

Q2 2021 Earnings Call

Company Participants

- Mara Boaventura Dias, Investor Relations Officer
- Thiago Alonso de Oliveira, Chief Executive Officer, Chief Financial Officer

Presentation

Mara Boaventura Dias

Good afternoon, everybody and welcome to the JHSF Participacoes Conference Call for the Results of the Second Quarter 2021. We have with us, Thiago Alonso de Oliveira, the CEO; and myself, Mara Boaventura Dias, the IRO. This presentation will be recorded and all participants will be in listen-only mode. We also have a Libra Interpreter to increase the sensitivity in our communications. This event is being broadcast simultaneously via YouTube and webcast, and you can access this at the IR site of JHSF at ri.jhsf.com.br and through the MZiQ platform where the presentation is also available for download. Please post your questions using ask the speaker chart.

Any forward-looking statements that may be made during this conference call regarding the company's business prospects, operating and financial projections or goals are based on beliefs and assumptions of the company management as well as information currently available to the company. These forward-looking statements involve risks and uncertainties and assumptions and they depend on circumstances that may or may not occur. Changes in the general economic condition, industry condition and other operating factors may affect the company's future results and lead to results that differ materially from those expressed in these statements.

I will now give the floor to Thiago, who will begin the presentation. You may proceed, Thiago.

Thiago Alonso de Oliveira {BIO 6637078 <GO>}

Well, thank you Mara for the presentation. It is a pleasure to be with you here to help you in the conference call. We're going to have a very quick presentation on the business performance, consolidated results, and Mara and I will help you on the question-and-answer session. Let us begin with the development throughout the second quarter of this year. We had a growth in sales of 66%, growing 350 million in sales from last year to 560 million this year. We would like to highlight that there was an expansion, not only in sales, but a greater distribution between the company projects, generating the sales volume.

Now with this, net revenue grew 139%. We got very close to BRL560 million in revenue compared to BRL234 million last year and adjusted EBITDA went beyond BRL422 million compared to 166 or 167 in the second quarter of last year. Very generally, this was a good

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quarter in terms of sales. With the beginning of the third quarter, we observed a constant pace as we saw during the second quarter in terms of sales and demand for the development products of JHSF.

I would like to highlight that during this period, our revenues reached 442 million, for those who follow-up on what will be realized, this is the magnitude that we're referring to this is revenue that will go through our company in the coming quarters. Accounts receivable 920 million approximately, accounts receivable that are indexed to the IPCA part index to the IGPM as well as other indices and we have BRL440 million of accounts receivable, and part of this are pegged to the INCC. With this offering us a good protection in terms of cost for the company as we go forward with a price soar that we have observed in a general way in the market.

We go on to the next page, please, where we will look at the indicators for the malls, and retail as along with the digital. We carried out a comparison with 2020 as well as 2019 in terms of the company indicators, which you will see to the bottom left. If we look, vis-a-vis to '19, which is what stands out more same-store sales. We grew 11.5%, same area sales 9.9, same store rate 8.7% and SAR 9.3%. Now, this shows us that despite the fact that in the second semester of 2021, we underwent some months, especially the month of April, with an increase in restrictions. We were able to grow vis-a-vis to '19, that is to say before the pandemic, when we look at the bottom line, where the comparison is with the year 2020, the figures are quite expressive almost fivefold more than what we observed last year. That is why we think the most appropriate comparison for you should be carried out based on the second quarter of 2019.

I would like to highlight that the month of May was better than April, June was better than May and July ever better than June. So we do observe a significant recovery when it comes to the sales that we observed in our malls. And speaking about sales at the top of the graph still to the left, you'll see the tenant sales vis-a-vis to '19 an increase of 16%, if we compare this to 2020 an increase of 560%. Highly expressive figures when compared to the year to '19 and to '20.

