Q3 2021 Earnings Call

Company Participants

- Belmiro de Figueiredo Gomes, Chief Executive Officer Superintendent
- Daniela Sabbag Papa, Chief Administrative and Financial Officer
- Gabrielle Castelo Branco Helu, Investor Relations Officer
- Wlamir dos Anjos, Commercial and Logistics Vice President

Other Participants

- Analyst

Presentation

Operator

They would like to let you know that the earnings call is being recorded and will be provided on the IR website of the company. On the ir.assai.com.br. Where you have the release and the presentation on the link we will provide on the chat as well. During this presentation, all participants will have their microphones off. Soon after we will begin the Q&A session. (Operator Instruction). We'd also like to highlight that information in this presentation and possible statements that could be made during the earnings call, related to business perspective, forecasts and operational and financial target in the company, our beliefs and assumptions of the company management as well as based on information that is currently available.

Future considerations are not a guarantee for performance they involve risks and uncertainties then assumption because they are related to future events and that depend on circumstances that may or not occur. Investors must understand that economic overall conditions, market conditions and other operational factor may affect the future performance in the company and the to result that differ materially from those represented in these future statement.

Now, I'll pass on the word to Gabrielle Helu, the IR Director at Assai.

Gabrielle Castelo Branco Helu {BIO 22222055 <GO>}

Hello. Good morning, everyone. Ladies and gentlemen, thank you for your participation today during our earnings call for the third quarter of 2021 at Assai. I'd like to present our speakers today for this discussion we have Belmiro Gomes, our CEO; Daniela Sabbag, our Administrative and Financial Director; and Wlamir dos Anjos, our VP for logistics and Commercial at Assai.

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

Belmiro de Figueiredo Gomes {BIO 18107864 <GO>}

Good morning, everyone, ladies and gentlemen. Thank you, Gabi. And first of all I'd like to thank all of the participants that are listening to us today as we disclose our earnings in the third quarter. We also would like to thank all of the Assai team that's responsible for this, we have over 55,000 people spread around Brazil in different stores and they're the ones responsible for the numbers and results that are very strong in the third quarter and we're going to get into more details about this up ahead.

We can move on to the next slide. Well, as you've already seen the net revenue in this third quarter had an important advance, especially when we consider that in the last year was a year really leveraged by inflation, corona voucher and especially due to the inflation we had an important lead in the third quarter of 2020, where we had the most growth and thus, the numbers presented in this quarter of BRL10.8 billion and net revenue BRL11.7 billion and growth revenue represents a total accrued growth of 56%. When we take a look at three year period, this sale represented within the history of Assai, growth and duplication in the growth and the cycle of every three years as has occurred in the past decade in the strong growth pace and trend that the company has presented.

An important highlight for the third quarter is going to be focused on the expansion with the network of stores open in 2020, that have already been launched now in 2021, have really contributed significantly to the improvement of our sale. These are stores that had positive performance when it comes to revenue as well as performance also very significant when it comes to gross margins than extending. Consequently, the EBITDA margin which really allowed us to with all of these openings in the past 12 months really not make the margins that for much of a dilution or dilutions due to expansion. And this is very important for us because just as another kind of years when we expand it very strongly we're going to continue to keep the strong expansion trend combining not only the organic stores that we have always worked on, but also now the bigger network of Extra Hiper store conversions that were made in the past five years already from the stores launch in 2020. We have three store conversions that are the three stores that have the best results in revenue in the first year already.

Now, as we move on with Wlamir and Dani they're going to give you a little more details on the numbers. This made the third quarter the company had an important EBITDA margin. When we exclude the fiscal credits of a BRL187 million in the third quarter and we take a look at the operational EBITDA, because although credits are complete monetizing with the help with the company's cash position. This is the result of the competition of the net income, but when you look at the operational performance of EBITDA margins, we were able to keep some stability in the third quarter when compared to the year 2020. Why is this so important? Because the third quarter of 2020 was really a quarter where we went up about 80 percentage points compared to 2019 in the third quarter, which is in-line with the margins of the third quarter within EBIDTA guidance that we mentioned at the moment of this split and the other two semesters of an EBITDA margins.

So the deliveries in the third quarter combined with the results that were delivered in the first margins[ph] here, really make us set for the year of 2021. All of the numbers that are in-line or slightly higher than what we had presented in this movement with the split with GPA and also other interactions and quarterly earnings results. So this means that the EBIDTA was kept at these over 0.8% compared to 7% which was the EBIDTA margin in the post-IFRS. So you should discount about 1 percentage point through the IFRS with the level of -- this really low which also dilutes the rent or lease cost. So we finished with the net income with BRL538 million which already considered the fiscal credits and also the cost of the debt and leverage as they had and this was almost more than BRL0.5 billion, but then 5% margin upon the sale of the semester at this quarter sorry, and we already reached over BRL1 billion rise in final net income in the year.

