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PRESENTATION

Operator

[Interpreted] Ladies and gentlemen, good morning. Thank you for waiting. Welcome, everyone, to Multiplan Third Quarter of '20 Earnings Conference Call. Today with us we have Mr. José Isaac Peres, CEO; Mr. Armando d'Almeida Neto, Investor Relations Officer and CFO; Mr. Marcello Barnes, Development Vice President; and Mr. Hans Melchers, Executive Officer. We would like to inform you that the presentation that will be made is available for download at ir.multiplan.com.br. We would like to import you that this event is being recorded. (Operator Instructions)

Before proceeding, we would like to mention that forward-looking statements that might be made during this call in relation to the company's business perspectives, operating and financial projections and targets are beliefs and assumptions of Multiplan management as well as information currently available to the company.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions as they relate to future events, and therefore, they depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may affect the future results of the company and may lead to results that differ materially from those expressed in such forward-looking statements.

This conference will last 60 minutes. After this period, Investor Relations team will be available should you have any additional doubts. Now I would like to turn the conference over to Mr. José Isaac Peres, CEO, who will start the presentation. Mr. Peres, good morning. Once again, thank you for the opportunity, and you may begin.

José Isaac Peres - *Multiplan Empreendimentos Imobiliários S.A. - President, CEO, Chairman of Board of Executive Officers & Director*

Good morning, ladies and gentlemen, and I would like to start my presentation with 2 remarks that have just occurred to me. The first one is that you should never roll against the tide. And in the circumstances, you should not -- I know that the market is very volatile, especially in a quarter in which the company presents its best historic results in these 46 years of activities, as we will be seeing.

Having said that, I'm going to read some remarks to you. In the third quarter, we have already seen the return of the operations and the recovery of sales and the revenues. And in fact, we were able to see the force of habit prevailing over any other entertainment options for the shopping centers and the speed of recovery that we had and our strength and the results and the operating results make it very clear that shopping centers continue to play an important role in society. And this pandemic accelerated digitization and -- but human beings want to be together in spite of the digital identity.

The financial performance, we see record driven by contingency measures and our development strategy in the real estate activity. Our net income in the quarter was BRL 569 million. In the first 9 months of the year, we had BRL 817 million. If we include the sale of the office stores, the Multiplan's net income would be around BRL 300 million in the year, therefore in line with what occurred last year. I would like to mention that in the first 9 months of this year, during 4 months, we were practically closed with revenues of around 10%. And in October, tenant sales are already higher than 80% comparing to 2019.

This nevertheless is presented has already exceeded 90% in some shopping centers such as Brazilian Mateo and in Rio Grande De Sur and Campo Grande in Rio de Janeiro. And we still have 2 good months ahead of us, November and December.

And considering the recovery that occurred in October and the lifting of a major part of the restrictions, our expectation for November and December that sales should be close to the sales that we had last year. I would like to remind you now the following. In January, February and up to March 15, we were growing very steeply vis-a-vis the previous year. When the shopping centers had to be closed and we were the first company to take this initiative, and as we -- some authorities said this closing of all the shopping centers should be around 15 days and they lasted for about 4 months.

You can see that, let's say, if we had had all these months this year with the shopping centers opened regardless of the activities of the real estate activities, our net income would have been much higher, and I would like you to understand everything that we are saying here.

I always say that in a not too distant past, the company had, as its flagship, the real estate activities. And over time, we started to invest more and more in shopping centers. And this was a very rightful decision, and we will continue to do so. Shopping centers will be our flagship.

But now with the reduction of the inflation rates and also the interest rate, investments in real estate becomes extremely attractive. And due to this reason, we have placed the team 100% dedicated to this sector. This will be an independent department in the company or possibly a new company. Currently, we own 1 million square meters with projects already approved for the selling areas in different regions of Brazil, and we do not need any additional capital because these properties are already paid in full.

Our PSV under this asset that is in real estate and -- is around BRL 8 million to BRL 10 million. These are lands that are closed in the shopping centers that we acquired over our trajectory, along our trajectory and the total value is BRL 0.5 billion. It's a very low value, and this allows us to launch products at very attractive prices.

At the beginning of next year, we will be launching the Golden Lake project in Port Alegre. And the free launch will be in January, and this will be the first phase of a project that could go beyond BRL 3 billion in PSV. It will be carried out in stages over 8 years, such as was the case of the Golden Green and Baer that you know in Rio de Janeiro.

This is a magnificent project. This is a private impact with unprecedented characteristic and facing the Guaiba River and very close to our various shopping mall. All in all, we will have 18 residential towers and 1 office tower. And this October, we have already thought that the organization work with an area of 163,000 square meters. That is to say a new neighborhood a new district with outstanding characteristics and unprecedented that this will be a landmark with the concept of a closed condominium with a golf course and facing the Guaiba River and the other one was facing the sea. And here, we have a spectacular lake with an artificial beach. And I believe anybody would dream of living in a place such as that one.

So we have already acquired over 2 years ago, and we are having very competitive prices, but we continue to focus on all the real estate diversity residential, office, medical centers, hotels, hospitals, and these projects will be generating additional traffic for the shopping centers, stable benefit from the characteristics of our monies hub.

And we also have expansion planned for our shopping centers, almost 200,000 square meters of gross leasable area. Next year, we will be starting the expansion of the ParkShopping Varian, disbandment Mall in Balloons. And in October 2021, we will be inaugurating the Jacarepaguá ParkShopping, the 20th shopping center built by our company.

We were the first company in the world to build 30 years ago a medical center within the BarraShopping. We're talking about [42] clinics that carry out 250,000 consultations and exams every single month. And I would like to mention about our focus that has always been on held facilitating the life of our consumers. In the context of the international association of shopping centers, the recommendation by the association was that shopping centers should have medical centers. You can see that we already saw the synergies between health and entertainment that was the focus of shopping center 30 years ago.

