

Y 2021 Earnings Call

Company Participants

- Armando d'Almeida Neto, Vice President Finance and Investor Relations
- Jose Isaac Peres, Chief Executive Officer, Chairman of Board of Executive Officers & Director

Other Participants

- Alex Ferraz, Analyst
- Andre Mazini, Analyst
- Bruno Mendonca, Analyst
- Gustavo Cambauva, Analyst
- Igor Altero, Analyst
- Marcelo Motta, Analyst
- Unidentified Participant

Presentation

Operator

Good morning, everyone. Welcome to the Earnings Call of the Results of the Fourth Quarter of 2021 of Multiplan. We have here, Mr. Jose Isaac Peres. He is the President; Mr. Armando d'Almeida Neto, VP Finance and Investor Relations; Mr. Marcello Barnes, VP of Development; Hans Melchers, he is a Director of Planning and Investor Relations; and Mr. Richard, Director of Digital Strategy.

And we inform everyone that the presentation of the -- well, the earnings call, you can download the presentation from the ri.multiplan.com.br. And you can now -- the participants will only hear the teleconference during the presentation of the Company. And thereafter, we're going to start the Q&A session, when more -- you will get more information. (Operator Instructions)

Before we start, we would like to say that the disclaimer, anything there might be said during the earnings call regarding the perspective of business perspective and projections and operational goals and finance are premises of the Board of Directors of Multiplan and based on information that is available now to the Company. Any future forward-looking statements do not assure performance and they involve risks and uncertainties. So these future events, they depend on circumstances that might or might not take place. Investors have to note that, general economic conditions, industry conditions and other operational factors can affect the future results of the Company and can lead to results that are materially different from those that have to be taken care in the future.

The teleconference will take 60 minutes. After this period, this -- the Investor Relations area will be available should you have any more questions.

Now I would like to give the floor to Mr. Jose Isaac Peres. He is the President that will start the presentation. Please, the floor is yours.

Jose Isaac Peres {BIO 15388489 <GO>}

Good morning, everyone. Dear ladies and gentlemen, it is a great pleasure to be here with you and comment a little bit about our results. And I'm going to be -- maybe you're going to be a little bit tired, but I'm going to say something different for those of you that want to understand our Company. I'm going to refer here to our -- on our analysis on the several crisis that we've gone through. I would like to tell you that in these 50 years of experience, we -- I probably went through 15 crises, economic crisis and every four years, we have a crisis. So let's start.

Usually, people that are fearful of the crisis, they open up a space for their competition and these crisis are always generating new demands and then those that grow are actually the ones I can identify those new demands and even foresee them. We grew -- we grew regardless of the crisis. And we knew how to adapt to every moment, as the recent case of ParkShopping Jacarepagua delivered in November 19th, that was built right in the middle of the COVID crisis. Now, we don't get intimidated by crisis, when our results of the fourth quarter are here to prove what I've said.

In the fourth quarter, it was the only period that we actually had the breadth to continue with restrictions. But, we could catch our breath and maybe there is another subjective factor, which is COVID, that makes people be hostages in their own homes. If it wasn't that, the results would have been much better and remember that Christmas was doing well when we had COVID. And then we lost a little bit, naturally people are concerned since the beginning.

So, what I would like to say to you is, here in the comparison of the fourth quarter and as you know the numbers. The fourth quarter of '19, why am I talking about '19, it's a year of growth. It's a year that the malls grew. So, we are comparing a period that, temperature and pressure are basically the same, except the subjective issue that people believe that COVID and so on and so forth. I'm not going to comment that, but this is a global issue.

The fourth quarter of '21 and comparing '19, we -- we have the sales of growing 19%. The net revenue of Multiplan grew 21% and the profits 50.1%, also referring to the same period of '19. So, it is a good growth period for Brazil and our estimation for results at the beginning of '22 that we have here the numbers, we have our sales growing 4.4% in January '19. We also have 42.6% above January '21 and our growth of the net revenue is of the order of 25%, if we compare to the same period in '19.

Very well, a 41% if we were to compare to January 2021. Well today Multiplan assets at it's fair value account for BRL23 billion. However, on December 31st, 2021, we were listed in the stock exchange valued at BRL11.2 billion. In December 2019, the very same Company

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was worth BRL19.9 billion at the market value. While the income and the revenue that we're quite close to the ones that we registered in 2021, quite close figures. The fourth quarter was the only moment in which the shopping malls, as I said before, were able to sell more regularly. Well in this period and the fourth quarter, the results were better than those of 2019. The profits grew at 50.1%, as compared to 2019. And also importantly, we have to take into account that we are still living with the COVID pandemic that locked people inside their homes and this wasn't happening in 2019.

So, let me go back and talk about this issue about our Company. So, on December 31st, 2021, well the net income of the Company was BRL2.5 billion, these were the sales. So, we made this a internal exercise, if we sell 10% of our assets, we could then settle the entire debt amount and I say that, because at this point in time, the interest rates are going up, they're actually very high and we are wondering whether we are evaluated at a very low level. So, perhaps it would not be interesting to sell some of our assets to make this Company more profitable and debtless. Well that's an issue that we are now analyzing.

So I am very much attached to what I have. I'm a buyer, I'm not a seller. Anyhow, we are more developers than buyers of preset developments. So, we feel like creating and doing, this is what we do. This has been the engine of our Company.

So let me acknowledge something that is important. Well Multiplan in 1984, we delivered our fifth mall in Brasilia in the city of Brasilia in Brazil. Well, this mall was inaugurated by President Figueiredo, it was a very special event. So it was a period of major recession. So we were going through this recession period and the Company was highly indebted. We were highly leveraged. We had 15% of capital and 85% was debt. It was a terrible period for our Company. Well, the sales went down, the GDP was a 3% negative at the time and we were going to go bankrupt. We could not afford to pay our debt. We could not afford to pay our debt. Well, I'm not sure, but I had debt up 100%, 200%, 300% in the final months of the Sarney administration in Brazil, you were very and perhaps you don't remember that, but we had 80%. So you can see how hard it is to grow in Brazil vis-a-vis this fearful situation that we face here.

