International Conference Call
Iguatemi S/A (IGTI11)
Earnings Results 3Q24
November 6th, 2024

Operator: Thank you, everyone, and thank you for holding. Welcome to Iguatemi S/A 3Q24 results conference call.

With us here today, we have Ms. Cristina Betts, the 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.

After the Company's remarks, there will be a question-and-answer session, when further instructions will be provided. This event is being broadcast live via webcast and may be accessed www.iguatemi.com.br/ri, where the slide presentation is also available for download. Participants may view the slides in any order they wish.

Please, be advised that the forward-looking statements are based on the belief 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 overall economic conditions, industry conditions, and other operating factors could also affect the future results of Iguatemi and lead to results that differ materially from those expressed in such forward-looking statements.

We will now turn the floor over to Ms. Cristina Betts, who will begin the presentation today. You may proceed, Ms. Betts.

Cristina Betts: Good morning, everybody. It is a true pleasure to be with you again in our 3Q24 conference call.

Now, before we set out with the presentation, we're going to change the presentation format to make it briefer to have more time for questions and answers.

We truly have had excellent performance during the period, significant enhancement in several of our indicators, and we're very confident, as Guido will mention, on the evolution of the year and the way we're heading towards the last quarter, flying with the Company guidance.

Now we go on to slide number three to speak about sales. We have sales, and if you look at the slide to the left, we show you some of the sales growth, and to the right, the evolution of our occupancy rate. We begin with sales, and we have had sales above the average of the industry sector. And if we see what ABRASCE reports on the sector, we have had a growth sales of 9.7% above that of the industry as a whole. And in the 3Q23, 8.9% growth of same store sales. If we look at the IPCA, almost 6 points above the average when we look at this comparison. And we would like to remind you, of course, that here we have already excluded the São Carlos mall. Had we not done this, we had sales of 1.3%. Now our main indicator sales, they point to the resilience of our portfolio. And as we work with this change of mix, qualifying our malls better, we are emphasizing this outperformance we have seen in the last quarter.

To speak about the occupancy rate, we got to the end of the quarter with 95.9%. We have referred to our effort of eliminating the vacancies, and we're also speaking about doing this with quality. Now, when it comes to this indicator, what is very important and throughout the month we measure not only what we have inaugurated within the quarter, we have significant inaugurations during the quarter; Balenciaga, for example, for Iguatemi São Paulo with 300 square meters, everybody says it's larger because it has that glass front façade, but it is a significant brand for us, a new concept for Balenciaga. And we have been working with several important inaugurations, and in the coming months, we have some important events.

In the 4Q, we will be inaugurating the Tiffany flagship. The day before yesterday, at the JK we had the inauguration of Manioca. Today, the inauguration of Almanada Restaurant in Ribeirão Preto, all significant events. And we have signed important contracts for 2025.

Important events. First of all, H&M for the Iguatemi Mall São Paulo. We have also signed with Alo Yoga that will begin in the first half of 2025 in the JK Mall. These are very important brands, and this is what we tend to measure. We're on slide number four at this point.

Now, if we look at the next slide, slide number five, we'll speak about capital allocation. It was a quarter with quite a bit of movement. We made several divestments that we have been speaking about for the last months and quarters. The finally concluded the sale of our stake in the São Carlos of 50%, our total stake, and part of what we had in the Alphaville Mall, 18%. So, we're speaking here of a cap rate of 8.3 jointly. We carried out significant work in pricing that was quite attractive for us, and we agreed upon the exit from the management of São Carlos, it ends now at the end of the month of November.

On the other hand, we concluded some acquisitions. We had the conclusion of the complex transaction of Rio Sul that involved several parties. We ended up with 16.6% of a stake in the mall. This represents 360 million, 70% cash payment and the remainder in 2 annual installments with a cap rate of 7.7%. If we include management and brokerage fees, we had an implicit cap rate of 11%.

And last Friday, we officially began the management of this mall. We were working with a handover since the end of September. We had an exchange, our team went there, the Rio Sul management came to our malls to better understand how we operate. But officially, we took over management on November 1st, and of course, we will continue our work as usual.

Ribeirão Preto, we have a minor stake. We bought 0.96% of Ribeirão Preto, 4 million, 10% cash. The remainder in 12 monthly in installments adjusted by IPCA with a very attractive cap rate of 10.8%.

To go on to slide number six, we'll speak a bit about the expansion. In the previous quarters we carried out the official launch of the expansion of the Brasília Shopping Mall. This is an important expansion that goes from 35 to 50,000 GLAs. We're speaking of a CAPEX of 263 million for Iguatemi steak. This represents 90 new stores connecting the international wing of the mall to bring not only international brands and new restaurants. We should begin the works for expansion around the 1Q25 because of the interference, and this will extend for 18 months.

