

Q3 2020 Earnings Call

Company Participants

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

Other Participants

- Alex Ferraz, Analyst
- Analyst
- Andre Mazini, Analyst
- Gustavo Cambauva, Analyst
- Jorel Guilloty, Analyst
- Marcelo Motta, Analyst
- Nicole Inui, Analyst

Presentation

Operator

Ladies and gentlemen, good morning. Thank you for waiting. Welcome everyone to Multiplan's Third Quarter of 2020 conference call. Today with us we have Mr. Jose Isaac Peres, CEO; Mr. Armando d'Almeida Neto, Investor Relations Officer and CFO; Mr. Marcello Barnes, Development, Vice President, and Mr. Hans Melchers, Deputy Officer. We would like to inform you that the presentation that will be made is available for download at ir.multiplan.com.br. We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company presentation. Afterwards, there will be a Q&A session when further instructions will be given. (Operator Instructions) Before proceeding, we would like to mention that forward-looking statements that might be made during this call in relation to the company's business perspective, operating and financial projections and target, our beliefs and assumptions of Multiplan's management as well as information currently available to the company.

Forward-looking statements are not guarantees of performance. They involve risk, uncertainties and assumptions as they relate to future events and therefore they depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may effect results of the company and they lead to results that differ materially from those expressed in such forward-looking statements.

This conference will last 60 minutes. After this period, the Investor Relations team will be available, should you have any additional doubts. Now, I would like to turn the conference

over to Mr. Jose Isaac Peres, CEO, who will start the presentation, Mr. Peres.

Good morning. Once again, thank you for the opportunity and you may begin.

Jose Isaac Peres {BIO 15388489 <GO>}

Good morning, ladies and gentlemen. And I would like to start my presentation with some remarks that have just occurred to me. The first one is that you should remember wherever stay safe [ph] and in the circumstances. You should not -- I know that the market is very volatile especially in a quarter in which the company present its best results in these 46 years of activity, as we will be seeing.

Having said that, I'm going to read some remarks to you. In the third quarter, we have already seen the return of the operations and the recovery of sales and the revenues and in fact, we were able to see the force of habit prevailing over any other entertainment option for the shopping centers and the speed of recovery that we had and our strength and the results and the operating results, make it very clear that shopping centers continue to play an important role in society and this pandemic accelerated digitization and but human beings want to be together in spite of the digital world and the financial performance. We grew record revenue by contingency measures and our divestment strategy in the real estate activity.

Our net income in the quarter was BRL569 million. In the first nine months of the year, we had BRL817 million. If we include the sale of the office tower, the -- Multiplan's net income would be around BRL300 million in this year. Therefore, in line with what occurred last year. I would like to mention that in the first nine months of this year, during four months, we were practically closed with revenues around 10%, and in October, tenant sales are already higher than 80% comparing to 2019. This nevertheless, this percentage has already exceeded 90% in some shopping centers such as Brasilia Maceio and Rio Grande do Sul and CampoGrande in Rio de Janeiro. And we still have two good months ahead of us November and December.

And considering the recovery that occurred in October and the lifting of a major part of the restrictions are stationed [ph] for November and December. Next year, it should be close to the sales that we had last year. I would like to remind you now the following.

In January, February and up to March 15, we have grown very cheaply vis-a-vis the previous year. When the shopping centers had to be closed, and we were the first company to take this initiative. And as the -- some authorities shared this closing of all the shopping centers should be around 15 days, and they lasted for about four months. You can see that let's say if we have had all these months this year, with the shopping centers opened regardless of the activities of the real estate activities, our net income would have been much higher.

And I would like to you to understand everything that we are saying here. I always say in that -- in not too distant past, the company has had it flagship real estate activities and over time, we started to invest more and more in shopping centers. And this was a very

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rightful decision that we will continue to do so, shopping centers will be our flagship, but now with the reduction of the inflation rate and also the interest rates, investments in real estate becomes extremely attractive and due to this reason, we have created a team 100% dedicated to this sector. This will be a -- an independent department in the company or possibly a new company. Currently, we own one million square meters with projects already approved for this upcoming areas in different regions of Brazil and we do not need any additional capital because these properties are already paid in full.

Our PSV, under this asset, that is the same [ph] real estate and in around BRL8 billion to BRL10 billion, these are lands that are close to the shopping centers that were acquired over our trajectory along our trajectory. And this is also valued at BRL0.5 billion. It's a very low value and this allows us to launch as I said, very attractive prices. At the beginning of next year, we will be launching the Golden Lake project in Porto Alegre. And the pre-launch will be in January, and this will be the first phase of a project that could go beyond 3 billion in PSV.

This will be carried out in stages over eight years. As was the case of the Golden being in barrack that is you can (inaudible). This is a magnificent project, this is a private place. It's impacted with unprecedented characteristic and facing the Guaíba River and very close to our BarraShoppingSul Mall. All in all, we will have 18 residential towers and one office tower. In this October, we have already started the organization work with an area of 163,000 square meters. That is to say a new neighborhood and new districts with outstanding characteristics and residences that this will be a landmark. With the concept of a closed condominium with a golf court and facing the Guaíba River and the other one was facing the street and here we have spectacular lake with an artificial beach. And I believe anybody would dream of moving in a place such as that one. So have already acquired over two years ago and we are having very competitive prices, but we continue to focus on all the real estate diversity residential, office, medical centers, hotels, hospitals. And these projects will be very -- additional traffic for the shopping centers. They will benefit from the characteristics of our past and we also have expansion plans, our shopping centers, almost 200,000 square meters of gross leasable area. And next year, we will be starting the expansion of the ShoppingMorumbi to the DiamondMall in Belo Horizonte. And in October 2021, we will be inaugurating the Jacarepagua ParkShopping. The 20th shopping center built by our company.

