

Q2 2020 Earnings Call

Company Participants

- Mara Boaventura Dias, Investor Relations Manager
- Thiago Alonso de Oliveira, Chief Executive Officer, Chief Financial Officer and Investor Relations Officer

Presentation

Mara Boaventura Dias

Good afternoon and welcome to the JHSF Participacoes Conference Call on the Results of the Second Quarter of 2020. Today with us, we have Thiago Alonso de Oliveira, CEO and Investor Relations Officer; me, Mara Boaventura Dias, Investor Relations Manager. We would like to inform that the presentation will be recorded and that participants will be on listen-only mode. This event is being broadcasted simultaneously through YouTube, through JHSF Participacoes page via webcast, which can be accessed at the Investor Relations website at ri.jhsf.com.br and through the mziq platform, where the presentation is also available for download. Please pose your question via the webcast by clicking on question to speaker.

Before proceeding, we would like to clarify that forward-looking statements made during this conference call regarding business prospects, projections and operation and financial goals are assumptions of the company's management, as well as information currently available. They involve risks and uncertainties and they refer to future events and therefore depend on circumstances that may or may not occur. Changes in macroeconomic policy or legislation, and other operating factors may affect the future performance of JHSF and lead to results that differ materially from those expressed in such forward-looking statements.

Now, I will hand it over to Thiago that will start the presentation. Thiago, you may proceed.

Thiago Alonso de Oliveira {BIO 6637078 <GO>}

Thank you, Mara. Good afternoon to everybody that is here with us. Now we are going to initiate our JHSF webcast regarding the second quarter of 2020. This is a quarter, which faced a number of challenges because of the business environment. Nonetheless, this team of 3,000 people, well, they were able to face this in a unique way.

I would like to start with the highlights of the quarter. We had a consolidated gross revenue 70.3% vis-a-vis the second quarter last year. The consolidated adjusted EBITDA increased 236% and the consolidated net income over 5000%. Part of this growth is -- it was driven by the real estate development sales, and we will talk about this in details. Also our recurring income that are shopping malls and retail stores from the EBITDA and

the operating cash generation were positive despite the impacts generated by COVID-19. The Airport that completed its second quarter of operation operated above the breakeven point and within the digital strategy of the company that is to continue expanding its apps. During the end of the second quarter, we launched the fifth app that is the CJ Food. This digital strategy, in addition to launching CJ Food.

In CJ Fashion, sales grew 271% within this period and orders increased 176%. CJ Concierge that is as digital service, well, the sales were 332% higher throughout the second quarter. And the JHSF Real Estate Sales app increased 682% in terms of users. Delivery Fasano increased 936% in orders, and we continue with a robust pipeline of new apps that are being developed by JHSF Labs in order to connect the physical world to the digital world.

The physical world that the company has due to the business structure that has been built throughout the past decades, and that is being added now. So we're adding now this digital layer and everything in order to improve the quality of services that we provide for special customers. This strategy also has a multi-platform and social media communication, where great part of what we do is done through Instagram, YouTube, Twitter and also LinkedIn.

Throughout the presentation, you will see a number of QR codes here. For the second consecutive quarter, it's an initiative to -- it's to facilitate those that are present and are interested in giving donations to entities that the company have supported not only in 2020, but we have been supporting them for a long period of time. So we invite you for those that use your mobile phone just open your camera and scan the QR codes and this will take you directly to the donation pages.

Now when we organize our operational context of the second quarter, we organize this page to talk about each one of the business units. So I'm going to start by real estate development. We saw the commercial pace well driven. There was a growth of 465% in sales. There was also an increase in the digital channel. And this is a way that we found to overcome all of the restrictions, so that our stance could work.

For some months, we had -- we had prepared this digital platform. What we did was to make it more robust during the second quarter. Now, the third quarter started positively. The pace of sales that we have observed in the past weeks, it is highly encouraging, and I believe that we will have a third quarter with good level of sales.

