

## Q3 2021 Earnings Call

### Company Participants

- Armando D Almeida Neto, Chief Financial Officer
- Jose Isaac Peres, Chief Executive Officer

### Other Participants

- Alex Ferraz, Analyst
- Andre Mazini, Analyst
- Elvis Credendio, Analyst
- Pedro Hajnal, Analyst
- Pedro Lobato, Analyst
- Unidentified Participant

### Presentation

#### Operator

Good morning and welcome everyone to the Third Quarter 2021 Earnings Conference Call. Today we have Jose Isaac Peres, CEO; Mr. Armando D'Almeida Neto, CFO and IRO; Mr. Marcello Barnes, CIO; and Mr. Hans Melchers, Planning and Investor Relations Director. We inform that the presentation of the results will be available for them at the website. And now today's webcast will be present and may be accessed through Multiplan's website at [jrmultiplan.com.pr](http://jrmultiplan.com.pr).

We would like to inform you that you -- we would like to inform you that this event is recorded and that all participants will be in a listen-only mode during the company's presentation. After Multiplan remarks, there will be a Q&A session. At that time, further instruction will be given.

(Operator instructions). Before proceeding, let us mention that forward-looking statements are based on recent assumptions of Multiplan management and on information currently available to the company. They involve risks and uncertainties, because they relate to future events that are therefore dependent on circumstances that may or may not occur. Investors should understand that conditions related to macroeconomic scenarios industries and other factors could also cause to result to differ materially from those expressed in such forward-looking statements. This teleconference will last for 60 to 70 minutes. After this period, the Investor Relations team will be available if any questions have not been answered.

Now I would like to give the floor to Mr. Jose Isaac Peres, CEO and he will begin the presentation, please the floor is yours.

## Jose Isaac Peres {BIO 15388489 <GO>}

Hello, everyone. Ladies and gentlemen and everybody who is listening to us, I will start. Once again it is a great pleasure to be with you and now this is a very special moment for Multiplan. Well, we've spent two years in crisis when most of the shopping malls were closed over six months and they were reopened with restrictions.

Nonetheless, Multiplan would like to celebrate with you some of the landmarks that show the strength of our company through our trajectory. Well let's celebrate first. BarraShopping is 40 years old. It shows no strength and capacity to renovate our enterprises and in the third quarter this shopping mall registered \$583 million in sales 3.3% above the same period in 2019 actually and 28.9% compared to the same period in 2020.

But we have very expressive numbers here that you can take into consideration. Well, that for the period 3.34 for the period of 19, of course. I mean, it could have been 28.9 in the same period as 2020 as I already stated. Now Barrashopping also has a great turnover and new stores -- new operations. On November 18 we are going to talk about, Park Jacarepagua, which is our newest enterprise and we are certain that on 18th November, we will finish Park Jacarepagua. We have it with 95% of ADL[ph] 95% of the leasable area. Our results can be compared to those of 2019. 2020 was a challenge. Let's talk about a good year of growth, which was 19 before the pandemic.

Now, the revenue for rent has grown 19.7% in comparison to the same period of 2019. This is the biggest volume that we already reached in the third quarter, getting to a record of \$290 million raise[ph] to \$190.7 million actually. If we compare apples and apples, oranges and oranges, lender growth at the stores on the same basis if we compare it to 2019. It would be even larger. The previous growth was 28.4%. Now, if we exclude here is another important exercise. The real estate activity which is at the core of this company was always the core of this company. If we exclude that the revenue would grow 103.1% in comparison to the third quarter of 2020.

The EBITDA we finally get a growth of 37.9% and FFO already surpasses the third quarter of 2019 and it advances OR being 162.8%. Eight shopping malls of the company had operational growth above the sales of 2019. Let's take for example VillageMall which grew 17.1% in comparison to 2020 and 26.3% in regards to 2019.

Now, our total sales have grown and we got to BRL3.7 billion, 168.3% if we compared to 2020 and if we have a normal year 2019 it would have been 98.3%. This is what you are hearing. The sales are strong and our servicing of demand that is actually repressed demand for over 24 months. People are now finally leaving their homes and we can see that demand is being serviced by the shopping malls.

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Today the malls have harmonious area for social interaction and they are located in the main centers, the main city of the country, and this makes the company to be able to continue to grow in a very sustainable way in my opinion.

Now in 25 days since we started the month of October, we already surpassed 10%. The sales in the same period of 2019 actually 9.7% to be exact. The interest in the tenants they are talking to us, obviously and the interest has surpassed our expectations with the allocation of 132 stores. The growth in that occupancy rate was higher than the previous quarter and it was the highest since 2012, our occupancy rate has grown to 95.2% and we believe that in the next quarter it will be ever-larger.

I believe that we're going to get you that frontier of the almost 100% that we already had in the past. The occupancy rate I already talked about the 95.2% but it is very important to notice that many of these stores have -- are migrating also and are moving to the shopping mall from the digital world and this shows the importance of the shopping malls, shopping centers, which are located in strategic areas, close to the distributions -- distribution centers. If you just take BarraShopping we received 2.5 million people per month. Per year is 30 million people in a single shopping center.