Well, let me go back now and tell you what we did to overcome the crisis and avoid going bankrupt. Well, for the first time we started to sell shares in the shopping malls to entities whose purpose was attaining income in the long run. The entities at the time, they were pension funds at the time. But in order to solve our issue, we sold 50% of all of our assets. Half of our assets. But we paid our debt. We paid our debt in full. And then we repurchased everything that we had sold, virtually everything. The five malls amount to 100% of Multiplan's property, Ribeirao, Patio, we had Barra Shopping, Morumbi Shopping mall, Park Shopping and there is another one, another mall, BH mall, that was the first child, so to speak, and then I'll talk about this later.

Very well, today, our net debt over the assets of the Company, this ratio according to our assessment. Our assessment is conservative and this ratio is 10%, around 10%. So what I would like to tell you now. I would like to highlight that would be a coronavirus crisis that we are facing right now. Well, I'm being repetitive, but we delivered four malls, Jacarepagua with 95% of the tenant's filled in. So perhaps this is the most intriguing

project. One of the best projects that we've had in this Company. 95% of the tenants allocated and perhaps well, this was developed during the COVID-19 crisis. That's it.

So we have not stopped in the very worst moment when our malls were closed. Well of course, we had losses and we waived on the tenant fees that we were entitled to receive throughout a long period and we charged half the fee, half the monthly fee. So we did not call this debt, we were solidarity to the tenants to our partners, we did not postpone that. We work with our hearts, that's our issue. Well now we have a quite successful, a success case, it was actually a climax when it was inaugurated. Well, because it's adapted to the moment that we are now living.

We are more focused on entertaining on green areas. We have this external park that will be delivered in March, next March, April. It is going to be the first open children's park with a very large green area. It's a very playful concept involving leisure and joyful moments. Well, this is knowing how to identify a crisis and adapt to such crisis. That's why I say that crisis generate opportunities, Jacarepagua our mall is a result of the crisis. It couldn't be like any other mall, because early on when we began working, the malls were much more focused on retail, but then we changed and there is much to tell you here. I'm not going to waste time on this anymore. Anyhow what I would like to say is that Jacarepagua is a region with a 700,000 inhabitants and trade and surveys is just crawling in that region.

The issue that we have there is that in order to make this more feasible, we had to invest in roadways, and lighting, and signage in the entire region, encompassing a large area of Jacarepagua. And with that, the traffic of that region became more accessible according to the opinion of the dwellers of the region. So, the roadways became more accessible.

I do have some other points to highlight here for you. Well, it's always nice to mention that in October the 5th last year 2021, we were still facing this moment of crisis and the Company launched Golden Lake and I refer to this project, because I would like to say that when we talk about the actual income in large urban centers close to the malls, I mean malls that really stand out in their cities, we are fully convinced on the synergistic effect that we see between the mall and the surrounding constructions. There is always additional return on investment for the Company. It's not so expressive. But, it's also important. So, this has been one of their strategies.

Well, the five first malls that we built, we had the cities growing around the malls and they grew exponentially. Let me give you an example. Golden Lake, so we've built this 30 years ago. And at a time, a flat that we sold \$500,000 today has been appraised in \$2.2 million in spite of the crisis, because the real estate market suffered a drop. It was appraised at a higher amount. But that's it. The good, the actual assets they will always appreciate. And that's why Brazilians like so much to invest in actual income, that's real estate income, right, because you get paid. You have the revenue flow, but you also have the appreciation of the asset. If we take into account our malls, the BH mall for example that we've built 41 years ago, that was in 1979. Yes, 1979. We took a loan of BRL12 million from Citibank. Citibank, was the only Uno bank, they had long-term funding. So, we ran this risk and you know buying this insurance, buying this loan in dollar, but I was bold. I was very bold at that time.

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And then we built that mall, the BH mall at the BR-3 road way. It was really a highway and everything around that highway was nothing, there was nothing around it and we built and the owner of the land was the president of one of the banks, BMG bank and then when he sold me the land and I told him that I was going to build a mall there and then he said, why are you going to build there, he asked me, as a good citizen from the State of Minas Gerais. So I thought that I had found this golden mine and I told him, I'm going to build a mall and then he said, Oh man, but why are you going to build a mall there, all you can find there is horses and goats. Yes, it was a steep land there were -- there was a great deal of mules and horses and goats. And then I inaugurated and then, today, the city grew around the mall. It's one of the key neighborhoods in the city in terms of appraisal value and that's around the BH mall.

So what do I mean by that. Well it cost BRL12 million. That was the low one. But today the appraisal, the fair value at the fair market value, even taking into account the high-interest rates that we see in the market, it's worth BRL400 million, around that. So virtually 40 times more and we made eight expansion projects with the income that was generated by the mall itself. So we were able to use that income. So, with the remainder of the income, we reinvested in the mall so that we could make it appreciate in value.

Very well then, let me carry on. What I mean is that throughout the last 50 years, we have experienced so many crisis. They will happen. The malls will keep on growing. They will expand and they will appreciate the value of the surrounding land, the surrounding area. Let me draw your attention to one thing now. Much has been said about COVID. Well, the in-person retail would not prevail, the digital retail would prevail then and the malls would go bankrupt. Well, I admit that some of them have faced that, but in none of our malls have we seen such situation. Of course we had cities in which we spent seven months with the doors closed down. So this is what surviving means. We were dead by seven months and then we are reborn, right. Very well we survived, we could show to the public.

