



LOG COMMERCIAL PROPERTIES

4Q21 Results Conference Call

February 08, 2021

Operator:

Hi, ladies and gentlemen. Welcome to the videoconference of results of Log CP 4Q21. With us are Mr. Sergio Fischer, CEO, and André Vitória, CFO Director of IR.

The presentation is being recorded and translated simultaneously. The translation is available upon clicking on 'interpretations'. If you are listening in English, you can mute the original audio.

During the presentation of the Company, all participants will have their mics unable, and then we will have our Q&A. In order to ask questions, click on 'Q&A' stating your name and company. Upon being announced, you will have the opportunity to enable your mic and ask questions.

Statements that may be made during this videoconference concerning the perspectives of business, operational goals and financial ones are based upon projections of the Company that can or not happen. Investors should understand that macroeconomic and political, as well as operational aspects may affect that, and may differ from those foreseen in the future.

The floor is with Mr. Sergio Fischer.

Sergio Fischer:

Thank you for the participation on the call of the 4Q21, the best year of our history, records in our all our cycle of businesses. Ten plots of land, ten cities, 519,000 m². We have approximately 9% land bank dedicated to that conclusion, and the record projects approved, R\$449 million, double than the same period last year.

In 2021, we delivered five projects in six cities, 221,000 m² in GLA. We reinforce our capacity of growth in all areas of the country with considerate yields. We have ten projects simultaneously with more than 1,500 collaborators, employees in construction sites.

And when we think in interest rates, the demand for our assets will keep on growing in e-commerce in the country. E-commerce had expressive results in 2021. To meet that demand, our infrastructure and quality will only increase.

Our portfolio has 63% of GLA connected to e-commerce. Gross absorption, 78.5%, being present in the main consumption centers in Brazil. We keep on with that mindset. 86% out of the core, Rio-São Paulo. Log consolidates more and more as a strategic partner of these companies.

We had BTS with five contracts with 500,000 m², 3% in stabilized vacancies, compared to 11% in general. We had contractual readjustments, 0.6% above the average inflation. Our

structure for the administration of the condos, Log DM, having our clients become loyal and trustworthy of our administration.

2021 was very productive, and we are prepared to keep on growing as planned. For 2022, the indicators are even stronger. 400,000 m² to be delivered, and most of that is pre-located.

André Vitória:

Thank you, Sergio. I would like to talk about our generation of value. Green field, 4Q21, R\$73 million in new projects, and in the year, R\$291 million. That generation of value is and will have caps in the relevant fields that tell us apart in the market.

We are recognized by the main capital institutions in the market. We captured R\$700 million without burdening our assets. 11% of our P&L is our debt. R\$900 million our cash flow, R\$3.8 billion for investment in assets. We have been investing in the growth of our business organically, with leveraging in the levels of what the market said, taking the Company to a new level gradually, with the delivery of new assets and better prices.

Default is close to zero. EBITDA, 95% higher than the previous year. 79.2% was our margin. The net revenue accrued 169% compared to the same period last year. We had a lapse revenue of R\$383.2 million. Yield with dividends at R\$0.86 per share.

In 2021, 77% of our condos are supplied from the free markets of energy, from renewable energies, with a reduction of 26% in costs for our rentals. Our inventory of emissions of CO₂ are ongoing, and it will be presented in our next report on sustainability in 2022.

We have social actions that are very important. Our social center and Maracanaú, in Fortaleza, helping the community in the qualification of basic and professionalizing training. This initiative is permanent and has been growing stronger and stronger, and expanding to Viana, in Espírito Santo, and Betim, in Minas Gerais.

In Contagem, Minas Gerais, we focused on health care. 600 consultations, ophthalmologic ones. We donated lenses as per demand.

Thank you. Now we are going to Q&A.

Gustavo Cambauva, BTG Pactual:

Good morning. Two questions. If you would firstly, comment on how you are seen with capacity of passing on the inflation on the rents. Apparently, it has been very close to IPCA, whereas 2022 has a scenario of high inflation. May you face difficulties, or are you going to keep on going, at least when it comes to rentals? 83% of the GLA was delivered. I would like to hear about the segments and who were the renters. Is e-commerce the major driver of yours? And in terms of companies, if you have seen more companies, or smaller ones renting smaller areas?

