



**LOG COMMERCIAL PROPERTIES**  
**2Q22 Results Conference Call**  
**July 29, 2022**

**Operator:**

Good morning, ladies and gentlemen. Welcome to the video conference of results of Log Commercial Properties 2Q22. We have with us Mr. Sergio Fischer, CEO, and André Vitória, CFO and Director of IR.

This presentation is being recorded and transmitted simultaneously. Interpretation is the icon for those who should choose so, and you can mute the original audio. During the presentation, all participants will have their mics disabled, and then we will have Q&A. Click on Q&A for questions and type your name and your company, and then, upon that, you will have your mic released. You must activate your mic for questions.

Statements during this conference are related to future projections. Economic and other projections may or not occur. Investors must understand that politics, macroeconomic and other factors may affect the future of the Company and differ from the considerations that are herein exposed.

To start this session, Mr. Sergio Fisher, the floor is yours.

**Sergio Fischer:**

Good morning, everyone. Thank you for your participation in the 2Q of Log. We had great developments, with three assets, 171,000 m<sup>2</sup>, Ceará, Pernambuco and Minas Gerais states, 240,000 m<sup>2</sup>. The construction activities are withing expected, 105,000 m<sup>2</sup>, and 208 within the plan. We plan to close in 2022 in 400,000 m<sup>2</sup>.

Our execution capacity, we have had eight simultaneous projects, with 1,900 people in construction sites. We sold two assets, R\$424 million, we are to deliver in the 4Q, in the region of Belo Horizonte. The gross margin of 33%, 3% above the projection.

Recycling of assets, we have accumulated R\$1 billion in sales, 40% of our projection so far. We have clients per segment, we have vacancies stabilized in 2%. The lease contracts are slightly above the projection.

Our growth has been leveraged by e-commerce and room lease, and it is to keep on growing over the next two years, reflected on the high demand for our assets.

Even with the macroeconomic scenario being somehow chaotic, we are still growing in great consumption centers. With our real estate group, we are working to prepare the areas for commercialization, trading in the least time possible. 15% land bank for the conclusion of the plan with the trading, and the negotiations of plots of land that are very positive.

Log ADM, we are serving our clients ever so more efficiently, with the management of more than 1 million m<sup>2</sup>, with retention of clients, with NPS remaining at high levels.

Mr. André Vitória, it is with you.

**André Vitória:**

We have had the best results, R\$136 million we have had during this quarter. Our capacity of added value with green field assets, R\$104 million in generated value. We have the strategy of recycling of assets. Those are our main fundings for the Company.

When it comes to fund raising, we have R\$400 million in debentures, CDI + 1.65%, within five years. Our fund raising require no guarantees, required our great history. We had AA plus by the agencies of classification. We have that reflected in a very positive way in the results.

Assets above the average ticket reflect the assets and the net revenue in R\$54 million, 47% above the same period last year. Defaults, net 0.6%. Administrative OPEX, in other words, reflect our growing efficiency, operationally speaking. Financial result was increased by the CDI and the debt. Debt and swap had a negative effect in the order of R\$36 million.

Log is focusing on many initiatives ESG, decarbonization, eliminating almost all the emissions of the Company, and helping our neighboring communities, with more than 8,000 hours in Maracanaú, Betim and Minas Gerais.

Now, we are moving to our Q&A.

**Ygor Altero, XP:**

Good morning. Congratulations on the results, and thank you for the presentation. Two questions from our side. On recycling, you have shown these asset sales in the order of R\$400 million, and the assets are solid, despite the macro scenario. How are discussions for prospective sales, if you could actually comment on that in terms of cap rate? Do you expect trading in the order of the 8%, as you mentioned? And use ease of proceeds, do you plan on expanding?

And the second question is related to how you see yield on cost. The scenario starts to slow down. How do you sense that in terms of debts and costs for the 3Q?

**Sergio Fischer:**

On yield on the costs, we believe, Ygor, that the worst that we had to face is behind us. We have been able to have great performances. The trend is increasing on yield on cost, not only considering the assets that we have built, but we are being able to get great prices, and in the 2H, we have the yields projected to be greater than the same period last year.

