International Conference Call
Iguatemi S/A (IGTI11)
1Q23 Earnings Results
July 10th, 2023

Operator: Good morning, everyone, and thank you for holding. Welcome to Iguatemi S/A 1Q23 results conference call. With us here today, we have Miss Cristina Betts, the company's 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. Including this, there will be the question-and-answer session at which time further instructions will be given. 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 may be accessed through Iguatemi's Investor Relations 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, please bear in mind that forward-looking statements are based on the believes 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 may or may not occur. Investors and analysts should understand that general economic conditions, industry conditions and other operational 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 will now turn the floor over to Miss Cristina Betts, who will begin the presentation. Miss Betts, you may proceed.

Miss Betts, you can continue.

Cristina Betts: Yes, I am afraid our line dropped. To begin again, therefore, I would like to refer to the sales period in this first quarter. We had a total sales reaching 3.9 million for the period, a growth of almost 17% versus the first quarter 22. We had also had excellent performance vis-à-vis 2019 and this is very considerable growth. Once again, in April we have continued to grow almost 9% vis-à-vis 22, so this shows the strong performance we have also in the second quarter. Because of this resiliency in terms of our sales, so we have spoken about the mix renewal, the fact that we have new shopkeepers that are more active and the change of the team due to this renewal, we were able to continue on with the withdrawal of discounts, and presently we are at the lowest level of discounts since 2015, and the real growth of same-store rents reached 19.7% and 17.3% for the same-area rents.

So, this is a significant real growth for this first quarter. With the sales growing, we have maintained a reasonably stable situation and we're going to refer to the figures very soon, but we're in a very solid position, very much in line with what we had in the past. And what it comes to delinquency rates, which is of course a very important indicator, with the rents growing, somebody has to pay for that rent, so this is a figure that we follow up on very carefully, and the first quarter typically there's a quarter with a slightly higher delinquency rate vis-à-vis the rest of the year and we reach 4.4, which is very much in line with our historical averages.

To speak about the highlights for the quarter, everything has been quite calm, and we proudly announced our new projects surrounding the Campinas mall, the Figueira House (Casa Figueira), this is an entirely new neighborhood that will be developed with all of the attributes of a highly-streamlined neighborhood, with a architecture that stands out fully integrate of course to the Campinas shopping mall, we will have 66 different areas with an estimated PSV of R$6 billion. We will be developing this project throughout the next 20 years. To give you an idea, it is somewhat larger than Vila Olímpia in São Paulo, which is a very large neighborhood for Campinas, and we should receive revenues of R$350 or 400 million throughout these years, and the CapEx for the infrastructure of the project of 60 to 70 million.

Now to also speak about other highlights for the quarter, we concluded, as we said in the fourth quarter 22 call, the acquisition of JK Iguatemi, we paid out the 36% that we had acquired from this partner, and this enabled us to work with other real estate credit as we had already remarked, this same amount is the same amount made for the acquisition, this will help us in 3.3 percentage points CDI in our average debt, and 3.0 points in our full debt. So, we're quite satisfied with this real estate loan due to a relative scarcity of debt in the market at present.

In this first quarter, we carried out the second Collection Campaign. We would like to remind you that our Iguatemi Collection is linked to the relationship program of Iguatemi One. We held the first campaign last year between August and November, if I'm not mistaken, and we have initiated our second Collections Campaign now in March, in the first round or up to present, and we intend to end this campaign in June. It, of course, we'll go through Mother's Day, Valentine's Day, and we have already had an increase of 40% of sales identified up to present, and we see that this is gaining adherence ever more and we see that it is the best clients that are going through the shopping mall, we have a highly relevant registry besides having in this campaign an increase of average ticket of 6%, so we have identified sales, higher tickets per person, and this of course is very interesting for our program and we will be holding a third edition in the second semester of this year.

365 Iguatemi continues to be our focus. As I mentioned in previous quarters, we had a technical stop, we were simply changing for a new system. This change of the system took place in the beginning of the second quarter, everything is operating more expeditiously, we had several enhancements in navigation. We are about to conclude, but we already observe a significant enhancement in the expediency of the site, and we continue to enhance the sales through the site looking at the capture of clients also in regions outside of where we are and qualifying our selection with differentiation and great profitability in the site.

Now in the last quarter, we had a great deal of events. We did mention that we had reactivated our shopping mall, we had [unintelligible] and Iguatemi the celebration of 40 years of the Iguatemi Porto Alegre, which was very important. We had the client also roaming through JK Iguatemi with a great deal of activations. We worked with Timo Gorner with a masterclass, Timo Gorner, VP of Disney, and we had an exhibit of Kandinsky exhibit in Ribeirão Preto. So, all of this is an agenda that will continue on throughout the year. These are very exclusive, unique and they bring an extremely important flow to the shopping mall besides bringing in a great deal of quality.

In part ff ESG, we continue on with our ESG journey. We have enhanced our metrics and we will refer to what we do in each of the pillars of ESG. We're working with diversity and inclusion, we have a sustainability committee, we also have an authorial series of content that we are disseminating internally to educate everybody working in the company. In the social area, for many years we have been helping the Red Cross, we had the strong rainfall in the North Coast and we worked with collection, we're also continuing on with the hiring of refugee women, and for the 4th consecutive year we were certified as a Great Place To Work, we are in the 7th place when it comes to the retailer category, which of course is a reason of pride and we are attempting to better understand the demands of our in-house audience when it comes to health aspect.

