Q1 2019 Earnings Call

Company Participants

- Armando d'Almeida Neto, Vice CEO, CFO, Chief IR Officer & Vice Chairman of Board of Executive Officers
- JosÃ© Isaac Peres, President, CEO, Chairman of Board of Executive Officers & Director

Other Participants

- Alex Ferraz, Research Analyst
- AndrÃ© Chaves Mazini, Senior Associate
- Elvis Credendio, Research Analyst
- Luiz Mauricio Garcia, Research Analyst
- Unidentified Participant, Analyst
- Wilfredo Jorel Guilloty, Equity Analyst

Presentation

Operator

Good morning, ladies and gentlemen. Welcome to Multiplan's First Quarter of 2019 Earnings Conference Call. Today with us, we have Mr. JosÃ© Isaac Peres, CEO; Mr. Armando d'Almeida Neto, CFO and Investor Relations officer; Mr. Marcello Barnes, CIO; Mr. Hans Melchers, IR and Planning Director; and Mr. Franco Carrion, IR Manager.

We would like to inform you that today's presentation will be available for download at ir.multiplan.com.br. (Operator Instructions)

Before proceeding, we would like to mention that forward-looking statements that might be made during this call in relation to the company's business perspectives, operating and financial targets and projections are beliefs and assumptions of Multiplan's management as well as information currently available to the company. Forward-looking statements are not guarantees of performance. They involve risks and uncertainties and assumptions as they relate to future events and, therefore, depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may affect the future results of the company and may lead to results that differ materially from those expressed in such forward-looking statements. This call will last 60 minutes, after which the Investor Relations team will be available should you still have any questions or doubts.

Now we would like to turn the floor over to Mr. JosÃ© Isaac Peres, CEO, who will make the presentation. Mr. Peres, you may proceed.

JosÃ© Isaac Peres

Good morning, everybody, ladies and gentlemen. Once again, thank you very much for your presence during this call and for sharing with you our vision. I would like to make a slightly different presentation without mentioning so many figures. Then afterwards Armando will go into that. I would like to talk about our philosophy, our knowledge and our policy. In 2019, once again, tapping into the opportunities that are unique, we started 2019. And with these opportunities that arise. And we repurchased 20% of the BH Shopping 40 years later and which is a milestone in our history. And it was our first shopping mall. At the beginning, our strategy was created by Multiplan to raise capital from pension funds. At the time, they were the only major sources of financing. And this was a landmark in the industry. And it ended up in a great partnership. BH was built in 1979. And it will celebrate this year, in September, 40 years of existence. And the investment that we made at the time was of ($12 million). And the buyback after this last stake of 20% that were held by the (UC Minas) pension fund during 30-some years had an acquisition cost of about ($100 million). During these 40 years, the shopping generated a lot of income. But here I refer only to the advantage of investing in a trail-blazer project in the region that at the time was almost deserted. And that today is one of the drivers of the highest urban development. Thousands of jobs were created by the regenerating force of this venture in a region that was, up until then, basically a rural area. And the (inaudible) Avenue that links the South Zone to BH Shopping. And I remember that it was still under construction when -- at the time, I think it was BR-3. And today, this highway has a different name. And this avenue (inaudible) that brings the South Zone to the BH Shopping was still under construction. But now it is totally built and changed. And this reflects the driving force of our shopping center. And so in 2006, looking at Multiplan and our stake in malls was of about 35%. And today we're close to 80%. And you might ask, well, with this money, could you have built other malls? And the answer is yes. Nevertheless, the consequence would be that we would have 40 fragile shopping centers. And they would be worth less than 50% of what the current ones represent. And during all these years, a mall that had only a 130 stores, has over 400. And it is more complete, more resilient to competition. And I take this opportunity to say a few words about the concept of real income. As a modest economist, living (a dream) over 50 years in the domestic and international real estate sector, I would like to emphasize that when the market value cap rate of a mall is on the interest rate, it brings a distortion in the valuation of income-generating property. And why is that so? The 6.5percentages rate that we have at the market today is not equal to the income generated by a shopping mall at 6.5% for 2 reasons. First, the real income is everything that we can dispose of without losing value of the capital. And the nominal income from the financial viewpoint suffers over the years with the currency depreciation and the loss of capital, of course. And BH, that cost $12 million in 1979. Today, it's worth about ($500 million) considering the price that we paid recently with the acquisition of 20% stake from UC Minas funds. And if we add the income that this mall produced over 40 years. And if we do that math, the number would be much higher. And I would like to emphasize the point that (often) in the valuation of shopping mall companies, we are not a company that only generate income. It is a real income-generating company. This is everything they can dispose of without losing the value of your capital. And in our case, besides not losing any capital, we grew, I would say, much more than the interest rate in real terms. And Multiplan, over all these years, created many development hubs that either directly or indirectly generate value to its projects. And the 5 malls that were the pioneers in our history and that we built in the '70s and the early '80s, we were in the outskirts, that is to say in fully inhabited regions. And today, they became the fastest development hub in their respective cities. And they are BH in Belo Horizonte, RibeirÃ£oShopping in RibeirÃ£o Preto, BarraShopping in Rio de Janeiro, MorumbiShopping in SÃ£o Paulo and ParkShopping in BrasÃlia.