So this demonstrates the result of the company has and the precision of the political of the commercial policies and different expansions of practices and activities in the company to be able to deliver this net income. Now about the debts, Dani will give you some more information on this up ahead. But if we were to consider that in this year we've already invested over BRL1.4 billion in our expansion and due to the objective of keeping 25 to 28 stores launched this year, even within heavy increase that we had with the costs of construction, materials, a difficulty to have supplies and some construction sites that have their calendars extended a bit due to some COVID restrictions that also impacted the construction sites this year, so we'll have a concentration of store openings now in the fourth quarter of 2021, but the company continued to invest.

So in this year we should be investing these BRL1.4 billion that will be probably reaching almost BRL2 billion, most of it is for investments into new stores organically. The CapEx also per store renovations, other CapEx demands as well are not relevant when compared to the investments in expansion, but even with this volume of investments so the total net of BRL651 million, additional -- with an additional payment of JCP that was paid about BRL63 million the company continues to be extremely strong in past generations with a deleverage curve and the net debt-to-EBIDTA ratio is going to have an important reduction actually is zero point compared to the previous year, going from the 249 to 184 and even a nominal values even with the increase steadily[ph] in the JCP impacts in the nominal value, it also reduces about BRL200 million.

We can move on now to the next slide. So these 25 or 28 store will be adding to say about another 11.5%, when we consider the sales area this is really the involve the expansion and entering into new markets that are very important. Whereas they had maybe one or two store, they'll continue within this organic expansion, I will get into details about this up ahead. But in our vision, we consider that the quarter is very positive. So it combines a bit of the first reactions in the market, not the end of the pandemic but lower risk sections especially when it comes to the food service sector. So part of the food service is still very damaged and impacted, when we take a look at lunch because a lot of companies and offices are still in home office conditions. So a lot of people that would go out for lunch for example to work at a their office and would have lunch close to their office. This sector still really impacted bars and night clubs are also impacted. But with the increase of the inflation not only in food as we have seen in the past but also this year we add this up to other sectors as well as it special highlight to fuel costs, petroleum and oil sub-products, electric power et cetera, really makes us have a lower purchase power among the Brazilian population.

So there is some general anxiety in the overall sector on how it should be operating on the fourth quarter as there are some important sectors that were closed throughout the pandemic. There's also an expectation I mean its possible increases in government incentive, because the accumulated inflation really removed the purchase power of the population, there is a trade down effect as well and this leads to no more resources intended for food. So other sectors are isn't just to be more impacted like (inaudible) goods, domestic goods, but food sector is always the most resilient. And since we are the sector with the lower cost and lower sale price of course this makes the segment and the cash and carry more and more attractive for the population and for those that were intending to keep their consumer habits and brand and it still seems to be a very important solution for these small businesses that now consider this recovery period, since we see the first observations here that demonstrates that the small businesses are very careful, especially those that are open.

If you were to remember, last year in October, November there was an expectation that was very positive with the reopening in the end of the year that we had seen past year and we saw these levels and the entrepreneurs really had inventory. So Christmas was a little frustrating but this of course may we have less cash available from these small businesses, but they're also going to be a lot more careful with not making the same mistakes now in 2021, but that doesn't seem to be the case of thankfully preserve continue to advance strongly with the vaccination rates which allows us to foresee and even that will be less restrictive measure. So that the population can recover some important habit connected to tourism trip, barbeque celebrations and eating out, which is very important for Assai. So this impacted us negatively last year, especially when we think about the sector, but it should also lead to positive effect as this customer may be moved on to another segment. Well, we can move on to the next slide.

Now, I'll pass on the word to Wlamir dos Anjos, our Logistics and Commercial VP.

Wlamir dos Anjos {BIO 22210227 <GO>}

Good morning, everyone. First, I'd like to thank you so much for participating in our call. Thank you for your participation and before we begin, I would also like to thank the entire team and I'd say especially our store team and the teams from the distribution centers, which are the people that really move the company. So about digitalization as I and the company, I think there was an expectation from the overall market that was pretty strong for many quarters in regards to this topic and as we had already mentioned in other opportunities, we were GPA subsidiary and we had understood that it wouldn't really make sense strategically to work on this. So that's when we postponed our some of the digital initiatives in the company. But after the split on March 1st, we were able to start a movement considering the digitization of the company and we really quickly implemented and we're able to set a partnership with the first of many others that are up ahead, that have been worked on in the next quarters with Cornershop.

