Q1 2021 Earnings Call

Company Participants

- Belmiro Gomes, Chief Executive Officer
- Daniela Sabbag, Chief Financial Officer
- Gabrielle Helu, Investor Relations Officer

Other Participants

- Analyst
- Andrew Ruben
- Danniela Eiger
- Guilherme Assis
- Joseph Giordano
- Robert Ford

Presentation

Operator

This event will be available as soon as the event is finished. We would like to let you know that the press release with all of the earnings 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 session for questions and answers when more instructions will be provided. (Operator Instructions) Before we continue, I'd like to clarify the any possible statements that may be made during this teleconference related to perspectives in regards to the business for the company, 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 occur or not. Investors must comprehend that economic conditions, industry conditions and other factors operationally may affect the future performance at ASAI that could lead to results that materially differ from those expressed during these future statements.

Now we would like to pass on the word to Miss. Gabrielle Helu, the Director for Investor Relations of the company.

Gabrielle Helu

I would like to present the speakers that are present today during this discussion. We have Belmiro Gomes, our Chairman and President, CEO; Daniela; Anderson Castilho; and Wlamir dos Anjos and other members of the company.

Before we begin the presentation, I'll pass on the word to Belmiro Gomes for his initial remarks. Belmiro?

Belmiro Gomes {BIO 18107864 <GO>}

Good morning, Gabby. Thank you for passing on the word to me. Thank you, everyone online with the video teleconference. Initially, I'd like to say sorry for some technical issues we had and I hope you can hear us well. The first quarter that ASAI is completely separate from GPA, it's the first event where we are disclosing our earnings. In the fourth quarter last year, ASAI was still a subsidiary of the GPA and we had a pro forma disclosure. This is the first quarter where we actually are independent entirely with -- it was a very important decision. The spin-off brings in advantages not only to shareholders, but to the overall 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 and now with us on the presentation as well as other members of the team, we have Wlamir, our Commercial Director that's been with us ever since the beginning for the ASAI transformational journey. Daniela Sabbag and Daniela, let's start at our initial presentation. The team will be available to clarify any questions and doubts. And since this is the first quarter, we believe that for ASAI this was very positive.

When we think about numbers, of course, we don't want to keep rereading numbers in the presentation, but we want to kind of comment the results of the first quarter. This was within a very challenging scenario, not only for ASAI, 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 with our customer base, that's very impacted the small businesses, small restaurants and snack bars that were extremely impacted, the tourism sector, the school, cafeterias impacted. So, so many different segments in the small business universe were impacted and we really went through the first quarter with severe challenges. This first quarter implied on very different restrictive measures especially in regards to 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 and initially after -- I want to thank our team especially the teams working in the stores and in our operations, our commercial and logistics, administrative functions who were really sustaining and making this effort to be here today, so delivering these numbers on behalf of the team that we believe are extremely strong.

Due to this situation with the pandemic, the company is increasing investments in social aspects. Last week, we launched another BRL5.5 million for donations to support vulnerable areas like poor communities with partnerships involving other institutions that we work with even Kupan 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.

If we could maybe move on to Slide 2? On Slide 2, ASAI went back to growing and it's really been a growth trend that is extremely consistent quarter-by-quarter. Year-by-year, ASAI has been able to deliver a very high level of sales. In the first quarter, we went over the BRL10.4 billion in revenue with an addition of BRL1.8 billion, compared to an BRL8.56 billion, but of course within this quarter, it can't really be compared to last year because it's the first quarter where we had cancellation of carnivals. We didn't have a back-to-school phase and also in the last quarter of last year, we had a mega supply event. And so within that scenario, we believe that this growth of 21% is over BRL1.8 billion in revenue, which was extremely positive especially when we consider the origin of this revenue. This BRL1.8 billion above comes from new stores.

So throughout 2020, we had this performance of about BRL18 million in -- per month and this has been a major leverage for growth that's extremely strong and very responsible for the increase of the group because the network of stores are opened up in 2020 were in regions that we were already precedent and this movement with the pandemic with a lower promotional share and also the actual impact on the mix between final consumers and businesses. This all brings in an increase in gross profit that's even higher than the sales growth. So we have 24% 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 with costs that come from the creation of new areas, adaptation of the ASAI structure so that it can operate as a real independent company.