We had this international company, they came to the surface testing. We had 800 testing sessions and I was amazed, they could not find coronavirus, not a single strain of coronavirus neither in the bathroom, nor on the tables, chairs, handrails, staircases, they couldn't find a single strain of the coronavirus. Not even in the grating of air conditioning or in the air conditioning system. So, much was said that coronavirus could live on your clothing for such and such days. So people were kind of willing to wear underwear only, they didn't want to contaminate their family. So much has been said because of the lack of knowledge on the virus itself. And today fortunately, things are under control and the virus has weakened as we had foreseen in the beginning, so the virus weakened by getting people infected. Well, this was a virus that stopped the world, regrettably.

There was a single country that did well with this virus. The rest of the countries faced a serious crisis, but Brazil resisted. I believe that this year we are going to have economic growth, we are going to have a positive GDP growth. So I think this year may be a bit more difficult. But as I say, well if we had to close our doors for seven months and we didn't die, it's hard to kill us, right. So we are just like cats. We have several lives. What I would like to tell you is that the shopping malls, well the malls are a sub product of the urban chaos and I say that because in 1973, myself and my partners started building the

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mall. The perception that we had at the time is that the urban chaos was there, was installed.

Nobody could buy anything in Rio de Janeiro where I live, I've lived most of my life in Rio de Janeiro and I may tell you that I remember that here the Colonel Fontenelle, he was the Director of the Traffic Department, he would empty the tires that were stopped in the retail areas or downtown. So we saw triple lines, triple rows of cars parked, one next to the other. Traffic was chaotic. You know, coming into the city through Copacabana and Bahia, that in order to get there would take you two hours, it was -- it was terrible actually. So, this really drew our attention, so we have developed many commercial centers. These were commercial galleries and they have no parking space, so the development process should be based then on building commercial centers with parking areas, just like we did with Ibirapuera mall.

At that point in time, we made this decision, we went to the United States, we hired a consulting company for malls. We went to Europe as well at the time and we realized that the project that we had envisaged for Ibirapuera was wrong actually at that time. But then we saw different realities, we adapted the design. We launched it quite successfully. And to this day, well the owners -- I left the Company then, because I sold my shares for personal reasons at that time and then after a few years after leaving the Company, my partners, you know sold shares to (inaudible) was a bank that had granted credit for the Company at the time and (inaudible) sold each shop to each tenant. So they raised twice as much, because they would finance the tenants in 10 years.

We are not talking about doing this, because if we do this someday, we are not going to have control over the quality of the mall, the activities that run in the mall, things that we don't want to have in the mall. We don't want to have predatory competition in the mall. Competition is healthy, but it should not be predatory. So this is of course in view of the chaos, we began working. So shopping malls emerged to make cities visible, all of the malls in Brazil. Virtually all of the malls in Brazil will have you know surrounding KOLs installed, because we have a high number of vehicles. It's much higher now than what we had before.

Well, without further ado, I'm not going to say much more. I would like to say that today in Brazil, we have 620 malls and 1,700 domicile sites and 1700 sites. Some municipalities will grow in the future, even because of the influence of the shopping malls. So, I would like to say goodbye. I will not talk about Multiplan, you know a lot about this Company. Thank you so much.

Questions And Answers

Operator

Thank you. We'll now begin with the Q&A session for the investors and analysts.
(Operator Instructions) So our first question is from Gustavo Cambauva from BTG Pactual Bank.

Q - Gustavo Cambauva {BIO 17329406 <GO>}

Hello, good morning. I have two questions. Let me open the release, there is this discussion about the occupation of the malls, and my question is about this. We were talking about the many initiative of the companies in terms of the mix, the reduction of the maintenance fee. While this has really strengthened your portfolio, this helped you to grow a lot in terms of the tenant fee and this is about the sales growth. So my question is, we always talk about the average of the occupation cost, but according to the current levels, that is above the historical average that the Company has always had. Do you truly believe that this is a sustainable rate, a sustainable fee? Do you believe that in the future Multiplan will have a different occupational rate or should it normalize down the road, with inflation going down and sales going up? So I would like to understand whether you have a figure, a magical number perhaps for the occupation cost and what does the future bring?

My second question is about the vacancy rate. The vacancy rate has been going down. It's a bit higher than the historical average. But it's very much concentrated on some assets. Most of the assets have resumed the historical average. So how do you see the recovery? How do you see Santa Ursula, New York, how do you see these assets, will it take longer to recover or is there any specific action for such assets? Good day.

A - Armando d'Almeida Neto

So good morning. Thank you very much for your questions. Now, in regards to the cost, the occupancy cost that we presented is the result of the sum of all of these, pondered by the size, the cost of rent, our expenses. And then we have a case study, just to clarify all the questions that we received on this issue. The occupancy cost can combine, because of the consolidation of our assets even. You can imagine that we brought in 2011, 2012, 2013, we have five new malls that faced challenging moments, GDP decreasing zero recently with the pandemic and they are representing a strong growth.

So when you look at other assets more consolidated, you will see that as they are selling more the square footage, the square meters and that allows for us to charge more for that asset. It has a greater productivity per square meter and then at the same time, you have the occupancy costs that will reduce when comparing to a new mall, a property that is just launched in the market.

Now, I wanted to talk to the analysts, the investors that have been with us for so long. If you take a look at 10 years ago and then you look at our occupancy cost and then the time they asked is if we could grow more and the answer is given, not in words, but with data, with results. What did we try to pursue -- we'll not try, what we always pursue is to increase the productivity of our malls, whether if it's by the localization, by consolidation and for the management of these enterprises generating more productivity.

