



**Conference Call Transcript**  
**LOG**  
**4Q22 Results**

**Operator:**

Hello, ladies and gentlemen. Good morning and welcome to the video conference of Log commercial properties on the results of the 4Q22. With us today are Mr Sérgio Fischer, CEO, and André Vitória, CFO and Head of Investor Relations.

We would like to inform you that this presentation is being recorded and translated simultaneously. The translation is available by clicking on the interpretation icon at the bottom of the platform. For those of you listening to the presentation in English, you can choose to silence your original audio by clicking on the option “mute original audio”.

During the Company's presentation, all participants will have their microphones disabled. At the end of the presentation, we will initiate the Q&A session. To ask a question, just click on the Q&A button and state your name and company. Once your name is called, a request to activate your microphone will pop up and then you can unmute your mic and ask your questions.

We would also like to clarify that any forward-looking statements that might be made during this conference call related to Log's business outlook projections and financial and operating goals are based on beliefs and assumptions of the Company's management, and therefore depend on circumstances that may or may not occur.

Investors must understand that political macroeconomic and other operating factors may affect the future of the Company and lead to results that differ substantially from those expressed in such forward-looking statements.

To open this video conference on the results for the 4Q22, I will give the floor to Mr Sérgio Fischer.

**Sérgio Fischer:**

Good morning and thank you for joining us at our earnings release call for the results of Log's 4Q22. We ended 2022 with impressive results for the Company. Our rental activities posted significant indicators. Our gross absorption was 457,000 square meters of GLA, the second largest in history for various segments like pharmaceuticals, food and beverage, wholesale, among others.

It is also important to mention the arrival of new clients that together added more than 170,000 square meters of GLA. We have the best customer base in the industry and our strategy, focused on providing the best experience for them, is reflected in vacancy close to historic lows ending the year at 2.58% and annual retention of 92%.

Another highlight is our condominium management structure, Log ADM, which works very closely with our clients, acting as an important link to build loyalty and retention. Depending on its evolution, it could also be a source of revenue for the Company. Currently, Log ADM manages more than 1.2 million square meters of GLA.



I would also like to point out our constant digital transformation movement, which is intended to offer a set of solutions to support the customer journey. Therefore, through the Log+ platform, we are simplifying the journey of all parties involved, which translates into efficiency gains and new modernization opportunities.

Due to our geographic diversification strategy, including outside the southeastern region, where the quality logistics infrastructure is poor, the e-commerce segment continues to show growth in major consumer centers throughout Brazil.

We also see many opportunities in flight to quality. We notice that more than 40% of the rentals in 2022 were attributed to these movements. Companies are looking for more efficient spaces for their operations. Log is a partner already known and recognized for its quality and delivery time.

Much of the value we generate comes from the development of new assets with relevant margins due to our team's ability to offer attractive projects to the market. This year, we approved more than 500,000 square meters of GLA and projects that, for the most part, have already been initiated. In addition, we added four new plots of to the land bank, totalling 325,000 square meters of GLA.

We set a record for deliveries in 2022 with 415,000 square meters of GLA in four regions of the country, with the highlight being the delivery of two BTS. The face of production was as expected, ending the year with 322,000 square meters of GLA.

In 2022, we concluded the largest asset sale in our history to assets totaling R\$430 million with an average gross margin of 32.6%. As we have always stressed the sale of assets as part of our business model, we believe that will continue to occur in even higher volumes due to the high interest from the industry market and investors in general.

We continue to see relevant project development spreads with yields between 12 to 13% and market cap rates. The year 2022 was very positive, and we are very well prepared to proceed with our growth plan in line with the market demand.

For 2023, the country's landscape calls for caution. And in this sense, we will continue to focus on the development of more relevant projects. I would like to mention the eight projects that we have underway in important metropolitan regions with growing demand. These are projects with great value generation, which demonstrate the resilience of our business model.

Now I would like to turn the floor over to André, who will give you the highlights on the financial performance.