As promised, until the end of the first quarter, we are going to be releasing our sustainability report. We're going to refer to our carbon emissions and we have set forth goals going forward.

We're going to speak more about the results, but I would like to simply end these initial comments. We're highly confident in the rest of the year and we are sure that we will be able to face a year that began with greater difficulties that we had imagine, but it's impressive the sales that we have at the shopping mall, the EBITDA and we continue to focus on a gain of efficiency of our assets so that we can fulfill the occupation of our shopping malls to make each square meter more profitable thanks to the change of the mix that we're implementing. We do have a great deal of work ahead of us, so we're confident, but full of activities and we trust that we will improve and enhance our results even more.

Now if we go to the presentation and go straight to page #3, I would like to refer to the highlights. As I mentioned in the opening, we reached a record of 3.9 billion in sales, a growth of 16.8%, and the sales of April this hasn't been fully closed, but they will close with 8% above the year 2022. Same store sales with an increase of 15%, same-store rent 19.7, and same-area rent with the growth of 17.3% vis-à-vis 2022. This is very good given the scenario. Gross revenue reached 326.3 million, an increase of 18.5% and net revenue reached 270 million, growing 17% versus the first quarter of 22.

Now, when we understand our cash reality more, in truth, we had a growth of 260, 86% without the streamlining event. Now we reached 18.9% increase in EBITDA, growth of 31% compared to 22 and adjusted net revenue reaching 667 million with a net adjusted revenue, so we reached R$210 million, much higher than in the first quarter of 22, and adjusted margin of 22.7%.

As I mentioned in the highlights – and we're going on to page 4 –, we have 2.3 times net debt over EBITDA and somewhat lower because of the payment for the acquisition of JK that we did at the end of February, so this is why we have this slight decrease. The real estate loan that I have already mentioned, the approval of a new swap program to replace our previous things and I also refer to the 40 years of Porto Alegre, we're celebrating 40 years, this is very emotional, we have several companies that have been there since the beginning of the shopping, and we have had thematic dinners to celebrate the 40th anniversary. Many people have become very emotional because of the memories and the work that we begin now with the infrastructure of Casa Figueira.

Let's go on through the chapter of Casa Figueira, this is a very quick rendering. You have seen this in other releases, we have the size of the neighborhood of 1 million square meters, it's very large, highly imposing, the location of course embraces the Iguatemi Campinas, it has a population of more than 3.3 million inhabitants, it’s a very famous metropolitan region in the country, and it will have the more streamline design in terms of urbanism that we would like to have for a neighborhood like this one. It is highly differentiated in terms of access, location, and it makes the most of the region. And I'm joking that this will be a present to the city, it will have incredible landscaping and we have master developers, ourselves and the FEAC Foundation. Those responsible for the urbanism are an English company that have embraced several projects in King Cross in England and other regions, and in highly renowned areas, the Broadway Malyan.

We will have 66 urbanized lots divided between commercial and residential towers, and as we had already mentioned, we have already initiated the infrastructure works, in truth, we began with the approval to begin now, we worked with a part that is being called a prototype that we have done in the lot of the Iguatemi Campinas, simply to show people physically the standard of this neighborhood. And you will also be connected to Casa Figueira aiding and abetting the urban development throughout the years. Now the last lot will be sold in 2038, we will be working during this entire period of time, and this of course will be a true gift not only to the shopping mall, but also to the entire city.

Very well, we'll speak about our main operational indicators.

Guido Oliveira: Good morning, everybody. Thank you for participating. I begin on slide 10 to speak about the main operational indicators. We have a variation of GLA, when we speak about total GLA, we have the entry of Sky Gallery that came in in the fourth quarter of last year with a variation of almost 20,000 meters of GLA, a variation of 2.4. Our own GLA increases 4.4, which is the sum of the tower of Galleria and the acquisition of 36% of JK Galleria. We have the average owned GLA and the total GLA including the 36% acquired from JK Iguatemi. We have already spoken about the record of total sales that go beyond 3.9 million, a growth of 16.8% same-store sales above 50% and same-area sales above same-store sales, showing you the work that we have done beginning in the first quarter of 2020 in the mall. The new stores that have come in beginning of the second quarter that have helped us to increase our average sales, which means that the new stores are enhancing the same-area sales average in the portfolio.

Now same-store rent reaching a record of 19.7% with a gain of 12.7%. Now even if we consider rent above sales, you will see that our discount is truly very small. If we look at the portfolio before the pandemic, it was 12.8%, we are now at 3.2%, reflecting the work that we carried out in terms of the condominiums with a very small transfer of withdrawals in the condominium. All of this was done below the accumulated inflation in the last five years, between 217 and 2022. And this is the work of efficiency in terms of our condominiums, our occupancy rate remaining constant at 92.7 with a minor loss of 0.2 percentage points because of December.

As we showed you in the release, we had a loss that was less than in previous quarters and all of this is backed up by our portfolio, the portfolio is selling very well and we see the sales continue very strongly and with this we close with a net delinquency rate closing at 4.4%, it was significant recovery because during the year 2022 we had 17 million of recomposition of delinquent rents, of course shopkeepers that were in default, but all of this has been recovered now. The net delinquency rate would be 3.4 weren't for some events that took place, for example, Lojas Americanas representing 0,4% and other shopkeepers or clients, but all of this has been recovered in the month of April, as you will observe in the second quarter.

