Q2 2020 Earnings Call

Company Participants

- Armando d'Almeida Neto, Chief Financial Officer and Investor Relations Officer
- Jose Isaac Peres, Chief Executive Officer
- Marcello Kaminitz Barnes, Executive Vice President, Development
- Marcelo Motta, JPMorgan Chase & Co.

Other Participants

- Alex Ferraz
- Victor Tapia
- Ygor Altero

Presentation

Operator

Ladies and gentlemen, good morning. Thank you for waiting. Welcome to the Conference Call about Multiplan's Results of the Second Quarter of 2020. Today with us, we have Mr.Jose Isaac Peres, CEO; Mr.Armando d'Almeida Neto, CFO and Investor Relations officer; Mr.Marcello Barnes, CIO; Mr.Hans Melchers, IR and Planning Director; and Mr.Franco Carrion, IR manager. We would like to inform you that the presentation will be made and it is available for download at ir.multiplan.com.br. We would like to inform you that participants will be in listen-only mode during the company's presentation and after that, we will have a Q&A session and further instructions will be given. (Operator Instructions)

Before proceeding, we would like to inform you the forward-looking statements that might be made during this call in relation to the business perspectives of the company, operating and financial projections and targets, 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 risks, uncertainties and assumptions as they refer to future events, and therefore, they depend on circumstances that may or may not occur. Investors should understand that economic conditions, industry conditions and other operating factors may affect the future results of the company and may lead to results differ materially from those expressed in such forward-looking statements.

This call will last 60 minutes, after that a few of the Investor Relations of the company will be available should you have any doubts or questions.

Now we would like to turn the floor over to Mr.Jose Isaac Peres, CEO, and he will start the presentation.

Mr.Peres, good morning. Thank you very much for the opportunity, and please the floor is yours.

Jose Isaac Peres {BIO 15388489 <GO>}

Good morning, everybody. Ladies and gentlemen who are listening to us, we thank you very much for the opportunity to address you today. I would like to start the presentation by saying that it is a very good time for us to think about the 45 years of Multiplan's existence, and I have been working (inaudible) for 57 years already. And during this period, we have already went through many different crises, and I have never ever imagined that we would be facing a situation such as the one that we have been living in the last few months as of March 15th.

We practically had all almost closed, not because of the authorities' orders, but because of our own initiatives regarding the threat of a very serious pandemic. And in the 120 days of paralyzation, for most of our commercial centers, we have worked to reduce our expenses and mainly to support our retailers in a way that we had ever imagined and we understood the seriousness and the way that the authorities have dealt with trade and the commerce in general.

And in spite of everything, we have been able to deliver modest results. But in a way, they show the resilience of our projects and why -- a comparison between this dramatic moment that we have lived and are still living. I would like to ask your leads to make a comparison here.

Life has been showing us that it is on a permanent renovation. And those who do not adapt, they do not survive. So innovation is necessary. Not only it is part of consumption, but also to meet our needs.

And let's just imagine the following situation. For instance, nature all the time surprises me with the way it works. And very often, you have a devastation in a region. Let's say, a tree loses its branches during a storm; however, it is able to survive in the middle of a devastated forest. If the tree is strong and if it has deep roots, it may lose the branches. But when spring comes again, it blooms again, and it gives us fruits again.

And in the last few months, our strength has been tested. And it has proven that our own roots are deep. If it were not so, the company would not have been able to survive.

Okay. Our main virtue is to recycle our projects, our shopping malls, our real estate, and this allows us to consolidate the results of the company with confidence. And so life is a permanent renovation indeed. 57 years, I have seen so many crises and they have tested us, but they have made us stronger.

Our commercial centers are projects that create cities and towns around them, and they have done so. And I would like to highlight the first five shopping malls that Multiplan has built, for instance, BarraShopping in Barra da Tijuca. When we started to build this 41 years ago, around this area, there were about 40,000 inhabitants. And today, we have 500,000.

And the same happened with the BH Shopping (inaudible) ParkShopping Brasilia, inaugurated by President Cardoso during the military administration. And during this period, we had our main shopping -- or the first shopping center in Portugal and then in Miami in the United States. And the company has always been able to adapt to the situation, to the environment and to the families of (inaudible).

