International Conference Call
Iguatemi S/A (IGTI11)
Earnings Results 1Q24
May 3rd, 2024

Operator: Good morning, everyone, and thank you for holding. Welcome to Iguatemi S/A's first quarter 24 results conference call.

With us here today, we have Ms. **Cristina Betts**, the company CEO, and Mr. **Guido Oliveira**, CFO and Investor Relations Officer.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company presentation. In suing the company's remarks, we will go on to the Q&A session, at which time further instructions will be provided. This event is also being broadcast live via webcast and may be accessed through Iguatemi's Investor Relations website at www.iguatemi.com.br/ir where the presentation is also available for download. Participants may view the slides in the order they wish.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of the Iguatemi management and on information currently available to the company. They involve risks, uncertainties, and assumptions as they relate to future events and therefore depend on circumstances that may or may not occur.

Investors and analysts should understand that overall economic conditions, industry conditions, and other operating factors could also affect the future results of Iguatemi and lead to results that differ materially from those expressed in such forward-looking statements.

We would now like to hand the floor over to Ms. Cristina Betts, who will begin the presentation. You may proceed, ma'am.

Cristina Betts: Good morning, everybody. Thank you for attending our first quarter 24 call.

Once again, Iguatemi had a strong pace of growth, a very good performance in sales, and we're going to speak about these indicators very briefly. As we say every quarter, this refers to the company resiliency, the focus on upper middle income, and of course, we want to deliver good results. We continue to be confident in our strategy.

We had growth that was above the average of the sector, we grew 8.7% above the industry sector. According to ABRASCE, we got to 4.3 million in this quarter, 10% higher than the first quarter 23. This is due to the change of mix, we had same area sales growing 7.3% for the period, and same area sales with a growth of 10.3%. We're speaking about total rents that have an impact on our results because we withdrew discounts and the growth in rent, the qualifications of mix, the increase of rent, allow us to remove the withdrawals. We are at the lowest level of discounts in the last 10 years.

In terms of revenue, we had 0.7% in terms of occupancy, and so we have maintained a positive relationship with discounts and a spread of 6% vis-à-vis last year for contracts maturing in this period.

Default also with very good levels. Well, it's not worthwhile removing discounts if we have high default levels. We ended the period at 2.1%, a drop of 2.2 percentage points vis-à-vis the first quarter of 23. The occupancy rate, despite the seasonality, because it's the end of Christmas and the reweighting of mix, we ended the first quarter with 94.1%, 1.4 percentage points higher than the first quarter 23. Once again, very positive for us.

Inaugurations and a record of contracts, in the first quarter 24 we had 60% more inaugurations than the average of the last 5 years. And we had a record of signing of contracts. Typically, the first quarter tends to be somewhat slower, but we had a record of contracts signing. There were 50 contracts that will be implemented during the coming months.

As we mentioned in January – and I said this at the last call –, we became part of ISE B3 portfolio, which is very important for the company. We concluded the acquisition of the Novo Hamburgo Outlet with a cap rate of 5. This is an Outlet that for us has had expressive growth in sales and is doing extremely well.

We also announced the retrofit of Marketplace, which will undergo this process probably beginning in 2025. We are going to speak about the concept when we move further ahead in the presentation, but we're thinking of this asset with a somewhat different vision, connecting the mall the multiuse, integrating urbanism trends and improving the positioning of this mall. We are referring to the expansion of the Iguatemi Brasília. We have huge construction potential vis-à-vis the other developments in the city. So we will increase the mall by 15.5 square meters, we will have 51,000 GLAs at the end of the expansion with 90 new stores, which is very important.

There is a held back demand in Brasília for mall in the search for entertainment, leisure, and we're also going to strengthen the curatorship, which is something very important in the Brasília Mall with new events and the new wing.

For those who did not follow this, after 15 years, we once again held the Investor Day. We received investors and analysts at the Cube, in JK Iguatemi in March, and we are making the commitment to hold Investor Day every year. It enhances the relationship of the company with the market, we show our team of executives, and we have an important moment of exchange.

We continue on our strategy of increasing densification around our malls. We have 1.5 million in terms of construction potential around our malls, and we continue with that strategy of expanding, and in the coming months, we will have some announcements.