We go on to slide #11, our consolidated financial results showing a growth of 18.6%. Here we have a drop in discount, a drop of 8.7% showing that we have withdrawn these discounts were with discounts over the rent, below the figures that we had pandemic, which is truly excellent. So, we went through an incredible rent, and this is very healthy for our portfolio in all of the segments, cost and expenses in line between the shopping and the retail part, and EBITDA growing 20.8% reaching R$178 million. Depreciation and amortization because of the acquisition of JK an increase of 14% and 47 million, 814 for net income above the last year. These are non-recurring figures due to capital instruments for Infracommerce for a migration that we did in the third quarter last year to a different type of investment. This will no longer appear in our result.

We go on to slide #12 that shows our consolidated financial results without the Infracommerce effect and share swap results. We end with gross revenue with R$326 million and then EBITDA of 178 million with a margin of 69.5%, net revenue of 47 and FFO of 92.110. Now this was a non-recurring event, somewhat below what we had seen, and throughout the year this average aliquot will be the average aliquot compared to income after taxes, as we have mentioned at our meetings.

We go on to slide 13 where you see the improvement in the retail segment. It is important to show you the enhancement of efficiency, we went from 68% to a margin of 32%, the EBITDA with an improvement and the cost and expenses dropping 5.5% along with a net revenue that has had a growth of 15.5%. Now this is something that should be reiterated in this segment in the coming quarters, and of course, you will observe the efficiency, as you have seen in the release, with a focus on operational revenue that we will discuss further ahead. And working with a more assertive marketing, a better logistic, and all of this has brought about a better efficiency along with the change of our platform. Of course, that will enhance all of our efficiency indicators, especially those in the site and those referring to the commercial part.

We will now go on to slide #14. You will see our P&L consolidated. The margin is 78 points above 2022, in line with our historical margins. A growth revenue of 18.7% and costs and expenses costs growing 19.7%, and some of these costs come from the increase in cost in the shopping mall because of the acquisition of the 36% of JK and this will explain the increase in cost and expenses with a variation of 8.6%. And once again, we have been working in operational efficiency that will begin to show significant results beginning in the second quarter vis-à-vis the quarters of the year 2022. We will still have additional enhancements to show you in terms of operational revenue and EBITDA of 206.179 million and EBITDA margin of 78.1%. As you can see, all the margins are growing and we are able to show the strong sales of our portfolio, we have international brands that have proven to have a very good performance reaching 356% growth over a base that in the past was already very strong.

We go on to slide #15, a breakdown of our revenues, a growth of 18.6% in gross revenue, management fees, thanks to the better results of our shopping mall, 7.4%, parking growing 21.5%, parking is due to a better flow vis-à-vis 2022, and 10% lower than we had in 2022 as we show in the release, but in the second quarter, especially in April, we have a flow above what we have budgeted and above 2022. And of course, there's room to reprice our rates, reposition our rates for the period and we should have a substantial enhancement in these figures for parking that you will observe in the coming quarters, and an increase of 18.7% in total growth revenue.

We go on to slide #16, the rental revenue malls. The growth of 56% in overage and a growth of temporary rentals of approximately 20.4%. It's important to accompany this figure, as Cris has shown us, we held a variety of events and we're continuing to seek out these events to bring in a better flow into our malls. We have the best event venues if we add Iguatemi São Paulo, JK Pátio Higienópolis and others of course very important venues for events. All of our venues are absolutely crowded when we hold events, and they will be like this in the coming quarters. We're going to explore this further, and this line item will tend to grow significantly, a growth for the first quarter very strong of 18.6% in terms of rental revenue.

We go on to slide 17 to speak about costs and expenses. When we look at costs and expenses without the retail part, we see a growth of 15%, a growth of personnel partially explained by an increase in the cost because of our new share in JK Iguatemi, and of course, the expenses with personnel. We have already referred to the reinforcement of our commercial team and our team of brokers, and this is no longer part of the third-party line item, it has become part of our own personnel costs, an increase of 33% in personnel once again due to our company reorganization and the change in teams. And those who are in our teams began to be remunerated beginning in the last quarter of 2022.

As Cris has already mentioned, we have been working in terms of operational efficiency with a consultancy and all of this will have an improvement of efficiency and in costs, especially in expenses and in the cost of rent. Now these variations will tend to be decreased in the coming quarters. In the graph below, despite the increase of 15%, 8.6 in our SG%A, there is a drop as a proportion of net revenues going to 9.4% in the first quarter 23. A significant increase in efficiency and proportional to our net revenue.

We go on to slide #18. Our net debt increased by 56% because of the payment to JK, we paid 667 million in February, and we have carried out a funding through savings in a top tier bank for an average of 19 years and 11 months at a Tier rate of 9.48% per annum. Now all of this crisis [unintelligible] is due to the event caused by Lojas Americanas. Now this new rate will give us tranquility to continue paying all of our amortizations in 2023-2024 in a moment of high stress in the market.

We will now go on to slide #19. We show you our debt profile. 89% of our debt is packed to the CDI, 10% to TR, we have 55.8% in debenture, 29.9% in CRIs and 14.3% in loans. What is important to show you is the evolution of the average term that goes from 2.8 to 4.2 thanks to the fundraising with this real estate loan, with the drop of the interest rate and we do hope there will be a drop in the interest rate in the second semester there will be a significant improvement in these expenses.

