation, competition

Food inflation appears to be slowing far more rapidly than expected (Exhibit 4), dropping over 5ppt q/q and now projected to fall below 3% by year-end. Simultaneously, below-plan openings are also suggestive of both competition and self-cannibalization, as are decisions to slow remaining Extra conversions. Decelerating price velocity also raises risk of channel inventory reductions and more aggressive industry pricing, in our view. As a result, operating catalysts could prove elusive over the coming months.

## Valuation and interest rate cuts

While we see some federal tax risk to Assaí's state incentives and an overhang in anticipation of the sale of Casino's remaining 11.7% stake, prevailing valuations appear to price in extensive pressure. Decelerating inflation could also trigger central bank rate cuts. Bank of America economist, David Beker also forecasts 200bps of rate cuts by year end, potentially supportive of more leveraged operators, like Assaí. We reaffirm our Neutral rating on the shares.

Estimates(Dec) (BRL)	2021A	2022A	2023E	2024E	2025E
EPS	1.20	0.91	0.90	1.33	1.92
EPS Change (YoY)	69.0%	-24.2%	-1.1%	47.8%	44.4%
DPS	0.10	0.13	0.27	0.23	0.35
ADR EPS (US\$)	1.11	0.88	0.90	1.32	1.91
ADR DPS (US\$)	0.10	0.12	0.27	0.23	0.35
Valuation (Dec)					
P/E	9.6x	12.6x	12.8x	8.6x	6.0x
Dividend Yield	0.9%	1.1%	2.3%	2.0%	3.1%
EV / EBITDA*	11.2x	9.5x	7.2x	5.7x	5.0x
Free Cash Flow Yield*	-3.1%	-0.6%	-12.4%	13.8%	14.9%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 7.

05 May 2023

## Equity

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## Stock Data

Price (Common / ADR)	11.48 BRL / 11.51 USD
Price Objective	20.00 BRL / 19.50 USD
Date Established	26-Apr-2023 / 26-Apr-2023
Investment Opinion	C-2-7 / C-2-7
52-Week Range	10.93 BRL - 21.36 BRL
Market Value (mn)	15,488 BRL
Average Daily Value	49.52 BRL
Shares Outstanding (mn)	1,349.2 / 269.8
BoFA Ticker / Exchange	XFCXF / SAO
BoFA Ticker / Exchange	ASAI / NYS
Bloomberg / Reuters	ASAI3 BZ / ASAI3.SA
ROE (2023E)	28.0%
Net Dbt to Eqty (Dec-2022A)	458.8%

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**Refer to important disclosures on page 8 to 11. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.**

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Timestamp: 05 May 2023 02:52AM EDT

# iQprofile<sup>SM</sup> Assaí Atacadista

## iQmethod<sup>SM</sup> – Bus Performance\*

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	17.9%	13.7%	12.9%	13.8%	14.6%
Return on Equity	78.3%	36.6%	28.0%	32.9%	35.7%
Operating Margin	6.2%	5.2%	5.0%	5.1%	5.4%
Free Cash Flow	(483)	(97)	(1,925)	2,138	2,305

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.1x	2.8x	1.6x	2.4x	1.8x
Asset Replacement Ratio	3.3x	3.5x	2.7x	1.2x	1.2x
Tax Rate	12.9%	8.6%	3.9%	14.4%	20.3%
Net Debt-to-Equity Ratio	335.9%	458.8%	438.7%	314.2%	220.4%
Interest Cover	2.8x	1.5x	1.3x	1.6x	2.2x

