

## Q1 2022 Earnings Call

### Company Participants

- Armando D'Almeida Neto, Vice Chief Executive Officer, Chief Financial and Investor Relations Officer
- Jose Isaac Peres, Chief Executive Officer

### Other Participants

- Andre Mazini
- Elvis Credendio
- Fanny Orenge
- Jorel Guilloty
- Pedro Hajnal
- Pedro Lobato Garcia Fernandes
- Ygor Altero

### Presentation

#### Operator

Good morning, and welcome, everyone, to Multiplan's First Q '22 Earnings Conference. Today, we have Mr. Jose Isaac Peres, CEO; Mr. Armando D'Almeida Neto, CFO and IRO. We also have Mr. Marcello Barnes, CIO; Mr. Hans Melchers, Planning and Investor Relations Director; and Mr. Richard Svartman, Digital Strategy Director.

Now, we inform you that today is live webcast and presentation will be accessed through Multiplan website at [ir.multiplan.com.br](http://ir.multiplan.com.br). We also would like to inform you that this event is being recorded and all participants will be in a listen-only mode during the company's presentation. Thereafter, we're going to start with a Q&A session. And at the time further, we will receive further instructions. (Operator Instructions)

Before proceeding, we would like to you know that any forward mentioning, any forward-looking statements, that are based on the beliefs and assumptions of Multiplan's management and based on operational goals. And it's based on information that is currently available for the company. These forward-looking statements are not guarantees of performance, and they involve risks and uncertainties. We're talking about events of the future. Therefore, they depend on circumstances that may or may not occur. The investors should understand that conditions related to the macroeconomic scenario, industry and other factors could also cause the results to differ materially from the expressed in such forward-looking statements.

This earnings call will last for approximately 60 minutes. After this period, the Investor Relations team will be available for the Q&A session.

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

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

Good morning, ladies and gentlemen. It is a great pleasure to be here in this earnings call. Now we start the first presentation for the year 2022. We have some great news for you. And I will be as brief and objective as possible to talk about this performance. We are joyful about the performance that we have had so far this year. And I would like to explain to you what is the base, the base that we use to demonstrate this.

Now, the sales for this quarter are almost BRL4 billion. If you compare it to 2019, the first quarter, which was a year of growth, a great year, 2019, then we had 13.5% more growth comparing the first quarter of '19 with the first quarter of '22, 26.4% if you compare it to the first quarter of 2020, and 74.8% if you compare it to the first quarter of 2021. Our sales have increased month by month.

Here, it's a little -- an observation (inaudible). In Rio de Janeiro, we are comparing with 2019. In January, we grew 4.9%. In February, we grew 15.3%. In March, 20.8%. And in April, if you can consider the first 25 days of April, we grew 32.3%, in regards month by month if you compare it to 2019.

In April, the sales are estimated to be around BRL1.6 billion. The acceleration is an increase of 140.2% if we compare to April 2021. And here is a fantastic number, 2,125% if you compare it to April 2020. These are kind of scary numbers, but nonetheless, very good numbers. So you see that the pandemic affected our sector severely. Still talking about of April '22 and comparing it to April 2019, if we estimate -- we did an estimation, and looking at the present, we believe that our sales can get to BRL20 billion even. And our last estimate would be a growth of 20% if you compare it to '19. If you compare it to the other years, it's not even fair because we were closed, you know, we had a pandemic. We all know how it affected and a concern of the municipal state authorities, regardless of us doing a fantastic work of investigating the level of contamination at the shopping mall, and we hired an international company with several countries. And then after the evaluation, we got a result that was shocking. But we let the municipalities know the results of our report. There was no virus in our shopping malls. So their idea that the virus lasts on wood, on clothing, that did not happen, in the air conditioning we had, nothing in the air, we had nothing in the restrooms. So what I would like to say is that regardless of our efforts to show the authorities that we're taking all the hygiene precautions, all the sanitary precautions, with social distancing and all the protocols that were established by the Brazilian Association of Shopping Malls, we were -- we suffered with this. But this is a moment for recovery. And I believe that this is very similar to other sectors of the economy.

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So in this first quarter, the malls of Rio de Janeiro were really a highlight. And it was the first one to release the people from having to use the mask in closed quarters. And it was a decision of the authorities that we do not have to use the masks. So it had a very significant effect and it was recognized at the shopping mall level.

So in this first quarter of 2022, the shopping malls of Rio de Janeiro grew 30%. VillageMall, for example, the growth is 77%. If you -- 57% in comparison to 2019. And this happened, because during the pandemic, the Southern zone of -- population of that Southern zone went more to the VillageMall. It's a very international mall. It has a lot of different clothing companies. So that really helped. So regardless of not having a mask mandate, we are still doing very well.

And a very expressive piece of data. And I believe, MorumbiShopping, it has an increase in vehicle transit 36% above 2019. It has to do also with the event that we are sponsoring the Van Gogh exhibition that really brought over 50,000 people. And it's the -- that's how celebrate MorumbiShopping, which will be 40-years old in May. We have a few 40-year olds in our portfolio.