Recycling is strategic. It has been recurring and growing. R\$300 million last year with this operation, and this year we have hit a new record, and we are always negotiating and trading assets. Our assets have a great demand, and the liquidity that we used to have from last year, there is great selectiveness.

But we still see a demand that is growing. We have more than R\$1 million in trading negotiations and conversations. That does not mean that will hit that mark, but close to that.

We have to combine that with procedures with the plan of growth of the Company. We cannot sell great states at this point and freeze our cash flow. This has been very well done in terms of fund raising, with capital for new investments.

We will see new operations. Caps are below those numbers, that is very important. We have to deliver the gross margin, that is a must, and that is how we will keep on working.

**Ygor Altero:**

Thank you, Mr. Fischer.

**Bruno Mendonça, Bradesco BBI:**

Good morning. Thank you for the question. Two questions. The average ticket from Amazon, how is the pipeline? With a growing level of tenants, tenant improvement, you mentioned speculation, and you mentioned that that was a different level. How is that going?

And a provocation to understand how things are going, the delivery and the levels of vacancies is very low. The vacancy in their previous quarters was at zero. Could not we have charged a little higher price in vacancy and delivery, in a scenario that needs to elevate the price in order to get greater results?

**Sergio Fischer:**

Thank you, and thank you for the provocation. We do that day in, day out here, we question that. The market is very strong. We have been able to invest in the yield, we are serving our clients. 75% of the operations are closed. We cannot leave that client out of the demands.

We have a lot of variables where Log is one stop shop for many clients. We want to serve those clients well, consciously, day in, day out, with the management of the condos so that they can grow with us and they can take advantage of what we can offer.

In the pipeline this year, a major participation will be speculative; speculation, in other words. We must have new BTS, but different from what we have seen. It will be more speculative than the pipeline of BTS. We see difference in the prices, R\$20 per m<sup>2</sup>.

**Bruno Mendonça:**

Thank you. Sounds great.

**André Mazini, Citibank:**

Good morning. Thank you for the question. It is a follow up from Amazon. The company has increased representativeness. We are almost in 24% of revenue coming from that tenant. It is Amazon, the risk of credit is Triple A. And now, contract-wise, the terms are longer than

the average. It is ten years, the average is five. You have that provision, and if they want to leave that contract prior to that period, they would have to pay for the whole period, and that actually raises a question, how is the deployment of the TI after amortization in the improvements for the major e-commerce companies?

**Sergio Fischer:**

Thank you, Mr. Mazini. The relevance of Amazon in our business is not only a contract, it is a number of contracts. There is a number of things in the oven. There must be an increase in warehouses, and we will keep on sealing many deals with them.

This one specifically or as a deal with a BTS. They paid the whole flow, and the TI was capital from Amazon. It is a contract that is very settled, we do not see much of a difference or change along the time due to that, and we have a specification under American firms. There is a structural value besides TI. That is why this ticket is above the average tickets that we have.

**André Mazini:**

Changing lanes here, these sales that you had were the securities and real estate buying at a Selic at 3.25%. I know the Selic rate was lower. Nevertheless, do you think you can still keep on selling to the real estate market in securities, or should we consider under rating other than Selic, which may be much more of a difficulty for them?

**Sergio Fischer:**

Yes, I understand what you are saying. The scenario is different. The fund raising is much harder. Last year, we had non-requested proposals in terms of fund raising, but there are discussions undergoing development, a lot of discussions with other international investors. There is major appetite in that sense.

And as soon as interest rates start dropping, things will grow, will increase. Last year, the transaction that we had was with a margin of 44%, this year it was 33%, and we have the possibility to increase that in the medium term.

So far, we have discussions undergoing, but for securities and real estate, yes, we have the possibility of leveraging that, and we must divulge in the medium term, something in that sense.

**André Mazini:**

Thank you, Mr. Sergio.

**André Dib, Itaú:**

Good morning. Thank you for your presentation. This is a follow up that I have. If you could actually comment further on your sales process, if you had other buyers, if you had competition, not only this one, but other potential buyers.

And when you mentioned this answer to Mr. André, these funds that are undergoing discussions, there is a round of capitalization ongoing or what?

