International Conference Call
Iguatemi S/A (IGTI11)
Earnings Results 3Q23
November 8th, 2023

Operator: Good morning, everyone, and thank you for holding. Welcome to Iguatemi S/A third quarter 23 results conference call.

With us here today, we have Miss Cristina Betts, the company's CEO, and Mr. Guido Olivera, CFO and Investor Relations Officer.

Please be advised that this event is being recorded and all participants will be in listen-only mode during the company presentation. After Iguatemi's remarks are completed, there will be a question-and-answer session, at which time further instructions will be provided. Should any participant require assistance during this call, please press *0 to reach the operator.

This event is also being broadcast live via webcast and maybe accessed through Iguatemi's investor relation website, at: www.iguatemi.com.br/IR, where the slide presentation is also available for download. Participants may view the slides at their own convenience.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Iguatemi's 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 general economic conditions, industry conditions and other operating factors could also affect the future results of Iguatemi.

We will now give the floor to Miss Cristina Betts, who will begin the presentation. You may proceed, Miss Betts.

Cristina Betts: Well, thank you and a good day to all of you. Welcome to another conference call.

And once again, we have had excellent performance of Iguatemi. I have always spoken about our resilience in our assets, we end the third quarter complying with all of our guidance and sure that we will conclude the guidance this year, and we're going to shorten the presentation somewhat to allow more time for question and answers.

I'm going to simply refer to some highlights now in the opening. We had total sales increasing almost 10% above the average in the sector according to ABRACE data. Total sales reached 4.5 million, 9.3% above the third quarter 22, which was strong. Of course, this refers to what we have been stating of enhancing the store mix, and you must have observed an increase in the occupancy rate as well. Now, all of this has contributed to this, and something that does not contribute to this along these lines of the mix, we announced the first flagship, the Tiffany, that will change places in Iguatemi and will be in front of what we call the Watch Square (*Praça do Relógio*).

Obviously, when it comes to results, the company also had sales generating positive results. The qualification of mix of course helps us to decrease the level of discount, which is a very important factor, and it was very positive in this sector, and the default levels that are truly very low. Very frequently, we stated that the net default that is negative, and in other periods we have spoken about past due amounts that we are receiving, and if we compared to the third quarter last year, we also have had no growth. Of course, Guido will present the figures and I'll allow him to give you more detail.

As part of the results that we released, we'll speak about our ESG agenda, we have of course spoken about our concern with that as part of the company's issues, and we're still at the beginning of the journey, we're working with 100% renewable energy, one of the few companies in the sector. We will speak about our project for efficiency, substituting lighting for lead, we spoke about our sewage station, a 10.8% of energy, and a reduction in the use of water in the shopping mall.

To speak about the surrounding of our assets, of course, it's always very important to refer to our strategy to pursue the densification around our shopping malls to ensure it has quality, and in the third quarter we carried out a sale of a small plot close to Iguatemi Rio Preto, and it has brought in 3.3 million into our results. An important highlight that we mentioned here is the occupation of Sky Galeria in front of the Galeria Shopping, that is fully occupied, and until the end of the year, it will be fully occupied, and people do have an important impact on the flow of the shopping mall and the impact that this refers to.

We also have a share buyback plan that we refer to last year, we have complied with 12% of what was approved, a little less than 2.9% of our outstanding units. We also mentioned the construction of the Casa Figueira, which is an entire neighborhood that we're going to develop. The first part will be developed something that we call a “prototypic area” that will be the infrastructure of the neighborhood. This was concluded in September. For those who go to the shopping mall, you can see this route, it seems to be an annex, but this is a way of showing how the neighborhood will look. We will begin with infrastructure and the construction of our focal point for commercialization, which is a house that we're also calling the Casa Figueira that will begin in January.

Now another highlight, we have referred to how strong the events are for the shopping mall, we have a great deal happening this quarter. Perhaps the highlight was the 7th edition of fashion talks that took place in October, this was our 7th edition and was a full success. We had partnerships in terms of sponsorship, we also brought in a very differentiated audience, and we had a highly qualified agenda of speakers and influencers. We have steadily enhanced this event, positioning the company in terms of fashion and as a developer of fashion in Brazil to speak about new trends.

We’re in the final stages and this should be concluded this week on Sunday our third edition of Collections. You have until Sunday to change the pins, and once again, this edition has been highly positive, we have 15,000 new clients, 7% sales more than the last Collection, and 20% of the sales identified as part of Collection gives us that [unintelligible] of our activities in the shopping malls that are very important of course for other activities that we're also enhancing.

We're going to speak about all of this, and we must say we’re quite confident for the final results of the year 2023, we already have the result of October closed, we ended the October sales above 9%, and we haven't even gotten to November and December, where we normally have very strong sales. We have had a positive flow of vehicles up to present, we have spoken therefore of a resumption of growth in the flow of vehicles in the shopping mall, and we are quite confident that we are in the upper part of our guidance.

