

## Q2 2021 Earnings Call

### Company Participants

- Armando d'Almeida Neto, CFO & IR
- Hans Melchers, Member of Board of Executive Officers

### Other Participants

- Alex Ferraz, Analyst
- André Mazini, Analyst
- Gustavo Cambauva, Analyst
- Pedro Fonseca, Analyst
- Pedro Rachna, Analyst
- Unidentified Participant, Analyst
- Ygor Gomes Altero, Analyst

### Presentation

#### Operator

Good morning. Welcome everyone, to Multiplan's Second Quarter Earnings Conference Call for 2021. We have today here Mr. Armando d'Almeida Neto, CFO and IRO; we have Mr. Marcello Barnes, VP of Development, CIO; Hans Melker, he's the Executive Officer. Today's live webcast and presentation may be accessed through Multiplan's website at [ir.multiplan.com.br](http://ir.multiplan.com.br). We inform you -- we would like to inform you that this event is recorded (Operator Instructions)

Before proceeding, we would like to let you know that forward-looking statements that are based on beliefs and assumptions of Multiplan management and on information currently available to the company are -- they are basically based on those beliefs and they involve risks and uncertainties that are related to future events and, therefore, depend on circumstances that may or may not occur.

So the investors should understand that conditions related to macroeconomic scenarios, industries and other factors could also cause different results that will differ materially from those expressed in such forward-looking statements.

This earnings call will last for 60 minutes. Thereafter the Investor Relations team will be available should you have any more questions. Now I would like to give the floor to Mr. Armando d'Almeida, CFO. He will start the presentation. Please, the floor is yours.

**Armando d'Almeida Neto** {BIO 16000150 <GO>}

Thank you, Juliana. Thank you, everyone. Thank you. Now we will not have exceptionally Dr. Peres. He is returning from his vacation. Now we're very happy with the operational performance of our shopping malls and also our results.

But I would like to start today's conversation talking about ESG which is extremely relevant at this time of regrowth. Now I highlight several social initiatives that we've just -- well, we just implemented and that we have been implementing for many, many months.

In turn, Multiplan actually concluded the donation of 150 tonnes of food stuff and that benefited over 40,000 people all throughout the country. Our shopping malls have in part has taken part in that campaign and have gathered over 13 tonnes of food products. And also, we have received clothing items and even have worked to promote blood donation campaign. We also continued to support the vaccination against COVID-19. That already happened in (inaudible) 5 malls of Multiplan, and we have started this week with Shopping (inaudible) in Sao Paulo.

Now our ESG strategy has operational efficiency, and it certainly reduced the -- a lot of the losses here in this quarter. This is a relevant contribution for the tenants and also reinforces our environmental commitment.

We are also creating the charging stations for the electrical vehicles. We have 4 of those parking spots that are actually exclusive for that service. And now we're going to have 17 docking stations and by the end of the program, we should have 79. Therefore, we are contributing with the expansion of this new transport model that helps with the carbon emissions and being more carbon efficient.

Now I highlight that we are improving our governance. Our fiscal counsel here at Multiplan was reelected by unanimous and the General Board in April. And concluded June the migration of the file and local servers through a platform that is completely cloud-based. We are storing all the information of the company in a safer way. It increases mobility, allowing for safer access to the data from antivirus and also we are doing the audit related to the Brazilian GDPR.

Now let's go back to our results. We can see the vaccination has been advancing all throughout the country. The campaigns are bringing excellent perspectives for the business environment. This is actually a sigh of relief for our Brazilians. Life is closer to getting to normal back again and our results in this quarter already reflect that.

We see a strong operational recovery and the step-by-step normalization and the normalization of the operations in our shopping malls. In April, we had 41% of the normal or regular average time of operation. In June, we got to 87%. In July, we are getting back to normal hours. Now the total for the Second Quarter, we operated in about 70% of our usual or normal working hours. The sales were proportionately higher. We got to almost 80% of the levels pre-pandemic -- pre-pandemic levels.

In July, the first 25 days of the month, we observed the sales of tenants getting to 93.5%, and those are the levels in July compared to July of 2019, regardless of still facing a lot of

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restrictions here in the shopping mall. Now we can confirm that the trend to flight to quality, the search for exclusive areas. We are trying to find the -- people are trying to find a good spot here. There is a great demand from our tenants for those spaces in the shopping malls. The turnover was 13,800 square meters. Of those, 87% are destined to satellite stores. The rate of occupancy has reached 94.9% in the month of June. That indicates a growing trust in tenants, in wholesale and selling as a whole coming back to normal.

So we just got to a revenue from the rent, 2% higher than the Second Quarter of 2019. So that in the case the FSR of the rent of the same stores, the entry gaining to 11.9% compared to the same period. In the Second Quarter, we should go over the 2019 numbers.

If you look at that with the same basis, so the rent of the stores has grown in the Second Quarter as I mentioned, 11.9% in comparison to the same period in 2019, 2021 compared to 2019. The evolution was even stronger in June. In the same stores, we have 19.5% higher than June of 2019 in terms of FSR rent.

Now the other results also follow up with a strong operational performance of the quarter. Now when comparing to the last year, the EBITDA grew over 20x excluding the linearity effect. The FFO also had -- well, without taking into consideration linearity, increased 10x. The revenue from parking grew 7x showing that there is a gradual recovery of the flow. I believe that is very important to mention the advances of our digital innovation initiatives specifically through the omnichannels.

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Now before we completed two years, our super app, Multi, has reached recently the -- well, 1 million downloads which is something extremely positive from the number of users and actually their feedback, certainly the importance of increasing customer relations and also auto journey and we know more about their habits and preferences, and we can offer more convenience and well, more comfortable experience. Our malls are getting ready for the gradual return of the events that will reinforce our digital strategy based on the data science and focus on the experience that is more complete for our malls all throughout the integration between the physical and the digital scenarios.

To summarize, we're still facing a lot of restrictions, and we are very far away from normal but we can see a great demand from the tenants and growing desire from our customers to go back to our malls. There's an improvement of the business environment is foretelling a really positive event with the launching of (inaudible) Jacarepagua in November. This is a new mall that would be in operation, as I mentioned, in November. For that is the advancement in the commercialization of the stores here at the mall, which we have own 85% of ABL already sub located, sub branded. The tenants are excited for the preparation. And after we deliver the keys to the stores by the end of July, we should restart -- we should be getting ready for a great operation.

Now I would like to thank all of our tenants for sharing with Multiplan our long-term overview or vision, and they're committed to making the new mall another enterprise that will be greatly successful

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Starting from scratch is a great challenge and we are very thankful to the tenants that trust our work and they are alongside with us in this new enterprise. To launch a new shopping mall this year after this really test, this very trying test of the pandemic is the demonstration of the trust that Multiplan has in the country and the real estate Brazilian market, highlighting our commitment here in the country in comparison to other operations abroad. We have a lot of difficulties in Brazil, but we still believe that the wholesale and how much we'll recover in Brazil.

Well before I will finish, I would like to thank you, thank our investors, our shareholders, to contribute to the fact that Multiplan was for the 6 times in a row, the deal-related company in the real estate sector in Latin America by the -- being a leader in several categories, such as ESG and the best IR, Investor Relations, team and to -- we have a new category, which is crisis management during COVID-19. That was given by the institution of Investor Magazine.

Now I would like to thank you once again to our tenants that helped us overcome this trying time, and thank you to the shareholders and the analysts as well, everyone that is hearing and that is following up on the trajectory of the company all throughout these 47 years. And everybody, all of our employees does work diligently to make Multiplan a better company every day. Now I give the floor to the Q&A session. Thank you, once again for all of you that are here. Thank you. Juliana, the floor is yours.

