



Log COMMERCIAL PROPERTIES
1Q25 Results Conference Call
April 30, 2025

Operator:

Good morning, ladies and gentlemen. Welcome to Log Commercial Properties 1Q25 earnings call. Joining us today are Sergio Fischer, CEO; Rafael Saliba, CFO and IRO; and Henrique Schuffner, Finance and IR Director.

We would like to inform you that this presentation is being recorded and translated simultaneously. Translation is available by clicking on the 'interpretation' icon. For those of you listening to our videoconference in English, you can mute the Portuguese feed by clicking on 'mute original audio'.

During the Company's presentation, all participants will be in a listen-only mode. After the Company's presentation, we are going to start our Q&A session. To ask a question, please click on the 'Q&A' icon and type your name and company. When your name is called, you are going to get a popup message to enable your microphone. Please unmute and ask your question.

We would like to clarify that any forward-looking statements that may be made during this conference call related to business prospects and operational and financial goals of the Company are based on the beliefs and assumptions of the Executive Board of the Company, which may or may not occur. Investors should understand that political, macroeconomic and other operational factors may affect the future performance of the Company and lead to results which may differ materially from those expressed in such forward-looking statements.

To open our 1Q25 earnings call, I would like to hand it over to Sergio Fischer.

Sergio Fischer:

Good morning, everyone, and thank you for joining Log's 1Q25 earnings call. We began 2025 with strong execution of our Log 2 Million plan. This quarter, we delivered 102,000 m² of gross leasable area across Log Cuiabá, Log São José dos Pinhais, and Log São Bernardo do Campo. The latter being sold by the end of the 3Q24. All deliveries were 100% pre-leased, underscoring robust demand for Log's warehouses.

Our stabilized vacancy rate attests to the robustness of our portfolio, closing the quarter at just 1.55%, well below the national average. Average ticket of the deliveries stood at R\$26, reflecting our ability to maintain competitive and linear pricing across multiple regions of Brazil.

Gross absorption reached 115,000 m², sustaining strong occupancy momentum. In our growth plan, we closed the quarter with 323,000 m² of GLA under construction across 8 projects in Brazil's Midwest, Northeast, Southeast and South regions. These locations were carefully selected based on demand studies and alignment with our existing clients' needs, a key driver of our expansion.

We believe our growth strength is directly related to our commercial intelligence, which continues to prove its effectiveness, consistently anticipating market demand and driving high pre-leasing levels. A significant portion of assets were delivered already stabilized, validating our location choices and project development strategy.

To date, we have secured 20 new plots, totaling 880,000 m² of future GLA in strategic metropolitan areas across 10 Brazilian states. These projects, combined with deliveries and ongoing developments, represent 65% of the land bank required to fully execute our plan by 2028.

These milestones reinforce Log's planning and execution capability as well as execution discipline, positioning Log as a leader in the transformation of Brazil's logistics infrastructure.

Thank you.

Rafael Saliba:

In the 1Q25, Log delivered solid operational and financial performance, driven by disciplined execution of our growth cycle. Net leasing revenue reached R\$55.3 million, up 2.8% against the 1Q24 in spite of the disinvestment effects.

Average ticket reached R\$21.09 per m² of GLA with positive growth expectations for 2025. Same client rent outpaced inflation for the 11th consecutive year, demonstrating our ability to capture market opportunities and generate value with our asset portfolio. Net delinquency in our portfolio reached a record low of 0.4%, supported by high-quality clients and strict credit risk management.

Our asset management expertise continues to strengthen. As we expand our capacity to monetize on our ecosystem, we have been growing steadily and consolidating our market position. This front now accounts for 34% of our SG&A and is becoming a recurring revenue source and ROIC driver.

On the expense side, we achieved efficiency gains. Our commercial expenses fell 6.5% year-over-year, and G&A declined 1.4%, while development CAPEX surged 135%, in line with the construction works of the project in our Log 2 Million plan. Consolidated EBITDA in the quarter reached R\$120.8 million, up 63% year-over-year. Leasing EBITDA in turn reached R\$47.8 million with an 86.4% margin, reflecting the quality of our assets and our operational efficiency.

Net financial result totaled R\$-26 million, impacted by higher CDI rates. Net income rose 56% year-over-year to R\$86.4 million. Earnings per share rose 96% over the last 12 months. With this quarter's results, we reaffirm our trajectory of sustainable growth and attractive shareholder returns.

For 2024, we maintain our net income guidance between R\$350 million and R\$450 million. We reiterate our intention to distribute dividends equivalent to 50% of full year adjusted net income in 2024, subject to the execution of our planned asset recycling initiatives, and we have approved a dividend payment of R\$20.5 million, representing 25% of adjusted net income for the quarter scheduled for May 30.