We were the first company in the world to build 30 years medical center within the BarraShopping. You're talking about 42 clinics that carry out 250,000 [ph] consultations and exams every single month. And I would like to (technical difficulty) that has always been on charge, somewhat chasing the likes of our consumers. In the context of the Association of Shopping Centers, the recommendation by the Association was that shopping centers should have medical centers. You can see that we already saw this synergy between health and entertainment that was the focus of shopping centers 30 years ago. We also have a medical center in Ribeirão Preto. We are building one in Curitiba and curiously, the biggest demand that we see today are for the medical centers. So you see that the shopping centers have the capacity to adapt that to the new way and the new habits. And I always say that the shopping centers continue to be an oasis in the middle of large cities, for instance, what would be -- what would happen in the cities if all the shopping malls should close. It would be a tragedy, because the streets do not offer

the necessary safety as they are not healthy in the sense of people being able to walk and seriously and with the pandemic, with the destruction of about 50% of the standalone stores, what happened was that we had the social isolation so to say here in Brazil.

And this working off the best choice from our viewpoint the vertical isolation would have been much better because it would have avoided massive employment and of course, we wouldn't have the activities of within. Mortality rate lower than 16 years of age. So what are needed that is -- what's not needed and of course the pandemic was politicized not only in Brazil but in the whole world. I would like to mention the following. We have the initiative of asking an international company to carry out PCR test on 60 surfaces of our shopping centers in Sao Paulo. And the objective was to share the absence or presence of Coronavirus in shopping centers in the state of Sao Paulo. And this is an international lab. And they collected 60 samples on 60 different surfaces, such as we do with the regular PCR, that is to say, the same thing that you do with the PCR, you know, so we did that on 60 surfaces in August and October this year and the results showed that there was no trace of Coronavirus detected on none of the surfaces tested.

So the results of all the samples was negative. And I would like to draw your attention to the fact that we anticipated ourselves. We hired the technologies in order to guide that that we establish a standard that regardless of all the official standards that were very good, but we implemented with the help of all these technologies and testing all the air-conditioning systems and temperature of clients. So now people are coming back to shopping centers and they feel safer.

Not safer in the sense of the safety that we have always given them but I'm talking about safe health-wise. And so we hired these technologies since the beginning of the pandemic and this showed that shopping centers are the safest and most hygienic public locations in the country. And as a consequence of the pandemic, we are being approached by many retailers that only operated with standalone stores and that now they want to count on the benefits that are offered by shopping centers. We could -- we offer physical and sanitary safety, point traffic parking (technical difficulty) using facility of integration of e-Commerce to the whole logistics chain and among retailers e-Commerce was -- were the ones that really approached us the most. This is very interesting because they wanted to have access to areas that safest in our shopping centers and in spite of all the restrictions that are still in place. We already see sales exceeding 80% of the amount that as last year, all the regions expect Tunis [ph] and Sao Paulo where reduced opening hours was extended for a longer time and we are keeping our support measures to the retailers who helped us to sustain our occupancy rate.

Today at 95.3%, what I mean by that is that when we started, I thought we would be losing 20% of our retailers and we only lost a handful besides we had 92% and now it's 95.3%, it was 98% and now it is 95.3%. Just to finalize my remarks, I would like to add to that in the last 8 years, the digital tool came to and more so also to the physical shopping malls, so we have a program in place in order to support all our tenants and we will soon be offering a new tool in this regard. Those who know -- those who do not know how to make a shopping mall, they believe that all this is everything. But those who know how to make shopping and we started almost 50 years ago, and we build the Ribeirao Preto mall and this was the first one that we have enjoyed to do.

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Okay, digital is great, but your presence is irreplaceable and people above all in this isolation because this isolation -- social isolation has leaving us painful things that we have never seen in our lifetime, the rates of depression and mental problems have increased since, really.

And people stopped going to hospitals because of fear of contagion and so this was very bad for health overall. And I think our people those who have given all their dedication to the company and there was an -- and later decreasing the salaries of our people and this was their collaboration. But now, it has become something very rewarding because our shopping centers have low rate from these health reforms and the result of all this concerted effort was going back to the level of sales that we did not expect, given this situation. And in this time we have the BRL800 million that came from the sale of the office tower, and this is the reason why we were able also to get such good results. And now, we are going to bring more results by means of this new company.

We do not need additional capital because we have everything we need, and at very good historical prices. And this will be generating in the net income to the company over the next year. And we are still thinking about the details and how we are going to put this in place, et cetera, but I would like to thank all our employees, our tenants for all the sacrifices that they made when the shopping were closed and from the tenants we received only half of the condominium expenses we raised the other 50% and other because we are the creators, but the soul of the shopping centers are the tenants. So I would like to thank our tenants who were very courageous and in spite of all the adversities, they went back and they reopened their stores and they are always with us. So thank everybody who participate in our company. And also our investors who have been with us in these difficult times. Thank you very much.

Armando d'Almeida Neto

Ladies and gentlemen, good morning this is Armando. We are still in isolation and restriction mode. But even then we had a strong operating recovery in the third quarter with less operation time equivalent to 51.7% of the third quarter of 2019. We had better results for early rent 55.5% when compared to the prior year, same growth is observed in October, very closer to pre-COVID level.

Analyzing the comments from analysts, we see that has increased in the third quarter is clear when we analyze our receivables, due on the following months, which fell from 42.8 million in June to 83.7 million in September 2020. Sales and people traffic recovery allowed a lower occupancy cost in the third quarter since the IPO in 2007, it was 11.8% comparable only to the historical lower cost in fourth [ph] quarters which happens, thanks to Christmas season and more important that turns our properties more attractive to tenants in the short term as well.