Today, we have other mechanisms that are more traditional and we have the logistics productivity and we have our Multi app. So that our tenant can sell more through several channels and making this point more productive. Well, the cost can rise a little bit more if we offer our time, as long as they have a sales environment, sales environment that is sustainable.

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And second, the occupancy rate. Is the glass half empty of half full. And well, the occupancy is worse than in 2019. And even so, we can surpass sales and rent, even though this occupancy rate is lower. Given the quality of our assets and given the fact that we are in turning the page on the pandemic, I see an upside of occupying these areas as you have the normalization of commerce and we have practically the year of 2020, 2021 and uncertainties. How are you going to land this and invest in this and we have a lot of uncertainties that are going by, and I think that this will bring a lot of opportunities.

A - Jose Isaac Peres {BIO 15388489 <GO>}

Armando, I wanted to interrupt you. Just say maybe something philosophical. The only certainty that we have is that everything is uncertain. And we take on the risk and I mean living is a risk. I remember in my first enterprise, I launched in November of 1963 at Lapa, a building that is close to the military, the -- the revolution that culminated in '64 and everybody told me I was insane. It wasn't that I was insane, I was a student and my friend - I was working as a real estate agent where I studied in the morning and then I earned some money and then a friend sold his apartment, I sold his apartment and for a very good price and he asked me, I was to do the corporation harder build buildings and he said, well, I don't know, but we will figure it out. And then he gave me the money. We purchased it. He paid everything, he could only pay for six instalments and it was 36 and then he paid one lump sum, he bought the first part, which was 40% and I was 60% owner and then everybody told me I was insane, but here is the great opportunity of my life.

I know that I can lose everything. Make no money all throughout my life, but that's my option and then I launch and then I sold everything. So it seems that I didn't have anything and then I had more risks. Now remember that in the government some (inaudible) wasn't a listed company. We went to Portugal, we buy -- we got the first mall in Portugal, and then we did some enterprises in Miami. I want to know. I want to tell you that a Company -- the company is in Brazil, but it can also be in the different places. And of course whenever there is the opportunity in the real estate of growing and having results, we are going to risk.

Today, the only risk that the Company has is the net liability for BRL2.5 billion. But for those of us that had 85% of that and 50% of capital and we didn't go bankrupt in '84 you know. What does it mean? It means that Brazil grew. Brazil is changing all the time, and it's evident that due to sanitary political environmental issues, they really hinder our activities. That's it.

Now I want to add that the risk, the only a certainty that we have is that everything is uncertain. And given this uncertainty, because we are going through this period, three assets where we have higher vacancy, they are recovering the tenants and due to the movie theaters are going back, we have new movies, there is a good occupancy that is improving a lot. And in Sao Paulo, we have the offices going back.

And the last point, the turnover. The turnover 7.9% in a year. Highest in the Company of the -- in the Company live and we are using the space correctly. We have new operations, the technology -- the technology area, yes, internet, because it's incredible. Of course,

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everybody, nobody will purchase a fridge via the internet or the telephone. You are not going to buy a special shirt or a suit over the internet. But, there is one thing, we are not here at the beginning of the opening of the mall and here we have the demand that we realized, it's human, we are gregarious people and there is the Greek philosopher Aristotle, we -- I felt it not only by our family, we are -- we got tired of the same people. And in the mall, I am an observer. We have people. It's a place to meet.

As from the standpoint of healthcare, we have a great healthcare center and now we are talking about healthcare in the mall. But you know, the mall, the shopping mall is the biggest antidepressant and we have that energy of seeing people. But being imprisoned is the worst condition for any human being, otherwise, we wouldn't have jails. The greatest punishment is the cage. But when we self cage, you know, you have that fear that paralyzes us. I did not stop during the pandemic, not a single day I was at home. I got COVID, I got infected, but I didn't have any symptoms. I didn't have fever, no lung issues, however I lost my sense of taste, but then I was working. I had a surgery recently, that was the longest period in my life that I was away from the Company, that it was 30 days. And I don't remember having been away from the Company more than that.

So in 10 years maybe, people everybody tells me to take on vacation, but when you do what you like, you transform your work and your hobby. We human beings need that. We live off challenge. Without challenge, it's not fun. So I apologize, it has nothing to do with the call.

Gustavo, we hope that we answered your question. Anything else?

Q - Gustavo Cambauva {BIO 17329406 <GO>}

That's great. Thank you.

Operator

Next question comes from Alex Ferraz, Itau BBA.

Q - Alex Ferraz {BIO 18651758 <GO>}

Hello, Dr. Peres, Armando. Thank you for your presentation. I have two questions. Well the first question is in regards to the comment about selling the assets. For those of us that follow-up on the Company, it's not so common. And obviously when we look at the market and given the shares and the private market, we can see that the private market we have a cap level that is more attractive. Obviously, it's very determined, but when we talk about the possible sale and we have a nested several (inaudible) fraction in the assets, how do you actually think about that part of the agenda or unfortunately there is that option for leveraging?

And then the second part, regards to January and you even mentioned the revenue 25% against January '19. And we had a growth in the fourth quarter. I mean for the contracts that are overdue -- that are going to be due, the level is very similar to what we see in the

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third quarter. The seasonality of Christmas and then we have the contracts expiring at the same level in the same date. What can you tell us?

A - Jose Isaac Peres {BIO 15388489 <GO>}

Alex, I'm going to answer this, about the asset and then Armando can talk about the issues, financial issues that you mentioned. So yes, when I was mentioning the 10% of the value of the Company and we pay for debt, I am not -- I'm not trying to sell anything, okay. Internally, some would like it will give us more liquidity and then -- but then you kill the golden egg herein. So I am resilient, resistant. Our assets, yes, they are under evaluated by several reasons. I'm not going to sell assets, you can rest assured. Nonetheless tomorrow we have an asset and that we bought and that is not working, certainly we hoped we are not going to spend a lot of money, spending something that might not work. Okay. So in that sense, yes, we can sell it. We can sell it so we don't have issues. But our cost of labor is very high. The Company is expensive, so we want to fix our synergies and concentrate it in productive activities whether it's real estate, so that's it, my answer is that.