**André Vitória:**

In 4Q22, we reported a net income of R\$64 million, excluding the equity swap effects. In the year, the net income was R\$425 million, the best annual result in Log's history. During the quarter, we continued to generate value through the development of new assets, with R\$600 million of value stemming from our new ventures.

EBITDA, in 4Q22, amounted to R\$95 million, and the total for the year was R\$500 million, 21% higher than the year before. I emphasized what Sérgio already said, we continue to pursue a



strategy of recycling part of our portfolio as the main source of funding for the Company's growth.

In 2022, we announced the sale of two more assets. These divestments reflect our business model as a developer of high quality Greenfield assets that are very attractive to the market. Since the rollout of our growth plan in December 2019, we have accumulated approximately R\$1 billion in sales, with an average gross margin of 40%.

The Company's operating performance is also positively reflected in the financial results reported in 4Q22. Our indicators remain solid. The recent delivery of assets with differentiated levels of average random ticket reflects the significant increase in revenues.

In 4Q22, revenues totaled R\$64 million, a significant increase of 65% over the same period of last year. Least spread was 2% above inflation in contractual adjustments of the existing portfolio.

The year to date net NPL was only 0.6% at the end of the quarter. The variation shown in the admin expenses balance is in line with the Company's momentum and remains stable. The operating margin at the end of 22 was 77%.

Net debt remains flat at about R\$890 million considering receivables from asset sales. The Company's financial income and expenses were impacted by the increase in the CDI rate in the period.

Regarding the Company's share buyback program, there was a fluctuation of Log G three assets in the period, negatively impacting the financial expenses through the equity swap transaction in the amount of approximately 28 million in the quarter.

Log continues to focus on various ESG initiatives by maintaining environmental, social and governance practices aligned with the interests and expectations of our customers and shareholders, and are recognized by the main entities that address the subject in Brazil.

In 2022, Log was the recipient of the Abrasca Award for the best annual sustainability report. This award evaluates the best sustainability reports from all over Brazil, considering clarity, transparency, equality and innovative nature.

Also in 2022, Log was the recipient of the best social action project award by GRI Awards. The award is the recognition of the projects that best represent the excellence and innovation in the sector.

Now, we will move on to the Q&A session.

**Bruno Mendes, Bradesco BBI:**

Good morning, everyone. Sérgio and André, thank you very much for the presentation. First of all, it is really impressive when I look at all your indicators for the quarter and for the year, your company and your indicators remain very strong.

On the other hand, if we look on the funding side, the market is increasingly difficult, and the improvement perspectives seem to be a little far away. But I would like to ask you about your CapEx schedule. Can you tell us a little bit about CapEx spending per square meter, construction cost, and throughout the year 2022 how much you intend to spend?



And what about funding with all of the uncertainties on the interest rate side and also on the recycling of assets, whether you are rethinking your CapEx schedule, or you would rather keep the schedule as it is.

**Sérgio Fischer:**

Bruno, thank you for your question. This is Sérgio. The landscape is a bit more challenging than what we expected last year. Because of that, we are being a bit more cautious in terms of CapEx for 2023.

Our operating capacity is to deliver more than 500 square meters of GLA this year, but we already said that we are not going to do that, because what will dictate the pace of CapEx will be recycling, since funding will come through recycling.

We have seen liquidity with our assets, we have good conversations in the way and we will do things with caution and with quality. And this is what will dictate the pace of CapEx, because this is not a bottleneck for us today.

In terms of construction cost, it remains flat vis a vis the year before. We see some idleness in free fat plants, so the cost remains flat, which is positive for us. So we do have the capacity to go on stronger than in 2022. But about CapEx, especially now in the first half of the year: we have to understand how the interest rate curve will behave and how that will evolve through the end of the year.

So all of these potential adjustments you mentioned refer to the beginning of new works or does that refer to things that are already in construction?

There are two things: more focus on the beginning of new works, so additional phases of the ongoing construction sites that may be a little bit postponed. But we have to be cautious, we have to wait and see what will happen to the interest rate curve in the country, because it is important that we understand how that will perform in order to release capital.