## Questions And Answers

### Operator

(Operator Instructions) First question Mr. Alex Ferraz from Itau BBA.

#### Q - Alex Ferraz {BIO 19294308 <GO>}

Armando, I have 2 questions. The first is related to the occupancy costs. We've seen that in regards to the recovery of rent and the sales that have been performing very well, they haven't really followed in the same measure now. I can imagine that there is a pressure. We haven't really seen -- well, there is also the taxes, the -- that are reducing in regards to 2019.

Now I wanted to know, can you quantify how much of that reduction of the condominium cost, how much do you have in regards to the reduction of the condo rates? And can you -- well, looking in fact of the operation and even the initiative on the ESG, of course they contribute, do you have anything that is regarding to the promotional fund if you can approach that?

And the second question in regards to -- well, regarding the cycle in an charges or service charges or (inaudible) and occupancy. Well there is still some tenants that have not, let's just say weathered the storm during this challenging times. So if you can talk a little bit about -- more about the occupancy from the continued -- I know that there is a continuous demand and I can imagine that you will have a recovery that will be more concrete on the occupancy side, now that the pandemic is decreasing.

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

Well thank you for your question. The first part of your question, so the condominium charges or the occupancy costs, we are reducing expenses. Let me just say it the other way reducing expenses, we have 2 categories. One are permanent reduction. And by permanent, even because we see that this is an investment. For example, the photovoltaic energy investments, so many of these are efficiencies that will last for longer.

In other, they're temporary in regards to the restrictions that we're living. For example, some stores are closed for a longer period and that would actually entail in a lower cost for the tenant. So as you go back to full capacity, you can actually have more inter costs. You have -- you need cleaning, you need security and also the promotional funds, and this was greatly reduced due to the finance and now the promotion fund as -- well, it meant we can promote the shopping mall as we can help the tenant. In the marketing campaigns promotion, for example, events, we can generate with those events, those promotions that marketing, we can generate higher sales. So we are talking about sales and we are trying to reduce that cost.

The second question, we've seen a gradual improvement in a factor that will change radically from 1 quarter to another. I've just seen 1 piece of news before we started. Sorry, I've just seen the news with the job market and the generation of new jobs, over 300,000 jobs that we're generating in June alone. This contributes for the growth and the restarting of the economy of the country and also providing some stability. So decreasing the uncertainties this is -- when you have uncertainty, you cannot plan. This is bad for the tenant. So they need to prepare. They need to prepare inventory, logistics. You have to have the surety that things are going to be open in the future. So we're evolving. We need to brew, create, let the trust grow and to create a positive scenario for the future that will create a great demand for the shopping mall and the tenant.

And that I show you, the occupancy rate was over 94%. These numbers for sales in the first days -- first 25 days of July, close to 94%. It already is exciting. This is generating a year that is what the tenant mean transparency, clarity and the security surety is that the operation will continue regardless of the economic turmoil. These are some of the factors that will allow for the regrowth in the following quarters.

## Operator

Next question Mr. Gustavo Cambauva from BTG Paul.

## Q - Gustavo Cambauva {BIO 17329406 <GO>}

Two questions for you. First, I would like to understand a little bit better the shopping mall. Obviously because we can say that the worst of the pandemic has gone by, but I still think that there might still be a lot of turnover in the shopping malls, even though this is a quarter that is marked by recovery. Do you still see a higher mortality, as you say right in some of the tenants in some of the malls? So the turnover is still high from what I can evaluate. Do you believe that there is still a lot of tenants that are going to leave?

Second question, I need to understand a little bit more the difference between the portfolio of our malls. I mean the average was very good, but there were some malls that were doing very well. Brazil, for example, Rio de Janeiro and others. On the other hand, Alinda, Ribeirao, they didn't do so good. So in this (inaudible) well. So with this recovery, you're going to have differentiated work for each of these malls? And do you have a structural plan maybe for the malls that are not doing so well, maybe their starting point is going to be different here at this rate. So these are the 2 questions.