Henrique Schuffner:

Log continues to show its capital structure discipline. At 1Q25 end, adjusted net debt stood at R\$663.6 million, down 10.8% year-over-year, with leverage declining to 1.2x EBITDA against 2.7x in the 1Q25, reflecting good liability management and successful asset recycling.

In April, we issued R\$300 million in real estate receivable certificates with 5 to 7-year tenures priced at 99% to 101% of CDI, unsecured and rated AA+ by S&P, our most successful issuance to date, underscoring market confidence in Log's financial strength and strategy execution.

We continue to optimize debt maturity and costs, thus strengthening our capital structure and balance sheet quality. As a result, our effective interest rate was reduced from CDI+1.80% to CDI+1.54%. Adjusted LTV improved to 9%, down 240 bps year-over-year.

On the environmental agenda, we continue advancing. Log Salvador I achieved the LEED Gold certification this quarter. This is our third asset to earn this recognition for sustainability in construction, energy efficiency, resource reusing and EV infrastructure.

On the social front, our Log Social program has already trained 3,600 students since 2021. Our target is to reach 30,000 hours of vocational and operational training in 2025. We also advanced in our ethics and integrity initiatives with over 600 employees trained in compliance-related topics. Our 2024 integrity report has been published, consolidating the advances in this front.

Log remains committed to our responsible growth strategy, diligent capital management and sustainable shareholder value creation.

We can now open for questions. Thank you very much.

Herman Lee, Bradesco BBI:

Good morning. Thank you for your presentation. I have two questions. The first is about demand. 100% of the deliveries were pre-leased with high absorption. I would like to understand the profile of your customers. Are these new customers or existing customers? And if they are new, is this from e-commerce, pharmacy or what else?

And my second question is about location. especially the less obvious locations. We heard about competitors going to the South outside the Guarulhos, Cajamar and Extrema axis. So what are the revenue growth that you have in mind? Thank you.

Sergio Fischer:

Thank you for your question. I think that your two questions are related. In the 1Q, we delivered 100% of pre-leased projects and 100% were to our existing customers. We have been talking about that. These customers come to us showing their expansion needs, their growth needs, and that feeds our real estate development team to look for more opportunities.

So although the projects are speculative, we have the ability to pre-allocate our assets during our construction because of that commercial intelligence that we have in-house.

All of the clients that leased the assets in 1Q were already existing clients. Segments that have been demanding are e-commerce, pharma and then food and beverage. These are heated segments, and we see that happening throughout the whole national territory.

Going into your second question, we are now at 65% of our land bank and the assets that we need to complete the Log 2 Million plan already in-house. And I think this is the best collection in our history. We are now reaching a significant proportion of the Brazilian population. We are located in major consumption hubs with over 1 million inhabitants. And whenever we decide to buy a new plot for a project, we have already mapped most of the demand, what the clients need, what the demands are, the specifications. Sometimes customers will look at the location of the plot that we are planning to buy to approve it or not, and that gives us a great accuracy in our deliveries.

And as I said, this is one of the best projects in our history. We are very excited about what we are delivering now. We have over 20 cities in Brazil. and we are located in most of the larger metropolitan areas, and we are going to invest outside the Southeast as well. And I am sure that we will be able to surprise the market with our pre-lease and average ticket delivered.

Matheus Meloni, Santander:

Good morning. Thank you for taking my questions. I actually have two questions as well. The first is about the disinvestment landscape. Can you give us some color about that landscape? We understand that dividends and other things highly depend on this strategy. So can you tell us a bit more about the disinvestment landscape?

And my second question, we look at the leasing and development numbers, and I see that you have changed the G&A classification methodology this quarter. Can you just explain the rationale of this change and explain this a bit further? That's all. Thank you.

Sergio Fischer:

Thank you for your question, Matheus. I will answer your question about the sales, and then Rafael will talk about the financial statements. Indeed, we started the year in a more complex scenario as compared to last year. Last year, we were able to access different audiences with record sales of asset recycling above our NAV and 38% consolidated gross margin.

This year, things have changed. We have seen improvements happening lately with the phone ringing more, funds coming to us. We were not planning to do recycling in the 1Q, but there are many things ongoing here in our Company. We have been talking to many different people to create real estate funds and also to get additional investors.

Our expectation is that we will be able to present the first transaction in the next quarter. These are going to be positive transactions that will prove the liquidity of our assets. Indeed, dividends are related to the sales, but we are very confident that we will be able to comply with the guidance that we gave this year with these asset recycling strategies.

Rafael Saliba:

Thank you. About the allocation of the expenses between the different business lines, our idea when we updated the classification criteria was to make sure that the SG&A resource consumption is well represented in each business line.

The Company has been growing a lot in its development capabilities, and the criteria were lagging behind. So we made a few changes so that the leasing activities were not overwhelmed. So we are

adjusting each one of the business lines so that they can actually reflect exactly what they consume in terms of resources.