In easy-to-understand evaluation, our assets that generate about BRL 1.4 billion in earnings every year. And in order to obtain the same earnings in the financial market, we would have to have a capital amounting to BRL 25 billion. And when we see our company valued at BRL 14 billion, we understand that the share price of the company is still much lower than the value of its assets, mainly in a time in which global interest rates are going down. And in some countries they even correspond to negative investments.

On the other hand, our income has been increasing in real terms and consistently so. Now we are investing in technology in order to make our malls more efficient, both from the consumer viewpoint as the retailers viewpoint. Recently, we established a partnership with a fast delivery company. And so this year, we will start to operate our digital platform with the objectives of delivering better services to our consumers, increasing the efficiency of our commercial centers. And next year, we will be inaugurating our 21st (sic) (20th) shopping mall, built by our company in JacarepaguÃ¡. And this is a region that has about 600,000 inhabitants in the West Zone of Rio. And in spite of the fact that this neighborhood is one of the oldest in the city because it started in the 18th century, it's still a region that is underserved by shop services and entertainment. And this will be another regenerating venture, revitalizing and recovering a whole region of the city, a large region. And as it is the most recent project built by the company, it will certainly be the most modern Multiplan equipment. You know that always at the most recent shopping center, we add many innovations and they better serve the demands on the part of our consumers and what society wishes. This shopping center is interactive, a little bit similar to what we did we did in Canoas, of course adding some new points and that will bring about great competitive advantage to us.

And I would like now to talk about our real estate activities. And this year, we will start to build the first stage of Golden Lake. As you know, this is a project developed over 10 years. This will be a residential condominium with revolutionary features. We will be building in an area of 170,000 square meters, 19 buildings with 250,000 meters of floor area, right beside BarraShoppingSul. This is -- has a PSV estimated at BRL 3 billion. And it will be built over 10 years. And the first phase of this condominium will be initially only for building. This is a closed condominium within a larger area with unprecedented characteristics in our country.

I would like to remind you that through all these years, we maintained a sound capital structure with low indebtedness and which allows us to invest consistently in the quest for long-term value generation for our investors.

