

## Y 2019 Earnings Call

### Company Participants

- Thiago Alonso de Oliveira, Chief Financial Officer

### Other Participants

- Analyst

### Presentation

#### Operator

Good afternoon. Welcome to the Conference Call of JHSF Participacoes to release the results of the Fourth Quarter of 2019. Today with us, we have Mr. Thiago Alonso de Oliveira, CEO and IRO; and Mara Dias, Investor Relations Officer. This conference call is going to be recorded and all participants will be in listen-only mode during the company's presentation. Then we are going to start the questions-and-answer session, when further instructions will be provided. (Operator Instructions) This conference call is also being simultaneously transmitted through the webcast and may be accessed at JHSF Investor Relations website at [ri.jhsf.com.br](http://ri.jhsf.com.br) and at the platform and the IPO[ph], where the presentation is also available for download.

Before I continue, we would like to say that statements made during this conference call, relative to JHSF operational and financial projections and goals are beliefs and assumptions of the company's management and they are based on information currently available. They involve risks and uncertainties because they refer to future events and therefore depend on circumstances that may or may not occur. Changes in a macroeconomic scenario, in the law, and other operating factors may affect the future performance of JHSF and may lead to results that will be materially different from those expressed in such forward-looking statements.

Now, we would like to turn the conference over to Thiago Oliveira who is going to start the presentation. Mr. Oliveira, please you may start.

#### Thiago Alonso de Oliveira {BIO 6637078 <GO>}

good afternoon to everyone, you're all most welcome to the conference call of JHSF about Q4 2019. I'm going to start it slightly different with a recap of year that was quite atypical for us. We started with a level of activity in real state that we had not had for a few years. All the launches are being made as part of the company's commitments towards its customers of leading quality and -- providing quality and excellence in our projects to deliver innovative solutions to newly launched projects.

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And I would like to highlight Fasano Cidade Jardim that was launched at BRL830 million and Boa Vista Village, a project of about 10 years in execution for which we estimate a total PSV of BRL4.5 billion in last year. We've launched this in phases. The first phase of the project and then we are going to have the golf development. So we estimate that the PSV is going to be BRL2.2 billion.

In terms of retail, the year was significant. We had (inaudible) store, the only store in Brazil of this brand (inaudible) and Chloe, another exclusive brand in Brazil that is with JHSF. Further on we'll talk more about our retail strategies and how this is fully aligned with everything that we want for this business unit.

We didn't have openings just in retail, in restaurants, we have had two openings Gero Panini. Gero Panini, if you don't know, is a new concept that has been during 2019 that has already won the prize Opening of the Year by Veja magazine. So, we are developing new business to open two Gero Panini in a year.

I could not fail to mention also for last year, the opening of Sao Paulo Catarina Executive Airport structure that was based on safety or security and convenience for executive aviation users. This is an important project for the company and fortunately on December 16th last year, we opened it and so we left the pre-operational phase and we went live.

We have also launched last year the operations of Fasano in New York. New York City is an iconic city for any branding. It wouldn't be any different for Fasano and we have two projects there, Fasano Residence that already operates in the soft opening phase. In New York, Fasano New York restaurant that will open in the half of this year from the first -- the first to the -- second to third quarter. So we also improved the capital structure of the company going through longer -- with a longer debt profile also because of reduction in (inaudible) also a primary offer that reinforced by more than BRL1.5 million as the company's cash.

I would also like to highlight that along 2019, we have had a significant growth in the basis for our shareholders and so this growth is more than 700%. Today, we have more than 51,000 shareholders investing their money at JHSF. So, first of all, I would like to thank you for the trust you deposited on us and on behalf of management, we are greatly honored with your participation with us and also along the year, we have seen a growth of 32 times in terms of the average trading. So we have more shareholders and this has been an important step that we have taken towards improving the capital market channel.

Lastly, but not least, I am deeply grateful to JHSF team for everything that you have delivered along the year for every thought that was very significant, not just in terms of results, but also in terms of generation of operating cash and I would also like to thank all our business partners that have trusted everything that we had planned, that we've been able to deliver, our customers that are the reason why we exist and our shareholders too.

In this introduction, I would like to invite you to go to the first page of our presentation, when we are going to start talking about the performance of our real estate development, on Page number 4 of the presentation. So I start saying -- talking about

sales, the year for real estate development was a year of solid growth for Fazenda Boa Vista. It's increased by 84%, where we have launched and sold BRL96 million of Fasano Cidade Jardim, which is a project that is absolutely within our schedule and the works have already started and Boa Vista Village that in only in 20 days sold BRL17 million .

In this manner, at a conclusion is that the consolidated sales have grown 190% and we are firm with the objective of delivering innovative and creative projects as JHSF offers for the customers that have trusted in our team and that have brought the many projects that I have mentioned.

As to revenue, we have had the growth in real estate development of 120% and there's new offer in Brazil that has grown 99%, Fasano Cidade Jardim of BRL96 million that has been sold. We booked only 27 in the results, so there is still some certain amount another BRL79 million to be booked over the next few quarters, this regardless of new sales. Village BRL17 million that were sold last year has not been booked in terms of revenue in 2019 and additionally you also have another BRL16 million revenues to book for other projects.

So overall the growth in revenue was about 20% and another one is in BRL2 million that have not been booked in terms of revenue. With the sales and revenue profile, we have also seen EBITDA growing 82% and margin for the year for real estate development is at 44%. When I talk about margin, I mean adjusted EBITDA margin, which has reached about BRL112 million last year.

Now we are going to go to our next slide and we are going to talk about recurring income. So here I'll be talking about the shopping malls on this page and highlight here is sales by store owners have grown 16% and this is an excellent number in our opinion considering this GDP has had the weak performance in 2019 and these sales are an evidence of JHSF focusing on premium audience, is once again a strategy that has proven to be right.

Secondly, I wanted to highlight the left hand side chart at the bottom, occupancy cost. We had a growth of 0.4 percentage points. This has been the best indication of occupancy costs of companies reporting and this demonstrates our competitiveness not just compared to other companies operating shopping malls, but also in terms of the costs platform.

I would also like to highlight the right hand side chart at the bottom, occupancy rates. Occupancy rate close to 97% in 2019 and the improvement of 2018[ph]. The utilization rate of our assets in shopping malls and the main highlight is Ponta Negra mall, where we have seen a significant advancement in terms of the reduction of vacancy and right now we're negotiating three contracts that are very significant to complete the repositioning of Ponta Negra mall.

And enclosing the operating indicators at the right hand side of the top, all of them levels that have made us very happy about the performance of our stores, and therefore in terms of shopping malls, we should celebrate our performance.

In terms of recurring income, where we still have significant work to do, is in terms of retail and CJ Fashion, and although neither of them is profitable, they have had good growth rates and we have plans with that brands to continue with retail in 2020 opening new stores, not just in Cidade Jardim mall, but also at shops -- the project that we are going to open at the end of the first half of the year here in Sao Paulo, which is also going to reinforce our retail activities.

When we look at recurring income, we closed the year with a growth of 13.2%, so once again comparing to the GDP, this has been sometimes superior to the growth of Brazil's GDP in the year and in terms of operating results or adjusted EBITDA, we have grown 24%. I would like to highlight one point which are properties for investment that appreciated during the year about BRL437 million. And for those who are not so familiar or who don't -- this method of accounting, this is the company's property that we created for the company and again for shareholders too.

I would like to invite you to go to Page number 7 - or rather number 6 of our presentation to talk about the performance of our hotels and restaurants. In terms of hotels, we have grown almost 9%, in terms of average daily rates and this is above the growth of the GDP. So here this is actual growth and RevPAR is a measure that the industry uses. We have had a growth of 15%, a result of occupancy that is more robust for the year. We have had an average in 2019 of 63% in contrast with 59% in a year before. And as a highlight in Q4, we have had 70% occupancy. So RevPAR translates this effect average daily rates that has higher occupation rates too.

In terms of restaurants, our -- we have increased the number of couverts sold by 29%, and average couverts has grown by 2%. As a reminder as we have launched two Gero Panini, a project with a lower average couvert, this growth indicator is very positive considering the new scenario of lower average couverts that Gero Panini has. In terms of share of our business, we have close to 56% of our revenues coming from restaurants and 44% coming from hotels.

In -- we have increased net income by 10%, adjusted EBITDA we have grown by 50%. The growth of adjusted EBITDA, if you've been following us for a long time, this is something that we had been indicating for some time that we had been working in order to improve our expense efficiency, and substitutions and we have been able to improve quality and at the same time improve our expense control and that's why it had such an effect in the results in the bottom line or adjusted EBITDA for this period.

On Slide 7, some people that are participating in the conference call have already has a chance of being with us in the opening of the airport on December 16 last year. The airport therefore exceeded the -- or it's past its pre-operational phase. Right now, it's live and operational, very active in terms of selling its capacity. Right now, we have 50% of its capacity already reserved for the customers that have visited the airport and have understood the advantage of having their airplanes operating with us. It's a safe infrastructure, modern, fast and developed for executive aviation passengers unlike any other structured offers in Brazil.

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I would also like to say that we have a pipeline, where the process of including more airplanes to be in the airport the number of airplanes that the company is prospecting exceed the total capacity of the airport by 200%. So we are evolving progressively and using the current capacity since and as it's totality is occupied, we are going to expand whatever is necessary to serve our customers.

Lastly, I would like to leave a message to everyone once we are done with launches and constructions in parallel to other processes that I have mentioned to you, we are working very intensely in the process of making our airports international and we believe we can do that still in 2020.

Now if you could go to Slide number 6 of our presentation here is -- there is a summary of the consolidated result of our business. So net revenue is almost BRL640 million, almost 40% growth as compared to 2018. The gross profit has grown 44%, so we have reached BRL310 million in terms of gross profit. So also with a positive effect in terms of the growth of margin along the last year.

Looking at adjusted EBITDA, it has grown 60% from the BRL141 million getting to BRL227 million in 2019. When we look at the financial results and here we're looking at the financial results recurring, we have significant reduction of almost 24% in the net financial expenses, which is reflected -- which reflects the reduction of spreads which is related to the improvement of the company's risk profile, another effect of reduction of the total average gross debt along the year and also an improvement of the duration of its company's debt.

Lastly, the result of everything that we have mentioned, we are talking a fivefold growth of net income, which has grown from BRL54 million last year to BRL327 million in 2019.

Now on the next page of our presentation here, you can see the company's gross debt of about BRL13 million and as part of the variation or this variation includes fundraising operation of BRL120 million that right now we've classified as debt, which is a debt that is going to be converted into a minority share in a project that the company is developing in the city of Sao Paulo on Faria Lima Avenue.

Cash evolution is significant. We have grown at 131% in our cash position during the year of 2019. And lastly, we have had an evolution of almost BRL100 million in working capital allocated to accounts receivable and the main element of debt reduction was that they received a strike share that we had to receive from the (inaudible) fund that has bought from JHSF at the end of 2019. They bought some assets and they paid in the first quarter of 2019.

And as a conclusion, year of stability of this of accounts receivable is that the way we are managing the invested capital, we have had the growth of almost 40%. And we have -- the amount of capital is allocated to accounts receivable has remained stable. Therefore all that said, our net debt has gone down by BRL340 million. It has dropped 55% as compared to what we had at the end of 2018, which is very much in line with the message that we were telling the market in terms of deleveraging and reinforcing our capital

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structure and in this manner we have noted the average time of the debt to mature from 3.9 years to 6.9. So, we have a longer debt rate[ph] and it has become 64% longer which is also significant in the construction of the company's debt structure and a reduction of average costs incurs of about 11%.

All that said, we close 2019 with adjusted EBITDA ratio in the last 12 months to the net debt over adjusted EBITDA is 1.1 and this level is absolutely okay in our opinion. We are confident in terms of something to carry over for the next few years.

Before opening for questions and answers, I would also like to reinforce a few messages, our highlights for the year. So the gross profit has grown 44% -- gross profit 104%, and operating income has grown by 508%. Net revenue has grown 120% and adjusted EBITDA has grown 82% for real estate in development.

In terms of recurring retailers, sales grew 16%, net revenue of 13%, adjusted EBITDA has grown 24%. The airport which until recently was generating some concern for some shareholders, it's already operational with about 50% of its capacity already operational and with a quite exciting commercial partner in terms of capital structure as we completed the follow-on that took place late last year. We reinforced our position and there was a drop in net debt and there was a longer-term -- there was an extension in a time of the debt and also cost reduction and the company continues to work to always keep it improving. I would like to stop now to give you the opportunity to ask questions.

## Questions And Answers

### Operator

(Question And Answer)

(Operator Instructions) Now our first question comes from Bradesco BBI.

### Q - Analyst

Good afternoon. Thank you for the conference call. Our first question regards real-estate development with a gross margin of 61.5% and historically, there's a combination of percent of -- broadly 10% of the revenue comes from Fasano Cidade Jardim and I would like you to talk (Technical Difficulty) gross margin for each one of these projects and how you came to 61.5%?

The second question is about shopping malls. And I think that you have had a positive surprise in terms of our expectations. It was better than expected and this is even more positive considering that the GLA smaller than last year. Is this increase sales increase or do you see any reduction in minimal discount or average rent? So could you break it down by mall? So you mentioned Ponta Negra and I would like to understand more about these three other malls and how each one of them behaved?

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

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Thank you for your question, Roberto[ph]. So first, the margin for real estate development. The margin has three levels there and different depending on the product profile. So when we sell Fazenda Boa Vista plots of land, so the margin level is higher than the average. When we sell homes built in blocks in Fazenda Boa Vista, the margin is closer to the average margin, but we're seeing this quarter and the average margin of Fasano Cidade Jardim is also close to average margin. So, margin land is higher, margin homes plus land is the smallest one and Fasano Cidade Jardim margin is in the middle.

And then your second question, as an assumption -- if there's an assumption that is not accurate, when we showed our -- published our press release, there was a disclaimer in the second paragraph on the couvert saying that the comparison to the year of 2018 was on the same basis, but at the (inaudible) but apart from that comment, everything else that you mentioned is accurate.

So, in fact, there is a significant growth and the indicators, operational -- all operational indicators is higher than the overall expectation. We can say that sales (Technical Difficulty) the profile of JHFS audience has a good performance that was strong above overall trade in Brazil and the position for higher -- our positioning for high-income public which is part of the essence of JHSF business model is proving to be the right strategic positioning for which we can have growth rates for the business that are superior to than if we had been working at other income levels.

## Q - Analyst

I just have another question, if you allow me in terms of e-commerce. It got my attention in terms of e-commerce growth. Can you tell me how much e-commerce accounts for in the total sales for Cidade Jardim?

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

Well, I cannot be so accurate. There are some stores that already have -- that are close to 10% to 12% of their sales volume coming from e-commerce. There are other stores, where penetration is relatively low. So CJ expansion is something that is still new and we are all the time adjusting our models, and adjusting the platform as a whole to make it more efficient.

We're very happy with the results and that we've been delivering so far even though the platform as a whole is not yet fully profitable. But our model according to our projections is to have continuing growth of sales through the platform. It's going to -- I think it's going to break even very soon. And I'm going to set the context, because along last year we brought to the platform, our CJ Fashion, some operations that are not physically integrated to Cidade Jardim Mall, especially activities that do not have competition into Cidade Jardim Mall, but our audience understands that is complementary to them.

So for us to reach that objective, we have created a tool called CJ Concierge, which is an interaction through our personal shoppers that takes to -- provides customers with a solution going beyond what is offered inside the shopping in Cidade Jardim.

## Q - Analyst

It's very clear. Thank you very much.

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

So while we get our next questions, there are some questions that had been posted on the webcast. And I am going to start. So the venture in Faria Lima, what is it going to be a mall or offices?

Well, it's going to be focusing on retail, not corporate rooms.

And then Danielle (inaudible) is asking, do you want to expand having airports in other regions?

Well, not right now. As a company, we are very much focused on the metropolitan region of the city of Sao Paulo.

The second question comes from Christian (inaudible). He says, congratulations to all employees. Once again, it's an spectacular result. Looking at contracted sales for Fasano Cidade Jardim, I think we had BRL61 million in Q3 and in Q4. Just tell us more about the expectations for the (inaudible) in terms of sales curve?

Christian, thank you for your question. The sales curve is absolutely in line with what we said. Our commercial plan for this project is to sell. Along three years we wanted to sell, the total PSF -- curve of 40% of PSF in year one, 30% in year two and the other 30% on year three. So the curve that we have delivered in 2019 it meets that commercial plans that we made.

I would like to turn the conference back over to our mediator -- or to the operator because I think there are other people who want to ask questions.

## Operator

Thank you very much. Our next question comes from Ms.Camila Rivera[ph] from Bank of the Brazil.

## Q - Analyst

Good afternoon, everyone. I would like to address three points. I think that it'd be going to be quick. Do you know when your airport is going to reach maturity, is it on year five? And the other one is recurring income. We have seen that for Q4, same-store sales have grown at a lower intensity than Q4 '18. Is this a reflex of a strategy for Shopping Ponta Negra? And lastly, we are seeing many initiatives of the company. Could you give us an update of what we should expect for CapEx for 2020? Thank you.

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



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Thank you, Camila for your questions. Well, the issue of maturity of the airport, we always need to look at the airport as an asset that the company has built and that and operates and we want to expand as there are demands. So we think that maturity of the current sales has everything to take place along 2020. So we wanted to break even in the first year of operation and as the commercial pipeline that I mentioned that we are working on. And as it matures we may expand the capacity of the airport. But I think we would only be ready to talk about that more objectively more in the future.