In terms of net revenue, here we have a comparison compared to the second quarter of 2020. I would like to remind you that since the beginning of the pandemic, JHSF decided not to work with the linearization of the COVID effects. So what you see here in the statement is what in truth is happening. We see a growth of net revenue of almost 480% and the growth of adjusted EBITDA of 450% vis-a-vis last year, which means that, we're returning to levels that are closer to what we had in the pre-pandemic period. Of course, despite having some discounts that are selectively granted to our store tenants, our occupancy rate is 96%, Cidade Jardim Mall and Catarina Mall represent 80% or more than our GLA and our revenue generation.

The figures are closer to a 100% than the 96% that we observed on average. In retail and digital gross revenue had a growth of 661%, practically 7 times what we have observed in this quarter vis-a-vis the same quarter last year with a highlight to what we observe in CJ fashion, 45% growth, Concierge 421%, and CJ food compared with the first quarter of '21, 28% growth. Therefore, we see that the digital initiatives are moving forward and advance in the malls and the advance in digital as well as advance in the digital area.

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Next page please. In hospitality and gastronomy, an evolution in the average daily compared to the year 2020 as well as to '19 RevPAR nowadays, at the same level at which it was to '19, 143% higher than our position in the same period last year. With this, we see the net revenue of this division grow sevenfold, 7.5 times from 5.4 million to 45 million in terms of number of Couvert sold were somewhat below the pre-pandemic period, showing that, we still have good space to recover. And as I mentioned previously, regarding the malls in the month of April -- well May better than April and June being better than May, we observed the same thing in terms of gastronomy as well as in hospitality.

So there has been a reconversion in our figures average Couvert we observed a growth of almost 20% vis-a-vis the same period last year, despite the growth of 5% when compared to 2019. While we have observed that resulted from the closing of restaurants in earlier schedules was a decrease of the consumption of wine, and of course, this has an impact on the average composition of COVID. When it comes to adjusted EBITDA, we went from minus 12 in the second quarter '20 to a positive 9.2. Once again, showing the recovery and evolution of this business when the economy became more flexible.

Next page, please. When it comes to the International Executive Airport, we had a growth vis-a-vis the first -- he corrects himself -- the second quarter of '20 of 205 in landings and takes off. This refers to the growing maturity of the airport and the capacity expansion that we had at the end of last year. Now if we look at the fuel, the growth has already been quite similar, 210% and in June of 2021, we concluded the internationalisation stage of the Sao Paulo Catarina. It is now an airport that is ever more adapted to the needs of executive aviation. Our net revenue grew 86% year-on-year. And we had some non-recurring extraordinary expenses that brought our EBITDA to 0.8 compared to 1.3 in the second quarter of 2020.

We now go on to the next page. With all of this, we see the company's consolidated results, beginning with the growth of net revenue of 162%, 662 million in revenue. In the second quarter of this year our gross profit grew in line with net revenue. Adjusted EBITDA also very much within that growth range, but not in the same amount, because we have some expenditures with marketing due to the launch of new products.

Now, this ended at the end of the second quarter, but it did have an impact on the balance, and in terms of net revenue, we generated 321 million, 26% growth vis-a-vis the second quarter of last year. Now, this quarter differently from the second quarter of last year did not but not have met a reality in terms of the property results for investment.

With this, I would like to give the floor to Mara to continue on with the presentation.

Mara Boaventura Dias

Thank you, Thiago. In the ESG initiatives, environmental, social and governance, I would like to highlight some in the environmental part where recomposing the greenery of the projects that we develop. We recompose all the flora and fauna and we have almost 5 million square meters of environmental preservation. In the social part, we continue to

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have partnerships that are strengthened, and we have a diversity committee. After the inclusion program we created a committee to have a more inclusive and diverse working group.

Now the work of women is a highlight. Most of the holding is made up of women as well as the statutory board in governance. We have 75% of the members in the Board that are independent and seven advisory committees, and these members are part of all the committees. We also have a fiscal committee, which means we have a very robust governance. This second quarter, we concluded the diagnosis of our business sustainability. We have the materiality that is concluded with an ESG, and the next step is to set forth long-term goals for the company's strategic guidance in this field.