We're going to also speak about our results. Now, to begin with the presentation, I'll simply mention the first part and then Guido will refer to the results. I spoke about the results of the third quarter, total sales reaching 4.5 billion, up by 9.3% versus the third quarter 22, and the highlight of October, which is very positive for us, same-store sales grew by 6.3%, same-area stores 9.3%. This is very important for us as it reflects the channels, we have a positive spread of our stores, same-stores rents growing 8.3%, and same-area rent 6.5%, gross revenue reaching R$341.5 million, up 10.2% vis-à-vis third quarter 22, and the net revenue reaching 282.7 million with a growth of 11.2% over the third quarter 22.

If we exclude the streamline effect, net revenue reached 301 million, a growth of 12.4% over the third quarter 22. The consolidated adjusted EBITDA we have a consolidated EBITDA which and R$247.8 million, 35% higher than the third quarter 22 and a very good EBITDA margin of 82%. Adjusted net income reaching 100 million in the quarter, 80% increase over the third quarter 22 and an adjusted net margin of 33.8%. The FFO very positive, 145.2 million, up 48.6% with a 48% margin, and of course, because of all of this, we have a drop in the leverage of the company, reaching 2.13 times, 0.24 times below the second quarter 23.

As I mentioned, we had the sale of a fraction of Iguatemi Rio Preto, the third dividend installment of 27.5 million that we paid on September 15th. I've already referred to the share buyback plan where we have concluded 12% of our plan. We have in portfolio some units still outstanding. I've already spoken about the Iguatemi Collections campaign that will extend till November 19. We ended the event of Barbie Dreamhouse at JK Iguatemi, and this has been taken to the Campinas mall where it will be until November 29.

We have the fact that Iguatemi São Paulo was chosen as the most loved mall in the country by Veja in August 2023. This is in the mind and the memory of people, Etiqueta Única kiosk was opened, we spoke about the investments last year, the largest operation of luxury second-hand products, and we now have the kiosks to facilitate the connection with products, a change of 9 tenants in Iguatemi São Paulo. We spoke about the move of Tiffany, and all together, this is to make this movement more feasible, and this has given us 22.4 million in key money that was accounted for this quarter. I have already spoken about the Iguatemi talks fashion, I did not speak about the issue in this quarter, a very positive 500 million of CRIs.

Now to speak about real estate, property development, I'll show you some photos of Casa Figueira. This is the prototyping work. When we look at the pictures, if you look at the right below in the slide, this is the street that goes to the mall in the background and this is of course where the aesthetic of what we will be doing again in terms of sidewalks, bicycle lanes that we will put throughout the entire neighborhood, this gives you a very good idea of what it is that we're trying to develop. I will allow Guido, therefore, to speak about the main financial indicators.

Guido Oliveira: We're now on slide 8. A good morning to all of you. I'll speak about some highlights for this quarter. Well, the greatest highlight is reaching 9.3% in the quarter, in the second quarter 8%, we have ended October showing you very strong sales of 9.4%. This gives us a great deal of strength for the fourth quarter, which is the main quarter of the year. Same-store rent 6.3% with an average of 7% as in other quarter, offsetting the drop of IGP-M that we had in the last quarter. In this third quarter, the impact was of only 2%, this because we have withdrawn the strong discounts, and in this quarter, we have 2 percentage points for discounts for the average of the last 12 months and a positive spread on renewal. This has been arduous work with real gains of 4.1%.

What is also important is our occupancy closing at 93.4% vis-à-vis the second quarter with an increase of 1 percentage point on the average, now we get to 94.8% of occupation. We began the quarter with very strong occupancy.

We'll go on to the next slide, number 9, and we would like to highlight the growth of our growth revenue of 11% approximately for the third quarter and 14.5% for the third quarter. Now in the revenues, 12.4% growth. It's important to show you that the discount has dropped to 8 million vis-à-vis the second quarter of 23 and the quarter of 22, this shows you the strength of our sales and the resiliency of our tenants this quarter. Also, the drop in costs and expenses, 7% in expenses. When we look at the 9 months, we're still above the costs and expenses line item, but during the year we will be below 2022.

Now, the costs and expenses dropped 108.5 million to 85 million, a drop of 23% when it comes to expenses, and in the third quarter our work in terms of operational efficiency reached up to June. This still shows the cost of a rescission, and we will only have these new figures coming in in the fourth quarter with a slight impact on expenses.

Let's go on to the following slide, number 10. Here we show you our results without the infra-commerce effect and share swap results, the impact on gross revenue of 16% and our net revenue with a margin of 33.8, and a margin of 48%. Beginning this quarter, our net margin will continue to increase to 138 and our FFO margin increasing very close to 48%, which is a new reality in the company, showing you the works that we have carried out.