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

Gustavo, thank you. The turnover that we've had for the quarter, they were very high. I mean historically, we have over 14 years of data. We see clearly that there is a turnover that is higher in the U.S. orders. Now in this quarter specifically, it's a little bit less than in the last 2 quarters. I think that the turnover decreases gradually. I mean it's normal. Once you have more operations in the malls are opening, for example, ParkShopping -- ParkShopping Jacarepagua, you have more than over maybe because we have more malls open. But specifically, once we exclude these new areas, I believe that we are going to see the turnover, reducing a little bit, little by little gradually. With numbers that are lower than what we've seen in the Fourth Quarter, the First Quarter or even the Third Quarter of last year.

In regards to the shopping mall, we have a few specific issues. We have to give the situation as is. As you said, specifically on Ribeirão and Prieto and VilaOlímpia, I mean you are surrounded primarily by offices in that region. And as we always comment, we've seen a good growth for people that are living there for residencies. But most of VilaOlímpia if you look at São Paulo, the offices are closed. So you don't have the public. So still life is still going back to normal and people are not really going to the office. So this is a reflection of all this in that specific mall. But of course we normalized a lot of strategies and we have a lot of clients implemented to plan the recovery with an expedite recovery. Ribeirão is a city that really suffered with the closing in the Second Quarter.

So it's natural that you still have those difficulty. The unpredictability is very high. Can you imagine if you're storing all throughout and you have, for example, also the restaurants there, they have their inventory and they don't have customers sometimes. So as you have less -- once you have less unpredictability, more surety on the operations and what is going on, and there is a lot of positive events in the country and all and abroad, this will allow to contribute with the stability. Therefore, we're going to have a recovery even, for example, in the restaurant side of our business.

Well in regards to the mix, I think that we can talk about the segments. The tenants are changing. We see the malls. We have companies trying to find the omnichannel. It's not just selling on or offline. There is a value creation with bubbles. You have the journey of the customers, and then you have demand of that type of tenant. But it's hard expand, there is omnichannel and integrating all of them, and there is the issue of the mall and the working hours are still playing a great part. So by changing, for example, Rio de Janeiro, we've had a positive working hours. And also we have a multiuse, we have even the home -- the apartment near the shopping malls, and we have all of that, that integrated operation. So you have a point for selling and for rent that will stimulate the tenants to try and really look for business in our malls and we have less space.

Now today for example, if you go to BarraShopping, and I can see here the occupancy that is 97%, 98%, we don't have a significant amount of space. So there's a lot of tenants that on a specific spaces, spots and they cannot find it anymore. In the last quarter, we ended sub locating, sub letting big areas with a rent because this is the moment that finally, some tenants could find those spaces. The spaces in the Multiplan malls, the sublocation. is -- the sub letting is getting -- the best spots are getting difficult to find, that's the main point. Thank you.

## Operator

So now the next question is on André Mazini from Citibank.

## Q - André Mazini

The question about Jacarepagua. You have the distribution of the portfolio and apparel, director area, wine area. In Jacarepagua, you have the company -- we had a pie chart, maybe it increases apparel and apparel decreases a little bit. I mean we can imagine that the company wants to compete on the long term. And also this is very well located, but the scenario still difficulties -- is more difficulty. So what have you done for the incentives for (inaudible) they're going to open before Christmas in November? Whether it be any penalties that they did not open by November? And also we've had a reopening in November. There was a time that was very specific in 2017, '16. And at Canoas, there were some interesting numbers. So if you can give us a little bit more context of all of this, home office, with good man apparel, miscellaneous services in Jacarepagua?

