

**International Conference Call  
Aliansce Sonae (ALS03)  
4Q22 Earnings Results  
March 24<sup>th</sup>, 2023**

**Operator:** Good afternoon and thank you for waiting. Welcome to the earnings call of Aliansce Sonae Shopping Centers + brMalls for the discussions of the results of the fourth quarter of 2022.

We have here with us today, **Mr. Rafael Sales, President Director; Leandro Lopes, VP of Businesses; Daniella Guanabara, Finance Director of Investor Relations; Eduardo Langoni, Finance Director and of Investor Relations of brMalls.**

We inform you that the event is being recorded and that all participants will just listening through the earnings call throughout the presentation of the company. Thereafter, we will start with a session of Q&A only for analysts and investors. Then you will receive further instructions. Should you need any assistance during the call, during the conference, please type \* 0 and then the operator will help you.

This event is being simultaneously translated through the internet via webcast, and you can access it on the webpage [www.ir.alianscesonae.com.br](http://www.ir.alianscesonae.com.br), where you will find available the presentation. The replay of the event will available as soon as this event is over and for a period of one week. We would like to inform that all the questions can be answered throughout the Q&A. Question should be done via telephone and the questions will be submitted also via the e-mail [ri@alianscesonae.com.br](mailto:ri@alianscesonae.com.br)

Before we proceed, we would like to clarify that few of the statements made during the earnings call regarding the future perspectives for the businesses of the company, projections, goals, finance, operational goals they are based on beliefs of the Board of Directors, and based on premises that were based on information that is currently available. Therefore, futures considerations are not guarantees of performance, they involve risks, certainties and premises and therefore might not come to be realized in the future.

Investors should understand that future economic conditions, conditions of the company, of the industry, operational factor might also affect the future performance of the company and might differ materially from the expectations that we are discussing today.

Now we'd like to give the floor to Mr. Rafael Sales, who will continue the presentation.

Please, proceed.

**Rafael Sales:** Good afternoon everyone, thank you very much for being. Here it is a pleasure to be here today and present our company Aliansce Sonae brMalls. On call, we're going to be discussing what we did in 2022 and we're going to show you a few of what we have here in the company.

On slide number 2, we have a summary of the indicators of Aliansce Sonae. We had a year in which it is clear that the pandemic had a great impact, but we were very solid throughout, we had this recovery that shows that indeed we're a complete platform for entertainment, for services and lifestyles. As we've been saying for a while, we are way more than a place for shopping; we're also a place for connection, for people, for brands. Our revenue in 2022 went beyond R\$1 billion, a growth of 20% against 2019, and we had an intense process where we were changing store brands, we were replacing them so the revenue in the first year had this impact of the stores and everything that is done before operations begin.

We ended the year with 97% occupancy, 97.4% actually, the largest one, the highest one ever since we started. This is very good for our guidance for the years, the EBITDA margin went back to the same level of 2019 and the company grew versus 2019 despite the interest rate in Brazil. Besides the evolution of financial indicators, we've seen also growth in operational indicators in 2022, we had lots of demand for new spots and we had new contracts for rental that were assigned this year with an expressive or a significant reduction in failure to pay. We also had a change in occupancy for our [inaudible] keepers. We also had structural changes in the company, we finished the implementation of our new SAP, which is a process that lasted for around two years, and it was concluded without any interruptions in our businesses. We also concluded a series of expansions, revamp, remodeling processes in Leblon, Carioca Parque Don Pedro malls, we also had a relevant change in our ESG trajectory, we had this great achievement which was the initiative to have stability in B3 and Aliansce is the first and only shopping mall representative in that list. Also, we were invited to present at COP 26 last year. Additionally, we participated in various M&As processes, as you all know, and the main one was with brMalls.

Before I actually continue here with the next slide, I would like to congratulate the entire team, we've had an excellent team working, great legacy so Aliansce Sonae, brMalls we were able to conclude this deal that is very transformational, it's going to completely transform our industry in December 22, and we can already begin this year thinking about the future.

# ALIANSC SONAE

Now on the presentation we're going to focus on our combined business. Now on slide six and seven you can see that we're going to show this large scale for Aliansce Sonae and brMalls, we're looking at millions of visitors and we have 11,000 stores and today we are one of the main platforms for retail in Brazil. It is A evident that we have high quality in our portfolio because we're the only company in Brazil with 10 shopping malls that have a great revenue individually, and this only happens due to the M&A because we have some legacy of brMalls, 5 malls, and 5 from Aliansce Sonae. It is important to say that is the only company in Brazil that has these 10 malls that have individually over 1 million in sales.