If we are able to recycle everything we have in mind, probably we may be able to accelerate things a little bit further.

**Bruno Mendes:**

Thank you, thank you very much.

**Rafael Rehder, Banco Safra:**

Good morning, how are you? Thank you for taking my questions and thank you for your presentation. I have a question. During your presentation, you said that your ideal spread will range between 12 to 13%. But could you please elaborate a little bit about the dynamics of all of the developments that you are delivering this year and also those that you delivered last year?

Because I think that was something related to the construction costs and whether in terms of rentals, whether you are able to apply the actual cost. So what is the field cost of these new undertakings? Thank you.



**Sérgio Fischer:**

Rafael, thank you for the question. This is Sérgio. Rafael, our landscape remains very positive. Last year, we delivered a blend of projects which was slightly above 2% of building costs. So, for those other projects, we will deliver 12.8%, close to 13%. And this is in view of the positive scenario that we are envisioning.

Commercially speaking, if you look at our vacancy rate and the Company's capacity to transfer rental prices above inflation during contract readjustments. So the industry is in high demand and, because of that, we are able to have a good yield cost in developing projects.

We are in a very comfortable position, because we believe that we will be able to deliver that ill would cost close to 13%, as I said before.

**Rafael Rehder:**

That is very clear, thank you very much.

**Ygor Altero, XP Investimentos:**

Hello and thank you for the presentation. I have two questions. The first one relates to recycling. I just want to understand, what is your view about the cap rate, whether things are worse or not, in view of the current landscape? I just want to have a better idea about the cap rate, maybe you could imprint a higher liquidity to your assets. I do not know, I just want to get a better understanding.

My second question is about the e-commerce segment. What about the demand coming from e-commerce in view of the downturn we are experiencing, what is the impact you see in terms of your own operation? And what are the other segments that you see, in terms of demands, that could be a possibility?

**Sérgio Fischer:**

Ygor, thank you for the questions. This is Sérgio again. I will start with e-commerce. Our business model is a bit different when compared to the rest of the industry; we have great geographic penetration, we are present in large capitals throughout Brazil, and the quality of the assets in these locations is poor. That is why we are able to capture a very good demand in terms of e-commerce when compared to Southeast.

We saw large e-commerce players having a very strong position in the Southeast, especially in São Paulo. But this did not happen in the remaining of the country, so we see a strong demand.

Just to shed some more light: 65% of all of our rentals of last year occurred in the second half of the year. So throughout the year we experienced a growing demand coming from several sectors, but also e-commerce and sectors that are very demanding are more related to consumption, like food and beverage, which is another very strong sector. Therefore, this is a very unique market moment in terms of demand.

In terms of cap rates and recycling, certainly liquidity is not what we had in the past. Of course, the real estate industry in the past would come with proposals that were not even demanded.



But the positive side is that the caps did not come down. It is very much in line with the numbers that we disclosed in 3Q22, close to 8% in a scenario where yield is 12.

The spread can be very relevant, and that is what we are looking at, that is what we have been experiencing. And probably this is what we will disclose in the next calls in terms of recycling opportunities.

**Gustavo Cambauva, BTG Pactual:**

Good morning. I have two questions. First of all, in terms of demand: in the last 2-3 years, you experienced a very strong demand for BTS projects. Do you still see companies looking for BTS projects? And even though we are experiencing a higher interest rate scenario, once you have a least guarantee or rental guarantee with a longer payment period, what is your appetite in terms of BTS projects?

My second question is about your rental perspective in the geographies where you already operate. I believe this may probably be a more challenging year for the economy as a whole. And last year we had higher inflation and even though maybe this year inflation may not be as high, I just want to understand what do you see going forward, or whether you think you will have no problems in terms of transferring the inflation costs or you see possibilities of offering discounts, or even if you see low competition in some geographies and that is an opportunity for you to even get prices above inflation.

**Sérgio Fischer:**

Cambauva, this is Sérgio. Thank you for your questions. In terms of rentals, we still see a very positive scenario; we are working with a positive spread. We will be able to at least transfer inflation. Last year, we had inflation plus 2%. After the turn of the year, things still remain the same.