And we were able to rollout in 16 states basically two-thirds of our store that are already operating with apps, for delivery and e-commerce bringing in a bit more comfort and convenience for customers all over Brazil. So, Gabrielle you can -- well about sales a bit and the platform that's within our expectations, we're still at the beginning. Basically three months of operation, which is in our expectations and there is a growth stranded every quarter. And as we open up new store, the cities that are covered also automatically enter the platform. We can continue.

So about our gross margin now. I would like to highlight especially that as you do the maintenance of our margin, these are quarters that are not comparable with the third quarter of 2020 and the third quarter of 2021. But this year differently than last year, our anniversary campaign starts in September and October last year to restriction and uncertainties and the pandemic, we had a anniversary campaign, but it was really starting off in the second half of September differently than this year, where we started already the first business day of September. When we started this campaign and we were a lot more aggressive than what we've had last year, because last year we had a lot of restrictions with the store opening hour and other limitation, but this year it's a lot more intense and aggressive.

We also have the opportunity this year to negotiate with our supplier, so that we could really have a campaign just as all of the other campaigns and the organizers are very strong, where we can always increase our market share considering that the precision of their commercial strategy has really reflected in the numbers I'd say remain gaining share in the total base and also in the same-store base. But as we talk about the strategy and I'd also like to talk about the inflation and the impact of the inflation in our business. We are at an adverse scenario where inflation in food is not coming through an increase in demand, but an increase in car with current issues, electric energy issues, fuel and climate effect, which has really harm the entire supply chain and also pressured the suppliers with an increase in prices.

So what we've noticed considering as Belmiro mentioned, there is a drop in the populations income. We've noticed that in our store there is a trade down of brand, that's really significant. Maybe even stronger than another moments where Brazil went through out some difficulties. We've noticed that there is a substitution of products and brands with the maybe the trade down of Type 1 rise or Type 2 rise. Beef switched for chicken and other premium brands where customers are choosing cheaper brand. We were already working on this very much with being the first price for which strategically we reinforce this make. And in the past two quarter this made us not suffer as much of these inflation impact.

As I mentioned, we noticed that there was a brand trade down but we unders -- there's a PMO indicator the average unit price and this is where we maintain stability in the average price and we did not have a reduction in volume. So this is really important for us, we focus a lot on the volumetric issue and the tunnel edge that we have in the same-store bay, there's a bit of a retraction considering all of the adverts and narrower facing there was a drop maybe of 30 beeps in the volume, practically insignificantly which made us continue in this process.

I'd also like to take advantage of this opportunity to talk about this issue of these suppliers and the supply chain has started to demonstrate some regularity signs differently than what we had in the previous quarter, where you had the demand but there was a lack of imports product and now we already have stock levels that are more adequate for the (inaudible) we're going through. And we're also preparing for the fourth quarter, where despite the scenario we are preparing to have a fourth quarter that is a consistent.

So thank you, on my side that's what I had to share and I'll pass on the word again to Dani.

Daniela Sabbag Papa {BIO 22210225 <GO>}

Thank you Wlamir, and thank you, everyone. I will continue here with the presentation and talk about EBITDA a bit. So we're going to talk about the adjusted EBITDA. Excluding the fiscal credit effect. EBITDA in the quarter reached BRL838 million. If we were to consider five years back, this is an EBITDA that's four times greater, so this is very significant as an evolution. We had growth of 17% year-over-year and a margin of 7.8% that is stable, considering the levels of the third quarter and compared to 2019 we had an exercise here as we've mentioned with the sale, we grew 73% in two years and the sales grew 56%. And what we take a look at the accrued amount in nine months, this growth was 69% and compared to the sales the growth that's most significant of 24%.

So this is demonstrated that these results are very solid. So once again, these results reinforce that even with the strong comparison based in 2020, Assai continue to deliver results that are very consistent due to all of the resilience that the business presents, high performance and delivering in our expansion and the quick maturity of our stores. So now as we talk about the net income a bit, we in the quarter we've reached BRL538 million in net income, a growth of 34% also compared to the third quarter and gains in the net margins of 0.6 percentage points. So in the accrued amount in the year the group growth 54% and goes over the BRL1 billion level. So it reached BRL1.1 billion with a margin of 3.6%, so an evolution of 0.8% compared to 2020.