## Income Statement Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Sales	41,898	54,520	73,011	87,220	97,959
% Change	16.6%	30.1%	33.9%	19.5%	12.3%
Gross Profit	7,145	8,963	11,994	14,502	16,386
% Change	20.9%	25.4%	33.8%	20.9%	13.0%
EBITDA	3,265	3,840	5,066	6,354	7,321
% Change	32.7%	17.6%	31.9%	25.4%	15.2%
Net Interest & Other Income	(730)	(1,515)	(2,417)	(2,366)	(2,030)
<b>Net Income (Adjusted)</b>	<b>1,610</b>	<b>1,220</b>	<b>1,208</b>	<b>1,798</b>	<b>2,594</b>
<b>% Change</b>	<b>68.2%</b>	<b>-24.2%</b>	<b>-1.0%</b>	<b>48.9%</b>	<b>44.3%</b>

## Free Cash Flow Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	1,610	1,220	1,208	1,798	2,594
Depreciation & Amortization	686	990	1,393	1,800	1,939
Change in Working Capital	(411)	445	(286)	1,293	719
Deferred Taxation Charge	(127)	40	(18)	39	61
Other Adjustments, Net	46	713	(422)	(626)	(734)
Capital Expenditure	(2,287)	(3,505)	(3,800)	(2,166)	(2,274)
<b>Free Cash Flow</b>	<b>-483</b>	<b>-97</b>	<b>-1,925</b>	<b>2,138</b>	<b>2,305</b>
<b>% Change</b>	<b>-373.9%</b>	<b>79.9%</b>	<b>NM</b>	<b>NM</b>	<b>7.8%</b>

## Balance Sheet Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	2,550	5,842	3,867	4,462	4,794
Trade Receivables	265	570	733	876	984
Other Current Assets	5,957	7,767	9,697	10,957	12,164
Property, Plant & Equipment	10,320	19,183	21,746	23,044	24,460
Other Non-Current Assets	3,762	7,256	8,152	8,445	8,743
<b>Total Assets</b>	<b>22,854</b>	<b>40,618</b>	<b>44,196</b>	<b>47,783</b>	<b>51,143</b>
Short-Term Debt	613	3,622	0	2,479	3,211
Other Current Liabilities	8,031	12,794	14,635	17,361	19,428
Long-Term Debt	11,227	20,096	24,636	21,500	19,901
Other Non-Current Liabilities	217	210	192	231	293
<b>Total Liabilities</b>	<b>20,088</b>	<b>36,722</b>	<b>39,462</b>	<b>41,572</b>	<b>42,832</b>
<b>Total Equity</b>	<b>2,766</b>	<b>3,896</b>	<b>4,734</b>	<b>6,212</b>	<b>8,311</b>
<b>Total Equity &amp; Liabilities</b>	<b>22,854</b>	<b>40,618</b>	<b>44,196</b>	<b>47,783</b>	<b>51,143</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 7.

## Company Sector

Supermarkets/Food Retailers

## Company Description

Assaí is Brazil's second-largest food retailer, focused on the fast-growing cash-and-carry segment. The company operates warehouse stores catering to individuals, small businesses, and the food service industry, including hotels, restaurants and cafés. In March 2021, GPA spun off its cash-and-carry business, listing Assaí (under the corporate name Sendas Distribuidora) on the Novo Mercado segment of Brazil's B3 and the New York Stock Exchange. Effectively controlled by Groupe Casino.

## Investment Rationale

Assaí is a fast-growing and high-return warehouse store operator. Its disruptive value propositions, combined with the fragmentation of the Brazilian food retail and food-service segments, appear capable of sustaining longer term growth. Slower food inflation, industry space growth and elevated interest rates are headwinds. Deleveraging should contribute to longer term earnings growth.