And I would like to take this moment to highlight a few figures for the quarter, and that shows our resilience. If we consider the operating hours of our shopping centers, the sales from tenants were proportionally higher than the second quarter of last year. This is incredible. The occupancy rate was 96% -- 96.3%, in fact, the tenants that remained in our shopping center and higher than the national average. And this shows the confidence and the good understanding that we have and the support that we have given our tenants during this time of crisis.

And I would like to highlight the fact that in the last quarter, up to March 15th, our sales were growing around 11% year-on-year. And unfortunately, the development of the country was suddenly interrupted by this pandemic. And this pandemic, in my opinion, has few political implications in a way that they were mixed up with political opportunism that was very detrimental to the moment that it made things more complicated, more difficult with negative impact on the country's economy.

Nevertheless, the traffic of people grows consistently in our shopping centers, BarraShopping, 14,000 vehicles per day already, and then ParkShopping Canoas, which was the last one that we inaugurated. During the period in which it was closed, with only a handful of stores opened, such as drugstore and supermarket, the traffic was kept at 50% on a year-on-year comparison. And this shows the strength of the habit of using and coming into a shopping mall. And this has been growing consistently every single year. And every year, we see this in our projects, in our properties.

And the return of our clients to the shopping malls happened not only because of the safety of these environments, and we followed all the measures suggested by (inaudible), all the ones that were validated by the (inaudible) hospital and (inaudible) network, and we contracted pathologists in order to develop a protocol that is being rigorously followed in all our properties. And we are taking all the necessary measures, and we have already installed hundreds of points for hand sanitizer delivery. And people feel safe in our environment. And so we see a gradual return of our clients to our shopping centers.

And in Rio de Janeiro, for instance, that ParkShopping Jacarepagua, which was briefly interrupted, they have already resumed that. And it will be our 20th shopping center. It already has 70% of all the operations leased, and we expect to return to the previous peak and being able to inaugurate it in the next year and also in Curitiba, the expansion of ParkShoppingBarigui, which we launched during the first half of March, as we didn't know that in the second part of March, a storm was coming our way, and we were surprised, of course. But in spite of everything, we already have 60% of the area (Technical Difficulty), and in January, we are going to start the work and expand very rapidly.

And I would like to mention that we have -- our origin has always been in real estate and properties. And in this real estate segment, I would like to highlight the sale of the Diamond Tower in Sao Paulo, which is also an evidence of the value that we generate. We invested -- for instance, we invested BRL266.8 million in the construction of this tower. And up to June this year, we had already received BRL269 million in rent, corresponding to the amount invested. So it is a return in approximately seven years.

And now more recently, we sold the same tower for BRL810 million, with a very good result for the company without -- besides reinforcing our financial position. And I would like to mention that we would not have sold this tower if it were not for the crisis that we are living. And during all these years, very often, we have to sell a stake in a shopping center and then we buy it back, and we sell shopping mall in abroad, for instance, at the moment in crisis. But the fact is that the company has never stopped growing and has never stopped increasing our footprint in -- and this was a move that we decided to make for prudential reasons, because we didn't have a clear view of the extension and the depth of the crisis.

And I would like to highlight two very important things for the sector -- for our sector. And looking at the real estate side of the company, we are living a time of extremely low interest rates, and we could never imagine 2% interest rate and inflation rate that is practically 0. And because of that, we have the possibility to -- for us to invest in the real estate sector. And the company today has over 1 million square meters for sale and for projects. And I would like to mention that we acquired these areas a long time ago. Many of these areas are around our shopping malls and at low amount. And they could generate an additional profit or major additional income for the company, and at the same time, improving the cash position of the company.

And these projects had a market value, a conservative -- conservatively speaking, it represents BRL9.5 billion to be sold. And this is not going to be done all at the same time. However, it is an important asset for the company and that will bring us a lot of additional income, such as the case of the tower that I have just mentioned that was developed by the company and generated an outstanding result for the company.

The company today is sufficiently capitalized with the low indebtedness. And we have make -- been making our best endeavors in terms of reducing our expenses, about BRL20 million during this quarter in the headquarters only, besides reducing expenditures as a whole and relieving the burden for our tenants as well.