Now with Jacarepagua we are going to grow, and we are going to get close to servicing even the total population in all of -- total population of Brazil, which is close to 200 million people.

Now our flow of people here is the same as 2019, even though it's not a permanent one. Now, I would like to highlight a few things, that we are very proud of our innovations. We are always adapting to the needs, the current needs of our clients and our customers. Now ParkJacarepagua already shows an evolution in a concept of a shopping mall, more adapted to the current conditions and the longings over customers. And it is integrated with nature, greenery already occupies 36000 square meters of the real estate. We are going to have areas for relaxing for children to play and now we are repeating what we did already with Caetano[ph]. We are more integrated because the park is inside of the shopping mall. The area build of the shopping mall is 100,000 square meters and I believe the park Jacarepagua will be one of the most impactful shopping malls that was ever built in our country and it will be a new threshold in the market.

On the other hand we have to also take into consideration that our actions have a very strong social nerve. We invested \$50 million in public works to make the shopping mall more viable and to provide a better environment for the population. We actually invested. We built a bridge, we doubled avenues, we installed modern public lighting, we built a great landscaping along many public highways, public ways. It is important to mention that this mall will generate 4000 direct jobs and 4,000 indirect jobs.

This is a lever for development for the region and we are regenerating an area where 800,000 people live and this is one of the oldest neighborhoods in Rio de Janeiro. I would say there is one of the most, why the Western zone is maybe the most populated region of Rio de Janeiro. This is where we started with BarraShopping and we started servicing 40,000 people. Now we have millions of people that go there. Now if you think

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about the times of the Empire this is very a very old region and it was forgotten and now with this new model with this shopping mall we are regenerating, revitalizing the region and we're going to have the valuation obviously, an increase in the value of these surrounding real estate. That's what is expected.

Well, that was a strategy from the company to consolidate our leadership in our presence in the Western zone of Rio de Janeiro but in this region we have several shopping malls basically service over 20,000 people in jobs. Now, let's go back to our origins, our roots. We are doing a great real estate enterprise, the Golden Lake. It is a unique project in the country and in a way it surpasses all of our expectations, even the ones that we started establishing 30 years ago in Rio de Janeiro. Global link is a unique project, it will be the first close neighborhood, a private neighborhood in portfolio with 18 towers -- residential towers that will be integrated to BarraShopping and it is all around the rescue.

We are value -- we are providing a great valuation for the area of the Guaíba Bay. This is a project that was developed many years and it has a revenue predicted BRL4 billion. In the first stage if I am not wrong we did the official launching -- launching we have 30% of the sales already done and this is a stage of the project, which is BRL524 million and sales are corresponding to BRL162 million.

We are always adapting to the new demands of our clients. And this is a continuous process. Permanent process in all of our enterprises, residential and commercial. This process involves digital innovation and also you have to take into consideration, our grade up multi and constant innovations in the mix architecture and the concept of our malls. We are always adapting to the new times. In that sense I would like to highlight actually the innovation at the global level introduced by Multiplan 27 years ago at BarraShopping where no shopping mall had a medical center, but we built a medical center, 27 years ago, and now we have 42 integrated clinics that service 300,000 people per month with exams and appointments.

This is a great relevant service for the population and for everybody that goes in this mall. Now many times we know of the suffering in the post pandemic world with the population that need psychological support and we are implementing a new concept, the pioneering concept even at the international level. We will launch in November in a rebate on shopping the first management Center for vouchers in a shopping mall. The shopping mall is multi and actually the center is called (inaudible) apologize. And it was developed in a partnership with the psychiatrist Augusto Cury and it will make our region -- it will benefit the region of Ribeirão Preto. It will address that issue that unmet need of the psychological support for the population.

For many years we have paid attention to the environment and we have worked with product services and leisure in that sense. We worked on pleasure on the assets and fund, but now we believe that we can also take care of something that is so subjective but ever so fundamental and essential which is the sole of human beings. This is obviously a pilot project and we hope to be able to expand this -- extend this to all the shopping malls of the company. Reinforcing Multiplan's commitment with the well-being -- social well-being of the population you are all invited in November, to get you know this unique

experiment in the world, which is to bring psychotherapy at an accessible level at a social level.

Now our shopping malls are here to stay. They substitute the old Boulevard's and became the great O.4 meeting up for the Brazilian society. I would say the main one over the last few months regardless of the difficulties we were always pleased with a strong recovery and payment in interest rates of \$270 million over our own capital and we distribute this to our shareholders in October.

We continue to trust in our growth based on quality innovation, and to be in the forefront of our projects and we expect the Christmas that will be exceptional with results that are better than we had before. Thank you very much for the opportunity to address all of you once again. Thank you for your support of all of our team, of our tenants, all of our investors, and the municipal authorities which also support us and well dear friends we are very pleased to be able to create another innovation that if it works correctly, it will be a historical landmark. Thank you very much to you all.