So this was important to lead to a growth that was higher than the actual an EBITDA of 27% to BRL641 million and a gross profit that's doubled compared to last year reaching levels of BRL240 million in the first quarter of the year which in our perspective is the quarter that has lead to this expectation of really being a more challenging quarter among the first quarters of any year in the calendar. The first quarter is really where you have the main impacts because of a lower purchase power that customers has because of early year builds and even in the pandemic, this is still the first quarter of the pandemic without the actual corona voucher. So this is still very positive in our perspective and we're going to go over the context and the relevant factors that led to this besides this the company has also had a deleverage process that was really important. We left from a debt ratio of 4x EBITDA in 2020 moving to 1.93 now in this first quarter of 2021.

When we take a look at Slide 3, the growth has really been following a consistent profitability trend. If you are in line with this, we are in this expansion cycle for organic expansion year-by-year. When you consider our growth base, ASAI grew 50% in the two last years. So we should really have this two to three year vision once the pandemic period throughout 2020, so the company really maintains this growth trend. We have 50%

to last year's of over 24% CAGR in growth in the last decade, and ASAI has been the growing at a CAGR of over 30%.

Once again when we look at this, we can see whether it's growth that's significant in the same-store base especially, if we consider that restaurants and the transformational market where ASAI has a strong participation pretty close -- pretty much close. But we've observed that during 2020, there was a greater search for final and end consumers for the wholesale sector and now in this first quarter of 2021.

First of all, as we move on to the Side 4, it's a little repetitive in regards to the gross profit. Most of this increase in the gross profit really has an important contribution and even an economic -- mechanic effect here due to the increase in the share of end consumers, because we have the wholesale prices applied with lower activities and mechanically, we generated this increase in the gross income as well as contributions made from the stores that were opened last year, as well as a big effort with the commercial team for negotiations and activations together with suppliers in some categories for products.

We have a lot of discipline from our team in regards to the control of the rupture volume in stores. And especially when there is some kind of a variation in the prices at the end of the fourth quarter and the first quarter of this year from adjusted positioning for purchases through the management of the inventory, which has really allowed us to have a margin that is very satisfactory in regards to the previous year. When we think about the EBITDA, it's pretty much what we've already mentioned.

But I wanted to pass on the word to Dani, our Financial Director so that she can talk about the net income ratio and the debt level and leverage of the company. And then I'll come back to talk about Slide 8 in regards to the expansion plan and store openings for this year. Thank you.

Daniela Sabbag {BIO 22210225 <GO>}

Thank you, Belmiro. So good morning, everyone. Now we will move on to Slide 7. And if you are looking at the presentation, so Slide 7 here brings you a perspective of the financial results and the leverage level that Belmiro mentioned quickly, but I want to really highlight the message that we had significant evolution in this quarter. So we have financial results that -- total financial results that are negative, but when we consider the sales, we have an important reduction of 60 bps and it goes from 2% to -- over 2% to 1.4% of our sales including the interest on leased liabilities.

And without this effect of the interest on lease liabilities, the drop is even greater. We have about 36% drop year-by -- year compared to year and looking at the financial results when we consider the net debt that went from 1.4% of the sales to 0.7%. So it's a significant drop and in net debt that really reflects on this lower level of the net debt of almost BRL3 billion lower and lower CDI levels.

Well, in regards to the debt level and the second part of this slide, we also have an improvement -- just an important improvement in the deleveraging that Belmiro mentioned, so we advanced a lot on this aspect. If we take a look at this, we have a pre-EBITDA that we considered to perform the net debt EBITDA calculation and this had significant evolution in the past 12 months of 38%, while the net debt as I mentioned, dropped almost BRL3 billion.

So with these trends and movements, we really have a net debt that is lower below 2 times and a reduction of almost 2 times EBITDA compared to the previous year. So we finished the quarter with a net debt of about BRL4.7 billion and cash position of BRL2.8 billion and net debt. And I want to highlight really that this is a very important and healthy position for the company and very quickly we've been able to deleverage the company as well. So I believe this is an extremely important indicator to be monitored.