Now on slide seven you can see that the main brands that we have here have exposition that is twice as much as the other operators in Brazil.

On slide 8, let's see some of the consolidated results. If we sum Aliansce and brMalls, we have a significant growth here, so the sales for malls last year if we sum all of them combined we're looking at R\$2.5 billion and the EBITDA was R\$1.8 billion and the FFO R\$1.1 billion. So, it's important to say that these numbers, well, we have excluded the nonrecurring expenses from these numbers for Aliansce Sonae and brMalls, the company has excellent operational results, commercial results and we can see the increase in rent and also the rent has an occupancy rate also that is very good and with an increase that are sustainable in our rent. We still have an occupancy cost at a very balanced rate, so we will be very successful in our malls.

2023 the trajectory of growth very positive, this year we started the year with the accumulated of 19% in regards to 22 and the sales increase of 16% in regards to the period in the last year.

Now I'm going to give the floor to the speakers and during the Q&A session we can answer some more.

**Daniella Guanabara:** The next slide, before we talk about the combination of businesses being concluded, the both companies start to work in their liabilities and to reduce the cost of debt, the increase of deadlines and the harmonization of covenants. The brMalls' fourth quarter of 2022 we have the issuance of debentures in the total of R\$900 million CDI plus 1.3% with the deadline of five, and at the beginning of the year regardless of a worsening of the credit market, we managed with success with the CRI of R\$600 million, still have additional demands of at least 500 million, but we have in CDI + 1 and 20, we have five and seven respectively. With that issuance, the average cost of the company is 0.87% with 83% of the CDI, 2.7 of inflation and 14 prefixed.

Now let's continue with the presentation. We can talk about the transactions M&As,

which is the most recent that we've done by the legacy of brMalls and Aliansce Sonae. Throughout 2022 both companies negotiated and concluded successfully having investments that are strategic. The legacy of brMalls we had the partial sale of shopping which are very important at a cap rate of 7.7% and the total sale of Campinas with the cap rate of 7.8%. With the legacy of Aliansce Sonae we had the selling and disinvestments of Brasília and there is a cap of 8.2% and Boulevard Villa Velha and Boulevard Campinas Shopping with a cap rate together of 8.1%. Now in 2023 we've also had the partial sale of 10% of participation in the Passeio das Águas Shopping with a cap rate of 8.5%.

Therefore all the caps considerably lower to where the company had expected and this reinforces the excellent capacity for the allocation of capital for the company with a great track record and M&A and profitable returns for the shareholders.

Last slide, let's talk about the synergies of the market just with the Aliansce Sonae at the end of 22, we reached R\$56 million. As a consequence, we presented an important expansion of the margin EBITDA for 63% in 22 first with 72% in 2023. In the operational synergies that were announced, we also reached R\$34 million in reductions of condominium costs and also we had several elections of reducing liabilities which has an economy of R\$47 million per year.

In regards to the Aliansce Sonae + brMalls, after all the bottom up work with an integration consultancy company, we are very comfortable to confirm that we have the expectation of annual synergies of R\$180 and R\$210 million. It's a very important to highlight that the synergies of 210 million initially announced between Aliansce Sonae and brMalls included 116 million of operational synergies and 50 million in synergies that are finance plus the finance synergies that were reached even before the agreement of the business is effective through the well management of the liabilities of the brMalls. So, now we are talking about R\$180 to R\$210 million in operational synergies for the company as a whole.

On the next slide, we exemplify our capacity to generate synergy and capture operational results. We highlight that our top ten malls with the greatest annual growth has an increase consolidated of 51% in 2022 versus 2018. As a highlight of this performance, we had the shoppings Passeio das Águas with a growth of 145%, but Shopping Belém with 77%, Boulevard Shopping BH with growth of 53% and Franca Shopping with 48%. Besides these malls, we also have an increase of ROI with the sale of the malls, and we have 127% growth in 22 versus 18. These are examples of turnaround and reinforces in the trust of the future synergies.

Now thank you very much and we're open for the Q&A session.

## Question and Answer Session

**Operator:** Ladies and gentlemen, we will start the Q&A session just for investors and analysts. Should you have any question, please type\* 1. If your question is answered, you can leave the line typing\* 2.

Please, wait while we register the questions.

Our first question Jorel Guilloty, Goldman Sachs.

**Jorel Guilloty:** Good morning, everyone. My question is basically focused on the synergies that you mentioned that you reiterated for what you expect in 2012. Well, you started and then until 2028 what are the synergies? And I wanted to see the fusion... well, I wanted to know if you can tell us more about the schedule of how should we think about from now until 2022 how are those energies ongoing?