In this quarter, the gross revenue is \$453 million, grew 33% if you compare it to 2019. If we compare it to 2020, 59%, so on and so forth. The numbers speak for themselves. The fact that I'd like to remind everyone is that our DNA, the Multiplan company was born out of the real estate sector. And at this moment, we have 825,000 square meters for future projects, future real estate development. The shopping malls, we still have a project for expansion for over 200,0000 square meters. So the best thing that we can have in terms of profitability is to grow where the malls are already profitable, where there is a high demand. The expansion has to adapt them all to the new needs of the society.

Our concern all throughout these 50 years was taking into consideration the social demands. Before the shopping malls, we were focused on clothing, fast food and some other activities. But nonetheless, today, the shopping malls, they concentrate big areas for leisures, restaurants. And therefore, this is demanded for -- from society. It is an area of entertainment, joy, joyfulness, where people can meet with safety.

The shopping mall is a -- it's a product of the urban chaos. If there was animals, the cities would not work. If you remember years ago, we had an exponential growth in automobiles. And it's evident that there was no way that we could simply park the car in the street to do our shopping. The shopping mall is a creative urban solution. And today, evidently, we realize that people go to the mall, at least in Rio de Janeiro, and then you park, for example, in Rio de Janeiro, at the shopping mall and then you go to the beach. People actually use our parking lots to go to the beach. So we hope that today, we -- the shopping mall in the cities are the big point for meeting up. That's where the families go. And we are gathering the fruits of our labor, regardless of the moment of the pandemic, and we see growth in our sales.

And I estimate that things are going to continue to grow. We can see that the companies that -- well, the tenants, we were at the peak of the pandemic, 10% was our vacancy, now it's 5% vacancy. And usually -- the usual number was 2% to 3%. So we somehow are

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gathering the fruits of our labor, when we talk to our tenants, when we basically did not charge those condominium charges from our tenants, over billions and billions of reais. The tenants are our partners. Therefore, we have to give them good facilities and we have to work with them. That's why the company had a recovery. And we understand that the public, the shopping mall, everybody is our public. But this partnership, a long-term partnership today bears the fruit, positive fruits. And I think that we have one of the lowest vacancy rates in Brazil.

We also would like to talk about, we're building in Porto Alegre, a great project. It's a neighborhood. And the Southern region of Porto Alegre, that is growing after we invested in BarraShopping Sul. We have Orla do Guaíba, which is always a highlight. And now we are building Golden Lake, BRL4 billion project. We started the FirstCore, [ph] the area is particularly already urban. It's a close neighborhood. It's a fantastic neighborhood. You can imagine that everybody has everything that they need to live in a community. And it is integrated your BarraShopping Sul. So the neighborhood, Guaíba, is part. We sold the FirstCore, we sold 40%, and we started with the building. And six works [ph] of real estate. The project is estimated in BRL4 billion, and it will be done after all these years, and we are going to get a great return on investment. This project, its approval is 10 years. It is a very, very long story. So we are happy that we're changing the (inaudible) Sul looks at itself, and it goes to counterpoint, the Northern zone of Porto Alegre.

So a data that I would like to highlight is the issue of using technology, facing our traffic of about 200 million people that go to our malls. But 20% of these people go there almost every day. And this is a potential that is used by our MIND, M-I-N-D, our digital innovation and marketing program. And we are investing in technology. This is very useful for the company and we have good results.

The MIND department, so our marketing and digital innovation department, we gather great results. Over 200,000 clients, customers, downloaded Multi, and this year is a total of downloads of 2.2 million since the launch, 2.2 million since launch. Correct. Yes. So what I want to understand is, when we talked about technologies, they are disruptive. So I would like to say that this did not happen. And a great deal of what we saw are based on technology. And every mall has an app. But the mall is where people go, they examine, they see the merchandise. It's a little bit romanticized in my opinion. But the clothing in the shopping mall, the buying on-site is much better than just simply buying at a digital level. Digital is a need sometimes. You need to order some pizza. Sometimes you need to order a book. It's almost like a purchase of a commodity. So when you talk about restaurants, people complain that if it's not a pizza, the company -- the food is not so great, when it's delivery.

So that search for technology and integration, and the fact that all of our tenants also have their own apps, they -- it has a greater potential. Because today, we have two fronts of communication. Millions of people that go to the mall, and we receive over 2 million people per month. And we can see the products, it is very different. At the same time, today, all the tenants have their app. So I would like to say that the building of the mall, the integration of the modern technology is very streamlined. We have MultiVoce, which has a program with our clients, and it's present in all the malls. It's a program that is integrated

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with our app. It has benefits for purchasing and the exchange of points. For example, the shopping mall ads. For example, one night watching the (inaudible) in Rio.