We also have a medical center in Reber Andres. We are building one in Curitiba and curiously, the biggest demand that we see today are for the medical centers. So you can see that the shopping centers have capacity to adapt to the new way and the new habits, and I always say that the shopping centers continue to be oasis in the middle of large cities.

For instance, what would be -- what would happen in the cities if all the shopping malls should close? It will be a tragedy because the Street do not offer the necessary safety. They're not healthy in the sense of people being able to work and carelessly. And with the pandemic, with the destruction of about 50% of the stand-alone stores, what happened was that we had this social isolation, so to say, here in Brazil. And this was not the best choice from our viewpoint of vertical isolation would have been much better, because it would have avoided mass unemployment. And of course, we wouldn't have the activities of -- with mortality rates lower than 60 years of age. So what I mean is that this was not needed.

And unfortunately, pandemic was politicized not only in Brazil but in the whole world. I would like to mention the following. We have the initiative of an international company to carry out PCR tests on 60 surfaces of our shopping centers in São Paulo. And the objective was to check the absence or presence of coronavirus in shopping centers in the state of São Paulo, and this is an international level, and they collected 60 samples on 60 different surfaces, such as we do with the regular PCR that is to say, the same thing that you do with a PCR and your node. So we did that on 60 surfaces between August and October this year.

And the results showed that there were no trace of coronavirus detected in -- on none of the surfaces tested. So the result of all the samples was negative. And I would like to draw attention to the fact that we anticipated ourselves. We hire the technologists in order to guide us, and we establish a standard that regardless of all the official standards that were very good, but we implemented, with the help of all these in technologies and sensing all the air conditioning systems and temperature of all clients and now people are coming back to shopping centers, and they feel safer. Not safer in the sense of the safety that we have always given them, but I'm talking about safe health-wise.

And so we hired these dollars since the beginning of the pandemic, and this shows that shopping centers are the safest and most hygienic public locations in the country. And as a consequence of the pandemic, we are being approached by many retailers that only operated with stand-alone stores, and that now they want to count on the benefits that are offered by shopping centers. Because we offer physical and sanitary safety, client traffic, parking capacity to reduce cost and facility of integration of e-commerce with the whole logistics chain. And among retailers, e-commerce ones were the ones that really approached us the most. This is very interesting, because they wanted to have access to areas and spaces in our shopping centers.

And in spite of all the restrictions that are still in place, we already see sales exceeding 80% of the amount that we had last year in all the regions, except on São Paulo, where reduced opening hours was extended for a longer time, and we are keeping our support measures to the retailers who helped us to sustain our occupancy rate today at 95.3%.

What I mean by that is that when this started, I thought we would be losing 20% of our retailers, and we only lost a handful, because we had 92 and now it's 95.3. It was 98. It was 98%, and now it is 95.3.

Just to finalize my remarks, I would like to add that in the last 8 years, the digital tools came to add more sales also through the physical shopping malls. So we have a program in place in order to support all our tenants, and we will soon be offering a new tool in this regard.

Those who know -- those who do not know how to make a shopping mall, they believe that all digital is everything. But those who know how to make shopping and started almost 50 years ago, and we built the Greta mall, and this was the first one that we had the joy to build.

Okay. Digital is great, but your presence is irreplaceable as people, above all in this isolation, because this isolation, social isolation has been the most painful things that we have ever seen in our last time. The rates of depression and mental problems have increased steeply.

And people stopped going to hospitals because of fear of contagion. And so this was very bad for health overall. And I think our people, those who have given all their dedication to the company, and there was earning -- a major decrease in the salaries of our people, and this was their collaboration. But now it has become something very rewarding, because our shopping centers have no risk from the health viewpoint. And the result of all this concerted effort was our -- going back to this level of sales that we did not expect, given the situation. And in this time, we had BRL 800 million that came from the sale of the office tower, and this is the reason why we were able also to present such good results.

And now we are going to bring more results. By means of this new company, we do not need additional capital, because we have everything we need, and that's very good historical prices. And this will be generating a major net income to the company over the next [10] years. And we are still thinking about the details and how we are going to put this in place, et cetera. But I would like to thank all our employees, our tenants for all the sacrifices that they made when the shoppings were closed. And from the tenants, we received only half of the condominium expenses we waived the other 50% and others, because we are the creators, but the soul of the shopping centers are this tenant. So I would like to thank our tenants who are very courageous. And in spite of all the adversity, they went back and they reopened their stores, and they are always with us. So I thank everybody who participates in our companies, our -- also our investors who have been with us in these difficult times. Thank you very much.

Armando d'Almeida Neto - *Multiplan Empreendimentos Imobiliários S.A. - Chief Financial & IR Officer and Vice Chairman of Board of Exec. Officers*

[Interpreted] Ladies and gentlemen, good morning. This is Armando. We are still in isolation and restriction mode, but even then, we had strong operating recovery in the third quarter with less operation time equivalent to 51.7% of the third quarter of 2019.

We had better results for hourly rent, 55.5% when compared to the prior year. Same growth is observed in October getting closer to pre-COVID levels. Analyzing the comments from analysts, we see that this increase in the third quarter is clear when we analyze our receivables due on the following months, which go from BRL 42.8 million in June to BRL 83.7 million in September 2020.

Sales and people traffic recovery allowed a lower occupancy cost in the third quarter since the IPO in 2007. It was 11.8% comparable only to the historical lower cost in fourth quarters, which happens thanks to Christmas seasons. And more important, that turns our properties more attractive to tenants in the short term as well.

For those that are analyzing and concerned about vacancy, we see a great immediate attractiveness there. Another extremely positive aspect was the strong rent revenue recovery followed also by a significant drop in the delinquency from 16.3% in the second quarter to 7.2% now in this third quarter.

Commercial activities resumed with 90 new store rentals, a turnover of 1.1% of the gross leasable area. Our efforts to adjust the company and our properties to the pandemic effects are still bringing good results. One of them is a reduction in property expenses, 6.8% of the tower expenses and also shopping mall expenses, it was reduced. And despite of the higher vacancy, and as Dr. Peres mentioned, lower headquarters expenses and 48.5% vis-a-vis the same quarter in '19.

Diamond tower sale, which is part of our multiuse strategy, that's part of our activity, that allowed a strong financial deleverage, bringing down our net debt over EBITDA ratio to 1.33x. In this quarter, we issued BRL 400 million in new debentures prepaid that in the amount of BRL 388.4 million. Basically, that's what we're indexed to TR, the reference rate, and we renegotiated the cost of a loan also index in TR.

The actions allowed us savings of BRL 23.6 million at net present value. Net financial expenses here, that is the gross expenses less than what we received in investments, those expenses were down 46.4%. So having said all that, as the gross debt average cost was down 40 bps to 3.13% a year, a little faster than SELIC rate, which dropped 25 bps.

In this quarter, we also bought back 1,955,700 shares. I'm trying to give you more transparency and more information about details also about the selling of our tower. We reached a cash generation record measured by the EBITDA or by the FFO as well as a new net income record. I usually say that our -- that to our investors and analysts that we already discount from the FFO the noncash effect once again, so that we can have greater transparency and so that our FFO is a good indication of cash generation.

And using technology, we continue investing in projects that may bring Multiplan and its tenants greater access to different markets as well as it will allow consumers to have even more convenience. Recently, we launched a beta version for sales via Whatsapp and participated in a new round of capital increase for delivery centers, and our share today is 26.5%. Our MultiSuper app has now 8x more active users than the same period of 2019. It's still low. We are going to grow there, and we will expand its marketplace functionality to a total of 16 of our malls until this year's Black Friday. That's going to be within 2 weeks.

So to conclude, I hope we have been able to show you that instead of wasting time and complaining about what happened, we dedicated ourselves. We worked hard to overcome this huge challenge. And now we can celebrate the quick and strong operating and financial recovery we had in the third quarter. Thank you very much. And now I turn the floor to the Q&A session.

QUESTIONS AND ANSWERS

Operator

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

Alex Ferraz - *Itaú Corretora de Valores S.A., Research Division - Research Analyst*

[Interpreted] I have 2 questions. The first one has to do with the turnover. This has been a positive surprise. The appetite for new spaces, and we already expected the turnover, but the demand for new areas is surprising even more so if you consider this challenging scenario. So what do you believe is driving this appetite?

You mentioned the retailers that only have stand-alone stores, and they want to take advantage of the advantages offered by malls. And also, you made it very clear this correlation between the sales performance and the restrictions regarding the opening hours. And last week, we saw -- I think it was on Valor's publications mentioning tenants that wanted to reduce the opening hours. Do you believe there will be a discrepancy? Or do you believe that the news publicized by this publication has nothing to do with our tenants? This is the base.

José Isaac Peres - *Multiplan Empreendimentos Imobiliários S.A. - President, CEO, Chairman of Board of Executive Officers & Director*

It's very difficult to acquire a good shopping center. So we do have this appetite. How you're talking about new tenants, the new tenants, okay. Now I understand your question. This is happening very frequently. These are retailers that thrive in stand-alone stores and they now want to go to the shopping centers, because they know that it is much safer, and it is much stronger in terms of attraction. Of course, there are momentary difficulties such as the ones that we are having now. But there is something called creative destruction. Whenever you open a new space, there is a new one opening up. And our shopping centers have a very high occupancy rate, around 98%, but some areas are being replaced easily, and this is a very positive thing.

As we said before, in spite of all the difficulties that we were facing, we are delivering sales figures that are very similar to what we had last year in spite of all the restrictions that continue to be in place. And regarding the opening hours that you were mentioning, this happened in São Paulo, because in São Paulo, the restriction was bigger.

In a period of 8 hours let's say for retailers, they thought it would be better to have 8 hours open in a critical situation and have the 2 different shifts. And financially speaking, that would be more advantageous, but most of our shopping centers today have these viewerships now. And in São Paulo, we again have to shift.

In some shopping centers in the interior of São Paulo, they no longer -- or they still do not have 2 shifts. For Alegre, for instance, does not have 2 shifts. So this is the situation.

Operator

From Santander.

Bruno Mendonca - *Banco Santander, S.A. - Sector Head for Real Estate*

[Interpreted] This is Bruno Mendonca. I have 2 questions along the lines of the previous question, which has to do with vacancies. Some people are concerned with the increase in vacancy. But probably, the retailers that were not having a good performance, they did not wait for Christmas and they decided to leave before Christmas. And how do you evaluate the health of your tenants in your shopping centers?

José Isaac Peres - *Multiplan Empreendimentos Imobiliários S.A. - President, CEO, Chairman of Board of Executive Officers & Director*

[Interpreted] This reminds me of a song that this year is not going to be the same as last year, because differently from the previous years, people easily rushed to open the store before Christmas, and they want to have everything ready to go. And what happened was that we saw this movement before. It was earlier because of so many months closed. We are having this earlier this year. So it's really the opposite.

We see the new rentals with a better quality, because they want to be ready for Christmas and they want to save -- to surf this wave and we see new brands and new segments that are participating in the shopping centers, and they want to stay in the medium and the long run. And they are taking advantage of this opportunity, because today, we charge much less the promotion on 30% condominium between 70% and 80% of what we used to charge.

So they want to take advantage of these very attractive situations. They want to tap into this opportunity. So the retailers that were -- only had stand-alone stores and restaurants that were only outside shopping centers, and they want to be present in our malls now. And we believe that all in all, it's going to be very attractive. And we believe that the vacancies that we still have will be very much sought after -- as of next month.

Of course, it's very difficult to foresee what is going to happen. But this year, we believe that it's going to be exactly the opposite that happened in the previous years. We will see this recovery at the end of the year and beginning of next year. And we believe that vacancies are going to go down and not up. For me, there is something that is undeniable. People who were isolated through all this time and many people remain at their home and social distancing. And all this created a pent-up demand so much so that our recovery is be very fast.

People are tired of staying home all the time, and the shopping centers are places of convenience and their meeting points, and people cannot just live with whoever lives with them in the same home. we are good areas. And what I mentioned during my presentation, the force of habits and even when the shopping centers were closed, people came and they knocked at our door and said, well, I just want to see the shopping center. And at the beginning, when we only had supermarkets and drug stores operating, people wanted to come. They wanted to come as entertainment, because our cities today, they are very inhospitable.

People are afraid all the time, and they want -- do not want to walk in the street. They are afraid. So our consumers on most of our shopping centers come by car, on their own cars or they use Uber, so not come walking anymore.

And what is happening, I think we would not expect, but this shows what I call the strength of habits. People have nowhere to go. In Rio, you have either the shopping malls because the theaters are still closed, and the cinemas are closed or nobody goes, and you cannot hold any event. And when everything comes like a full team, I believe that we have a lot -- we will have a lot to gain from that.

We are recovering 80% of our sales with restricted opening hours in October. And I didn't answer your second question. You were asking about the tenants. And just to (inaudible), I think a good indicator that translates quite well was delinquency.

It dropped. This is a very positive information, because you see that we are selling more, and we are being more efficient in collection. We made a study about that, and you can see that sales had a very strong recovery. Okay.

Operator

Now we have Marcelo Motta from JPMorgan.

Marcelo Garaldi Motta - *JPMorgan Chase & Co, Research Division - Research Analyst*

I would like to know if Peres or Armando could comment on this multiuse project initiative. They mentioned that Multiplan created a different company to operate that. I would like to understand further if they have more details. Are they going to have separate results, a different management, additional costs? I would like to better understand the initiatives. And also when we think about growth after the Golden Gate, which are the projects that they are considering? Residential, commercial projects? And also, more information on the MultiUse app.

José Isaac Peres - *Multiplan Empreendimentos Imobiliários S.A. - President, CEO, Chairman of Board of Executive Officers & Director*

As I said, Marcello, obviously, we have -- and it's not on my hands right now the list, but we do have a list of all the cities where we have projects. And it will all depend on other issues. But we have here in Rio Grande do Sul in Jacarepaguá, also in Curitiba, Campo Brand in Rio de Janeiro, in Canola San Cayetano as well. The area in San Cayetano is 73 square meters by shopping soon. The area that we consider for that project, the Golden Gate, we have [294 130] spare meters. So if we add that all up, we have around 177.205.

We have Annalisa in São Paulo. Also here, another area in Rio, an area that we acquired from Walmart. We have another area in Maceo. Roberto as well, that's where we were pioneers. We have a huge area there, around 200,000 square meters to develop real estate activity.

And these are great locations, because the land that we acquired at the time at BRL 1 per square meter, it was a farm. It was a sugarcane plantation, so we purchased part of that land and that turned into a shopping mall, which grew. And today, the last piece of land that we acquired there for the one that we paid BRL 1 per square meter or whatever currency we had at the time.

Now not long ago, it was at 3,000 square meters or BRL 3,000 per square meter. So you see how much of that appreciated, thanks to the shopping mall, and this piece of land is in the surroundings of those malls. So we didn't have anything in that area. And also in Belo Arizona, we want to the former VR for a road. I think it's the R3, the name of this road now. So this is a road that connects Belron to Rio de Janeiro.

So the whole new neighborhood started surrounding that mall in this area. So here in Rio de Janeiro, BarraShopping, as we said here, when we came here, it had 40,000 and now it has 500,000. So I believe that because of all these reasons, part of these areas have been separated for the mall expansion. But obviously, we still have 977,000 square meters that will give us more or less a building area of 1 million, one time in that area. So -- and we are being very conservative here.

We have approved the projects with other types of occupancy rates that are better. So we have here a buried treasure. It hasn't been found yet. And now we are going to show you what we are going to do. I think you are going to be very pleased about it.

I don't know if I addressed your question. Just adding to this, he asked about the structure. Well, this is it. The internal structure, and we are going to work on an internal management. Everything is going to be separated, but everything is under Multiplan. I also said create a new company, also 100% under Multiplan. But we are not going to list the company or -- no. Maybe in the future, we might be able to have a strategic partner if that works for us. If that partner adds to us know-how and capital, that could be a good idea. But the company has 57 years of real estate know-how. In the first 12 years, at least, and I already brought that to the team. And I'm an expert on that. I've been working in this real estate area for 57 years. So I was in Porto Alegre yesterday coordinating launching that we will hold there.

And I think that with the interest rates that we have now and the financing possibilities that we have, the real estate business is highly attractive, because not everyone wants to invest only in the stock market.

Well, today, the interest income 2% or 2.2%, that is a very low interest rates for investors, but people do not want to invest everything in securities, in the stock market. People want to invest, and we believe that real estate is a safe investment and will be safe, we think, because the prices for real estate properties are going up. There was a pent-up demand with all of this period, this recession period that we went through and went very high interest rates in the past and at a low interest rate and also low inflation rates, I believe now we have a favorable condition to develop real estate projects.

Operator

Our next question is from Daniel Gasparete from Credit Suisse.

Daniel Gasparete - *Crédit Suisse AG, Research Division - Research Analyst*

I would like to pick up one of the answers about creative destruction and understand his vision of the change in terms of mix. What is necessary? How do you see that the mall change? What could change in terms of the mix combination? And also, we did have an amazing performance so far much better than what we expected in terms of sales recovery. And what do you foresee for the future, so that we can go back to 100%? Is there anything lagging? Are you planning anything for 2021? Do you think this recovery process will take a little bit longer?

Armando d'Almeida Neto - *Multiplan Empreendimentos Imobiliários S.A. - Chief Financial & IR Officer and Vice Chairman of Board of Exec. Officers*

Well, about the creative destruction, I think it's everything. I think this is our beacon. We focus on consumers trying to understand what consumers need and want over the decades, not only years. And then we changed the shopping malls. We adjusted and adapted ourselves so that we did not survive, we grew. We strongly grew.

So imagine what is a shopping mall 40 years ago and a shopping mall today. These are very different concepts, architectural projects that are different. And all of that has changed. And consequently, we always are looking and focusing on consumers. And today, we have a lot of options if you consider an entertainment option. In the past, it was only the movie theater. And today, when you talk about leisure and entertainment in the mall, it's something different. Same thing, restaurants, okay? In the past, we had the food courts. And today, we have that more expanded.

So as we said, we have to replicate a street with restaurants. So we have the food courts, but we also have the restaurants, restaurants that were very few now are many. There are many options, because it's very convenient to consumers and parking the car to be in an air conditioning environment. If you allow me a comment that Morumbi Shopping for instance, we created the gourmet shopping. That was 30 years ago. Bringing together 17 of the best restaurants in São Paulo. And today, the gourmet shopping has 27 of them.

That is -- eating is something that you have to do 3 times a day, right? You are not going to shop 3 times a day, but you are going to eat 3 times a day, so that's it. And also, the shopping malls attract people because of the urban diversity, because of people themselves. The great show and the malls are not at the stores or the restaurants are people themselves. This is a great stage where people like to see each other and be seen. So the essence of the human beings is a gregarious one. Man has learned a lot, and I think we still have those tribal feelings though.

So this is an amazing tool that is going to give us information, reproduce information, the technology, I mean. But evidently, this is not able to motivate a person to spontaneous shopping. It's more of a rationale purchase. And since all purchases are emotional, and I'm not the one who is saying that, there is a thesis here of a famous economist and this was a Nobel prize more -- I think 5 years ago, and he has shown that all purchasing decisions are emotional.

I always work with that possibility with the emotional purchasing. So today, we have ice skating in places in the mall restaurants. We have toy areas, outdoor, indoors. So this is a community area. And that's where society gathers and the force of habit is so great, and you have seen -- even with the malls closed, people wanted to go in having only 3 stores opened like for essential services.

So it's very gratifying to see that we built that in Brazil. For instance, the medical centers when we have this idea of medical centers, and we started one. The idea was to bring people to the shopping malls that was a broad network in the BarraShopping. We have 42 clinics with over 250,000 doctor's appointment. So the idea is that people would go to the doctor that it will be a better experience, because is this something that you suffer when you go to the doctor, but it is a pleasure going to the mall. But since pain and pleasure are the different sides of the same coin, that could be brought together.

And what happened with the pandemic is that the medical center did not work, because the mall was closed, but they were autonomous. They could work regardless the mall's operation. They did not work, not even the test. Why? Because people go to the doctor, yes, they go to the doctor, but first, they go to the shopping mall, then they go to the doctor.

So we did have that typical event. This is BarraShopping and Leblon. These are very distant areas. So the same thing now in Leblon, the same thing that we had in BarraShopping, we had in Leblon. And so people in Leblon said that they prefer to go to BarraShopping than going to Leblon because of this, because it's a matter of pleasure. It's fun. So pediatrics in the shopping malls, that works better because there are toys and amusement park. So up to the mall, it's a pleasure experience. This is the greatest human anti-depressor. So if you're sad, go to the mall.

So if you look at -- if you look all the measures have been changed and will be changing. So apparel, that's one of the main segments in the mall, that has changed. And so I will conclude so that I can answer the second part of your question.

What Dr. Peres tells us every day so we cannot forget, and we have to focus on that, our business is to have people feeling good and feeling good by going to the mall. So that adaptation happens every day. It's constant. Every day, we are talking about shopping mall improvement, some type of renewals, something that we can do that can bring more convenience that can make people happier and a mix that is naturally changing and will continue to change.

And that adaptation capacity is the one that allows the most to be an important tool, especially when we talk about malls in major consumption centers as we have. Yes, some of our malls are just rounded by buildings. And yes, it's difficult not only to make any type of forecast, and we do not make any projections. But when we see that we have the best of the season yet to come, and we are already close to 80% of sales, we are happy about it. We are excited about it.

So maybe if you asked us in April or May, we did not have that expectation of a strong recovery, but I believe the better is yet to come. Usually, we do have a Black Friday and Christmas historically is the best date for sales in Brazil. Well, I have only one concern on Christmas. We might not have enough product and inventory. Since the economy stopped, the production stopped, and I don't think that they are going to be able to cater to this demand.

There is an inflation here, I think, which is onetime off. It's not going to last for a long time. But if we are able to have enough offer products with the good prices that we had, I think this is going to be a great event.

I think Christmas is going to be very good, and it could be exceptional if we do have enough products, enough goods, but we are excited about it.

Unidentified Company Representative

We now come to the investment. I would like to ask a question about visuals and how are you going to integrate. In the past, one of the main difficulties on the part of tenants' inventory management. And what about the integration of tenants? And what is the biggest difficulty that you see in this regard?

Unidentified Company Representative

The onboarding of our tenant is the biggest difficulty. Maybe 1 year ago, you went to a tenant, and you could say, "Well, I really don't want that." And this is why we're assessing new technologies that may facilitate the process of onboarding of migrating and placing the products available. We have about 54,000 products today, no? 44,000 he correct himself, 44,000, available royalty, and this is growing. And this is one of a major focus in digital penetration, that is to say, having more stores integrated into the app.

Once you upload the product and you integrate inventory and there are thousand ways you can do this with an excel spreadsheet. You could replicate this in SKUs and marketplaces, and this is our view by means of this integration that is easily replicable, and then you can generate more value to the tenants as well.

Those who do not know anything about shopping centers very often ask this kind of question, because people do not live in a digital world. People live in the world of flowers, of people and the biggest attraction and shopping malls are the people, a wonderful shopping center offering everything with all the technology possible.

Well, let's go back. What I mean by that is that our world is a world of people. Of course, digital is very important, but as a plug, as a tool. Most of the tenants to date already have their e-commerce, their own e-commerce. They already sell digitally, but they want more, because they know that the present sales are bigger, and they will always be bigger than e-commerce. And what we see today is almost people looking for some commodities.

Let's say a book, a book is also a commodity. Let's say people want a pair of sneakers. What happened is that life is not so simple. Human beings are not so simple and a valid human beings is much bigger than industrial a simple product. And our feelings have not changed. You have to see people.

For instance, we're going to read today, and we have to have learned. So Either we go to BarraShopping or village malls. Nobody goes anywhere else. We would never be isolated completely, because you thrive on the energy of people. This is very important, and there is also a subjective aspect. People like to go to shopping centers to see and be seen. We have our area of digital innovation and marketing, and we look at that as a potential growth as you onboard new products, and you make the integration on a daily basis. You can be sure that we are totally dedicated to this. so it's not enough to be in the shopping or at the shopping. You must have a very good penetration.

Yes, this is an additional service that adds a lot of value to (inaudible). This continues to be dominant.

Gustavo Cambauva - *Banco BTG Pactual S.A., Research Division - Research Analyst*

Gustavo Cambauva from BTG Pactual. I would like to understand, looking at the evolution of your sales and your rents, and the rents are very similar to the level of sales. And given the deleveraging of tenants, I thought maybe you would have -- you would be offering more discounts because of drop in sales. But apparently, this is not happening. So I would like to understand, how do you see this from now on? Do you believe that rents will be similar to sales? Or if the recovery -- well, let's say, the recovery process takes longer. Would you have to resort to bigger discounts?

I would like to understand to which extent this occupancy rate is healthy. Talking about the level, the occupancy rate that we reported in the third quarter is (inaudible).

Unidentified Company Representative

Gustavo, well, this was a surprise to us because given the fact that people are in their homes and many people are still at home because of the campaign that's on TV and by the President that by far, it's seems the reality of COVID. So the biggest hurdle was to convince people to go back to the shopping centers, guaranteeing that shopping centers are safe and abroad the association and our own association met. We got together, and we established a protocol months before the municipal requirements, that is to say to give our customers the necessary protection, and we are very strict in this regard and people cannot go back to shopping centers.

But there are still 30% of people that stay home and that's real and they are afraid of going to shopping centers, but they go to lose this fear and with a study that we carried out, and this study was done by an independent company and internationally respected company. And in 5 shopping centers of Multiplan in São Paulo, they took 60 samples in each one of the shopping centers, and there was no trace of coronavirus.

So this is the most -- or this is the safest public place in the world. So shopping centers are these spaces public place. And now we are going to publish the results of this survey, and we are going to bring to reality what has become a vision.

And this is my view. I don't think there will be any big changes, because the learning curve of coronavirus has already occurred. And most of the people who get coronavirus, they are seated at home that is to say, as if they had a common flu. And only very rarely, they are hospitalized now today and the mortality rate below 60 years is equivalent to a common flu. But the problem is that the press brings a lot of confusion to people's minds, because you cannot live among (inaudible), all the rest of your life because this would be death. It is totally impossible to remain at home for the rest of their life. Otherwise, everybody is going to die.

What's happened with that? If you are home and there's nothing to do, people drink and people eat all the time. And of course, alcohol consumption went up simply, because people out of boredom, they may become alcoholics with this confinement and 8 years of (inaudible). So I didn't stay home. I confess. I went to the office with some of our other officers every single day. And if it were not for this attitude, we would not have achieved the results that we are delivering.

Gustavo Cambauva - *Banco BTG Pactual S.A., Research Division - Research Analyst*

I would like to add something. I think I was not very clear in my question.

Unidentified Company Representative

Well, I don't know exactly what the gist of your question.

Gustavo Cambauva - *Banco BTG Pactual S.A., Research Division - Research Analyst*

But as you have sound sales, and this is what we are seeing a very strong recovery, you readily recover the rent and the occupancy.

Unidentified Company Representative

Well, I don't know whether I really understood your question. But one of the reasons or, I would say, the main reason for the cost of occupancy having gone down, it was because it was able to -- the condominium and the promotion fund. This was the main reason. So we were able to charge a rent that was similar to the sales and by means of the efficiency generated in the condominium, the shopping center became even cheaper, so to say.

And as a consequence, once again, you see delinquency rates going down, and this is evidence of the sustainability of that. I really don't understand -- I really don't know whether I understood your question. It was very difficult to understand. This now is not good. But I think this is a correct answer. Was this your question?

Gustavo Cambauva - *Banco BTG Pactual S.A., Research Division - Research Analyst*

Looking at the occupancy cost drop vis-a-vis the historical average and the drop of sales that was relatively big as is in this quarter. My concern here has to do with (inaudible) being healthy financially in this context with this magnitude of drop of the drop. Tenant's profitability went down steeply in a scenario more similar with October with a drop of about 20% of sales. What would be the adequate occupancy cost? Should it go down even further? Or could it start recovering?

Unidentified Company Representative

Gustavo, during the critical period, we charge only 50% of condominium expense and, of course, we had a loss. We only charge 50%, 0 promotion funds, 0 rent. We maintain that, and we started to collect rent according to their sales.

And now, for instance, in October, I believe that we will be able to charge 85% of what we used to charge, because sales are getting close to 85%. So let's say, we had to pay rent or finance the rent that we didn't pay. We were the company that reduced the most expenses in shopping centers and the company that charge less than all the others from our tenants. And I believe that now in November, December, we are going to recover this partially. All prices generate opportunities and the opportunity that we saw in this crisis was that it is possible to operate a shopping center with more technology and less people, and this is what we are doing. And because of that, we are reducing the occupancy cost, which has to do with the rent plus condominium plus the promotion funds.

And there is another one that is not -- we are not able to reduce. We're making effort. And we are, for instance, placing solar energy in some shopping centers, slicing the cost of energy by 50%. So some years ago, we saw the opportunity of using solar energy in some of our shopping centers. And in the Village Mall, for instance, we reduced by 50% of cost of energy. And in the future, we expect to be suppliers of energy at a very, very low cost, maybe reducing the cost to 20%.

So this is something additional that we want to give our tenant is we have this expense of BRL 500 million, for instance. We can cover all the needs of energy by using solar energy alone.

As the tenants sell more and more, this is an operating lever, because the rent becomes cheaper and cheaper. So you continue to recover rent. The key is the performance of sales and build shopping, becoming stronger and stronger. You have to look at the strategy of each one of the malls and the mix and the measures that are being put in place to drive sales.

Operator

Next question is from Nicole Inui from Bank of America.

Nicole Inui - *BofA Merrill Lynch, Research Division - VP*

I have 2 questions. I would like to go back to the condominium costs. With the malls now reopening and with extended hours of operations, you were paying for additional costs, right? How do you see that from now on? The condominium cost as I mean, because now we have greater hours of operations. And are we going to see a permanent discount from now on?

And the second question, for the second question, I would like to go back to the mix. You have a new mall that's going to be opened next year. So when you think about the mix, has anything changed before the pandemic and now for this mix that you will have in this new mall? And then can you give us an update about this mall so that we can understand how it's going to work in Jacarepaguá.

Unidentified Company Representative

Well, the condominium costs are constant effort regardless COVID. Obviously, that -- sometimes for the tenants, this would represent 60% to 70% of different costs, and we have brought that down a lot. And on the other hand, the system improvement to the use of technology and so on and also the solar energy in which we have been investing, all of that will allow us to bring down costs in the future. But we do not see for now, and I mean, we don't have any complaints for now.

The tenants are very happy. That's what we have seen, and that can be reflected in sales. Even with restrictions, we cannot hold events. The malls are not operating -- not operating 100% in movie theaters, and play houses and other areas. But even with these restrictions, the sales reacted well. And we believe that November and December, we are going to have results that are very close to last year's.

And if we were to have more products, because I believe we will see a domestic and national problem here, I think we would even have a better performance. Obviously, industries started manufacturing late, and it's going to be harder to replenish the inventory. But I believe that Jacarepaguá is going to be a surprising mall. We will have a large green area. We will have stores that will be facing outdoors and indoors. We will have restaurants. And we will have an official scaling bring to or area for people to have on.

And all of that allows us to bring to people something that makes them happy that brings them pleasure. Therefore, we will have also better revenues and better sales.

About sustainability. If you look at it, we were charging 50% on with the closed malls, and then we raised it to [70%] and we had several restrictions then, and now the malls are -- we've extended our operations. And then we increased that little by little.

What we have seen is that next year, we will still have condominium cost that is nominal that is going to be lower than last year's. Campo Grande, one of our malls there, our mall in Campo Grande in Rio, Campo Grande in Rio, sales are -- have already been higher this month than when compared to last year's in the same period, even with all the restrictions. Masato, we have the same effect. And this is also with lower costs, but they are sustainable.

We dropped the condominium costs without having to invest money. It's not that we lowered costs than we had to pay for the difference. No, we were able to restructure condominium costs and we did have a quick reaction in order to help tenants in this difficult period.

About the mix that you asked before and after, and this -- all of this moment, this period has shown us that the path that we were following to have more parts, to have greener areas, all of that integrated to the malls, this is a winning path, and that's the path of the mall of the future. And now we see that even clearer. We will have outdoor areas. People will have coffee or chocolate. They will sit outside. They will enjoy the moment.

So we are sure that this is going to work. And this is thanks to what we have already been doing and researching and investing in our undertakings. We know that we are following the right path, and we believe this is the mall of the future.

And your last question about GLA. 60% of GLAs already allocated in Jacarepaguá mall, and we should open it in the fourth quarter of next year. Not should, we will open it in the fourth quarter of next year.

Operator

Next question from André Mazini from Citibank.

André Chaves Mazini - *Citigroup Inc., Research Division - Assistant VP*

First question about cash position, BRL 1.8 billion after the tower sale. I would like to understand what is your mindset for this cash. It's high, but it's good to have cash in hand in a volatile moment, but it's above the optimum cash that you want to have in the long term. And then if you can maybe tell me, if you have new projects, acquisitions.

Mr. Peres said that he has a request for acquisitions, but it's hard to buy good shopping malls. But what can we expect on that?

Second question about the Multi app, an interesting partnership with Whatsapp. I would like to know if it makes sense to bring in tenants that are not in the mall in the Multi app. Maybe you would have a network effect of consumers, the more tenants or stores that you have and the platform better for consumers and that could generate a profit for your GLA and also greater occupancy for your GLA as well.

José Isaac Peres - *Multiplan Empreendimentos Imobiliários S.A. - President, CEO, Chairman of Board of Executive Officers & Director*

Well, André, about cash, we analyze -- we analyze the past 3 months or actually August and September. You can clearly see what we have done. We improved the cost of debt, specifically prepaying some of that indexed by TR. And then we improved the cost of funding, the cost of the gross debt of the company.

Also, well, now looking forward, looking to the future, I'd rather not mention and not talk about projections. But if you analyze our amortization, you will see that we have 150 million or 449 million of debt due now in the fourth quarter, and we are prepared to pay them off. And on October 23, we already paid interest on equity that have been posted in September and December of 2019 in the amount of around BRL 248 million, because they have been already discounted taxes, which have been paid off in the income tax return.

So this gives you an idea of our cash for this fourth quarter, okay? Obviously, the company is deleveraged and the opportunity that you mentioned is there and the market is like what we have short-term, long-term money. We have low inflation. There are a lot of companies that allow us to leverage the company if we wish to do so, right?

I can tell you the best investment that we can do right now is to buy shares of the company itself, because it is under valuated I would say, right? Can I say that? Or can I not say that? I don't know. I'm not the technical person on that matter.

Armando d'Almeida Neto - *Multiplan Empreendimentos Imobiliários S.A. - Chief Financial & IR Officer and Vice Chairman of Board of Exec. Officers*

Yes, that's right, Dr. Peres. We look at a discount and the amount of the fair value of our properties. It's 44%, of course -- this is very high and for those that have the fair value, you can say, but the fair value that you calculated. Well, we sell the piece of property of BRL 810 million above the fair value of the company that was posted in the company.

So this transaction shows how much the fair value for us is very conservative. And also, you can see the opportunities that lie ahead. Now about stores -- sales stores -- store sales that are not in the app. Well, our objective here is to learn, André, and all the data that is generated is extremely good for us. We learned from that.

We are not retailers. We rent areas for retailers. So we want to see which is the better strategy specifically in this technology market that is changing a lot. This is constant learning. That's why we are testing this version and eventually, that scale might make sense to our app. But we will have to analyze that further. Okay?

Operator

Jorel, Morgan Stanley.

Jorel Guilloty - *Morgan Stanley, Research Division - Equity Analyst*

I would like to get into accounts receivable of your rent. You talked a little bit about that at the beginning of the call. We have here [40 million]. I remember that to a more conservative in provisioning. How should we think about the account receivable now? Have they been paid in October? Are you sure that they will be paid in October? And should we expect an increase in receivables from now on?

Unidentified Company Representative

Well, thank you very much for your question. It's quite technical. I would try to answer it. Otherwise, I have so many people around me and who are competent and maybe somebody will hop in.

Accounts receivable. Well, this will depend on the way you look at it. The accounts receivable is from rent, from parking, from real estate sold, because we have a multiuse strategy and that we finance our buyers, and it would be about BRL 50 million. So accounts receivable is something very extensive. But in order to answer your question, I will talk about the key money plus rent, okay? I'll limit myself to that. And then I'm giving you 2 different viewpoints, matured and about to mature, because this is going to be different, so let me check.

We have an account receivable of, if I'm not mistaken, BRL 196 million -- BRL 196 million about. When you take the past due, it is BRL 80,823,000. And the provision is [BRL 79,070,000], so 99% is provision.

So I continue to believe that we are conservative, because we have to increase our accounts receivable, and I'm already touching upon the second part of your question, we are charging more, increasing more in the subsequent months, because you charge in September, for instance, and then elect in October. And we have been reducing the net delinquency, and this was very clear from 16% to 7% this month.

So in my opinion, we are still being very conservative. This is not done only based on the history. This has to do with the main endeavor made by us and looking at each one of the situations. And if you look at the accounts receivable in the next 30 days, it is already provisioned. For technical accounting reasons, it already has a provision ever since its inception. So I continue to describe our provisioning as conservative.

Now we grew in our receivables and we were able to receive more. So maybe, this is the difference as you see in the calculation. The result of June, for instance, we received only 29%, 30% and now 74%. You can see that it went from 42 to 83. It doubled, but this is good news. It means that we are increasing our collection, and the store owners or the tenants have been before or they are based according to the deadlines that they have, so the strategy that is positive.

And we are not giving like 1 year of term. What we are reporting in rent for cash effect is very strong and accounts receivable reflects this. But over 30 days past due, you can see that.

Well, I made another account here, some math, additional math to facilitate. You have the data for the quarter and I have the monthly data. So I have to take the accounts receivable from the -- not from the quarter, because what we charge in September is going to be paid in October. So BRL 116.2 million, BRL 257.2 million, so you can see a difference of BRL 41 million.

When you look at the difference in the rent from June to September, it is BRL 32 million to BRL 41 million, the BRL 9.2 million difference when you take, for instance, 9.2, and you put this on the share of June and July, you find 7.7%. So was the delinquency 7.2. So it's very close. So this is why we believe we are being very conservative, and we continue to be very conservative in all our actions. Thank you.

Operator

In the interest of time, we close the Q&A session now, and we invite participants who still have questions to contact the Investor Relations department. Now I would like to turn the floor over to Mr. José Isaac Peres for his closing remarks. Mr. Peres, you may take the floor

José Isaac Peres - *Multiplan Empreendimentos Imobiliários S.A. - President, CEO, Chairman of Board of Executive Officers & Director*

I would like to thank very much all of you who have had the patience to participate in this call. And I would like to say that we are very bullish with the perspectives for our company for the remainder of this year. We believe that our results will be even better than the ones that we have delivered so far. We cannot really quantify this for you, as you know. And if you want that, you should buy multiple shares such as we are doing. Thank you very much.

Operator

Multiplan's conference call about the third quarter of 2020 results has come to an end. Have a very good afternoon, and please disconnect your lines.

[Statements in English on this transcript were spoken by an interpreter present on the live call.]