But the financial part, Armando can answer.

A - Armando d'Almeida Neto

So, Alex, I just want to talk about the innovation are magical. The -- unless the tenant leave -- want's to leave the contract, and renewal is automatic. When he was talking about the growth of the net income. So when you take the IGPM indicators for example, you have a good idea on the continuity that we had in the fourth quarter. That's the kind of continuity we had in the fourth quarter. Was this your question?

Q - Gustavo Cambauva {BIO 17329406 <GO>}

Well, Armando, yes, I -- I was using the fourth quarter as a reference, well it was a bit easier to have the passing over of the discount, but I think you answered my question. Okay then, thank you so much.

Operator

The next question is from Bruno Mendonca from the Bradesco Bank BBI.

Q - Bruno Mendonca {BIO 16313094 <GO>}

Good morning. Thank you for your time. I have two questions as well. So Armando was talking about the turnover that is above the average, but looking at the consolidated figures, we have the impression that the new tenants are entering into the contract paying according to this new price level. Well, it's higher than what it was pre-pandemic. Can you talk a little bit more about this dynamic of turnover, the new negotiations, from the standpoint of the negotiations and how do the -- do they compare to the readjustment negotiations you've had? Well, this is the first question.

The second question is about leveraging. So what can we expect down the road in terms of leveraging? There are too many things happening at the same time. You do have Golden Lake that is under development, is there anything in terms of investing in digital platforms in relevant companies, addressing the CapEx and what you can do? So what can we expect from the CapEx evolution? Is there a target figure for the year-end? Do you expect to generate cash in 2022? I don't know, if my perception is correct. And that's it. Thank you very much.

A - Jose Isaac Peres {BIO 15388489 <GO>}

Bruno, well let me talk to you about the turnover. It's a normal thing. Of course, we never thought -- we never thought that we would experience such a crisis as we have experienced. Well the prognostic factors against our activity were terrible, it would come to an end, everything would be digital, that's what they said. Anyhow, there are some cities that had trouble in their trading and retail areas and this also affected the shopping malls. There were cities in which the retail sectors, the retail areas were closed down seven times in a row.

On the other hand, we've adapted, we have fixed things. We started you know, being very careful about the entering and leaving of people. We started using thermometers, testing people's temperature. We hired infection experts and we invested a lot in this sanitary and hygiene area. So, we rest assured, based on the data that we collected, we felt reassured. And the turnover is normal. We've never had such a big gap. So, what were the losses in terms of tenants, or rented area? It went from 97% to 95.3%.

But back way then in the beginning of the COVID pandemic, we were running at a loss of 10%. No, no, it was just 4%. So, we were quite resilient. So imagine you know closing down for seven months, opening up the stores after seven months, the souls of the tenants were reborn. It was their second life, right. This is fantastic. What I will tell you is, increasingly so, what I see is that people feel imprisoned for one reason or another, so they feel like going out. They feel like going outdoors. Well, travel or traveling overseas, the airlines they suffered just like us or even more and there is no aircraft to fly, there are no flights. We do have restrictions imposed by countries. So if you want to travel, you cannot travel, right.

So I managed to go to the United States and I do have a company there because the American government understood that those who invest heavily in the United States, they would have a different treatment, but it was late last year, mid-way actually. Last year I was able to travel to the United States in July or September. Well and then I spent one and half year without this possibility of traveling and that's a terrible feeling, you are imprisoned in your own country, you are locked in your home.

So what the Mayor decided is that nobody can go out of the house, because the virus will infect you, people may be arrested. I don't know. So COVID in a certain way has shattered the economy of the world, with very few exceptions, we know who are the exceptions. I'm not going to name names. Okay. But the world was really affected. The world was shattered. So we work with the physicians. We do have medical centers here in Ribeirao and Patio for example, we have large medical centers. They have been in operation for

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30 years. So this wasn't available in the world. The clinics and the medical centers, we came up with this.

So the physicians took three, four different kinds of vaccines. So this is lack of safety and is part of the health system and the great health professionals. They were all willing to work. But they have been vaccinated. They were ready to serve. I had two vaccines. I didn't have the booster. Well people tell me to go and get the booster, I won't. I do a blood test every quarter. And my immunity is good, so I rest assured, I feel safe. We also test for COVID. We test the immunity for COVID. So if it's good, it's good, it's okay. Well, what I mean with all of that is that we are now reallocating for the technological department. Well we need to have in-person entertainment, the presence based retail. So, the exchange of currency for merchandise. The retail is a way of integrating people in society. People go to the mall, because they want to talk. They want to talk to salespeople. They want to drink their coffee, they want to meet people. So, we have you know a life centers, it's reassuring to people, it's safe to people, and people feel bad. We do have nursing services, we even have ambulances available.

So, what I would like to say is that, I see a great future for our activity. Of course, the street retail suffered a lot. I don't know how they will recover, I don't know how recovery will happen in major cities. But, in our case, shopping malls most survived. We totaled 620 malls in 5,400 municipalities and there is room for growth definitely. And the malls have been present in the world for more than 70 years, in Brazil 50 something years.

I don't know, if I answered your question.