In the next slide, number 11, we refer to IRetail and Iguatemi 365, our retail results. We had a drop of 17% in gross revenue and the net revenue, as we have mentioned in the second quarter, we turned over the operations of Balenciaga, it is no longer part of our retail platform, and this is what we do constantly, we bring down brands, after they become mature, they are operated by the operator, and the decrease of 365 focusing on brands with a more positive profitability. This is what we have done with Iguatemi 365.

EBITDA is negative by 3.176 million, were it not for the rescission costs that we had in the third quarter, this figure would have been positive. Beginning in the fourth quarter, these figures for iRetail and Iguatemi will become positive.

Let's go on to slide number 12, where we speak about our mall P&L. We've spoken a great deal about these, now the EBITDA margin reached 90% based on extremely focused work on other revenues, and we highlight the work we did of replenishing the store of Iguatemi 365 and the opening of the Tiffany flagship store that brought us a gain of 3 million. Along with other gains in the portfolio, we reached almost R$3 million in another revenue. Now, this is a gain for Iguatemi the sale of our sales points and the valuing of our sales points, this is a very important point, reaching a margin of 90%, and this 82% for the 9 months of 23.

In slide number 13, we've already referred to this, but you see the strength of the growth of revenue, rentals increasing 13%, parking once again with gains and, of course, the renewal of older rentals reaching a growth of 13.8% for the quarter and 15% for the 9 months.

We go on to slide number 14, and here we would like to underscore the work on rent, both temporary rental and the overedge. Now, having this occupation enables us to enhance the lease spread, this is a recurrent work that we have carried out on lease spread, and we show it here, and the condo is maintained at very healthy levels, we see more tenants overcoming breakeven and 16% of the tenants are paying the full rental. Now, this shows you the strength of the sales in our portfolio and the maintenance of the condominium cost based on the strong worker company has carried out, a growth of 36% between one quarter another and 27% year on year in temporary rentals, and while referring to events here, we have held a large number of events that we mentioned in the release.

And along with this, we also have sponsorships and the entire part of panels and kiosks with a growth of 20% in this quarter and the growth of 25% in the 9 months, and the growth for the future will continue to be very strong, we have been working steadily in events and we have become a benchmark there.

We go on to slide 25. I have already spoken about the drop in cost and expenses. If you look to the right, we show you that our expenses represent 21.7% of our net revenue, and throughout the quarter we have been working on this, we have gained 7 percentage points, but we still have had an impact on expenses when we look at the cost of severance of rescission, and this does not reflect the true figures of the company.

Costs and expenses for the year were below those of 2022 and only 5% above. This because of the work we carried out during this quarter.

We go on to our balance on page number 16. We show you the EBITDA reaching 860 million in the last 12 months, and this EBITDA for the last 12 months is above the consensus for the year 2023, so it shows you the work and the growth of our EBITDA. Net debt because of the company’s cash generation and the growth of EBITDA goes from 2.6 to 2.3 with a drop of 0.4 per quarter, and it shows you that at the end of the year we will be below 2 times net debt EBITDA.

When we look at the graph below, you see our cash on September 30th of 1.071 billion, and cash for the quarter that ended on October 16, a very well carried out operation. We were able to work with a 5 to 7-year operation with a CDI rate, a very successful operation. And in the last graph of page 16, you see that our cost is very close to CDI, and this is the work that we carry out to maintain our debt profile through the CRIs (the real estate certificates), the rate is 80% of CDI and the debentures and others are also very close, so the reduction in CDI pushes our rates down, and this because of the reduction in SELIC, which should aid a bit our results in net revenue and FFO.

We now go on to the last slide on page 19, where we show you our guidance and what we have done for the 9 months 23. Net revenue above the guidance, 18.3%, net revenue growth in retail, we're very close to the ceiling at 5%, and in margins, of course, once again very close, and in investments 139.5 million. As Cris mentioned, this reinforces how we have fully complied with the guidance for the 12 months of the year. We're quite calm at this point that we will fully comply with our guidance if we keep in mind the third quarter, and we have seen the figures of October, sales of 9.4, October better than the third quarter. So, we have a very good quarter ahead of us.

With this, I would like to end the presentation and we will open the floor for questions and answers. Thank you very much.

Question and Answer Session

Operator: Ladies and gentlemen, we will now go on to the question-and-answer session, only for investors and analysts. Should you wish to pose a question, please press * 1. If your question has been answered, you can withdraw from the queue by pressing * 2.

Questions will be answered in the order in which they are received. Please, take your phones off the hook when posing the question to allow for optimal sound quality. Please, hold while we pull for questions.