For those that are analyzing and concerned about vacancy, we see a great immediate attractiveness there. Another extremely positive aspect was the strong rent revenue recovery followed also by a significant drop in that delinquency from 16.3% in the second quarter to 7.2% now in the third quarter. Commercial activities resumed with 90 new store

rentals, a turnover of 1.1% of the gross leasable area. Our efforts to adjust the company and our properties to the pandemic effect are still bringing good results.

One of them is a reduction in property expenses 6.8%. The tower expenses and also shopping mall expenses, it was reduced and despite of the higher vacancy and as Dr. Peres mentioned, a lower headquarter's expenses 48.5% vis-a-vis the same quarter in '19. Diamond Tower sale, which is part of our multi-use strategy as part of our activity that allowed strong financial deleverage bringing down our net debt over EBITDA ratio to 1.33 times. In this quarter, we issued BRL400 million in new debentures, prepaid that in the amount of BRL388.4 million basically that were indexed to TR, the reference rate and we renegotiated the cost of a loan, also in that -- in TR, such actions allowed us savings of BRL23.6 million at net present value.

Net financial expenses here that is the growth expenses less than what we received in new residential, those expenses were down in 46.4%. So having said all that, the growth that average cost was down 40bps is to 3.13% per year. A little faster than Selic rate which dropped 25bps. In this quarter, we also bought back 1,955,700 shares.

I'm trying to give you more transparency and more information about details -- also about the selling of our tower. We reached a cash generation record measured by the EBITDA or by the FFO as well as a new net income record. I usually say that our -- that to our investors and analysts that we already discount from the FFO the non-cash effect once again so that we can have greater transparency and so that our FFO is a good indication of cash generation. And using technology, we continue investing in projects that may bring Multiplan and its tenants greater access to different markets, as well as it will allow consumers to have even more convenience. Recently, we launched a beta version for sales via WhatsApp and participated in a new round of capital increase for delivery center. And our share today is 26.5%. Our Multi superapp has now eight times more active users than the same period of 2019. It's still low. We are going to grow there. And we will expand its marketplace functionality to a total of 16 of our own malls until this year's Black Friday.

That's going to be within two weeks. So to conclude, I hope we have been able to show you that instead of wasting time and complaining about what happened, we dedicated ourselves, we worked hard to overcome this huge challenge, and now we can celebrate the quick and strong operating and financial recovery we had in the third quarter.

Thank you very much. And now, I turn the floor to the Q&A session.

Questions And Answers

Operator

Very well. We will now start the Q&A session. (Operator Instructions) First question from Alex Ferraz, Itau BBA. Alex?

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Q - Alex Ferraz {BIO 19294308 <GO>}

Good morning, Mr. Peres, and Armando. Thank you very much for the presentation. I have two questions, the first one has to do with the turnover. This has been a positive surprise. The appetite for new status and you already expected this turnover. But the demand for new areas is surprising even more so since this is a big challenging scenario, so what do you believe is why this appetite, you mentioned the retailers that only had standalone stores and they want to take advantage of the -- advantages offered by mall. And also you made it very clear the correlation between the sales performance, timing restrictions regarding the opening hours. And lastly, we saw. I think it was on Manuel [ph] publication mentioning tenants that wanted to reduce the opening hours. Do you believe there will be a discrepancy or do you believe that the new publicized -- this publication has nothing (technical difficulty) tenants versus FAA.

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

It's very difficult to acquire a good shopping center. We do have this emphasize. Are you talking about new tenants? This -- new tenants, okay now I understand your question. This is happening very frequently. These are indicators that provide standalone stores and they now want to go into the shopping centers because they know that this is much safer. And it is much stronger in terms of attraction of course there are monetary difficulties such as one that we are having now. But there is something called creative destruction. Whenever you open a new sales, there is a new one opening up and all shopping centers have a very high occupancy rate around 98% But some areas are being resell easily, and this is a very positive thing. As we said before, in spite of all the difficulties that we were facing, we are delivering sales figures that are very similar to what we had last year, in spite of all the restrictions that continue to be in place. And regarding the opening hours that you were mentioning, this happened in Sao Paulo, because in Sao Paulo, the restriction was bigger. In the period of eight hours, let's say for retailers, they thought this will be better to have 8 hours open in a critical situation then you have a two different shift. And financially speaking that will be more advantageous. But most of our shopping centers today having two shifts now and in Sao Paulo, we again have two shift. In some shopping centers in the interior of Sao Paulo, they no longer or they still do not have two shifts. Porto Alegre for instance does not have two shift. So this is the situation.

Q - Alex Ferraz {BIO 19294308 <GO>}

Thank you very much.

Operator

(technical difficulty) coming from Santander.

Q - Analyst

Good morning, everybody, Dr. Peres, Armando. I have two questions. Along the lines of the previous question which have to do with vacancies. Some people are concerned with the increase in vacancies. But probably the retailers that were not having a good performance, they did not wait for Christmas and they decided to leave before Christmas, and how do you evaluate the health of your tenants in your shop?

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

This reminds me of a song that this year is not going to be the same as last year because differently from the previous year. People usually rush to open the store before Christmas and they want to have everything ready to go. And what happened was that we saw this movement before quite earlier because of so many months closed. We are having this earlier this year. So it's really the opposite, we see the new renters with a better quality because they want to be ready for Christmas and they want to stay to surf this wave and you see new rent, and new segments that are participating in the shopping centers and they want to stay in the medium and the long run, and they are taking advantage of this opportunity because today, we charge much less the promotions on 30% from them [ph] between 70% and 80% of what we used to charge, so they want to take advantage of this very attractive situation. They want to tap into this opportunity, so the retailers that were -- only had standalone stores and restaurants that were only outside shopping centers and they want to be present in our malls now. And we believe that all in all, it's going to be very attractive, and we believe that the vacancies that we still have will be very much sought after as of next month, of course, it's very difficult to foresee what is going to happen. But this year, we believe that it's going to be exactly the opposite that happened in the previous years.

