



LOG COMMERCIAL PROPERTIES
1Q22 Results Conference Call
April 29, 2021

Operator:

Good morning, ladies and gentlemen. Welcome to the videoconference of Log Commercial Properties 1Q22. Today with us, Mr. Sergio Fisher and Mr. André Vitória, Director of Relationship with Investors.

The translation is available upon clicking on the icon 'interpretation'. If you choose to keep up with in English, you should silence the original audio. Then we will have Q&A, and then you click on the icon 'Q&A', and when your turn is comes, you will have your microphone open.

The foreseeable projections are based upon projections and current market conditions. Political factors and many other factors may affect the future of the Company and may differ from those that are actually shared with us world today.

Now with you, Mr. Sergio Fisher. Mr. Fischer, the floor is yours.

Sergio Fischer:

Good morning, ladies and gentlemen. Welcome to the 1Q22. We have a new business model. We have modular assets, 70,000 m², and we have foreseeable for this year, more than 400,000. Activities that are constructive, 130,000 m², and our expectation is to seal 2022 with more than 400,000 m² built.

The capacity of execution, as you see, six projects, and many more. The vacancy is stabilized, 1.6%, the least in the history. In the trimester, you could see the numbers there, e-commerce is expanding activities overseas. We have three new contracts with very important players overseas. We have Fortaleza and Goiania, and that speaks for the strategy that we bear in mind for our clients.

We have the trends, and we keep up with the trends of growth and e-commerce in Brazil. 25% of growth in the income. The penetration of e-commerce will keep on growing more than two digits for the next few years, and they are upmost to our activities, 65% are related to e-commerce. 240,000 m² of projects have been approved, and we have been working to have the projects ready and prepared to go.

The condominiums, we have been working to keep up with what has to be done to keep the quality, the management of more than 1 million m². We are very happy with our growth in 2022, and we are prepared to grow throughout Brazil.

André Vitória:

Thank you, Sergio. We have maintained during this 1Q our capacity to generate value, R\$98 million, and that will keep on being observed, with caps that tell apart our assets in the market.

A differential of a Log keep on being worked on, and despite what is going on in the market globally, we keep on growing.

We have seen also in the results, financially, the growth profits, 11%, growing by 90%, and the default at the end of the semester, only 0.4%. We have expectations in structure and our employees.

Liability management that has been executed by the Company over the last 12 months, the 1Q has been very positive since. The fund raising in the order of R\$300 million, certified receivables and CRI, five years in the average period.

Despite the problems in the market, it has been actually softened. These aspects actually, and the rentability translated into a very good profit, R\$122 million.

We have our commitments to help the communities. We have more than 4,400 hours that we are actually working, and we are expanding that.

Emissions in our operations, we are working solidly. We have our strategy of decarbonization. We have our new report of sustainability with the global impact, and we are aligned with the U.N. goals.

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

Renata Cabral, Citi:

Thank you for taking my question. Congratulations on the results. On recycling, we have a market that is more difficult on the account of the interest rates. What kind of investors you are going to focus? How do you see the markets? Selic is behaving steadily. What are going to do while we have that?

Sergio Fischer:

Thank you for the question. With 3% interest rate, we used to have access to many more tools. Reminiscing, we have some assets, funds, we have buildings, we have a growth, and the closing of capital in those sales is very important for the Company. Last year was record, R\$300 million in sales. And we want to actually beat that record, and the expectation is that we can actually disclose that value as soon as possible.

We know the quality of our portfolio, the quality of the assets of Log, a reduction of spreads, but it was actually very superficial to start with. Nevertheless, we were able to identify opportunities for further growth and raise funds for recycling.

Renata Cabral:

Thank you for such a clear answer.

Ygor Altero, XP (via webcast):

How is the appetite for the assets of the Company?

Sergio Fischer:

Thank you. I think I touched upon that dealing with Renata's question. It is very strong. We have some funds when it comes to our constructions and our new projects, and I believe that very soon we will have good news.

Matheus Meloni, Santander:

Good morning. Thank you for dealing with my question. Congratulations on the results. I have two points. If you could actually develop further in terms of what impacted the EBITDA. And we have seen the contracts that will actually mature in the next 12 months.

Sergio Fischer:

I will start dealing with their question and pass onto my André. We are in a very positive moment. We have been able to deal, to manage the leasing prices, 0.6 despite the inflation. We have dealt with the integrality of the inflation.

Now contracts that you mentioned, we see as an opportunity. This sector is very good and the indicators of operational vacancy as well, a record number. We are being able to deal with the prices, to raise funds, and soon we will have news about that as well.