We now go on to the last slide, slide #21, where we refer to our guideline's guidance. We are above our guidance in all of the line items. In terms of net revenue growth, it is from 13 to 18%, we grew 23.7%, net revenue growth through retail 3 to 6%, that growth was 15.5%, EBITDA margin 78 to 81% and our total EBITDA was 78.1%, investment 140 to 180 million and in the first quarter our investment was of 37.6%. With this, we fully comply with our guidance in terms of all of our goals.

With this, I would like to end the presentation and we are now open for questions and answers.

Question and Answer Session

Operator: Very well, we will now begin the question-and-answer session only for investors and analysts. Should you have a question, please press *1 on your touchtone phone. If your question has been answered, you may withdraw from the queue by pressing *2.

Questions will be taken in the order they are received. We ask that when you pose your question, you pick up your handset to provide optimum sound quality. Please hold while we pull for questions.

Our first question is from Tainã Costa, from UBS.

Tainã Costa: Good morning, everybody. Good morning, Guido and Cris. Could you speak about your strategy for vacancy and occupancy during the year? You have a very healthy situation, but which is the company's strategy to enhance the occupancy rate? We see a greater focus on an improvement in the occupancy rate. What would be the best for the company?

Cristina Betts: Good morning, Tainã. Well, the occupancy rate in the third quarter is always somewhat higher. Typically, this is a quarter that is weaker, although it doesn't seem to be compared with other quarters. So, the 13% you see here is very much in line with what we had before the pandemic. We would always remain at the high 12 before the pandemic, and throughout the year you will see this dropping obviously because it is seasonal once again, we will drop to 12% as an average for the year with fluctuations downwards in the coming quarters.

It is important to mention that the occupancy stands where it is because we continue to seek a better resiliency in our mix. As you know, we're working towards this, we don't have a guidance, but this is a goal to reach an occupancy of 95% approximately of course, and we perhaps do have this lag because we truly believe in this, in the qualification of mix and rent. It's useless to bring somebody in who will not contribute to making square meters ever more profitable. Now with these two measures, we have carried out truly exceptional work. Since the end of the pandemic, we have seen very good results with our new leases. I think we're in a very good wave of occupation, occupation with quality, and this will maintain the cost of occupation at the level that is, we charge for the lease, but we also believe in higher sales, and both together will bring about greater profitability and we will continue to improve the delinquency rate. By qualifying the mix, we should see a more controlled delinquency rate, which is already under control.

We had some months with a negative delinquency rate, the first quarter tends to be somewhat higher, but we're quite confident that we have everything we need to attain that figure, and at the end of the year, honestly, the figure should be better than when we entered the pandemic. It was already better when the pandemic came.

Tainã Costa: Well, thank you. Thank you very much.

Operator: Our next question is from Ygor Altero, from XP.

Ygor Altero: Thank you for the presentation. We do have some questions. First of all, Casa Figueira, a very large project that you are beginning now, do you already have a granularity for the PSV? And you mentioned that you're working on a full neighborhood, a very large neighborhood. If you could comment more on this, I will then go back to my second question. Thank you.

Cristina Betts: Hello, Ygor. Yes, Casa Figueira will have some stages. Our release I believe shows you the map of how the buildings and the towers will be, and we tend to joke that is like the Spanish stairway that we have from the Campinas Shopping that will go into the neighborhood, it unfolds, first of all, closer to the shopping mall and will grow until the park. And in the last lot, that will be sold in 2038, that will be left for the end. We're going to work with what is in front of the shopping and on the sides of the shopping initially, and of course, this is all in accordance with the proximity of the shopping in quotations. It represents R$9 billion, this will be a very long stairway because we have to have the ability to absorb the market. We can't do everything at the single time. We're going to begin selling the areas that are closer to the mall and as we receive approval for construction, we will continue on in different stages.

There are several lots, four or five lots per year, which is what we will be working on. This is approximately the plan, and in four years, if I'm not mistaken, we will have the first tower already built. Now on the other side of the highway, in truth, we have two towers that have already been commercialized and they will come out before the first tower, but they're on the side of the shopping on the other side of the highway. And along with everything, we will develop, we do have some towers that are on the other side of the highway.

Now we tested on the other side of the highway because there are approval documents to be able to work with the bidding process and much more, and because our partner, the FEAC Foundation, has to approve all of this with its curatorship, so we began with a pilot phase to be able to expedite the rest of the process. In the second quarter, we will already be speaking about how we're going to begin the commercialization of these towers.

Does that answer your question?

Ygor Altero: Yes, that was excellent. The second question, thinking about a more normalized growth going forward and sales throughout the year.

Guido Oliveira: Hello, Ygor. The sales of April – and I remind you that we referred to estimated sales of 8.3% - they might increase until the close and in the second quarter last year, already our sales were very strong. In the last year in May, our sales were 35% above to 2019. So, this is a period of strong sales. Based on April and May that has just begun, we do think the flow will be maintained and sales will be significant. When we look at our work commercially, this is what we have shown you. We have a great deal of spread in the first quarter. We're coming from Christmas, these are the three months with the lowest sales during the year if we look at the annual sales evolution in the shopping mall, but we do have a spread in our sales and the real percentage would be 3.5%. We're going to continue working with this and we will show you sales growing way above the inflation with the cost of occupancy, as Cris mentioned, dropping somewhat, especially because if you increase sales for the retail market, these are sales we will have in the second quarter. We have Valentine's Day, Mother's Day and then we have Father's Day and then we go on to Black Friday and Christmas. All of this will be a boost for sales, of course.

But we will be able to maintain as same-store sales that is very positive vis-à-vis inflation in the coming quarters.

Ygor Altero: Thank you very much. Thank you, Guido. Thank you, Cris. Thank you.

Operator: Our next question is from Pedro Lobato, from Bradesco BBI.

Pedro Lobato: Good morning, everybody. Thank you for taking my questions. I would like to understand the dynamic of your parking revenues. You have been extremely active in your events, and I would like to know if this is due to the stronger flow that you had or is this due to another reason? Now, year on year, of course, what is it that had a greater impact on you this quarter? Was it the acquisition of JK or otherwise? Thank you.

Cristina Betts: Yes, Pedro, it was. Now parking, every quarter we improve our flow. We haven't fully resumed the flow that we had pre-pandemic overall, but there have been improvements and an improvement vis-à-vis 2022. We also had an increase in ticket. Well, parking price increases are always rather peculiar, the amount is relatively low, and we can't work with broken numbers, we tend to round up numbers, and this of course gives us a relevant increase in the parking revenue. But we do have two things; yes, we have had an increase in flow, although we haven't fully resumed vis-à-vis the pandemic and the price of the ticket. We struggle a great deal to create events that will have the capacity to attract people to the shopping mall, when we speak about events like ET or Collections, all of this brings more people to the shopping mall, and because of this, we have additional maintenance and an improvement in what we see in our figures.

Now to complement this, we have made a strategic choice this year, as part of the resources that we have for marketing, we're going to gear a higher amount to events that of course generate flow. This will increase the flow, the sale, a full resumption post-pandemic perhaps investing less in functional things and investing in the activation of the shopping mall as a whole. And this is what is happening at all of our units, we have a very busy calendar, and as we mentioned, we're quite focused on events, events that don't have a huge return, but in terms of parking, they do have an impact. When we hold an event, for example G.A.T.E at JK or something relating to wellness in JK, or when we hold an event in a specific store, it's natural to park in the shopping mall. Nobody will park on the streets for this.

So, two things, therefore, the events are helping and the events for flow in the shopping mall with an impact as well.

Now to speak about taxes, we had a drop of 9 percentage points. vis-à-vis 2022 with an aliquot of 19.8%, I believe, and obviously as part of this work, there is the work we have been doing in JK in the last quarters, which has also brought us an improvement in our fiscal planning and improving the tax credits that we referred to in the fourth quarter representing 60 million. Now this brings us greater efficiency in absorbing the taxes that we have to pay when you credit those taxes that we activated in the last quarter.

Now in this quarter, our aliquot would be somewhat lower because of non-recurring events, we of course worked with our swap, what we had previously was now put in Iguatemi S/A now with the high cost to pay, but it did generate a deferred tax, but during the year, all of this will be recovered and we did this to enhance our planning during the year and to recover a full aliquot of 15% for the entire year.

Pedro Lobato: That was very clear. Thank you very much.

Cristina Betts: Thank you.

Operator: Our next question is from André, from Itaú BBA.

André Dib: Good morning, Cris and Guido. Thank you for the presentation and thank you for taking my question. A question referring to your leverage. It has reached a figure; do you deem this figure to be sound in the last quarter? If I'm not mistaken, it was lower, and the expectation was to maintain your leverage. Is there anything you can tell us about this? And if you have any opportunities for M&A and if you're willing to increase your leverage because of this.

The second question is a follow-up in terms of your sales. We have seen a very strong performance in the first quarter and a strong performance compared to your peers in April, but a trajectory for a slowdown because of the increase of sales in May, that grew 33% last year, you have a very strong comparison base. Have you thought about a negative same-store sales in the second semester? Because of this trajectory, what is your view of the trajectory going forward? Thank you.

Guido Oliveira: André, to speak about leverage, we have a leverage of 2.47 and when we look at our cash generation and what you have projected, if we don't do any M&As we will drop our leverage to below 2. So, we should end the year with 2.0 times net debt EBITDA. This is the leverage that our balance allows us only because of the cash cow of the company.

Now I'm going to let Cris answer the part about M&A's and then I will speak about the sales trajectory.

Cristina Betts: André, in terms of M&A, we always have time for that. But we observe greater lack of stability economically and a rather cool environment in terms of M&As. As become more difficult to price them, to find opportunities, I would say that we continue to look around, but there's nothing specific, we're thinking more about the medium-term, and the outlook for this here is to continue with the focus on efficiency, operations, leverage, cash. We will of course look at offers, but with less impetus that we had before once again because of the scenario. The outlook is not very evident for the coming quarters in terms of M&A.

Now to speak about sales, negative, don't ever consider it. Negative, absolutely not, but it's obvious that we cannot grow 33% infinitely. We're thinking of a normalization of our growth. Until 2014-2015, we would speak of increase of 3 to 5%, which of course is not something real anymore. Now to return to that kind of growth, a more controlled growth makes sense, but a negative growth, absolutely not. And that's the beauty of always looking at our shop owners, our opportunities, our lease of spaces because this is our business, we're always looking for this positive exchange that will generate positive results of course.