Kiepher Kennedy, Citi:

Good morning. Thank you for taking my questions. I have two questions. One, I think, is a follow-up from the previous question about the deliveries for 2025. The Company has some guidances for the year, and I would like to hear from you about your priorities. Of course, CAPEX is related to the asset recycling, as we know, and the Company has been talking about paying out dividends. But also related to that, we have leverage, which is at a better level than last year, but still a bit high. So can you tell us a bit about your order of priority for 2025?

And my second question is quite brief, about the liability management of the Company. Do you have anything in your radar for this recent quarter? Thank you.

Sergio Fischer:

Thank you for your question, Kiepher. I will answer your first question, and then Rafael will answer your question about the liability management. We have an investment plan until 2028 for 2 million m², and we will deliver it. And this is based on asset recycling.

We are very confident about our asset recycling. We are going to deliver and with high quality. We will continue with disinvestment to support this CAPEX. And I would say this is the first priority of our Company. If we can deliver 3% of yield on costs on new projects, we are able to recycle with an NAV close to 8%. So this gives us a gross margin and interesting returns, and that's what we will continue to do.

Leverage is really important to us. This is written in stone. We are going to deliver our guidance. We will continue with our asset recycling in order to deliver that. And the rest is a consequence, not only the dividends, but the buyback of shares.

We did that last year. We started that slow this year, but from the moment we are able to deliver the asset recycling, you see that happening more and more, not only to support our growth plan, but also the payout of dividends and the buyback of shares, if there is a significant gap between what we consider is a fair value and the actual value.

Rafael Saliba:

About your question on liability management, we did this issuance recently, and we have defined in our earnings release what the Company's strategy is to reprofile our 2026 and 2027 maturity, and we can have a new issuance with the same principle. We do not want to increase our debt level. Our goal is to manage the maturity and the average cost of debt. So if we see opportunities to improve that, we will go after them.

Victor Kietzmann, SmallCaps (via webcast):

Good morning. I have 2 questions. Why was production below 50,000 GLA this quarter? And what can we expect for the rest of the year?

And what is the asset sales planning for the year? Is that going to happen throughout the 2Q25? Is higher interest rates getting in the way of the negotiations? Thank you very much.

Sergio Fischer:

Victor, the production of the 1Q was close to 72,000 m² of GLA. We expect this number to go up throughout the year. The numbers will be higher already in the 2Q, and we want to get close to 400,000 to 500,000 m² for the year, depending on asset recycling, of course. Recycling is fostering these investments. When we have a new sales transaction, we create new projects. That's our rationale.

About sales, as I said earlier, the scenario is a bit worse now, but our assets have great liquidity, and we will continue with our transactions. Our target for the year is to at least offset our planned CAPEX. We want to sell R\$1 billion or even more if there are good opportunities. Most will happen in the 2H25, that's our plan. But we expect to see something already happening in the 2Q25.

Jonathan Koutras, JPMorgan:

Thank you for taking my question. Can you give us some color on your growth pipeline in the 2H25? I would like to understand what your plans are. So if you can give us some color on that and a more updated feedback on this, that would be great. Thank you.

Sergio Fischer:

Jonathan, thank you for your question. We are very comfortable when it comes to construction costs. We saw some pressure happening since last year on labor costs, but we are not that exposed to labor. So this is not impacting our cost that much. Our costs are well under control and in line with our budget. We do not see pressure above INCC. Last year, we actually had savings as compared to INCC. Same is happening this year, and there is nothing very disruptive from now on.

So our investment cycle is running smoothly. The construction works have already started, and we have an idea of the final cost because most of the hirings happen in the beginning. So we feel very comfortable to continue these construction works without any cost pressure. We are very confident that we will be able to deliver on our plans.

Operator:

This concludes our Q&A session. Now I would like to turn the floor over to Sergio once again for his final remarks.

Sergio Fischer:

Thank you so much for joining us today. I would like to emphasize a few points. As I said earlier, we have a new growth cycle, and we have a high quality of investments being made. We are very excited about what we are planning for 2026 to 2028 biennium. We have many projects being developed with a great yield on cost, close to 13%, and the demand has already been mapped with strong locations and not many competitors. So we are very confident that we will deliver a great pipeline throughout 2025 and 2026.

I would also like to emphasize the revenue case. We had relevant deliveries this quarter, especially in the end of the quarter. So in the 2Q, you see relevant growth in the Company's revenue, at least 30% growth quarter-over-quarter. This is new developments generating new revenue sources for the Company. So we are very optimistic about the 2Q.

And sales, I have already mentioned this, but once again, our assets have great liquidity. We have buyers coming to us, and we are sure that the transactions will be high quality to support our plans for 2025.

Thank you once again for joining, and see you next quarter.

Operator:

Log's earnings call is now closed. If you have any questions, please send it to the IR team through ri@logcp.com.br. Thank you for joining us, and have a great 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"