André Vitória:

In terms of overhead expenses, this 1Q, we have seen growth and results. The nonrecurrent actually was dealt with our structure of personnel. We have expectations for the next quarters that are very positive, considering the increase in our results, concerning the variable profitability.

Elvis Credendio, BTG Pactual:

Good morning. Pre-leasing, we do not have much ABL actually available. And on that note, actually, I would like to know what you have in terms of foreseeable for 2023, and the average lease, your estimates. You had an additional R\$100 million for m². We believe that we can get to a R\$24 per m², but furthermore, I would like to know how are the dynamics for modular projects?

Sergio Fischer:

Thank you for the questions. On pre-leasing, we have products that are ready, and we have a lot of construction work ongoing to be delivered in 2023, and other projects that even at the very early stages, they are actually being leased. That is taking into account 2023.

We are preparing to have 2023 beating our records, R\$24 per m². We started this quarter with very strong numbers, and we aim to maintain that.

Now, leases, BTS has a ticket that is higher, new leases, even modular ones, and retail, the average ticket that we have in the Company around R\$16.5. You will see different numbers in for upcoming leases. The new leases are coming with new numbers, and positive ones.

Elvis Credendio:

Thanks, Sergio.

André Canuto, Construtora Estrela da Manhã (via webcast):

First of all, congratulations to the team of Log, especially at this point in time. I have a first question. The Betim Industrial Park, that investment is actually major, and when we have warehouses and other buildings, we have lots. I would like to understand better the investments, what does that take.

The second question, in the back of your mind, do you hold the idea of building, starting new constructions in smaller cities? I hope I was clear, which were respectively about Betim and projects concerning cities that have small populations.

Sergio Fischer:

I will start these by the second. When we plan a new project, we look at an area that would hopefully have an endless demand, that there is consumption that is very relevant. We have regions with 500,000 inhabitants to consider a project.

On PIB, we have some BTS there in that region, and we are going to start more aggressively selling land lots, generating more further value for the reminiscing lots. And we are planning further activities for selling lots.

In the other regions of the country, we are looking for opportunities on a daily basis, but for now we do not see anything different in the near future.

André Canuto:

Thank you for the objectivity, Mr. Sergio.

Pedro Lobato, Bradesco BBI:

Good morning. Thank you for the question, for the orientation. My question is more in terms of funding. You were able to raise R\$300 million. How is your strategy for the coming future? Is there anything new, or will you keep on the trends of debt?

Sergio Fischer:

It is actually an addition of both. Our net debt is 20%, so there is room there, despite the growing interest rates. I mentioned earlier, recycling. We are working to have another record year, taking into account better results even further than planned for 2022 and 2023 especially.

Pedro Lobato:

Thank you, Mr. Sergio.

Antônio Carlos Magalhães da Silva (via webcast):

Congratulations on the results. Will raw materials such as steel impact the results of the Company. Do you have anything in mind concerning that?

Sergio Fischer:

Thank you for your question. In the last 12 to 18 months, we have been paying attention to steel and CAPEX per m². The price of leasing has kept on growing. We have kept our yields of growth, and we believe it to be at a plateau.

I do not see much of a growth due to that. We have reached a peak, and the new negotiations, as I mentioned, are on a level that is lower than last year, and we understand that the yields concerning new assets will happen.

Felipe Pinheiro, Polo Capital (via webcast):

The 400,000 m², would you be able to mention the CAPEX for such a project?

Sergio Fischer:

Thank you, Felipe. We have a foreseeable CAPEX of R\$400 million, considering ongoing construction work and what will be delivered next year. We will be running on R\$800 million, and probably something in that order next year.

Antônio Carlos Magalhães da Silva (via webcast):

Congratulations once again. Will the increase of interest rates in DIs help fund raising in the Company? And equity-wise, how would that happen?

André Vitória:

In order to finance our growth plan, we have assets, the expansion of debt. We maintain that at a healthy level. The net debt is 20%, and we still have room for raising numbers in that sense.

Operator:

The Q&A session is adjourned. Mr. Sergio?

Sergio Fischer:

Thank you for the monitoring of the call. We have the macroeconomic scenario very concerning. In terms of ABL, we will deliver 130,000 m², and in the 3Q, to 220,000. And that will be part of the strategy for preparing the house for 2023. Next year will be very solid, and next year will have a record, hopefully beating this year.

Equity is coming on spreads, very meaningful. We are working on that, and so we are investing in very meaningful results. We have further growth, new BTS, even in areas that have not been dealt with so far.

From our side, that is all. I thank you, and see is an.

Operator:

The Q&A session is over. You can send questions to ri@logcp.com.br. We thank your presence, and have a great day.

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