Net debt-to-EBITDA today is 2.71x. But if we consider the recent sale of the Diamond Tower, it will be 0.9x vis-a-vis the EBITDA. So this is a good financial indicator, and that makes us comfortable in order to proceed with our investments.

And lastly, it is important to mention that we know where we are heading. We have a schedule, and we have not canceled any expenses or launches. And with the expansion of our superapp called Multi in partnership with Delivery Center, in the sense, e-commerce was important, but it was not enough neither for our tenants nor for the consumers. And this reports our view that physical retail prevails and this is helped by the online retail and technology becomes a new driver for sale and for our consumers and for our tenants.

In summary, we are hoping within an unprecedented situation that tested us all, and that shows that our roots are firm, today, of this 19 shopping centers of Multiplan, 17 are already opened. And I can tell you that next week, all our shopping centers will be in operation.

We continue to pay attention to our needs to adapt, investing in safety for our clients, our tenants and employees to feel protected in our shopping centers. Safety is the key word. But our long-term view is the same. We will continue to deliver well-being, convenience, quality of life and value generation.

And I would like to mention that our main business is very simple, and it is subjective. Our main business is to give pleasure to people, working more and more in order to make all our properties and our achievements a reality that goes beyond the building and beyond the delivery of a shopping center, our attitude as a company has always been an attitude of gratitude, gratitude to our investors, gratitude to our clients, and because of that, our philosophy is very important more than ever. We are a company that has always tried to make reality bigger than the dream.

We -- I thank you very much for your attention, and I would like to give the floor now to Armando.

Armando d'Almeida Neto

Thank you, Dr.Peres. Ladies and gentlemen, good day. So we have to consider the significant impact on our revenue lines. We simply have to comment on some of the achievements that we had in the second quarter to date, which decreased our disbursements and brought us positive results.

They include G&A expenses. Dr.Peres already said, and it dropped 67.7% year-over-year. Therefore, in the first quarter, it amounted to 40.7% lower than the same period of last year. So we are managing the shopping malls. And we also mapped the company's management, and so we could cut down expenses and adapt to this reality.

And now in July, we raised BRL400 million by issuing two debentures for a five to six-year term, respectively, CDI plus 3% per year. The weighted average cost of gross debt was 3.53% per year. And the net debt, as Dr.Peres just mentioned, accounted for 2.71x EBITDA over the last 12 months, or in other words, only 15.1% of the fair value of our properties. We sold one of the towers of Morumbi Corporate for BRL810 million. It allowed us to generate value to our shareholders from the moment we sold at a cap rate that was substantially below the one created in our shares or that were traded on the closing day.

So we are also factor, so to speak, like Dr.Peres said, not only do we buy -- did we buy many minority stakes in recent years, but we still have this mission. And I highlight that the difference between this funding cost and our projects has never been so great, owing to the lower cost debt ratio, lower Selic, different interest rates in Brazil and the return of the projects. And I find that this is not the best time to make comments on, but before the pandemic, we were doing well and we hope to resume it soon.

So this negotiation of the tower has to be considered in the fair value calculation, and realized around June 30, we were already this -- trading with a 38.4% discount between the EV and the fair value of our properties. And there has been a gradual continuous growth in flow and sales, combined with a larger number of shopping centers that are reopening and the gradual easing of opening hours and operations.

Just to give an example of this evolution, if you think about the second quarter, our shopping centers operated only 8.2% of the hours of operation pre-COVID or pre-pandemic. Today, on August 7, the portfolio count of approximately 60% of usual opening hours. And now we just disclosed this morning, nine operations opening. And our expectation is that starting next week, we are going to have 100% of the malls operational, Dr.Peres[ph]. With a gradual easing and increasing opening hours, we will also be very positive to the shopping center operations.

We've been making great efforts to keep our tenants' operations feasible, maintaining this partnership with our tenants. Today, although shopping centers are coming back to normal, we are charging only 60% of common expenses and 20% of the promotion fund and sales to keep on increasing.

Dr.Peres said before that we continue to build ParkShopping Jacarepagua, and we're getting ourselves ready to build an expansion of ParkShoppingBarigui early next year, and we'll be disclosing data further on. And we're ready to invest more, we will invest more in our shopping centers, be it through physical or digital channels. And this is in order to make these properties even more attractive to our consumers.

Lastly, I would just like to remind our investors and analysts that in the income statement, the discounts granted reduce our line of rental revenues, collection of rent minus discount. And since Q1, we excluded the straight-line calculation of the operating cash flow because it does have an impact on the whole move of the cash. And I'm just saying this to remind them of how unavoidable comparison between companies in the industry.

So I'll end up here, and let's start the Q&A session, so we can elaborate more of this data. Thank you.

Questions And Answers

Operator

(Question And Answer)

(Operator Instructions) So we are already working on the questions. The first question is from Alex Ferraz with Itau BBA. Alex, good morning.

Q - Alex Ferraz {BIO 19294308 <GO>}

Good morning, Dr.Peres and Armando. Thank you for your presentation. I have two questions. The first question has to be about this topic. It's slightly more open. At value marts [ph], how do you see the performance of tenants now that stores are reopening? In the quarter, we tend to have a limited view because it only started in mid-June. But following up your opening remarks, I can see a gradual return -- resumption. So could you give us more color and if there is any market that is better than others or tenants are in breakeven points or if you are adopting another policy to address pent-up demand?

And the second question is more related to Armando. He already talked about G&A expenses with a strong reduction. Should we consider an efficiency being down the road, Armando? Any savings that can be perennial or lower G&A expenses moving forward? Or is it only a seasonal effect?

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

Alex, Jose Peres speaking. I'll answer your questions. I believe that the move is growing strongly and gradually. Actually, there is a pent-up demand. People were in social distancing for such a long time, and they urgently need to go back to normal life, to the normal course of life.

So shopping center is always a party, a show, and I always say that the greatest show lies in people. But we are like lamb, we follow the flock. And I'd like to highlight that one of the greatest shows in the mall, despite everything we have to offer, are not things, but people. People are the show. And we are gregarious. We like partying. And the party is only beginning. So shoppings are having good flow, and the pent-up demand will bring an increase in sales definitely in the coming months. Above all, because people had their money in, they didn't spend, they stayed home. The ladies didn't go shopping for -- to buy -- closed parties -- there were no parties to go.

So I would say that we have this incredible suffering. I personally did not -- I have to say that I traveled, I went to Brasilia. I didn't -- well, we think about the mask. I did everything that we should do. We always have to take into account everything that is done. But what I'm trying to say is that people were dominated by the media and possibly speaking of death and only dying to COVID. And people began to realize that this is not exactly so. 1.3 million people die per year in Brazil, and the country never stopped. We never stop because the 160,000 people die to cardiovascular disease for instance, or many people in our hospital doors, crowded, people with fractures along the hallways. Brazil didn't stop. But naturally, it stopped now with this pandemic that seem to be devastating, perhaps not as devastating as we first imagined. 80,000 to 90,000 people die to flu every year. So Brazil is a country that loses 1,003,000 people plus 300,000 per year, and we still have a mortality rate that follows the demographics.

Anyway, I can see the strength and force of habit. The power of habit is the key to everything. People will keep on going to the shopping center to go shopping because streets today -- public streets today, public and parks today have difficult access, not only owing to traffic, but also safety conditions, climate conditions, and now the shopping center brings a new product, which is safety. Safety to your health as well.

There is no other place that is cleaner, and this is tested by our ID physicians. Some even say, shopping centers are so good that we didn't have to do a thing. However, we went beyond whatever was necessary. And therefore, I'm confident that we'll move forward and life will go as usual, the pandemic will come to an end.

A - Armando d'Almeida Neto

Alex, good morning. Armando speaking. Just adding to the comments and giving you more color regarding the regional aspect. If you look closely at the numbers, you see that shopping centers in Rio or in Brasilia, perhaps their performance was faster, recovery was faster compared to other regions. However, when we begin to focus on the time, the opening time for instance, opening during the day with some -- our restrictions or operational restrictions, then you can have a better analysis. So we've made a lot of difference.

The city where that operation was taking place during that time, but what we've seen is a gradual recovery in car flow, people flow in the shopping centers, and consequently, sales growth. And we expect to have a positive consequence and effect on rents.