**Sergio Fischer:**

Thank you. We have no transaction that would depend upon the funds raising funds. It is not an easy scenario for that, so that will not be a condition for acquisitions. This sale from this week was not planned. We were approached, and actually the developments took a direction that was very interesting for us. It was not even delivered yet.

Secondly, there are discussions undergoing, I do not want to go into details at this point. We have international investors, as I mentioned, and international investors have long term perspective silver that the economics of the country. The curve of interest rates will change along the time, and we have interest in selling. So we must keep on going with this strategy, and we have to see our assets, and we will keep with our pipeline.

**André Dib:**

Thank you.

**Marcelo Motta JPMorgan:**

Good morning. Two very quick question. If you could actually comment on the release of CAPEX in the 2H22. We know that there will be deliveries. So far, you have explained, but we would like to understand the planning for warehouses for next year. And in the line of others that you mentioned, what is recurring and what would not be? Thank you.

**André Vitória:**

Let me start with the second question, in terms of revenue. We have an expressive growth in that period, activities off location, and attached to a statement from our clients that impact this positively the value of the revenue in this quarter.

In this case, the real estate was relocated. This building was relocated and it generated revenue again.

Sergio, the floor is yours.

**Sergio Fischer:**

Thank you. Projections-wise, we are preparing for 2023 for at least indicators that are in the order of at least what we delivered in 2022, and we want new deliveries. Construction work is starting. Some of them are advanced, some are starting. So that defines the CAPEX for the 2Q. We aim at maintaining that level for the 2H.

**Marcelo Motta:**

Thank you, and have a great day.

**Rafael, Safra:**

Good morning. Thank you for the question. I would like to go into more detail in the matter of budgeting. You have a volume of production. I would like to know how do you see inflation in the end, what are you expecting for the remainder of this year?

**Sergio Fischer:**

Thank you. We believe that the worst is behind us. In this sector, the metallic structure is very impacting. We have seen in the 2H21 the structure going up very robustly, and we see that the manufacturing floors are more idle, and the concern with the prices of construction are behind us.

But all together, we understand that the costs will not go up in relevant manner. They will even decrease, if I will be honest.

**Rafael:**

Thank you.

**Gustavo Cambaúva, BTG Pactual:**

Good morning. My question is to help understand how you see the effect of the inflation on lease prices. Thinking in the future, we have the expectation of high inflation rates, even for the next year. I would like to understand your standpoint, how will you pass that on to the lease prices? The sector has a good level of demand, but companies in all segments have been suffering. Retail, wholesale, with margin pressure. And after all, logistics end up becoming a component that has to be accounted for. Does this persistent inflation levels concern you, or do you think that will be easier to pass on to lease prices?

**Sergio Fischer:**

Thank you. This quarter, we were slightly above the inflation, 0.1% above inflation, in line with last quarter, and we have been able to pass on the inflation, and we plan on keep on going that way.

This sector is actually promising, very prospective. The perspectives are good and, looking ahead, we have not had a lot of requests for discounts on the account of this scenario that you mentioned.

These are very isolated cases, depending on the project, the location, the prices that have been negotiated. But looking ahead, we believe that will be above the inflation rates.

I think and hope that the worst of the inflation rates are behind. Last year, we had a good result, and I think that, during the same period this year, it will be even easier.

**Gustavo Cambaúva:**

Thank you for the answer, and have a great day.

**Jorel Guilloty:, Goldman Sachs:**

Thank you all. I have two questions. First of all, I would like to understand your pipeline. I understand that you have part being constructed. Triggers for the rest of the pipeline, is there anything specific, or is this pipeline fixed?

And the second question is on the Torino Parque, one of the assets sold. How much revenue is being generated by that asset?

**Sergio Fischer:**

Mr. Jorel, thank you. Pipeline wise, what we have seen, the dynamics here is that the Log clients that have many locations with us, they understand our pipeline, they understand what we have ahead of us. That is why we have been able to have pre-lease rates that are very good, because we are preparing for future growth and flat quality.