We will see this recovery, this end of the year and beginning of next year and we believe that vacancies are going to go down and not up. For me there is something that is undeniable. People who were isolated during all this time. And many people remain at their home in social distancing and all this created a pent-up demand, so much so that our recovery is be very fast. People are tired of sitting home all the time. And the shopping centers are places of convenience and their meeting point and people cannot just live with whoever live with them in the same home.

We are gregarious and that -- what I mentioned during my presentation, the force of habit and even when the shopping centers were closed, people came and they knocked at our doors and said, well, I just want to see the shopping centers and at the beginning when we wouldn't had supermarkets and drug stores operating, people wanted to come, they wanted to come as entertainment because our cities today, they are very inhospitable. People are afraid all the time and they want -- do not want to walk in the streets. They are afraid. So our consumers in most of our shopping centers come by car. Their own cars or they use Uber. They may not come walking anymore. And what is happening. I believe is not expressed, that this shows what I call the strength of habit. People have nowhere to go. In Rio, you have either the beach or the shopping malls because the theaters are still closed and the cinemas are closed or nobody goes and you cannot hold any event.

And when everything comes back at full steam, I believe that we have a lot -- we will have a lot to gain from that. We are recovering 80% of our sales with restricted opening hours in October and I didn't answer your second question, you were asking about the tenants and just to complete (inaudible).

I think a good indicator that translated quite well within delinquency. It worked. This is a very positive information because you see that we are selling more and we are being more successive correction. We need to study about that. And you can see that sales had a very strong recovery.

Q - Analyst

Okay, thank you.

Operator

Very well. Now we have Marcelo Motta from JP Morgan. Marcelo, good morning.

Q - Marcelo Motta {BIO 16438725 <GO>}

Good morning. I would like to know if Peres or Armando could comment on this multi-use project initiatives. As they mentioned that multiplan created different company to operate that. I would like to understand it further if they have more details. Are they going to have separate results, a different management, additional costs. I would like to better understand the initiatives and also when we think about growth after the Golden Gate, which are the projects that they are considering, residential commercial projects and also more information on the multi-use app?

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

As I said, Marcelo, good morning. Obviously, we have, I mean, that's not on my hands right now. The list. But we do have a list of all the series where we have project and it will all depend on other issues. But we have here in Rio Grande do Sul, in Jundiai, also in Curitiba. CampoGrande in Rio de Janeiro, in Cunova [ph], Sao Caetano as well. The area in Sao Caetano is 73 square meters, BarraShoppingSul. The area that we consider for that project the Golden Gate, we have 294,130 square meters.

So if we add that all up, we have around 177.205. We have Analia Franco in Sao Paulo. Also here. Another area in Rio, an area that we acquired from Walmart. We have another area in Maceio, Ribeirao Preto as well. That's where we were pioneers. We have a huge area there. Around 200,000 square meters to develop real estate activity and these are great locations because the land that we acquired at the time at BRL1 per square meter, it was a farm. It was a sugarcane plantation, so we purchased part of that land and that turned into a shopping mall, which grew. And today, the last piece of land that we acquired there, for the one that we paid BRL1 per square meter or whatever currency we had at the time.

Now not long ago, it was at 3,000 square meters -- BRL3,000 per square meters. So you see how much that appreciated. Thanks to the shopping mall and this piece of land is in the surroundings of us most. So we didn't have anything in that area and also in Belo Horizonte, we went to the former BR for a road, I think it's BR3 the name of this road now.

So this is a road that connects Belo Horizonte to Rio de Janeiro. So the -- a whole new neighborhood started surrounding that mall in this area. So here in Rio de Janeiro, BarraShopping has started here. When we came here, it had 40,000 inhabitants and now it has 500,000. So I believe that because of all these reasons, part of these areas have been separated for the mall expansion, but obviously we still have 977,000 square meters that will give us more or less a building area of 1 million one-time that area.

So and we are being very conservative here. We have approved projects with other types of occupancy rates that are better so we this area, a buried treasure, it hasn't been found yet. And now we are going to show you -- we are going to deliver grand [ph], so I think you're going to be very pleased about it. I don't know if I addressed your question, just adding to this, he asked about the structure. Well, this is it. The internal structure and we are going to work on an internal management, everything is going to be separated.

But everything is under Multiplan. I also thus create a new company, also 100% under Multiplan. But we are not going to let the company or no maybe in the future, we might be able to have a new strategic partner if that works for us. If that partner adds to us knowhow and capital that could be a good idea, but the company, it has 57 years of real estate knowhow. In the first 12 years at least. And I already brought back to the team and I am an expert on that. I've been working in this real estate area for 57 years.

So, I was in Porto Alegre yesterday, coordinating in launching that we will hold there. And I think that with the interest rates that we have now and the financing possibilities that we have, the real estate business is highly attractive because not everyone wants to invest only in the stock market. Well today, the interest income is 2% or 2.2% that is a very low interest rates for investors, but people do not want to invest everything in securities in the stock market, people want to invest and we believe that real estate is a safe investment and will be safe we think. Because the prices for real estate properties are going up. There was a pent-up demand with all of those period -- this recession period that we went through and very high interest rates in the past and at a low interest rate and also low inflation rate I believe now we have a favorable conditions to develop real estate project.

Q - Marcelo Motta {BIO 16438725 <GO>}

Perfect, thank you.

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

Thank you, Marcelo.

Operator

Very well. Our next question is from Daniel Gaferechi [ph] from Credit Susie.

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

Daniel, good morning.