## Questions And Answers

### Operator

Now we're going to go to the Q&A session. Thank you. Now, we will start the Q&A session for shareholders, investors, and analysts. (Operator Instructions) We will answer the questions in order. Please speak over the phone when you ask the question, so we can offer the best quality of sound. Please wait while we collect the questions. Our first question is from (inaudible) Bank of America.

### Q - Unidentified Participant

Hello, everyone. Thank you very much for accepting my question. A little bit of occupancy costs at the beginning of the pandemic, you have been operating at the condominium level, then the improving well lower occupancy that in the third quarter you charged more, now there is Christmas and now you have almost 100% of the full time. What about the condominium costs in that and occupancy and promotion. We have a new normal level for the company or not yet. We have not reached a new normal.

### A - Armando D Almeida Neto {BIO 16000150 <GO>}

Hello, good morning. This is Armando, thank you very much for your question. I am certain that many of the efficiencies that were adopted for 2020 they will remain and will have a very positive effect. We are still working on several projects and we have shown improvements, efficiencies, and the use of systems and we surely hope to keep this reduction in the rates for a prolonged period for many of the cases but obviously, as you have the return to the low, the normal working hours and all those issues this implies into more expenses. For example the entries of the malls that were closed are now open. You need more security and other things to making -- to make everything work but all throughout time, we hope to see an efficiency. Yes. To keep the efficiency I hope that answered your question.

## Q - Unidentified Participant

Yes. Very clear. Thank you.

## A - Armando D Almeida Neto {BIO 16000150 <GO>}

And also, I would like to mention something that it's extremely relevant. We are talking about the cost reduction. It is important that Marcello will answer to this better. You're now using well this enterprise and we are installing the solar panels in the shopping mall that will reduce the cost of condominium -- condominium costs and other technical things that we are adding in terms of the reduction of the cost -- partial at least cost.

Park Jacarepagua will have 16,000 square meters of the solar panels for solar energy. This besides that, all of the air conditioning system is intelligent and therefore we have a reduction and taking for the example of Canoas which was the lowest cost of the network and will have the lowest occupancy that is the threshold, the lowest occupancy rate in our network and during the pandemic all of our shopping malls they are in the free market of energy, which has a reduced tariff and then it is fixed all throughout, a very long period of time.

So we are reducing the operational cost. If you'd like we can have a listing here from Hans in all the synergies and all of the investments that we've seen in our malls to be able to reach those condominium reductions. Yes. Well, maybe, well, a lot of these investments actually, we have to be focused on the environmental aspect, not only sustainability in the sense of economics. But also we have to think about the environmental sustainability. Well, we have even solar energies to service and lower the condominium cost, for example, in many of our enterprises. Thank you.

## Operator

Next question will be from Alex Ferraz from Itau.

## Q - Alex Ferraz {BIO 18651758 <GO>}

Hello, good morning. Dr. Peres, Armando, thank you for your presentation. Actually, I have two questions, the first question is related to Alina's[ph] question but more specifically regarding that Jacarepagua well rents for sales very strong in comparison to 2019. And we have positive numbers already. But still below the threshold. But as a combination the occupancy continued and well we have to understand if with the talks that you have with the tenants, are you going to, the rent are they seeing stronger recovery in the sales, so we can -- how you have those conversations with the tenants and the turnover. Well, we've seen turnover in this quarter and there is new appetites for new areas, but I wanted to see if there is any returns. Yeah, should we wanted to see how your opinion on what is going to be the recovery over the next quarters?

## A - Armando D Almeida Neto {BIO 16000150 <GO>}

Hello, good morning. This is Armando. Let's talk about the turnover. We are very pleased to see that we have a high turnover and if we see the turnover 8% sometimes we had turnover of 2% to 3%. And we had many years that the turnover was much lower. I am very

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happy to actually see a turnover that is so high because it shows our strong and vigorous economic activity and we are -- we see people looking for the best real estate in retail. We can see consumers here, Peres already talked about the number of our high-end customers that are growing in Jacarepagua as there is opening. So we have a consumer that is qualified. So they connect to the stores that you are looking for. So many many banks for example have shopping malls as well. So this makes us very optimistic for the future. Specifically, because you can have a reduction, a higher reduction in those vacancies, if we look at the operations and there is a rent of course that is lying with the type of properties that we offer.

So it doesn't matter just occupying the space and saying (inaudible). You actually occupy the space with an operation that is the best operational possible for that specific spot and with a range that services our portfolio. So that is the first phase of your question, the first part of your question. The difference between rent in one store and I apologize the rent and sales in the same areas all through all time. We are living in an active passes and we have an acceleration of inflation and this isn't a typical process of living with values of discounts that is not common. They were not common in our portfolios, and they are reducing, whereas the return of the operation within (inaudible). We can see that as a factor that is very specific to the times when you look at the agendas and you look the numbers of October. October 25th quarter, it was almost 10% thus far. You see that our shopping malls portfolios have a growth of 30% and average was 10% so you can see. Yes, you can see a strong recovery of the activity and this allows for the month of October to have the highest volume of sales for our tenants, the highest in the history of our company and 2019 was the record.