And then of course we have to make some adjustments in this profits. As we mentioned, we have a BRL187 million of tax credits from our net of our income tax and BRL228 in the nine months. Besides this, there is also a significant difference between the deduction of income tax due to the payment of the JCP we made last year. This impact is BRL105 million and BRL22 million in this third quarter. So when we exclude these effect to perform the correct analysis of the profits comparable basis we have a growth and include volumes in the year of 39%. So once again very -- a lot higher than the growth that was presented.

So moving on to the financial result. This quarter we like matching the financial results before the lease interest. So this was equivalent to 0.8% of the revenue and very stable compared to the previous period. So in the quarter we had greater cost of debt due to the increase of CDI that more than doubled compared to last year. And then we in the third quarter we had from 0.51% to 1.24% in CDI. So this cost represented about BRL60 million realize in the quarter. Another factor that also contributed to the increase of the financial result was a greater volume of the graph in the quarter. So what is this? Well, we carry this greater volume to the second issuance of the debenture that was made by the company, that took place in June at a total amount of BRL1.6 billion, so with this we were able to pay all the debenture that we had the second series of the first day of issue, that expired now in August.

So in the end of the year of the quarter we are kind of carrying this additional volume. So this movement is part of our strategy for the extension of the debt terms and improving the cost of the debt. And I'm going to talk about this a little more in the next slide, but just to complete this, the financial results excluding the fix fiscal credits represent about 1% of the net revenue in the quarter. So now moving on. We ended the quarter with a net of BRL5.2 billion and a reduction of practically BRL150 million compared to the third quarter. And so, for another quarter we were able to reduce leverage in the company and this has been reduced progressively. We ended the year -- the quarter with 1.84 net debt-to-EBITDA, which is 0.6 times smaller than the third quarter of 2020. So we were at 2.50 in the third quarter and as you've seen this number and this indicator has already dropped a lot more than one time. So we continue with this leverage due to the strong cash generation at company.

So moving on here to the refinancing explanation we had work done, with the first debenture issuance besides the payment of the installment that was expired in August as I mentioned. We prepaid also the last series of the first issuance, which is the fourth the most expensive one and with the resources we had with the issuance of the (inaudible) these credit notes of BRL2.5 billion at CDI plus BRL1.5 billion and we also paid for another issuance within the quarter as well. And now in the end of October, we had another issuance of the CRI and this was completed these days, with these resources the company was also able to complete this process of refinancing and we pay the last series of the old issuance until the end of the year, which is a series that considers CDI plus 265 with all of this refinancing plan and the total capitalization which reached almost BRL6 billion this year, practically BRL6 billion this year. So this also allowed us to reduce the debt by about 1 percentage point and there was an extension of this debt term from two to four and a half years.

So this was the main point and now I'm going to pass on the word to Belmiro so he can continue with the presentation. Belmiro?

Belmiro de Figueiredo Gomes {BIO 18107864 <GO>}

Thank you, Dani. Now as we talk about expansion, we actually have 12 stores in 2020 that are launched now, unfortunately, we're not getting another store in Fortaleza. And with this Assai will reach a 196 store, so very close to overcoming the milestone of 200 store, we reach the 100 store in 2016. But the company is continuing to have this strong expansion this year. We're going to happy to all launches that are very concentrated in the fourth quarter due to the construction calendar. And the concentration also of the moment with the fourth quarter, which is normally more positive for store opening. So until this moment, we've already launched 12 units. These units were distributed between a different states in Brazil, which demonstrates that the expansion is not concentrated in a single region. Our performance has been positive in all regions and this demonstrates the strengthening of the capillarity and also our focus that we have in the regionalization in the North region and the Northeast with in the Midwest.

We also had a launch in the Southeast region and we have a calendar for store openings also from now till the end of the year. So we maintain this target of launching about 25 to 28 new units. At this moment we are under underway with 25 organic store. And part of the network of 2022 is already under construction. Look at this new reality with the inputs and the timing in the pandemic that will allow to have the target that we readjusted for 2022 is maintained. So we will still have an entry into a new state that's focus on the North region of Brazil which is Acre. So we should be launching between November and December about 15 to 17 USA units and we're going to be turning the year with about eight to nine construction projects in total to be open throughout 2022.

So this advanced and the (inaudible) patience of organic growth is important because you have the expansion of the organic store that's going to be combined with the project we announced just a while back. Which is the acquisition of some Extra Hiper market commercial points. So within this network, the stores that were launched to our conversions and among the five main stores and as I say, we have three conversion from the 10, we have the biggest flow, we have six there were also coming from conversions as well. And moving on here to this point, we can see as soon as we disclose this relevant fact we began also having the involvement of the land owners and construction companies as well where we're going to be transferring a lot of the expertise we have in the conversion and organic expansion to it's moving with a bigger amount of conversion.