Guido Oliveira: And to reinforce this, Cris, we showed in the release that during the years of exception between 2015-2017, where the GDP dropped almost 8%, in none of the quarters did we have a negative same-store sales or negative figures. That has never happened in our history, of course, taking away the pandemic when the shopping was closed down. But we will have growth. We're considering significant growth of 8.5% of April vis-à-vis 2022, and we're quite confident that we will have a growth above 5% in May and June, which already represents a gain on the total sales of last year.

And we remind you, as Cris mentioned, the change in mixes, especially in Pátio Higienópolis, image the sales this will bring about. We have several new brands entering the mall that don't exist, now in Galleria, for example, we have a sushi in Galleria Campinas, several new stores that will become part of our family. And for those who do not know the marketplace, go visit it, I recommend this, it's a true success. Very, very interesting.

André Dib: Thank you, Cris and Guido, and have a good day.

Operator: Our next question is from André Mazzini, from Citibank.

André Mazzini: Good morning, Cris and Guido. My question is the economics of your stake in Casa Figueira. This is a relevant project, you're referring to a CapEx of 50 million for Iguatemi, this would represent 105 million. So, if we can say that your stake in the project is 30%, if this makes sense and a PSV of 10 billion, 400 billion of revenues for the shopping mall, of course, you will have residential and commercial towers.

And the second is the breakeven of 365. You did not refer to this very broadly. Will there be the break even for 360? And what will happen with the retail part in general? And if it takes longer to come, perhaps you will continue working more on downsizing? Thank you.

Guido Oliveira: Good morning, Mazzini. Now the neighborhood Casa Figueira, when we speak about our stake 70 million, 30% that will represent our cost in infrastructure. Now the infrastructure of the neighborhood will be carried out in phases. We can't do everything in three years, you have to work with these streets, sanitation, the cabling that will be fully underground, which means that all of this will be done in phases and then you will sell out the lots, as Cris mentioned.

The lots will be sold as of the Iguatemi Campinas and we will make the most of the downward slope of the land and we're going to be selling, as mentioned, four to five lots every year. Now this is the cost that will be dismembered during the coming three to four years of infrastructure and of course the PSV, the 10 billion, the total amount will impact the entire neighborhood and 350 and 400 million that would be our part, is what we can work with, it's the percentage of our 30% on the swap. The swap of an average of 15% that we have based on the sale of the lots, 60% are for the FEAC Foundation, the rest is for Iguatemi.

Cristina Betts: We are a master developer along with FEAC Foundation, we are not the developers. Now we're speaking about holding a big, calling in developers to build these towers and going forward this is not our plan, if we want to participate more, we can do so. We're simply working with a swap of land here, these are the general figures for the project, we have several years ahead of us to discuss this, but these are the basics for the time being, and through time there shouldn't be that many changes. Unless we decide to have a share in the square meters that are built going forward.

Guido Oliveira: In Galleria, we kept 50% of the share in the tower and the other partner had 50%, and there was a tower that was returned in Porto Alegre, and we worked with leasing. Everything will depend on how we sell the lots in a swap system.

Cristina Betts: And to respond to your second question regarding the Iguatemi 365, here we have spoken a great deal about the breakeven, we also mentioned that we would not be reaching the breakeven this year because this is a process, we have just made a change to fed tax that will help us in conversion, it was very important, we also carried out a change in the payment part which brings about greater efficiency and better fraud control, which is important, and we're now in the phase of beginning to think about the lease vis-à-vis the profitability that we have with the seller.

This year we have decided not to grow. Basically, we will have a flat GMV forecast for this year and perhaps a slightly drop in GMV. As I have mentioned in other calls, it doesn't make sense to us, when it comes to the sellers, we're going to work with the second round in the second semester. We also carried out a reduction of headcount at the beginning of the year, and obviously, the run rate is somewhat better, but this quarter it has been somewhat worse, we're paying for the first quarter. So, there's still a great deal of things happening at Iguatemi, 365, to eliminate everything in the first quarter this is impossible, but we are on our way to work with the efficiency leverages on our path to the breakeven. And if growth is somewhat lower, fine, but we are looking towards the breakeven that will not materialize this year.

André Mazzini: Thank you, Guido and Cris.

Operator: Our next question is Pedro, from Credit Suisse.

Pedro: Good morning, Cris and Guido. Thank you for taking my questions. The question refers to the guidance. I would like to gain a better understanding of the inflation that you had considered when coming up with this guidance. Our inflation is somewhat negative. Is this expected by the company? And what can you do to go around this inflation below what you had planned?

The second question, the GLA is 16% that needs to be renewed this year, which is the expectation for growth for leases in the shoppings that are now celebrating their anniversary? Thank you.

Guido Oliveira: Good morning, Pedro. Thank you for the questions. When we speak about the guidance for revenue, when we worked with the guidance and when we closed our budget, we had an IGPM curve above what it is performing at present and Focus itself yesterday put down the IGPM 3.8 to 4.2% until the end of the year. Only yesterday Focus made this increase of 1.2 and there will be an increase in IGPM and this year it should close at 2.8 with a lower curve in terms of the inflation. There is a deflation as of April and we should be coming out only in October from this deflation. So, it's six or seven months of

0 correction of leases because of this event. Obviously, all of this had an impact on part of our projections, we had thought we would have a higher IGP.