Next slide, please. And finally, based on everything that has been said by each business and the consolidated results, we do have some highlights of the business. Once again, based on the results presented, net revenue and gross profit, very similar, net revenue with an increase of 162% vis-a-vis the same quarter, gross profit 165.3%, EBITDA 158%, and net income 26.5% vis-a-vis the second quarter '20. In real estate development, we have the pre-launch of Boa Vista states, this is a third development. And the growth with sales in malls we have already spoken about this, a gradual growth with a good May, June better than May and July better than the two previous months. And retail and digital and expressive growth through both national and international brands and a growth in digital platforms with a very significant growth of 661% of gross revenue.

In hospitality and gastronomy, the highlight is for leisure hotels. We now no longer have restrictions and the opening of Hotel Fasano 5th Avenue in New York. In the airport, the highlight was the internationalisation. The airport can offer full services. And finally, we paid out dividends in April in the second quarter of BRL144.4 million. And in the last 12 months, the payout is 245.4 million paid out to shareholders.

With this, I would like to conclude the presentation. We will leave with you the QR codes that we have for partnerships. Simply turn on your cameras and your cell phones, bring your camera close to the QR code and if you wish to donate to any action, please identify yourselves.

In the meantime, we will pull your questions. Should you have any question in the MiZQ, click on question to the speaker. Thank you. Very well. Thiago, are you ready for the questions.

Questions And Answers

A - Mara Boaventura Dias

(Question And Answer)

A - Thiago Alonso de Oliveira {BIO 6637078 <GO>}

Okay, Mara. I was here, making a donation.

A - Mara Boaventura Dias

Wonderful, that's what the QR codes are for. And congratulations for that initiative. I have had feedback from other investor IRO. So we're going to begin to use this.

The question, if we have a forecast for the 4th development of Boa Vista. The land was purchased in June, not yet, but as soon as we have news as we did with the Estates, you will be the first to hear about this both shareholders and the market as a whole. We will offer you more information on the project.

We have two more questions, referring to inflation and the cost of input, which is our outlook and in which business lines has had an impact or not. Very generally, we have followed up on this in some of our raw material or inputs. We observed a growth in cost and we have been able to transfer this through price or through the indexation of accounts receivable, which is something that happens a great deal in real estate development or adjusting prices when it comes to Gastronomy.

We have a question here that I think you already mentioned. In the second quarter, we had a sales performance for leases and in restaurants and hotels that are better than in '19. The question is, how do we consider these indicators for July flow and volume of sales. Well, when it comes to sales volume, we have had a sequence of months of improvement, maybe being better than April, June being better than May, and July being better than June with an increase in the sales volume, and I think the same will apply to restaurants, the first referred to malls and there seems to be a more significant recovery of business hotels.

Very good. And they would like you to explain some much more about the launch of the Estates. What is it about? And they asked again about the fourth project. The Boa Vista Estates is the third project of JHSF in the Boa Vista complex. It was developed with land that begin with 20,000 square meters. What we used to call in the Fazenda Boa Vistas in Estancia. It is a product with less square meters in the development. This is the most exclusive development among the three that have been launched by JHSF in the Boa Vista region.

In terms of the resumption of sales of store owners and the sales of our malls, if this was in the luxury segment or does it apply to all the segments? Is there one segment with a better performance than another? And once again a question about July and August. The service sector within the malls is still showing a performance that is somewhat below, especially when it comes to international brands that are at the other end. This is a piece that is growing very strongly more than the average. So we have two different streams, the cinemas, the sports academies are suffering more, but it's very simple. We understand the reason it refers to the existence of restrictions in terms of operating schedules, and the use of their capacity. While at the other end in the luxury brands, we observed a truly excellent performance.

Outstanding in our Catarina complex. The question is about the expansion of the outlet. And if we have an outlook for a launch and the sales of the Catarina outlet?