## Stock Data

Average Daily Volume	21,648,970
Shares / ADR	5.00

**Exhibit 1: ASAI summary income statement**

Adj. EPS decrease of 91.7%; BRL, mn

	1Q22	1Q23	Δ	BofA	Δ	Cons	Δ
Total Stores	216	266	23.1%	266	0.0%	272	-2.3%
<b>SSS</b>	<b>6.7%</b>	<b>7.2%</b>		<b>8.0%</b>		<b>6.5%</b>	
<b>Net Revenue</b>	<b>11,443</b>	<b>15,096</b>	<b>31.9%</b>	<b>15,304</b>	<b>-1.4%</b>	<b>15,833</b>	<b>-4.7%</b>
Gross Profit	1,826	2,428	33.0%	2,442	-0.6%	2,525	-3.8%
EBITDA	744	955	28.4%	938	1.8%	1,007	-5.2%
<b>Adj. EBITDA*</b>	<b>752</b>	<b>951</b>	<b>26.5%</b>	<b>953</b>	<b>-0.2%</b>	<b>1,019</b>	<b>-6.7%</b>
Operating Profit	525	619	17.9%	632	-2.1%	685	-9.6%
Pre-Tax Income	223	-11	NMF	68	NMF	114	NMF
<b>Net Income</b>	<b>214</b>	<b>72</b>	<b>-66.4%</b>	<b>132</b>	<b>-45.4%</b>	<b>141</b>	<b>-49.0%</b>
<b>Net Income (ex-capitalized interest)**</b>	<b>143</b>	<b>12</b>	<b>-91.7%</b>	<b>33</b>	<b>-63.6%</b>		
<b>EPS</b>	<b>0.16</b>	<b>0.05</b>	<b>-66.4%</b>	<b>0.10</b>	<b>-45.4%</b>	<b>0.10</b>	<b>-49.0%</b>
<b>Adj. EPS</b>	<b>0.11</b>	<b>0.01</b>	<b>-91.7%</b>	<b>0.02</b>	<b>-63.6%</b>		
Gross Margin	16.0%	16.1%	13 bps	16.0%	13 bps	15.9%	14 bps
Adj. Expense Ratio	9.4%	9.8%	40 bps	9.7%	6 bps	9.5%	27 bps
Adj. EBITDA Margin	6.6%	6.3%	-27 bps	6.2%	7 bps	6.4%	-14 bps
EBITDA Margin	6.5%	6.3%	-18 bps	6.1%	20 bps	6.4%	-4 bps
Operating Margin	4.6%	4.1%	-49 bps	4.1%	-3 bps	4.3%	-22 bps
Net Margin	1.9%	0.5%	-139 bps	0.9%	-38 bps	0.9%	-42 bps
Adj. Net Margin	1.3%	0.1%	-117 bps	0.2%	-14 bps	0.0%	8 bps

\*Adjusted by other financial revenues/expenses and inflation adjustment (BRL68mn in 1Q23 and BRL39mn in 1Q22)

\*\*Excludes the benefit of capitalized interest, net of taxes (BRL60mn in 1Q23 and BRL71mn in 1Q22)

Source: Company filings, Visible Alpha, BofA Global Research

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**Exhibit 2: ASAI Consolidated Income Statement**

31.9% growth in Net revenues and -66.4% in Net income; BRL mn

	1Q22	1Q23	% Chg
<b>Net revenues</b>	<b>11,443</b>	<b>15,096</b>	<b>31.9%</b>
Cost of revenues	(9,617)	(12,668)	31.7%
<b>Gross profit</b>	<b>1,826</b>	<b>2,428</b>	<b>33.0%</b>
Gross margin (%)	16.0%	16.1%	13 bps
Selling expenses	(929)	(1,306)	40.6%
% of revenue	-8.1%	-8.7%	-53 bps
General & Administrative expenses	(168)	(206)	22.6%
% of revenue	-1.5%	-1.4%	10 bps
Other operating income (expenses)	(212)	(309)	45.8%
% of revenue	-1.9%	-2.0%	-19 bps
Equity income	8	12	50.0%
% of revenue	0.1%	0.1%	1 bps
<b>Total operating expenses</b>	<b>(1,301)</b>	<b>(1,809)</b>	<b>39.0%</b>
% of revenue	-11.4%	-12.0%	-61 bps
<b>Operating income</b>	<b>525</b>	<b>619</b>	<b>17.9%</b>
Operating margin (%)	4.6%	4.1%	-49 bps
<b>Net financial income (expense)</b>	<b>(302)</b>	<b>(630)</b>	<b>108.6%</b>
<b>Pre-tax income</b>	<b>223</b>	<b>(11)</b>	<b>NMF</b>
Income tax	(9)	83	NMF
Effective tax rate (%)	4.0%	754.5%	75051 bps
<b>Net income</b>	<b>214</b>	<b>72</b>	<b>-66.4%</b>
Net margin	1.9%	0.5%	-139 bps