So we would like to highlight this opportunity once again to mention that these points are a little different than the organic part that we have at Assai and also even different than the other conversions we had considering that they could part of this network of stores are points that are applicable. And so these are points that were from stores that were launched like 20 or 30 years ago, where the real estate market still allowed you to identify a piece of land and place the store like 7,000 or 8,000 square meters with a huge amount of parking area, but with the advancement of the population or density, especially in the Brasilia capital large city makes you have a huge difficulty.

So the reality in the sector now and this is the cash-and-carry sector, we grew very much in the last decade and maybe also partially in the last decade but predominantly in the past decade. If you look at the history of store that were open and also look at the location, you'll see that most of these stores, we were not and able to provide greater proximity to the customer, we're not able to reach into regions that are little more center and in the movement with the advance -- say when the opportunity to accelerate our growth as well and this combination of our expansion organically and conversions is the most precise decision.

So this project will allow us to acquire some commercial points that would have been impossible to acquire due to the reality of the real estate market. Where due to the time of approval is more difficult and most of the are in capital cities in Brazil and Metropolitan regions of the capital city of these 61, 71 sorry, 63 R&D[ph] conditions on the sales areas of your store network will allow us to add another 50% in square meters which is very different than the reality we have currently. And this will allow us to be closer to the small businesses because then they're in regional areas, they normally concentrate food service operators in small stores, especially the food service industry and other sectors will allow out the -- and so there's a small customer can be supplied quicker and you can also be closer to population centers that are a lot higher.

So the history of conversions demonstrates that the store conversions are normally very quick when it comes to maturity store maturity. And these store conversion since they're already traditional points and very well known by the population. So you have some time for margin is lot quicker than organic network. So this is going to be very important in our vision, 2022 will be a year where the population will still let you to many economic regions and different issues that are not within our power, but they should have a bigger search for private. So this point already combined the strategy that we've been following in the past years of having a combination, which is improving the purchase experience of the customer through the location of the store or the environment of the stores or the level of service place in the store, maintaining low prices. Still maintaining a major advantage for the customer our small business so the conversion is basically were tripled and they take about six months to reach this total ramp up.

With the net income within the first year, the break-even has been a lot higher since it considers very well-known point, as you've seen the store Carapicuiba is one of the main stores we have. There's 8,000 square meters and over 14,000 square meters of constructed area and 830 almost 900 parking areas. So it's one of the main stores I'd say and it was really part of this movement of conversion which is really in-line with the current network of stores that we are acquiring at this moment. So there were many limitations in the past that avoided some of these conversions but the changes in the market and the trade down with the recent movement of the customers migrating from the retail to the wholesale channels really makes us very confident about the fulfillment.

So Extra should be completing its activities on the end of December or maybe half of mid-January, so that we can start in February with some store conversion processes that will be split. We still haven't decided which will be the stores in the first and second week, because it's also depends on some regulations but the objective is to have about 30 or 40 units in the first wave and these stores are going to be reopened about June, July and August in the next year and a second wave would start soon after due to the execution capacity as well and of course with some delivery in the first quarter of 2023.

So along with this we're also going to have a combination of about 18 to 20 organic stores. So we'll have a year of strong growth with the brand entering regions where we would like to enter the Assai brand has been very well accepted by the population. We've seen this in the organic network and conversions as always we believe this step is historical and it's going to really demonstrate major results and we'll place that once again in the competitive position searching for leadership in the market and it will be beneficial to our customers, shareholders and investors.

So as we move on to ESG, a very important topic that obviously it reimburse in companies but if you've monitored as experience you, so this was already practiced as a demand of the controller and we have in two states you have the biggest (inaudible) take part in as I --. So our matrix is where we have a strong use and with -- has major participation those very important within the pre-market where we should have a 174 stores migrated at this moment besides other initiatives as well. We had over a 16,000 subscriptions this year and about 80% are woman selected and also a huge amount are self-declared as black or brown. And in this project we also have a project where there's an important role in our vision, really promoting technical know-how and financial know-how's to these customers over 1,500 entrepreneurs were selected and they went through the courses of the Academia Assai, the Assai academy. And other initiatives as well.

So we have 25.3% women in leadership positions of course below the more than working on, but evolution has been significant. Almost 5% advances in the third quarter of last year compared to this quarter and another 45% of our employees and leadership declared in the last sentence as black or brown. So, in the numbers of the third quarter of 2021, this is pretty much it.