Our first question comes from Juan, from XP investments. Juan, you may proceed.

Juan Argenton: Good morning, Cris and Guido, and thank you for taking my question and congratulations for the call. I have 2 topics I would like to mention. First of all, understand your distribution of the sales performance during the quarter. You had a very strong July, what happened during the quarter? And if you could speak about your expectations and the strategy for the end of the year.

The second topic refers to occupancy. First of all, I would like to understand which assets can allow you for an evolution going forward, and also hear about your expectations for the fourth quarter. Now, you spoke about your higher consolidated occupancy, and if you believe you will attain the level of 95% that we had discussed in other calls, can we expect that? Thank you.

Cristina Betts: Hello, Juan. Good morning. Now, to speak about the distribution of our sales performance, we had in terms of services, entertainment, and others, a highly expressive value of increase in sales vis-à-vis the third quarter of 22 because let's agree, we didn't have the cinemas fully operational last year, after Barbie and Oppenheimer came, and that was a boost, and this has continued. So, we had a very strong resumption in that part. What is more important for us is when we look at fashion, which is a flagship and highly expressive when we speak about our growth of 5.8 in terms of fashion and other products, this is 1/3 of P&L. So, we can understand the importance of this.

And when we speak about food, we're still doing extremely well in terms of food, and I joke that in São Paulo if you don't come down to the mall 5 times a day [unintelligible], and we truly do see a growing demand for, you know, interesting food, not only for the lunch period, but also in the evening, and we see visits to these spaces during the day. Many of our restaurants are occupied in the morning, Padoca, for example, is always full. And these spaces are occupied during the day for a snack or something similar, which means that we're taking full advantage of these assets.

We see something very similar, and Guido was referring to the sales of October, the sales of October are 9% over the sales of the third quarter 22. Still very strong in terms of entertainment, and also, very, very strong when it comes to fashion. What we have maintained as well and that is very important are the jewelry stores and the health and beauty sections. We observe a strong demand for skin care, beauty products, makeup, and this is growing strongly.

Now, jewelry has always done this, this is an important segment for us and the Tiffany store, of course, is very welcome, it will simply reinforce this trend.

In terms of occupancy, we're quite confident that we will attain what we had offered as soft guidance. We ended up with 94% for the quarter and there is very little left for us to reach the end of the year with our guidance, and many things are happening because, what is it that happens, which is the dynamic? We signed things, there's some time between the signature, you have the project, you begin the works in the stores, and of course, it's typical to have more store openings at the end of the year, people either open their stores on Mother's Day or at the end of the year. Well, nobody will open a store in July. I'm overdoing it perhaps because this is a month of vacations and discounts. There is this dynamic and with the dynamic in mind, and as we know the portfolio of contracts that have been signed, we do believe we will attain that value.

Now where the greatest differences lie in the hinterlands. In the hinterlands of São Paulo, we have had a strong increase and in Alphaville as well. Last year, we carried out a radical change in Alphaville, I don't know if you visit that shopping mall, but the qualification of mix is very clear, and we have several new stores entering that mall. We're very enthusiastic. We both still signed important contract in the hinterlands of São Paulo, restaurants. So, we're quite calm in terms of our occupancy rate.

Now, to refer to the occupancy rate, when you look at these stores that have been inaugurated in the second quarter, we said that we had 150 contracts, we now have 111 additional contracts. In July, we had an additional 40, 190 contracts since the beginning of April, signatures in July and all of these came into effect at the beginning of the third quarter and will come to fruition in the fourth quarter. When we think about the opening, we have a great deal of fashion, new fashion coming into the mall, and this will reinforce that figure for the growth of fashion. In October, the growth of fashion was 15%, and we have accessories and other stores made of fast food, but most of the stores are accessories, jewelry and fashion, a great deal of fashion, and this reinforces the importance of our retail thing, because services are extremely well-anchored with restaurants with a very good performance.

Juan Argenton: That's excellent. Thank you very much for your answers.

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

Tainã Costa: Good morning, Cris and Guido. Thank you for taking my question. I would like to further explore your guidance and look at the revenues for the first 9 months. You're at the top of the guidance in terms of that metric. You have had very healthy positive operational factors. What will happen in the fourth quarter with a lower consolidated revenue growth? In the fourth quarter, will there be an acceleration of revenues, as stronger comparison, or something that we cannot see here?

And when we speak about costs, given what you did in July, I would like to know if this has altered your cost for the third quarter, if this will happen from the fourth quarter onwards, and if there's space for your margins to go beyond the guidance. Thank you. Thank you very much.

Guido Oliveira: Hello, Tainã. And to answer the first question about the guidance, we're quite calm when it comes to complying with the guidance. When we look at the net revenue, we're on the upside of the guidance for the mall. And in terms of retail, we're very close to the upside. Now, in terms of the shopping mall, we should be part of the guidance and be very close to the top of the guidance. Last year, the fourth quarter was quite difficult, and we have a same-store rent to maintain what we saw in the third quarter of the IGP-M. We'll be very close to the upside of guidance.