Now in regards to our debt level, I would like to highlight all of the work the company has been doing ever since the spin-off and we have been able to really extend the debt terms and bring in lower costs for this current debt level. And in the first quarter, we've had intense work from our new treasury department that has been working a lot. You probably saw a notice we published at the end of April where we announced our first debenture issuance after this spin-off of BRL1.2 billion. So this first debenture is really to work with the fulfillment of the commandments we have and that's expiring in the second semester now.

So we are very well positioned to be able to face these payments and we are also preparing as I mentioned here to extend the debt profile even more and bring in costs that are extremely attractive to improve the cost of our debt. So basically this is what I wanted to highlight.

I'll pass on the word once again to Belmiro so he can continue with the slides on the presentation.

Belmiro Gomes {BIO 18107864 <GO>}

Thank you, Dani. I hope you guys can hear me now a little better. So I'm so sorry we performed the tests, but some technical issues still came around, but we hope the sound level is a little better now. When we think about 2021, when you look at Slide 8, I think one of the main characteristics in ASAI has really been the organic expansion. We are going to strongly continue to fulfill this purpose.

Once again, we concentrate opening of stores normally in the third and fourth quarters of the year, which is really where we can really focus on the best moments for growth. So at this moment, we have 18 stores under construction. These 18 construction projects and another few ones that will be starting in the next month are really going to lead us to really have this very strong rate of growth as CAGR, that's so strong especially -- I believe that maybe the audio is having some technical issues now. But I'm going to turn off the video to see if I can improve a bit of the quality of the sound here of the transmission.

So now moving on to Slide 9. So ASAI has been a company that's publicly held and within this trend now, we have also been strongly moving towards ESG and it's one of the very few big companies in that have people with disabilities rate that's met and ASAI have a lot of work when it comes to promoting diversity and also performing environmental management work. So 89% of the energy consumed by us already comes from clean and renewable sources. BRL5.5 million that we're going to be donating this year to fulfill its social role as well. So this is what we had to present initially.

And now we will pass on to the -- go back to Gabby so that we can start with our Q&A session. All right.

Questions And Answers

Operator

(Question And Answer)

A - Gabrielle Helu

Okay. Thank you, Belmiro. We'll begin our Q&A.

Operator

Now we're going to start off with a Q&A session. (Operator Instructions) Our first question comes from Robert Ford, Bank of America. Robert, you may continue.

Q - Robert Ford {BIO 15127836 <GO>}

Good morning, everyone, and congratulations for your results. Belmiro, what's the increase in sales that you imagine with the small businesses and transformational business going back to your stores, and how do you maintain your business with end consumers on a growing trend? And also is there any non-recurring expense considered to this spinoff from GPA that we should be considering? And what about the sanitary COVID protocols? How did these maybe contribute to the expenses in the quarter? And maybe if your accounts payable, in regards to the stock, the inventory in this quarter. And what should we consider about the working capital in the future. Thank you very much.

A - Belmiro Gomes {BIO 18107864 <GO>}

Well, I hope someone has written down these main questions, right, because there were a few. So I hope I can remember all of these. First, we should have an increase with the return of the transformational market for camp Christy. We can't imagine when this exactly will happen, but we do hope to capture something around 8% to 10% when it comes to volumes. With all of these small transformational businesses returning, not only the most obvious which are restaurants, but we are really expecting something very strong when we think about bars and clubs, and parties, festivities, as well as other schools and other sectors that are paused.

So as the pandemic starts being solved, we should have of course an increase in our sales and our consumers of course with all of our work have really been focused on maintaining the end consumer in the supermarket. We've noticed in other crisis periods not only in Brazil, if you remember in 2009, when we had the real estate crisis in the U.S., for example, that's when we had the greatest growth for Costco, about 18% growth almost and then after they continued to grow. So, normally once consumers come to this format, they normally stop -- don't stop coming to this format. They -- once they learn about it and get used to it.

