



LOG COMMERCIAL PROPERTIES

1Q Results Conference Call

April 30th, 2020

Operator:

Ladies and gentlemen, good morning. Thank you for waiting, and welcome to the conference call for LOG Commercial Properties.

We would like to inform that all participants will be in listen-only mode during the Company's presentation. Next, we will begin the Q&A session, when further instructions will be given. If you need any assistance during the conference call, please, press *0 to reach the operator.

Now I would like to pass the floor to Mr. Sergio Fisher, CEO of LOG, and Mr. Felipe Gonçalves CFO and Investor Relations Officer.

Please Mr. Sergio, you may proceed.

Sergio Fisher:

Good morning. Thank you once again for participating in our conference call of LOG. 1Q20 was very good, and we trust in the future of our business, in spite of the turbulent times ahead of us.

Before talking about results, I would like to talk more about our actions at the time of the pandemic. Our main concern is with people. Since March 15th, we have 90% of our employees working at home, especially those who are at risk in terms of health, and those whose activities are not affected by distance. It was the best decision. We have no cases of infection among our employees and families.

We also took many administrative measures, such as prohibition of external meetings in the office, and we canceled trips. Also availability of alcohol gel for all employees.

We also hired also health technicians, we tripled cleaning and hygiene in the condominiums, and also implemented shifts in the restaurant to avoid crowds. We have 15,000 people circulating in our projects.

We also look outside. We continued with donations for the purchase of respirators, and also the donation of food and space for community help. We took on this commitment to not layoff anyone during the next 60 days. We continue looking at the business.

In terms of business, the crisis has not affected us directly. Our enterprises continue open all the time, all the services continue open all the time. We have a crisis committee, and we are looking at the request of our tenants on a case by case basis.

We believe in long term relationships, and we offered, as we mentioned in the release, to postpone payment, and also deferring rent for the 2H20. Due to the quality of our clients and average duration of our portfolio, we are being very successful in our conversation.

Looking at the future, it is very promising. We foresee the Brazilian market lacking projects like ours and opportunities like ours. There are many obsolete assets and clients that are migrating to class A assets, the flight to quality.

But we believe in a bright future. We continue acquiring plots of land. We acquired three plots of land during this quarter to replenish the land bank for our growth. We continue with our plan and our goals in spite of the delays that may happen.

We had a strong waiver in terms of cities with 75,000 m² absorbed. With this, our vacancy is stabilized at 4.5%, and physical vacancy, 5.6%.

In April, we closed a new contract for built to suit. This contract is of additional 11,000 m², and may reach 44,000 m² in future spaces. We also have we also other projects, the PIB, and we also have a quality undertaking.

We have begun to work with Arcelor in April, and we want to deliver for 1Q21 this 11.6% growth.

Our projects are 88% rented before they are delivery, so they continue normally.

Before passing the floor to Felipe, I would like to reiterate the trust in our business model, with modular sheds, also geographic diversification and a quality land bank. We are very well positioned, with an excellent client portfolio.

Now I would like to pass the floor to Felipe.

Felipe Gonçalves:

Thank you. Good morning. As we have been speaking, we have a comfortable cash position. The events in 4Q19, and also the flow of our operations give us comfort. In April, we received 95% of everything that was sold.

The differed payments mentioned by Sergio are not relevant this year, because the strategy is estimating the flow for 2020. We are evaluating the best alternatives for LOG and for our clients.

We are always alert to the market for new opportunities to lessen our debt, the maturity of our debt. But we believe that this is not the right time due to the high costs.

So we did not get any new loans. Our debt is totally linked to the CDI index, and now we have also the Selic. We have our spread and return on investment, and cost of funding is a little higher.

And, to finalize, our general cash condition, the adjusted EBITDA was 1.8x the volume of interest payment in this record.

Now, I would like to go on to the Q&A session.

Alex Ferraz, Itaú BBA:

Good morning. Thank you for the presentation. I have two questions. The first has to do with the purchase of plots of land and the scenario for this year, the uncertainty. You could accelerate the purchase of plots of land. I believe it is easier to negotiate now.

And it is clear that you are helping the tenants who are suffering a little more. Do you have requests to renegotiate prices? Most of the portfolio is doing well, but those clients that are suffering, do we have some tenant a little more relevant that worries, or the impact would be smaller on this?

Sergio Fisher:

Thank for your questions. Let us begin for the purchase of land. Even before the pandemic we have made an internal, we have already talked about it, we are managing to buy more land by swap than we initially imagined when we launched the *Todos por Um* plan..