So now I want to pass on the word once again to our IR Director Gabi. Thank you everyone.

Gabrielle Castelo Branco Helu {BIO 22222055 <GO>}

Thank you, Belmiro. Now we're going to continue with our Q&A session.

Now we may begin the Q&A session.

Questions And Answers

Operator

(Question And Answer)

(Operator Instructions) We'll move on to our first question is from Joan Soares [ph] the sales side analysts from Citi. Joan, you may submit your question.

Q - Analyst

Good morning, everyone. And thank you for the call. I have two questions here. The first one is about the gross margin. Belmiro, you mentioned some clear messages about how you've been able to keep up this gross margin. So when you look up ahead, as you mentioned, with a normalization of the supply chain, and also with the mix of small businesses really gaining strength now at the end of the year, how should we at least consider a guidance for the gross margin? This would really help us.

And the second question would be about leverage, you have a clear understanding of how much you expect in revenue until 2024, the amount of stores. But I think it would be important Dani, if you could maybe provide us some visibility about how you expect this debt or leverage to evolve as you pay for the installments of the acquisitions of these hypermarkets. And within this same debt point, if you could maybe mention a bit of how you have additional space maybe to reduce the CDI spread through refinancing? That would be very interesting. Thank you.

A - Belmiro de Figueiredo Gomes {BIO 18107864 <GO>}

Dani, let's start off with the debt.

A - Daniela Sabbag Papa {BIO 22210225 <GO>}

So, Joan, thank you for your question. And in regards to the spread work with the reduction of the spread, we've already worked on some important efforts to reduce the spread of the debt from CDI percentage in addition -- we reduced this by 1 percentage point, so this is completed already. But when we look at your question about the perspectives on how our net debt-to-EBITDA will be considering the payment, as we had already mentioned, right. So if we -- through the normal course, the cash generation of the company. In December we would have a level that would be very comfortable, below 1.5x net debt-to-EBITDA. So, this would be the starting point, let's say.

And then we'll start off with the payments from December onwards. And in 2022, let's say that would be the most relevant point and this indicator where we would be reaching the maximum 14, which would be 2.5x. But very quickly, this increase is momentary. And then with the cash generation we're going to be having, we are for seeing actually that due to all of the payment of the BRL4 billion, we have the need for fundraising of only BRL2 billion. So it's way below the total amount, and the total maximum would reach 2.5x net debt-to-EBITDA, and very quickly that's would be going back to drop still within 2022.

A - Belmiro de Figueiredo Gomes {BIO 18107864 <GO>}

So about the margin. Thank you for the question, Joan. But about the margin, our expectations even with the addition and the reopening of the economy, as small business is buying a little more stores, of course, the customer will be working with a lower margin. But we continue to observe with the movement in the market that there's still migration of customers into our stores. So, just to give you an idea, until the previous quarter, we had a penetration of cash and carry in Brazilian homes, those were about 62%. According to Nielsen information that's already dropped -- went to 65%.

So we are going to -- we added a significant amount of new homes buying in this channel. And since we have a precision and policy that's quite interesting for small businesses, we also reached the interest of end customers and the stores are really well located. Closer to the centers -- population centers, we really believe in maintaining the margin. But we've also been working together with the supplier that we don't see a perspective for a loss or improvement, we're going to continue to work, I believe in the maintenance of this margin.

Q - Analyst

Thanks very clear, Beliro. So just very quickly, Dani about new refinancing and opportunity, to reduce the spread of CDI. Could you share some information on that may be?

A - Daniela Sabbag Papa {BIO 22210225 <GO>}

Actually no, we've already performed the effort, reducing those three issuances, and some of them actually half way. So at the moment, there are not any other opportunities in the market as it is right now.

Q - Analyst

Okay, understood. Thank you for the answers.

Operator

The next question comes from Thiago Macruz [ph], the sell side analyst from Itau BBA. Thiago?

Q - Analyst

Hello, everyone. I like to talk about the (inaudible) supply chain. You mentioned you are moving towards a normalization, but I wanted to understand this scenario impacted (inaudible).