Sergio Fischer:

Thank you for the questions. I will start with the second. When it comes to pre-leasing, the number is very strong. Our business has the characteristic of being very close to the number of built area, and our people is organized to be ahead of the game because the market is very much warmed up.

2022 will be a record year for us. We are prepared to. Our construction work is advanced, more than 400,000 m² in GLA. And our businesses come from our client basis. The relationship with the leases is that.

And on your second question, we have seen a very positive moment in the sector in terms of the capacity of pricing. We have been able to pass on the price of inflation, and I think that we are going to go even slightly above this year. And we have a new level, a new tier in terms of prices, maintaining the yields that we have as a goal here.

Yes, we are going to keep on passing on at least the inflation, and trying to go above that.

Ygor Altero, XP:

Good morning. The dynamics of the investment, how are you seeing the year of 2022 with the interest rates slightly above in terms of level? And the asset sales, how are the conversations from a strategic standpoint?

Sergio Fischer:

We have been talking about that for a while, and the cycle and the closure of this capital cycle is a strategy that we are going to maintain. Our goal is to maintain the R\$300 million. We have the topics that pop up here and there about new strategies.

But what we can ascertain is that spreads are at a very good level. We have been talking with the two different sectors. The cap, the spread had a little contraction, which is very marginal yet. So we have all our assets, historically we have had assets at 12%, and this year, this scenario is kind of marginal, what allows us to have gross margins that are relevant for this moment.

And we are going to keep on going that way. There is a demand, funds and traditional investments, and we are here to do more than we did last year.

Ygor Altero:

Thank you for the answer, and congratulations on the results.

Bruno Mendonça, Bradesco BBI:

Good morning. Thank you for the opportunity for asking questions. Costs, how do you see the trend in CAPEX of construction? If the cost of construction is stabilizing or kind of giving room to save some areas. Maybe you can respond that based on the deliveries of 2022. At Log, competition-wise, you have always had a differential in terms of construction, the m².

Your differential, your competitive edge is increasing, or is there a different trend? How are you doing in the market? That is my question. Thank you.

Sergio Fischer:

Thank you. The construction cost, the year is a little better. Things have started slightly slower than last year. We hope that the construction costs reach a plateau, and even drops. When it comes to steel, we see that happening, and the metallic structures that we are budgeting for are presenting different numbers that are more optimistic.

Deliveries in 2022, as we have a lot of BTS with a major stake, we are maintaining a yield of 12%. These deliveries of 2022 will be maintained in the order of 12%.

We hear the word of mouth about the competition that nevertheless, they are 20% or something in that order above us. I do not think that difference increased or decreased. It is stable.

Bruno Mendonça:

Thank you. Have a great day.

Alex Ferraz, Itaú BBA:

Good morning, and thank you for the presentation. I have two questions. The first one has to do with the demand for e-commerce. We have seen new players in this market, Shopee, for instance, with more aggressive strategies, and even a heated up competition in this market. Did you feel affected by the strategy of this new players in the market in the way that may have changed your strategy?

My second question, the industrial park in Betim, the PIB, has a sales classification that is very good. But how is it going there? Are you going to accelerate the leasing of the lot?

Sergio Fischer:

Thank you. Demand of e-commerce. Independent on the macro scenario, which was challenging last year, we see e-commerce growing double digit, and things are very optimistic for e-commerce.

Our sector is somehow protected from the problem that the market has faced. We have been looking for new operations. People are looking for being closer to the major centers in Brazil, which is no different from before, but it has gone a little stronger in terms of competition due to these new competitors.

I have not personally seen any major change in demand, and there is no growth in demand because of that. That is different. E-commerce is growing, and we have BTS under demand, and we have been very optimistic.

On PIB, our strategy has been always paying attention to the size of the project, 600,000 m². We have always been very aggressive in our strategy. We see great consolidation. It is a

platform of e-commerce in Belo Horizonte. We see a speed of sales that has even gone up and are in line with the project.

Alex Ferraz:

Thank you. It was very clear.

André Mazini, Citibank:

Good morning. Thank you for the call. The average ticket that is seen R\$16.40 per m², how would that dynamic change if you were to change BTS? We see that your BTS is very customized. The technology seems to be more, and the construction looks more modern. Would this TIs be a factor to increase the average ticket in leases, or would rentals be ex-TIs?