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Thank you, Mara. When it comes to their Catarina outlet, we already have work in underway. We are quite confident in terms of the sequence of the development of the Catarina Fashion outlet. For those who do not know, it is the largest and the best fashion outlet in Brazil. Part of that strong growth that we have observed in sales in the sale of malls is perhaps anchored by the Catarina outlet as well as the Cidade Jardim Mall. So we're quite confident in terms of the physical expansion of these two assets, which is what we're doing at present, not only expanding the Catarina outlet, but also expanding the Cidade Jardim Mall.

When it comes to Catarina Town, we are well advanced in terms of the development of the master plan. We have held frequent meetings with the architectural offices that we contracted that are working on the master plan and very soon, we hope to have some novelties in terms of the progress of this project.

Thank you Thiago. In terms of the village, we spoken the release that we pushed back the launch. And the question is, if we continue with this pace, can we speed up the future stages, and which is the last stage that has already been launched? We have a forecast for the village of eight phases. The initial plan was to launch each of the phases with an 18 month interval between them. We have already launched three phases in a period that is lower than 24 months, which means we're ahead of our initial planning. And whenever we realize that there is space for this, we're going to speed up the launch of phases.

If we perceive that there are negative movements, of course, we will slow slowdown. It's interesting to work with developments in a phased way, because they allow you greater flexibility to work with the launch according to market conditions.

We have a last question here. And we can close with this question. A question about the financial strategy. If in our financial investments, we have some sort of hedge because of the increase, absolutely answer is yes. Most of the company cash is associated with the post fixed rate, the CDI. And of course, this offers us quite a bit of tranquillity, because of the mismatch between the cash applied and a significant part of our indebtedness. I would like to remind all of you that besides the company's cash position that is protected, thanks to this, our accounts receivable is also indexed to the INCC pro forma, which means, we do have protection for the cost of development and inflation.

And in -- pro forma portfolio and you should look at the release, you will be able to see that this receivables account is based on the IGPM, IPCA and in some cases a prefix rate or the CDI itself. So we don't see any significant mismatch between the indices of the company's liabilities with the indices used for the assets of the company.

Another question that I deem to be interesting that we did not have in the Q&A. What is happening to the demand of new landing strips in the airport with the internationalisation? As soon as we had the internationalisation formalized, we saw a very rapid movement of clients, clients who had their aircrafts.

Well, Thiago reconnects very well. He has reconnected. A very quick problem. Once again a dropping connection. As soon as we had internationalisation. We had a minor idle

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capacity and we now have a heated sale. And so the second semester, we will once again proceed to building new hangers. We can absorb 15 or 20 aircrafts additionally, therefore, we will have another expansion very soon.

That was the last question as well. I'm not sure, Thiago will be able to connect again. If he does not connect, we would like to thank all of you for your participation. Once again the IR site is at your entire disposal. We have all of the material available for you. Should you have any doubts, you can hear the replay on YouTube or on the site. If you continue to have doubts, please send your e-mail to jhsf.com.br/ir or contact us through the telephone at 011-3772-5473. JHSF 7453 and an invitation to visit our YouTube page. For those who are not listening to us through YouTube we have a YouTube channel with a plate as a JHSF participants.

And once again, thank you for your participation. Thiago has connected again. I was just speaking about the IR channels.

I do apologize, this does happen. And well, we -- I did have a technical problem, but I'm sure, Mara was able to convey to you the closing remarks, the airport project, and on my behalf and on behalf of the JHSF management, our special thanks to our team of associates for the exceptional work they have carried out for another quarter. Our thanks to the clients for the support they give to the company and to our business partners with which we are extremely satisfied when we see the be significant recovery of their sales and the gradual resumption of their business.

I wish you a great deal of health. Please keep safe. And I hope that the situation in the country continues to advance in a sustainable way. And well my greetings, my virtual greetings to everybody. Thank you very much.

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