Now in recurring income, since the month of June, the operation resumption started. We have adopted everything that is necessary in terms of safety for our customers, for our business partners, and for our team. And we have also observed that there has been a very robust resumption of movement in the shopping malls.

Now, I would like to highlight here that we decided not to do the linearization of the COVID-19 effects. So we are recognizing all the impacts in terms of revenue loss that are result of discounts that are given to retailers during the second quarter of 2020. Throughout this period, we continue with the expansion works of Cidade Jardim shops and the fig -- and the image below is an image from yesterday. Now, the expansion works

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of Shopping Cidade Jardim continue its original schedule, and we have accelerated the expansion works of Catarina Fashion Outlet. We have three new projects for this area that is the Faria Lima project, Faria Lima shops. It is a project on Brigadeiro Faria Lima avenue with Leopoldo Couto Magalhaes, Atilio Innocenti Street in the middle of the financial center of Sao Paulo. We have bought a plot of land that is two minutes away from Shopping Cidade Jardim.

We will have a multi-use project in Real Parque. It is a project very similar to Parque Cidade Jardim. And we also have a project of Boa Vista Village Mall, that is a project that will be built within the Boa Vista complex together with Boa Vista village.

Now, in terms of hospitality and gastronomy. We throughout the second quarter worked with the delivery operation, only the Hotel Fazenda Boa Vista that opened a little bit before the end of the quarter. This Boa Vista Hotel is at full capacity until the end of October. Despite the pandemic, this unit is above the budget that had been established. And now between the end of July and the beginning of August, we started resuming the operations in a number of hotels like Fasano Sao Paulo, Rio de Janeiro, Angra dos Reis and the Porto Feliz [ph] has been very positive. But of course, I would like to highlight that we are adopting all the protocols that are connected to safety, health and everything has been respected here.

Now, last but not least, the Executive Airport and in the morning, we communicated the market informing the beginning of the operations (inaudible) for those that aren't aware of this, this is a system that increases the safety of the operations. It is to operate flying through instruments. It has -- it's hangar capacity has been totally taken, and we started expansion works. We started with two hangars, and we will have five hangars until the end of 2020. Therefore this is an operation, financial and operational performance extremely well.

I'm on page number six, here you can see the evolution of contracted sales. We had 465% of growth in contracted sales. For those have been following the company for a long time, we since the year of 2018, we observed a progressive and continuous growth of contracted sales. Now, these sales have a number of factors, and I can highlight a number of them. Therefore, this scenario is materializing itself. It is the dropping interest rates throughout this period. For example, the year 2019, we had a growth of 189% in sales when compared to the year of 2018 and now this quarter 465% of growth.

We have to highlight that the maturity of some developments of the company allows us to deliver this volume of contracted sales, and this level of contracted sales surprised us. The -- here we have the speed of sales of the stock of Fazenda Boa Vista that was sold faster than what we expected. And following the development of Boa Vista complex this week, on Wednesday, we announced the purchase of a plot of land in the surroundings, where we already have Fazenda Boa vista and also the Boa Vista village. And now we are preparing the continuity of this real estate development in the middle term.

Now, when we see the gross revenue of this quarter, it grew 384% vis-a-vis the same quarter last year, and as our development activity uses percentage of completion

method. Parque, well, we still have 167 million of gross revenue to perform. So as the works are completed, the company will recognize this level of revenue.

Now, from the operational result point of view, our adjusted EBITDA, we had a growth of 778% measured by the adjusted EBITDA and totaling 175 million. So this was the operational result, and the cash operational result was very close to this.

Now, when we see the recurring income performance, I would like to highlight that we didn't realize the linearization of revenues. So we fully recognize the impact of COVID-19 in the results of the second quarter of 2020. So with this, there was a drop in net revenue. The same thing happened in -- with gross profit and the adjusted EBITDA. This positive EBITDA of 5.9 [ph] is regarding the operating cash result that we had during the second quarter. Although, we've had a bleak scenario, the company was able to generate operating result and cash flow results that were positive.