I would like to remind you, we have 820,000 square meters in our land bank for new ventures and the expansion of the shopping centers that we already have. And we continue to be focused on the operation of our shopping centers in order to get closer to the wishes of the new generations. The BarraShopping is going through a remodeling and revitalization process and BH Shopping, likewise, will be re-inaugurated on September 12th this year, when it celebrates 40 years of existence. And this is the first shopping center among the 5 ones that we've made in which the company was able to recover 100% of ownership. We had 32.5%. And this is already happening in the other shopping malls in which we hold already about 80% stake. So this is an endogenous growth. And we must consider this beside the investments that we continue to make. And our objective was always to give our society a modern (response), bringing higher convenience to people. And our business is, among all, to give more pleasure and improving the lives of our clients. And from the macroeconomic viewpoint, we continue to be very bullish about the guidelines implemented by the current administration. And I see with positive eyes, a government that tries to fit the country into the modern world and the socioeconomic development. And for the first time ever, as entrepreneurs as well, I foresee the eternal sleeping giant called Brazil starting to rise under the aegis of liberalism.

Once again, I thank you very much for your patience for listening to us. Thank you very much once again.

And I would like to give the floor now to Armando.

Armando d'Almeida Neto

Thank you, Peres. Good morning, everyone. I will be very brief, a few remarks. So that we may devote more time to questions. I would like to talk about the results delivered in this quarter, which show very clear the company's capacity to grow for long periods of time, although the country is not yet showing a sound economic growth. And the biggest challenge that we faced in the quarter as well as in the previous quarters was to exceed our own growth. And I can give -- it is the same as in sports because you have to establish a new record over another one. For instance, our mall sales went up by 2.4% in this quarter on top of 7.2% in 1Q '18. And certainly grew vis-Ã -vis 2017. Neither sales nor rental revenue during this period fully reflected the mix change already carried out, especially in a quarter in which the store turnover was higher. It was higher than the normal levels of the company or the average that the company has been having. And many of the recently leased areas are not yet in operation or have not yet contributed to the quarter's results. From the financial viewpoint, the company's net debt dropped slightly year-on-year. And as Mr. Perez said, he talked about the capital structures. So we went from 2.11x to 1.85x EBITDA. And we do not expect a further reduction in our leverage. And it's quite the opposite because this level of leverage creates conditions for us to tap into investments and growth opportunities. And in this sense, in April, we were able to conclude important transactions for the company. One highlighted, the acquisition of 18.79% stake in Delivery Center, an important step towards the development of our strategies in digital renovation. And the 20% stake in BH Shopping for BRL 360 million. If we add the BRL 48.2 million investment that we had in Q1. And these 2 that I mentioned that we -- only these 2 that we meant, BH Shopping and Delivery Center, we reached BRL 420.2 million invested in 2019 so far. And this already exceeds by 38% the BRL 304 million invested in the full year of 2018, which means a major acceleration due to our long-term view and the growth that we expect. And we continue to be focused on the intensive management of our properties, on long-term value generation, working in expansion project as well as new shopping centers, greenfield. And tapping into the acquisition opportunities that might bring about capital allocation with what we consider adequate returns. And as I've said before.

All right. This concludes my remarks. And let us start the Q&A session. Thank you very much for your attention.

Questions And Answers

Operator

(Operator Instructions) (inaudible) from CrÃ©dit Suisse.

Q - Unidentified Participant

I have 2 questions. First, I would like to better understand the drop in the Morumbi Corporate rental revenue. Beside the grace period, was there a drop in the value of the new contract? And if yes, how much lower than the current levels is this one? And how much was that? Could you quantify, please? And the second point that I would like you to clarify is the rental dynamic, the same-store rentals, (6%), whereas you have the higher one being (sourced). What about this gap? And what are you going to do about closing this gap?

A - JosÃ© Isaac Peres

So I would like to answer your question. This is a very short period. And it is of no use for us to evaluate the whole year. And when you talk about Morumbi Corporate, it probably underwent some changes and some vacancies. But now it was actually totally rented. In the past, there were some coming ins and outs of tenants. We have 54 floors and only 2 are vacant. And on the other hand, what I would like to show you is that the economy in this quarter was weaker. But already in the First Quarter (of) the first (60) days of April, I have an interesting figure here. (Our sales) represents 11.35% growth already and 6.16% increase in traffic. We must understand that Brazil has just started to leave this lethargic period and investors are recovering confidence in the changes occurring in the country. We continue to invest. We have many expansion projects and that -- and we are bullish about our business. And even more bullish regarding the future of our country. I don't know whether I have answered your question. I gave a more general answer because we are not going to get into details about who left, who came on board. And there are so many, many small changes, that I really don't remember each and every one of them. But if Armando wants to add about a difference that you said in terms of same-store rentals and the growth in stores. This is very simple. This was a period in which we had a higher turnover of stores and many stores are still making some remodeling activities and they are not still paying rent. And they didn't give any contribution to this quarter. And this is why this growth was higher than the nominal growth of rental in the case of Morumbi Corporate that you had already asked as well.

A - Armando d'Almeida Neto

You can see this very clearly in occupancy rate. It was 97.5%. And it dropped to 97.1% because of these adjustments. Okay?

Operator

Alex Ferraz of ItaÃº BBA.

Q - Alex Ferraz {BIO 19294308 <GO>}

Isaac Peres and Armando, I also have two questions. The first one, still related to turnover. You mentioned that this has to do with the exit of chain, of anchor stores. But in the rental of this vacancy, do you believe there will be a (satellization) and an increase in the rental per square meter in this area that was left by this chain? And are you already leasing the space? Or are you waiting for another anchor store? Or are you going to split the area? And the -- and also, what about the roll-out of this operation? The first project was in Barra. What do you expect in terms of leverage sales based on this partnership that you have signed? Can you already measure any results?

A - JosÃ© Isaac Peres

I would like to start by the second question. Delivery Center, which is the company that you mentioned. We did not make this investment with the expectation of increasing x % in sales. We look at that strategically for the long run, the integration of online, off-line market in this community in which we interact with the consumer and that is at home in terms of ordering either food or a shirt from the mall. And this allows us to connect this (market-based) strategy that Mr. Peres mentioned and so many others. And it is much more important, much more relevant than expecting any increase in sales. We had already talked and Mr. Peres had already mentioned in many different calls in the past that we do not believe that the online market will help us to see a revolution in sales. And -- but strategically speaking, it is much more important, it goes beyond this. And we made this investment for this reason. And I believe that together with our investments, this reinforces the company and this gives a much bigger base for the company to -- in terms of sales as well in the long run. But it has to do with the strategy of digital innovation. And there are other pillars as well in this strategy and in our investments in digital transformation. And the turnover and (satellization) that you mentioned, as you know, there has been a major change in anchor stores. And we were able to take back the area of some anchor stores. The typical case is 7 stores. And yes, with satellization . And of these 7, only one was not rented yet and the other 6 have already been leased. And I believe one became an anchor store of the same size and with better rentals for us. And 2 continued as anchor stores. And the others were (satellized) and changing segments, changing operations. And some of them have already started to open the stores. And the effect will be felt gradually in the Third Quarter. When we compare 2018 year-on-year, you had so many stores in operation, selling. And this is a reason why you felt a difference. And I would like to mention that these changes will mean in growth and income coming from the same areas because of this satellization . And of course, you have to understand that we have lived the crisis and some sectors have already reactivated. Some sectors having to do -- like bookstores and consumer electronics and appliances that have been hit by e-commerce in terms of the brick-and-mortar stores. But overall, our stores have not suffered regarding sales and they continue to grow, slightly less than in the past. But the gap is small. In three months' time, you will already see the effect of the operation of these new stores because there are many new segments. In some quarters, I see this concern well. There was a drop and sales didn't go up as much. And rental didn't go up as much. And you forget to see that this is a unique opportunity because it's very difficult to recover an area -- large area such as this one. And I would like to invite you to go to one of our malls. And the BarraShopping will be inaugurating one of the new areas, which was one of these anchor stores. And this makes a lot of difference in the long run. And you should not only look at the short-term cost, you should turn your eyes to the long-term advantages or revenues and the lasting benefit that will come from this. What is important is to please our consumers. This is the most important thing. If we forget the consumer, the company will lose value. So our focus is always on the consumer.

Operator

LuÃz MaurÃcio from Bradesco.

Q - Luiz Mauricio Garcia {BIO 17432519 <GO>}

Two questions. Could you talk about the G&A level that you expect? The company has been focusing a lot on growth. And this has a consequence that is positive because it brings future growth. But as far as I can see, the G&A growth so far this quarter has not generated this growth. You reinforced some areas and you created a Fiscal Council, et cetera. And so -- many other things that you mentioned in your release. So I would like to, what kind -- what level of G&A you expect for the year, as of course the growth projects already bring an increase in this line item? And I would like to know your view about parking revenue this year because you chose to be a little bit more conservative at the beginning of the year. And the adjustment was slightly lower than the ones that we saw last year. So I would like to know whether this is temporary or whether you intend to keep this conservative stand in order to increase a flow of your cars? And what about your views regarding this line item?

A - JosÃ© Isaac Peres

Well I'm going to answer the last part about the parking revenue. And I think it's worthwhile to repeat the following. In the First Quarter of April, we grew 6.16% in vehicle sale. So there is growth regarding the price, the parking fee. This is a component. But over the years, more and more, it will represent less. And the biggest expression that we will see is in the growth of stores. More entertainment, more interactivity with nature, for instance. And this is a natural trend and Brazil consolidates in this sector. And here in Brazil, we are obliged to control parking because of security reasons. And security is still an ally of the shopping malls. It shouldn't be like that because we shouldn't need that. And shopping malls are an oasis. In fact, in the middle of cities that have very heavy traffic and just a handful of public parking spaces. And you can see that the street commerce is dropping every year in the stand-alone stores, that is to say, the street stores. And Brazil has already changed a lot in this regard. We have already consolidated this sector of shopping malls. And parking will become less important in the overall revenue of shopping malls. And in the appreciation of the property that we have, 800,000 meters around the existing shopping malls. And that will allow us to further expand the shopping center, have new real estate development. Parking revenues are an ancillary revenue. The main focus is on the stores. There were some moments in which there was a lot of focus on decreasing in extensions. And we are evaluating all the aspect, that is to say, the savings, the flow. But our focus will always be the convenience that we bring to our consumers, mainly in malls and large urban centers. If you see the expenses that you mentioned, including the Fiscal Council, the higher investments in digital innovation. And they even increased this year because this is important for our strategy. But I don't think you will see a major change there. Maybe the First Quarter of last year was the major distortion. Then after the Second Quarter on, when we created the Fiscal Council and we made more investments in digital innovation, this creates a new level of expenses of G&A for the company. And in the First Quarter of last year, we had a 4% reduction in these expenses and 1.6% for the year. And another thing that you mentioned and that is more strategic, it's very simple for the company to focus always on the same point. And that is mentioned, the long-term view of the company. Many companies, they ask quite a lot of people and they lose the capacity and they lose the quality of the professionals that they have, the training and the education of these people that we invest in over all these years. And companies that do that do not give any cooperation for the economy to grow. You have to adapt. It is important to see that many companies are selling their assets. And we have never sold any asset. It's quite the opposite. We buy. And we repurchase. And we buy back. And in 2007, we had 32% stake in the malls and we have 80% today. And we have already mentioned all these figures here in the presentation. The net income of the company was BRL 21.2 million in 2007. And in '18, it was BRL 472 million. And I do not believe 2019 will be worse than 2018. We have many cards up our sleeve and the game is not over yet. We cannot (say) everything here. In the long term, even if it's very difficult to can have a greenfield today, you occupy this area and this space and this will generate income for 30 years, 40 years. You can see the BH Shopping center that has been generating income for 40 years. And during all these 40 years, well, it would be over BRL 1 billion, the amount generated. Given the fact that society today lives in a more isolated session and people live more alone and they are more lonely. And with the mobile phones, they have 200 friends. But when the evening comes, they are alone. And today, the shopping centers, the top-quality shopping centers bring this satisfaction and the pleasure and the opportunity to have contact with the other people. And it's great to see people happy in the shopping centers. And very often, they do not go there to buy something. They go just because they want to go for a walk and they want to meet friends. And in Brazil, we are the urban oasis in the middle of chaos that is installed in the large cities of the country. So Luiz, I cannot make any estimates here. People are saying, well, this is nonrecurrent. Okay?

Operator

Mr. Elvis from BTG Pactual.

Q - Elvis Credendio {BIO 20084266 <GO>}

Two questions. You have been saying that the shopping mall -- how do you see the demand from tenants? Do you see a positive trend in this regard on the margin? And regarding discounts, could you please talk about the discounts dynamics. Are they more concentrated on some assets or some tenant segment? And what is your expectation to reduce the discounts? Is it going to take more time because they are concentrated on some assets that will take longer to recover?

A - Armando d'Almeida Neto

This is Armando. Thank you for questions. It is difficult to understand this. And we have already made these remarks in other calls. This can be seen in so many different ways. But we would rather not get into that of having very specific figures. And what we like to look at is same-store rental -- same-store rent and the real same-store rent. And in the First Quarter, we showed good results. And we had an increase of almost 1% in same-store rent, real. Transferring the inflation rate, that was much higher than that. And I think in the second -- in the Third Quarter, somebody asked whether we had the intention to transfer the inflation rate. And we said, yes, if the economic development -- economic environment improve. But this has not happened yet. And there will be a gradual improvement. But like to look at a same-store rent specifically. And regarding your question, we do not see a market where everybody wants to have some area or space. And there has been no significant change in the economy that could drive this kind of initiative or trend. And we are more and more certain that this (clinching) is because no tenant wants to be in a place that has -- that doesn't have a very good exposure and a very good traffic. And the economy is not yet driving higher sales. And while this situation remains, there will be no reduction in discounts. This is not bad because if you start decreasing the discounts, if the situation changes, you have to start it all over again.

Operator

Mr. Jorel from Morgan Stanley.

Q - Wilfredo Jorel Guilloty

Food sales. Same-store sales of food, it was 5.2%. But same-store sales in the First Quarter of '19 was 1.2%, a difference of 400 basis points. So could you talk about this -- the driver of this difference in performance? And the second question has to do with parking. I know that you're talking with different city administrations regarding the change in the rules for parking in shopping malls, which would allow you to take the parking spaces for other users. So are you going forward in these talks? And how much GLA could you add if you were able to take back all these areas?

A - JosÃ© Isaac Peres

Well this movement does exist about the use of these parking spaces due to the new transportation models that are being used more recently. And this will ultimately generate the opportunity to grow, mainly in malls that already have a strong consolidation, that already have high sales. And this will certainly add this additional gain to the company. Of course, a parking space could not give the same level of contribution. This is being studied by each city administration. Each city administration has a different view about this. But the trend is that city administrations have a common interest in terms of generating more stores, not only in terms of taxes. But also generating new jobs and new activities. Today, we have malls that are not able to grow more than 10 square meters because they have already reached the uppermost limit. But I think this will be unavoidable in the short run. Adding to the food part of your question -- and let us explain this little bit better. Food had same-store growth of 11.2%. But if you look at the restaurant, they grew 4%. If you look at fast food, 4.5% in confectionary stores. And it was in the First Quarter of last year and the Second Quarter of this year as well. And this made the difference that caused the decrease in the number of same-store sales in the food area from last year on. I would like to remind you of a remark. And that question that was asked here about the investment in the Delivery Center. So this is a benefit here and not a loss.

Operator

André Mazini, Citibank.