A - Belmiro de Figueiredo Gomes {BIO 18107864 <GO>}

Well, thank you Thiago for your question. Where you do have a difficulty in the supply chain, obviously, the possibility for purchasing opportunities are smaller in the period. So, of course, the concentration that commercial area is really more focused on maintenance and trying to reinforce first price level products to reflect a bit of the habit with the team with trade down. And this -- we had to do some of the opportunity sideways. But this scenario should have modified now. As they start giving us some signs of an important trade down among the population. So obviously you'll have a different consumption where -- according to the brand of the product and supplier. That of course gives us some opportunity step ahead as we normalize this supply chain of inputs, and the habits of the population has already changed and adapted. And they make brand switches and packaging switches to be able to maintain their purchases in a scenario that really supported heavy-duty inflation in the past years without an increase in income.

It's quite probable that we'd have some kind of a mismatch between premium products and other products due to the fact that this movement or trend has been increasing itself. May be in last -- this has been a phenomenon that has been taking on significant space in the overall scenario. So, it's still difficult to predict some other supply chains as you mentioned were going through a moment of an inflation where this does not come from consumption, but from general problems and increase of the commodities in the international market. Which is also what happened with steel impacting our construction and also the agricultural commodities due to climate issues. And when you add up all of this, you still have another factor, which is the loss in value of the real, which has really pressured costs. And then, as always, you have the struggle with the supply and demand out there and throughout 2022 as well.

So within the scenario, we should see some opportunity, sometimes not in one category, but for specific brands and suppliers. Wherein some scenarios as (inaudible) Brazil this channel as you said, it really provides us with the capacity to have low-cost inventories because most of the inventories are in the actual stores. If not, it wouldn't make sense when you have an opportunity based purchase maybe. It doesn't -- there's no point in saying, oh, I have this problem over here and maybe I can buy cheaper and let this stock up in a distribution center. Because the freight costs or the storage costs are going to basically eat away all of the opportunity gains you had in that purchase. So, there may be some situations in this scenario, but we have so not consider this in our radar. What we've been doing is with a strong discipline and the management of our inventory, especially to adjust. It's a sector where most of the item don't demand high turnover. So, we were able to adjust this very quickly in order to reflect the demands of the end customer demands and also small businesses. So, of course now we have this expectation, at the end of the pandemic important sectors that could resume activity as I mentioned.

Q - Analyst

Well, thank you very much Belmiro for your answers.

Operator

Our next question comes from Nicholas who is a sell side analysts from JPMorgan. Nicholas, you may proceed.

Q - Analyst

Thank you guys. Good morning. You've already talked about the trade-down impact, but I want to understand how you have noticed the traffic trend in different regions? Besides it, could you maybe talk about the level of recovery of B2B versus the previous prior to pandemic?

A - Belmiro de Figueiredo Gomes {BIO 18107864 <GO>}

Well, trade down, I hope I understood your question (inaudible). Trade down happens in all the regions in Brazil. So of course, in the North and Northeast region of the country, you have two movements. You have a migration of retail customers to our channel, but also within the channel you have, of course, if you consider the example of the beef category, you have a switch from beef and chicken for example. What happens in this scenario is, besides performing the switch, we try to concentrate their purchases within the beginning of the month. Because if you have limited money, those pressured by the increase in gas and electric power cost, normally the trend in these kinds of period is that you have a bigger concentration within the beginning of the month. So we notice the drop in traffic.

Part of this, as we've monitored is really because customers look at them and say look, now I don't have so much of an impact in the restriction. I have limited money, I'm going to go to a cash and carry to buy it once. And then they can reduce their replacement purchases. So in our channel for example, there's probably this movement with the concentrated sale in the beginning of the month. But especially in retail channels they probably see a very similar situation. B2B also is quite premature still, you get some school cafeterias that still haven't recovered yet, activities and a lot of the services still have not resumed activities. But there's a big concern from the B2B public with issue with the inventory and others that have big cash difficulties. So some sectors like event and buffet have a lot of people that unfortunately due to the long period and the restrictive measures these companies just disappeared. So in some of these sectors, we know that they can recover quicker, which is the case of food service because you have to have lower levels investments. But of course, this will be demonstrated a bit more up ahead and also within the first period of the next year. I hope that's clear.

Q - Analyst

That's very clear, Belmiro. Thank you.

Operator

The next question comes from Bob Ford, Bank of America. Bob your microphones is open, you can submit your question. The question we'll start and then we'll go back to Bob. So our next question comes from Irma, sell side analyst from Goldman Sachs. Irma, you may proceed.

Q - Analyst

Thank you for answering my question. I have a question about the e-commerce Channel. I understand that we're still in the beginning of this experience and the growth of this channel. But as it gained scale, how are you imagining that this should be behaving when it comes to the profitability of this channel? Could you mention how the profitability of this channel behaves now compared to the profitability of the core business? And how you've noticed this midterm?