So far 2020, of course, we had the restrictions and we saw a drop in sales. But now with the growth above of 2019 we have a new record for sales, a new record for the company and our tenants in the month of October. And of course with the strong campaign for vaccination of the population that has been very successful in Brazil and with the reduction of the number of cases and the easing of restrictions are through October of 2021 that we are observing. This makes us very optimistic with the sales scenario for the future. Is that okay.

**Q - Alex Ferraz** {BIO 18651758 <GO>}

Yeah. Thank you. Armando.

**Operator**

The next question is from Elvis Credendio from BTG Pactual.

**Q - Elvis Credendio** {BIO 20084266 <GO>}

Thank you, Peres, Armando. So I have two questions, the first about events. You showed in the release there in the third quarter, the number of events was 45% of the total events that were done in the third quarter of 2019. So when try to understand what is your expectation in regards to the evolution of these events now in the fourth quarter. Can we recover I mean, to a better number. And what would be the best effects. I mean, in the

context of these events what is the impact in your portfolio. Second question is regarding the growth in projects.

I wanted to understand how you're thinking internally on your projects. The company never stopped to do these events but now with the scenario of the recovery of sales, maybe there is a change in growth. Now, you have different projects and you are discussing them in a very intense way or because of the macro scenario may be the economic I mean we're still taking into consideration to recovery of the economy. Can you tell us a little bit more about that?

## **A - Armando D Almeida Neto {BIO 16000150 <GO>}**

Sure. Thank you for the question. First of all, the management model that we have adopted at the company a long time ago is very proactive for the shopping mall. I mean we are looking at Gourmet events, cultural events, many different exhibits. We're looking to have different projects at the mall, something that we've been doing all this time and this allows us to bring people as a consequence they are at the mall and they spend more time. So the pandemic of course, had an impact on that, it stopped us from having the same project as we were used to and that's why we brought this indicator now showing that we have had a few specific events, some activities some initiatives at the shopping mall.

So we believe that that's going to have that's going to be a leverage for sales that is going to promote more initiatives at our malls so we're doing that. Also through the app the Multi app that allows people for instance register their invoices and everything so they can get some prices, et cetera. While the company hasn't stopped. That's actually very admirable. We did have a reduction in speed, but we were always willing to have new project, new exhibitions, et cetera, et cetera.

At Jacarepagua for instance we're having this opening. We've already talked about this opening, this mall and we're extremely proud. We are going to test that out and we are very happy to do so because it was a very complicated year last year and now we're looking at tiniest shopping mall with the area that is pretty much all rented so as Peres usually says it is our best initiative. I think our best project so far.

And I have to say this makes us very hopeful, we know that it's been crazy these past few weeks with the opening, but we're very happy, very hopeful, very optimistic. The same thing with Curitiba. We have an enterprise there, a project that has a very good occupancy rate. It is growing so people want new operations, new services, we are re-qualifying the mall even further. It is going to be even better with this expansion. So we're going to have new operations, new services, leisure. We're going to have a great leasable area being used there.

Armando, by the way the medical center is 100% leased and for the stores at least 30% and we've already -- we're already doing the -- the rest of the area were already under construction. Yeah and we're also doing the extension but also we're looking again at new operations of re-qualifying small and Belo Horizonte so it's going to be even better. So we are working on multiple expansions, multiple projects. And if you look at the entire



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potential if you look at the reports that we had in the previous quarters. Some of them actually showed that potential for expansion and it is truly interesting. It is true Armando I just wanted to say that for a few years now we've been also looking at the expansion of Morumbi Shopping in Sao Paulo.

So we're now looking at the final approvals, so that's going to start next year probably. Excellent. It is true, the shopping mall is located in a very well developed area in Sao Paulo. It is one of the main growth players. I would say that we have in Sao Paulo and we're were able to expand it and improve its capacity. It's very good in terms of mix, in terms of services, entertainment, et cetera. Excellent. Peres, you wanted to say something.

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

Yes, I just wanted to say that in my experience, I've been working on this for over 50 years now. I was never an employee per se, so I had to create a job for myself. So what I'm trying to say is in my life experience, that's what I've noticed Brazil is like this, if you're concerned about the crisis you're never going to do anything because every five years approximately we have to overcome a crisis, so its ups and downs. I would say with a higher frequency than in other countries.

So we have to get used to that. Brazil is basically a school for great professionals so what I'm saying is, I have my own -- my own private project in Miami. With a great project and it was 100% sold and of course I don't live there. I live in Rio de Janeiro in Brazil. I love Brazil. I fight for Brazil. But what I'm saying is, it is very nice, every intervention that we had abroad worked, Multiplan even in Portugal, when we were looking at (inaudible) shopping for instance, which is a pioneering project. It's no longer more or less because at a certain point, we needed to sell that.

We had that at the time that would grow 100 or 200 times a year. So we had to face different crisis, but the company knows how to take advantage of that and continue to develop. Maybe there is a reduction in speed, but this company never stops and it will continue to do so for the next years.