Now, when we go to the performance of the Hospitality and Gastronomy area. This area was strongly hit because restaurants and hotels couldn't work. There was -- there was a drop of 88% of our net revenue, and this impacted our gross profit. Our gross profit will presents a negative scenario. And the adjusted EBITDA also presents a negative scenario.

Therefore, well, we have to briefly talk about the Airport, as we didn't have the airport working during the second quarter last year. Our comparison now is with the first quarter of 2020. Yes, there was a growth of the net revenue of around 105%. Our gross profit was 173% and adjusted EBITDA 140%. Therefore, in the Airport operations, we also were able throughout the quarter to reach the breakeven or surpass it. That was the objective that we had for the year 2020.

And in a consolidated fashion, what can we see in this quarter? Well, 80% of growth in net revenue, 167% of gross profit, 236% of adjusted EBITDA, and our net profit increased 5000% when compared to the same period of last year.

Now, throughout the quarter, we performed a number of operations here that are connected to the capital structure of the company. We ended the quarter 1.2 billion in gross debt. This gross debt is made up of 120 million mandatorily convertible debt; cash equivalent of 560 million strengthened by an accounts receivable of 460 million, and the - and the company has a net debt before share offering of 153 million.

Now, during the first fortnight of June, there was a net resources of the offering, and here, we increased our cash position in 170 million -- 370 million. And when we see the picture of June -- June 30th, we have a net cash position of BRL225 million. Now, the result of this action, well, we also implemented a negotiation together with a creditor that practically has half of our gross debt, and we lowered our spread of our debt, as they had been contracted in the past.

And in addition to this, they granted a grace period of 30 months for the main monetary correction and interest rate of the debt that we have with them, and what does this mean. Well, here we will have a cash savings for the upcoming 30 months of BRL130 million. So

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what we were able to do here was to improve the average term of the debt that increased 3.8%.

And I would like to highlight something about this renegotiation, the average costs dropped 40.1 before the renegotiation of the spread, and this is something that I just highlighted. So the company has a cash position that is robust. It is generating cash flow from the operational point of view and the liquidity position is also very good. So we have amortization schedule that is very comfortable, where we have from now until the end of the year like BRL160 million of values to be amortized. These values, I would also like to highlight this was before the renegotiation that was done days ago, and it's not reflected here in these results.

So before we conclude our earnings result presentation very briefly, I would like to update everybody in terms of our business strategy. Our business strategy encompass the growth of cash generation growth in the four business units. Well, real estate development, the growth will come from the development of projects that will be realized based on the company's land bank. This -- this is the Fasano Cidade Jardim project, plus the plots of land that the company has bought in the surroundings of Cidade Jardim, Boa Vista Complex, three projects. We have the maturity of Fazenda, the beginning of the sales of Boa Vista village, and also the development of this new plot of land that we bought two days ago, which represents approximately 65% of the developed area. So this also gives us middle and long term. And this is what we have for Boa vista.

And also the development of Parque Catarina, where the company already has Catarina Fashion Outlet, where we have Sao Paulo Catarina Executive Airport and we're not only expanding the Catarina Fashion Outlet, but subsequently we will build the Catarina Resort that is real estate development that is hybrid between hotel and residences. This hotel is being built in order to deal with the flow of visitors of Catarina Fashion Outlet that is undergoing an expansion process that will increase 130% more area. It will deal with the demand flow that comes from the airport, and at the same time, the demand that we expect to see from the development of Parque Catarina that.

And there is a project with Villa XP, and we also want to build a sustainable and technological city, and this is in our pipeline for the upcoming year. It's -- it's a PSV of BRL26 billion. We are -- haven't considered the additional PSV of the acquisition two days ago.