Q - Analyst

Good morning and thank you. I would like to pick up one of the answers about creative destruction and understand his vision of the change in terms of mix. What is necessary. How do you see that the mall change? What could change in terms of the mix combination? And also we did have an amazing performance so far much better than what we expected in terms of sales recovery, and what do you foresee for the future so

that we can go back to 100% and is there anything lacking, are you planning anything for 2021? Do you think this recovery process will take a little bit longer?

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

Thank you. Good morning, Daniel. Well about the creative destruction, I think it's everything. I think this is our beacon. We focus on consumers, trying to understand what consumers need and wants over the decades not only years. And then we changed the shopping malls. We adjusted and adapted ourselves. So that we did not survive, we grew, we strongly grew.

So imagine what is a shopping mall 40 years ago and a shopping mall show today. These are very different concepts, architectural projects that are different and all of that has changed and consequently, we always are looking and focusing on consumers. And today, we have a lot of options. If you consider an entertainment option. In the past, it is only the movie theater. And to-date when you talk about leisure and entertainment in the malls, it's something different. Same thing restaurants is, okay. In the past, we had the food courts. And today, we have that more expanded. So as we said, we have to replicate a street with restaurants. So you have the food courts, but we also have restaurants, restaurants that were very few. Now are many -- there are many options because it's very convenient to consumers, parking in the car, to be in an air conditioning environment. If you allow me a comment is that MorumbiShopping for instance, it created the gourmet shopping. That was 30 years ago, bringing together 17 of the best restaurants in Sao Paulo, and today the gourmet shopping has 27 of them. That is eating is something that you have to do 3 times a day. Right. You are not going to shop 3 times a day, but you are going to eat 3 times a day, well that's it. And also shopping malls attract people because of the urban diversity because of people themselves. The great show in the malls are not the stores or the restaurants are people themselves.

So this is a great stage, where people like to see each other and been seen. So the essence of the human being is a gregarious one. Man, it has learned a lot and I think we still have those tribal feelings. So, this is an amazing tool that is going to give us information, we produce information, the technology, I mean. But evidently, this is not able to motivate a person to spontaneous shopping, this is more of a rationale of purchase.

And since all purchases are emotional and I'm not the one who is saying that. There is a thesis here about a famous economist and this was a Nobel Prize. More -- I think five years ago. And he has shown that all purchasing decisions are emotional. I always worked with that possibility, it was a emotional purchasing.

So today, we have ice skating places in the malls, restaurants, we have toys areas, outdoor, indoors. So this is a community areas and that's where society gathers and the force of habit is so great and you have seen even with the malls closed, people wanted to go in having only 3 stores opened like for essential services.

So it's very gratifying. Is the -- that we built that in Brazil, for instance, the medical centers, when we had this idea of medical centers and we started one, the idea was to bring

people to the shopping mall that was a broad network in the BarraShopping, we have 42 clinics with over 250,000 doctor's appointment.

The idea is that people would go to the doctors and it will be a better experience because it is something that you suffer when you go to the doctor, but it was a pleasure going to the mall. But since pain and pleasure are the different sides of same coin that could be brought together.

And what happened with the pandemic is that the medical center did not work because the mall was closed. But they were autonomous. They could work regardless the mall operation, they did not work not even the tests, why?

Because people go to the doctor, yes, they go to the doctor. But first, they go to the shopping mall, then they go to the doctor. So we did have that typical event there. This is Barra da Tijuca and Leblon, these are very different areas. So the same thing and now in Leblon the same thing that we had in BarraShopping, we had in Leblon.

And so people in Leblon said that they prefer to go to BarraShopping than going to Leblon because of this, because it's a matter of pleasure. It's fun. So pediatrics in the shopping malls that work better because there are toys and amusement park. So to go to the mall is a pleasure experience. This is the greatest human anti-depressor.

So if you are sad, go to the mall. So if you look at the, if you looking all the measures have been changed and will be changing. So you know apparently [ph] that one of the main segments in the malls that has changed and so I will conclude, so that I can answer the second part of your question.

A - Armando d'Almeida Neto

What Dr. Peres tells us every day, so we cannot forget. And we have to focus on that. Our business is to have people feeling good and feeling good by going to the mall, so that adaptation haven't -- and every day is constant, every day we are talking about the shopping mall improvement, some type of renewal, something that we can do that can bring more convenience, that can make people happier.

And a mix that is naturally changing and will continue to change and that adaptation capacity is the one that allows the most to be an important tool. Especially when we talk about malls in major consumption centers as we have.

Yes. Are -- some of our malls are just rounded by building and, yes, it's difficult not only to make any type of forecast and we do not make any projections, but when we see that we have the best of the season yet to come. And we are already close to 80% of sales, we are happy about it. We are excited about it. So maybe if you asked us in April or May. We did not have that expectation of a strong recovery. But I believe the better is yet to come. Usually we do have our Black Friday and Christmas historically is the best days for sales in Brazil. Well, I have only one concern on Christmas, I might -- we might not have enough

products and inventory, since the economy stopped, the production stopped and I don't think we are going to be able to cater to this demand.

There is an inflation here I think which is one-time off, it's not going to last for a long time. But if we are able to have enough offer products with the good prices that we had, I think this is going to be a great event. I think Christmas is going to be very good and it could be exceptional if we do have enough products, enough good, but we are excited about it.

Q - Analyst

Yes, thank you very much, Peres. Good morning.

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

Thank you.

Operator

Enrico from Seve Investments [ph].

Q - Analyst

Good morning. Thank you for the question. I would like to ask a question about digital and how are you going to integrate -- in the past one of the main difficulties on the part of tenants inventory management. What about the integration of tenants and what is the biggest difficulty that you see in this regard?