But it certainly depends on every geography. There are some geographies that are stronger and some that are weaker, even in view of the existing inventory. But in general our expectation is that we will be able to charge a little bit above inflation.

In terms of BTS, we are still looking at several opportunities. Of course that yield is very important to us. In 4Q21, our BTS was good in terms of food and beverage. There is a new project being negotiated, and the trend is that we will be able to conclude that deal also in the industry of food and beverage.

But we are focusing on the Speclog, doing something very close to ours so that we can also have future demanding cases. BTS is no longer here in the future and is no longer a possibility in the future.

**Gustavo Cambauva:**

Great. Thank you, Sérgio. In terms of BTS, there was a moment when, even in the geographies where you were there by yourself, we noticed that some large companies are also interested in doing that. But how do you see things at the current moment? How do you see the appetite of other players of probably going to the geographies where you stand alone, where you are there by yourself? Do you see new players coming in or, at the time, that is not very relevant?



**Sérgio Fischer:**

Are you referring to the competition?

**Gustavo Cambauva:**

Yes, competition. How do you see competition from other players? The foreign or even local competitors?

**Sérgio Fischer:**

We are noticing a one-off entry, especially in larger geographies, but this is not something across the board all over the country. We are by ourselves in several geographies, and I do not think this is going to change in the short run.

Eventually, we may see one or other players, especially in large metropolitan areas, but we are very well positioned in these large metropolitan areas to absorb this growing demand. I think Log's major differential is our customer base, our customer portfolio. Most of the deals we have are with our existing customers.

So this has become a very major barrier of entry to third parties. Therefore, every year we see that we are capable of serving large customers, and we are taking advantage of that. Thank you.

**Gustavo Cambauva:**

Thank you, Sérgio. Good morning.

**Jorel Guilloty, Goldman Sachs:**

Good morning and thank you. I have two questions. First of all, my question is about your leasing spread. I remember that you said at one point that your goal for leasing spread was 0.5% over inflation, and you now said that the goal is to deal with the inflation for 2023. I would just like to understand the dynamic. How come that least spread achieves 2% of both inflation. So when you mentioned 2%, are you referring to the same store, same area?

Also, thinking a little bit about the type of client or the type of movement, be it flat to quality or whatever. I would just like to get a little bit more flavor to what happened this year that caused at least spread to be higher, or whether this is something that could be recreated in the future.

My second question is about leverage. I look at your net debt over EBITDA on this, it is about five times or slightly lower than that, if you take into account receivables. But I want to understand how you see your leverage levels performing in 2023?

I know that there are a lot of things that could happen, like sales of assets or lower costs. I do not know, I just want to understand what you expect for 2023. Do you think that it will be flat or will it go down or up? That is it. Thank you.

**André Vitória:**



Jorel, let me address this. This is André speaking. In terms of least spread, how did we get to that 2% of least spread for this last period? That has to do with the same client rent. There was a high demand in terms of contract renewals, that is why we were able to transfer that percentage above the inflation or above our expectation of inflation. And whenever we talk about net debt, EBITDA, ratio or leverage, this involves rentals.

If we look at our leverage ranging between 5-6 times, when we look at the total operation of the Company, this would be around two times. But I think it is more important to say that going forward we will continue to focus our funding in recycling, as we intend to keep that balance.

In terms of our leverage, we do not expect to see any imbalance in terms of the financial indicators. We then realize that we will keep leverage very stable throughout 2023. But, at the same time, whenever we talk about debt, we also see opportunities to evaluate our positioning in terms of the service of the debt.

We will study some opportunities in terms of liability management to verify whether we have anything related to transactions that are prefixed or even products from the industry, like the entrepreneur plan or something that we have been discussing with the banks. We are involved in some rounds of negotiations. It is a very volatile environment but we will continue to monitor opportunities.