A - Armando d'Almeida Neto

So, let me give you an answer it's not so charming, it's not so charming of an answer. It's more of a technical answer to Bruno. Well Bruno, I think your perception is right and let me give you some evidence on that. If, you compare for example the rental and from 41.4% with the rent growth in malls, there was 35.4%. And if, you add to that the vacancy rate, you can see how consistent things are. So, I will piggyback on your question to clarify some other questions that we have been receiving these days, asking about the rent calculation. If it's net, it has discounts or not, it's net, it's free of discount. It's the rent that is actually paid, all deductions are included. So, this is what we charge. This is what we bill, this is how we calculate for the rent for that very tenant.

So, a question now, your question now about the rental of the new shops. It makes sense, everything is aligned and it's possible because of the quality of the undertakings that we work with, because of the productivity of the undertakings, and because of the opportunity that we offer in renting shops in unique places.

Your second question about leveraging. So we have amortization that has been foreseeing for this year. Our CapEx doesn't have and has never had a target on how much we will invest. We will invest as we see good market, as we see a good market opportunity, available funding, the cost of the capital, the best use of the Company's resources. So our planning is something about deleveraging over the year, because the leveraging historically speaking it's higher still, because of the discounts that were given

throughout the last two years. Okay. So even with the investments that we have been planning to make, we expect to have a gradual deleveraging of our Company. Okay.

Q - Bruno Mendonca {BIO 16313094 <GO>}

Okay, perfect. Thank you so much.

A - Jose Isaac Peres {BIO 15388489 <GO>}

I thank you Bruno.

Operator

The next question from Andre Mazini from Citibank.

Q - Andre Mazini {BIO 20377100 <GO>}

Hello, Professor Peres, Armando, thank you for the call. The question is about the tenant's replacement 7.9%. It's the highest churning, right. So let us talk about who's coming in, who's leaving, perhaps small shops that didn't do well during the pandemic, those that cannot access credit for example. So the tenants that really suffered and left. So, who's coming in? The digital native companies, the new brands, but they start in the digital platforms and then they know they need a brick and mortar shop, the large networks as well, they have accessed the capital markets. So I would like to know who comes in, who leaves in this 7.9% churn market.

So the second question is about taxation. You optimized quite interestingly the taxation on revenue. Revenues are growing year-on-year compared with the fourth quarter of the 2020 and the taxation is going down. So there was a reduction year-on-year and it's lower than the historical average. So about taxation at a lower rate, I think it's 5% now, is this something that we can expect for the future or was this an isolated behavior?

A - Armando d'Almeida Neto

Well Andre, thank you so much for the two questions that you had. The first on Page 33 of our report I draw your attention, because we inform the ABL, we inform who are the new tenants and the tenants that left us. So there was you know a swap. 5,800 square meters of apparel left and 4,000 and 200,000 square meters of food court and restaurant and gourmet areas, 2,454 house appliances and office products, office supplies. So these were the main additions here. So, we see those who left and those who came in.

And within the tenants that came and you mentioned this already, so, there was this expressive area of companies offices, they were online companies and as you well said, they felt the need of having the brick and mortar shops to have this physical presence in the mall, because of the exposure, because of the touching experience that this enables.

And about your question about the taxation. Well, we took the opportunity using credits, credits on essential expenses. So, there was this isolated effect on the PIS and COFINS taxes. These are taxes on revenues. Well, of course, there will be a recurrence of this in

the forthcoming years. It's a credit program regarding previous years, previous fiscal years, but this will have a positive effect in the next quarters as well.

Q - Andre Mazini {BIO 20377100 <GO>}

Thank you, Armando.

A - Armando d'Almeida Neto

Did I answer your question, Andre?

Q - Andre Mazini {BIO 20377100 <GO>}

Yes, you did. Thank you so much.

Operator

The next question is from Igor Altero from XP.

Q - Igor Altero

Hello, good morning and thank you for the opportunity and for the presentation. I have two questions. First about the dynamics of rental for 2022. So, sales are quite resilient as you showed us data from January with growth of 4% when we compare with January 2019. So this gives us, you know, some boost for you to keep on charging more rental throughout 2022. Do you still have this dynamic going on?

And the second question is about delinquency. So, in spite of the more active you know charging, you were able to really address the issue of delinquency, so you control that well. So, how do you see this rate between delinquency and billing invoicing? So, how do you see these two sides? That's my question.

A - Jose Isaac Peres {BIO 15388489 <GO>}

Well, I'm going to answer just part of your question. Perhaps the most consistent part of your question. While the rental is based on sales, the rental fee, when you sell more, well the rental fee goes up. So that will depend on the throughput, on the productivity, on the efficiency of each of the malls, and this is very much important to us. Everything is based on sales. Those who do not sell do not buy. Okay. Only those who can sell can buy. That's what retail is about and the rental fee is related to that.

Well, the examples that I may give to you is that everybody told me that I was crazy to build this Jacarepagua mall and then we inaugurated at a rate of 95% of closed deals in terms of rental contracts and some had to pay the handshake fee to be able to rent, because it was a high demand market. So that's the best answer that I can give to you for a newborn mall. The newborn malls, they did not start working at such high rates, that's it. So the best test was testing reality, it was a reality check.

A - Armando d'Almeida Neto

And let me add to that. The rental fees for 2022, of course there is a positive outlook, because we do see a recovery of the entire sector. We are now operating normally. We see the restrictions being lifted and this will enable us to be more efficient in the management. So this will result in more sales for the tenants and of course this will create an environment in which we can charge higher fees. Of course, there is this pressure on the readjustment of rates and this is going to be favorable in terms of rental fees.

And I was having this conversation this morning, and many people ask about this. Well the GDP will not grow that much this year. And then I quite quickly was taking a look at 2015 and 2016 and these were years in which the GDP went down 3.55% and 3.31% respectively. And then even so, we've had sales growth, rental fee increases and all of that is possible when you have the combination of good properties and a good management and this is what we have in our Company, right.