Source: Company filings, BofA Global Research

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**Exhibit 3: Net debt including the payables from the GPA transaction increased sequentially**

Net debt including payables from the GPA transaction  
, BRL mn

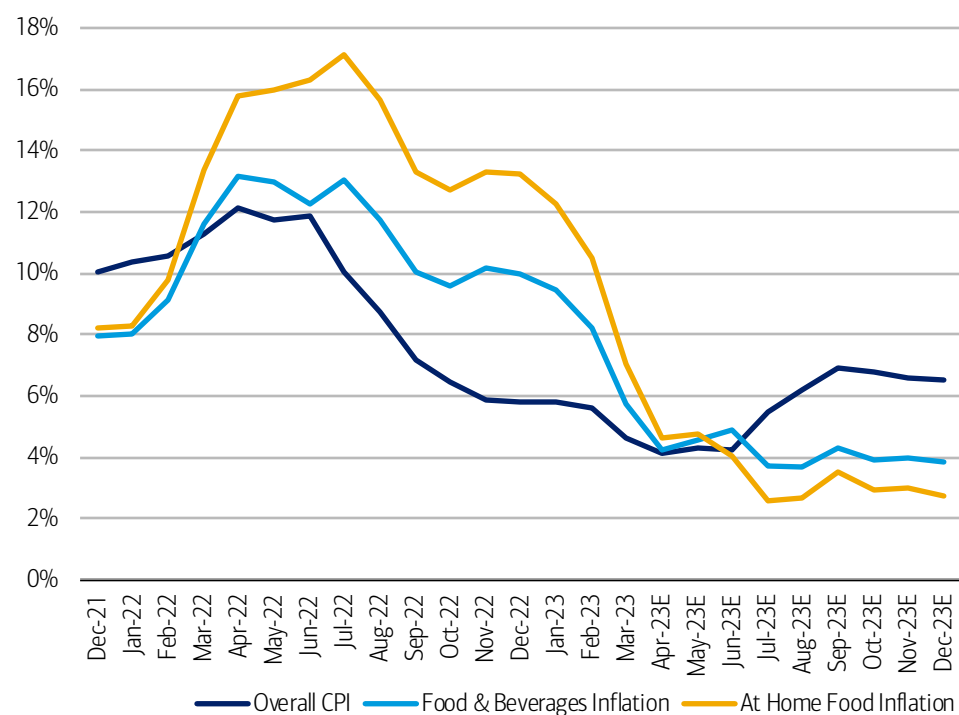
	1Q22	4Q22	1Q23	% y/y
Short Term Debt	302	1,260	822	172.2%
Long Term Debt	10,697	11,331	12,882	20.4%
Derivatives	(83)	(182)	(228)	174.7%
<b>Total Gross Debt</b>	<b>10,916</b>	<b>12,409</b>	<b>13,476</b>	<b>23.5%</b>
(+) GPA transaction payables	3,108	3,202	<b>2,739</b>	-11.9%
<b>Gross Debt including GPA payables</b>	<b>14,024</b>	<b>15,611</b>	<b>16,215</b>	<b>15.6%</b>
(-) Cash and Financial Investments	(4,389)	(5,842)	(4,134)	-5.8%
<b>Net debt including GPA payables (i)</b>	<b>9,635</b>	<b>9,769</b>	<b>12,081</b>	<b>25.4%</b>
EBITDA ex-IFRS 16 LTM (ii)	2,863	2,868	2,925	2.2%
<b>Net Debt / EBITDA (i/ii)</b>	<b>3.4x</b>	<b>3.4x</b>	<b>4.1x</b>	<b>+0.8x</b>