**André Mazini, Citi:**

Hello, Sérgio and André. Thank you for the presentation. I have two very quick questions. My first question is whether you could tell us a little bit about that Log+ platform, whether you are giving any disclosure and whether you are adding more services to the platform so that the client can be even more loyal, could even have a deeper relationship with you.

What kind of services are you providing? Whether that could be a one stop shop that you are offering to your clients. I know that you have that in mind for a long time but maybe this is just the next step.

My second question is about a chart that I think I saw. Where are your clients coming from? You said that 41% of your clients are coming through flight to quality. What would be the main attributes that these clients are looking for when we speak about flight to quality? Triple A has three main attributes, laser, high floor to ceiling of 12 meters, and also capacity for three tons. Is there anything else that clients from flight to quality are really focusing on or looking for?

**Sérgio Fischer:**

Thank you for your question. This is Sérgio. I will start with the second part of your question. Flight to quality has been very relevant to our business, and that is very much related to Log's portfolio when you go to large consumer centers throughout Brazil, and quality is almost nonexistent. Oftentimes, companies are already operating there, so we can migrate these companies to a better quality project.

What leads them to change? Basically, due to two things. First, volumetrics is very important, and cost. Sometimes they can reduce the total monthly cost even though they are paying a much higher rental for a square meter, but it pays off in the end. So we saw a lot of clients migrating because of that.





In terms of Log+, that is a very cool platform. We have been thinking about it for the past quarters and last year we finally materialized that idea. So 100% of our clients are already connected to the platform. We saw a growing NPS, there was increased customer satisfaction because of the platform, and now we will start to work on the platform.

What do I mean by that? Certainly our next step would be to introduce marketplace selling services and having our partners selling additional things. This will be a win-win situation. We will also have an additional revenue and, by the same token, customers will be happier and they will be more loyal.

We are very excited, and certainly this entitled heavy investment that we initiated in 2022 and it is running now and from now on, we will see ways of monetizing that. It is too soon to tell, I do not want to get into a lot of details about the platform, because we still have a lot of cool things in our minds. As soon as things are evolving, we will certainly report the story to the market.

**André Mazini:**

Thank you, Sérgio.

**Marcelo Motta, J.P. Morgan:**

I have two questions. First, whether you could give me a range of your expected CapEx for the eight projects that are on their way. I know that you said that you could accelerate or not, could have it in more phases or less phases, just give me an order of magnitude for 2023.

My other question: considering the political scenario for the next four years, how do you see that plan “Todos Por 1.5”, or we were thinking about our SELIC rate for a longer period of time then maybe that could lead to the elongation of that plan or whatever. What do you have in mind?

**Sérgio Fischer:**

Hi, Motta. This is Sérgio, thank you for your questions. About the current landscape, in fact we did not expect that but it is part of the game. We are now prepared to go ahead with the plan, but we are not going to be too restricted to it. Maybe something will spill over to 2025, but it will depend on recycling and the political scenario going forward.

But the positive side is that we believe that there will be increased consumption due to this new administration, and this could have a positive impact for the Company, even though our fiscal landscape is a bit more complicated.

Now, referring to CapEx, all of the projects in construction will require R\$400 million in CapEx until the end of the year. But this number could reach 800 with the new projects, depending on recycling and depending on how we see the performance of the macro landscape in the next few months. But at least 400 throughout the year.

**Marcelo Motta:**

Perfect. Thank you.

**Operator:**



The Q&A session is now concluded. We will turn the floor over to Mr Sérgio Fischer, for his final remarks.

**Sérgio Fischer:**

Thank you so much for joining us today. I would just like to stress that this moment calls for caution, we do not want to move ahead too strongly. We will just wait until things are more stable, and as things evolve we will tell you more about our growth plan.

We will certainly deliver growth this year, but the magnitude of this growth will depend on several factors. So this moment calls for caution if we want to have a very stable balance sheet. That is it.

Thank you so much for joining us and I hope to see you again next quarter.

**Operator:**

Log's video conference call is now concluded. In case you have further questions, send your messages to the IR team through [ri.logcp.com.br](mailto:ri.logcp.com.br). We thank you very much for joining us and have a great day.