And here you see some photos, rendering of the expansion with a very beautiful area that is open and that presents a new charm to this enterprise at Brasília Shopping Mall.

On slide number seven, we will refer to some important recognitions. And Estadão, the most beloved brands, we had Iguatemi São Paulo as the most loved mall of São Paulo. We're referring to our flagship. Everything comes out of here. We're speaking of our culture, our experience, and what we are able to offer the older shopping in Latin America. It's always wonderful to be acknowledged and loved in that way.

And the Shopping Pátio Higienópolis that was elected as having the best food court, we have been managing this for somewhat less than 10 years, and this is a mold that we have been transforming through these many years, and to obtain this recognition points to the fact that our work has been efficient.

We're speaking about Great Place to Work. We use this to research the environment in the Company. It's a technology that allows us to compare ourselves with the rest of the market. To have 83% in favorability in Great Place to Work is very important. We have maintained high indices of favorability during the years, we grew 2 percentage points over 2.3, and our score is quite high, and it shows you the care that we have with our associates.

Something new from Great Places is that we have received a stamp of Mental Health from Great People Mental Health. It refers to the work that we have of following up on our associates. We have several mechanisms and partners that help us in this follow-up work, not only in the day-to-day of our work, of our associates, but also of their families. And we're working quite closely in terms of offering several aids in terms of health follow-up analysis tools. This is the recognition of this work that is not something actual but is very important for us.

As we're on this slide, I would like to speak about our M&A processes. And as part of the M&A processes, we launched a note to the market to speak about Brookfield. We're under negotiation for the sale of the stake of Brookfield in Pátio Paulista and Pátio Higienópolis. We changed this on October, and we continue on with this negotiation, we continue having exclusivity.

I will now turn the floor over to Guido to speak about the figures. And then I will be back for the closing of the presentation.

Guido Oliveira: Good morning, everybody. Let's speak about our operational performance on slide number nine. In the 3Q24, we carried out several disinvestments and acquisitions. We have Rio Sul that was acquired through a simple click, and we're creating associations through the CRIs, the real estate mechanism. And beginning in the 4Q, this will be incorporated into our balance. So, as of September 10th, we removed that asset São Carlos that was sold. And because of the exit of this asset and because of the exit of São Carlos and the sale of 18% of Alphaville, we have a difference in our figures. All of the operational indicators and results in a certain way were slightly impacted. But, yes, they were impacted because of all of these movements.

It's also worth mentioning the movement that we carried out in Marketplace. The Marketplace will undergo a process of revitalizing. We have been closing some areas. We closed down the first floor, we have closed the ground floor with all of the stores because the area will be demolished to build the offices on top of the second floor. And we're going to allow an open mall to exist there. This has also impacted the Iguatemi figures because of the retrofit.

But as has been mentioned, the sales were very good. We have disclosed the sales of October. It's not a total closure. They are sales above 9%, very much aligned with the operation for the rest of the year. Iguatemi for the nine months has total sales of 9%, we had a significant impact in May because of the tragedy in Rio Grande do Sul that took away some of our sales. We have had double-digit sales throughout the year. And if we consider the sale of São Carlos, the left are based on September 10th, we had a growth of 10.43. Same store sales with an increase of 5%, now we see a real gain of 5 to 5.5% in the last quarters, and this points to the strength of Iguatemi as the IGP-M has practically been nil in the last quarters.

Same area of sales with the impact of Marketplace. Marketplace has lost several meters that were in the same area. They are not allocated, and of course, this has had a significant impact. It would probably be in the range of 5%.

Now, occupancy cost drops from 11.9 to 11 because of a stronger sales than rentals. This is work that we have been carrying out gradually. The lease contracts have a term and the sales take place every month. So we have been working on this, during the year, we had a drop of 0.5%, the occupancy rate was something stellar, reaching 95.9%, as mentioned, in line with the soft guidance that we offered at the beginning of the year, stating we would reach 97% at the end of the year.

Now, when we go on to slide number 10 to speak about economic and financial performance, the net revenue grew 7.3 because of linearization. When we look at EBITDA, a growth of 1.2, and impact of Infracommerce, of course, we had a somewhat lower growth because last year we were accounting for the sale of the Tiffany point representing 26 million. This year, we accounted for the resale of some points, the most important, of course, was H&M that will inaugurate its first store in the first half of the year of 2025.

We have already repaid the purchase of the sales, so we reached 250 million. Now the retail area has been growing. Last year, we left a negative EBITDA in the 3Q, and quarter on quarter since the 4Q of last year, the EBITDA has been positive with positive margins with a growth of 208% in the retail EBITDA, ending at 240 million. Net revenue growing thanks to a lower financial expense because of a lower net debt and lower interest rate and an aliquot very similar to what we practiced in the 3Q23, and a growth of FFO of 14% with margins surpassing 50%, reaching 50.4.