That is something very important. Brazil has 170 million m<sup>2</sup> of warehouses. The pre-lease, it is very easy to deal with. At the end of the day, it has been very advantageous. They pay the m<sup>2</sup>, by the m<sup>2</sup>, but the cost of occupation, the final occupation, it is better that this sector is not scared, if you will, of the scenario as a whole in the country, because they see growth in the future.

Our pipeline needs a level of pipeline that is steady to start construction. We see, and we can tell what clients to start with, and we can actually marry ABL with the absorption.

**André Vitória:**

And furthermore, we see here that we have controls, as I said, 2,770 this semester, we show that, and numbers show *per se*, keeping up with the evolution of those assets that you ask.

**Jorel Guilloty:**

This is recent. This is a project that is at 100% of capacity, or do you believe it is still stabilizing?

**Sergio Fischer:**

The level off location is very strong. It has been delivered recently. The conclusion was December 2021. It is normal that we have a curve of lease. It is 98%, 99% full occupation, and we see that this is positive for the market.

We have to have development. We do not have that as the case. We have the revenue that has been said, R\$22.

**Jorel Guilloty:**

Thank you.

**Fanny Avino, Santander:**

Good morning, everyone. This is a simple question because I got most of my questions. Is there any sector of the industry that you see as the main demand, having seen the macroeconomic scenario deteriorating?

And the second one is more in this sort of a new strategic question, how do you define recycling assets and the ones that you will keep in your base?

**Sergio Fischer:**

Thank you for the question. This is not a decision. It takes into consideration some variables. Taxes, the fiscal matter is very important. The sector embraces the area. We have to see if there is upside. There is a series of variables that we take into consideration.

There is not a revenue specifically that we could actually touch upon, or mention upon now. We serve all sectors of the industry. We see speculative warehouses in the radar of many different industries, to be honest. That is why that is not a concern.

We cater for the specific requests of different sectors. Food and beverage is one sector that has actually a good level of demand. We have catered for them, and I would highlight that.

**Fanny Avino:**

In e-commerce, do you see any decrease in demand? Is the deceleration something that you notice? Do you see a problem, or the discussions keep on going?

**Sergio Fischer:**

This is an industry that grew a lot due to the pandemic, due to the consumer habits changes. We have seen changes in sales in the past month. We see Log organizing. Some of them are organizing the logistic mash, and I do not see personally, looking at the average, some projections show 2023 in electronics growing in the order of 22%. If that happens, we will have a bottleneck, a lack of available warehouses.

We may have had, due to the macro scenario, some drops. Nevertheless, on the way out, at this point that we are in the pandemic, we still are depending on consumers and demand. We have the industry that I mentioned as the latter one deciding that.

**Rodrigo Santiago (via webcast):**

Good morning. Concerning the sales of the assets to FII, were the NAV only concerning those sales or Log as whole?

**André Vitória:**

Objectively, the NAV was above 3%, as we reported earlier.



**Gustavo Cardoso (via webcast):**

Would you comment, please, the FFO image change concerning the 1Q22 and the 2Q22?

**André Vitória:**

We had the growth of FFO for location compared to the 2Q22, 20%. When we think on this margins in our financial statements, we have these developments. This fluctuates from to quarter to quarter, and in this quarter we had the operation of equity swap, repurchase of shares. It fluctuates from quarter to quarter, but it changes from year to year. The fluctuations actually are due to our operations, the fluctuations in operations.

**Operator:**

Q&A is officially closed. Now, we would like to pass the floor to Mr. Sergio for the final considerations.

**Sergio Fischer:**

Thank you all for being with us in this call. Looking into the future, I would like to leave a message of growth. We keep on going with our plan. We have our clients with great demand. If we keep on delivering with quality and return on that quality, we will have this cap within cap of sales and evaluation. If we keep on going in that direction, that is the trend. We will keep on the indicators and the rate that point towards growth. The operational side of the Company is doing quite well, and that is seen in our financial statements.

Thank you all, and have a great day.

**Operator:**

The videoconference is closed. You can send your questions [ri@logcp.com.br](mailto:ri@logcp.com.br). Thank you all, and have a wonderful day.

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the Company hosting this event, which was transcribed by MZ. Please, refer to the Company's Investor Relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript"