

Y 2020 Earnings Call

Company Participants

- Mara Boaventura Dias, Investor Relations Officer
- Thiago Alonso de Oliveira, Chief Executive Officer, Chief Financial Officer
- Unidentified Speaker

Presentation

Mara Boaventura Dias

Good afternoon. I hope everybody is hearing to us. Welcome to JHSF Participacoes Conference Call. We apologize. And today, we will talk about the results of the fourth quarter and the year of 2020. We have Thiago Alonso de Oliveira, Chief Executive; and Investor Relations Officers, and me, Mara Boaventura Dias, Investor Relations Manager. This presentation will be recorded and events will be -- participants will be on listen-only mode. This event is being simultaneously broadcast at via YouTube through JHSF participations page and via the webcast through ri.jhsf.com.br and through the MZiQ platform, where the presentation is available. (Operator Instructions)

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

Now. Mr.Thiago has the floor.

Thiago Alonso de Oliveira {BIO 6637078 <GO>}

Mara, good afternoon. Good afternoon to everyone. Thank you to those that are here to follow our results. Here, we have in our first page the highlight of what we perceived as most important during 2020. I would like to actually start with -- I am thankful to the 3,200 people that are part of the team for their dedication, for the effort, for the results that were delivered in such a challenging year, like the year 2020.

As a result of all of this, we had a consolidated result throughout the year. We had 84.4% of net revenue, gross profit 162.5%. We have adjusted EBITDA of 245.4% and the profit practically doubled. When we compare it to 2019 in development real estate, -- development they grew almost 230%, and the company bought two new plots for future developments. One in Boa Vista Complex and the second one here around Cidade

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Jardim. Now recurring income we opened two malls BV Market and CJ Shops Jardins, and we have new retail operations in hospitality and gastronomy, we opened three new restaurants, the creation of Selezione Fasano product and the leisure hotels with occupancy rates higher than the third quarter of 2020 and the fourth quarter of 2019. This was high.

Now, regarding our airport, we achieved a 100% of our capacity throughout the years. We expanded our capacity that was Expansion I, and we ended the year with three new hangars that are in operation that were added to the past too, despite the adversities -- because of the pandemic, the company knew how to manage its operating factors in the short-term, but never -- missing the medium and long view.

Showing you all of these points. Now speaking about figures here, our net revenue throughout the year, it was BRL1.170 billion. This was a growth of 84% in comparison to 2019 and in the upcoming pages, I will show this in details. But the great highlight here in the growth of the net revenue comes from real estate business. Now gross profit also increased significantly, we went from BRL308 million to BRL810 million, practically BRL500 million in growth of gross profit when we see the adjusted EBITDA.

This growth is also very similar to the BRL500 million that we saw on the gross profit. And when we see the net profit here, there is a growth of approximately BRL310 million, practically doubling the net profit that was presented during 2019. As real estate development, this was the area that had best performance and we highlight this, and we would like to give you the sales background here.

We practically grew 230%, and volumes of sales throughout 2020, we highlight the project of Fazenda Boa Vista, but we also have to highlight that Boa Vista Village and Fasano Cidade Jardim has also shown growth when we compare it to 2019 regarding growth revenues, we grew 243% for all of those that are reconciling this with sales in real estate development. There's a deferment that here we have a percentage of completion. This is why the figures aren't exactly the same. And when we see the adjusted EBITDA, we saw a growth of around 5x.

It started -- it went from a BRL100 million to BRL661 million. Therefore, we still have a revenue to recognize of BRL440 million and the company has a real estate portfolio of BRL905 million to perform in the upcoming quarters. Now when we talk about the recurring income, this was one of the business of the company that was strongly impacted because of the pandemic, all of the measures that the state and municipal governments adopted throughout the year in order to reduce our people.

Well, this strongly impacted the mall activities and the retail activities, and these are the two activities that we consolidate within this unit. Therefore, in terms of sales of shop owners, when we see the evolution from the fourth quarter to the third quarter, the significant growth of 77%, which is strongly associated with the reopening of the malls. Something that we observed during the fourth quarter and during the third quarter, this was still very -- this wasn't strong and we compare the growth of the fourth quarter of 2020 vis-a-vis the fourth quarter of 2019, there is a growth of 10.4%. In practically, in --

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here we are comparing the fourth quarter of 2019 and 2020, we had a 10.4% growth in the sales of the shop owners.

When we see the total of the year, there was a drop of 21.9%, and this is strongly connected to the period where the malls had their activities extremely restrict because of the government orders. In terms of occupation cost, this was a quarter of evolution. We are at a very sound level in terms of occupation cost. In -- this is regarding the evolution of quarter-on-quarter and also the yearly evolution. Therefore, this level below 10 reassures us. Regarding occupancy rate, we didn't have stability of occupation between the third quarter and thing [ph] happened between 2019 and 2020.