And can you tell us, if possible, how much do you see of revenue costs? Anything, any information that you can provide will help. Thank you.

**Daniella Guanabara:** Hi, Jorel, here is Dani. Thank you for the question. So, for the implementation phase of the integration, we are here in the first steps, but it's important to report that throughout the first six months since the approval of the deal until the approval at CADE, we have prepared the integration and we've calculated bottoms up the total of synergies. So, it's important to highlight that the original guidance of operational synergies is 170 million, so we increase the bottom to 180 going from 180 to 210 totally operational. Out of that we expect to have about 40% in the cost of expenses and obviously you will capture a little by little, year by year in terms of savings. Therefore, that 85% should be reached until the end of 2025.

**Jorel Guilloty:** Thank you.

**Operator:** The next question Fanny Oreng, Santander.

**Fanny Oreng:** Hello good afternoon, everyone. Is there any follow-up and that issue of Jorel? You're talking about the percentage that we're going to get till 2025 of the cost synergies and the revenue it would be the synergies that we would reach until 28? That would be my first question.

My second question goes along the lines of the shopping mall. So, you have the objective six you have about 9 malls that are managed, so I wanted to understand within the nine managed malls, you said that all increased the capacity for the negotiation with the wholesale or retail. Is there any of these assets would it make

sense to stop managing these? Could you please tell us?

**Rafael Sales:** Thank you, Fanny, this is Rafa. About the synergies, well, the synergies we have this doubt. The cost and expenses we have an increase of 40% in the guidance, the capture we hope to capture 85% until 2025 considering the total synergies, both expenses today, obviously we should see in the first part of that, but in the first three years we have 85% of that total that we are mentioning obviously if we don't have any pandemics along the way.

Having said that, we are working with the synergies and the increase of revenue, the improvement of the EBITDA, the management of the malls and also management of the mix.

**Fanny Orend:** So, please, if you allow me, in terms of revenue synergies, how... well, of course, if you can share the breakdown, how much it would be mall and media, all the initiatives, how much it would be in terms of mall, of rent?

**Rafael Sales:** Actually, we are not doing the breakdown of the number yet, but I can discuss and we're going to see if we're going to publish that breakdown. However, for now, this is the breakdown that we are comfortable to provide, and I think that we will provide more transparency in the next results.

**Fanny Orend:** Thank you.

**Rafael Sales:** About the management of the malls that are within our portfolio of course, the portfolio has increased the number of malls, increased in terms of result because of Eldorado and we are continuing to focus in the shopping malls that are dominant and very relevant. Of course, not all the nine malls are within that characteristics of dominance and relevance in their respective markets or whenever they're not dominant we have a shopping mall that is attractive initially, so these malls certainly they're going to stop being part of our portfolio and they're managed to over the next few years.

**Fanny Orend:** Thank you, Rafael.

**Operator:** Our next question is from Bruno Mendonça, Bradesco BBI.

**Bruno Mendonça:** Hi everyone, thank you for the presentation. I will ask a question about synergies, CapEx specifically. I understand that we haven't dealt with it in the guidance, but anyway, we can think about the synergies and [unintelligible] well cash and when I see the Aliansce and brMalls, I see a difference in the cash conversion when we're talking about Capex. How have you seen this? Can you mention



anything about that and with Aliansce and brMalls? These numbers have guidance do you have a reference of your portfolio of Aliansce and brMalls in your portfolio?

**Rafael Sales:** Well, in terms of CapEx and conversion, the most important thing is that we have equivalent images. Aliansce reported until the middle of next year the same way that we had the conversion of cash, it's the same index, therefore this is our objective in terms of CapEx and operational results. It's important to think and consider that, for example, in this first year we're going to have a consolidation expense of IT, processes, systems. Nonetheless, we're going to have the CapEx and technology part is going to be a relevant drop from the proportional standpoint from the next years' onwards once we start to generate the synergies and this purchase of technology.

What we expect until the middle of next year in margin and CapEx and cash generation that is convergent to what we are reporting.

**Bruno Mendonça:** Thank you.

**Rafael Sales:** And to finish, there is still one for the portfolio. We do not have the breakdown, but we have synergies in both portfolios, specifically when you look at the part of revenue or because we up until January of this year we didn't have a company but we had ten malls with a potential for selling over R\$1 billion per year and another 35 malls thereafter with a total of 35 malls that sell over 500 million a year. We didn't have that group, now the most robust portfolio that sells 500 million per year, at least 500 million per year is a portfolio of 15 malls of the second biggest company.