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

Well we are -- we are changing our portfolio. We have a slide that shows the changes of each segment after all 10 years. I believe that this mix is adequate. You had a few adjustments here and there that I would say well, little because everything that was done all throughout 10 years and this is what we're trying to find. On the part of Jacarepagua, that is a reflection of that. It's now that you're going to leave from a different mix in -- well, it's adjusted. So I want to see a big difference. We shouldn't be -- we should see the portfolio evolving. What is different and accounts at ABL is services in the mall.

So you have an external part, an area for children and a park that you find the mall that was planned in this way. What is curious, what is interesting is that the project of Jacarepagua will concede a few years ago using the same project. And regardless of whatever happened with Porto Alegre, this is a modern project with -- and that was reflected with the growth area that was sub letted. So our architecture is different. A lot of spaces that are for common use and very pleasant spaces.

So a great incentive for the tenant about what we do, we have several initiatives. The first one, we should open by November, closer to the warmer season which is Christmas. So just there -- well, that model is going to be -- has its inception and ads during the Christmas campaign. So that's with the marketing campaign, with the investments, that will give us a head start in this. This would be a great incentive, and we have many initiatives and things that we do all throughout the year. It's a shame that Dr. Peres is not here because you could tell us about a lot of big launches in Canoas, if you remember, as

you've mentioned. But in November of 2018, we actually open in 2003 was a very difficult time in Brazil and (inaudible) We have a lot of history of opening in the malls in challenging times and all of them were -- we had consolidated operations and with fantastic results.

This is not a short-term investment. This is a long-term investment. The challenge is to show we have a lot of tenants in Jacarepagua and we have over 90% really occupancy rate. So this is going to be our 20th mall. It's a business plan that has been proven by our management capacity.

And last but not least, you talked about issues that are very specific to some malls. And Jacarepagua is in the neighborhood with a lot of consumption patterns or consumer habits. We have projected that shopping mall to really be a display of all of our experience that was gathered also all through these years. All of the experience will provide us with a result. We are working together because of the -- and the challenge is, of course will be pandemic. This is one where the company is trying to make this a successful enterprise. I hope that I answered your questions.

## Operator

Our next question is from Pedro Rachna from Credit Suisse.

## Q - Pedro Rachna

The first one has to do with the following, I wanted to understand your perspective in terms of discounts, how you're going to be dealing with the company's strategy from now on, how we're going to calibrate all that with the sales recovery.

Also, I wanted to understand what we might see in terms of occupancy rates and charges actually. I have another question about new subletting contracts. We seem to be having more subletting. So I wanted to know what is expected really for the future.

## A - Hans Melchers {BIO 17199761 <GO>}

Pedro, this is Hans. Well thank you for the question. I have a few things that I wanted to highlight here. First of all, we're talking about COVID reductions, the discounts. We decided to do that because of the pandemic. Of course this was for this specific period of time. But obviously we're still also considering those special reductions, and we're looking at this on an individual case perspective.

I believe that this is going to be very important for future contracts as well. We sometimes have these automatic contracts, of course the automatic renewal, but we're still going to see this on an individual case perspective to really adapt to each and every tenant and everyone. But again we're looking at the indicators from April still. So if we go back to the 100% levels, we expect sales, as was said, as was shown in July, we expect that to reduce the occupancy (inaudible) and then it would be easier to talk the tenants and understand their needs, their situation and then also add maybe a few more benefits or maintain some of the benefits that are already being offered.



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Now about the other question, you have to be careful about that because there are many counter clauses that come with a new subletting contract. And right now, it is something that is recovering as was said. If we consider a few examples from last month, there was an apparel store that left. We were actually able to put a new store. We have a new tenant for that, and there are some additional clauses actually. So we are bringing some additional things to that, to those new contracts.

It is important to see that change. It was said here that in Jacarepagua that is -- that would be the case of (inaudible) So you have this portfolio, and it depends on the location as well. There are a few adjustments, the GDPI rate in Brazil, there are some things that will be maintained. Of course there are places in the malls that are still to sublet, but we have a very homogenous portfolio. That's also helped a lot.