Regarding default and delinquency rate, I believe that when we look into our indicators, we see the strong recovery that we've had. Well delinquency is one of the indicators that is above the historical average. So we were able to surpass the figures that we had in 2019. There was a big win. While 2019 was a record year in terms of good performance, so exceeding such rates is special to us, it feels special, especially because of all of the restrictions that we have faced and delinquency has been going down, it has been dwindling, but historically speaking, we've had higher figures than the ones that we had in 2019, based on the quality of our portfolio, because of the improvement in the economic scenario, because of the improvement in sales, we hope to reduce delinquency rates over time. Of course, we wish to do that and we're going to work to do that.

Q - Igor Altero

Great. Dr. Peres, thank you very much.

A - Jose Isaac Peres {BIO 15388489 <GO>}

Thank you.

Operator

The next question Feny Orin [ph] from Santander.

Q - Unidentified Participant

Hello, everyone. Thank you, Armando. And my question. most of my questions were answered. So I just wanted to question and one point that is the Canoas, from what I observed in the sale of Canoas even though it is a recent article and asset that is launched in 2017, it's get into very close to Baha Shopping zoo, and I understand that these are similar, but it's very impressive with how quickly it is maturing and this is what I wanted to understand, Dr. Peres, you talk about Jacarepagua, what do you think could be Jacarepagua, since you have a lower income in Jacarepagua where you had more people. How quickly can you mature this asset? I know that it's a million-dollar question. But that's it.

A - Jose Isaac Peres {BIO 15388489 <GO>}

Thank you very much for having the sense -- for understanding very well our sector. But I will explain to you how we work. The problem is, I am tired if you do not bring a different ideal world. If you do not bring a global world. If you don't integrate more with nature. If you do not think that the people that go to the mall most don't buy anything, but they feel better, we invest a lot in the front part. And Canoas was the first mall that had the ice skating rink that was well structured, it was working 24 hours and every day of the year and here in Jacarepagua, actually Rio de Janeiro didn't have any of this, it's a beautiful thing.

I don't know if Canoas is better than Jacarepagua. You spend so much money in Jacarepagua, but we do not discriminate people. Our problem is that many times, it's not the issue of who we should copy, we should fight, we are our own competition. So always, we want to deliver more things, making the reality better than the dream, which is what's happening to Jacarepagua.

Canoas was great, because here we were discussing it's -- it had another mall and I thought that it was a great possibility. I did Canoas with a different purpose. And it was the agreement with the Mayor's office to integrate the Getulio Vargas Park. We had lakes, it's a beautiful place and we integrated the mall with the park and the park was launched before because nobody knew where the mall was in Canoas. I don't think even the people from that city knew. So, we are the kings of the outskirts. But anyway we're growing more than BarraShopping zoo, because a great deal of Porto Alegre, it's 15 minutes to north of Porto Alegre where we have the concentration of the population and they go Canoas. Canoas is a trip and Jacarepagua can be a fun day trip.

Jacarepagua is still less than -- is smaller than Canoas. So, it means that the bathroom of - the people take the picture of the bathroom when they gather and I was scared and I talk -- and the restrooms are very beautiful. So, Jacare and if you ask Jacarepagua, if they are happy, they are absolutely happy because people that go to Jacarepagua, they don't want to leave Jacarepagua. It's an old neighborhood that has 700,000 inhabitants and was forgotten because it concentrated at Barra da Tijuca which is the main focus of investments and we forgot Jacarepagua that it exists since the time of the Empire. So it is a traditional neighborhood. And it's evident that we have 700,000 people. It has a poorly distributed socioeconomic strata, we have middle class, lower middle class. We have people living in mansions. What's happening.

It's that a lot of people are leaving Barra to go to Jacarepagua and Jacarepagua didn't have any restaurants. It didn't have anything, and then I saw an opportunity with that. Multiplan strategically concluded the complete domain of the east zone. We are -- we have five malls, Campo Grande as well. Campo Grande we have, it's a nice mall, it's beautiful and it's -- here is the thing. Our objective, at least my objective is to make people happier, give them what they didn't have before.

So let's go back to in time. When I did the first mall, I asked the Americans why they did the malls outside of the -- the cinemas outside the mall and they answered, because those that go to the cinema, they don't go to the shopping mall. And now, look at what

they're doing. They ask me when I built the Barra Shopping, how did I make something -- why did I do something so crazy, but no, pain and pleasure are the two phases of the same coin. So today we have Barra Shopping, and they go because of a habit.

Because those that go to Barra Shopping every day, they see the physicians, that are selective, that there are very special physicians and Barra Shopping receives 25 million people per year. Maybe the city has 7 million and we received four times the population of Rio de Janeiro. So it's by giving we receive, as we say in Portuguese. We invest for the future, nobody is tossing away money, so why would you have a skating ring, I heard many criticisms. But we need to realize and get ourselves in the place of the consumer, and we need to think about what makes individuals happy.

Our last initiative is with Augusto Coelho. He is the author of a great bestseller and we created this therapeutic center and I'm going there to see to treat the emotional issues that people have. Because me for many, many years I've looked at people and then I said, what can I do for these people so that they feel better and we looked at the external part, but we know that inside, there is a problem. So I wanted to try and help those people and so that they can go to the mall and be happy. And maybe that's the time that joy will cover some pain. But they have internal problems as everybody else has.

And then I created Multicenter, because I got the information from somebody from Sao Paulo that told me they couldn't do, they couldn't see a therapist, but they went to that center and with BRL120, they managed to treat themselves. And these are psychiatrists I got it into the mall and you can buy a shirt for BRL120, but you're not going to solve your pain, your emotional pain. So, you have here a backup, you have a support, that I am certain as people will adopt. We have 300,000 appointments as we have in our mall in (inaudible) and that's per month and that's why I ask you why. Because when you go there to do your treatment, do don't have access, you have the feeling that you don't have anything, because it's -- when it's their time, they are called on the cellphone, so you don't have to look at the face of the people and then they are happy.