Source: Company filings, BofA Global Research

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**Exhibit 4: At-home food inflation is now near 7%, potential further decline a headwind for sales and margins**

IPCA: Overall CPI vs Food inflation, % Chg. y/y

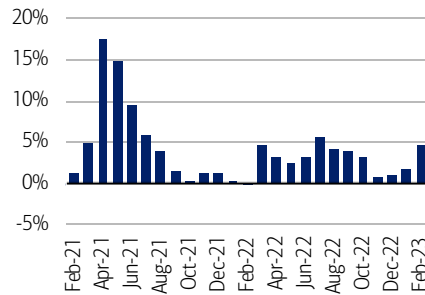


Source: IBGE, MCM, BofA Global Research

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# Brazil macroeconomic indicators

**Exhibit 5: Economic activity accelerating**  
IBC-BR, % chg y/y

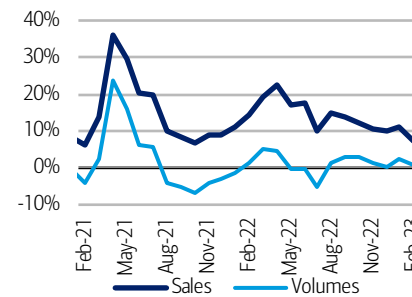


Source: Banco Central do Brasil

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**Exhibit 6: Retail sales entirely driven by inflation**

Nominal retail sales and volumes ex. auto and construction, % chg y/y

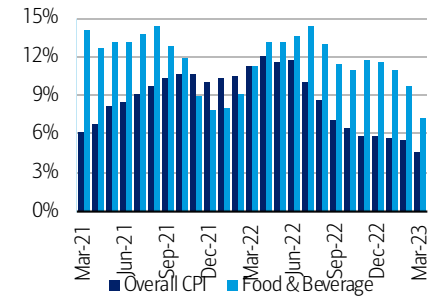


Source: IBGE

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**Exhibit 7: Food and beverage inflation at 7.3%y/y in March**

CPI: total vs. food, % chg y/y

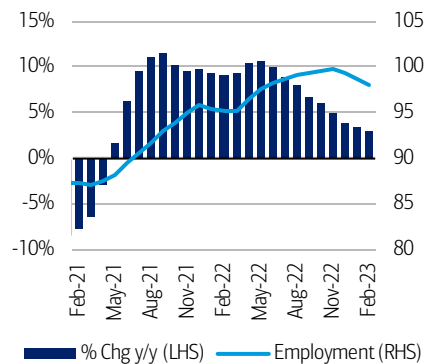


Source: IBGE

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**Exhibit 8: Brazilian job growth slowed to +3% y/y in February**

Employment, mn of inhabitants and % chg y/y

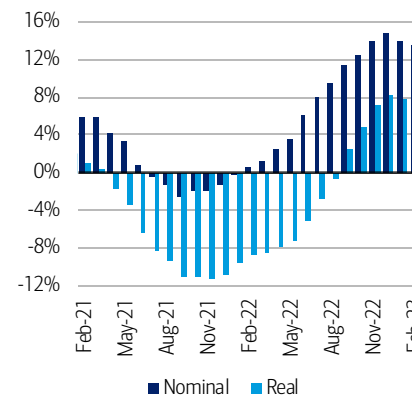


Source: IBGE

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**Exhibit 9: Real wages recovering as inflation slows**