To speak about Iguatemi One, we have just begun the fourth edition of Collections, which is part of Iguatemi One. We're speaking about new functionalities in Iguatemi One. We have 490 gastronomic experiences, 1,200 activations and promotions for store owners. We also have gravel vouchers that we offer. So this quarter, 34% of the clients buying at our malls are able to redeem these benefits, and they seek that interaction with us, contributing with identified sales. We had a growth of 57% in the first quarter 24 vis-à-vis the first quarter 23.

To conclude this introduction, we're going to continue on with our growth strategy. We have been seeking efficiency of the assets that we already have. We're on the right path. Many indicators are much better than they were at the beginning of the recession, way back in 2013- 2014, not even during the pandemic, and we are searching for this enhancement in the use of our assets.

What I haven't mentioned is the breakeven. We maintain breakeven in our retail operations, which includes Iguatemi 365 I-Retail. In the second quarter, we opened the 365 Iguatemi pop-up in the JK Mall, and it's a strategy of mixing the physical and the digital, which ends up in good sales for us. So we're going towards what we have made commitments to attain and we're now going to offer you more details in the presentation.

I'm going to speak very quickly about the highlights in the first quarter that I have already referred to. Sales that reached 4.3 billion, a growth of 10.3, same store rents growing 7.3, same are sales growing 10.3 vis-à-vis the same quarter 23, same store rents growing 5.5 and same area rents 3.7, gross revenue reaching 341 million, growing 4.8%, adjusted net revenue with a growth of 6.1 versus the first quarter 23.

Consolidated adjusted EBITDA reaching 235.7 million, 13.2% increase vis-à-vis the first quarter, and an EBITDA margin of 74.1, an improvement of 4.8 percentage points in the margin – Guido will refer to some recurrent issues. Adjusted net income, very good, 108.4 million, 63% above the first quarter 23. And Guido will speak about revenues and financial expenses that aided and abetted us in this figure. Adjusted FFO 153%, 38.7% above the first quarter 23 with an increase of almost 12 percentage points vis-à-vis the first quarter 23.

Cost and expenses with a growth of 84.5 million, a reduction of 7.5%, and compared to last year, of course, we are very set on achieving the breakage leverage with also an improvement. We ended the quarter 1.84 times net debt over EBITDA, 0.08 times below the fourth quarter 23.

On page 4 of the presentation, we completed the acquisition of the Fashion Outlet Novo Hamburgo. We have already spoken about Marketplace, the Brasília Iguatemi Mall, what I did not mention in the introduction, in partnership with BB Asset, we have launched the premium mall asset fund. We raised 991 million in the first issue, almost a billion, but we did have a bit of default, so we didn't reach that marvelous figure of 1 billion, but 991 million is excellent. And today, we're going to go to B3 to ring the bell with Banco do Brasil to celebrate this feat.

We held the Investor Day in March, and I spoke about the ISE B3 index. What is important as part of our commitments, we're increasing the dividend yield of the company, we announced on April 18th the payout of 200 million; 50 million have been distributed as an advance and the remaining will be paid in April, July, and October. We began the fourth edition of the Iguatemi Collections, a highly awaited moment for our clients, and we also held something very important that refers to the Casa Figuera project in Campinas, a seminar held on April 9 in partnership with the people from Insper. We had some international guests speaking about urbanism and architecture, and that we will support in coming years.

With this, I would like to give the floor to Kiko to speak about the operational and financial indicators.

Guido Oliveira: Good morning, everybody. Welcome to our call.

Let's speak about our operational indicators on slide 6. Cris has mentioned most of the figures. Same store rent, we are 5% above the IGPM readjustment at the moment and above the IPCA of the last 12 months. Our sales in the first quarter were 10.3. When we look at the sales, we are at around 10% increase.

If we look at the sales of March and April, that of course has the impact of Easter in March of 23, a growth of 11% and now a growth of 10% between March and April. If we increase the displacement of Easter, we had an increase of sales of 10.5. The occupancy rate were at 94.1%, we have a drop of 0.4 percentage points.