We go on to slide 11, where we speak about indebtedness and liability management. Iguatemi took advantage of the close of the spread in terms of fixed income, we issued an eight-year debenture and issued a debenture with duration of practically three years. We have changed that maturity, paying a premium of 0,5% and a CDI operation plus 0.45%. This generated R$ 3 million because of the duration. And we have enhanced our average term, we leave from 4.7 to 5.5 for duration, also improving the cost of the debt going from CDI 0.8 per year. And our leverage is 1.67 times, which means we have significant cash coverage when we think of the scenario for the next five years.

Now, let's speak about guidance, we conclude the nine months with the guidance with net revenue at 5.7. We're in the middle, EBITDA margin we're at 81.3. We know that the last quarter tends to be the strongest quarter seasonally. We also have operations for capital optimization carried out year on year that will be part of the 4Q and that will increase this margin. And we have been mentioning this in the last quarter. Total EBITDA margin standing at 74.9 that will fall within the guidance in the 4Q, as I had explained, and investment reaching the floor of the guidance, but if we consider the last quarter within the guidance until the end of December.

I would now like to return the floor to Cris so that we can open the floor for questions and answers.

Cristina Betts: We're getting to the end of 2024 with quite a bit of confidence for the last quarter. We will have Black Friday, Christmas, Guido referred to the sales of October that were very positive, we continue to invest in the Company's profitability, and this curatorship has been the driver of our results. We're highly focused on maintaining our growth on customer experience that helps us translate everything into good results.

Once again, we offer the floor for questions and answers.

Question and Answer Session

Operator: Ladies and gentlemen, we will now go on to questions and answers only for investors and analysts.

Pedro Lobato, Bradesco BBI: Good morning, Cris and Guido. Thank you for taking my question. Well, we have seen that you closed at 1.7 net EBITDA, one of the best levels of the Company. So what do you have in the pipeline in terms of capital allocation? And which are the levels of leverage that we should expect for the coming 12 months? And in your opinion, which would be the best level to manage that?

And secondly, also referring to leverage, I would like to understand if it makes sense to get a credit line for M&As because of the expected increase in SELIC. Do you deem this to be a possibility, something that you would survey? Thank you.

Guido Oliveira: Hello, Pedro. Speaking about leverage, we ended at 1.67 times and the structure of Rio Sul is within our financials and we have the CRI financial instrument. As it is part of accounts payable, we still don't have the ownership. Once we have the ownership in our balance and we have accounts payable in our liabilities, which is part of the debt that we took on when purchasing the CRI. When we pay CRIs, well, the investments will have been accounted for. Now, you will see our leverage at the end of the year reaching 180. This is how we should close.

If we consider the leverage scenario for the next 12 months, if we take into account our exclusivity in this process of acquiring the remaining assets of Brookfield, we're always thinking of a leverage that will never go beyond 2x net debt/EBITDA.

How will we maintain this with a growth in cash? You can observe the growth of EBITDA and cash flow of the Company, strong generation for the coming year, not differently from this year. And additionally, we will look at the market, look at what we have done when we work with Rio Sul. We sold São Carlos and Alphaville for Rio Sul, optimizing our capital structure, and we will see where we have an excess of control the coming year, taking the opportunity that we have from these real estate funds and allocate our capital. In terms of expansion and M&A, we should limit our leverage to a maximum of 2x until the end of 2025.

To speak about your second question, the leverage structure, well, we do whatever is necessary at a lower cost. We have a percentage of CRIs in our debt profile, we also have debentures, and all of these operations that we have been structuring create links to the real estate funds. These are low-cost funds, and they allow us to work operations with CDI, as we did for the JK Mall.

We're always very attentive to this.

Pedro Lobato: Thank you, Guido. Thank you very much. Have a good day.

Mariângela de Castro, Itaú BBA: Good morning, everybody. Can you hear me?

Cristina Betts: Yes, we do hear you.

Mariângela de Castro: I'm sorry. I apologize for the problem. Thank you for the call, and thank you for taking my question. I would like to understand the cost trajectory of the Company. We saw an increase this year in parking costs and third-party costs referring to the properties. What has led to this increase, and which will be the trajectory in coming quarters?

In terms of default, you have a very comfortable level of delinquency, negative 3%. Is there still room to recover rentals? I think you have gotten to a level that the Company had never reached before, will this recovery continue in coming quarters, or will it go back to a level of delinquency that is positive going forward? Thank you.