We have already worked on our action plans, and we're quite satisfied with our guidance. This impact of 100% on our P&L will bring about relevant figures and we have replaced that with action plans that will of course take into account the difference that we will not have in the IGPM. When we look at our retail guidance, we have a loss that had already been scheduled, which is the exit of Balenciaga beginning on June 1st. Our work will be to bring on brands that want to come to Brazil, brands that don't have knowledge of Brazil in terms of logistic and taxes, and we're going to begin to operate this store.

So, net revenue considering the growth will be between 3.3 and 6%. And in terms of overage, you can see our percentage of overage growing almost 60% in the fourth quarter. We also have the growth of events representing more than 20%. So, we have several triggers that have been put in place to cover up for this difference in the IGPM.

Now your second question refers to the spread. In the first quarter, we achieved a positive spread in terms of the 16% that we're renewing. We're also going to work with a positive spread. In April, we signed a record contract in the company, 68 contracts were signed, all with a positive spread, so you will see that the spread curve will be positive throughout the year.

Cristina Betts: Now, Pedro, when you have a gigantic overage, this is an excellent indicator. What happens when we get to a contract renewal and our contracts always have a percentage on sales and a minimum stipulated value that should of course allow for the breakeven of this percentage. Now when the overage is much higher than the minimum rent, what we try to do is to bring that minimum to the percentage breakeven. So, initially you might not have an incredible increase in the total rent lease, but you do have the overage and the minimum there is a correction because of inflation, and this will protect the figures. When they're down and when they're high, you capture these anyway so when we measure the leasing spread, we do it based on the minimum rent, and we do expect that all of this will increase as we have a very high overage.

We have had very positive spreads, as we mentioned, regarding JK. Last year we had a significant percentage of contracts that were renewed at JK last year because of their anniversary and we were able to capture that overage in the minimum rent. It was gigantic.

And especially the luxury stores and top-end stores gave us a great deal of overage, and we are going to continue capturing all of this this year as well.

Pedro: Well, thank you, Cris and Guido.

Operator: Our next question is from Fanny Oreng, from Santander Bank.

Fanny Oreng: Good morning, Cris. Good morning, Guido. Congratulations for the results. I do have two questions. The first, if you could refer to the evolution of vacancy per asset, what is happening to that. I would like to understand the demand regarding the assets, is it concentrated demand in some of the assets, for example, Galleria Shopping? And what is your outlook for this and if Galleria had a great deal of vacant spots.

And the second question, which is very simple, going back to speaking about the movie theaters once again, which would be the flow trend in that movie theater area? Thank you very much.

Cristina Betts: Thank you, Fanny. Our occupancy is not the same in all the assets evidently. We have some assets where we already have a problem with space, for example in Iguatemi and JK, and assets at the other end where the situation is somewhat more difficult. The asset where we have a greater concern at present and where we would have to better requalify the asset, well, Galleria is going very well, as Guido mentioned, we have just inaugurated a restaurant that is doing very well, the tower has good occupation, we're going to begin working on the second tower, which is for residential leasing.

I think Galleria has found its own path and everything we're doing there works well. In Campinas Shopping mall there are some areas that are very large that will be leased now and will be inaugurated during the year, gyms, for example. Now Campinas is not a reason of concern, it's an enormous shopping mall and we're planning on beginning a second tower side by side. So, Campinas is a very strong mall, it does not constitute a problem, although temporarily, there are some stores that have been unoccupied.

Marketplace is a place where we need to requalify the asset and we should have some news throughout the year. We're quite confident in the occupation during the year of all of our assets. One thing is having a contract that is signed. Another thing is having a contract that is in effect. So, we already have a significant entry pipeline during the year, and we can trust that we're going to get to the end of the year with the figures that we have mentioned.

Now as Guido mentioned, we had a record of signatures in April that was very important for us, we have important dynamic, we're gaining speed in terms of our commercialization in this process, we have new leadership, and all of this has enabled us to be more assertive and faster in terms of the closing of contracts. We want to have occupancy of course, but occupancy with quality with shopkeepers that are appropriate for the place and that are paying for their rent. And we're quite confident in this rail.

Now regarding the movie theaters cinema, well, the results have been much better vis-à-vis last year. They haven't fully resumed what happened before the pandemic, but we're quite confident that the new harvest of films will be very helpful. We carried out activities jointly with the movies for occupation, for launches and we have reached significant figures. And this month the figures were much better than in 2022, and much better than in 219.

So, we're quite enthusiastic with the resumption of movie theaters. I wouldn't say that they're out of the radar yet. We have had a gain, but you're right, the new films should allow for a significant boost. Many of the movie theaters postponed the launch of movies because of the pandemic and because of other factors, and they truly hamper the movie theaters. When they were open, there was no appropriate content. Now, now that they have been opened, there's no need to worry about closed shutdowns. That is over with. And it's very important for us.

Another question that we had in terms of flow, I think it was Pedro from the BBI that spoke about parking, and of course, movie theaters help a great deal with the parking because they bring in that night audience who come for dinner to movie theaters. It's not the same flow people that we have during the day. So, besides helping the movie theaters, we have an important impact on parking and take your children to see the Small Mermaid. Very important film.