#### **Q - Elvis Credendio {BIO 20084266 <GO>}**

Excellent Peres.

#### **A - Armando D Almeida Neto {BIO 16000150 <GO>}**

And I wanted to mention one more thing that is important, the beginning of the company. The budget of Golden Lake now for October it brings back an interesting real estate activity to the company because last time we did that was back in 2011, if I'm not wrong, which was Porto Alegre which was commercial and residential at the same time and they are integrated to Barra Shopping so I have to confirm the date, but we're now launching a new project that Peres has mentioned already a new lifestyle basically in Porto Alegre in the South of Brazil.

So we're looking at new types of properties, expansion of shopping malls. We're also looking at real estate that is very nice. Yeah, I have to say this is the main real estate

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project ever done by our company. Probably in Brazil. It is a project that is not going to happen overnight, it is going to be launched gradually because we know that we have to be careful about that. So we are expanding. We are daring it is true, because if you're not daring to try something you won't be able to do much but this is what we're doing.

**Q - Elvis Credendio** {BIO 20084266 <GO>}

Excellent. Peres, Armando, thank you so much for the answers.

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

Thank you for the question.

**Operator**

We have a question from Pedro Hajnal from Credit Suisse.

**Q - Pedro Hajnal** {BIO 21159036 <GO>}

Hello, everyone. Good morning. Thank you for the presentation. I have two questions. About the average ticket here or the average revenue basically we know that there was a change in the behavior of consumers because they see the malls in a more objective manner now. Now I wanted to know, do you think that average is going to reduce the average ticket sales. Is it going to increase or to be reduced. What do you say. Also this flow is 15% to 20% below so you have to as we have people more -- spending more time at the mall. Do you think that that's going to change again.

And also I wanted to ask you about the lease. Looking at this perspective that we have now do you think you could maybe tell us more about the inflation and the backlog because last year that was discounted so during the entire period of time. I wanted to know a little bit more about that inflation in the backlog.

**A - Armando D Almeida Neto** {BIO 16000150 <GO>}

Well, Pedro I was taking notes here and I didn't hear the second question I'm sorry.

**Q - Pedro Hajnal** {BIO 21159036 <GO>}

Yeah. The second question has to do with inflation, if you could maybe comment on that. I mean there were few discounts due to the inflation in the backlog so how much of that is going to also reflect on the rent. Is that going to have an impact?

**A - Armando D Almeida Neto** {BIO 16000150 <GO>}

Let me talk about the inflation and then I'll talk about the first question. If you look at the report on page 33 you see, we talk about the lease for the stores and there is the stable where we have the GDPI, do you see that. Because investors wanted us to compare that to 2019 and 2020. So we have a rent actually a GDP that is accumulated in all those months. We also have the effect of GDPI which is the ratio with the leasable area. So if you

look at the inflation for 12 months and then you divide that by what we call the ABLs the leasable area. So you have that indicator.

If you look at that table, you're going to see that the indicator for stores is actually below inflation below the adjustment, the adjustment effect of the GDPI. So that shows that we are also working with that discount policy. That's the perspective of the company trying to help tenants face this very challenging time. So as we have said before and the figures show that clearly what we know is that for this recovery time, we have reduced some of the discounts, which were specific for the pandemic. And now, little by little that is removed and now we also have the indicator of GDPI and actually I wanted to talk about GPM as well, which is the figure that was released today. It is 0.64, so that's interesting. And as for the average sales. The average ticket I'm not sure how your culture leading that average revenue but anyway it would also go up, due to the growth in sales and also because as you said, people are spending more time at the mall.

Now, we see basically people spending more than one hour, which is -- which goes back to what we had back in the day and I think that is going to also help that numbers, those numbers go up. I mean people are spending more time, they go to the theater. They go to the movies. They go to a large exhibition or something, they go have dinner, they go to a medical appointment. So the stay is much longer and they're using the mall as a hub for all of their daily needs.

Well, yes. During the pandemic, it's true that people would only go to the mall with a certain mission a way. So they will only go to buy something very quickly whenever they needed something and that's it. Now the low let me say 64 if I am not wrong in 2019 and the sales were 78 and now it is 80%. The flow and sales are 100%. So obviously we know that the flow went up more than sales. But for sure, we have a lot more to recover because the flow is not 100% still or the event. So the state is getting better and I think everything else is going to get much better. So yes, the average spend is going to be a little bit different, it is going to be better in the future and the stay is also going to increase as we saw in October, it is 100%.

**Q - Pedro Hajnal** {BIO 21159036 <GO>}

Excellent, thank you so much.

**Operator**

Now I have a question from Pedro Lobato from Bradesco BBI.

**Q - Pedro Lobato** {BIO 21923304 <GO>}

Hello, Peres, Armando, everyone. Thank you for the presentation. What we wanted to understand what you are thinking for the next phases on Golden Lake. Is that going to depend on the sales in the first phase, is that actually a matter of time until you continue with the rest of the project. Thank you.

