

Q1 2021 Earnings Call

Company Participants

- Armando dAlmeida Neto, Chief Financial & IR Officer and Vice Chairman of Board of Exec.
- Jose Isaac Peres, President, CEO, Chairman of Board of Executive Officers & Director

Other Participants

- Alex Ferraz, Analyst
- Andre Chaves Mazini, Analyst
- Daniel Gasparete, Analyst
- Nicole Inui, Analyst
- Unidentified Participant, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. Welcome to the First Quarter 2020 Earnings Results Call for Multiplan. Today with us we have Mr. Jose Isaac Peres, CEO; Mr. Armando d'Almeida Neto, CFO and IRO; Mr. Marcello Barnes, VP for Development; Mr. Hans Melchers, Executive Officer for the Planning and Investor Relations. This presentation is going to be made available for download at ir.multiplan.com. We would also like to inform you that this event is recorded (Operator Instructions)

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Multiplan management and on information currently available to the company. They involve risks and uncertainties because they relate to future events, and therefore, depend on circumstances that may or may not occur; as I said, based on future events, which may or may not occur; (inaudible) conditions related to the macroeconomic scenario or industry and other factors could also cause results to differ materially from those expressed in such forward-looking statements.

This teleconference will last 60 minutes. After the presentation [ph] the Investor Relations team will be available if any questions that have not been answered. Now I will turn the floor over to Mr. Jose Isaac Peres, the CEO, who will begin the presentation. Mr. Peres. Good morning. Thank you for being here today. You may begin, sir.

Jose Isaac Peres {BIO 15388489 <GO>}

Good morning. Thank you, all for joining the call, ladies and gentlemen. So again we're here to talk to you about how the quarter was to make a few comments that I believe are

important.

So one year after the onset of the pandemic, it's important that we analyze some assets in the company's journey. We know that this is one of the greatest crises that we have ever faced. Commerce and shopping is exhausted and needs to go back to operating in full. Just for you to have an idea. In a normal quarter, we used to work 1,028 hours. In this quarter, we're reporting that we had 647 hours, so 63% of what we normally do.

If we deduct the activities that were not able to be carried out because of restrictions such as cinema, theater and entertainment activities in general, then we would have approximately 50% of the regular hours. So we had half of normal work. This, in a context in which people are still staying at home.

And it's always important to look back on what has happened to prepare for the future. I have 58 years experience in my career and this company has been operating for 50 years. I'd like to tell you a little bit about the crisis we experienced in the '80s. We faced a severe recession in Brazil due to the oil crisis and the lack of resources to pay before in debt. Money was really expensive, and we had a high level of debt. We had 15% capital and 85% debt, and the cost of the debt back in the day was about 150% a year. In our (inaudible) shopping malls, BarraShopping the mall in Brasilia and in Ribeirao Preto and in Belo Horizonte, these were malls that were just at the beginning of their operations. I mentioned that -- and in the last month of Sernat administration in 1984, inflation was at 80%. Just to give you an idea of how difficult it was to live and to carry out businesses right then.

So we devised a tool, which was to sell shares and interest for the malls. These were people that had a long-term view, and they accepted the idea, got interest in shares. This is mainly sold through pension funds. And later, we bought these interest back, and out of our 20 malls, the average ownership interest is 81%.

Our debt to asset ratio is currently 10% approximately. Our financial cost of the debt is low at 3.86%, so 3.86% a year. So you can see that we really are prepared to deal with these new challenges.

This crisis was also engendered due to the fact that the public health care in Brazil had already collapsed long ago. And also due to the lack of hospital beds. And due to another point that I thought was just tragic, which is that field hospitals were taken down last year. The government then simply shut down commerce as if commerce was the culprit of the whole situation, but it is not the culprit. Our malls are generally the cleanest of locations with the best and highest control. This is something that has been stated by infectologists last year. We carry out tests regularly. We hired an international company, AOS, as a noted company. This company is the one conducting the surface tests. They've been with us for six months now. In these six months, we've carried out 700 tests, and we have found no trace of the coronavirus, not in air conditioning, not on the floor tiles, not in the toilet. People were talking about how long the virus would survive on a desk or on shoes, and all of that was just rhetoric and that created panic in the population. People are still very scared.

FINAL

We have been promoting information on the radio and on digital media, showing people how we work so that they can feel safe and comfortable to go to the mall because it is a highly controlled environment. We are sure that the shopping mall segment will bounce back vigorously. That is due to the fact that it is just human nature. Human nature has been the same for over 50,000 years. Humans are driven by desires and feelings and impulses that are primary, and they haven't changed. Aristotle, who lived in the 4th century AC, say that human behavior is basically that of a gregarious animal, that is people yearn for other people, they want to be together with other people. So there is a suppressed demand for consumption. There is suppressed demand and need for people. Isolation is an inhumane way to address epidemic.