This occupancy rate -- this vacancy of 3% it is strongly concentrated in two malls in the North and the Northeast one in Manaus and one in Salvador. Our malls in the Southeast area, especially in Sao Paulo virtually have no vacancies. I would like to briefly highlight some operational indicators of our malls. Same-store sales, same area sales all the as indicators during the fourth quarter when we compare it to the third quarter were positive. Although, throughout the year because of the effects of the second and third quarter, they are negative when we compare it to the year of 2019.

Now, from (Technical Difficulty) new point of the revenue quarter-on-quarter, the quarter -- there was a growth of 87% between the third quarter to the fourth quarter. In the yearly comparison, it dropped 20%, also here -- also gross profit there is a significant improvement. But when we compare it year-on-year, there is an impact in gross profit and also in the adjusted EBITDA from the accumulated period. I would like to highlight for those that are following us that all the discounts granted to shop owners throughout this period were -- there was no deferment of this discount to be registered in future quarters. And from our point of view, we believe that the results that we have are aligned with the expectation regarding the recovery.

Now going to our next group, Hospitality and Gastronomy. We can also see here a number of similar effects to the ones that we had in the malls, because the restaurants and the hotels were impacted during the second quarter and the beginning of the third quarter regarding occupancy. But during the fourth quarter, we do have a situation close to normal the average daily the -- it was similar the third quarter and the fourth quarter. And year-on-year, there was a growth of practically 11% RevPAR. The fourth quarter vis-a-vis, the third quarter 23% of growth, and year-on-year we can see that it was stable.

In terms of couverts sold during the fourth quarter, there was a very significant expansion of almost a 100% in comparison to what we saw during the third quarter, during the year. It's really a drop of 35% and average covert throughout the year. We had to change the composition of the restaurants which also changes the average ticket. When we -- when we compare the third and the fourth quarter, there was of an evolution of 17% and we compare year-on-year, there is a drop of practically 8%.

I would like to pause and I would like to mention something here. Our perception, in restaurants, hotels and malls was that when there was flexibilization and people were able to come back, we saw a strong flow of people coming back, and this is why you can

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see this comparison between the third quarter and the fourth quarter. And this shows actually the behavior of our customers and this is something that we wanted to highlight as something that should be followed up in the upcoming quarters.

Now, still talking about Hospitality and Gastronomy, here we can see quarter-on-quarter, there was a growth of a 100% of net revenue in the year. There is a loss of 36% when we compare it to 2019, but I would like to highlight the effects of the second and third quarter. And we believe that the effects were very significant. But with the resumption of the operations, we were able to demonstrate that the business is still attractive (Technical Difficulty) recovering flow revenue and profit in a relatively rapid way.

When we compare year-on-year, we can see that the company from -- it went from adjusted EBITDA that was positive and it was minus BRL15 million this year. And this minus BRL15 million is concentrated in the second and third quarter. And we believe that the first and fourth quarter of 2020 were very close to a normal situation we had figures -- because we had figures that were positive.

Now going to our next block that would be the airport. The airport was opened during the fourth quarter of 2019 at the end. Therefore, we believe that the comparison figures aren't very good, but regarding -- but as we did with malls and restaurants and hotels we have an evolution analysis. In terms of movement, there was a growth of 34% when we compare the fourth quarter to the third quarter and the volume of fuel sold here. And supplies well this grew slightly above 50%.

We would like to highlight that at the end of the year, ANAC approved the Expansion I, the beginning of the operation of Expansion I. We are working with 55,000 square meters of capacity of hangars and yards. What we want to do now is to increase this use of capacity of the 55,000 square meters. And with this, we have progressively increased the amount of planes that are permanently in our hangars.

Now in terms of net revenue. 24% of growth quarter-on-quarter, 21% of gross profit and practically 82% of growth in our adjusted EBITDA. The airport has increased its margin quarter-after-quarter and I believe -- and as we -- and we saw more hangar and tarmac [ph] capacity will improve this business division of the company. Here a brief update of our digital program. Throughout last year, we launched two new apps that are CJ Food that has over 20 restaurants and this is the Fasano app. Now, what is geared towards fashion here we saw CJ Fashion growing in terms of brands that it holds. We believe that there are over 400 brands part of it.

Now when we see specifically the fourth quarter, there was a growth of a 191% of sales and when we compared 2019 to 2020 there was 1,447% growth year-on-year. So here we have good levels of growth. I would like to highlight the sales between fourth quarter of 2019 and 2020 was 420% and year-on-year there was a growth of 2,415%. So we can see that there have been an increase -- there has been an increase of the digital activities and we have followed this. And not least important when we see delivery that from Fasano this grew 9x year-on-year. Therefore, there is a trend and not only a trend, people aren't going out as much, but although, people don't go out, they want to have good

gastronomy at home and JHSF real estate sales we grew 4x the amount of users throughout the year.