Real vs. nominal wages, % chg y/y

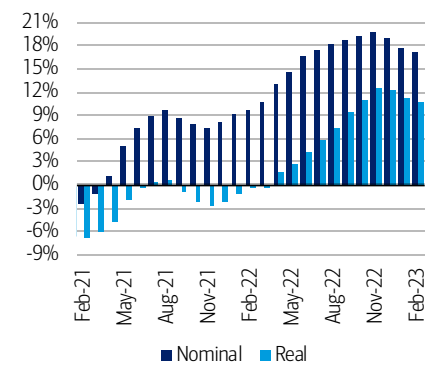


Source: IBGE

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**Exhibit 10: Salary mass growth moderating, but still up a real 10.8% y/y in February**

Real vs. nominal salary mass, % chg y/y

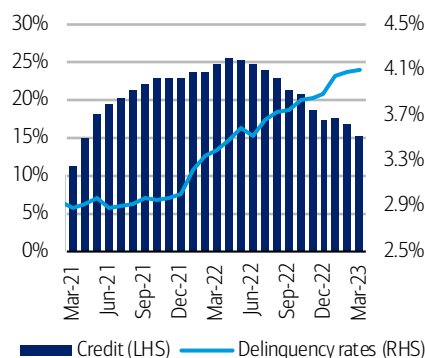


Source: IBGE

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**Exhibit 11: Bad debt rising**

Consumer credit growth and > 90-day delinquency rate

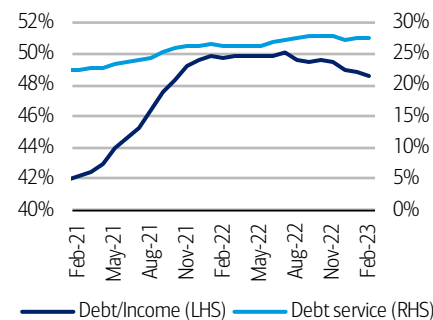


Source: Banco Central do Brasil

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**Exhibit 12: Debt service stabilizing at about 27.4% of aggregate income in last print**

Indebtedness and interest burden, % of disposable income

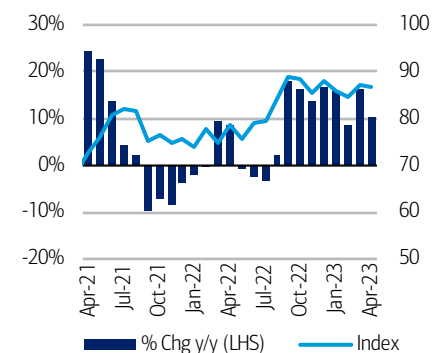


Source: Banco Central do Brasil

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**Exhibit 13: Consumer confidence up 10.4% y/y in April**

Total consumer confidence



Source: FGV

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## Price objective basis & risk

### Assaí Atacadista (XFCXF / ASAI)

Our PO of R\$20 (US\$19.5 per ADS) is based on a 15x multiple of 2024E EPS, a narrow discount to wholesale and atacarejo peers like PriceSmart, as we continue to perceive Assaí to be exceptionally well managed and positioned to further consolidate the Brazilian food retail and wholesale markets over the longer term

Risks to our price objective are weaker investor sentiment, an erosion in demand, food deflation, competition, execution lapses, higher funding costs, dilutive acquisitions, adverse tax or regulatory changes and corporate governance.