This is the third wave we're going through now, and we're going to surf it and improve when it's over. Shopping malls are the best entity present that exists in the urban environment. Shopping malls are areas where people gather, meet friends and very important for citizens. It is just an illusion to believe that e-commerce is going to have a significant impact on our malls because malls are no mere warehouses where they are displayed. A modern experience, they offer services to society with medical centers, gyms, banks, entertainment and a lot more. Shopping malls are currently very different to what they were when they were first conceived of in the past, and the Brazilian shopping mall model is copied all over the world. The international Association of Malls has made recommendations, which we did years ago, which is that malls should have medical centers. It's an important point.

Another important point I'd like to mention, and this was a point that was in the Wall Street Journal, is that with vaccines and relief packages from the government and multiplan is possibly the only company in Brazil that is building malls which is going to be opened this year, Jacarepagua shopping mall. It will be launched and open in October or November. It's a very modern mall, and it's certainly going to attract retention.

A shopping mall is a product of care. So six years ago, when I built my first mall, the urban context was (Speaking via interpreter), there was not enough parking place for vehicles and traffic was on the verge of collapse. So we gave retail an opportunity to develop, to give them a new impulse. We took away from the hundreds of millions of vehicles that are now parked in shopping malls. Can you imagine what lines would be like in great cities if you had all of the vehicles that are in parking malls parked in the street, whether it would be exposed to the weather and to the lack of safety that we sadly see everywhere? So shopping malls are a solution, not a problem, be it during the pandemic or not.

I'd like to say that people live in the real-world and not in the digital world. Technology is a fantastic tool that will allow our consumers to consume better. We have our app called Multi, and it's an additional resource that will make it easier for you to buy in our malls. We also have our delivery center, which is a logistics company. The increase in use by tenants of our delivery service and logistics the company shows that this was the right change, that we're on the right path for more integration between brick-and-mortar shops and digital shops. So we can see that e-commerce is very important, but the physical experience, the real-world experience is very important.

FINAL

Our company was originally created as a real estate and construction company, and we're now focusing on major projects as well, generally in areas in the vicinities of our shopping malls. For example, the project we have in Porto Alegre, called Golden Lake. This is similar to what we had in Rio de Janeiro with Golden Green on so Costa Avenue. With a private area for leisure and a lot of vegetation. So Golden Lake is the largest project in the South of the country with 160,000 square meters in area, and it's connected to our shopping mall all. This is an unprecedented project in Brazil that will meet the needs of society. People want to have an area where we can have Sports & Leisure in safety and also have services for their families. The occupancy rate of that land lot is 10% only, and 90% is open areas. It's going to be launched in August this year, and it was a 470 million project. This is a project that took 10 years to be approved, and it was only approved due to the good relationship we have with local authorities.

This is a major project, and it's going to be realized in the coming 3 to four years. The first projects are high quality, and there's a great demand for them. People want to have freedom. They want to have space. We can give you further information on this project, if you want to, and you can really understand what Multiplan is all about.

Our land bank is relatively low. They were acquired generally a long time ago, and the outstrip a bit close to shopping malls, and these locations rose in valley. So they were purchased at a low-cost from an accounting perspective, and they're going to lead to a higher accounting -- to high counting earnings, really. And every crisis will breed opportunities. And everything comes to an end, and the crisis will come to an end, too. The crisis gives us the opportunity to compete in the market with less competition.

So last year to reinforce our commercial position. We sold a tower we had in São Paulo. That put us in a comfortable position to go to this period. But again a crisis breeds opportunities. We were able to sell the tower at a very good price that led to high-income to the company, high profit. We feel relatively comfortable. We only sell an asset if it's in a very convenient price.

And we are builders, right? So we develop and build and manage our assets. I believe the real estate market will bounce back powerfully. So we're giving a lot of focus to our real estate projects that are in very good locations. They always buy it for. Well I just wanted to say that we are comfortable here at Multiplan from a financial perspective. I'd like to thank you all who are here with us.

And humans are the same all over the world. So I speak about humankind, and I don't mean only men, men and women, of course. I'm certain that if we had a woman -- if we had women in power today the country would be better managed. So I never differentiate between men and women. But we are comfortable. The crisis will come to an end. It already is coming to an end. The government must stop smothering commerce. We can't wait any longer. We're already short of breath, so we need to grow and expand. So thank you very much. Thank you for your time.

Questions And Answers

Operator

(Operator Instructions) The first question is by Nicole Inui from Bank of America.