Q - André Chaves Mazini

My question is about Jacarepaguá and the key money. You said that it will be opened in May 2020. And how much key money as a percentage of the CapEx you expect from this project? How much -- how they compare with the key money of Canoas and the trade-off if you really open in 2020? You're going to receive the key money. And then maybe, you will postpone it in order to receive more key money. Is this a possibility?

A - José Isaac Peres

Could you repeat the second part of your question. The first question, we understood. And we didn't understand the second part of your question.

Q - André Chaves Mazini

The Jacarepaguá key money as a percentage of the CapEx can be compared to the key money of Canoas greenfield. And would you be willing to postpone the inauguration in order to get more key money?

A - José Isaac Peres

André, here's the deal. Key money is not so important nowadays. We are much more concerned with the long term than the short term. Key money is something that you receive initially. And then after that, this is just old news. And we focus much more on the income generated from the malls, that is to say, the value of the leases. And the demand is quite high. And we have been fighting to maintain our project on budget. And I think this is a fact. And if we can facilitate the life of good tenants and maintain them, this is the ideal situation. So key money is becoming less and less important because if you see a shopping mall, like the age 40 years old, if you consider what the key money represent there at the beginning, it's almost nothing. A shopping mall that is implemented today, it takes about five years to mature. And it starts to mature around its 6th year. This is our experience. But afterwards, it starts going up. And in a district that has 600,000 inhabitants and important middle class. And that is underserved, as we mentioned, the Rio de Janeiro City. So Jacarepaguá is a region that has high consumption possibility. And there was nothing there. So the mall will be very successful. And there is an expectation on the part of the local community that is extremely high. And everybody is looking forward to the opening of this mall. And it is important to focus on the return of the project. And we are much more focused on the profitability of the project as a whole, very clear. The key money is higher as a percentage of CapEx than Canoas, just to answer your question, due to the location and the size of the mall, André. And we're going ahead with the project. It's very easy to say anything before. But you have to cross this river and then talk about it, okay?

Operator

(Operator Instructions)very much. There are no more questions. We would like to turn the floor over again to Mr. José Peres for his closing remarks. Mr. Peres?

A - JosÃ© Isaac Peres

I would like to thank you once again for your presence and tell you that I'm much, much more optimistic about Brazil than what the media, the press have been publishing. We see a positive movement on the part of tenants. They are very interested in new rentals, new areas. And we are sure that by the end of this year, we will have a very good surprise, including the approval of the reforms that are unavoidable. We continue to believe in Brazil. And if it were not so, I would have given up many years ago. I went through many, many crises. And I do not see a critical scenario for Brazil today. I think we have much more institutional security and a much more positive situation regarding the reforms and the reduction of the weight of the state on the shoulders of society. And this will be translated into less taxes and higher purchasing power for society. Privatizations are fundamental because the state does not create riches, the state only creates expenses. Only free initiative or private initiative generates revenue. And this machine or the state machine is extremely heavy on the shoulders of citizens. And we are sure that the politicians and the government will be quite sensible in this regard because we really have reached the utmost limit. So we must reduce the presence of state and giving more room for people to invest with less bureaucracy and a stable situation. And I am not even going to mention interest rate because 6.5% is already good. It would be unthinkable five years ago to have such a low interest rate. So any minus 1% will be (representative). But I trust in the potential of the country. I would say that Brazil is the richest territory on the whole planet Earth and the least used. As a Brazilian citizen much more than as an entrepreneur and more dedicated to Brazil and to Rio, the city I was born in, I see, would -- could eye the reduction in the levels of violence and the fiscal recovery of the Brazilian state. And of course, the reduction of red tape, that is so serious. It is as serious as the extremely heavy taxes that burden us. If there is a way to change the way we pay taxes, this will be a very good thing. The administration is going in this direction. And the only alternative that we have is to continue to trust and invest in the country. Thank you.

Operator

Thank you very much. The First Quarter results of 2019 of Multiplan has ended. Please disconnect your lines.