Now, when we look at the retail, there, yes, we will have a drop because we have already shown you there is a drop vis-à-vis the third quarter. We have had a decrease in 365, and we remind you that last year we had Balenciaga as part of retail increasing sales. Balenciaga withdrew from the mall in the second quarter, and we will be very close to the floor, the bottom of the guidance in this. Regarding the margins, we will be over and beyond the guidance. We are already above, and as you mentioned, in costs and expenses I showed you that we had a drop of 24 million from one quarter to the other and the impact of rescissions.

If you remove these impacts from the third quarter, the fourth quarter will have figures that are lower, so the costs and expenses will be below 2022 considering the third quarter. This third quarter still does not reflect the work of efficiency that we have done throughout the quarter.

Tainã Costa: That was very clear. Thank you very much.

Operator: Our next question comes from Bruno Mendonça, from Bradesco BBI. You may proceed, Bruno.

Bruno Mendonça: Good morning and thank you for the presentation. Cris and Guido, we have 2 questions. First, about the default levels, this is another quarter of reversion, if you could give us more color in terms of what you estimate in terms of fat that you have, how many more quarters to reach a normalized level of receivables. This is the first question.

Second, to speak more about details looking at asset per asset in the growth of rentals and parking. What draws attention are some differences, especially in the assets that are performing less well in P&L, Marketplace and another they have a negative growth in rentals year on year but a strong growth in terms of parking. Praia de Belas parking has increased and Marketplace they drop up 6% in rentals, but parking with an increase of 11%. Now, this increase in parking, let's speak about this. This has already become a sale, and will this mean that we can think about a stabilization of rentals? I think you have few assets that are outliers in this case, Praia de Belas and Marketplace, of course, do draw attention, but the others will perhaps close this gap in 2024. Thank you.

Guido Oliveira: Bruno, good morning. Now, if we speak about default for the second quarter, we have a negative default in the release, the gross default is around 4%, much lower than the indicators before the pandemic, and we're close to the figures we had in 2015-2016, the state-of-the-art would be to have gross default of 3%, we are at 4.5% and we're working strongly on this.

We had a recovery last year because we're very good at fighting out our collection, we did not leave the rentals that were under litigation behind, and in a recurrent way we show you that we have a negative default, and if you look at Accounts Receivable, there is a drop and because of the straight-line effect, there is a drop. Amortization has increased its space and in other revenues we also have an enhancement in the past due account.

In the coming quarters, we believe the SELIC rate will be low, Accounts Receivable will be quite strong, default will be low, and once again, the strength of the sales of October that we showed you here we already see what we received on November 1st because bills are always paid on November 1st. The opening of default was the best in the year, so this shows you the robustness of our tenants.

Cristina Betts: Let's think a bit about Marketplace and Praia de Belas. In fact, they are our assets that do have a slight difference between them, I mean, Praia de Belas Bela, to speak about the mix, we have an important plan to requalify the mix of Praia de Belas, we have a plan that we have nicknamed here in house as the “fashion plan”, we have taught them some important things in these last few months, we had the opening of Nike and other important things, so very gradually we're seeking this recovery, so we're pursuing this, and that is why the rental is suffering more.

When it comes to parking, we always have an increase in the rate to see at the level of those that surround us, and of course, we have a significant proportional increase. We're working on this in Praia de Belas and Marketplace to ensure that we have monthly parking contracts, especially in Marketplace. In the last floor, we have a cart that has positioned itself very well. This is a very important region for offices, and we have had meetings together 10 days ago. Well, some years ago we used to do this here as well with cart, and it has been very successful at Marketplace.

We're trying to be very creative in terms of occupying our idle spaces in these 2 assets, and this is thanks to the work we do. We also have a plan for Marketplace in terms of rentals of repositioning the mall. We will give you further details going forward, but we clearly want them to become shopping malls that are more connected to services and gastronomy. We have given the malls an important positioning in gastronomy with new restaurants, the food court works very, with the return perhaps not 100% of home office, there are several offices surrounding this mall and there has been a resumption in the occupation of restaurants, but we know that we have to rethink the use of spaces that are not connected to these 2 ideas. In parking, we're becoming more creative, we're being more expeditious, and that is why you have that discrepancy in growth.

And the flow in parking, well, it's not a traditional flow. We have monthly contracts, we also have the cart, we have different rates, the flow is more constant compared to what we saw in other quarters. But of course, we have the effects that have led to this increase.

Bruno Mendonça: Well, thank you. Thank you, Cris. Thank you, Guido.

Operator: Our next question comes from André Mazini, from Citibank. You may proceed, André.

André Mazini: Good morning, Cris and Guido. We have 3 questions about the sale of a 3.3 million, which is significant. Could you remind us of the mechanics, if the store goes into a space that was vacant, or is it entering into a space of a tenant that was in default or areas where Iguatemi had repurchased the point of sales? And if we could have an update in terms of greenfields, I know that you're going to increase your operations there, in the past you had a potential project close to Congonhas. I don't recall if it didn't go forward because of problems of approval or because of the market condition. With the improvement in the market, would that specific project be something that you are considering again? Thank you.

Cristina Betts: Mazini, simply to remind you, and we did miss part of your question, we have some noise in our backup line. If I don't fully answer, please tell me. In terms of the mechanic of the keys. How does this work when you have a balance, when you change one store for another? We have to approve who will be the new tenant, and of course, the new will pay the key money to the older tenant. Now, in terms of the accounting that we carried out for Tiffany, many of the sales points were already ours because we had retaken some of the points since we had taken out some tenants.

This is work that we did through time, so we had this inventory of point of sales. This is not something that happens overnight, of course. All of his process has taken more than a year to get to where we are, and we have already been working on this as well, and we do constantly at Iguatemi taking back some points of sales. Perhaps some tenants are operating, but they're not entitled to the point of sales. So, this is how our measures have been geared to occupied spaces that were already ours. When we were removing some tenants, some were removed for good, and others simply left. So, this amount that is accounted for in the quarter is because those areas were already ours.

When it comes to the greenfields, it's true that we do have some things in the pipeline and that we maintain there, we continue with the process of approval. it is a very complex project; we still do not have 100% of what we would need. In terms of appetite for greenfield, in a very generic way, we're still not fully there, we do want to think about expansion, we have been speaking about this in other quarters because it makes more sense, especially that point that has reached an important occupancy rate. Now we're going to speak about the guidance for 2024 and we're going to continue to increase our occupancy rate, and we've realized we no longer have any more space. So, we're thinking about new space and planning new malls.

There is room in our portfolio to work with expansion and not look at greenfields at this point in time, but we want to have an organic expansion. This makes more sense for us in the retail part an expansion of the mall and we see a great synergy and excellent impact in shopping malls. I think the greenfield project will be left for the future.

André Mazini: Well, thank you, Cris.

Operator: Our next question comes from Mateus Meloni, from Santander Bank. You may proceed, Mateus.

Mateus Meloni: Good morning. Congratulations for your results and thank you for taking our question. We would like to understand your outlook of the demand of developers for the Figueira project, which are your negotiations, your conversations. And if you could speak about Starbucks, if they are in default, there was news in the press that they were trying to recover some stores in some shopping malls. If you could refer to that process.

Cristina Betts: Mateus, to speak about Casa Figueira, we still have not begun to sell the lots for real, we will begin that the coming year, we're getting ready to do what you do with equity, a roadshow or something similar to present the project, to show which are the lots. Remember that this is a gigantic piece of land and we're going to carry out the sale in stages, we're going to sell the lots that are closer to the shopping mall first and then cover up the entire area through time. We're going to begin in 2024, we're preparing the material, we have done quite a bit so far and we're almost ready to be begin, but there will be enormous interest since it is a neighborhood that stands out, the project is incredible, and I joke with Carlos that we should create a senior living there because it's the nicest neighborhood in Brazil.

But jokes aside, a very special project we have begun from scratch, and we have that ability to do what be done in other areas in terms of mobility, everything has been thought out, we have a park that was integrated, it's really very different, and it will incentivize the integration of the land part with the other buildings, we have better interval for services, laboratories, several very positive things in the neighborhood that are quite innovative, but we're going to begin selling the coming year.

Now, in terms of the tenants, we don't speak about individual tenants. I would not like to think about Starbucks, but I will say that it's not the first time that we have tenants undergoing difficulties. We are aware of this, we know how to act, and this is not going to impact our rental, we’re quite calm.

When it comes to negotiating with them, we have done this in the past. It's not going to be a big deal and you will recall in the past and it continues to hold true in the present, we're not concentrated on a single tenant, we have a highly fragmented portfolio, and when this type of event happens, of course, we offer them our full attention, but it does not impact the hole in a significant fashion. We're quite calm.

Guido Oliveira: And a great deal has been said about the retail market during the quarter, but the shopping mall doesn't depend only on retail services. We have maintained a growing occupancy rate and we have maintained these problems as something minor, and we have worked very well with the turnover of tenants, so the impact will be minor.

Once again, the impact will be almost null, and we have sales of more than 10% for the entire year, sales have been very strong.

Mateus Meloni: Thank you. Thank you very much.