Q - Nicole Inui {BIO 17757166 <GO>}

So we are resuming operations at this point, we could see, right, with shopping malls, so it's a lockdown in March. So I noted a bit too early. But I'd like to hear what you have to say about this second moment in going back to business. Are people going back to the malls faster than they did last year? Many people have been vaccinated after all, right? So what is your take on this whole situation going back to business? And is there any major difference from a region to another?

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

Nicole, this is Jose Peres, I'll take your question. So there is a very strong suppressed demand. The volume of money in savings accounts and banks this year is 4x as large as we had last year. So when they had the chance and having the money to invest, people are going, people are eager to go back to their normal lives. We'll see what happens in Miami probably where we also have malls.

According to my executives, about a week ago, we had so many people in the mall that they were already not taking more people in, so people couldn't go in, there were queues and all. So this is a sign that life is going back to normal. Many people are still scared of the virus, but I believe this is all going to end. Humans adapt. And now with the vaccines, we're going to have the virus spreading less, and people are learning how to treat the disease as well. What we can see infection rates are going down. So we probably have good time to work. We may have some restrictions, of course because this is how it stands, but we need restrictions to be lifted at some point. And activities should resume, and we should have more jobs coming up as well because many people have lost their jobs in this last period. So I believe we're going to bounce back and bounce back in full swing.

Operator

The next question is from Alex Ferraz, Itau BBA.

Q - Alex Ferraz {BIO 19294308 <GO>}

I have 2 questions. The first is about the turnover. Turnover strong. We could see that in the first -- rather in the Fourth Quarter and again in the First Quarter. What is negotiation like at this point? Can we expect positive spread at this point even in more adverse conditions? And the second question is about your land bank, are you selling the lots? What could be expected from the sales of items in the land bank like in Maceio, for example, what could you expect?

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

This is Jose Peres. When we did the project in Maceio, we looked at a region that was quite deserted. This is a project that we have that is a bit outside of our scope. We're not

FINAL

going to develop a real estate project there. We're going to sell the land lot, but we're sending it at 3x the price that we got when we built the mall. We have the mall in that region, and we have many activities in the surrounding areas. And a land lot that cost BRL 20 million can now be sold at 70 million. So it was substantial profit in a relatively short period. This has to do with our strategy to always create synergy between shopping malls and the prices of apartments and houses and hospitals and so on. Alex, would you like to complement that?

Q - Alex Ferraz {BIO 19294308 <GO>}

Actually, I wanted to go back to Nicole's question as well.

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

We have the last session network, and that was approximately 2.6% of our GLA. Almost 12,500 square meters that will allow us to improve our mix even further. We have 2 areas being negotiated. We have located an essential part of another area, and we can see an increase in the square meter price, which is really generating value, diversifying experience and the sales mix and the mall. I just wanted to take advantage of another point. To comment on the call center? Well you were mentioning about April and the numbers from the quarter. Well we only got 26%. The average of a (inaudible) is -- well, if you take a look at the last week of April, it's 77%. If you look at the month of April, and the compare year-on-year, the percentage of the working hours. Also we can extrapolate the performance of sales.

We can see there since the pandemic started well, 14 months ago, we can see that the sales has gone over the working hours. And another indicator that it's very strong is that we had in the same quarter, a record of the turnover that was negotiated. We had 15,594 square meters and 99 operations. So the biggest number of the largest land bank negotiated over the last quarter, then out of the 99 stores, 86 are our own so it shows the trustworthiness in our strategy. The -- our enterprise -- it shows our will to grow in the (inaudible) in our enterprise. So we can release the challenges of the future. Thank you very much.

Operator

So next question will be from Andre Mazini from Citibank.

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

The first question is about your campaign. Well the ESG, I wanted to know, well, more about that. I wanted to understand -- you're talking about data. I would like to know your opinion on how -- what was the outcome of that campaign. And from now on, the first question actually, within Rio de Janeiro, you have a few of the national campaigns that are well, it's outperforming here in Rio, for example, in the mall. Now people are not traveling anymore. And part of people would shop abroad and now they're shopping, obviously locally, for example, BarraShopping is an option. So I believe that some of your malls are doing better than others. What do you think?

Bloomberg Transcript

FINAL

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

Well it's a little bit of everything because really is an for example (inaudible) modern shopping mall. It's unique. For example, when we launched the mall, we have 500 stores. We launched this, and it seems -- I have people telling me this is the one of the most beautiful malls they have ever seen, very beautiful, comfortable with (inaudible) parking lots. Everything seems to be good. We launched this mall at the time of the Olympics, if you remember that. In your time gave the (inaudible) because we also had other malls to compare this one, one of the best ones.

This is a small actually service to the public that is more selected. Maybe they have -- they come from -- they have a little bit more money to spend during the pandemic. We are occupying spaces that, of course for example, we are an alternative to foreign purchasing and people also when they come to a Multi feels very safe. That -- I mean it's evident that people to know us better. Once again we have international tenants, and so that is (inaudible) obviously using permits with a selection of product that is very wide. We have the big international names for fashion that attracts clientele.

Certainly, we have to that. The turnover that you had mentioned is very positive because you have a tenant that might leave, but we will have a tenant that comes into the place of the tenant who left, and they probably had better products that will service the clients better at the moment that they're living right now. But you can be certain that management will continue to look at turnover.

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

You -- what you were commenting that?

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

Yes. Okay I'm pleased to comment a little bit more. There was a campaign that was launched on TV, and it shows the hygiene, the care that we went, that we go through our malls to make sure that they are clean and hygienic and safe, free of contamination. We didn't detect presence of the virus in the mall, in any of our malls for that matter. So we did the testing on a regular basis. This really helps. People that are looking from the outside, the malls are, in my opinion, the safest place to be. On the other hand, we also support our tenants.

We have to forgo a lot of our revenue, but we did that in a conscientious way. So we can make sure that our partners, our tenants, we know that they're going through a very difficult time. We are still paying taxes, very heavy-duty taxes. And basically, our -- well, for us to keep our operations going, we have to keep on paying those taxes. But it's not just the government, that might be an issue. We reduced to basically 0 our income accounts, for example, the brand and other charges for our tenants. And basically, we almost foregone the entire revenue. Just so you know, at the beginning of the pandemic, we are we -- have not received -- close to 1 billion of revenue. So but the company is still going strong. I just want to know -- I just wanted to know that we are suffering a lot, the tenants are suffering a lot, but we are partners. We are working with our associations, our

Bloomberg Transcript

FINAL

associates, and we're providing services. We are looking forward for the reopening, for getting back to work because we cannot continue. We have a lot of unemployment.

And the government, the local government need to understand that we need to treat the disease, but also the financial health of the country. The country you have will have more people dying of hunger than the pandemic itself, if you think about this. The (inaudible) recently mentioned, that we had 6x more people dying of hunger than the pandemic. Those included in those numbers. We need to be sensitive enough to realize that and the federal government will do whatever they can to. We hope that they help us, that they help us because we are, in my point of view, unfairly affected also by the economic downturn.

And to continue with the question, shopping, for example. You also have your news in any of our malls, they are not working still at 100% occupancy. Like you said, we're not working at 100% power. Once we go back to our full capacity, 100%, we have, for example, moves and other activities, and we have a higher vacancy, of course. But the limitations, cars in the parking lot, we have a lot of limitations nowadays, restrictions. Nonetheless, we move on and the malls have presented growth. So these are some of the answers (inaudible) already provided, the potential, therefore, of our operation and a very solid operation, as we can see at the numbers.

Operator

Now we will read a question. The question is from (inaudible). Now if you can please talk about the functionalities of Multi specifically due to their contact and the program is also about the potential of a new more about that since those were not fully implemented for other tenants. And 60% potential still and all of the malls that are in that loyalty or rewards program.

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

Let me talk about Multi as a whole, and specifically, the interaction of the tenants and clients and our loyalty program. Well we have interrelations between the clients and the tenants, we and our customers support, and we try to match that. There is a correlation that might be inversely proportionate. Of course it's (inaudible) open if the malls or later. We understand that the success of this program is in the best interest of our tenants. We are convinced of the eventual working to improve on the flow of customers with Multi. On the other hand, our loyalty program also grows Multi (inaudible) which is the program, and we had other malls that has our (inaudible) the rewards program.

First, we wanted to develop the loyalty program that we are going to develop those or sequential malls they're already headed. And now we are going to start to extend those loyalty programs, through malls that getting happened, and we're going to reward the users through a platform that we'll use (inaudible). So we will transform the experience of our users in our malls, and it was a real gain. It will (inaudible) kilometers in the mall. You will receive the reward. You will do repurchases, we will get some number of points. Maybe you're going to buy something online or then we see some other rewards. So we will strengthen our online study and work with the online/off-line in a virtuous cycle.

Operator

Thank you. (inaudible)

Q - Unidentified Participant

Well first of all, I want as you know if you can talk a little bit more about the other programs and well, the delinquency rate quarter-by-quarter. Well I wanted to understand how you're dealing with it during the crisis with the growth (inaudible) rate by the fact that we see the account is what we have a shop in the books. So we have that trend maybe in the near future. So with an increase of the growth liability. So if you can talk a little bit more about the offices in the market. I know you sold some of your acquisitions there, but I wanted to know if you can talk about the trends that might be not interesting. Are we going back to the market? Or will we just focus more on the mall?

A - Armando dAlmeida Neto {BIO 16000150 <GO>}

Thank you, this is Armando. First of all, the accounts receivable is only depend on the (inaudible) the comparison that you're doing. So you're saying that there is a drop, there is an increase in liabilities when you are compared to December of 2020. We have a drop that is very simple because we have a double rent. The rent that is higher and the First Quarter, you don't have it. This is the reason why we have the delinquency rate it might be higher in the First Quarter and seasonal in its nature, because you invoice the rent in the Fourth Quarter. Then you will see that on the face of the time of January, therefore, it's logged into the books later and then you might have an increase in invoicing in the Fourth Quarter and that's reflected in the First Quarter after.

While that First Quarter, specifically, there is another issue, the operations. So March, the operations that we need to account for and in January, São Paulo in malls, and then Belo Horizonte, they're working full time.

Now. I also want to remind you what we just mentioned, we are manufacturers. We have -- what we build a lot of real estate, commercial real estate and some of them are adjacent to the shopping master. We are only taking a look at that opportunity. For example, for officers using our land-based land bank. Now we have to evaluate the possibility of actually ranking a few of our assets. We've done that in São Paulo and many other cities of our portfolio.

The actual sales of last year, we actually had that real estate still to actually be sold. We, of course wanted the in the real estate, any 1 as a way for a price commission, that would make sense, of course. That would be attractive enough. That happened last year. That's what generated the restructuring of our capital and therefore, the sale. So once again we are a real estate company, and we will continue working in these offices. But once again the core business is wholesale, is shopping malls. But we will look at opportunities -- future opportunities for the company.

Q - Unidentified Participant

So let me go back to the -- well, the liabilities, you have seasonality, the eventual closing of the Mall, but you're expecting that with the reopening, are you going to (inaudible) the numbers?

A - Armando dAlmeida Neto {BIO 16000150 <GO>}

Looking at the Second Quarter of last year, and there were restrictions in the operations. And nowadays, we can see that we have the -- that liability dropping to less than 5%. And malls like that, you might have an issue, and we are living the same issue, we're reliving the last quarter, and we have the same expectations.

Now we will continue to manage our models, improving the mix to service our clients, our customers, and this is a very effected positive effect to recover the activities on the short end. This is our general overview.

Operator

The next question Altrom DPG Taxal.

Q - Unidentified Participant

First of all, logistics of the mall. You commented that well, considering the negotiations that you had with the tenants, do you think that the malls will continue to -- what do you think will be the future of the tenants in the shopping malls? Second, here also, we see consolidation in the retail and tenants. Do you think that there how is going to renegotiate the contract with some of these segments. In the future, will give the adjustments, of course looking at the portfolio, we do you see any pressures from any side of the retail?

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

We have, in regard to your first question, in terms of mix of product segmentation, we are very dedicated to looking at the future and servicing the demands of our customers. We are always trying to predict the next wave of the (inaudible).

And looking at the presentation, the distribution here, you have to realize, as you can see, the change in the percentage, where there is an increase or a decrease from 2011, 2021. We have a 10-year comparison. Of course we had a change that was very abrupt, very expressive in the short-term (inaudible). What we are doing is working in an event based (inaudible) And the malls before were (inaudible) available for purchasing. But now it's -- the shopping mall services more as a social hub. People are there to have fun, to meet each other, to feel safe. And (inaudible) when we -- well, when we have the food courts, for example, you had restaurants that were contacted spread in the shopping malls. So we also have a food culture. We had this becoming ever more relevant. Also medical centers.

We had medical centers created in the '90s that are close to the mall. And for example, (inaudible) when we had the expansion, the medical center was allocated for the medical center, of course before the pandemic. So the demand for services is a natural demand of people. The malls fulfill that function. Once we kind of we have the shopping mall

(inaudible) dilution for the year than (inaudible). We have an effort to improve (inaudible) security but also by chain. This is what we try to share with all of our ESG campaigns.

This is a continuity of what we've done in the service sector. We have the food service sector. On the other hand, you also see the selling of electronics. Other activities from 2015 onwards. That is going to -- we're going to say a renown of the appliances and electronic permits and (inaudible).

In regard to your second question, we (inaudible) itself the condition of our tenants, this is a rather stores. Your question is very appropriate. First, we need to think about the First Quarter of 2021. 25 biggest groups, and I'm talking about rents, and all the for example, the tenants from same (inaudible) the same brand, we have the account -- the 25 biggest line of our clients corresponds to a quarter of our revenue. So this shows, for example, in the case of (inaudible), about the international client leasing in our malls, we saw that in a different way. We see this as an opportunity to improve our mix of product and improve our efficiency.

However one of the points that want to highlight is second step, the tenant is looking for a good spot to actually sell their products. So good localization malls that are well-managed with campaigns that attract well the audience, the customers that have a relationship for the brands. That has a (inaudible) and will continue to happen. We start with whether we have an increase in retail or the opposite movement. The tenants (inaudible) that will allow the tenant should have access to the customers. Therefore, we will (inaudible) better sales and better productivity. Here, the most extensive store is not the one that pays the most rent. It is actually for the (inaudible) effect. So you have to keep that impact. The management of our mix of our portfolio, the one that we manage our malls on the delay we think about the general overall productivity of our tenants.

And I would like to complement your question with something that happened 15 years ago, when our brand was 25 years old. We did campaign for BarraShopping and the mall (inaudible) BarraShopping was the face of Rio di Janeiro. Now I was talking to the mayor back then, and he just said it. You know BarraShopping ING the third tourist attraction here in Rio. So I said oh, I didn't know. Seriously AIS, which are the first 2. First, Corcovado and Pancetera. I'm taking on an the first 2. Well the first 2 got actually made us here, but the third one, we actually did it.

So today 15 years later, we are maybe the biggest tourist attraction in terms of the number of tourists because BarraShopping receives about 25 million people per year. So we as a (inaudible) today (inaudible) with the hotels and everything. The tourism, a lot of tourists in (inaudible) and there are campaigns in Ipanema, internal places in Rio di Janeiro. I love the Southern region of it. But we -- the development of the Western region is inexorable, which is a region that has a space to grow. Therefore, I can only tell you the following.

Our malls for the year, we see visitations in the order of BRL 190 million. It's basically BRL 1 per -- almost a BRL 4 per 4% population. That's the expression of our operation. If you multiply this by the number of (inaudible) in Brazil . So you can see that the faster that has

happened by having (inaudible) all-in the economy for the citizens and for everyone. The mall is a facilitator and will continue to be adaptive. The technology will be used, and it will be a business tool. I want to deliver to the tenant virtual and on-site store. That to say that it's about the survival of the cities, right? So either you adapt or you don't survive. We'll continue to adapt, and we'll continue to survive.

And the last -- or the latest, rather, mall we build is always the best of all, right, because we continue to build and improve. We're making malls more and more efficient. That's it. Thank you.

Operator

Next question from Daniel Gasparete from Credit Suisse.

Q - Daniel Gasparete {BIO 17999254 <GO>}

What are your views on the discount levels that have been given in 2020 and how they're going to continue in 2021? So are you expecting changes? And when it comes to the rent, how have it been adjusting or readjusting prices with tenants? And what impacts that is having? I'll talk about contract renewals. Maybe from here on, everything that is modified in the Congress may lead to new indexes that not the ICP index. But the contract, they are valid regardless of the situation. We talk about the IGP, that was dormant for a few years because the FX rate plays a role. I don't think IGG it will continue to grow like this, the FX improved recently. We had negative IGP for a while. So this is the rule of the contract. This is a crucial point in the law, right?

You can't have laws that are retroactive, but we're always adapting. If we need to read about the contracts and use new indicators, then we will. This is a point that has always been existing, that will always exist. People will always try to defend their own interest. But it was the same for a long time. It was an index that didn't grow, wasn't adjusted. And now it has increased. I don't think it needs to grow like this.

From a contract perspective, we can always adapt. And part of the revenue from countries has to do with a percentage of sales by tenants. So when sales rise, then we charge more. We expect all of these money that is in the savings accounts, in banks right now that it should be invested, should be spent soon. We continue to invest in this sector. We believe in it. We'll continue to expand. There is always one crisis or another in Brazil. If you're waiting for no crisis to do anything, you'll never do anything, really. Because every five years, we're hit by a crisis of some sort. So this is certainly a global crisis that we are facing now, but it's just another one. This is also a crisis that affected people psychologically on another level. But it will come to an end.

There is a contract readjustment, and there is an activity that was interrupted for a long period of time in the First Quarter. So it's natural that you'll give a discount. This is part of the support we offer our tenants. We want to be there for them so that they can survive this crisis.

We have reduced the marketing fund, and we have reduced the event so that they don't suffer too much from the decrease in sales. But when we start to rebound and sales start to grow again then we'll readjust pricing. But we're more optimistic now. We expect to have better sales. Because we look at the world, and we see that that's what's happening around the world. Have I answered your question? Yes you have. Do you see any risk of retroactivity in the change of rules?

FINAL

A - Armando dAlmeida Neto {BIO 16000150 <GO>}

No. Not really. Just as what Dr. Peres said, we don't think that it makes any sense for the new loss to have a retroactive effect. What's been agreed on have been agreed on. With the readjustment of the IGP can be seen, and we're going through a crisis in this country. We'll see these impacts weathering now. There are activities now, we want to grow and we want to sell. It becomes a more mature and an easier discussion that we can have.

Operator

Next question is from Fannie from Santander.

Q - Unidentified Participant

Most of my questions have already been answered, but I would like to ask you to talk a little bit about the Vila Olimpia shopping mall. And how long you would expect that could take for the build into the shopping mall to go back to its regular occupancy rate. We can see there are not many people there at the moment.

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

Let me take your questions, Fannie. So Olimpia is in a central region of the city with many offices around and is a good neighborhood. But it's, of course suffering because of the many restrictions that have been imposed for a long time now in Sao Paulo. I thought it's possible to see with the most restrictions in Brazil. The infection rates have gone down for some time possibly because of that. Isolation is worse than allowing people to move around. Many scientific authorities have said that. But the result is that -- I mean the fact is that we never expected an atomic bomb to be dropped in São Paulo and everything to shut down. That's what happened. How can Villa Olimpia survive if it's basically a region where you only have offices, all of which are closed at this moment?

But it will go back to operating also because this remote work, right, and videoconferencing is tiring. You have a meeting with 30 people and they speak independently, but there's no real interaction. A company that works with marketing and construction work and the development of real estate, I guess having a meeting with people on screen doesn't really work. But on-site activities will come back, people are going to go back to their offices. My son in law works in a financial company, and he says he can't stand being home anymore working from home.

People need to have people around them. You can see children, for example. They used to hate school. But the thing they long for, the mothers now is for going back to school. Every upside has a downside. Everything has the flip side. So I think children are going to

FINAL

be fonder of school now. I think adults are going to be fonder of their workmates and workstations too. Noted on that, we're all together. We are, of course following hygiene and safety procedures with masks. There have been COVID cases in the company, but none of which were severe cases, and we have been doing well. So things are going to bounce back and bounce back in full swing, as I said.

But São Paulo is like a desert right now. I look out of my window, I see no one in the streets. No one will isolate at home forever. If a judge finds someone guilty, and that person is to have home arrest instead of being in a prison, that person is going to be very happy because they're not going to be in the prison, they're going to be at home. But we are giving half the rest. This is the worst mental prison because it is fear, and fear is crippling.

You have the media reporting news in a criminal way and it sounds like people only die of COVID nowadays. So we are trying to fight back and show people that shopping malls are a safe location, that there can be social distancing within the shopping mall, they can wear their masks and that they can use hand sanitizer. So we're making additional investments to address issues in the (inaudible) at the moment. Think of Israel, for example, nowhere is wearing a mask in Israel anywhere, and people are going to the beach. Of course they're a small country, and they have had vaccines, and they have had the discipline to realign everything. And Brazil is as large as a continent. It's 120 million people to be vaccinated.

I think people need to tone down when they talk about COVID not portraying it as a monster so that people can live a normal life within reality. People need to be vaccinated with the efficacious vaccines.

Operator

The next question came from the webcast. From Paulo Campos from Interasset. What are the main challenges in integrating e-commerce to shopping malls? Do you believe that this type of integration could be important to tenants in and out of the food court in the future?

What do you expect -- sorry, the format of shopping malls are concerned in the future. Should we continue to focus on retail or should shopping malls really become experience centers? That's the question. These are questions from Paulo Campos.

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

Let me take the first part of your question around the integration between e-commerce and shovels. Simply put, we need to factor in 3 points for tenants to be digital in our malls. First is that they need to have an online channel? They need to, the second point, make their inventory and catalog digital, so their product has to be available online. The third is the logistics, right? Looking at the 3 points. They are really facilitated when you have economies of scale, and that's why we invested in a delivery center. This is an integration hub that will bring together online channels, major online channels with tenant channels, integrating the inventories and catalogs that tenants have. With that, we elevate that to an

economic of scale that goes beyond our own shopping malls and goes to other malls, too. We'd like to see the difference between online shopping and on-site shopping is getting smaller and smaller. Retailers retail wherever they may be. So our digitalization goes to every tenant that will allow for better experience for all of them. Now Armando?

A - Armando dAlmeida Neto {BIO 16000150 <GO>}

Well I think that shopping centers, shopping malls have already become a social hub. It is not a place where you go buy something and then leave. This is something we see in the United States. In Brazil, when you think about what we went through the '80s and '90s, shopping malls were already changed. This is why our model is so successful. That has been copied by the rest of the world. So you have a lot of entertainment in shopping malls as well. This is what allows them to fare so well.

So there must be full integration when it comes to online and on-site sales, right? So you have retail full stop, be it on the Internet or on site? And this is why it is so important that we can associate both worlds. You can't invest only in the physical world, we have to invest in the virtual world, too. We want to make malls as convenient as possible to consumers. So we want to combine virtual and physical as much as possible to add value to tenants. We as most owners and managers always have that in mind.

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

The one point I'd like to complement talking about experience centers. Well I think that shopping malls have always been experience centers. Multiplan has always seen shopping malls not only as shopping centers but have experience centers. So you have gastronomic boulevard, you have entertainment, culture, nature and a number of other things. This is something that we're already doing.

It's not only about technology, right? When you think about innovation it's not only about technology. There are things that we have transformed. So shopping malls have leafier areas now, there are that are that have ample open spaces. A change in mix is another process. The way you access malls is another innovation. So are many innovations involved.

There is the innovation focus on technologies. But there are a number of things that need to be innovated separately in a different way. They are investments in the environment as well. We have some malls with power plants that will generate energy. These are also examples of innovation.

Well the model of the future is something we will see in Jacarepaguamo. It's going to be open in October, November. Every mall is updated as far as technologies are concerned. We have many thousand square meters of green areas and then a restaurant, we have a skating area, you have a gym, you have a supermarket. So leisure has been increased in shopping malls and also within cities. If you are within the city and want to go to the mall and use more services. Belo Horizonte mall used to be further away from the town, and now it isn't that far. The habit has changed. So Jacarepagua is nearly ready. So you should

go see it because you really see a new concept of shopping malls that we at Multiplan Brazil is working on.

Operator

Gio from JPMorgan has a question.

Q - Unidentified Participant

Can you talk a little bit about the vision of the quarter? And what do you have in other operating lines?

A - Armando dAlmeida Neto {BIO 16000150 <GO>}

Gio, this is Amando. We didn't understand your question. Can you please ask it again?

Q - Unidentified Participant

Can you talk a little bit more about allowances you have made, provisions you have made that will have increased.

A - Armando dAlmeida Neto {BIO 16000150 <GO>}

That due to the increase in receivables, and we have been holding them around since last year. And as time goes by, you increase the percentage of allowances. So rent that were due 60 days ago, and we have allowances for 90 days.

So we are being cautious so that we can deal with the reality that we're going through. And vacancy was higher in this period and more baking shops. We had a campaign that was mentioned already and on that line, we have an expense there, right, as someone said something here. We have the campaign around the shopping mall being the place where people look after themselves. So we really wanted to make the shopping mall a safe place and a place where people feel comfortable as consumers. So BRL 12,500,000 (inaudible).

Q - Unidentified Participant

Just as a follow-up. Well we think that really -- the delinquency will continue to go up? How do you see the top ahead?

A - Armando dAlmeida Neto {BIO 16000150 <GO>}

Well let me find the numbers here, not as what I am estimating. I think that the recovery will be very positive. You're talking about the risk reduction. However we need on to work with the sales. We need to have a x7 in cash so they can pay so we can pay for their own accounts. We need to see how economically things are going to unfold.

We look and the quality of the property. We look at the demand for space. We look at the interest of the tenant of working with more and more of our network. These are positive numbers, and you can see what happens in many countries like -- we had, for example,

textiles, we have a lot of the (inaudible) in the United States that we had a rebound and it was very positive.

Talking about going back to the (inaudible), it doesn't have to be exceptional normality, but we, do you mean with the recovery? And once again the (inaudible) going to report with this readout in a very positive way.

Operator

ow thank you for all the questions. We will close the Q&A session. Now we invite participants to get in contact with the IR department of Multiplan. Now I would like to give the floor to the Mr. Armando on Multi.

A - Armando dAlmeida Neto {BIO 16000150 <GO>}

Thank you very much. I would like to thank you all that are viewing us for your trust, for your interest for the amount of questions. It's a pleasure to be here and here even in the quarter that was very challenging, that is a part of the process economic ability. If you can look at the managerial reports, we will have more details then what we are discussing here, and we have a new format. We have the environmental social -- well, you can look at the reports on the investment and many more details, operational details and financial details. Once again thank you very much. We continue to (inaudible) at your disposal to answer any questions. Thank you. Well now the earnings call of the First Quarter of 2021 of Multiplan. Thank you very much for your participation. Everyone have a good afternoon.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.