Because of this, we are working on this. As a result, we decided to anticipate this purchase, even so that, eventually, we would be able to deliver the *Todos por Um* plan faster than initially planned. So this movement was already happening.

Larger part of these purchases are made in places where there is no competition, these four plots we bought were in four different regions of the country – South, Southeast, Midwest and Northeast – we do not see any competition in the purchase of land. Most of these purchases are in cities with no risk, they are for the Midwest, Northeast and Southeast. We do not see competition, so we could purchase. It is a very good time to buy plots of land.

These purchases were already being made under very good conditions for LOG. So, is difficult to say that we will see improvement in this, because were already at very interesting moment to replace the land.

As I said, we are also working on the approval of new projects in order to build after, if we see demand for it. We have analyzed this on a daily basis, and we had half of these differed payments, we are charging interest on them, the differed payments for the tenants. Very small and very few discounts.

Some are suffering more impacts than others, but one very advantageous thing in our business, and which we have shown to be winners with this crisis, is exactly the dilution of our portfolio.

Alex Ferraz:

Thank you.

André Mazini, Citibank:

Thank you for the call. The first question is on the operation. You are in many states. Did any of the cities asked you to stop the construction or the operation where there is lockdown, or are you operating with the safety measures?

Sergio Fisher:

Mazini, thank you for the questions. All our projects are open and working. Our business has good characteristics. We have projects that are involved in the food and pharmaceutical products distribution, so we did not have any project closed down.

What we have seen is the level of activity in our clients with a drop of 15% in the number of trucks in this period, due to some operations involved with cosmetics and apparel, which are suffering a little.

This drop is around 15%.

André Mazini:

Thank you. The next question has to do with the receivables. What criteria are you using to differed payments? We know that some clients that have requested do not deserve. So, what is the criteria? How do you separate those who actually need differed payment from those who do not need? For example, do you observe sings like less people working or business practices in these clients? How do you monitor the activity of these clients to see if they need differed payments or not?

Sergio Fisher:

The fact that we can control the visitation of th condominiums was very good for us, at this moment. We have a lot of information. We know how many employees of each costumer are going to work, we know how many meals are being served to those employees, we know the amount of truck activity. So, it is very easy to monitor the activity of each client.

We have some cases that we have to monitor more closely. We look at many factors, not only the client's operation, but we look at the impact on the client's cash. We need all this information to make a decision.

We are very optimistic. We wish to have a partnership and keep the clients in our condominium. We want to be close to the clients, and the relationship with the clients is also very important. 60% of the new rentals are with recurring clients. So these clients will allow us to grow in the future.

So, we are very well, and we count on them for future business.

André Mazini:

Thank you.

Raul Grego, Eleven:

Good morning. I would like to understand a little better the new contracts. What were the conditions, price and the spreads? Do you have real gains in rental prices? Can you give us information about it?

Sergio Fisher:

We even had a strong level of activity in the 1Q. It has been very positive. The total vacancy is low. We were also able to pass on inflation to the contracts, we were able to recover the amounts due to inflation, and a little more in terms of increase.

We do not believe the prices will fall, but we had to negotiate. We believe this year we will renew the contracts, increasing the price by the inflation during the year.

Operator:

We would like to close the Q&A session. I would like to pass the floor to Mr. Sergio and Mr. Felipe for their final comments.

Felipe Gonçalves:

I have three quick messages. First, to of the soundness of the balance sheet. We have a very comfortable bond for the next 18 to 24 monts, which consumes a very chunk of ou current cash position. We have a solid financial position, and we are prepared for the payments in the next 24 months. Therefore, this desires and the market we have seen ahead, this position will be very favorable to deliver.

In terms of growth, we continue with our strategy, buying plots of land, and we are always looking at price activity, and working with our strategy. We will continue executing our plan during the next few years, in order to maintain a robust balance, and deliver what we have delivered, and even a little more.

We are always looking at interest rate on the long term, and identifying the opportunities. We are always looking at cash flow. We believe that interest rate may drop in the short term, and we are working to have a solid provision.

Thank you.

Sergio Fisher:

Thank you for participating. We know these are difficult times with the crisis, but we have a good quality portfolio, and this allows us to continue working to mitigate the impacts.

We are analyzing the projects in all the geographies, and I believe we are continuing with our strategy. We are analyzing the market consumption. We will also analyze our product mix, and we believe in a flight to quality, clients coming to class A projects that we have.

I would like to thank you all for participating.



Operator:

The conference call of LOG Commercial Properties has concluded. We thank you all, and we wish you a good day.

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