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

Jorel Guilloty: Good morning, everybody. We have 2 questions. The first, I would like to know about the performance of the retail, where EBITDA was the lowest, the lowest droplet you had. Will your schedule change in terms of your breakeven trend for the retail? Considering that there was a drop in cash burn, will you achieve the breakeven sooner than you expected?

And another question, one of your competitors has been quite active in the sale of assets and the sale of shopping malls. What is your thought? What is your appetite for the sale of assets or stakes in other shopping malls? Thank you. Those are my questions.

Cristina Betts: Hello, Jorel. Well, in terms of the retail, we're quite calm, as Gido mentioned. We hope to get to a positive situation with the retail unit the coming quarter. We were not positive this quarter because we had the impact of restructuring Iguatemi 365, were it not for that, we would be positive. I don't know if we would be fully positive, and in the fourth quarter we will be positive.

When it comes to the recycling of assets, as we always say, we've always got our eyes on that and perhaps at the beginning of the year we didn't have too many buyers in the market, the return of the real estate sector has led to having more people interested in conversing with us. And I do joke around because there are not too many players in the market, our conversations tend to focus on the existing players. But one thing at a time.

Guido Oliveira: And simply to mention this. Jorel, as you know, in the past we have that habit of always looking at our assets, we have done this with Iguatemi in 2012-2019, we sold and we enhanced our portfolio, we're always looking at this, and of course, not differently from the competitors, people are also looking at us in terms of this.

Operator: Our next question comes from Elvis Credendio, from BTG Pactual. You may proceed, Elvis.

Elvis Credendio: Good morning, Cris. Good morning, Guido. We have 2 questions at our end. We have seen that inflation seems to be speeding up and this inflation will contribute less to the growth of rentals. Could this influence or help you in the growth of rents going forward? And well, the company is in a trend for deleveraging, what do you imagine that can be done going forward? If you could prioritize, what are you thinking? You already mentioned this during the presentation, or if you're thinking of carrying out an M&A. The real estate players have become more aggressive in terms of their purchases. If you could refer to all of this, thank you.

Guido Oliveira: Elvis, regarding the spread, this is one of the company's main KPIs, the operations and commercial team follow this up very closely, all the new rent, all of the new remodeling means that we have an increase in rent compared to the previous rents. Now, our rental tables is updated month after month according to what happens in the market, and we're increasing rentals because of that effect that you mentioned, the IGP-M in the fourth quarter will be lower than what it was in the third quarter, practically zero. So, the growth of course will depend on the spread.

Once again, we mentioned that we were at 4.5% and not transferring this to the rent or the monthly rent corrections is due to the fact that the tenants have observed a drop in inflation, and this eases the work in the renewal contracts and in new rentals. And this is our work, we have very strong sales for tenants, you see that sales are above rentals and tenants do observe an improvement in the situation, and this helps the renewals and new rentals for our team.

Cristina Betts: when we think about capital allocation of the cash that we have raised for the coming year, we do have some ideas, we're going to continue to deleverage the company with interest rates above 10%, this is somewhat controversial. Now, as you mentioned, we spoke about expansion, about our projects, our portfolio and much more, and we have a significant focus for the year 2024 to kick-off in terms of new opportunities.

Now, for the towers, we're going to be investing more money into that, it's not a significant cash burn because we do work with the VGVs, it depends on the project, and of course, we have the Figueira House. It's not exactly an expansion, it's something separate from the company, but we will begin the entire part of infrastructure for the Casa Figueira per se, this will be a relevant project and it begins in 2024.

When it comes to M&As, we spoke about the investment. We have to think about the cost of investment. Of course, we keep our eyes open. As you know, we won't purchase any assets, we're very specific about the assets we want as part of our portfolio, we have a strategy for this. I always speak about the purchase of minority stakes, asset of third parties, but once again, this will depend on what is put on the table, the moment of the company and we will be prepared for that, and first of all, number one, we want to deleverage the company, this gives us firing power to do what we truly want to do, and this will enable us, it will create that opportunity to truly do what we want to do.

Elvis Credendio: Thank you, Guido and Cris, for your answers.

Operator: Our next question comes from Marcelo Mota, from JP Morgan. You may proceed, Marcelo.

Marcelo Mota: Good morning. We have 2 questions as well. The first, about the resale of point of sales, multiuse projects, if we can expect more opportunities through the fourth quarter or for 2024. If there's something relevant that could happen in the results, and if we should monitor these multi-use projects closer. We have seen a very recurrent contribution.

And the second question refers to iRetail and 365. To see if I understood this correctly, the expectation for EBITDA is to improve in the fourth quarter? And have you tested this model in terms of SKUs? Is this a time for more online operations? What is it that it can become or there will be more breakeven? Which are your next steps, in other words?