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

Good afternoon. Thank you for your question. The on-boarding of our tenants is the biggest difficulty. Maybe one year ago. You went to a tenant and you could say, well, I really don't want that. And this is why we are testing new technologies that may facilitate the process of on-boarding of migrating and placing the products available. We have about 54,000 products today -- no 44. He correct himself. 44,000 available in multi and this is growing and this is one of a major focus in digital penetration that is to say, having more stores integrated into DS. Once you upload the product and you integrate inventory and there are thousand ways you can do this with Excel Spreadsheets. You can replicate in SKUs and marketplace and then this is not new. By means of this integration is that is easily replicable and then you can generate more value to the tenants as well. Those who do not know anything shopping centers, very often ask this kind of questions. Because people do not live in a digital world. People live in molds of flowers, of people and the major attraction in shopping mall aren't people. A wondering shopping center offering everything with all the technologies possible.

Well let's go back. What I mean by that is that our world is a world of people. Of course digital is very important but as a plus, as a tool. Most of the tenants today already have their e-Commerce, their own e-Commerce. They already sell digitally but they want more because they know that the present sales are bigger and they will always be bigger than e-Commerce and what we see today is almost people looking for some commodities.

FINAL

Let's say a book, a book is also a commodity. Let's say people want a pair of sneakers. What happened is that life is not so simple. Human beings are not so simple. And equality in human being is much bigger than just a simple product and our fee have now changed. You have to see people. For instance, we are going to sleep today and we have to have lunch. So either we go to BarraShopping or VillageMall, nobody goes anywhere else.

We would never be isolated completely, you thrive on the energy of people. This is very important and very well so a subjective topic. People like to go to shopping centers to see and be seen. We have our area of digital innovation and marketing. And we look at this -- we look at that as a potential road as you on board new products and you make the integration on a daily basis, you can be sure that we are totally dedicated to this. So it's not enough to be in the shopping, or at the shopping. You must have a very good penetration.

Q - Analyst

Okay, thank you.

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

Yes, this is an additional service that adds a lot of value to tenants. This continues to be dominant. Thank you for the questions Enrico

Operator

Gustavo Cambauva from BTG Pactual.

Q - Gustavo Cambauva {BIO 17329406 <GO>}

Good morning, everyone. I would like to understand, looking at the evolution of your sales and your rents and the rents are very similar to the level of sales and given the deleveraging of tenants, I thought maybe you would have -- you would be offering more discounts because of drop in sales, but apparently this is not happening. So I would like to understand, how do you see this from now on, do you believe that rents will be similar to sales or if the recovery process -- well let's say the recovery process takes longer. Will you have to resort to bigger discounts? I would like to understand to which extent this occupancy rate is healthy. Talking about the level. The occupancy rate that you reported in the third quarter is it same?

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

Gustavo, well this was a surprise to us because given the fact that people are in their homes and many people are still at home because of the quarantine that on TV and by the press that by far exceed the reality of COVID. So the biggest hurdle was to represent people to go back to the shopping centers guaranteeing that the shopping centers are safe and Abrasce the association and our own association met, we got together and we established a protocol much before the unitable requirement that is to say to give our customers the necessary protection and we are very strict in this regard and people wanted to go back to shopping centers. But there are still 30% of people that stay home and that's safe and they are afraid of going to shopping centers. But they are going to

lose this year and with the study that we carried out, and this study was done by an independent company and internationally respected company and in 5 shopping centers of Multiplan in Sao Paulo, they took 60 samples in each one of the shopping centers and there was no trace of Coronavirus.

So this is the most or this is the safest public place in the world. So shopping centers are the safest public place.

And now we are going to publish the result of the survey and we are going to bring two realities what has become a fiction. And this is my view. I don't think there will be any big changes and because the learning curve of Coronavirus has already occurred and most of the people who get Coronavirus they are treated at home that is to say as if they had a common flu and only they are rarely, they are hospitalized now today and their mortality rate below 60 years is equivalent to a common flu.

But the problem is that the press brings a lot of confusion to people's mind because you cannot live among four walls all the rest of your time -- all the rest of your life because this would be death. It is totally impossible to remain at home for the rest of your life, otherwise everybody is going to die.

What's happened was that it's your home and there is nothing to do. People drink and people eat all the time and of course alcohol consumption went up steeply because people out of boredom they may become alcoholic with this confinement. I'm 80 years of age, so I didn't stay home. I confess. I went to the office with some of our other officers every single day and if it were not for this attitude, we would not have achieved the results that we are delivering. I would like to add something. I think, Gustavo, I was not very clear in my question. Well I don't know exactly what was the zest of your question.

But and you have strong sales and this is what we are seeing, a very strong recovery. You gradually recover the rents and the occupancy because I don't know whether I really understood your question. But one of the reasons or I would say the main reason for the cost of occupancy having gone down, it was because it was able to reduce the condominium and the promotion funds. This was the main reason. So we were able to charge a rent that was similar to the sales and by means of the efficiency generated in the condominium, the shopping centers become even cheaper so to say. And as a consequence, once again you see delinquency rate going down and this is evidence of the sustainability of that. I really don't understand. I really don't know whether I understood your question. It was very difficult to understand, the sound was not good. But I think this is the correct answer. Or was this your question.

Q - Gustavo Cambauva {BIO 17329406 <GO>}

Looking at the occupancy cost drop vis-a-vis the historical average, and a drop of sales as those well simple big, I think in this quarter. My concern here has to do with tenants being healthy financially in this context with this magnitude of drop -- of the drop, tenant's profitability went down steeply. In a scenario more similar with October with a drop of about 20% of sales, what could be the adequate occupancy cost, should this go down even further or could it start recovering?