These are some of the benefits. Well, I would say that we are reaching these goals by creating this digital channel that will take us closer to the consumers. And this is much more comfortable for everyone. I would say that nowadays, technology is an ally, not a competitor, because of the reality that we are observing right now. And e-commerce is also a complement to the usual traditional commerce. But of course, we live in this real world of things and people. And human nature is usually searching for that experience, that interaction. And we actually notice that there is this huge demand of people willing to be around other people, and in shopping malls, for instance. It's human nature, as I was saying. We not live completely alone or isolated. I usually say that it's very nice to see that carnival feeling of people walking around in the mall and feeling happy and satisfied.

So now that we're past that crisis, I also wanted to mention the great innovation. There's this huge medical center at BarraShopping. It's one of the main ones in the world. We have 300,000 appointments per month. And it is very comfortable for people to simply go to the mall and be able to go to the medical center. And now we have created MultiSer. That would be a center within a mall as well. And this was done in partnership with a famous physician, Dr. Augusto Cury, a great physician, and he also has published many self-help books. So it is a really a mental health center. This has subsidies. It is within a mall, as I was saying. And it is for psychological help for people. One of our concerns is to offer that kind of possibility to people.

We are trying to focus on human minds as well. We noticed that after the pandemic, people have felt a great impact due to the pandemic. So we are trying to offer these services at a very affordable price at RibeiraoShopping. It is a pioneering project. It was launched last year in October. And it's been great. We see that there are many insurance plans, healthcare plans that are also taking that into consideration and offering that service to their clients. We have been recognized by psychiatrists, by psychologists, by other professionals because we're trying to demystify mental health services. We're not -- because in the past, people would think that, oh, if you're going to a psychiatrist, you're crazy or something like that. And it is not the case we know. It is very important for people to find that kind of professional help, mental health is key nowadays. And that -- we hope that it's going to be replicated in other malls as well.

We've always been innovative, actually. We've created many different types of centers. I remember at MorumbiShopping, around 30 years ago, we created the (inaudible) Shopping. That was still a place that was basically in the outskirts of the city of Sao Paulo. We came up with that idea and we brought many restaurants to that center and it brought great results. We were the first ones to do a multiplex within Brasilia Shopping as well. It was the first. I mean they only had one cinema, I remember. And at the time, our competitors thought that we were going to simply close our doors after one year, but we received over 1 million people in the first year. So it's still ongoing.

So our company is always trying to look ahead and think about the future. And we are sensitive to the new demands of society. We know that ParkShopping Jacarepagua, for instance, that we opened as a mall that generates a great cost reduction in terms of

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condominium charges. We were able to reduce 20% of the electricity charges. We have our own water and sewage treatment station. So that also reduces the amount of water that is used. We're reusing rain water. So that reinforces a great positive impact that we want to have in terms of environment, in terms of nature resources.

We also created a few open places. I mean, it is more of an open mall. It's one of the most beautiful shopping malls in Brazil. And we integrated all of that. We were still building during the pandemic. The company did not stop, continued to invest. And we opened in November last year. And it's been great. It is a mall that is going to help that whole region of the city that had been forgotten. So now, we also created a few bridges, a few road improvements around the mall, and in the neighborhood as a whole so that it's going to be easier for people to access the shopping mall. So, I just wanted to highlight that the mall has that ability to really bring more life, refresh a place, a city, a neighborhood. And in that region right now, in Rio de Janeiro, people can tell, people who live in Jacarepagua, they can feel safer now in that place and they're happier. And there is this great news that they have to refresh the neighborhood a little bit. All of our shopping malls also have that role -- play that role.

So I wanted to thank you all. And keep in mind that Jacarepagua has generated many -- a lot of employment, many jobs, both direct and indirect. So that's very important, especially right now in Brazil, given the context. We truly believe in Brazil and we will continue to invest here. Thank you very much.

## Questions And Answers

### Operator

(Question And Answer)

Thank you very much. And now we will start the Q&A session for investors and analysts. (Operator Instructions) First question is from Pedro Hajnal, Credit Suisse.

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

Hello. Good morning, everyone. Thank you for the presentation. Congratulations for the results. On my side, I wanted to understand a little bit more in terms of innovation. I think that it's going to rise a little bit, but I wanted to know if that threshold that we saw for the first quarter is something that you would normalize. There's still a little bit more space for occupancy costs that is -- was going to increase, we apologize. And also, if you can give us more details with a portfolio where you see more results per region, per asset, maybe, have increasing rent? And looking at the portfolio as a whole?

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

Let me answer the question. The first quarter is the most difficult quarter. But now, we're going to get into the most favorable, a more favorable quarter. You have May, June. You have May, Mother's day. You'll have Valentine's so we have that trend that will continue.

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So, our curve of sales always had this quarter, a quarter that is very productive for wholesale.