Guido Oliveira: Hello, Mariângela. When we look at the cost of administrative expenses compared to the 3Q, we were very much aligned. There was a growth when it comes to parking basically because in the past, we made moves in the parking, migration that is foreseen in our condominium conventions. We migrated some of the expenses of some of the parkings that were in the P&L account. Now, this movement was done during the 2Q and 3Q23. And this generated a lower base of comparison. That is why you have that growth of 19%.

When we look at the cost of third parties, when we look at the year, we have grown 77%, but for the quarter, 89% is because we carried out a migration with the marketing people. We had a team that was our own, we have reduced this team and have increased it with third-party people. So if you add these, you will see that the impact is minor. Personnel costs are dropping and marketing has increased, so one offsets the other.

These are the moves that we have made, and we will observe this in the 4Q with a comparable base because this was done during the 2Q and 3Q2023. Now, we went from 26.5% of cost on net revenue, and this has been reduced to 21% in 2024. So, we're bringing down this expense cost very strongly. We have a nominal drop, but we can't give you the figures of the full drop linked to IPCA.

Now, in terms of net expenses, we had a significant recovery of some judicial deposits due to litigation in the past, especially related to the COVID area. Many of the rentals were paid in the form of judicial deposits, and we have been recovering these assets. We have won all of these suits. When we look at the level of delinquency for the coming quarters, we will see a gross delinquency that is very low, 2.5%.

And in the 4Q, it will continue to be negative because we had a significant recovery that we obtained through a change in the operation of Starbucks that Zamp has taken on. And all of this operation took place in the 4Q. So this will generate a significant gain for us. The money has already come in in October.

Mariângela de Castro: Well, thank you. That was very clear. Simply a follow-up, can this delinquency level remain at a negative level for 2024?

Guido Oliveira: I believe it will be very low. I don't know if it will remain at the 2024 levels, but it will be practically null. Of course, the default levels, we have two types; those who are inside, those who are outside, those who are in-house. It's very important when we see the sales growing. There's no reason to be in default if your cells are growing. And it means you're being more productive.

So we have a significant chance as we're performing well in sales to recover our default levels. It's low, it could be negative depending on the quarter.

Mariângela de Castro: Thank you. That was very clear. Thank you. Have a good day.

Gustavo Cambaúva, BTG: Hello, everybody. Have a good day. I have two questions by my side. First, if you could remark in this change of tenants, Balenciaga and others from international brands, I would like to better understand this dynamic. Thinking about the cost of occupancy, I understand that these international tenants, although they pay highly for the square meter, the occupancy cost tends to be lower.

My question is if we should think going ahead with a lower occupancy cost, even with a more expensive lease because of this qualification of mix you have undergone, or if when we look at the cost of occupancy, we should think about it historically going back to what happened and all will be captured through the growth of leasing as the IGP-M grows and as you renew your contract?

My second question refers to the BB Fund. You remarked on the acquisition of Pátio Paulista and Pátio Higienópolis and the negotiations for the fund to work jointly with you. Are you thinking of an issuance of quotas for the fund if you're already working on this? And which would be the timing for this? Thank you and have a good day.

Cristina Betts: Hello Camba. To speak about the cost of occupancy to demystify what is happening, first of all, you're quite right, the individual cost of occupancy of international brands does tend to be lower, but the nominal cost is very high because they sell huge amounts per square meter and the profitability per square meter is incredible.

As a percentage of sales, it is lower than a normal satellite store, and the productivity per square meter makes them have lower occupancy, but it trends downwards, but it is not very relevant, it doesn't take the whole occupancy cost of the Company down. These are restricted to JK, Iguatemi Brasília, Porto Alegre, and Campinas. Because of the mix of things, it has a minor impact. And what we are witnessing at present is a remodeling of our mix, We have qualified the mix, not only with the international brands, we have carried out several movements and our expectation is to capture this and the overage, and through time, we will transform this overage and minimal leases.

We will grow the cost of occupancy through time, but we need time to accommodate all of this. We have the accommodation of new tenants at much more in quotes. We have Almanara in Ribeirão and other restaurants. These are important movements for us, they bring about several sales, they bring about good rentals, and through time we will transform the percentage in IGP-M.

As we're trying to close out our vacancies, this is what we're doing initially. Through time, we will see that cost of occupancy increasing without a doubt. I'm trying to demystify what is happening. Yes, the qualification of the mix with international brands is important, but the impact is not very important on the total occupancy cost.

Regarding the second question, what I can say is that you have to await the response. We're still in the process of working with our accounts and our proposals. We don't have the answer very clearly. As soon as we have more novelties, we will communicate them broadly.

Gustavo Cambaúva: Thank you. Thank you very much. Thank you, Cris, and have a good day.