In Malls and Retails, our strategy is a -- is the strategy that is integrated to omnichannel, where the company is developing in addition to the physical app that it has five shopping malls, three new shopping malls. Therefore, we are adding in addition to the shoppings that are ready, a project in Faria Lima, a project from Real Parque and the project from Boa Vista Village Mall. Therefore, our strategy is to grow physically in regions, where our customers are. We want to do this with capital discipline. And so we want to maintain control of this development, but we don't want to be 100% owners of the investment. We want to neutralize investment cash flow. Therefore, the capital structure will be lighter, the -- the asset structure will be lighter and everything will be integrated with the digital platforms that we briefly talked about.

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The Executive Airport, well, we are expanding the airport as I already mentioned, and we are working until the end of the year, we want to receive the authorization, so that we can internationalize the Santa Catarina Executive Airport.

And in terms of Hospitality and Gastronomy, we will continue with our asset light model, and this model -- we will open four units that have been contracted, Fasano Cidade Jardim, Fasano Itaim, Trancoso, and Fasano Fifth Avenue in Manhattan in the United States. There is also a plan for restaurant expansion. Our plan has already been fulfilled, and now the company is developing another product that we call Emporio Fasano.

Therefore for the upcoming years, our target is to deliver to the shareholders the growth of the -- growth of the operation within a scenario of neutrality of investment cash flow and also light cash flow, financial cash flow due to the capital structure that was built in the past years and mainly during the last year, it was significantly hold [ph] in terms of the capital base of the company. There were two capital inputs of BRL900 million, and at the same time, a new indebtedness profile for the company.

So when we see our financial strategy would be to increase our operating cash flow driven by the real estate and the maturity of the PSV of this landbank that we have. In terms of shopping malls and retail and digital growth will be driven by more leases to have more retail brands and to work with them exclusively and with digital presence.

Speaking of digital presence during the first semester, we grew four times more than the last year, and this is a figure that we want to multiply by six in the future. This is an area that we're giving a lot of attention and a lot of energy.

Now, in terms of Hospitality and Gastronomy, here we have an asset light, organic growth. And for the Airport, we have the operation ramp up that undergoes not only -- that undergoes not only the addition of new hangars, but to have more flights and an item that allows us to increase the flow of flight is the internationalization. Now, the strategy of investment cash flow is for neutrality. In terms of development, our business model by and large has the customer financing the working capital of the company during the works.

Now, in terms of shopping malls, we want to -- it's capital allocation in new shopping malls and to reduce the control in current shoppings, and this allows us to work as -- here we have a reduced investment cash flow. So what we have in Hospitality and Gastronomy is that the model is already asset light. So we have no expectations of greater investments. And for the Airport, we have -- it's the other way around, our objective is to reduce the share that the company has today in the airport development maintaining the control something very similar to what the maturity of the PSV of this land bank that we have.

And last and not least, the cash flow from financing, we believe that as we have a cash -- a robust cash flow -- robust. We have a net debt position that is very low. Well, here we have, we can -- we can roll our debt, and this is what we concluded last Friday. It is a demonstration that it will be possible to work with this strategy.

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So to come to an end here we see business with strong stable cash generation, relatively low investments required and low interest rates and debt roll forward strategy. So the -- the amortization has been neutralized. Within this scenario, we see here we have cash flow from operations zero cash flow investment, low cash flow from financing practically zero. We want to have -- we want to have a stable cash position with strong capacity for dividend distribution.

So now our last page, and then we will open our Q&A session. So we have organized the QR codes of the entities that the company has supported and will continue supporting in the upcoming years especially now during the pandemic.

With this Mara, we can open to the Q&A session.

Questions And Answers

A - Mara Boaventura Dias

Thank you, Thiago. We will start our Q&A session. If you have a question press ask the speaker. Please wait because I'm going to collect a number of questions and Thiago, we have a lot of questions. I am going to try to read all of the questions. But if we can't answer all of them, I have your email, and we will contact you. Andrea [ph] is asking if what we've seen in July and what we've seen in August if we will continue making progress in the sales of real estate development?

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

Andrea, thank you for your question. Yes, we continue observing a scenario that is similar to what we saw during the second quarter regarding the sales activity in real estate development.

A - Mara Boaventura Dias

(inaudible) is asking us if we see -- if there is an interest of new luxury brands for Shopping Cidade Jardim?

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

Yes. Yes, currently we're in charge of the expansion, and we have spoken to brands that are interested in coming to the country. Last week, we inaugurated the store of Gianvito Rossi that is an Italian shoe brand. And this strengthens the view that Cidade Jardim Shopping continues positioned as a fashion shopping mall from the city of Sao Paulo, and why not from our Brazil.

A - Mara Boaventura Dias

Thiago, well, he wants to understand if we consider the pace of the sale of Fasano Cidade Sao Paulo lower than in the other places?

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

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Thiago, thank you for your question. In reality we decided throughout this period from April till the day to reformat Fasano Cidade Jardim, and with this, I mean that we're changing the distribution of these properties between units of one only owner and fraction units. So we're focusing on this process. As soon as the process is finished, we'll -- we'll start selling the different units.

A - Mara Boaventura Dias

In the same segment of real estate development Modu [ph], he is asking about the percentage of completion. He said if it's the best way of accounting?

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

Modu, we follow the standard of the IFRS from Brazil. The POC standard is applied to losses. And this is the same procedure that all the other companies that are within this segment and are public companies, they're all subject to this. So it's not an option. We're just following the norms that exist.

A - Mara Boaventura Dias

Gabriel, he wants you to talk more about the material fact of the second issuance of debentures. You said that there was a reduction of spread in grace period. He wants to confirm if the grace period granted was of three months?

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

Gabriel, thank you for your question. We're not talking about three months, we're talking about 30 months of grace period. Thank you. Mara. What encouraged us to do this was an agreement, it was a friendly agreement with the creditors. The creditors came to us, and they offered to extend the volume of capital. This was after we increased our capital and we could do it two ways, so we could get a new loan or we could grow our loan [ph] balance suspending the payment of monetary correction and interest rates in the upcoming 30 months.

The second pathway, well, we agree that it was the best. Objectively, this will help the company in the upcoming 30 months, and we'll have a value of BRL130 million. And this value is part of the principal, as of month 31, and as of the 31st, it will go through a 12-year amortization period. So we are very reassured regarding this flow. It is a long flow. It's a comfortable flow. And within this scenario, we were able to drop our spreads.

We would like to remind you that during the second quarter, we -- right in the beginning of the quarter, we -- we obtained fundings through a debenture with the CDI, plus 151% per year in a six year period. So the company in the past years has obtained the benefits of doing its homework. It had -- it has adjusted the (inaudible) structure. We have also restructured the portal [ph] file of our liabilities, and also benefits from the increasing capital that from November last June -- last year and June this year for our business strategy.

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From the operational point of view, I explained that we see our four business units growing. I explained that we have developed a cash flow model, financial cash flow practically zero and very light cash flow from financing that is very light for the company. And we diminish the risk of financial leverage and therefore, we can pursue our operational results.

As we have mitigated these risks, we understand that the internal return rates of all the projects are sufficiently high, and we won't have to leverage it, one of these projects with that. And -- and with this we have diminished the company's risk, and we are very reassured with what has done. We're very pleased with what has happened.

A - Mara Boaventura Dias

I believe that along the lines of being prepared and capital structure, (inaudible) wants to know if we're financially prepared should a new crisis emerge or should another wave appear, and if we have to paralyze our operations with our cash position of BRL900 million.

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

And what we just demonstrated during the second quarter, despite the shopping malls have been partially closed, we have had cash flow operations. Now, we have the another operation of restaurants and hotels that had to spend cash. But one offsets the other, but we had the Airport generating cash and real estate development generating cash. Here we have strength of cash flow that is in the bank. We also have the real estate developer that continues generating cash and also the Airport. So if we were to imagine a scenario, just like the scenario of the second quarter, and I believe that the worst moment of the cycle is something of the past. I can't be affirmative, but I believe that this is not a reason to be concerned.