As mentioned, we're working with the retrofit operation in Marketplace, we reduced part of our GLA, 960 meters, to demolish the first floor and the ground floor. Now the first floor is already occupied and of course this has led to a reduction of 20 stores from our GLA.

We also had some changes in occupancy during the quarter because of the repositioning of stores. Those who have visited Iguatemi Mall and others have seen the mix repositioning, we have Tiffany, Balenciaga and Loewe with construction sites around the mall. Now this is thanks to the repositioning of mix in our malls.

We go on to slide number 8 to speak about our consolidated financial results. The Infracommerce effect of the app, an average growth of 6% in net revenue for the quarter, a first quarter which is always our weakest quarter in the year because of the seasonal retail effect, but we had a growth of 6%. EBITDA 225 million, with a growth of 13% and a margin of 74.1% for consolidated figures, where we take away the non-recurrent effect of expenses because of the company's decision to change some executives in the company.

By withdrawing this effect, we have R$4 million, we reached 229 million in EBITDA, an increase of almost 6%.

Let's go on to slide 9 to speak about retail. This is what we mentioned in the last quarter, the retail has entered a situation of breakeven, and even considering the seasonal effect, we have a positive EBITDA, although there is a drop in net revenue because of all of the work we did with 365, of repositioning 365, repositioning brands with a positive contribution of all of the brands that are part.

And one of the brands last year that was Balenciaga that was with us in the first quarter 23, left the portfolio and the Kering Group is now operating this portfolio directly. Considering that drop of almost 70% in the 365 brands, our sales, our GMV have only dropped 1/3.

Let’s go on to the financials for the mall. Net revenue growing 8% at the top of our guidance and EBITDA margin of 79%. If we take away that non-recurring effect of 4 million in expenses, we stand at 78%.

Slide number 11, rentals growing 1.4%, management fees growing 2.6%, the parking growing 24% with the growth of vehicles of 6%, and others growing 25% because of a repositioning of rates that we carry out annually and that were carried out at the end of the second half of… expenses of 6.7%.

Let's speak about minimum rent. It is zero, but we have to take away the Marketplace effect. As you can look at our table, Marketplace is dropping 20% in terms of revenues because of this positioning and the work we're doing to be able to begin the retrofit. By removing this Marketplace effect, the minimum rent would grow 0.8%.

Now, the right account to do here is in minimum rent, you add the overage, and from overage, you take away a non-recurrent event of the first quarter of 23, where we had an accounting launch for a provision of 2022 that was below, when you take these provisions away and look at the overage of the first quarter of 23 and the first quarter of 24, the growth is 13%.

If we add the growth of the minimum rent, we're referring to a true growth of 2.8%, which is what we had mentioned, a growth of 3% for the first quarter, and temporary rentals with a stellar growth of 19%.

Costs and expenses have been dropping quarter on quarter as a proportion of net revenues and costs thanks to the work of efficiency that we carried out throughout 2023. When we look at the malls, we speak about the retail market, we spoke about the repositioning of 365, but only in malls if we take away that non-recurrent effect of 4,200,000.

On slide 13, as a result of net revenue, it goes from 23.3 to 21.1. And finally, of course, our leverage, we ended at 1.84 net debt EBITDA. As we have mentioned, we tend to deleverage very rapidly adjusted EBITDA 945,880 million for the last 12 months, bringing the leverage to 84 net debt with an average term that is very robust. Once again, and an average term of 1.3 years.

And at the end, to speak about our guidance, we begin very well, our guidance, if we compare the results of three months of 24 and the annual guidance, net revenue at the top of guidance, 8%, EBITDA margin 79. If we take away that non-recurrent expense, we do stand at 80%. If you have followed up on our results, we scale up the margin through the semesters, and if we take away non-recurrent expenses, we are at the floor at 75%, an investment beginning the year with 51 million of a total investment of 190 or 230 million.

So we have begun the first quarter of the year doing very well. Check. Thank you.

Question and Answer Session

Operator: We will now go on to the question-and-answer session only for investors and analysts.

Should you have a question, please click on the “raise hand” icon. If your question has been answered, you can withdraw from the zoom by pressing “lower hand”.

Our first question is from BTG Pactual, Elvis. You may proceed, sir.

Elvis Credendio: Good morning, Cris, Guido. We have two questions. The first about the growth of rents that you explored somewhat in the presentation speaking about the overage, if you could speak about the zero growth of minimum rent. Has this been an obstacle to your growth during the period? And whether you like it or not, sales are also growing, so going forward, what is it that we can expect in terms of this line item? A real growth coming from minimum rent, or what is it that you imagine for this?

The second question refers to the BB Real Estate Fund. I would like to gain a better understanding of the space that you have in terms of recycling the company's assets as part of this real estate fund, or do you believe this real estate fund could buy assets from third parties and not directly from the company? Those are our two questions. Thank you.

Guido Oliveira: Well, thank you, Elvis. Good morning. To speak about the growth of rent and overage, we did have some impacts. First of all, we had Marketplace, we closed 1,600 meters of GLA, we reduced the invoicing of 25 stores of Marketplace. Just that gives us an impact of 0.8. We've gone from 0 to 0.8.

Now when we look at the closing of the vacant area and the lease spread, we did have a lease spread for renewal of 6% during the first half. This is part of these figures. But as I mentioned – and I'm going to clarify this –, we have several stores that are not billing, they are undergoing work because of the change in GLA and they're in a grace period or in a period of work. And because of this, this figure is not more positive.

Now, if we consider what I said about overage and discount, the real growth has been 3%. Of course, withdrawing these discounts and the growth of overage, with the stores that are going to open in the second, third, and fourth quarter with the marketing of 2023 and the record marketing in 2024, we have already offered a soft guidance at the close of the fourth quarter in March. We're going to end at 97, and we're still going to attain that occupancy if we consider what we are selling.

So the figure should increase 3% and not that zero that we see here. Of course, that steel has an impact on us, but we want to see a figure closer to the 3% in the second quarter of 2024.

Cristina Betts: We're speaking about the real estate fund with BB Asset. It's not a fund that we created to recycle our assets. The proposal with BB Asset is to jointly acquire assets. They could be assets that are part of our portfolio, they could be minority assets, but also third-party assets. And we're referring to new assets, everything that the fund will acquire, we will be acquiring jointly. So the recycling of assets is not part of that proposal that represents a different front.

And we continue to look at new possibilities for acquisition and we have created this fund with BB Asset because we're quite confident that we can work together, and it will be wonderful to have a partner to carry out these acquisitions. It will enable us to speed up our acquisition strategy.

Elvis Credendio: Thank you. Thank you, Guido and Cris. That was very clear.

Operator: Our next question comes from Tainã Costa from UBS. You may proceed.

Tainã Costa: Good morning, good morning, Cris and Gideon. I would like to explore your guidance further, especially the revenue in these three months were at the top. Well, discounts at a minimum, healthy sales, a very healthy occupation rate. Is there something that you foresee during the year to force you to increase this guidance, the consolidated revenues, for example?

Now, if we look at the costs, you spoke about that non-recurrent expenses quarter and, of course, the seasonality. Given all of this and as the revenues are at the top of guidance, what is going to close that gap in terms of your guidance? Is there additional cost efficiency? Something that we don't see? If you could give us greater clarity on these points. Thank you.

Cristina Betts: Tainã, speaking about the guidance for revenues, you're right. What was different from our expectation here when we issued the guidance? The parking was much better than we had expected, we're above what we had imagined and the temporary lease, which is above what we expected once again, and they're all setting this moment in the first quarter of the overage. This has been more than over said by these two-line items, and the idea is to continue with temporary lease and parking with very good performance, but we will recover part of this overage, not with occupancy, but with the inauguration of all of the stores that are about to be delivered.

If we look at Iguatemi São Paulo, at the core with the new flagship, the Tiffany presents a considerable part of the rent. We're getting it ready to prepare, and it hasn't been increased in our overage, but when it is delivered, it will have a significant effect.

We always have these temporary things in our line item, but when we inaugurate the store, it will do so with a big hit.

I don't think it's time to speak about over-delivering the guidance, but we're quite positive that we will remain at the very top of the guidance.

Guido Oliveira: Well, speaking about costs and expenses and our margin, in the first quarter, the margin is always lower. When we look at other revenues, the resale of points, they were above the first quarter, but we still have to work on this. Last year, of course, we had a very high level because of the Tiffany effect that we communicated in the third quarter last year. We have several important negotiations that will scale up these revenues.

Additionally to this, we have the land swap, the sale of lots for the construction of towers to explore our land bank, something that we do always. And we haven't accountant for this in the first quarter. In terms of costs and expenses, we did have a non-recurrent event in the first quarter, we have several milestones during the year of expenses. We have the collective bargaining, the union benefits, we have in-house work we have to analyze this, but we are going to try to offset that impact of the first quarter.

If we look at our margins, we're quite calm. The margins will also be at the top of the guidance. If we offset the cost of that non-recurrent expense, the sales points that will increase during the second quarter and the sale of land lots that we will announce, as Cris mentioned, we will just begin to do this, we worked with Casa Figueira, we have presented the project to all developers in Brazil, it was a two-day event, and now we will begin to sell some of the land that will have an impact on our results in the second half of the year.

Tainã Costa: Thank you. Thank you very much. That was very clear and have a good weekend.

Operator: Our next question comes from Matheus Meloni from Santander. You may proceed.

Matheus Meloni: Good morning. Thank you for taking my question here. Congratulations for your results. The first question is a follow-up on the real estate fund. Yes, of course you are on the B3, the ISE B3, but if you could refer to your future plans, if there is a timeline where you could refer to additional phases.

The second question, the tax reform, what draws attention here are the tenants that are exposed to the *Simples* regime, if they will be able to go through the tax bracket properly, if there is any reason of concern, problems with exposure, or much more because, of course, the costs will be higher for that type of tenant. Thank you. Thank you very much.

Cristina Betts: Hello, Matheus. We were speaking about the real estate fund, it's evident that we're not committing ourselves with that fundraising with BB Asset. Well, if something appears, of course, we'll talk about it. There will be novelties until the end of the year. We do have time for the allocation of this fund, and we're going to use that time to carry out the allocation as best we can.

This is what we can share with you for the time being. Guido will speak about the tax reform.

Guido Oliveira: Well, last week we had a call based on the information that we heard. There's still a great deal of negotiation, the complementary law has to decide on the aliquots, yesterday was the first meeting of the working team with ABRASCE, with the Treasury Secretary and the real estate sector as a whole. They hosted us to hear our perceptions in terms of what is going on. And we're quite calm in terms of the evolution, we have been killing the market – and I think it is important to underscore this once again for everybody in the call to hear – the tax falls entirely on the tenant.

We spoke to Bernard Appy that we want this to be reaffirmed. He said “well, that's obvious”, but it's obvious that the market does not want to understand. The store owner will get credit for this. So when we speak about the simple regime, we have only 15% of our billing. This is not a problem for Iguatemi. It is a problem for other sectors. And those who have the *Simples* regime can opt for this not to be cumulative.

Once again, they can obtain credit for everything. They will have to work with accounts, but this will be an impact on the industry, not an impact on Iguatemi. We don't deem this to be a considerable impact. Yesterday at the working group, we reaffirmed this, and we held several discussions with the working group and Bernad Appy about the discount of the aliquot. We think the discount could be increased. Presently, it is at 20% the health sector charges, 60% for health care positions, for us would be 40%.

And we reaffirmed the value of our properties in the market. We said that that credit will be on the fair value of properties and the fair value is already part of explanatory notes that we said, it's 241% on the cost and they had…for more, we asked for 180% on the cost to strengthen the credit. We also spoke about the condominiums, it's very clear that the condominium is outside of this new regime. And in the associations, we also asked for this condominium to be included, it is not. So there will be an adjustment.

When we speak about the reducer of readjustment, we have obtained something that is very good, it's credit over fair value, and we have requested to maintain the inventory we have at present, the credit we have for depreciation in cost.

So don't be frightened with this tax reform. The tax reform, as I mentioned, does bring about some simplifications. There is still a great deal of negotiation to be done and the taxes are on the outside.

Matheus Meloni: Well, thank you. Thank you very much.

Operator: Our next question comes from Felipe Lenza from Citi. You may proceed.

Felipe Lenza: Good morning, Cris, Guido. Congratulations for your results. We have two questions. Also on the dynamic of the fee, you have already spoken about the guidance. I would like to know if the real estate fund has been considered in the guidance for 2024. If not, which are the changes you could expect with this fund?

And the second question is simply to confirm the first. I don't see Iguatemi selling to the real estate fund. Perhaps assets in small cities that have already matured or assets that do not bring about considerable rent.

Cristina Betts: Hello, Felipe. The guidance is business as is. It has never included anything in that sense. So anything we do jointly with the fund will not be considered here in the guidance. This is additional. And I remind you that in the fund we have rates for our real estate consultancy that we haven't included in the guidance. And obviously, nor the CAPEX of any acquisition that will be done jointly with the fund.

There is never an acquisition where we don't participate. We participate, the fund participates, and we will determine what has to be paid, operation by operation. As you mentioned, there is no hypothesis in this fund of selling off assets to the fund. This is not something that we intend to do without funds. The fund in truth is the partner for us, and the sale of assets will continue to be an important part of the company, we continue to speak about it, but we would have to sell our assets to the market and not to the fund.

Felipe Lenza: Very good. Thank you very much.

Cristina Betts: You're welcome.

Operator: Our next question comes from Igor Altero from XP. You may proceed.

Igor Altero: Well, good morning, everybody. Can you hear me?

Cristina Betts: Yes, we hear you well.

Igor Altero: Two points at my end. The first about the recycling, which is a demand for the assets of the company after this movement that has happened in the last few weeks? Does it change your appetite, the cap rate that you see in your conversations with real estate funds? This is the first question.

And secondly, the dynamic of growth, which are the company's growth of avenues because of the rate of leverage that you have at present? These are our questions.

Guido Oliveira: Good morning, Igor, this is Guido. About recycling, we're at the same level. The desire for the assets that we want to recycle continue to since last year and during the first quarter. We continue to work on this, and we should be speaking about this in the second quarter, but nothing has changed. The levels, the cap rates.

Cristina Betts: Now, to speak about the second question referring to growth, we have already referred to this in the last quarter. We are at a very propitious moment for Iguatemi. We're doing exceptional work in terms of portfolio efficiency. This is already an avenue for growth of seeking results for the square meters we have in home. We're thinking about the expansion of assets, like Brasília, the retrofit of Marketplace. All of these are very important.

Guido also referred to monetizing our surrounding, increasing densification. Because of the positive effects that this tends to have around our development, we're going to begin to sell the lots of Casa Figueira this year, and we may have other novelties in terms of our surroundings during the year.

And this novelty now with the BB Real Estate Fund, who is our partner, and we can look towards avenue of acquisitions that will speed up our ability to look at the possibilities that appear in the market. If this were happening two years ago, I would not refer to so many avenues for growth, not so emphatically. The only thing that is truly in the parking lot is to look at greenfield. That is in the parking lot, we look at it, we say, yes, there are possibilities, but they're for the future, not for the present. And whatever we consider to be a growth avenue is already underway, something is happening. So this is the fun stage at the company when we have all of this happening again.

Igor Altero: That's very clear. Thank you, Cris. Thank you, Guido.

Cristina Betts: Thank you for the question.

Operator: Our next question comes from Bruna Mendonça from Bradesco, BPI. You may proceed.

Bruno Mendonça: Good morning and thank you for taking my question. Allow me to ask a question about CAPEX and the expansion and retrofit projects. In the announcement of Brasília, you spoke about a CAPEX of 336 million. Do you think that that amount per square meter would be a good reference for future projects? My question is because that gives us R$50 million per square meter, somewhat below other figures that we have heard from other players for new expansions, new developments.

Is there something specific in the Brasília mall that changes this ratio? And if there will be any differences going forward. That's the first question.

Cris, if you could speak about the qualitative part of the Marketplace retrofit, what is it that you're imagining that this asset will become? Which is the challenge that you find? This is an asset that is very close to a competitor that is right in front of it. Which is the differential that you're seeking, and which will be the timing to recover that important drop in revenues we observe in this asset?

Guido Oliveira: Very good, Bruno. In truth, yes, when you speak about the CAPEX for Brasília, it is somewhat low. And there are some specificities in the Brasília project, because the mall is already very efficient in terms of parking of GLA. If we're able to increase the rate of use, we have doubled the rate of use, we reviewed this, it was a highly permissive relationship between the neighborhood and the GLA. We have already improved this. So in this expansion, we don't have to build new vacancies. And by not doing this, we occupy the parking.

When you look at the project, we're using the parking. We don't have to work with floors below. And of course, this lowers the cost of construction, and we're also focusing on the open mall, the wellness part of the project. We will attain this by creating an open mall. We don't have a skylight. So these are efficiencies that were created to get the project greater breadth.

But what saves this project was not having to build an underground for parking. We're highly efficient when it comes to construction, and we believe that a project with an underground would represent 18,000 per square meter.

Cristina Betts: To speak about the retrofit of Marketplace, the two towers that already exist on the Marketplace are 100% leased. The area that has greatest vacancy for offices in São Paulo, this is a victory for us. So we see how important it is to work on top of a shopping mall. There's an enormous synergy in the use of the equipment and the asset and much more. So to convert the front of the mall into a boutique makes sense. There's a demand for this, it's an office boutique, the demand has grown significantly. There's a demand for something that stands out and this is what we're creating in the Marketplace, and we believe we will have a better yield and occupancy through that then we have at present with the normal occupancy.

The second part about this project, there is the potential to create a multi-use tower. It's a novelty, not something that we have in our projects, but we do expect to do this in Galeria as well, but this would be a second multi-use project.

We understand that this will grow in Brazil, and it's a bet on something novel that is interesting for us. It has something to do with the residential part and there's a great demand for this in that region for a multi-use tower. We have carried out market surveys, we know there is considerable demand, to be on top of this complex makes sense.

There's a great deal of synergy along with a residential tower. There is the forecast of doing what I will call a club with a beach tennis court, tennis court that will also help us to sell this off and the retail part that is left will be for our use. The food court is doing very, very well, and what we're going to focus on in this new configuration, our project is under approval. It should be approved until the end of the year, and we imagine that we will begin the retrofit at the beginning of 2025.

We're dealing with 18 months of construction, so in mid-2026 all of this would be ready with a better situation of reais per square meter than we have at present. We're going to close that delta that opened up because we're preparing the retrofit. But we're quite confident that the retrofit will be successful creating something unheard of in a region that is one of the main postcards of São Paulo.

The bridge there is the postcard of Sao Paulo, and we're going to enhance it with this new retrofit. It will be a beautiful building, a beautiful construction, the retrofit of this development. So we're on the path to that.

Bruno Mendonça: That's excellent. Thank you very much.

Operator: Our next question comes from Jorel Guilloty from Goldman Sachs. You may proceed.

Jorel Guilloty: Good morning to everybody. I have several questions. If you could speak about your spread for renewal in the fourth quarter. It was 6%, what would happen with the new contracts? We're attempting to understand the difference between same store rent, that was 5%, same area rent, that was 3%. Is there an impact for longer contracts?

The second question, in the release you referred to a drop in the cost of occupancy and a drop in the default levels that you see some space to further grow your rent. So which would be the right spread for you to attain that? If that 6%, not necessarily a guidance, but would it be a range to lead to a drop in occupancy and default? Thank you. Thank you very much.

Cristina Betts: Jodell, I'm sorry. We had to change speakers. If you could, please, repeat your questions. We only partially heard your first and second question.

Jorel Guilloty: Well, the first question, it's about the leasing spreads in the first quarter. It was 6% for renewals. Now, what happens with this spread for new contracts? We're asking this because we're thinking of same store rent, same area rent. The first was 5%. Same area rents was 3%. So I want to better understand that difference, that delta.

The second question, your view of that difference in spread in the future. Your profit from occupancy dropped, your default has dropped, so what's going with your leases? which will be the delta for future leases, 6 to 10? If you could give us a range.

Guido Oliveira: Hello, Jorel. To speak about the difference between same store rent and same area rent and the spread of new leases, in the first quarter, we had the spread of renewal of new stores. In terms of new leases, it's a real spread considering the areas that began to charge rent of 1%, real rent. And when we look at the difference, it's become the new incoming stores are in effect, but some of them with a grace period because of the works. We have several stores that are undergoing work. They're in the base of the total range, but they're not paying rent either because they have a grace period, or they have a discount due to work. That's what generated the impact.