Secondly, the profitability of the cash flow, that was very profitable in the last quarter. I think you have double digit profitability level. So, what are your strategies now within the risk standards and trends that you have seen in the market? Maybe the curve may be longer, and you have been able to get profits now maybe higher than last year.

Sergio Fischer:

About the average ticket, you see that, as we deliver the assets, the trend is to increase. I think it is important to mention that the Company, ten years ago, was very focused on Southeast, with an average ticket in Sao Paulo and Minas, and it is diversifying. It is near R\$16, R\$17. Some BTS has some TIs, and that is on the location tickets. So you will see that increasing as the BTS are delivered. Some of them are way above the average; of course, they are exceptions, and March will have the revenue very promising.

André Vitória:

In terms of our treasury, we have maintained a very conservative strategy. We have been managing that position. We have a solid cash flow with the construction works that we have in place, and we have this focus exclusively NTN-B, a reality that can actually do what we call the offset of the financial expenses.

In the last quarters, we have been by those policies. We have financial expenses that we can actually fix with our financial policy.

André Mazini:

Thank you, Sergio and André. Have a great day.

Fanny, Santander:

Good morning. Most my questions were answered. Would you go deeper into what the investments are and what are the demands of the institutional investors? In the 4Q, we saw on new partnerships (27:09 TECHNICAL DIFFICULTY) of partnership. Would that type of partnership be interesting to you?

Sergio Fischer:

What have we seen? The spreads has decreased according by the cap. Some assets below 7, that currently are at 7.5. A very optimistic scenario, as I mentioned earlier. We want to do that. That is a strategy for us, not only the closure of capital of each asset. We have seen demands, the real estate funds and traditional ones.

We are not going to go the same line as Lugo because it is important to understand the moment of the investment of the Company. We grow and we do this recycling. There are very promising opportunities, and we are hoping for a more than last year.

Fanny:

Thank you, Sergio.

Raul Grego, Eleven Financial:

Good morning. This is a follow-up on the investments that you have emphasized. What do you foresee this year in terms of dynamics of investments. Will it be towards BTS, because it sells easier? Or do you think about having investments in community investment as Log? How would the dynamic be in the portfolio, and what we would be able to see in terms of changes, if you would be able to comment a little further on that? Thank you.

Sergio Fischer:

Thank you, Raul. We have the intention of doing both moves, BTS and speculative park. There is great demand for both. You have to have the right audience, but it is very likely that we will go for both directions. There is room for both, certainly.

Raul Grego:

Thank you. Have a great day.

Marcelo Bernabe (via webcast):

Within the segment of speculative warehouses, if the new costs of the assets are already seen somehow, or will that take some time?

Sergio Fischer:

We have a very positive position in terms of price, and that position came from two movements: the cost of production went up, construction costs went up by 30% in the sector, and new investments are coming on that basis.

IGP-M and IPCA has led us on to think more efficiently. We have seen that recovery happening very fast, construction costs have gone up very fast. But now we see a very positive scenario for the future.

Operator:

Q&A is closed. Now I would like to pass the floor to Mr. Sergio for his final remarks.

Sergio Fischer:

I would like to emphasize three points that I think are important here. Scenario macro, interest rates are higher, and how that will impact the sector. We have two drivers of demand for Log: e-commerce is one of them that I do not think will change. I think it will keep on growing. Compared to more developed countries, we are behind them, and that will keep on going, especially out of the area Rio-Sao Paulo.

Another flight quality that we have seen in past crisis the quality of the asset's investments. I think those drivers will not be impacted, despite having a more challenging year.

Operational, 2022, we believe we will have a record year, very relevant, and we are going to deliver more than 400,000 m² in GLA, mostly BTS, which will take the Company to a new level, and we will start picking the fruits of our labor in the same level as the operational recycling mentioned a lot here.

What is important for Log, we will keep on doing. We are not concerned because our balance report is very positive, and recycling is to go up in terms of price.

I thank you all for being with us today and have a great day.

Operator:

The video conference of results of Log is hereby adjourned. The email ri@logcp.com.br is open for questions. Thank you all for your participation. Have a great day. Thank you.

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