As for G&A expenses, I would like to go back to March. But we have this -- a very strong contingency plan. And it was not really a plan at first, because it had to be done with contingency that we never imagined in any stress test that we had been through before, any reality test, reality check or a PowerPoint presentation or Excel spreadsheet. So we just did the stress test to rating agencies and our own understanding, but never as intense.

So it was very hard to look at the future and see how to adapt the company's size. So how far can you go adapting G&A expenses? And obviously, the company overcoming this scenario, we expect to have a gradual increase over time. However, and I make this clear, today, I don't see it go back -- it will go back to what it was before, including condominium expenses, for instance.

Naturally, we can never say it will never happen again, but if you think about the visible horizon, we don't see condominium expenses, for instance, going back to pre-COVID times in a short time frame, which is good for tenants. There will be increase in sales at a lower cost.

And the same goes to the company. Very hard, very tough, we cut down our own expenses. To all of us in this room, we had a reduction in our salary starting April, big reductions. Many things were cut down, many expenses were cut down in the flash, because we wanted to have the perpetuity of the company and its profitability in the long run.

So I believe that even though things may go back to normal, gradually, it doesn't happen overnight, but it will come. At a given moment, we might consider or expect to lower G&A expenses.

Q - Alex Ferraz {BIO 19294308 <GO>}

Thank you, Armando. Thank you, Dr.Peres.

A - Armando d'Almeida Neto

Thank you, Alex.

Operator

Next, we have with us Mr.Victor Tapia with Bradesco BBI. Victor, over to you.

Q - Victor Tapia {BIO 20566083 <GO>}

Good morning, everyone. My question to you has to do with development. After everything happened about coronavirus, I believe you stepped on the brake in development in general. If we consider that you can envisage an improvement already taking place, projects include, to some extent, a very commercial aspect, too. And after the sale of the Diamond Tower, your cash position -- your liquidity is relatively high.

Does it make sense -- or would it make sense to go back to speed up again with these projects now in the short-term in order to serve a better scenario once everything is clearer and resume more clearly? Or are you still going to keep on holding these projects development? And if I may ask what about M&A? There is a lot of cash, minority stakes. So what about this conversation right now?

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

Victor, Jose Peres speaking. I'll be answering your question. The sun is rising. It's daylight already. But what we still need is the light of freedom, the horizon in Brazil. But what I have to say is that we're very bullish now with this resurrection so to speak. And I would say that we will move with these projects forward, plenty of new ideas, not only projects in development, but new concepts, because the mix has to be adapted to this new reality.

Health is a key element. Our shopping centers for 27 years now -- we were pioneers in the world to create big commercial centers and medical centers to health centers, including a day-hospital inside the shopping center, and therefore, offering all our visitors a whole range of services that will bring more health to people. And today, they give us a very good return.

Think about Curitiba, for instance, we had a launch there. And the shopping center will also include a very modern medical center. Our medical center was rented because we invented medicine with pleasure. So you see the doctor and you still enjoy it. Pleasure and pain are two aspects of the same coin. So shopping center equals enjoyment and pleasure. But when you go to -- and if you go to the medical center inside the mall, you lower your resistance to seeing the doctor. Therefore, you become healthier if you go through the shopping center and the latest international congress -- the big international congress is that shopping centers should have huge medical centers, something that Multiplan started 27 years ago with BarraShopping, and more recently, Ribeirao Preto, and now also in Curitiba.

So healthcare will always be core to us. I cannot disclose our plans about it, about the integration of health with the shopping center, but certainly, that's a strategy in the heart of the company. I'm very confident that we don't need to speed up even more than we already are. We are fast and agile by nature. We stepped on the break. Now the car started driving well again. And I believe our financial earnings by year-end may surprise -- may take people by surprise.

A - Marcello Kaminitz Barnes {BIO 15388510 <GO>}

And just adding -- this is Marcello Barnes speaking. I would like to say that in Jacarepagua for instance, we didn't have any contract termination during this whole time frame. In Barig?i, nearly 100% of the medical center is there, and we have new rents, both in Jacarepagua and also in Barigui.