Cristina Betts: Mota, let's think about our resales. You can always expect a result of resale during the year, but I think this will be unusual, kt's a very specific project with a very large area and several people involved. We don't normally work with projects of this size. It's funny, we get to that stage where we're working with budgeting and there's always points of sales to sell; some people forget to renew their contracts, others leave, and every year it's the same story. We're always able to attain high values in terms of resale.

Yes, you can always count upon this in the fourth quarter. We still have some things in the pipeline that will lead to resales in the fourth quarter, revenues from the resale, and we're working on multiuse projects more specifically, and we will conclude the negotiations until the end of the fourth quarter. It's possible we will have a project.

Guido Oliveira: We remind you, Mota, if you look at our portfolio so far in our release, you will see how much we have already done in multiuse projects, we made almost 200 million, 200,000 meters of residential/hotel areas, this is part of our DNA, and of course, we will have results for this in the coming quarters, we're going to continue to do what we do every year.

Cristina Betts: And this, besides the Casa Figueira project, it's also a resale project. We're not going to incorporate it, but it is something separate and will begin the coming year.

Now, in your question referring to iRetail and 365, yes, your assumptions are correct. We should reach breakeven in the fourth quarter, and once again, we've done our homework fully, we've worked on the thick of the restructuring. We have a second stage that refers to your question about the end game here, it's important for us to understand the fact that the end-consumer of our shopping malls, obviously they carry out several purchases in brick-and-mortar stores, but it is a fact that we cannot deny that what we see is an opportunity of linking all of our digital initiatives (I'll call them like this) with our loyalty project, which is Iguatemi One, and the link will allow us to show everything we have in 365, and through time we can communicate with our end user enhancing the sales of our tenants.

Without disclosing figures so far, what has a very positive impact on the sales, is the Collection. We see the incremental sales that we have generated, the amount of people that I know that are friends, personal friends that are crazy about exchanging for the Collection gifts. I have pins, I need more pins to ensure I get the Collection. This is truly surprising. It's become like a game practically. And this has been something that is positive, but also that social part. An example that I will pose, the last coverage of Fashion Week, we carried out a very interesting coverage in the Daily, we spoke about the fashion shows, the mood from Milan, from Paris. This is something that we're beginning to learn how to explore. We're creating awareness on a platform, we also have the loyalty that we're going to link to behaviors, we have 365 that does carry out and sales. Of course, perhaps it has shrugged somewhat now, but it won't in the future. And all of this will enable us to communicate with the end user working through this funnel.

This is important work, but it will take some time. It's not easy to make all of this come to reality, it's a B-2-C company. Weel, but we're not truly a B-2-C company, but it will be, and we have an important work in terms of share of wallet if we do this properly.

Marcelo Mota: Thank you. That was very clear. Thank you.

Operator: Our next question comes from Rafael Reder, from Banco Safra. You may proceed, Rafael.

Rafael Reder: Good morning, everybody. Well, most of the questions have been approached. I would like to speak about revitalizing and maintenance and understand if because of the pandemic you're working at lower levels and not normalized levels. And looking forward to 2024-2025, if you're thinking of larger projects and larger investments, of course, in this above the levels that you have conveyed through the guidance for this year.

Cristina Betts: Now to speak a bit about our maintenance CapEx, it's true that in the years of 2021, we did have lower investments in maintenance, but this is not what we do to leave maintenance aside. We understand that this is part of the service of the quality we're delivering to the end user and the tenants, we’re always pursuing to work with maintenance, and this goes all of the way from renewing or remodeling bathrooms, handrails, flooring, landscaping, you name it. In truth, we are very judicious when it comes to maintenance.

We had in 2023 already higher investments compared to the last 2 years, we’re making up for what we did not do in the last 2 years, but we did carry out maintenance in 2021. We had to reduced condominium and many other things, there was too much to do, but we didn't allow things to fall apart and we're not trying to recover everything. This simply does not exist. We're quite calm about this, and as I mentioned, the larger things come from the allocation of cash flow and other things, the deleveraging, the beginning of sales in Casa Figueira, beginning our organic growth projects, and maintenance is also part of what we're used to doing, perhaps with higher investments.

Rafael Reder: Thank you. That was very clear, Cris. Have a good day.

Operator: Ladies and gentlemen, thank you. As we have no further questions, we will return the floor to Miss Cristina Betts for her closing remarks. Miss Betts, you may proceed.

Cristina Betts: Well, thank you so much for your attendance at our third quarter conference call. The fourth quarter and the year 2023 will be very good and we will meet again to speak about the end of the year, the closing of the year guidance for 2024. We have a great deal to speak about in the coming call.

We're always at your entire disposal should you have any additional doubts. Thank you very much and I hope to see you in the next call.

Operator: The Iguatemi conference call ends here. We would like to thank all of you for your attendance. You can now disconnect.