I believe that we still have some novelties to show you in brief regarding our digital development, but we understood that it would be very important to update this area during this call. Well, at last ESG is in the agenda of all corporations and it's not different for us. We are organizing a number of internal actions and I would like to share them with you one from the environmental point of view, the company has carried out for decades, this is no novelty for us, we have carried out of actions of environmental preservation and replanting of trees. We have two examples in Fazenda Boa Vista, we work with preservation of native forests, and we replanting trees almost 3 million square meters and we have observed a great evolution regarding the fauna and flora are recovering because of our of our environmental actions.

Parque Catarina where we have the airport, where we have Catarina Fashion outlet, here we have also an oppressive [ph] and environmental preservation area of 2 million square meters and we will continue this way. In terms of the disposal of waste generated in works, the waste is separated and it is discarded and when possible, they are recycled in a correct fashion and we also -- and we are also working with recycling co-ops. The social front, we have highlighted this throughout the year, because we have supported philanthropic institutions, we have a long-term partnership with GRAAC, with Embrace and with the community of Jardim Panorama these are three entities that we closely follow and we see what they do and we value the benefit that they provide to their community.

Both the company and a number of people that work with us are directly engaged in all of these actions. Because of COVID we also donated many times material equipment, basic food, medication equipment, but we also donated -- we also donated in money to a number of institutions that were needing support. Within the company we also have a program for inclusion and plurality that this means we want more diversity in terms of female representation 54% of the holding is represented by women and 40% of the statutory officers are women.

And at last, in terms of governance, we broadened our Board of Directors today's 78% are independent members and these independent members are part of the seven committees that the company has. A number of them have a 100% -- are made up of independent members and the company where has a fiscal council [ph] and so an independent Board of Director, seven committees most of them independent and the fiscal council working.

Now we will go to the Q&A session, and I would like to highlight some messages. Despite the adversities that impacted the business of recurring income hospitality West Gastronomy, here we have net revenue, gross profit, adjusted EBITDA, net profit, our real estate businesses had a sales performance that were strong throughout the year.

Now in the -- on the operational side, the company continued implementing and its strategic plan that was to launch new products, open new malls, new restaurants and also the expansion of the airport and also retail operations. In terms of governance, we

concluded last year a number of entities received support during a very difficult period because of the last year. We carried out actions that improve the profile of our indebtedness and we saw our shareholders base was almost a 190%, we also saw the growth of the average daily trading and at last at the turn of the years, the JHSF3 shares were part of the Ibovespa.

Today JHSF shares are part of the 11 indexes of B3 and in the main index that is Ibovespa. Now we will entertain questions and here I'm going to leave the QR code is to invite you. If you can help us in terms of donations, well, and we would like to thank you before hand for your act of generosity. Mara you can help me, can you help me with the questions?

Questions And Answers

A - Mara Boaventura Dias

(Question And Answer)

We will start our Q&A session. (Operator Instructions) I'm going to try to select, because we have a number of questions and I will separate the questions per segment. In terms of real estate development, many people are talking about the results and they want us to elaborate on the first weeks and months of the year and the idea of new launchings per cluster.

A - Unidentified Speaker

Okay. So I believe that -- and this is -- we are seeing a movement here. So there are a number of impacts of other businesses when we compare -- when we see January, February because there was a possibility of going out and even the time the establishments were open. There is nothing radical here in terms of changes of scenario just because we changed year. What we see is that the process continues practically the same. So in terms of launchings and clusters, we saw launch Boa Vista village, there are a number stages that will be launched and we will continue with this throughout the year.

In the Sao Paulo cluster, we are preparing the rail park project and we believe that we will launch it in 2021. And we are also continuing with the Parque Catarina project. In these three fronts regarding real estate development, I believe that we are focused on our long-term objectives. Now recurring incomes in shoppings, one is occupancy is below average.

A - Mara Boaventura Dias

Why? Why are we below average? In addition to this they asked about CJ Shop in Jardins if this will be replicated and all those CDs in Brazil. In terms of digital, what is our future strategy?

A - Unidentified Speaker

I will start with CJ Shops. Well, currently we do not have early project in mind to be deployed outside of Sao Paulo. In Sao Paulo, we do have a project underway that is Faria

Lima Shops. Now regarding the occupancy rate, our occupancy cost is lower, because our shop owners pay less of occupancy cost. So this represents their growth in sales and how stable the expenses were with condominium and with lease.