FINAL

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

Gustavo, during the critical period, we charge only 50% of condominium expenses. And of course we had a loss. We only charge 50%, zero promotion fund, zero rent. We maintain that. And we started to collect rent according to their sales. And now, for instance, in October I believe that we will be able to charge 85% of what we used to charge. Because sales are getting close to 85%. So let's say, we had to pay rent on demand, the rent that we didn't pay. We were the company that reduce the most expenses in shopping centers and the company that charge less than all the others from our tenants and I believe that now in November, December, we were going to recover this partially of prices generate opportunities and the opportunity that we saw in this prices was that it is possible to operate a shopping center with more technology and less people. And this is what we are doing, and because of that we are reducing the occupancy cost, which has to do with the rent plus condominium plus the promotion funds.

And there is another one that is not -- we are not able to reduce. We are making an effort and we are for instance taking [ph] solar energy in some shopping centers slashing the cost of energy by 20 -- by 50%. So some years ago we saw the opportunity of using solar energy in some of our shopping centers. And then the VillageMall for instance we reduced by 50% the cost of energy.

And in the future, we expect to be suppliers of energy at a very, very low cost maybe reducing the cost to 20%. So this is something additional that we want to give our tenants. If we have this expense of BRL500 million for instance, we can have cover all the needs of energy by using solar energy alone.

As the tenants sell more and more, this is an operating leverage because the rents become cheaper and cheaper. So you continue to recover rents. The key is the performance of sales. And the shopping becoming stronger and stronger. You have to look at the strategy of each one of the malls, and the mix and the measures that are being put in place to drive. Thank you very much.

Q - Gustavo Cambauva {BIO 17329406 <GO>}

Thank you very much. That's great. Thank you.

Operator

Next question is from Nicole from Bank of America. Nicole, the floor is yours.

Q - Nicole Inui {BIO 17757166 <GO>}

Thank you. Good afternoon. Thank you for the call. I have two questions. I would like to go back to the condominium costs. With the malls now reopening and with extended hours of operations. You're paying for additional costs, right? How do you see that from now on? The condominium costs as I mean [ph]. Because now, we have greater hours of operations and we -- are we going to see a permanent discounts from now on?

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And the second question, I -- for the second question, I would like to go back to the mix. You have a new mall that's going to be opened next year. So when you think about the mix has anything changed before the pandemic and now for this mix that you will have in this new mall. And then can you give us an update about this mall, so that we can understand how it's going to work in the work in Jacarepagua. That's it. Thank you.

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

Well, the condominium costs is our constant effort regardless COVID. Obviously that sometimes for the tenants this would represent 60% to 70% of different costs, then we have brought that down a lot.

And on the other hand is the system improvement, the use of technology and so on, and also the solar energy in which we have been investing. All of that will allow us to bring down costs in the future.

But we do not see for now and I mean, we don't have any complaints for now. The tenants are very happy that's what we have seen and that can be reflected in sales. Even with restrictions we cannot hold events, the malls are not 100% operating -- not operating at 100% and movie theaters and play houses, and other areas, but even with these restrictions, the sales reacted well, and we believe that in November and December we are going to have results that are very close to last years.

And if we were to have more products, because I believe we will see a domestic and national problem here. I think we would even have a better performance. Obviously industries started manufacturing late, and it's going to be harder to replenish the inventory.

But I believe that Jacarepagua is going to be surprising mall. We will have a large green area, where we will have the stores that will be facing outdoors and indoors, we will have restaurants and we will have an official skating ring to or area for people to have fun in. All of that have allowed us to bring to people something that makes them happy, that brings them pleasure. Therefore, we will have also better revenues and better sales.

About sustainability, if you look at it, we were charging 50% with the closed malls and then we raised it to 70% and we had several restrictions then and now the malls are with extended hours of operations. And then we increase that little by little, with what we have seen is that next year we will still have a condominium cost that is nominal, that is going to be lower than last year's.

Campo Grande one of our malls there -- our mall in Campo Grande in Rio, sales are -- have already been higher this month, than when compared to last year's and the same period even with all the restrictions. Maceio also we had the same effect. And this is also with lower cost, but they are sustainable. We dropped condominium costs without having to invest money, it's not that we lowered costs, then we had to pay for the difference. No, we were able to restructure condominium costs, and we did have a quick reaction in order to help tenants in this difficult period. About the mix that you asked before and after.

FINAL

In this, all of this moment. You know, this period has shown us that the path that we were following to have more parts to have greener areas all of that integrated to the malls. This is a winning path and that's the path of the mall of the future. And now, we see that even clear, we will have outdoor areas, people will have a coffee or a chocolate. They will sit outside. They will enjoy the moment. So we are sure, that this is going to work and this is thanks to what we have already been doing and researching and investing in our undertakings. We know that, we are following the right path and we believe this is the mall of the future.

And your last question, about GLA, 60% of GLA is already allocated in Jacarepagua mall. And we should open it in the fourth quarter of next year. Not should, we will open it in the fourth quarter of next year.

Q - Nicole Inui {BIO 17757166 <GO>}

That's great. Thank you.

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

Thank you. Bye-bye.

Operator

Very well. Next question from Andre Mazini from Citibank. Andre, please..

Q - Andre Mazini {BIO 20377100 <GO>}

Good afternoon.

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

Good afternoon.

Q - Andre Mazini {BIO 20377100 <GO>}

Good afternoon, everyone. First question about cash position, 1.8 billion after the tower sale. I would like to understand what is your mindset for this cash. It's high, but it's good to have a cash in hand in a volatile moment but it's above the optimum cash that you want to have in the long term.

And then if you can maybe tell me, if you have no projects, acquisitions, Mr. Peres said that he has a request for acquisitions, but there is hard to buy good shopping malls. But what can we expect in that?

Second question about the Multi app, an interesting partnership with WhatsApp and I would like to know if it makes sense to bring in tenants that are not in the mall in the Multi app, maybe you would have a network effect for consumers -- the more tenants or stores that you have and the platform better for consumers. And that could generate a profit for your GLA and also greater occupancy for your GLA as well.