We turned the habit of going to the physician a little bit more pleasant and the physicians asked me for many, many years, what was happening to his appointment and his clinic in Leblon, people would prefer to go to the mall. And then I said, because going to Barra Shopping is like going out and it anesthetizes the fear. Because when you go to the physician, people that go to the physician, nobody likes to go to the physician. And I know that a friend of mine recently went to do a procedure and there is some expenses and spectacularly installed, they say that I went there and I thought well, I had nothing else, it was so good and I was already relaxed, that's what she told me.

So to make people's lives better, making people happier, it's an objective. Maybe that's the objective of having a therapist inside of the mall, but I talked to many analysts and they think that the idea is very good. To end the stigma that to treat with an psychiatrist just because you're crazy. Conflicts, emotional conflicts, everybody has them, and you can generate a disease and a series of things. So you need to treat your soul and this is what Multiplan tried to do in the human soul and with the shopping mall.

Q - Unidentified Participant

Thank you, Dr. Peres. Thank you. Congratulations for the result.

Operator

So now we have Marcelo Motta, JP Morgan.

Q - Marcelo Motta {BIO 16438725 <GO>}

Good morning. Well if you can -- I know that there is an impact with the result, but understanding strengthening too and looking at the initiatives of growth in the Company.

Operator

We lost the connection of the person that is asking the question. Then we continue with Luis Rafeen [ph] from Bradley Corporation SA.

Q - Unidentified Participant

My question was exactly about Multiplan leaving the capital BR malls.

Operator

Well we're waiting for Lisa Rafeen.

Q - Unidentified Participant

What have we seen when we invested in the delivery center way back when our entry into the partnership was to try and service the needs that we saw in the shopping mall as basically to the quick delivery leaving the shopping mall, getting very quickly to the house of the consumer and the second point is to raise the logistic stocks for the internet in such a way that they can be duplicated in several apps and market prices, generating value.

A - Jose Isaac Peres {BIO 15388489 <GO>}

And you don't have to sell in our app. What we wanted and what we want is to generate a value for the consumer and convenience. And all throughout time, we saw that that strategy of the delivery center was replicated with several other participants. So delivery there was taking too long, the concept of the quick delivery, this is a trend in the world in the same way that several companies are specialized with all the different SKUs via the internet. So what we saw is that our investment was, we needed to adapt to a need of pain of the market that existed at the time and that's why we decided to no longer invest.

I hope that I answered your question, Luis.

Q - Unidentified Participant

Yes. Thank you.

Operator

I don't know if Marcelo Motta is back. Motta, are you there? Can you hear me? So, Motta. We managed to hear you.

A - Jose Isaac Peres {BIO 15388489 <GO>}

So, the delivery center, I hope that the question for the delivery center has been answered. And in regards to Golden Lake. It's a vector of growth. Obviously, we do not do that business of the real estate development as an obligation. It's not the main activity of the Company. It's an opportunity to generate value and earn money and at the same time. Yes. Perfect. Well, that's a concept of a new neighborhood, a new way of living. Well, there is a caveat, our DNA is a real estate DNA. We built more than 300 properties. At least I did in my life. The shopping mall was the trick of the trade. We went from the commercial galleries to the malls, something that was more needed.

Well, we do have the priorities, commercial centers, providing services in the commercial centers and we also prioritize development. We have 1 million square meters around our malls, so we have a much land. It was appraised for very little, now it's appraised at a high value. So we are going to develop properties around it. In Golden Lake, as you know, Motta, the first phase was launched. That's the Lake Victoria and the other phases, they have been planned. So when we think it's -- finally, we're going to launch the other phases as well.

Q - Marcelo Motta {BIO 16438725 <GO>}

Yes. Perfect. How are the sales going? Can you inform us on that, for us to measure the positive impact that it could have in the 2022 results?

A - Jose Isaac Peres {BIO 15388489 <GO>}

Of course, we brought a report to you. So far, we have 42% of the private area sold. This is data from January. We have 38-39 units from the 94 that were sold and this amounts to BRL207 million. The VGV is BRL530 million and the construction works begin now, right, in January and February. Just to see how much it represents, we sold BRL207 million. We don't have many. We don't have images. That's a shame, because if we could show to you the images, it's amazing, it's really amazing, yes, the images are not ready.

It's a very unique project in Brazil. Definitely in the south region of Brazil, it is one of the largest ones. It's similar to the Golden Green, but it's better than the Golden Green, because we learned from Golden Green and we did it better. So, there we're going to have Pet hospital for example -- a Pet hotel better saying and people want that. So when people want to go out on the weekends, where can they leave their Pet. So, we built, there is a Pet hotel, that's a very nice hotel, because these pets, they are special, the dogs are like people today for example and I believe we learned a lot in the pandemic and I've always liked dogs in my life, but we like them even more, so people now love their pets. Yes. Very well. It's worth visiting this project. So we had an interference in the sound. I think they're tired of us.

Very well, I think we came to a closure. Are there any more questions?

Operator

There are no further questions. Jose Isaac Peres will do his final remarks.

A - Jose Isaac Peres {BIO 15388489 <GO>}

I would like to thank you for your patience and listening to us and asking questions that are extremely constructive questions for our Company. We also learn a lot in exchanging information with you and I would like to tell you that we are very much motivated by what we do, we believe in it. So, I would like to thank you. And I would like to tell you that Multiplan is doing well. We're going to do well this year in spite of the elections, but it's a highly promising year for the retail market. Thank you so much.

Operator

Thank you. The teleconference on the Q4 results on Multiplan is now closed. I wish you all a nice day.

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