So when we consider they should -- we should probably maintain most of these customers in the stores. In the second semester of course we still have expenses related to COVID health protocols, but I think one of the biggest impacts is really the amount of restrictions placed by authority. So, for example, we had to operate stores with restrictions, sometimes doing only 6, 7 or 8 hours. And so, even this concentration in the employee needs this year and this period, we had 10 cities that closed supermarkets entirely due to the severity of COVID. So, we had expenses of about 0.2% approximately of COVID expenses, and they occurred and it's impossible to quantify this now when it comes to sales.

While the restrictions of the 184 stores that we started off the year with, we had about almost 100 stores affected by some type of restriction, when it comes to the amount of people who are scheduled and generally the entire network of stores was impacted, not necessarily at the same moment or in the same condition. I hope to have answered all of your questions.

Q - Robert Ford {BIO 15127836 <GO>}

Yes, Belmiro. We're just missing one question here. What about the accounts payable? So why is that and how should we imagine the capital, the working capital.

A - Belmiro Gomes {BIO 18107864 <GO>}

Working capital continues to be prevalent in this business model, so we can have this turnaround of the inventories at a lower term than we would have. In regards to the terms of deadlines obtained with suppliers, but the base compared to last year is not very comparable. So in the first quarter of 2020, we had about 15 days of mega supply, switch made the inventory of the stock. So that comparison basis was harmed. We've reduced the inventory and we had a lot of supply portfolios. So, when you look at comparison, we have this impression of maybe losing a bit of the number of days, but if you compare the suppliers versus inventory, then I don't know if that was the comparison you had.

Q - Robert Ford {BIO 15127836 <GO>}

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

A - Belmiro Gomes {BIO 18107864 <GO>}

Thank you.

Operator

Our next question comes from Danniela Eiger, XP Investments.

Q - Danniela Eiger {BIO 20250080 <GO>}

Good morning, Belmiro. We have three questions. First, about -- if you could maybe share a bit about the feelings in regards to any kind of pending issues? And also I think about the return of bars and transformational markets, we can imagine that the cash-and-carry segment is probably one of the sectors that's most benefited. And also, then as you've mentioned end consumers, we will probably be at a moment where we have a difficult income situation where consumers are really going to continue to search for a cost benefit.

So, we believe this channel was probably going to be the most resilient and benefited from this moment. Even with the resuming of normality and then of course, people may be going back to consume and spending a little more out of their homes. We want understand that this is in line with your expectations for the year and also we'd like to have two updates. One is in regards to the initiatives in the digital strategies you have mentioned in the last quarter call, when you guys were taking a look at revisiting the strategy, and it could be announcing some news. So how has this been progressing? And also about the participation and distribution wholesale operations, if you have any news. Thank you.

A - Belmiro Gomes {BIO 18107864 <GO>}

Thank you, Danniela. Yes, when you take a look at the muted numbers, we gained, for example, within our format we gained share in the same-store base and the total base. When you consider the cash-and-carry channel, it grew more and expanded its growth compared to other channels in the first quarter. In April, now of 2021, of course I can't disclose these numbers, but the trend really became more intense.

So, what is the expectation we should see a scenario throughout this situation? And even in economic crisis period, which format is normally extremely capable of conquering customers, in moments where there's more -- there's more economic depression really maintaining these customers as well.

So even with the surveys and research we do with people that are visiting the store for the first time, we really noticed that the balancing of the value proposition with a very efficient set of selections and choices from consumer. So even with bars and restaurants coming back into operation, we consider this should be probably continuing our structure of stores for this pandemic scenario in our perspective. This trend should continue.

But now in regards to other initiatives, we have some work under progress and we should have some more clear visions on this now in the second quarter. There's news, but it's still not the moment to talk about these. But of course, there is news. We just make very clear in our perspective, especially with e-commerce when we were with GPA, this was already being discussed by the company as a whole. And so now we really focus on food e-commerce, for example, with the formats, for example, what was ASAI Sendas

Distribuidora and what happens now. So yes, there are some initiatives ASAI on its own should be following, but of course we need some more time before we can clarify this. But of course we're going to notice some very interesting facts and initiatives, Danniela.

Q - Danniela Eiger {BIO 20250080 <GO>}

Great. And then finally about distribution wholesale?