A - Mara Boaventura Dias

(inaudible) have a very similar question. If we intend to expand to segments, where we're not present?

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

No. Right now, I believe that we're focused on delivering our business strategy. I'm going to repeat again to increase our real estate development with the landbank to increase recurring income with the omnichannel strategy to have more occupation in our Airport, and to continue developing Hospitality and Gastronomy.

A - Mara Boaventura Dias

Now about the Airport, there is a question from William Victor wants to know what is the financial return, and what is the advantage of internationalization if you expected this year, and William's is asking about a ramp up?

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

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Well, internationalization is important because we can give more facilities to the airport users. So there is a percentage of flights that are international. Amongst these flights to have an international airport allows us to meet the demands of owners of executive planes that are big that can take off from one airport and land directly into their destination. According to the -- the International migration and customs rules, a plane can only take off and land from international airports. This from the origin and destination country. So we believe that will give more comfort to the users, and this has always been our objective with the Airport.

Mara could you repeat the second question was ramp up, right? I believe that we've shown you that the ramp up is taking place. Our objective -- our expectation is to have in 2023 to have operational [ph] cash generation of BRL300 million. This comes from three areas. One would be the result of the -- lease of the hangars. This is why it makes sense to add these three new hangars and more hangars will come in the future.

The second part of this result generation comes from airport tariffs that are rates that the users pay every time they use the airport, if they use the -- the runway for taking off and landing, the reception as well, and the third area would be selling fuel. The Sao Paulo Catarina was developed in a verticalized way. JHFS is the owner of the runway. So the airport tariffs belong to them. We're also the owners of the hangars. So this also belongs to the company, and we're the ones that sell the fuel. So this multi-segment model is what we've adopted in the airport. And of course, the results come from these three areas, and the growth of the three areas.

A - Mara Boaventura Dias

Here we have a question from Guilherme [ph]. He wants to know why don't we want to be 100% owners of the airport or 100% shareholders of the airport. And (inaudible) says if we intend to operate commercial flights?

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

The first question, why not to have a 100% of the shares. As a business, as a company, JHFS is a company that thinks about the customer. So the customer comes first, then the product or even the size of the business that we have for this strategy. The fact of controlling the airport with a 51% share, it allows us to deal with our strategy of being the operator of the airport and having a high level of service. And this is for me important when it comes to prioritizing quality and excellence for our system -- for our customers, and this can return the -- this accelerate the return of the capital that has been invested.

What we're doing in the airport is totally aligned with what we did in the shopping malls. So in the beginning, we had 100% of the shopping malls and throughout the times we started selling small shares. So today from the logic point of view, we have no longer invested capital in shopping malls, but yes, we still receive revenues when we see -- when we see the result over invested capital. This goes toward the infinite. The growth of the return of the invested capital of the company comes through the strategy of rationalization of asset bases.

A - Mara Boaventura Dias

There is a second question here. From the Airport was the one that you just answered?

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

Now, regarding commercial flights. Yes, there is a new regulation that was approved last year by the National Agency of Civil Aviation and now the air taxi companies can sell seats in their flights. So our interpretation is that, that Brazil with its continental dimensions and not properly served by commercial flights, sometimes there are cities that don't have regular flights, as great part of the cities are connected through the city of Sao Paulo.

Sao Paulo Catarina Executive Airport is prepared in terms of infrastructure to receive these flights instead of the other two commercial airports that are generally full like the airport of Congonhas and Guarulhos and now are caveat. This is a short term period where because of the pandemic, our commercial aviation is operating at very low capacity, but we're not assessing anything in the short term, but we're thinking about you know, a normal situation.

A - Mara Boaventura Dias

(inaudible) Fernando have two questions about the Faria Lima development. What is the timing?