This shows that the pandemic brought tenants closer to us showing our partnerships. The tenants realize we are committed not only with the first rent and even 50% condominium rate and zero rent, so they can trust us, and now we have stronger bonds. And they also trust our product and there's also our credibility. They trust we are going to be here for a greater good, and we still have a very good, sustainable pipeline for properties. We have Mall Jundia? (inaudible) but we are starting this wave slightly slower right now.

Answering the second question on G&A. Adding cash is something -- you have market access to something different, and room for leverage, this is critical and important. But our focus is still on shopping centers and bringing operations back to normal. This is our major focus right now.

Naturally, I'll always keep an eye on good opportunities. However, our focus, as we speak, lies on bringing operations back to normal, new operations and having the shopping mall ready for the future. That's the short-term challenge. Okay?

Q - Victor Tapia {BIO 20566083 <GO>}

Crystal clear. Thank you, everyone.

Operator

The next question is from Ygor Altero with Santander. Ygor, good morning.

Q - Ygor Altero {BIO 21419045 <GO>}

Good morning, everyone. Thank you for the presentation. Just one question. Armando made it clear the growth and when we consider the cash of the company. So the focus is more in-house, but I'd like to understand, I believe we check software opportunities, but still there is always some kind of feeling that it's difficult to sell the good and the evil considering discounts. So what about AAA malls with more flexibility in price?

A - Armando d'Almeida Neto

Ygor, just making it clear, growth is not an obligation. We see growth as an opportunity, a growth to allocate capital and return. Otherwise, we only have this cold hand and beautiful buying different things.

But the first question, I think I said several times already, when I say to Dr.Peres, he always want to know the income, he never asks about revenue or EBITDA. He focuses on income. So we want to be profitable.

And next, we have to assess, because as we speak -- and by the way, let me consider the sale of Morumbi Corporate for instance. We had 15 years and the cap rate is lower. So what we want is to always check for opportunities to buy good assets. Certainly, buying things that are cheap is not the case. We need to go for good assets and with a return compatible to our expectations of capital allocation in the mid to long-run.

When we look at that, we keep an eye of opportunities with third parties or minority stakes in our malls or buying third-party malls or to build ourselves. That's the advantage. We don't have a single path. We have several options. And that's what we look at. Maybe have cash or return to shareholders or buy new shares, so we always consider what will bring more value to our shareholders in the future. Did I answer your question?

Q - Ygor Altero {BIO 21419045 <GO>}

Great. Thank you, Armando. And if I may ask you second question this time more related to Delivery Center. You mentioned in the earnings release that you expanded with five malls in the operation. How far can we imagine such growth? And could you give us more granularity about the operation?

A - Armando d'Almeida Neto

Ygor, I'm sorry. I did not understand clearly. None of us understood you clearly. Could you repeat the question, please?

Q - Ygor Altero {BIO 21419045 <GO>}

Can you hear me now? Can you hear me now? About Delivery Center, you expanded the operation to five malls in the quarter. So I'd like to understand how far can you go. And could you give us more granularity of the economics of the operation?

A - Armando d'Almeida Neto

Ygor, thank you. I think I said it before in the first quarter, I'm sorry. As a reminder, every strategy takes a partner. We had a cash call in February with Delivery Center.

We are happy, because at the end of the day, it was great timing considering the demand and the pandemic. So Delivery Center is now in another five malls this quarter. And by year-end, we expect to have all our shopping centers managed by the company.

Remember, one of them is not managed by ourselves, but we expect to have Delivery Center, this strategy in all of them. And we can strongly see this growth. Not necessarily now, but after some time, we will look back and see which asset -- which is the asset of the pandemic?

And we have to demystify that repay is on the online or retail is only brick and mortars. We knew already it was not physical only. But sometimes people believe it's only online, and you can see that many online operations were not enough without the physical channel. So it is important to have -- to think about channels. I hate to use English terms, but omnichannel, that's the best explanation. The customer at the core and sales in different channels with the same customer, he is not different customer according to the channel, it's the single customer. And that's the path ahead.