A - Belmiro Gomes {BIO 18107864 <GO>}

Is that still being analyzed. Should we see news a little more up ahead? Is that it?

Q - Danniela Eiger {BIO 20250080 <GO>}

Excellent, thank you very much.

Operator

Our next question comes from Elena (inaudible) from Itau.

Q - Analyst

Good morning and thank you so much for accepting my question. The question from Itau here is really about the second quarter and what you guys represented in regards to this? Since you already entered the quarter, really interesting to see because we've heard a lot -- received a lot of questions from investors about the first quarter that has the impact in regards to the pandemic and all of that. So if you could give us some input, this would be great. And then also about this point, with a bit of more of a normal scenario, how are you looking at the competitive environment? Do you think it may deteriorate with -- and you're going to need more aggressive prices or any kind of more stimulus for consumers? Or do you feel like this is going to reach some kind of normality? And is it now that's pretty similar to what we're in currently? Thank you.

A - Belmiro Gomes {BIO 18107864 <GO>}

In the second quarter, obviously, we had a limit of what we can talk about. But in regards to the first quarter, which is the quarter where we really had the pandemic without COVID, without corona vouchers, so we imagine that the first quarter would probably be the most challenging in the year. So when we look at this in a sequential manner, we really imagine to have a second quarter the stronger than the first quarter but of course there is some product categories that comparison base as compared to last year suffers a bit of the impact due to the space effect due to 2020, for example. So, in the first 15 days of the mega supply due to the pandemic last year, we saw a lot of people considering the toilet paper, for example, and other cleaning products that consumers bought and only went back to buying in August, for example.

So a lot of people had like a huge inventory, a huge stock in their homes. So, maybe this year we have an impact, for example, in beverage, but then with cleaning products, for example, no one is buying the same amount as they bought last year. And this year for example, we are not going to have this kind of trend. Also, what I'm trying to say with this is that even so although the corona voucher is small now, there is a bit and it's going to be very much intended to food.

So, within the limits we can talk about, in regards to the second quarter, we do believe sequentially that it is going to be a second quarter that should expect a better trend in regards to this first quarter. And when you compare last year, you shouldn't have much of a variation. In our perspective, that's so significant. You have obstacles. But also positive points especially in some of these categories that I mentioned where that we didn't have last year. And I think that the general balance 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 contribution base that continues from the stores that were open last year.

Q - Analyst

And then with -- in regards to the competitive environment?

A - Belmiro Gomes {BIO 18107864 <GO>}

Well, in regards to the competitive environment, I believe that we don't notice any kind of a trend towards an increase of competitiveness because when we think about the competitive advantage, for example, we can remember that even the second and third quarter in the pandemic period, all of the companies haven't really been able to perform great deals or offers and events. And maybe there could be a significant drop in prices and we don't see this kind of possibility because when you take a look at this, for example, product, we don't have a lack of products in our sector.

But there's still pressure, if you consider our commercial results in April we saw how this was really a record and impressive and then there's still a lot of exports, protein, and agriculture products, and stuff. So, when you take a look at this, you see someone's going to try to drop prices in the market, we may have a risk with a lack of products. No, we don't consider this to be a possible condition. There may be in the market overall some kind of -- some mistakes in the management of this pricing in regards to the inflation with categories that maybe gone up too much and then dropped too much or categories that maybe had the currency impacts with the inputs in dollars, a lot of companies, for example, sorry, we're having issues with the sound quality and it's been freezing a bit. Thank you very much.

Operator

Next question comes from Guilherme Assis from Banco Safra.

Q - Guilherme Assis {BIO 21406331 <GO>}

Thank you for answering my question. So we have two questions here about this topic on competition and market share. We've noticed that the hybrid market channel is really implementing some initiatives to reduce prices, and balances out with the type of offer that cash-and-carry offers. If you've noticed any trend change in regards to the market share in the cash-and-carry channel for the hypermarkets with this new positioning, with extra GPA, for example, that probably have this new positioning, this probably working on this roll out for this new price policy and I just wanted to know if you've noticed that some -- there's some kind of market share gains that you're measuring with some kind of a deacceleration in the market share gains and also for the cash-and-carry channel within food retail. So that's the first question.

The second question that I have is in regards to the initiatives that you guys have been mentioning toward maybe testing new types of services within your stores. I believe that in the last call we mentioned the battery service, for example. And to maybe Belmiro you could talk about how you've been looking at these results, for these initiatives, if this has been helping to bring in flow into the stores, this is a quarter that's really affected by pandemic and carnival effect and if maybe there is some kind of an idea towards what you've seen concerning results, and if there's any plans to perform a roll out for a bigger store base. So those are the two questions I had.

A - Belmiro Gomes {BIO 18107864 <GO>}

Thank you, Guilherme. Well, about the first question in regards to the hypermarket, we see a trend in the market overall. Of course, all the competitors regardless of the format will search for a strategy or even possibilities of communication for initiatives. There is even a marketing trend, because the cash-and-carry prices are associated to this and -- but of course the cost. So, placing a wholesale prices, dropping prices halfway, you need to have a wholesale cost.

When we consider the share and the gains that we had in the first quarter and the same-store base and total base, Nielsen confirms this gain. So we still need to have the correct numbers officially from Nielsen study. But when you look at the channels operating, I think once again you go after the Nielsen numbers. I believe that in the first quarter cash and carry overall grew about 18%. And the overall format with all of the market players and hypermarket players grew about 2.8%. So hyper has other categories of products. This mix and apparently by what we see this seems to be a strategy that should also lead to customer loyalty, but then in regards to really having more market share from the cash and carry, we don't believe that there's much of this phenomenon that we have Nielsen numbers to back this up. And in regards to services, we do believe them -- did you hear me alright?

Q - Guilherme Assis {BIO 21406331 <GO>}

Yes, I did hear you. That was clear.

A - Belmiro Gomes {BIO 18107864 <GO>}

And then in regards to the services that you guys are offering in the services, yes, services are -- we still have the first quarter with a lot of work being done, the project is still a pilot project. We have specific conditions for some store format. Some regions have really good offers for battery services and other kinds of products, but there's stores of ours that are in regions that, for example, you have players and stores that are really angulated where we can sometimes have a sales role that's not possible in big cities, for example, in our perspective this is a project where the profits are very positive, but the big difference and what defines this is what regions or what kind of store profile and market will receive these kind of projects. And can only then understand where that here and always have pilot projects, the first numbers are very positive, but we are going to wait a little longer so we can provide more details on this.

Q - Guilherme Assis {BIO 21406331 <GO>}

Okay, thank you. That's clear.

Operator

Our next question comes from Joseph Giordano from JP Morgan.

Q - Joseph Giordano {BIO 17751061 <GO>}

Good morning, everyone. Good morning, Dani, Belmiro. Congratulations for the strong results. I wanted to maybe cover two points here. One is in regards to pricing. And I wanted to understand this with this exposure rate and how you guys are looking at the pricing evolution within the domestic market, just so I can try to understand what would be the favorable wins till the end of the year, besides B2B growing again. But the second point is, for example, we continue to see the company opening up new stores, but when we look at the next two or three years, how are you imagining prospects for this and hiring new POS as to support this expansion of 25 to 30 stores per year. And if based on this, we could maybe think of some M&A effort to buying a network with two or three cash and carry that are maybe considering your -- that are entering your radar. Could we consider this? Thank you.

A - Belmiro Gomes {BIO 18107864 <GO>}

Well, obviously 2020 and 2021, you have a big challenge in regards to this scenario. We do not see in this moment considering, for example, last year we saw an inflation growing over -- in the third quarter and a peak in the fourth quarter. There was a bit of a questions in regards to if this year 2021 would maybe have a deflation, but that's not what we think to see at this moment. We believe that the products that were most impacted when it comes to prices which were the commodities, they reached their peak in the fourth quarter, they went way up and then they kind of stabilized. So it's now get dropped compared to last year but it's definitely smaller than the fourth quarter of 2020.