Now. Yes, the issue of occupancy cost. Remember that there were changes reductions, that will be enforced for a lot -- for a long time improvement. So, a common cause, infrastructure that will be a benefit here aligned to the most important point, which is that expectation of growth of sales 32%, of growth, 13% in the first quarter. So, this trend will continue. Yeah, you can see that we're growing. We're going 5, 10, 15, April 2. So, if we continue this way, I believe that the result will be very good.

Another point is the issue of several of our condominiums, our shopping malls. They didn't have an increase a real nominal increase for years and years on these condominium charges. And this inflation that is ravishing the world, it's impossible to keep the same condominium costs. Because you have malls that are four, five years, we didn't do any readjustment. So, it's natural that you have changes.

Another point is that we still have an open area that is larger than the past. And with a higher turnover than what you've seen, you have people, tenants that are preparing their stores. You have -- you don't pay for rent during that preparation period. So, we have 24,000 square meters of area and there's still the potential for growth increase besides the increase of the natural productivity of the mall. Is that okay?

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

Thank you, Dr.Peres.

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

Thank you.

**Operator**

Next question, Pedro Lobato, Bradesco BBI.

**Q - Pedro Lobato Garcia Fernandes** {BIO 20662961 <GO>}

Hello, everyone. Thank you for the presentation and for the opportunity to ask a question. I have two. First, the indebtedness, that had a drop that is very expressive. I wanted to understand if you come up from a threshold of 2.4 and the EBITDA healthier, that indicator should be reduced all throughout the year. Second one, Golden Lake, you said that we had 40% sale in the private area. I wanted to know how the next phases are doing. Yes, is the sale of the first phase will be a trigger for the next ones. That's it.

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

Pedro Armando.

**A - Armando D'Almeida Neto**

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Hello. Thank you for your question. In regards to indebtedness, we did management of liabilities last year, that is especially the fourth quarter. And we have an economy that is higher than the financial expenses this year, preparing yourselves for an interest rate that is higher, we expected that. And therefore, we could reduce the spread that we pay on the Selic rate and this is the lowest spread that we've had since 2018, maybe comparing at even '17, '16, over the inflation rates Selic. And the strong operational result allowed for this quicker leverage.

You can see the EBITDA numbers 2.43 in this quarter. The expectation as a company is that, we will continue down this trend over these next quarters and this is great. Because, we lived a higher leveraging due to the discounts that we -- as was already mentioned during the pandemic closing during this period that led to an indebtedness that was higher than plan. And now, we're going back to normal and we have a capital structure that is stronger that in a lot of space to execute our strategy for growth and returning the money to the investors or even buying the shares again. We had millions of shares bought once again this quarter.

And now, we Dr.Perez is preparing the six phases what we are creating is the culture. I'm going to explain. These, how many years? Over 50 years in the real estate business? The DNA of the company is real estate? At a certain moment, we did investments in projects of shopping malls and there was a new important activity not only for Brazil, but the world. Commerce started to develop and today, if it wasn't the shopping mall, if we just had the street commerce, people wouldn't be able to buy. And we have our urbanism project that is not simply to be a parking lot.

In the urban chaos, this led people to go to the mall. So what do we want? We -- it's almost a private neighborhood that is almost -- it's a neighborhood that is bring safety, comfort. I'm not going to talk about all the benefits, but we started here through the most difficult project, which is the high-end apartments. We have over 40% sale in this crisis, and this is great. We have the demands of the real estate agency for the 180, 200 square meters apartment. We sell them even at 500 square meters in Porto Alegre.

But for a more average intermediate range, it's an incredible demand and we will briefly launch another product that sells are more accelerated. And it has more depth and in the end, this is replicating simply gold and green. All the apartments facing the ocean, it's always difficult sales, but after that, with the smaller apartment, it is a great demand. The number of people that need those type of things is more higher and we're not, they're not so much affected by economic and political crisis.

These are people that need to change their lives for the better. So, it is a fantastic environment and in Rio de Janeiro, we have Golden Lake. Porto Alegre has a 1.7 million inhabitants. So, we need to understand that our strategy of always starting for the best is to establish a quality program for all enterprises, but the company has, is doing it with care. We sell and we build. We sell and we build. This is a two, three year project. This is actually a 10-year project, but it will be done as we have done the things here in Rio de Janeiro. It's a new project in Brazil.



**Q - Pedro Lobato Garcia Fernandes** {BIO 20662961 <GO>}

Perfect.

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

So is it answered?

**Q - Pedro Lobato Garcia Fernandes** {BIO 20662961 <GO>}

Clearly. Thank you.

## Operator

Our next question is Andre Mazini, Citibank.

**Q - Andre Mazini** {BIO 20818108 <GO>}

Hello, Dr. Peres, and Armando. So, the first question is -- the follow-ups, we've managed to get a few permanent economies, and I think you adopted the Scrum/Agile. So if you can comment a little bit of what is going to be permanent in a post-COVID, what really changed in terms of processes in the shared services center? And if this is lower, this is higher the occupancy is higher with the rent, as we can see in the numbers.