Tainã Costa, UBS: Good morning, Guido. Good morning, Cris. I would like to approach the CAPEX that you disclosed in the guidance. We annualized the amounts of the first nine months. For the whole year, it would be somewhat higher than the top of the guidance. Are you comfortable with this guidance for the end of the year? And what has led the CAPEX to this level? Is it something seasonal? Is it because the real estate development is advancing at an accelerated pace?

And if we can expect the same level of CAPEX for 2025 of 230 million or will the acquired shoppings require more investments for expansion or capitalization?

Cristina Betts: Yes, it is true that we will end the year at the top of the CAPEX guidance. We're imagining that we will fall within the guidance. However, at a certain point in the malls, we stop everything. We don't carry out works in December. It's a disservice for the customers at a very busy period. We have a freeze in several activities, and it's not proportional because we have that period where we pause to accommodate Black Friday and Christmas, especially.

Now, this year, we have several things happening, seeking out things that had been left behind during the pandemic that we call back of the house, something that is not visible to the customer when they're circulating through the mall. But we're working with the maintenance of our assets in the operational part. We did have a resumption in the maintenance of our assets in the back of the house way, we have works where we put together stores, we dismantle a store, and because of this, the CAPEX was higher.

I remind you that the CAPEX does not include the M&A, it refers strictly to operations. So in the final account, we are within normalcy, and we will fall within our guidance. For 2025, we're still working with our figures. We're following up on the budget for Rio Sul and our commitments for Rio Sul in 2025. We don't have the answer so far. We will release the guidance at the turn of the year as we normally do. So I will answer this further ahead.

And to speak about real estate development, we did have an acceleration in the 3Q, especially in Casa Figueira, we had a licensing that was missing. We had an acceleration of pace in the 2Q and 3Q, which is a standard for the neighborhood. We concentrated investments during that period, and the investment in infrastructure continues on with its pace, but had an acceleration in the 3Q.

However, we will comply with the guidance until the end of the year.

Tainã Costa: Thank you, Guido, and Cris, thank you for the question.

Aline Caldeira, Bank of America: Good morning, Guido. Good morning, Cris. Thank you for taking my question. I would like to refer to the retail operation. In this quarter, the operation grew well year on year thanks to the operation of Loewe, but it also grows quarter on quarter. I was surprised with the margin level, one of the best EBITDA margins in the last quarter. If you could help us to explain this margin in those operations and which is the growth that we can expect in this line item in terms of revenues?

Of course, it will be driven by the retail part, you referred to new stores that will also operate in retail. If you could speak about this trend going forward.

Cristina Betts: Well, Aline, that part of the retail, one of the main differences year on year, and do recall that we fully remodeled Iguatemi 365, we reduced perhaps one-third or 40% the number of brands that we had in Iguatemi 365, and the operation was burning cash, and it has reached a slightly positive break-even position.

This was one of the main impacts. As we see among our tenants in the stores that we operate, we observe excellent performance, not only Loewe, I think Loewe surprised us with the level of sales. We have several brands with significant sales, Birkenstock that sells a great deal as well as Polo. Brands and brands that during their lifecycle have these very good moments, and the brands are doing very well, and of course, this helps us to dilute the fixed cost of the retail operation. Because of this, we have had very positive results.

Now, looking forward, yes, we do have the expectation of bringing down additional brands for the coming year. We spoke about Comme Les Garçons and for 2026, perhaps other brands as well. Our idea in terms of the retail operation is to constantly reinforce the part of innovation, making new brands feasible in Brazil, brands that would not come down otherwise, and Balenciaga, which is a brand we brought down through the retail area, at a certain point, the brand will take over. And that is right, because we had exclusivity for some time, we are able to ensure that this will be something unheard of. And it's part of the game. It's as if they were an incubator.

It is important to do this work, but to do this work with positive results. Our main focus in the last 18 months has been that, and we're now sharing the results. The trend is to have a slight increase, this is a business that helps us in our main business, it's not the Company's main business, but it is an important part in our differentiation strategy.

Aline Caldeira: Thank you. That was very clear, Cris. Thank you.

Fanny Oreng, Santander: Good morning, everybody. Good morning, Cris and Guido. Congratulations for your results. I have a question. What draws attention is the drop in the average cost of debt in the Company in the 3Q compared to the 2H last year, Guido mentioned the opportunity of liability management, do you detect further opportunities to continue to work with liability management as the market is extremely favorable? Thank you.

Guido Oliveira: Hello, Fanny. Yes, we did carry out a very fast and assertive operation in a fortnight. We have some debentures, Fanny, that date back to the period of the pandemic where the cost of credit was very steep. So we carried out a loan in 2019-2020 right after the beginning of the pandemic based on CDI. We have already paid that out, we have it as an operation, CDI plus 2.2. We're not in the payment term yet, but we're looking at it because of the real spread of the Company, it would be possible to do this, and we should announce something very shortly. There should be a greater drop in an improvement in the average period.