To answer your question specifically about same-store sales in Q4 2019 against Q4 '18, we had same-store sales in the fourth quarter of (inaudible) that was very strong. So soon as we saw especially the definition of the elections November and December last year were very, very strong. So I think it's much more an issue of comparison basis than one or another mall that might have a different posture.

In terms of CapEx for 2020, we have the completion of Cidade Jardim shops, which is a four months -- it's a project that we still have another four months of construction and we have already started expanding Cidade Jardim Mall. We haven't started the construction of the new area of parking lots to then convert the parking into livable area. And in the next some weeks, we are going to start the expansion of Catarina Fashion Outlet. So these are the three main projects that we have for the year in terms of utilization of CapEx. Thank you very much.

## Operator

Our next question comes from Louise from (inaudible) Bank.

## Q - Analyst

So, good afternoon to everyone. I think my question is a follow-up of the last question regarding your projects. So there's a completion of shops and expansion of Cidade Jardim especially. Could you give me more details this expansion of the Cidade Jardim, is this the plot of land in front of Cidade Jardim or a bigger project is going to start of 23 square meters of livable area? And you have other plots of land and do you have any guidance in terms of launch date? For example is the plot of land in Salvador with almost 38,000 square meters to launch homes for residential lodges, in Itaim, you also have a plot of 1000 square meters that you classify it for mixed use and the expansion of Catarina and investment is usually faster, this is a horizontal mall and can you imagine when you're going to expand Catarina?

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

Louise, let me clarify. In Salvador, we do not have any plans or projects of real estate development in the city of Salvador. The only project we have for the city of Salvador in Bahia Brazil is a small expansion of Boa Vista Mall, which is all that we have in Salvador and this expansion is to increase the mall. The land that the company has around the mall, is land that is being sold as our investment focus is in the city of Sao Paulo with a radius that does not exceed 100 kilometers from the city of Sao Paulo.

As to your questions about Cidade Jardim, no, we are not going to expand Cidade Jardim Mall in the land with the 23,000 meters. What we are doing is to convert a covered parking lot area in the building that the mall is ready in more livable area displacing to the neighboring plot the parking. So with the GLA -- that additional GLA of almost 16,000 square meters and about 13,000 is commercial in terms of stores and services and another 3,000 reconstruction of Fasano Cidade Jardim Hotel.

And lastly, the date of the opening of Catarina Fashion Outlet. I'm going to answer you -- I request you to answer this question in the future, because right now, we don't have a precise date. This is not going to take place in 2020. But I can tell you that it might be or -- I have some prospects that is going to be 2021.

## Q - Analyst

Thank you.

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

I am going to take the opportunity there are a few questions that have been posted from the webcast.

The first question comes from Derek. He asks, today, the real estate development segmented focusing estate (inaudible) how you are planning to expand to other countries?

Which ones Derek, the question is no -- the answer is no. We are focusing in Sao Paulo.

And then there's a question by William (inaudible), asking whether we are -- there are any plans for the payout of dividends?

Payout of dividends is going to be proposed for the shareholders meeting by management and this document is going to be filed over the next few days. And then we are going to disclose our strategy for the payout of dividends.

I'm going to turn it back to the operator.

## Operator

We are now closing the questions-and-answers session. I would like to turn the conference back to Mr.Thiago Oliveira for his closing remarks.

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

I am going to close maybe being slightly repetitive considering the way I started but the message is off deep respect and recognition of the wonderful work that our team has done along 2019 for the support, the unparalleled support that we have received from our shareholder base is that is growing that survives to each and every one of us here in the company.

The responsibility of looking after the money of 51,000 families and also managing the generation of almost 53 direct jobs -- 53,000 direct jobs, and then we have focused our energy to deliver unique businesses and to our business partners that also support us to do everything that we've done.

I thank you very much for this hour that we've spent together in this conference call. And if any of you has any questions that has not been answered during this conference call and I know that many people listen to it afterwards to listen to the recording, so JHSF3 Investor Relations team is available to you, you can have access to us and it's 113-702-5453 or [jhsf.com.pr](http://jhsf.com.pr). And if you want to be closer to us monitoring our operations, you are invited to come and visit us. The doors of JHSF are open to you. And we are going to receive you in a very respectful way. Wish you all a very good weekend.

## Operator

JHSF conference call has now ended. Thank you very much for your participation. Have a good afternoon. Thank you.

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