We also talked about turnover. It might be reduced because we're going to have more space, fewer spaces, and we're going to have to be more selective for stores and everything. So maybe it comes to a point where we're actually not going to have any space, we'll have this bargaining power, I would say. So at the end of the day what we're going to do is look at everything on a case-by-case perspective and then that to whatever is necessary.

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

Well this is Armando. Just wanted to say thank you for that question as well and complement if I can add to that. You see prices and they are not something like an on and off switch where you can simply turn it on or off, and then it is over. Of course things go gradually back to normal, and it all depends on the total improvement that we might be able to implement. That's what makes it all better. But of course the whole pandemic process and everything that happened to the company helped us think about new ways of helping tenants.

We try to decide -- or actually, we try to make decisions very quickly. We try to reduce condominium charges, maintenance charges to make it easier for tenants. So far, we've been able to deal with this complicated moment. So we're still investing, as we said in Jacarepagua and in many other projects. I think it is all part of our policy or our plan in the long run. So yes, we're going to still have those discounts or those reductions depending on the case. And Brazil, we've seen difficult times before. In 2014 and 2015, we had a few examples.

So now we're trying to think about the future and the economic recovery. We believe that there are good signs that we'll be able to have growth again and more jobs as well better job offer. So thank you for the question.

## Operator

We have a question coming from Luca De. He's asking about Parque Jacarepagua about the construction charges. So is the company going to continue with the initial budget? Or is there a change? Was it affected? Can we see a gap between the Multiplan tenant lease

fees and the GDPI adjustment fees? How is the company dealing with that? Is there any projection to produce that gap?

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

Thank you, Luca, for that question. About Jacarepagua, I think there is an advantage here because this started around two years ago. So most of the construction is done already. Of course there will be an effect because of that rate, that index rate that is going to be adjusted, but it is going to be mitigated somehow. So we haven't finished the construction, but most of it has been done. And also, the GDPI well, it went up after the pandemic started, and we're going to try and see how that could actually help us or be in our favor. We'll have to assess the situation as we get ready to launch and we are ready to open. But yes, the great advantage here is that we started way back when before all these adjustments.

I think we are already preparing for projects. We're already hiring people, and that's going to help us be in a good place, I mean growing whenever this happens, whenever we open. And as for the previous question, we have a few contracts with the GDPI that is automatically adjusted. So we talk to tenants about the occupancy charges, and we can also talk about special reductions or discounts. So yes, it is automatically adjusted. But right now, we're still offering some special reductions depending on each case for GDPI. You will see that we still have something like the rent fees in Barra. For instance, where we're also helping tenants, but we hope that, that gap is going to be reduced in the future. I hope I have answered your question.

**Operator**

Now a question from Pedro Fonseca from Santander.

**Q - Pedro Fonseca {BIO 7271227 <GO>}**

I have two questions actually. The first one would be the permanency with tenants that stay in the malls. Yes. I am trying to ask you about the stay at the mall for the public, for customers.

And also about the portfolio in Rio de Janeiro. I wanted to know a little bit more about that. What your plans are. And finally, what about failure to pay? There has been a change in that trend, it seems to me. So I wanted to know what happened to the tenants. If it would be possible to understand what the future trend will or is likely to be.

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

Thank you, Pedro, for those questions. I don't really have the stay figures. I don't really know how long people stay in their mall (inaudible) also try to understand from the (inaudible) occupancy because (inaudible)

Okay. Last quarter, we've seen (inaudible) quite a recovery in that regard. When it comes to entertainment or restaurants, we have seen more and more people using those. Also at theaters, obviously we know there are fewer spectacles, but there are a few ones that

take longer. But again we see a trend where people are spending more time at the mall, but I don't know the figures per se. I can look into that. And about the other question, what was? It was nonpayment, isn't it?