And the second question is in May, we see that we're going to have an M&A in the industry, very big. And if you can talk about the M&A strategy. Yes, last year you did an M&A in assets. You bought a few assets, but do you have any representative M&A? There is the northeastern portfolio. We have it in the South in Santa Catarina. So is the company considering the M&A at the company level. And a portfolio not only at the level of the asset since M&A, will come back to Brazil. And we're going to have a big one here.

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

The company examined these possibilities. They're always with us, but our decision, the company has, at the moment, 20 shopping malls. Critical company shopping mall that we have Ribeirao Preto, a few critical but the other ones are very good. So, we really work with quality. Essentially, quality.

Sometimes, certain M&As that involve the shopping malls that have a great weight, we avoid. Because when you have to take care of problems, you forget about quality. So, our idea is to be conservative, and this is very good that there is a higher competition, but the company will continue to develop its projects, doing its malls. And the important thing is to have quality.

We did not lose when there is quality, but quantity not always represents a gain. The company has a lot of problems still to solve. So, our condition is to do projects and to be associated with companies that have similar profile to ours. We suffered less in the crisis because these are -- shopping malls that sell well, good quality malls. So we continue to invest, improving, so the company did not stop in that period. So our concern is quality before everything. Quantity is good but quality is king, that's our strategy.

## A - Armando D'Almeida Neto

Andre, answering the first question, but just to complement the M&A. Very important point for us is capital location. It's not growth. Growth yeah, we have more shopping malls, or sales that are higher. Here we're talking about value generation, growing commercially, being stronger commercially, we have better points as Dr.Peres has said, improving quality is not having more points of sales, but quality. And capital location today is very easy to buy but it will give a lower return investment.

So we have to pay attention. You've seen the company in certain years, being more active in buying participation and minority, small businesses, but there were a few businesses that do not work and it's not that desired capital allocation. That is best for the company and the shareholders. These are the two complementary points that I would like to mention and there is another point.

We are a company that has a command. We have our board of directors, but it has a command. If you lose control of a company, you many times have difficulty managing it, which is when people think different. Since we are a pioneer in shopping malls, the first shopping mall was in Sao Paulo shopping in -- we've been in this for over 50 years. So, we know that the location and quality are key. We are very strong in the Southeastern region which represents over 60% of the GDP of the country of Brazil. We have one shopping mall in the Northeast, which is a partnership with Allianz. And in the southern region, center west region, but we try to focus on regions where we can extract better results.

That has been our strategy. In regards to the copy of occupancy costs in numbers, I will try to highlight and organize this somehow. All the issue of digital innovation and this comes from multi, a lot of this stems from the projects with IT and others are developed through the mall, the use of technology, agile, methodologies but they bring results. For example, payment of parking lot, this not only brings data, but it has economies for us.

The issue of having artificial intelligence, answering questions and having less people in the structure of the shopping mall. What is the time of opening closing today all of our malls, through our website. We have the apps, access to what we call the one point. We have one shopping mall. One of our shopping malls, that represent the invoicing that is higher than half of the shopping malls in Brazil, one. The company -- the companies do not have an invoice, but we have one shopping mall that covers all this. But our shopping, that invoices almost \$2 billion as a revenue of almost \$300 million and received 25 million people per year.

So what I want to show you is that the strength of the company is focused on these five first malls, that were the first one -- first five that we did that our 40 year olds and that grew, and that expanded, that were fixed and they created cities all around it. In Belo Horizonte, we did a shopping mall, BR-040 that didn't have anything. Today, there is the most important neighborhood is there. So you're talking about a point that is very important, but I want to point to a data, BarraShopping.

The revenue for allocation it grew 47%. And BarraShopping grew 69%. We did in a participation in BarraShopping showing the strength in these enterprises. So our shopping

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malls, they represent a great deal of our invoicing, but you finish what Andre said there is another point, that is very relevant. And we talked about ESG, the social, governmental and environmental themes. We have a common theme which is the investment that you do that has a very positive impact in the environment, but also has a strong reduction.

And for example, Jacarepagua, it's a more modern shopping mall, but it has the condominium cost that are very high. So, several of our enterprises, we have investments that are very positive for ESG and more than that. It has the economic sustainability of reducing the condominium costs. I'm going to stop since there are more question.

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

Should you have any more questions, you can talk to us.

**Q - Andre Mazini** {BIO 20818108 <GO>}

Thank you. Very clear.

## Operator

The next question comes from Ygor Altero from XP Inc

**Q - Ygor Altero** {BIO 21419045 <GO>}

Hello. Congratulations on the results. Two questions. First, the Golden Lake that you already mentioned that has a very favorable dynamic. Now, we need to understand on the side of profitability. How do you see the gross margin projected given this high inflation challenging scenario? That would be the first question. Then we come back. And I'm sorry, the other one.

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

Ygor, so, you're going to answer -- wait for the answer of the first to do the second one. Okay.