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

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This is Jose Peres. I think we started really well. It is a huge project that is a neighborhood in a way so we have to be careful about that. But the first one is really high class. I would say luxury. So we're looking at expensive places BRL3 million to BRL5 million approximately the apartments are large. So in this type of project we always start with the best. But the great demand, as we all know is medium sized apartments, 150 square meters to 180 square meters, maybe 200 square meters, 220 square meters that is a huge demand. And we're probably going to anticipate the next phase because of that. So we're probably going to anticipate that second wave, but of course everything else continues.

Now we're starting to build a lake which actually is going to be a private beach for them. Even before we finish everything we're building that lake because it brings more life to the project. So, at Golden when that worked and that's the strategy that we're going to adopt in Porto Alegre and we're very satisfied. No criticism at all. We have received many compliments for this. But of course, the next two waves are going to be faster.

**Q - Pedro Lobato** {BIO 21923304 <GO>}

Excellent, thank you.

## Operator

We have a question from Andre Mazini from Citibank.

**Q - Andre Mazini** {BIO 20377100 <GO>}

Hello, good morning. I have a question about the Golden Lake as well. I saw that sales are around 34%, that is very good. It is even better than the sales for the local competitor to which we have access. So I wanted to know in terms of margin. When we see for this project are you looking at what kind of gross margin 30%, 40%, what are we going to have that Dr. Peres was talking about that as well, so what kind of expectations you have.

And the second question has to do with IPCA, IGP as Armando was saying there is a difference in these 24 months IGP 46 and the other is 13. We know that in the long run they might be similar, but in the short run there is this change probably also because of the currency, so I want well, I think that difference also explains the occupancy for the third quarter. We see that as said before we also noticed that. So if they had been similar IPCA, IGP, maybe one would be lower, it would be closer to the reference since in the long run they should be similar, they should be back to normal in future, right. Thank you.

**A - Armando D Almeida Neto** {BIO 16000150 <GO>}

So, Andre. I'm going to answer. Very quickly on the real estate issue and well here you know I am in Sao Paulo and our guys are there in Rio de Janeiro. So I'm here and I'm looking at them on the screen. And the connection was not working there, but I know we came back -- we came back to -- we are already connected again. The first question in a very objective way our margins are good. I can tell you that, I can assure you that, but I can make it very explicit something that is starting with an inflation that is -- well the inflation is growing and it's very strong.

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Now what we see today is the following. That in these projects, they are extremely promising and they have a valuation above the dollar. So 20, 30 years ago an apartment there was bought at \$500,000 today is worth \$2 million to \$2.5 million. I'm talking about -- I'm not even talking about the rent of the people that bought because otherwise the return on investment would be higher. These are projects that it's very difficult for them to not be profitable in many cities in the world. We've been for -- it took 11 years to prove this project. We built Barra Shopping Sul and we did real estate developments in area and now evidently, there is a great demand for investments in real estate especially when the interest rate is high. And people always look for real estate for refuge. But real estate, the patenting on the people, it depends on the person and the understanding if they're going to do a great business or not. Well today, we have a good price below the threshold in the noble areas of town, and we will quickly launch the second stage. We were not expecting there is very quick launch, but you know, we always have, 10 years, 12 years -- 12 year projections, we can see that one project is very close to the other.

Well, maybe our price is composed you have to see. So, people want to pay short-term sometimes, without readjustments. And we have IGP and IPCA rates. IPCA during the construction and -- sorry, INCC, the National Index for construction and then after the work is done, and the investments during the construction is low, and we know that. That's small investments or they're going to do during construction when it's ready will be worth much more. For those that are going to resale are going to earn money as we say in Miami, we're delivering a building there. And initially we -- our market was very bad and we started to -- now we are delivering 100% sold. With valuation, it's being valued over three years. So I believe that the strategy, I am somebody that comes from real estate. I did my professional life with hundreds of real estate projects. And we are talking about Multiplan, it is our -- I've been an entrepreneur for 57 years. But we come back to our origins and we should not forget that the objective of the company is constant revenue, that is ever-growing. (inaudible) I answered your question. Hello, Andre. And this is Armando and I apologize. We had a connection issue, but we are back.

**Q - Andre Mazini** {BIO 20377100 <GO>}

I was just, maybe I got a question of IPCA and the other rate is it related to building or the condominium of the shopping malls?

**A - Armando D Almeida Neto** {BIO 16000150 <GO>}

It's more of the occupancy costs. And the spread of the rates the taxes would it be better if they're close to one another, which is what we see in the long-term, basically. Okay, certainly, if they were closer then the spread would be different. That's what I mentioned but that's not the reality. We already commented. The curves are paired -- are paired up and for the period that there was IPCA was positive IGP was negative. These are cycles of the economy. We have no control over it. What we do have is to try and build the shopping mall in the best way possible to improve the sales of tenants of stores of retail and servicing the clients of consumers in the best way possible for the shopping mall. So we see there are some indicators that show that, for example, IPCA over the last month is well I'm using IGPM only as a base for published data, our expectation actually is that this will be aligned but obviously the prediction we have also to take into your consideration the inflation that we cannot predict for what is going to be the impact on retail. Thank you.