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

We expect -- we expect our works to begin next year. I'll give you the context of this development. The -- first, we bought a plot of land in the corner of Faria Lima with Leopold Magalhaes a year and a half ago. And we bought a second plot of land that is on Atilio Innocenti Street during the second quarter of 2020. We made an exchange contract with the owner of these -- of this plot of land. And at the end of the year, I think in November or December something like that, we participated in the CEPAC auction in Sao Paulo. CEPAC is the right to build, and here you have the counterparts. And this CEPAC were connected to the plot of land during the second quarter. Therefore, during the second quarter, we signed an agreement with the tenant of the property that is in the corner of Faria Lima with Leopoldo Couto Magalhaes [ph] real estate was -- was returned to the company to be demolished.

The same thing is going to happen with the building on the plot of land with the exchange contract and the others -- and the same thing with the one on Atilio Innocenti. Now after resolving -- resolving this issue with companies that use these property, we'll start demolishing, and we'll start building. And it is a development that provides us physical presence in an area, where most of the financial market circulates.

So what are we doing in Sao Paulo? Well, we have a physical presence in the neighborhood of -- Jardim's neighborhood with Cidade Jardim Shopping. We have presence in Faria Lima with Faria Lima Shopping. We already are present in Cidade Jardim with Cidade Jardim Shopping Mall. And we'll strengthen our presence with the real estate development of Real Parque, who is from Sao Paulo can see straight line that we're building in terms of physical presence. And this straight line crosses the main high income

neighborhoods in the city of Sao Paulo. So we're totally aligned when it comes to increase the service of -- increase the level of services to our customers that are high income customers.

A - Mara Boaventura Dias

Well, here, they want to know if Real Parque is going to be like Cidade Jardim with shopping mall and residents or --

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

Well, thank you very much for your question. The concept of this real estate development is the same. We're talking about shopping mall in the lower part, and then you have residential towers that are connected to the shopping mall. The project that is ending is of family units. We're talking about apartments between 300 square metres and 400 square metres. We believe that this product is -- product that is proper for this region of the city. In this region, you'll find the main schools at a -- in a small radius about three kilometres and four kilometres. Here you can find the main schools of the city are located there. So it's a real estate development for families, you know, with three or four kids, you can have apartments of two, three, even four rooms to comfortably accommodate these families.

The price positioning will be different from that of Parque Cidade Jardim, but moreover -- but this is for high income -- for the high income bracket. Here we're analyzing a number of scenarios for pricing positioning, but we believe it will cost -- it will be more BRL20,000 per square meter than BRL40,000 square meter that we have in Parque Cidade Jardim.

A - Mara Boaventura Dias

Rodrigo [ph] wants to know what this project Emporio Fasano is like?

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

Well, I don't want to be redundant, but it is -- it's a store -- it's a store to sell food. These - - you know, this is food for the all gastronomy, the high gastronomy.

A - Mara Boaventura Dias

(inaudible) said there recently the queues of Catarina Outlet drew her attention, and if we expects to -- movement in revenues to reach normal levels if we will -- if we will reach this level by the end of the year.

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

There is a part of this equation, well, is that -- well -- well, we have to understand what the schedule is going to be like. Although, we're working with reduced schedules, we see that sales are resuming. Of course, we can say that we're at the same level, but the retail market and all the indicators that have been announced to the market, they make us believe that we'll go back to the past consumption level.

A - Mara Boaventura Dias

And there is a question about hotels and restaurants. Do you believe that now in August, you feel a better level?

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

Well, yeah, it is better, but it's not the same level that we had in the past. We have to remember everybody and mainly restaurants. Restaurants are operating with restrictions, and these restrictions come from decrease, you cannot work with all your tables, and there is a limitation, you cannot have tables with more than six people. There are tables on the outside, where there is a regulation. But the sector by and large is not fully working. But if we imagine what happened in the beginning of the second quarter, where there was total closing, and we see the beginning of the third quarter, where things start to become more flexible. Well, the trend is that we'll have during the third quarters in shopping malls, hotels and restaurants, better than the second quarter.