**A - Armando D'Almeida Neto**

Ygor the margin is 27.8%. Remember that as Dr.Peres said, we are creating a new brand, a new neighborhood. So obviously this first infrastructure urbanization and this is a project that Marcello has talked about, that we decided to use the capacity of the company as a building company. We're doing with our own team, as we've done in other malls. So, what we understand is a new concept here in Porto Alegre, a new area and you're doing the whole infrastructure necessary. We already are anticipating, obviously, this has a big impact. And we have a gross margin of 27.8%. And we see that you had a rhythm of sales that is very strong in April. To understand if this performance, it should be translated into higher rent in the second quarter, does that make sense?

Ygor I said 27.8% margin, 27.7% should be precise. In regards to sales if you look at the previous quarters, we talked about the sustainability occupancy costs. It was a big concern

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of the analysts. And these sales higher sales and Dr.Peres already talked about the growth of January, February, still very high and with sustainability.

It's important to have a balance in the long-term. Another factor that we have to consider is that these sales, they occur with a growth of 32% over the 25 days of April with a higher vacancy, 200 stores below what we had. And this shows productivity. It shows that, it's a display of the macro economy, but also shows the quality of our enterprises. And the new stores, the new mix that is being implemented in our portfolio, a day-to-day work, that this shopping mall needs, and this is a change that is continuing -- continuous. The priority changes every quarter.

I confess that these numbers are important and it shows what the options are and this is very different from a couple of years ago. So it allows us to refine and bring this productivity, not only in this quarter, but in the previous quarter. I mean in 10 years, the company is listed since 2017. It's been 15 years, we have 15 years of data, detailed available. And you have that productivity that is continuous that the company is presenting quarter by quarter with the exception when we're closed because of the pandemic. But regardless of that, we had a growth in the semester.

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

Thank you, Armando. And remember, rent is a consequence. If you have higher sales, you are going to be able to charge it for rent. Rent is sustainable. So, there are places that say the rent is zero. So rent is a consequence of all this work, quality management, placement, management is fundamental. We are not just owners of the shopping mall, we manage a shopping mall and it brings a lot of value.

We can see that the events are here in our malls. So, our Head of Manager, it really brings a lot of difference because of productivity. That's why we like to work with the shopping mall in the hands-on, so we can improve value.

#### **Q - Ygor Altero {BIO 21419045 <GO>}**

Thank you.

#### **Operator**

Our next question is from Elvis Credendio, BTG Pactual.

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

Good morning, Peres, Armando. So, I have two questions. First is about the occupancy rate. I wanted to see how you see the pipeline of negotiation for -- well, if you can tell us a little bit of the expectation of the occupancy rate? And the second point is regarding the expansions. If you can comment on the appetite of the company for new appetites, and the company is developing the expansions in Golden Lake, but I wanted to understand if this is the moment that is ideal to celebrate the growth given that the portfolio is performing very well, but we see that there is a more fragile economy due to the

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economic policies of the next candidate for the Presidency. I mean, I wanted to see how you see the scenario for growth? That's it.

## A - Armando D'Almeida Neto

We have 200,000 square for expansion. We have projects that are ready for MorumbiShopping projects that are ready for but if -- some Jundiai, BarraShopping Sul, we're waiting for opportunities.

Now, it's evident, that this is a difficult year. The big concern of the company is not to have a high debt rate at the moment that the interest rates are growing much higher. So we are careful at this moment, but we have to analyze the following. If we had to work with capital markets, the company has been so for half of what -- we are really worth, it's not. It's not worth capturing those resources for us. It's not a great deal, because we -- half of what the company is worth.

If I get five of our malls, I will tell you that we will reach the fair value of these malls which is a total value of the company's. But we have 20 other -- 20 total malls and other values, we're being undervalued. And also, the thing that e-commerce, they forgot that not everything in life is digital, people like to meet each other. Look at carnival for example. Our life is not in -- four walls you mean self confinement for two years?

I had COVID and I continue to work, but what I'm trying to say is the following. We see a great opportunity. When the company retracts, when the market retracts, we always grow in crisis. I've been through so many crisis. Every single kind of crisis. The first enterprise that I did in my life, 1963. Still a student, but there was a great social and political mobilization. Everybody was saying this guy is nuts. Nobody is going to buy anything food, provisions, everybody was scared. It's a scenario that is similar with the polarization of the current elections.

Then we launched. And I saw the whole thing, but I had to pay 36 installments. This is just to pay for the terrain that I bought. And to sell it in the six months. If I didn't sell it. I would be broke by the age of 20. It worked, we are here today with the joyfulness of working at doing innovation projects, creating solutions that the world looks at us. For example, a medical center that we have in BarraShopping. So there is no, we have a high number of clinics and physicians and nobody wants to leave BarraShopping. The consumer is used to go into the physician at the shopping mall. It's something that is easy.

Also, we're thinking about pain and pleasure in a way. I mean, medicine has to do with pain. Nobody likes going to a physician, nobody really likes going for an x-ray or anything. So, it is about pain in a way and then people are just postponing all that, but we make it easier for them. So whenever it's easier and more comfortable, people go to a clinic, go to a hospital, go to a center happily. So, that's what it is about.