## Operator

The next question is from (inaudible) from Goldman Sachs.

## Q - Unidentified Participant

Hello, good morning everyone and thank you for accepting my question. Now my question, in regards to revenue -- revenue for lease. We see that you had a lease revenue that was very positive above their threshold of the third quarter of 2019 so pre-pandemic. So I wanted to know in regards to the revenue of services and the expectation for others, the numbers in the third quarter should be lower. I wanted to know from you, what do you expect that the number of revenue of service is. Will it grow and surpass the historical levels?

## A - Armando D Almeida Neto {BIO 16000150 <GO>}

Hello, (inaudible) Thank you. Thank you for your question. I cannot answer this as I would like. We are dealing with situations month by month, day to day. So the fact that the revenue income will be lower will be -- the income will be lower is due to other factors we promoted condominium discounts and rent that are very specific and that impacts our services revenue. And also if you take into consideration at the end of 2018, beginning of '19 we announced several M&As. So that reduces our services revenue that we -- that we get from the administration of the enterprises. Well, just one second, Rio de Janeiro is coming back. Okay.

## Operator

Ladies and gentlemen, please wait for the reconnection of this speaker in Rio de Janeiro. Thank you.

Ladies and gentlemen once again, please wait for the reconnection of the speaker in Rio de Janeiro.

## A - Armando D Almeida Neto {BIO 16000150 <GO>}

(technical difficulty) can you hear me?

## Q - Unidentified Participant

Well, I can hear you.

## A - Armando D Almeida Neto {BIO 16000150 <GO>}

Okay, now we came back. We are having a lot of difficulties with the connection. And I -- we apologize. I would just like to, well you talked about the revenue services. The revenue of service as I already explained the parking, it was seen in well, for the month of September, beginning of June, many discussions in several things, enterprises that were present. And we have to see that normalized all throughout the time. An indicators that show, but the -- going back to the numbers in '19, people that the time that they remained in the shopping mall, we see a great increase in the movement of the shopping malls. But

one thing that we cannot forget is that, more and more you see the public transportation being impudent. You have the Uber effect as well, to arrive to the mall. And also you know city is becoming ever more populous even in Sao Paulo or other capitals where we have the headquarter for example in Sao Paulo of Multiplan. We see that there is a growth around the city in and outside the city. So you can have all sort (inaudible) this time the recovery of parking lots. But there is a decrease in the number of vehicles, that's the trend.

I hope, that I answered the questions and I apologize for the problems in the connection. Thank you.

## Operator

Next question is from (inaudible) from Santander Bank.

## Q - Unidentified Participant

Hello everyone. Armando, Dr. Peres. So there are a few questions. Actually, that is very interesting to mention that we have a very strong recovery and services, when we look at the IBGE numbers. When we are talking about sales, even though we are reaching thresholds that are similar to 2019, we haven't seen that regrowth in services in the third quarter. So can you give us a little bit of your opinion, what we have seen on throughout the fourth quarter? And maybe some places are easing up restrictions, that's the first question. And the second question -- second point is, can you tell us a little bit more about Vila Olimpia, how is the work in the region? I mean, the offices are starting to come back to life in the region of Vila Olimpia? And how is the interest for people that have actually left the property? What are -- what is the expectation for the tenants for that shopping mall specifically?

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

So I will answer this. You talk about services, services are important, but they are not the main one. The main thing is sales. From sales, everything is derived and then services now. Sales when it comes stronger than the services are better yet. But the stronger sales are not fully because sometimes -- many times, they have that trauma of going through a closed spaces. And that now trauma is now going to be eased up from overnight, but people are coming back from that being locked up at home. With the vaccines, the order isolation is something that is very bad. So now that's why we are providing the psychiatry services also inside of the shopping mall, besides the medical centers as well. But it is evident that the world changes and we create new -- and we create new opportunities because of an unmet need. It is very difficult to have it serviced.

Now, in regards to the you talk about Vila Olimpia. Vila Olimpia suffered a lot because Sao Paulo was completely emptied the offices. It's in the center there of services. People are coming back, yes, and they're coming back for a simple reason. It is very difficult for example, in certain companies for you to manage your company. Everybody at home -- being at home. And there is a psychological factor which is boredom, people start getting anxious, they get fat, they're depressed because our life, we don't live in a digital world, we live in the real world, in the world of things. So it is an illusion to think that the digital

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solution will make -- the gregarious feelings of homosapiens that we've had for millions of years, I mean, anthropologist speak of this.

So our pleasure of going through the mall is, well, when we see the mall (inaudible) everybody likes to be in the mixed, as just like carnival [ph]. I mean, if there are six people in a party, it's not a party, you need a lot of people. So we are -- we have a behavior as beings, that we have a herd effect that is, women and men and myself included. Humanity, we do not eat in the digital, we don't make a lot of digital. There are many things that we need onsite, then everybody wants to go back to their real life.

I don't know if I answered your questions.

### **Q - Unidentified Participant**

I think it is clear, Dr. Peres. But I was specifically talking about the restaurants. How do you see the restaurants in the fourth quarter? Is there an increase in the demand for this type of service? And they are an important part of the revenue of the shopping malls?

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

Well, let me complete the answer. In terms of services, we have a lot of difference in cinema. You have to remember that the theaters they had a big restriction. And the main cities opened a short while ago. And if you look at the services in regards to 2019, they still drop by 26%. There is a great cinema highlight, for example, movies and you get leisure and the parts inside of the shopping malls, they have a tremendous growth. Showing that the ease up of restrictions is allowing for a better growth. And now the pet shops, the pet stores that have agreed expressive growth when we compare it to 2019.

And another indicator florist for example, flower shops. We can see more decoration revenue, these are things that have changed and positive highlights that be observing comparison to 2019. But there are still very highly impacted. And I'm sorry -- specifically with the issue. Well, we have theaters and movies, that is still greatly affected. If you look at in comparison to 2020 we have 67% growth in that sense. And all of those activities from the services segment, will continue to strongly grow. So this is an issue for discussions. And with time, we hope that we will bridge that gap along once again with 2019. Thank you very much.

### **Operator**

Next question is (inaudible) from J.P. Morgan.

### **Q - Unidentified Participant**

Hello, Dr. Peres. Two questions. While the turnaround and the whole idea that we have been discussing, there is a change in the mix. Looking at the positive trends and also the consumer behavior. We've mentioned that our percentages are positive and well we see that behavior, there is a return of the movies and people are consuming more leisure. And we also have holidays, sales for the holidays. What can you tell us that?



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

Jonathan, can you repeat the first question? We did not understand you.

**Q - Unidentified Participant**

Sure. Here the mix of the retailers, I mean, there is a growth in the semester, right?

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

Jonathan, thank you. So we have a slide in the presentation, Page 12 is traditional, where we try to show that change in the new consumer habits. So these changes they are not overnight. The contracts are long-term, so we see that this changes out for other years. And we added a few points to this analysis, showing the evolution, the shopping mall, which was a place that you went because you needed to buy a few things. And now there is an evolution of consumer habits adding convenience, if you experience the exclusivity, I would like to buy or take part or live in this scenario.

**A - Armando D Almeida Neto {BIO 16000150 <GO>}**

And also, one point Dr. Peres always talks about in these calls, about human beings, about conviviality. I mean, people talking and there wasn't a change. But there was a trend you know. And the reason if you take the project of Park Jacarepagua, where the project is, this is a project now what's going to see before the pandemic, it wasn't change even with the pandemic, it is a modern project. Because it includes the trends for consumer habits that we've seen all through our time. The second question. If you can answer, the second part as I told you, there is a difficulty with the connection with the line.

**Q - Unidentified Participant**

Sure. Well the consumer behaviors, we've seen that their percentage that are increasing. Well, we've seen that there is a lot of new movies, for example, 007. Do you think, what is really influencing in leisure?

**A - Armando D Almeida Neto {BIO 16000150 <GO>}**

Well. Perfect. Your question is excellent and there is a set of factors. First, I would like to say once again, we had a success of the vaccination campaign. We have the population index whether they took the first dose or second dose. Once they complete cycle and that secondly, the end of restrictions or as we've seen the occupancy recently we have new movies, new products. We imagine that the stores are open and they don't have merchandise to sell, so the sales would be zero. So we need to have new movies, new attractions and that's important for movie theaters and for services and for leisure. Now it's the some of our parks. People come back and they have new products available to search a biotech experience to experiment and to experience which is the case of how all these theaters have had some recent launches as you've mentioned.

**Q - Unidentified Participant**

Thank you. Armando.

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## Operator

Ladies and gentlemen. Thank you for all the questions. We close the Q&A session. And now I invite the participants that still have questions to get in contact with the Investor Relations department. Now I would like to give the floor to Jose Isaac Peres for the final considerations, please the floor is yours.

### A - Armando D Almeida Neto {BIO 16000150 <GO>}

So today, it seems that we have very serious connection issues with Rio de Janeiro and Sao Paulo as well which has -- well what we wanted to, actually, first of all, we would like to thank you all for your attention and your dedication and your trust that you have with Multiplan. We remain at your service through our Investor Relations area should you have any questions and since this is the last call of the year the next call will be done in 2022. I bid you all a great end of the year celebrations with a lot of health, peace, and success. Once again, thank you very much for your attention and trust. Thank you. So Dr. Peres will talk.

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

I would like to bid. Everybody you very well from this year. And by saying the following you saw in this presentation the effort of hundreds of our employees, the effort -- collective effort of society and the country to return to normal -- normalcy. I am certain that commerce will come back within fall. We still -- I believe that 20% of the stores went bankrupt, but the ones that are coming back are coming back very strongly but we will have a lot of efficiencies in retail and even though this is a political year we never really cared about the process and we will continue with our trajectory. Thank you very much to you all for having the patience to hear us for so long. Thank you very much.

## Operator

Thank you. The earnings call for the Third Quarter of 2021 in Multiplan is closed. We thank you all for your participation and have a wonderful day. Thank you.

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