So when we think about this trend -- so when we think about pricing, we really haven't seen -- we should maybe see an inflation rate dropping quarter-by-quarter, but the prices continue to be stable, you should have a natural curve. And when we think about the expansion, we have 18 and 19 projects under construction, normally we concentrate these launches in the third and fourth quarter of the year because these are moments that are a lot more favorable and have a stronger economic activities in this year. This should be even more vital because in this period we will have a good concentration of openings, then there's a chance that maybe we are at the end of this pandemic.

So totally, we have 78 points POS' that are closed in regards to -- confirmed in regards to contract signed which are the points they're going to be opening for 2021, '22, and '23, but of course, there is an approval period with the public agencies for the licensing and this takes a little while. Sometimes we approve a project in one year, sometimes it takes two or three years to approve a project. But what we see Joseph is really the quality of the points, right. So if you take a look at the first quarter of this year compared to last year and you get the delta for the same stores without the specific adjustment, you'll see that there's $1 billion in contribution split by 19 stores and $18 million on average revenue for each store per month, and this is a very positive number.

When you consider the quality and the points that we have at this moment, right, to be able to have ASAI in this opening -- our points that really consider that this part in 2021 should be even stronger.

So, you've really seen our pathway in the sense with opening up, stores and performance, and then in regards to the acquisitions, we created an M&A department recently within the strategic planning department, as well as other areas after the spinoff of the GPA to be able to keep up with the market. But the objective or our focuses are going to expansion. But if we do see any opportunities in the businesses that could be justified with this positioning or the return on invested capital, of course the company will take a look at this and really make the necessary decisions that are the best for our shareholders, right?

So what has been a big advantage has been really having the return on capital grow stronger. You have more control, the cash exits and investment for expansion and the schedule of store openings. But this does not mean of course, sorry, we're having a lot of instability in the connection, so that cutting off the translation.

Q - Joseph Giordano {BIO 17751061 <GO>}

Thank you very much.

Operator

Our next question is from John Swaggins from Citibank.

Q - Analyst

Good morning, everyone The first part is about the gross margins. We've noticed that this is really the effect of our store. Now, again also B2C and so I want to understand your perspective on how you consider this gross margin evolution as B2B resumes its activity and normalizes. Do you guys maybe see this gross margin sustaining itself due to the store maturity effect. What is this vision?

And the second point is maybe taking a little more about the balance. Actually, we saw a significant reduction in the financial expenses and this is really related to the cost of debt. So two points really, what is the leverage level? And if there is so any possibility in regards to this moment or maybe reducing even more the financial expenses. So these are the points. Thank you.

A - Belmiro Gomes {BIO 18107864 <GO>}

Thank you, John, about the gross margin. Well, we should be looking at up ahead is really that we actually provide we mentioned some stability in regards to the margins compared to 2020 because as bigger entities or small businesses go back to bank, due to the fact that we have this prices with different -- it should be natural even with the mix to go back to the leverage ability that we had last year. So the focus now is a growth rate and you've noticed these levels and of course stability in the gross margin and the net margin in regards to 2020, but of course depending on market trends and the opportunity to really capture the positive effect, so this year in the first quarter, what made the gross margin grow was really the fact that the network of store openings on 2019 and 2020 was accelerated a lot in regards to curb. Because every year we have an amount of stores that reach maturity compared to the previous year because the expansion process is continuous, it's ongoing. This quick maturity really allowed, really factor this better gross margin. We should expect this margin for next year. And regard with debt, Daniela could answer.

A - Daniela Sabbag {BIO 22210225 <GO>}

Yes, I will answer. Thank you, Belmiro. About the leverage questions, so, we had a significant reduction, John. And we believe we will definitely continue to deleverage the company. As you know, we have a cash generation that's very strong and very relevant. That is really been able to help us and there is -- cash generation has been enough to deleverage the company and really support all of these investments and CapEx that Belmiro mentioned with the new stores.

When we consider the forecast of -- we are considering that in 2023 we should be reaching a level that is very comfortable with less than 1 times EBITDA. Now, when we consider the debt cost, as you also mentioned the financial results, obviously it is extremely important to have this work to extend the debt. So, we're also switching this for cheaper debts with first issuance that we're going to continue to work on this agenda for the second semester with the debts that are going to be expiring by next year already, so we've been start working this already and this reduces this level a lot more because you have a debt level, for example -- of CDI which is about 1.85%, 1.90%, and we are already moving on to about 1.70% and 1.95%. There is a significant importance because we're going to have more or less pressure in the financial results. As this increase of the CDI level in this financial results deducting the interest rate from liabilities related to leases, we should consider about 1% on the sale, which is a reasonable amount to consider this position. This is pretty much the context we're looking at in the future, up ahead.