## Operator

Ladies and gentlemen, please wait. We are trying to reconnect. We are back. Can you hear us? Just double-checking. Okay.

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## A - Armando D'Almeida Neto

Okay. I am sorry about that. We had an issue here. We're using a backup line. So, hopefully, this is going to work well. Anyway, as we were saying it is important to have that connection. And we are now looking at the demand that we're going to have in terms of tenants and also in terms of productivity and return that that's going to have. And, of course, that's going to have a higher cost, financial expenses, but we're thinking long-term. As for occupancy rate, we're not going to give you a prognosis right now because we don't have a goal of 96 or 97 or anything like that. What we do have is this concern that we want to have the best opportunities were trying to bring the best opportunities and maybe not with the highest rent.

But we're trying to find this balance between the right rent and the operations that the mall is going to have. How that's going to contribute with the mix. So, we're not just looking at simply doing anything just to get that rent. We also want to make sure that it's not just about the occupancy rate or we want to get to 98 for instance.

Now, we want to have the right mix. We want to have the right operations for the company.

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

Okay. Excellent Armando. Thank you very much.

## A - Armando D'Almeida Neto

Thank you.

## Operator

Okay. Our next question is from Jorel Guilloty, Goldman Sachs.

## Q - Jorel Guilloty {BIO 18291521 <GO>}

Hello, everyone. Thank you for the opportunity to ask you a few questions. First of all, I wanted to know more about the tenants, you were talking about the number. And I think that has increased lately. I know you're also focused on quality, you're focused on improving the mix, of course. And I wanted to understand a little bit more about the mix per se. I mean, do you want to look at, maybe more appliances or clothing? And also, I wanted to know, what you think about the ideal mix and the medium term for Multiplan?

And also, there is this other question here about the Multi app. We understand that there is a lot of engagement about it. A lot of people using the app. Do you think that would be kind of a condominium service as well for tenants? Or do you see that mostly as a service that you may be able to monetize in the future? I don't know, maybe using that kind of information, that kind of data that you're going to collect. I mean, how do you see that in the future? Basically that's it.

## A - Armando D'Almeida Neto

Thank you. Thank you for that question. Well, in terms of tenants, I think that we may look at the different quarters. For this quarter, for instance, we're thinking about office supply and we know that was reduced a little bit in apparel or clothing, gained a little bit of momentum, but that happened the other way around in the previous quarter.

So really, it's something that takes a while. It's really a negotiation. It takes a few times a whole year to discuss a contract with a tenant and change that mix. So that picture that we have, that snapshot that we have in a certain quarter is not to be used as a trend for the long term. It is really just a snapshot of that time that moment. So we should be looking at around 10 years to see the trends.

I don't think there is this ideal mix because we're always trying to improve and see how to evolve and how to offer people better services. So we're always trying to change the mix, we're always looking at what's new and many times just like the medical center. And Dr. Peres mentioned that a few times, our MultiSer, for instance, the mental health facility, this is looking into the future I think. It's about innovating. It's about thinking about the real demands of society. So, we're always going to be implementing that kind of change. I think the ideal mix doesn't really exist. We're always looking to improve even further.

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

Yes. Yeah. I think the ideal mix, if you allow me to add to that, the ideal mix is something that is going to bring more satisfaction to people. They will feel safer or more comfortable with that. That's the idea. We try to offer people a place where they're going to have the most satisfaction. Pleasure, really. And then that also has to do with healthcare is very important. It's as important as buying clothing. I don't know. I wore a shirt, let's say that you're going to buy a \$40 shirt and that's going to be the same price as the appointment for instance, because of the subsidies. Let's say it's around BRL130.

So we're going to have but there is going to be this possibility to go for an appointment at the mall. That's much better, that's much easier for people. Everyone needs help mental, health help. So I think that the human mind is really a mystery and we need to think about those needs. And there are many people with impact suffering, the impacts of mental health the rate of suicide has increased. So maybe if the person can go to the mall and seek mental health, professionals help, we might be able to reduce that risk. So, we have to think about the right evolution of shopping malls, depending on what human beings need and that's something that's in constant change. It's constantly evolving.

And you have to imagine that, you have a device in your hand. You talk to somebody in Japan in real time. This really changed the behavior of people. It created a dependency, psychological dependency. If any of the psychiatrists, it said they see that the cell phone has such a dependent, such a hold on people that if somebody loses their cell phone in six hours they -- it seems like they are drug addict. If you lost yourself cell phone and you didn't find it, can you imagine, they think -- some people think that they lost their lives? It is a total myth. And we are working.

The pandemic has brought a lot of problems, psychological problems, severe problems, people were traumatized. And I think it was a bit of exaggerated, people were very

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scared. So today, we understand that this is pioneer. So, if you want to treat people. We have to treat people for emotional problems. Everybody has problems. Everybody does. So, we have to understand. Our work is to anticipate. What is a trend? Everything that is demand and what the shopping mall can offer?