Fanny Oreng: Can I pose another question, Guido? Thank you. A question regarding the real estate fund. Now, you were seeing the increase in interest rates. We thought this would impact real estate funds, but this is not the case. They're still being very aggressive. When it comes to the acquisition of assets, what can you tell us about this matter? Guido mentioned this, that there is still the opportunity of selling off assets that coming year. Let's see what you can remark on this.

Guido Oliveira: A good question, Fanny. The real estate funds are funds that have an easier structure to raise funds, and they have access to differentiated distribution channels. The BB Fund also has this, it has proven this at the beginning of the year. And even with the curve of interest rates high, we see the real estate funds carrying out acquisitions. Yesterday, XP announced the acquisition of assets as part of their portfolio. And this is what we're working on. We have several partnerships, we sold Alphaville and São Carlos to a real estate fund, Iguatemi Florianópolis was also sold to a real estate fund, and the mall in Caxias as well.

And we see that real estate funds will continue to look at this and there are interesting opportunities in terms of capital raising. And this is what we're offering. We should continue to work with this enhancement in our asset structure, changing the range of square meters for higher areas.

André Mazini, Citi: Good morning, Cris and Guido. Thank you for the call. We have two questions. The first, the occupancy cost, you mentioned it could increase going forward. It is quite low compared to the past. Now, it's 150 bps above of what we see today, it would be good for the tenants a growth in this. In how much time could you increase this to reach those 150 bps? And how can you do this through leases, one, two years? One-fifth of the rentals of contracts mature every year on average. This is my first question.

The second question is on H&M. You have publicly announced that it will be in Iguatemi São Paulo in a store of 250 square meters. Now, this is a fast fashion store for many years, highly desirable for Brazil. Do you have an exclusivity contract? Can you speak about your commercial terms? Are they very different from the existing stores? And how many malls will be there with you?

Cristina Betts: Well, Mazini, to speak about the occupancy cost, initially, you are right, this is a movement that will occur in six months. First of all, we had to close down vacant areas in a qualified way, and then we will capture that overage and sales. So there is that time of accommodation. I don't believe it will take two or three years, but it certainly won't take place in one year, perhaps somewhere in between.

Now, the movements take place simultaneously. That is why it's not easy to pinpoint this. What happens now with almost 96 points of occupancy rate, and next year perhaps this will be higher, these are our best occupancy rates. We're now beginning a movement of qualification. 97-98% of occupancy means you no longer have any room, any space. Anybody who comes in has to wait for somebody to leave. So we have to work on our demand. We have a very strong demand presently. And we begin to work differently when it comes to rentals. So both things advance hand in hand.

It's difficult to specify when, but yes, we are going to try to increase that occupancy cost going forward. This will be one of our main focuses, 2025 and beyond, because now we're going to focus on qualifying the lease for the new tenants because there's a scarcity, truly there is a scarcity, not only at Iguatemi São Paulo, JK is a perfect example, there is no vacancy in JK. Everybody who enters is paying more than the price and disputing this.

So, we can calmly say “you don’t want this? We can offer to somebody else”, and this will be a qualified sale. This is a movement that we're seeking presently.

Guido Oliveira: To add another comment, another important point is the IGP-M. It went from a negative aggregate in 18 months, six months of 2024. Presently, the IGP-M is at a level of 5.5% for the last 12 months, it should reach 6%. The average IGP-M is 1,5-2%, which means that the coming year, the average IGP-M in 2025 will be 5%. And we're offering extremely low discounts, same store rates sales increasing significantly and the discount is continuously lower. So this will help us increase the cost of occupancy.

Besides the fact that the Company's main KPIs are geared to improving the Company's take rate, we will not calm down until we have achieved this. We're working on several fronts, one is revision, we're working in five-year periods, this is the third-year contract for some tenants, we're working on a base of 2,500 tenants, 90 of which are undergoing renewal.

So all of this will have an impact, of course, and it will take time because it depends on the judiciary. There will be a reflection of this not in six months, but between two years, a year and a half.

Cristina Betts: And to speak about H&M, we struggled a great deal to have the first store and this conversation, simply to give you an idea, I entered Iguatemi in 2008, since that day, we have been conversing with H&M. I remember the conversations with H&M and the gentleman sitting beside me. Well, things sometimes take time to materialize. They have their moments, and this long-term relationship with H&M and the operator are important. We deployed great efforts here to accommodate this because the space is not easy for us, as you know, but we have this great novelty of having the first H&M in Brazil.

There are some important things here. Every novelty will begin with us, it will always begin at Iguatemi São Paulo. This is one of our conditions, and it makes full sense because Iguatemi is the main mall in São Paulo, and everything should begin here.