**Q - Pedro Fonseca** {BIO 7271227 <GO>}

Yes. Nonpayment. Failure to pay. If you could maybe tell us about that dynamic, that trend, how that's changing. What do you think is going to happen in the short term and also for the future in terms of nonpayment or failure to pay.

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

Well I would say that I'm happy to say that comparing to the First Quarter last year, I know it's not the best reference, but comparing the First Quarter this year against last year, we see a positive change in that aspect. Maybe if we compare it to the last quarter last year, it's still a good positive change. We believe that it's going to continue improving because we'll see sales improving, a good recovery for tenants overall. So it is a good perspective, very positive, I would say.

Of course it's far from ideal or from what we've had before. Pre COVID, it would be probably around 2%, slightly under 2%. So our goal is going back to 2%, to the rates that we had pre-COVID. So we hope that it's going to be possible. But of course it's hard to be 100% sure. Let's see it, let's look at that one day at a time, basically.

**Operator**

Our next question is from Dr. -- Mr. Jonas from JPMorgan.

**Q - Unidentified Participant**

Congrats on the results. I was wondering here, we were talking about BRL 3 million to BRL 5 million before and now we're showing the results of BRL 2 million. So that seems to be good. I was looking at the lines that you were mentioning. So I wanted to know your estimation for the future, for the portfolio. I suppose that now, during the opening, there is going to be a good operational result in terms of opening hours.

**A - Hans Melchers** {BIO 17199761 <GO>}

Hello, thank you for the question. This is Hans. I would say that we had a few expenses that were important for some campaigns for some brands. Now in the Second Quarter, that's still going to be important, but one of the most positive results, I would say has to do with the lots that we have around Parque Maceió. So I mean we have good projects in Maceió. Parque Maceió is one of the places where we're selling those lots for different types of developments. We have residential plans and some other plans in real estate overall. And also, I just wanted to highlight that it's not just about sales, we're -- in the future, we're also going to look at some other types of real estate transactions. So right now, what I would want to mention is Maceió really, what we have in Maceió in terms of projects. What about Jacarepagua? You were asking something about Jacarepagua, weren't you?

## Q - Unidentified Participant

No. I was just mentioning those lines. I think that in your portfolio, you're going to have 95% and I was wondering about the opening times, the opening hours of the malls. That was it.

## A - Hans Melchers {BIO 17199761 <GO>}

All right. Well now with the reopening of the malls, that would not be the most important thing. As my colleague was saying, when we deliver the key to the tenants, we need to think about their commitment for opening times. That is the most important thing right now.

Right now, after we deliver the key, after we talk to the tenants, after we understand the opening intent that they have, we have around 95% of everything out (inaudible). So we're discussing that right now. We're focusing on that actually. We want tenants to open their stores and then have that commitment, of course during Christmas time and the quality of the malls and what we're going to have in social network, we're going to have in terms of consumption patterns, changes. And all of that is going to be important. So it is about the opening of the malls, but it's also about that process. When we deliver the key, we want to open the mall in a very successful way with good opening times. So that would be great for the public and for tenants right now.

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

This is Armando. Jonathan, I just wanted to add to that, if I may. It is hard to say where we're going to have 100%, where we're going to have 95%, as you mentioned. It's difficult to say. What we have learned over these almost 50 years experience, is that we normally think about the ideal mix for shopping mall and all that beforehand. But it takes a lot of planning. Then after you open you also have to see how it's going, how do we still adjust a few things. So we need to think about the rent per square meter, everything that is going to have an impact on sales whenever you have a new mall in your portfolio.

But the most important thing is what Hans was mentioning. You need to think about the retail services. What kind of functions are the most important, how they're going to function. But I believe right now, we have a positive trend ahead of us, and that's going to be very important to be successful in these new projects, and I'm sure we'll be successful.

## Operator

Now we have a question from Jorel from Morgan Stanley.