We don't just offer products and merchandise. So, the great deal with our shopping malls is their services. And we are going to have a broadening of these services. Our work is to understand what people want, what people feel and to place ourselves into what would be good for them. What is good for me, is good for people and multiplying has the -- we want to deliver more than what people expect.

And Jorel, in regards to Multi -- I'm just going to anticipate here our choice in the digital strategy path or is not to sell products that you might have a monetization, immediate monetization in the take rate. Our strategy was always of a reinforcement over the last month. It's more for a value generation for our main client, the consumer and the tenant.

We see the richness of data that are great for improving our management to bring more subsidies for our managers in terms of a mix, which is what you asked before of placement of the stores and helping in the management of selling more stores. For example, we have the week of the consumer and 10% of the tenants took part on on-site activities.

So, this is part of our strategy which is not demanding the tenant or charging the tenant for that, but just generating a different experience, additional value from this experience and we have the creation of the data lake that we have, for the consumer to be convenient. They get into the app. They ask, they do the demand, they can schedule going to the shop -- going to the cinema, they can schedule buying something at the drug store. It can be monetized? Yes. There are many ways that we can monetize, but this is not the time. The time is to invest and generate value. This is what we think.

**Q - Jorel Guilloty** {BIO 18291521 <GO>}

Very good.

**Operator**

Next question is from Fanny Oreng, Santander.

**Q - Fanny Oreng** {BIO 21102709 <GO>}

Thank you for the question. Good morning. Congratulations on the results. Actually, all my questions were already answered. But I just wanted to go back to the issue of M&A in regards to the bargaining power with the wholesale.

Along with BR malls, we're going to you have a moment, where you're going to be very big in regards to wholesale and there might be an overlap. Is this a factor for concern for you to lose the bargaining power with the wholesales, which is very different because of

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the productivity of the assets, but I just wanted to understand if this is a concern for you or not or business as usual for you.

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

So, let me try and answer. It's not a cause for concern. Our concern is clearly in to make the company more profitable. The amount of shopping malls does not attract the good stores that they want trans it, you want people to buy a lot. And it's clear that all of this is a set of factors. We offer a lot of services and the tenant knows that the wholesale companies, they know that they have to talk to us.

The brands have to talk to us -- to me, and we have good quality. So, what I can tell you is the following. We will continue to grow vertically, which means that our shopping malls will expand and will bring a lot of a return on investment. But since we are a full service company, we have engineering, we have architecture, we have the lawyers, we have an infrastructure that is real estate. That stems from real estate for enterprises. We created the shopping malls.

So, every single time that there is a possibility and the trains that we bought years and years ago, they're very low. So, now we have for many, many years, they are, we have even bought but we even bought some farms and we bought the terrain years and years later. The terrain was worth 3,000 times more. So, the valuation that is around the shopping mall is exponential, and this is an asset that is not demonstrated here. But we know that there is a potential. But it depends on our will on depending on what? And I think that the real estate market in the situation that we're living it, it always welcomes all throughout investments, all throughout the years.

Sometimes people purchase real estate, afraid of inflation. They do not buy because tomorrow will be more expensive. So a little bit of more of inflation is normal. It creates market all around it. Today we have another problem. We have a demand where people were staying at home for two years. They have money and they haven't used it and life goes on. And when you get something you want to buy a car. We don't have it. So nowadays you have an inflation generated because the offering of services and goods dropped significantly. We produce less on the other hand, people want to buy and they don't have a product and there's still an inflation that creates the bottleneck.

And if today I do not buy, tomorrow will be worst. And if I don't buy it now, tomorrow I won't have the product. So you have two factors that really work with inflation, it's where the offering does not correspond to the demand.

If you want to buy a car, just build a building there, it was very successful. And the director said, but we have to buy used cars in United States. They don't have new cars for sale. And a used car is more expensive than the new. So we're leaving this consequence of the pandemic, pandemonium in the world Now, we're paying the price. The world is paying a price. But our company has gone through so many situations in crisis and we managed to adapt.

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I think we're still going to grow here. There is a school, people work in the company that get in and never leave. Or you have people here working for long years. It's good because we don't treat people as a machine. We treat them as a human being. Feeling is our main, heart is our main weapon here. I don't know if I answered your question.

**Q - Fanny Oreng** {BIO 21102709 <GO>}

Thank you. Mr.Peres.

**Operator**

Thank you. Since we do not have any more questions, I would like to give the floor to Mr.Jose Isaac Peres for the last, to close our session.

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

I would like to thank you all for having the patience to hear us. I would like to apologize for going over the time, I hope that we answered and correctly, and we thank you for your time and we hope to see you in the next quarter with better results. Thank you.

**Operator**

Thank you. The earnings call of the first quarter of 2022 of Multiplan is closed. Have a wonderful day.

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