We don't have exclusivity. They're a very large Company. We do have a rollout plan in our mall portfolio, but we can't imagine that we'll be the only ones to have the H&M brand. And they have to have volume to be successful in Brazil. It is important to have this rollout plan in our mall.

Once again, we're speaking about spaces with a great deal of meters. And we have to plan properly to have the appropriate space to include them in our mall. We're working with them jointly on this, and everybody is extremely enthusiastic for the coming year for the inauguration. It is an important framework after so many years of discussion. And in the spirit of innovation, once again, we want to bring down something that is novel, that is unheard of, launch it in our portfolio. This is very important.

And the buzz that is created around H&M, when they speak about us, they speak about Tiffany, Balenciaga, Loewe, to speak about Almanara, H&M, these are things that will resolve your life, not only in terms of luxury. We have more democratic stores, day-to-day stores, we also maintain this important vision to fulfill the services to our end customer.

So this is a significant novelty for us, an important movement, it will significantly impact the entrance of Iguatemi São Paulo, and this is a movement, of course, that is highly relevant for us. That is what I have to say about H&M.

André Mazini: Thank you, Cris. If you could give us a very quick follow-up on real estate funds, that last transaction of the three shopping malls, you have to pay this in quotas and not only in cash payments. Would you consider to continue working with these quotas?

Guido Oliveira: Well, we have already had these conversations with the real estate funds. We have never worked with quotas, we have always worked with cash payment. Now, if we have an excess of control, in that case, we're working with cash payment. This is not a clear decision at the Company of not acquiring things in quotas, we can listen to this and consider it a possibility, of course.

André Mazini: Thank you.

Rafael Heder, Safra: Well, thank you, Cris and Guido. Thank you for taking my question. A follow-up on capital allocation. To better understand with you the Company's appetite, I see the discount that you have put up 70%. Perhaps in the future, we can have a bolder program, and you could speak about your leverage target that you will not allow to go beyond 2.2 times net debt/EBITDA.

Cristina Betts? Hello, Rafael. Our re-buyback program is open, as you know. Our intention is to always allow this program to remain open because we do want to make the most of the movements and prices and shares. Now, how much we're going to invest in this in coming years will have to be in accordance with our desires for the growth of portfolio and much more. We're speaking about carrying out the expansion of Brasília Mall, bringing now new brands to Brazil, carrying out M&A.

Of course, the portfolio helps us in this, but we're not going to bet all of our chips in this or our main capital in this. So, there are some movements, the horse is flying by, you can get on it. And so what is important is to have a strategic priority when it comes to unique singular opportunity, and we have to do this in the light of the Company indebtedness.

With the outlook that there will not be a drop in interest rate, there is a higher cost for the Company. So we have to understand this movement properly, and when we release the guidance for 2025, we can rediscuss this. We will shed more light on our CAPEX. I would not expect significant changes in this in the coming year.

Guido Oliveira: Now, this buyback that we have just opened up, we did part of this in 2023 and the nine months of 2024 with a higher focus in the first half. We still have a balance, and we're going to consider the buyback with dividends close to 5%.

Now, we have to look at the limits of leverage that I mentioned, and the interest rate, of course, has a huge impact on our results. There is no possibility that the interest rates will drop, so the coming year we will maintain similar dividends, 2x net debt/EBITDA and all the movements were carried out of M&A, allocation of capital and greenfield expansions, as Cris mentioned, in Brasília and other malls.

Rafael Heder: Thank you. Thank you very much. That was very clear.

Igor Altero, XP: Good morning. Two questions at our end. The acquisition of the Pátios, if there's room for the real estate funds like Rio Bravo, even though the raising fund scenario is somewhat challenged.

Another point I would like to ask about, I would like to gain a better understanding of the BB Fund profile, if they have longer terms, the size of the fund, and much more.

Cristina Betts: Hello, Igor. We still cannot speak about this. We're carrying out analysis within that period of exclusivity to understand several aspects among them, who will participate with who. What I can say with certainty here is that it will be a composition of several players, not necessarily the same players for all the malls. Each mall has a different group of people interested in it, and we have the okay from all of these players to coordinate this work.

Perhaps, besides coordinating the part of pricing and much more, which is what we are confirming presently and that is doing very well, we need to understand the pockets, the size of the pockets, and of course, this will have an impact on what we're willing to invest and what we can invest, as Guido mentioned, what is more important is our goal of remaining at a leverage of 2x net debt/EBITDA or below that.

It is important because that also refers to the Company's financial health, and several people are interested, as you know, so it will not be difficult to come up with this makeup of partners. We are coordinating this process, and it is part of the work. As soon as we have greater novelties, we'll share them with you, but not presently.

Igor Altero: Thank you. And about the BB Fund, the size of the fund?