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

Can I just say something. The statement of the President of Restaurant Association, we had a life together about shopping centers right in the beginning of the process. And he said the following, the sale of restaurants is residual, about 15%. Restaurants that close cannot be on their own through online channels only. And tenants also said that sales are residual. Our store cannot lose 70% of sales. 30% came despite online. They lost 90% of the sales.

So it is important to understand that IT, e-commerce, et cetera, this is one leverage for growth. Actually, we are -- we had this partnership with Delivery Center in order to make it easier to deliver. It's a logistics thing, and now working to deliver to consumers and tenants, one shopping center, store and also a virtual store, which is for free.

We're not going to turn that into a business. We're going to make it something else to bring added value to our assets. Now coming back to Ygor's question about growth, I think I did not answer it completely. We can see a clear cap in prices between the value created by the company and the value that you manage to negotiate with a good asset in the operation. And we'll have to work on this in order to look for more opportunities in M&A. Okay, Ygor?

Q - Ygor Altero {BIO 21419045 <GO>}

Crystal clear. Thank you. Thank you, Dr.Peres.

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

Thank you.

Operator

The next question is from Marcelo Motta with JPMorgan. Marcelo, good morning.

A - Marcelo Motta {BIO 16438725 <GO>}

Just a brief question on delinquency. I would like to understand if you could maybe think about delinquencies that are following, tenant who could not afford to pay the rent, whereas the mall is closed. Does it take negotiations with the headquarters? Or another tenant that didn't know, for instance, if the mall will be closed for one month or one year, and maybe they don't want to pay condominium expenses because they don't know how the world can be?

And what about the tenant who has enough funds to pay? So just to give us more color about delinquency. Some tenants didn't pay but could afford, and those who didn't pay and are going broke, like restaurants, for instance, it's a clear picture how hard it is for them. So I just like to understand more about it. Can you have any classification or rating about delinquency?

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

Marcelo, Jose Peres speaking. So we did not have delinquency, because during these three months, we didn't charge a penny. So delinquency is -- well, we just charged 50% of condominium expenses. And from the moment, shopping centers become more operational and start selling again and we have our gradual collection of rents from the moment sales increased. We are being great partners concerning this. And then we're going to feel the real -- or have a real picture of delinquency. We all know that many stores, particularly some restaurants, had a really great -- a really bad time, and they close -- concluding those who couldn't operate in freestanding stores.

On the other hand, we have something very interesting. A great [ph] philosopher used to say -- Domenico Demasi, he used to say -- he talked about the creative disruption, and it's renewal. Whenever a tenant goes out, a new tenant comes in with a new vision, a new outlook and more up-to-date about the current reality.

So I would say that the room will never be empty. There will always be someone in. And we always want to add quality to mall. It's not only a matter of having the rent paid. Our focus is a tenant that adds quality to the shopping center. This will bring an increase in sale, in flow, and consequently, a higher rent. That's our rationale.

A - Armando d'Almeida Neto

Just adding one point to the Dr.Peres' answer. Marcelo, we can see an increase of our collections on a monthly basis. We've been having many calls from delinquent tenants trying to pay their bills. From that moment, you have clarity that the malls are opening, sales are performing. It's only natural that tenants want to no longer be delinquent so they can move forward.

So we're increasingly being called with orders or requests better saying to settle recent debt. So our expectation is that once things go back to normal, delinquency will go down as well. Only time will tell us, that's our expectation once there is improvements in the collection response and also longer operation times and stronger sales on a monthly basis.

A - Marcelo Motta {BIO 16438725 <GO>}

Perfect. Thank you.

Operator

Now we close our Q&A session. We would like to give the floor back to Mr.Jose Isaac Peres.

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

Once again, I would like to thank you very much for participating in our call. All the participants, investors, ladies and gentlemen, journalists, everybody who have been following us, our company, for so many years, and I would like to reiterate that we are bullish about this year in spite of this very critical moment that we have already crossed.

And looking ahead, we see a very bright horizon, the economy, with a lot of liquidity, a lot of money, a lot of pent-up demand, and this is all going to be reflected in a positive way in the second half. If I were not one of the consolidated shareholders of Multiplan, I would certainly buy shares in the company. So thank you very much.

Operator

Multiplan's conference call has come to an end. We thank you very much for your participation, and we wish you a very good afternoon. Thank you.