It is important for everybody to closely follow this indicator, especially when there is an increase of e-commerce. So the take rate of e-commerce is a figure that we have to pay close attention -- and this end to compare it to the occupancy cost. When I was explaining the recurrent revenue that we are comfortable with the level of occupancy cost in our shopping malls, because we see this level that is slower. So this helps us to feel reassured regarding the sustainability of our business in the long-term and perhaps this is one of the reasons why we have been able to maintain an occupancy rate at a higher level.

The third question that was posed was regarding the development of digital. The development of digital is not something that will end tomorrow or next year. This is a constant transformation about through which all companies will have to go through, because there is a transformation of behavior from the population by and large. And today, they practice omni-channel buying. Today, we have a physical platform that is very sturdy. And what we're doing through digitization is giving more comfort and more access to our products and to our services through the digital channel. Therefore, there are a number of small changes that we've done and the company regarding how we interact with our customers and we will continue with this process in the upcoming years and perhaps the upcoming decades.

Speaking of the executive airports, there are questions to elaborate on the strategy of the airport and the internationalization of the airport. Regarding the internationalization in the beginning of this year and the end of last year, we interacted with the agencies of public administration, because we had to fulfill stages. And at the end of all these stages, well, this will conclude in the internationalization of the airport. This is an ongoing process right now.

Well, COVID hindered this process and time has extended, but we are still making progress toward the internationalization. Now in terms of investments, the thesis of the company -- well our assumption is that we are a company that works for a public of high income. And in the past, we identified that there was a gap, a major gap regarding servicing these customers in their traveling needs. Therefore, the airport is just one part of this strategy. This is more the brick-and-mortar part of the travel experience, and we believe that we have honed this and a number of spheres like for instance, when we bring to the airport, the gastronomy -- when I say airport, it's not physically within the airplanes, when we create an environment of boarding lounge that is more connected to the household of our customer than a cold boarding room of an airport. When we take comfort to the passengers or to the -- here, we have flight programming and lounge a place to practice exercises, that would be for the crew.

So we do realize that there is -- that we are providing services beyond what is expected. And little by little, we are including this in the airport. This is one of the longest runways, private runways that we have in the country in terms of safety location. There is -- there are like two dozen factors and these are points that we have insisted on and we have positioned the Catarina Airport as your main options for executive traveling.

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If we intend to expand the airport, another question here, the commercialization we have already sold, half of what was added in terms of expansion at the end of last year. So there is still a very positive demand. So we can have more airplanes in our hangers. And once we have this capacity occupied, we will take an additional step to add new hangers. From the physical area point of view, there's a great amount of space to grow. And what we are doing is investing our capital or the additional capital that we have in the airport according to -- in this demand for space.

And the last of hospitality and gastronomy, your plan of international expansion. And like in CJ Food Delivery where we united digital and brick-and-mortar, do we have any other type of partnerships in mind? So regarding the international expansion, during the pandemic, we never stopped analyzing this. And as tourism has strongly hit throughout the world, I believe that perhaps this will offer opportunities that were distant in the past. Now regarding partnerships, we are a company that is open to partnering with other companies in order to improve the service that we provide to our customers. It's a benefit for the customer. Yes, we will stop, listen and we can even try to develop additional solutions to all of the solutions that are already -- exist, especially the ones that were developed in the last year regarding gastronomy.

There's a last question regarding real estate development that it would be interesting to highlight. There is more than one question is a Palo Alto in Catarina Park, they want to understand what - Parque Catarina. So Parque Catarina it is an area of 7.2 million square meters and initially belonged to JHSF, and throughout time, it was divided into 1 million of 2 million square -- that is a preservation area and the other 5 million square meters are is an area for Real Estate development.

In these 5 million square meter, we have 5.8 million square meters occupied by the airport something close 600,000 square meters, 700,000 square meters, that is the current Catarina Fashion Outlet and two clubs [ph] of lands that are adjacent to this area right beside the Castelo Branco highway. And within this equation, we have around 2 million-and-something square meters remaining which is an area that XP Investments bought for the Villa XP project. And in this area, JHSF will develop the Catarina town. And we -- what inspired us was a tech center, a tech area with the main financial players of the market that is highly sustainable and integrates life and work. So this is the context of Catarina town.

So these were the questions. I think I tried to read all the questions. If I missed a question, well, RI is at our -- is at your disposal. We also have our telephone number. Thiago, I'll give you so that we can bring this presentation to an end.

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

Well, once again, thank you very much for participating. I would like to thank our team. Congratulations for your effort in 2020 and we will continue in 2021 delivering excellent results to our shareholders. Thank you very much for your participation. Mara, thank you very much for helping me throughout the conference and our public. Thank you very much; and Mara, also for Investor Relations Director of the company. Thank you very much.

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