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

Well, Andre, about cash, we analyze the first three months or actually August and September, you can clearly see what we have done, we improved the cost of debt, specifically prepaying some of debt indexed by TR. And then we improved the cost of funding, the cost of the gross debt of the company. Also well, now looking forward, looking to the future, I rather not mention and not talk about projections.

But if you analyze our amortization, you will see that we have BRL450 million or BRL449 million of debt due now in the fourth quarter. And we are prepared to pay them off. And on October 23, we already paid interest on equity that have been posted in September and December of 2019 in the amount of around 100 -- or BRL248 million because they have been already discounted taxes, which have been paid off in the income tax return. So this gives you an idea of our cash for this fourth quarter. Obviously, the company is deleveraged and the opportunity that you mentioned, is there and the market is liquid, we have short-term, long-term money. We have low inflation.

Q - Andre Mazini {BIO 20377100 <GO>}

There are a lot of companies that allow us to leverage the company if we wish to do so. I can tell you, the best investment that we can do right now is to buy shares of the company itself.

Because it is undervalued, I would say right? Can I say that. Or can I not say that? I don't know, I'm not the technical person on that matter

A - Armando d'Almeida Neto

Yes, that's right. Dr. Peres will look at discount and the amount of the fair value of our properties. It's 44% of course this is very high-end for those that have the fair value, you can say all, but this fair value that you calculated, well, we saw the piece of property of BRL810 million above the fair value of the company that it was posted in the company. So this transaction shows how much the fair value for us is very conservative. And also you can see the opportunities that lie ahead. Now about stores -- sales of stores. Store sales that are not in the app. Well our objective here is to learn, Andre. All the data that is generated is extremely good for us. We learn from that. We are not retailers, we rent areas for retailers. So we want to see which is the better strategy is specifically in this technology market that is changing a lot. This is constant learning. That's why we are testing this version and eventually that scale might make sense to our app but we will have to analyze that further. Okay?

Q - Andre Mazini {BIO 20377100 <GO>}

Very clear. Thank you very much.

A - Armando d'Almeida Neto

Good afternoon

Operator

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Jorel, Morgan Stanley.

Q - Jorel Guilloty {BIO 18291521 <GO>}

Good afternoon, thank you for your time. I would like to get into accounts receivable of your rents. You talked a little bit about that at the beginning of the call. We have here 14 million I remember as to a more conservative in positioning. How should we think about the accounts receivable now? Have they been paid in October? Are you sure that they will be paid in October? And should we expect the -- an increase in receivables from now on?

A - Armando d'Almeida Neto

Jorel, thank you very much for your question, it is quite technical. I would try to answer it. Otherwise, I have so many people around me and who are competent and maybe somebody will hop in. Accounts receivable. Well, this will depend on the way you look at it. The accounts receivable is from rents, from parking, from real estate sold, because we have a multi-use strategy in this. The financial buyers. And it would be about BRL50 million, so accounts receivable is something very expensive, but in order to answer your question, I will talk about the key money plus rent. Okay. I'll limit myself to that and then I'm giving you two different view points. Matured and about to mature. Because this is going to be different. So let me check. We have in accounts receivable of if I'm not mistaken, BRL196 million about. When you take the past dues, it is 80,823,000 and the position is 79,470,000. So 99% is provisioned. So I continue to believe that we are conservative because we'll have to increase our accounts receivable and I'm already touching upon the second part of your question, we are charging more, we're increasing more the subsequent months because you charge in September for instance, and then you collect in October. And we have been reducing the net delinquency and this was very clear from 16% to 7% this month. So, in my opinion. We are still being very conservative.

This is not only based on the history, this has to do with the major endeavor made by us and looking at each one of the situations and if you look at the accounts receivables in the next 30 days, it is already positioned. For technical accounting reasons, it already has a provision ever since its inception. So I continue to describe our positioning as conservative.

Now we grew our receivables and we were able to receive more, so maybe this is the difference I should see in the calculation. In the results of June for instance, we received only 29%, 30% and now 74%. You can see that it went from 42% to 83%. It doubled. But it's a good news, which means that we are increasing our collection. And the store owners or the tenants have paying before, or they are paying according to the deadlines that they have. So the strategy that is positive.

And we are not giving you like 20 years of term. What we are reporting in rent for cash effect is very strong and accounts receivable reflects this, plus over 30 days past due, you can see that. Well I made another accounts here some math -- additional math to facilitate. You have the data for the quarter and I have the monthly data. So I have to take the accounts receivable from the -- not from the quarter because what we charged in September is going to be paid in October, so 116.2 -- BRL257.2 billion [ph] so you can see a difference of BRL41 million.

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When you look at the difference in rent from June to September, it is 32 to 41, BRL9.2 million in difference. When you take for instance 9.2 and you put this on the share of June and July, you find 7.7%, so what is in it, delinquency of 7.2, so it's very close so, this is why we believe we are being very conservative and we continue to be very conservative in all our actions. Thank you. I apologize for being so technical. Thank you. Thank you very much for your questions, for your interest. And in the interest of time, we close the Q&A session now, and we invite participants, you still have questions to contact the Investor Relations department. Now I would like to turn the floor over to Mr. Jose Isaac Peres for his closing remarks. Mr. Peres, you may take the floor.

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

I would like to thank very much all of you who have had the patience to participate in this call and I would like to say that, we are very bullish. With the perspectives for our company for the remainder of this year. We believe that our results will be even better than the ones that we have delivered so far.

We cannot really quantify this for you, as you know, and if you want to invest, you should buy Multiplan shares, such as we are doing. Thank you very much.

Operator

Multiplan's conference call about the third quarter of 2020 results has come to an end. Have a very good afternoon and please disconnect your lines.

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