A - Mara Boaventura Dias

Here we have questions about digital. If we expect to have other products or what other [ph] segments do we expect and how relevant is it for the results when we see digital sales from the stores and physical sales from the mall?

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

I'm going to start by this point, the last point, yes. With our digital strategy, we want to have a sales volume in a yearly basis that is equivalent to what we see in a shopping mall like Cidade Jardim. We're talking about between BRL1.2 billion and BRL1.5 billion a year in sales that will go through this digital platform. Our digital platform today is made up by -- by products. I'm going to be brief, JHSF Real Estate Sales, CJ Food, Delivery Fasano, CJ Fashion and CJ Concierge.

We still have a pipeline of new apps that will be launched, and all of these apps will be below a major app that is JHSF ID, that is a membership program developed by JHSF. So every time a customer does business with any business unit of the company or with stores or establishments that work within this ecosystem, the customer is recognized and -- and in terms of gratefulness, they reserve -- they receive a J coin, and this is only accepted within the ecosystem.

So hypothetically the customer buys real estate, and let's say, they earn 5,000 J coins as a cash back. Now the J coin can be used to buy in the CJ Fashion. You can buy physically in any of the stores of any of the malls managed by the company. They can pay hotels and even meals in the restaurants. So it is a way of not only recognizing the relationship that we have with our clients, but to strengthen the level of businesses that we -- that we have with these customers.

A - Mara Boaventura Dias

Okay. It's past one hour. I think we have time for one more question. There are some questions along the same lines, if we intend to expand to other areas beyond Sao Paulo?

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

Yes. We already have presence outside of Sao Paulo directly or indirectly. So in addition to the United States with the state -- with the City of New York. We have Manaus. We have Salvador briefly. We will have presence in Trancoso, in Angra dos Reis, Rio de Janeiro and Punta del Este if I didn't forget anything. I think this is the list.

And in terms of the future, yes, we want to be -- we want to have more presence -- more present in the US and in Europe, especially in the area of Hospitality and Gastronomy. The action that we carried out in Manhattan in the end of last year, beginning of this year, well, this is an intensification of our international strategy for the Fasano brand.

A - Mara Boaventura Dias

Do we have time for an additional question. So one more question and we close. Gabriel is asking what is the CJ -- what is CJ Food?

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

CJ Food is an app that receives orders. This is to deliver food to households, and this is just for gastronomic restaurants. This initiative of CJ Food emerge from what we learned with Delivery Fasano because to deliver gastronomy is different than delivering pizza or hamburgers. You have to think about the packaging, you have to see how you prepare the dishes and the quality of delivery is totally differentiated.

So today, we have a coverage area in the city of Sao Paulo, and we believe that it covers 90% of our customer base. So this is the first stage of this project. When I say the 90%, I'm talking about the ones that live in the city of Sao Paulo. But our objective in the medium run is to extend this activity of the CJ Food to other cities, where the company operates mainly through the Fasano brand, but always respecting the principle of gastronomy.

A - Mara Boaventura Dias

I would like to highlight that there are questions that we weren't able to answer. I will contact those that didn't have their questions answered because we've -- we're over one hour.

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

Well before we disconnect, I would like to thank the 3,000 people from JHSF. We are very proud of each one of these employees they have been bold and they never surrendered, although we faced many difficulties during the second quarter, and the -- and the result has been -- well we've been able to deliver a quarter of a growth of revenue, a growth of operating revenue and growth of net revenue. On behalf of the management, I would like to thank each one of you that is following us or that will watch this webcast at another moment because you're working right now. Thank you very much.

We want you to continue being careful, as we have systematically discussed regarding your health, regarding the health of our partners and of our customers and let's continue

with this energy during the third quarter to continue delivering good results to our shareholders. Thank you very much to everyone for participating in our webcast. And as Mara said, the questions that haven't been answered will be answered through the ri@jhsf.com.br. Thank you very much and have a very good weekend.

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