Q - Analyst

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

Operator

The next question comes from Goldman Sachs.

Q - Analyst

Well, good morning and thank you. I have another question about same-store sales in the first quarter, to maybe get your perspective into volumes compared to the pricing, what would be the split? Was there a growth really? And how are you looking at this dynamic up ahead? Thank you.

A - Belmiro Gomes {BIO 18107864 <GO>}

Thank you, Irma for your question. When we consider same-store sales, LFL, we really expect what is a small business and what is end consumer of course. If you have small businesses that are closed, there you see that customers are not buying because you're not selling the following -- they normally sell to the final consumer. So you have a volume gain. But when you look at the overall number, of course you have a volume of gain. But in the retailer public also for the transformational businesses or others that have their activities interrupted, if you don't have people buying, you don't have much of a progression. So the increase of the end consumer is really almost offsetting this total loss between small business, but in the same-store sales, when you consider all of them on the balance, you would maybe have a drop in volumes compared to last year, especially because of the effects with the small businesses closing.

Q - Analyst

Thank you very much, that's clear.

Operator

Our next question is coming from the English room from Andrew Ruben from Morgan Stanley.

Q - Andrew Ruben {BIO 20391468 <GO>}

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

A - Belmiro Gomes {BIO 18107864 <GO>}

Thank you, Andrew. And the expansion of the new stores, so we have this present in 16 states and districts. We only have one state, that's a new state, which should be launched in the third or fourth quarter this year. So, as the other stores are already in states where the ASAI is present already, so they are new stores, when you are already present with your brand in that state with the team and you have the brand positioning and the structure also with the consumers, then you have maybe a lower impact in our perspective.

So that's why we have strong expansion to be done now in '21, '22 and '23, but we don't see big entries into new markets to be honest, which is why we imagine this margin stability or maybe something that's a little more of a super event when we consider the total amount. So at most we'll have about one new state and of course I could mention which state this is -- I can't mention which state this is or provide full confirmation. But most of the new markets or states ASAI has already gone through this phase in the other five years. During the past ten years, we went from a single state and result -- and we reached 23 states in this process. So, most of the biggest investments in regards to brand positioning we've already performed.

Operator

The Q&A session is ended, and now we would like to pass on the word once again to the company for the final remarks.

A - Belmiro Gomes {BIO 18107864 <GO>}

Well, we would like to thank you all. Once again, we're so sorry about the technical issues with the connection. I think this may be disturbed the quality of the transmission to the information, but really the numbers are extremely positive in the first quarter. ASAI has been our main -- really to have this CAGR and predictability. We have a team that has a lot of expertise working on this in our sector that's really dedicated to continue in sharing this trend. We have an expansion cycle, it is very strong. Now throughout 2021, 2022, and 2023 as well as our role within the market, as of R$1.5 billion, R$1.6 billion in investments.

So when we take a look at this and we consider the scenario with lower economic activities, this has also been contributing to the country as well, not only with generating sales, we should have another 10,000 jobs generated. So we are the -- one of the biggest private employers in Brazil and we're probably going to be the eighth biggest employer in Brazil, private employer in Brazil contributing to generate jobs and contributing to the overall society's development as well as other roles of social responsibility within this point as well.

And of course, within the challenges up ahead, we really would like to thank you all for the work and effort placed in all of the different departments so that even despite the pandemic period with so many uncertainties and questions, we were still able to deliver something that was extremely positive and really maintain this growth pathway. So thank you all for listening to our earnings call, as well as the other members of the team that were joining with us. And once again, we're so sorry about the technical issues. Thank you very much.

Operator

The teleconference -- the earnings call for ASAI has completed now. We just finished. The IR department is available to answer any future questions and doubts. Thank you very much for your participation and have a wonderful day.