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

I have two questions. The first one would be we see this recovery in the portfolio, but the accounts receivable is still not looking excellent. So I wanted to know what you're going to be in that regard? And what's the likelihood of receiving all the rent that is due, et cetera.

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Also about organic growth. Do you -- I mean you have a good balance right now. But I wanted to know about life cost. Do you have a preference for M&A, greenfield, brownfield, I mean that's what I wanted to know.

## A - Hans Melchers {BIO 17199761 <GO>}

This is Hans. Thank you for the question. Well about cash flow, we need to really keep an eye on that. We need to monitor that very carefully. And accounts receivable is a good indicator of what that looks like as well. Unfortunately, this is still reflecting a little bit of the past few months. And at Multiplan usually, our receivables, they expire on the 5th of each month. So there seems to be a drop. There seems to be a reduction in that because in December, we actually see it was consumed in January. Then in March, we had a lower volume because the charges -- the billing process in March was affected because of what we received in April.

And right now if we're thinking about the sub letting in June, it would be 111% of 2019. But anyway as was highlighted before, we're looking at that -- we're going to be looking at that in July, the end of July. So it's really more of an indicator of the past and not so much an indicator of the future right now. So in March, we noticed that, that was happening. And now in June, we're charging a little bit more. So there are a few questions, of course about the subletting contracts. We're going to have a better result in the future. I'm sure in that regard.

And specifically for July, here, the tenant when we look at the sales and we identified that it was very positive. In regards to the other question that was -- well, Multiplan has really a lot of capital, but we also have a portfolio that is very big. That is in our DNA. So today we still have 200 square meters of area that we have over 600 square thousand meters, and this will be our priority. Previously that project demand a lot of time. And here in principal, we will show that growth.

Now the inorganic is more opportunistic. We will always verify the various opportunities. We have the price here that we have a synergy of the shopping mall, of the portfolio. So it's part of our DNA to verify those opportunities. But this is a risk that Multiplan has run back a lot of projects, that is the biggest project of the company.

Let me comment at (inaudible) Thank you for your question. I would like to say that we sized the points that had said, we saw in Brazil. We saw a lot of the opportunities to grow. We see the opportunities of building good malls. We don't think that the country is fed up with the shopping mall, no. And because of the -- and there's nothing to do with our COVID and maybe this is the first time that I've been thinking about this the long-term overview. We see a lot of opportunities. We go through well a good address, and that's a fundamental. It's regarding the size of the project that can be expanded and that can grow.

And in regards to brownfield, it is inevitable. You have a few -- you're doing the expansion and the shopping mall is so consolidated, and there are so many possibilities here for new operations and changing the segmentation that you're doing an expansion is almost

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inevitable. And here, we see the potential here for growth expansion here in the company. This gives a lot of value.

And the third strategy that you mentioned, well, we mentioned, M&A. Our preference is for capital allocation and, sorry for insisting about the same things, and there is the long-term focus. The side, it is invested in quality. We want to grow and know more -- and how can we add more value to our investments that really demand and deserve that level of debt of a pension. We've been in a lot of management, and this is important for the results. So the focus on quality, focus on the scalability and size of the operation, this complements the 3 lines of growth that you mentioned and the opportunity of M&A. I hope that I answered the questions.

## Operator

Thank you for all the questions. Now we will close the Q&A session. Everyone trying to participate who still have questions to get in contact with the Investor Relations department. Now I would like to give the floor to Mr. Armando d'Almeida Neto for the last ideas.

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

Thank you, to everyone for your interest. For the number of investors and analysts that are hearing us here today the call can issue today. But our Investor Relations area is continuing the discussion. Should you have any questions or any suggestions, we are always open. This is our work. Thank you very much. We wish to your good work. Stay healthy. Thank you very much.

## Operator

Thank you. The teleconference for the results of the Second Quarter of Multiplan is closed. Please disconnect your lines.

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