And also because of the scale up of some stores, larger stores where the lease spread was scaled up or will be scaled up during the next three years. So we have a real lease spread of 5% for stores that were renewed in the first quarter and a positive spread of 1% for stores that have come in in the third quarter and are beginning to pay rent.

Now regarding the cost of occupancy, of course, the occupancy has dropped because of the sales, the sales are stronger than the transfer of lease, the discount is practically zero. The lease spread will increase because we will have the occupancy, we're going to hike up the occupancy from 94.1 to 97 at the end of the year with a positive lease spread. At present, our main KPIs in the company are geared to a take rate, that is to say, a conversion of revenue over sales, a higher proportion of rent on sales, not on occupation. And of course, we're going to increase the rate of occupancy and make the most of it.

We have working groups at present. One of the main working groups is focusing on renewal and our commercial table. We're analyzing all of the contracts that will be renewed, all of the contracts that are incoming at the meeting for commercial proposals. We have a highly aggressive rate to increase this spread. So we're going to work to increase the occupancy rate. This is something that perhaps will not appear in the first half of the year, it will be happening throughout the coming quarters.

We do have room for this, our condominium is quite flat. The transfer on the condominium is lower than inflation, so we have room to enhance the occupancy and enhance the rate as part of occupancy.

Jorel Guilloty: Well, thank you, thank you very much.

Operator: Our next question comes from Rafael Rehder from Safra Bank. You may proceed.

Rafael Rehder: I have only one question here, it's a follow-up. And I would like to better understand which is your decision-making process. Are you expecting a minimum rate in your renewals? You don't need to give me very much detail. And besides the revitalizing, besides the Marketplace, if there's room to carry this retrofit in other assets you own. Thank you.

Cristina Betts: Hello, Rafael. Well, the criteria, Rafael, is demand. If we foresee demand for the mall, if we don't have any more room, it's a good moment to sit down and carry out an expansion.

This is what is happening in Brasília. There's a great deal of demand from tenants in Brasília. In the last few years, we have created those pop-ups in Brasília, we took several brands that we don't normally have in Brasília, and we gave them a taste of selling to Brasília. They all did very well. When the pop-up contract is over, they all want stores, but we don't have space for this. So we have this held back demand.

And the fact that we were able to expand the mall is truly the right thing to do for Brasília at this point in time. This is the part of the dynamic. It's the first large expansion since Porto Alegre, an expansion we did in 2016, eight years ago. We're quite enthusiastic with this. It's different with the Marketplace. In Marketplace, it's a complete change of that asset. If you think that all of that front that looks on the main highway and a new tower is interference in the mall that already exists. Well, it's difficult to find another place for a retrofit like Marketplace.

We always think about the renewal, the revitalizing of our assets. Iguatemi São Paulo, or JK Mall have areas that change. You let five years go by, you close your eyes, and you haven't even noticed the changes because we implement the changes gradually. This is a dynamic of our malls. We're always looking to see what has to be done so that they will remain updated.

And perhaps through time you have done something incredible that you have absorbed slowly through time. But something like Marketplace, I would say this is a singular case.

Rafael Rehder: That was very clear, Cris. Thank you. Thank you very much.

Cristina Betts: Well, thank you.

Operator: Ladies and gentlemen, as we have no further questions, we're going to return the floor to Ms. Cristina Betts for the closing remarks. You may proceed.

Cristina Betts: I would like to thank all of you for your attendance and participation in our call. As we said at the beginning, we're quite enthusiastic with the prospects for the year. We had a good startup, we have several avenues for growth, we're doing things that we haven't done for some time. For example, such as the expansion, the last significant expansion was eight years ago, nine years until we truly began the expansion. We were somewhat nostalgic of being able to do these large novel things.

Once again, we're quite confident that we will deliver the guidance for the year and quite excited with the outlook. We'll see each other again in the second quarter when we report our results.

Of course, we're always at your disposal should you have any questions. Thank you and have a good day.

Operator: We does conclude the Iguatemi conference call. Thank you for your attendance. You can disconnect now.