Operator: Our next question is from Goldman Sachs.

Jorel: Good morning, everybody. You have a debt that you mentioned for this year. I would like to know your vision for the debt going forward. How are you going to pay off these debts, which is the type of interest rate that you're thinking of here?

And the second question refers to Iguatemi 365. I understand that you're opting for lower growth this year in terms of Iguatemi 365, so how should we look upon this business? Will it stabilize further? Are you going to leverage this more for the fourth quarter?

Well, speaking about liability management, we worked with the real estate credit just recently, this is a highly important operation that has increased our average term. We have a tower under construction at present, especially with a view towards the second semester, we have a debenture issuance that we carried out during the pandemic, so we're changing 300 million of maturity of that debenture for the 667 million that we got at 99,5 million, this will mature in May and we will gain 4.4 percentage points nominally based on this operation.

And this quarter we do have some CRIs that are old and that mature in the second quarter. So, we will be accessing the market beginning in the second semester to work with cash recomposition in a scenario where we will be much better, there will be a clear reduction of interest rates, better interest rates internationally, and the situation should be calmer. We should have absorbed all of the impacts that we had in the credit market, especially due to Lojas Americanas.

We're moving towards a better scenario and the CRI market, and the debenture market has become better in terms of cost and average terms.

Guido Oliveira: Allow me to complement this. Even though the market is not marvelous in the second half, we will not have to do this, we can wait for the year to finish and do this in 2024 and then access the market after this real estate loan that we have just done.

Cristina Betts: We're being somewhat opportunistic. We're of course waiting to change for a lower cost loan, but if the market is not good, we will simply wait. Referring to your question on 365 and the seasonality, it accompanies what we call the brick and mortar retail, there's the peak in Mother's Day, and although it seems incredible, last year we had a better Christmas than Black Friday, which is not the case of the digital stores maybe because we're Iguatemi and we have [unintelligible] of products, we had better figures at Christmas vis-à-vis Black Friday, which was not the case of previous years, but it does have the same peaks of the retail that we have offline.

And as we are fixing up the house, putting the house in order in quotation marks, we have had less push in terms of sales overall. There's a part for Mother's Day, but nothing too significant. We have restructured our marketing plans because we're putting the house in order, and that's why I referred to a flat GMV. We're not working on too much while we're making these necessary arrangements, and of course, we were used to seeing different results in past years, perhaps it will be somewhat better thanks to Mother's Day. But we're very calm in terms of GMV and we do think it will be reasonably flat.

Jorel: Thank you. Thank you very much.

Operator: Our next question is from Marcelo Mota, from JP Morgan.

Marcelo Mota: Good morning. Allow me to explore some additional questions in this call, especially referring to growth and M&As. You said that in Galleria there could be a second tower for multifamily and you're thinking of selling some plots and expansion perhaps is the most obvious method of growth. Now in JK there truly is nothing additional to do, but if you would be subject to an expansion in Iguatemi, what are you going to do with your expansion projects? Are you going to put them into practice?

Cristina Betts: Yes, we do have plans, the main plan is for Brasília. Brasília is a shopping where space has run out, everybody wants to go to Brasília, and we have no more stores to lease and it's the best possible moment to think about an expansion. Last year from among all of the shopping malls in the city, we had the lowest potential per square meter of land, and we ended up being equivalent to others, and this enables us now to increase the shopping by 50% approximately.

We're working on the design for this, we should be able to receive approval for that still this year, but it is a lengthy process, and in terms of CapEx we're referring to CapEx in 2024-25, it's the time it will take us to work with the project, the project approval, and much more. So, there's still some time before this can happen, but we're very enthusiastic because Brasília truly deserves an expansion, it's the first shopping mall in that first group that we worked with after the IPO – 2010 I believe – and I think it's at the best point for an expansion.

The second shopping mall is Alphaville. It comes after Brasília, doubtlessly, and when we began these new shopping malls, we came up with space that would make sense for that time, but it has already become small and it's difficult to work with a good mix there. We have a land behind the shopping to expand the Alphaville Shopping with a partner that will work on some towers. But once again, this will come only after Brasília.

And finally, a small potential for Iguatemi São Paulo, something we would like to do that we're drawing up as well. This is more complex because everything in Iguatemi São Paulo tends to be more complex. Throughout many years, we had to reinforce the foundations in Iguatemi São Paulo to be able to grow upwards, and we have done this a thousand times, for 15 years we have been reinforcing the structure and we're getting ready for this. But once again, the trajectory for this will be even longer than that of Brasília and Alphaville. We have to come up with the designs and the approval and much more, and CapEx for the year 2023 in the guidance that we showed you shows you the beginning of infrastructure in Casa Figueira. That's about it. We don't foresee much greater amounts.

Marcelo Mota: Thank you. Thank you very much.

Cristina Betts: Thank you, Mota.

Operator: Thank you, ladies and gentlemen, as we have no further questions, we will return the floor to miss Cristina Betts for her closing remarks. You may proceed, Miss Betts.

Cristina Betts: Well, thank you very much for your participation in the call. You know that we're always available should you have any doubt, your comments are always welcome. We're quite happy with the results of the first quarter and we hope to meet again in the next quarter. Thank you very much.

Operator: We does conclude the Iguatemi conference call. Thank you for your attendance, and you can disconnect your lines now. Thank you very much.