A - Belmiro de Figueiredo Gomes {BIO 18107864 <GO>}

Thank you for the question Irma. E-commerce, although perhaps this is just the beginning. But as I mentioned previously, as a group we've already been working in this channel. And believe it or not we sell too many companies that sell food in e-commerce. So, we have at least four major customers that buy food with us to sell on their e-commerce. So, although as I think this would not make too much sense strategically before the split, it is a channel that we have a lot of knowledge about. So, considering that we decided to go in through a last mile player, within the third quarter we already started and stared in 129 stores in 16 states is the fee paid to whoever's up in the last mile. So who buys is the final customer.

But on the other hand, we paid it and there's a margin that's approximately 2 points below what would be our margin. And this is in line with what we sell to small businesses. So, the observation of course is that we're still in the beginning of this project. So let's see how the numbers behave in the fourth quarter. There was strong adherence and we knew that there's a part of my -- part of the population that has a conditions to pay for this. They want to buy an outside, but they want to offer us a lower prices. So we're going to wait for the numbers a bit in the fourth quarter and the first semester of next year. New last miles should also be added to the debate. But when it comes to overall margins, this should not have any impact because e-commerce in food sectors, it still does have a very, very small share when we look at the overall market in the food sector.

Especially when you enter perishable goods and fresh goods, the population's habit is really to try to choose -- you have been like 10% of the population with the possibility to buy an e-commerce. But in this movement of entering the stories that now have extra stores that are going to be transferred in regions that have higher acquisition power with that are closer to the plus A and B system public. There should be an increase in this, so that this can of course reflect this need of the customer. So these stores that are bigger and better located, considering the population around the stores and the smaller amount of vacancies today, it would not make too much sense. So some of the news we expect as well, although the main focus is to come and convert and reopen the stores as quick as possible. We would open these stores and these lead to new opportunities for us. So in the regions where they are in the public around the amount of income that states two major opportunity. So, when it comes to services as well as product categories.

Q - Analyst

Very clear. Thank you.

Operator

(Operator Instructions). We're able to find Bob. I think Bob had to disconnect for some reason. So let's continue. So we took some questions by the chat, so we'll answer them here. So we have a question also about how we're going to be raising with BRL2 billion. Dani mentioned we're still structuring this. We have also another question from (inaudible) but another question, also about how we've noted the steep impact in the financial results and in our bottom line. And if we should expect more pressure also in the expenses for next year. That was a question.

A - Belmiro de Figueiredo Gomes {BIO 18107864 <GO>}

Well, great point. Of course, with the increase of the selic, they leads to a different dynamic. We've already been following a very strong deleverage curve. So, even with this huge amount of investment so far of the payment of JCP, the company was still able to deleverage and sustain the presence of debt. But we have the increase of obsolete. And on the other hand, a big product in stores that are entering this year will also have their contributions for the next year. So, as we leverage more for the store comprehensive, extra for the payment that it may be split into installments, so 2024 considering the cash generation capacity at SAE to give an idea, the indicator 1.5 times EBITDA is already going to be reached in 2023.

So we should already be able to besides the actual increase, the amortization that's going to be very important as well. But of course, this will lead to impact within our within our results. So, maybe the target we're working on to really reach 2024 with the net debt level that's 1x net debt-to-EBITDA. So with the movement, of course, it could increase the cost and this could impact it, which is stimulated within the project and the expansion overall. And now the project, with the acquisition of (inaudible) we work with these scenario. A bit above would be a market consensus and also some other scenarios that may be a little more pessimistic because there's high unpredictability. But of course, the increase in the selic will have financial impact.

Operator

(Operator Instruction) The Q&A session is ended officially. Now, we'd like to pass on the word to the company for their final remarks.

A - Belmiro de Figueiredo Gomes {BIO 18107864 <GO>}

First of all, I want to thank everyone that participated and that head our call. This third quarter was very positive and would like to thank the ASAI team for all of the advances in the third quarter, with the amount of projects and everything that took place now with Cornershop and financial dynamics, the anniversary campaigns and store opening. But even the ones that are not open require major efforts to train and engage the entire team. So this keeps the company very convinced about its precision and its growth path, and also the precision of the point. We're going to see in the first quarter with the closure of 2021, given all the turbulence and economic uncertainties in the election year, we see that our business model is really resistant and resilient considering all the performance that took place during 2020 and 2021. Thank you very much.

Operator

The earnings call related to the third quarter of 2021 of ASAI is officially ended. The IR department is available to answer any other questions. Thank you very much, everyone. And have a great day.