## Analyst Certification

We, Robert E. Ford Aguilar, CFA, Vinicius Pretto and Wellington Santana, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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### Latin America - Consumer Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Arcos Dorados	ARCO	ARCO US	Robert E. Ford Aguilar, CFA
	Arezzo & Co	XARZF	ARZZ3 BZ	Robert E. Ford Aguilar, CFA
	Chedraui	GCHEF	CHDRAUIB MM	Robert E. Ford Aguilar, CFA
	FEMSA	FMX	FMX US	Robert E. Ford Aguilar, CFA
	FEMSA	FMXUF	FEMSAUBD MM	Robert E. Ford Aguilar, CFA
	Grupo SOMA	XNASF	SOMA3 BZ	Robert E. Ford Aguilar, CFA
	Hypera Pharma	XHPYF	HYPE3 BZ	Robert E. Ford Aguilar, CFA
	Kimberly-Clark de México	KCDMF	KIMBERA MM	Robert E. Ford Aguilar, CFA
	Lojas Quero-Quero	XZUXF	LJQQ3 BZ	Robert E. Ford Aguilar, CFA
	Magazine Luiza	MGZZF	MGLU3 BZ	Robert E. Ford Aguilar, CFA
	Mercadolibre	MELI	MELI US	Robert E. Ford Aguilar, CFA
	Multilaser	XMTLF	MLAS3 BZ	Robert E. Ford Aguilar, CFA
	Natura &Co Holding SA	XZVAF	NTCO3 BZ	Robert E. Ford Aguilar, CFA
	Natura &Co Holding SA	NTCO	NTCO US	Robert E. Ford Aguilar, CFA
	Petz	XUXUF	PETZ3 BZ	Robert E. Ford Aguilar, CFA
	RaiaDrogasil S.A.	RAIAF	RADL3 BZ	Robert E. Ford Aguilar, CFA
	Track & Field	XWZRF	TFCO4 BZ	Robert E. Ford Aguilar, CFA
	Vivara	XUVZF	VIVA3 BZ	Robert E. Ford Aguilar, CFA
	Zamp S.A	XZMPF	ZAMP3 BZ	Robert E. Ford Aguilar, CFA
<b>NEUTRAL</b>				
	Alpargatas S.A.	SRDDF	ALPA4 BZ	Robert E. Ford Aguilar, CFA
	Assaí Atacadista	XFCXF	ASAI3 BZ	Robert E. Ford Aguilar, CFA
	Assaí Atacadista	ASAI	ASAI US	Robert E. Ford Aguilar, CFA
	Cencosud	XCSCF	CENCOSUD CI	Robert E. Ford Aguilar, CFA
	CVC	CVCBF	CVCB3 BZ	Robert E. Ford Aguilar, CFA
	Falabella	XDIYF	FALAB CI	Robert E. Ford Aguilar, CFA
	Grupo Carrefour Brasil	XLDPF	CRFB3 BZ	Robert E. Ford Aguilar, CFA
	Lojas Renner SA	LORPF	LREN3 BZ	Robert E. Ford Aguilar, CFA
<b>UNDERPERFORM</b>				
	Alsea	ALSSF	ALSEA* MM	Robert E. Ford Aguilar, CFA
	CBD	CBD	CBD US	Robert E. Ford Aguilar, CFA
	CBD	GPSAF	PCAR3 BZ	Robert E. Ford Aguilar, CFA

## Latin America - Consumer Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	El Puerto de Liverpool	ELPQF	LIVEPOLC MM	Robert E. Ford Aguilar, CFA
	Marisa Lojas SA	XZSMF	AMAR3 BZ	Robert E. Ford Aguilar, CFA
	Soriana	ONZBF	SORIANAB MM	Robert E. Ford Aguilar, CFA
	Via S/A	GBXPF	VIA3 BZ	Robert E. Ford Aguilar, CFA
	Walmex	WMMVF	WALMEX* MM	Robert E. Ford Aguilar, CFA
	Walmex	WMMVY	WMMVY US	Robert E. Ford Aguilar, CFA
<b>RVW</b>				
	Americanas SA	BZWHF	AMER3 BZ	Robert E. Ford Aguilar, CFA

**IQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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### Assaí Atacadista (XFCXF) Price Chart



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### Assaí Atacadista (ASAI) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Retailing Group (as of 31 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	89	53.94%	Buy	37	41.57%
Hold	34	20.61%	Hold	14	41.18%
Sell	42	25.45%	Sell	23	54.76%

### Equity Investment Rating Distribution: Global Group (as of 31 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1869	53.01%	Buy	1030	55.11%
Hold	827	23.45%	Hold	476	57.56%
Sell	830	23.54%	Sell	389	46.87%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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