Cristina Betts: Once again, is within that. Well, let's see, because it refers to BBIG, they're also assessing what they're going to do. So, we're still not at the point of being able to speak about this.

Igor Altero: Okay, thank you. Thank you, Cris.

Marcelo Motta, JP Morgan: Good morning. Two very quick questions. The M&A, and if our accounts are not wrong, you had 30 days to sign since October. Will this term be extended tomorrow or will we have a vision of the structure that Cris mentioned in terms of price, occupation, and much more?

And the second question, in the release you speak about the recovery of assets, but in the past call you said that you had some discounts in rentals, one-off cases. I would like to know if all of this has been recalled and if this is part of your negative net delinquency or if this will happen in the 4Q as well.

Cristina Betts: Motta, in terms of the period of exclusivity, yes, it's not written in stone. It will depend on the information we receive and flexibility to discuss this. The first round, of course, will be concluded in November, and we will have more information to convey to the market, but not now. We're still pending some aspects that will enable us to conclude our analysis. So during the month, you will receive more news.

Now in terms of Rio Grande do Sul, we did have a very strong and fast recovery. To our surprise, when the tragedy happened, personally, I thought that this would drag on more, but the recovery was very rapid. Porto Alegre, Novo Hamburgo, and Praia de Belas that suffered more had a very important and fast turnaround. And I would say that Iguatemi, Porto Alegre and Nova Hamburgo are practically normal in terms of flow, price, discounts. Praia de Belas, almost there, it's okay in terms of discount.

The flow is lagging behind somewhat because of the surrounding area. It has nothing to do with the tenants, the surrounding area is taking some time in terms of recovery. It's almost at the expected flow. And once everything has been done and said, this episode is something of the past. It left important learning in terms of what we need to mitigate in our assets, especially in Praia de Belas.

After the flooding, we try to recover the physical part of the assets, especially in Praia de Belas, but addressing several issues that were not ready for this type of climate catastrophe. And I can say we're more resilient if this ever repeats itself (hopefully never), but we're working on a plan B for a coming episode should it ever happen again. We survived the financial part, but physically, we became more resilient.

Marcelo Motta: Thank you. Thank you very much, Cris.

Igor Machado, Goldman Sachs: Good morning, Cris. Good morning, Guido. I have a question here I would like to touch on the rent per square meter. There's a minor drop quarter on quarter. When we look at the assets, we see that Iguatemi São Paulo had a drop of 4%. Cris remarked that in the 4Q, you stop all works. Now, does this crop have anything to do with the work? And do you think it will influence the rent of the assets that are undergoing works in the coming quarters?

Cristina Betts: In Iguatemi São Paulo, more specifically, we have the effect of many things that will inaugurate in the coming months, more specifically, Tiffany, which is a very large space. It is important for us, it should inaugurate in the 4Q, at the end of November. And we have the release of the food court that is important because it does eliminate some stores that we have to make changes.

As Iguatemi São Paulo is a very crowded space with very little vacancy, when anything happens, we're concerned about yield, which is important. I think this is only a temporary blip. Once the inauguration is done, the inauguration will be stronger than what we have seen so far. Well, there are some movements. If you walk through the mall, you will see that some stores are changing place, and it all refers to the accommodation for our new operations.

Guido Oliveira: Igor, it is worthwhile mentioning that the lease is only a part. Our contracts are a percentage of sales corrected by IGP-M. And, well, that's an important value that we have for catch-up. The percentage of rentals has grown beyond the IGP-M because of the sales, and the more tenants go through break even, the clearer this becomes. When we look at Iguatemi São Paulo, even considering those movements in the middle of the mall, we're changing the food court to carry out more movements. We have had a growth of 5% considering the minimum rent and overage.

And when you look at the entire portfolio, the only one with lower figures was the exit of São Carlos, because we have that impact of two months, and the significant impact of the marketplace of 6,000 meters of lease space with a strong impact on the rental's revenue.

Now, it's a percentage on sales, and we're working towards increasing this percentage to capture it in the overage, and the more tenants reach this overage, the more we can increase the rents per square meter and increase the occupation of tenants.

Igor Machado: That was very clear. Thank you very much.

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

Cristina Betts: First of all, I would once again thank all of you for your attendance at our results conference call.

I think we're very well-positioned in the 4Q to have a very good year in terms of results and especially in terms of the outlook going forward for 2025 when it comes to changes, the closure of vacancies and much more. We're creating an important foundation for the results in coming years.

We're here at your entire disposal. Should you have a question, the entire team is at your disposal. Otherwise, we will meet after Christmas, after vacation for our 4Q call.

Thank you all and have a very good week.

Operator: And the Iguatemi conference call ends here. Thank you for your attendance. You can now disconnect.