So, we in fact are going to have 35 malls, we're 37 malls with this number, so it is a potential for partnership with the retail to increase the turnover of mix, improving the mix and we imagine that we can consequently capture better results, specifically with our tenants, better results for everybody.

**Bruno Mendonça:** Thank you.

**Operator:** Next question is from Marcelo Motta, JP Morgan.

**Marcelo Motta:** Good afternoon. Two questions. First, if you can comment on the liability management and there was a comment on data synergies, finance synergies, we seen brMalls and also your side that we had finance, reduction of debt. Do we have anything left of what it can be done and maybe it's not included in the 50 million that was mentioned, but considering the company that has a cash generation that is stronger, has the assets complementary, more robust assets?

Could you wait for news?

And the second question is about disinvestment. I think that the macroeconomics is not helping in that front, but when we're looking at the last sales that we've done, these are attractive cap rates. So, do you think that it's in fact should we wait for the market to improve or can we think about doing something before adjusting that? How is the fine tuning in the portfolio?

**Daniella Guanabara:** Hello, Motta, this is Dani. I'm going to answer the first one. In terms of liability management, we just issued a debt even in this challenging scenario in the credit market, Brazilian credit market. We have CRI, which is R\$680 million, the minimum was 500 million so we've managed to get an additional demand of 112 million at a cost that is very attractive. We're talking about in the series of five years of CDI +1 and CDI +20 in the series 7. So, that reinforces the good visibility that the company has in the credit market, the stretching is strong and the trust of the investors is strong in our company so we managed to do this lesson and it was a lesson learned, we're very comfortable with the insurance, we had the opportunity for the prepayment of that continuing the process of the management of liabilities that we've been doing for many years.

**Rafael Sales:** We have a debt in the balance sheets that are still above 2,5-3 times above the CDI, so basically we are going to work on them, not all can be paid immediately so we're going to use the window, we're going to see the window in accordance to the availability of payment and the cash availability that with these transactions with the operational cash generation where it should finish with a robust cash, and we should do that improvement of the improving the profile of the debt.

In regards to the macroeconomic scenario and disinvestments, I believe that the most important thing is for you to take a look at a portfolio that we don't have any malls that has an NOI that is less than R\$20 million, no shopping mall is a shopping mall with difficulties of management or problematic. Besides, the shopping malls that are a bit smaller they have a reasonable occupancy and they are not problematic. In some cases maybe they're small for us to focus so the profile of 10-15% it's not relevant for the whole that would be one of the concerns and the other one is when the shopping mall is not commercially the main destination of the tenants.

So, these are the two criteria that we're going to continue to analyze, prioritize in the portfolio, and thereafter we're going to review our stakes, I mean, we've just seen Passeio das Águas that shows the shopping mall still has a lot of potential, but as we've demonstrated in the previous slide of the presentation, the shopping mall grew 145% since the creation of Aliansce Sonae, and this shows that within new management the shopping mall performed very well and now we have a new cap, a



shopping mall that was acquired in exchange of shares considering the same cap in 2018-2019, therefore showing that this is important for the shareholders, the selling at 8% cap gives us comfort that we are doing the right thing in terms of investment and disinvestment as well.

Now we still have demands for the minor participation, minor shareholding, but the market requires more depth and we need to have a deeper market, it's too shallow from the standpoint of checks and transactions. Therefore, it's important to wait for our portfolio, it's far away from having a problem so we're going to conclude the integration all throughout the year with operational gains, one company is going to learn with the other, we have the teams already mixed in the management each having their own experience and forming a management capacity that is more robust and maybe in the second semester, maybe next year, we're going to start to look at disinvestments and we hope to finish the year below 2,5 times the EBITDA even with the [unintelligible] that is important here in April that will happen in April, I believe that the company starts to generating a lot of cash and has the potential to return capital in a more predictable and more relevant way for our shareholders.

Therefore, all of this is supported by a balance sheet that is very well-structured and a payment of dividends so we can consider as a recurring and consistent.

**Marcelo Motta:** Perfect, thank you. Thank you, Dani.

**Operator:** Next question from Elvis Credendio, BTG Pactual.

**Elvis Credendio:** Good afternoon, Rafa, Dani. First, let's talk about the expenses. The expenses that we had in the fourth quarter, what can we wait in terms of one-off expenses? Do you have anything? A great deal was working with the fourth quarter.

And the second question is development. Aliansce had a cost project and brMalls as well, so we need to understand how the investment plans are for the new company. Are you thinking about more... do you have any expectation of additional areas from now on?

**Daniella Guanabara:** Hi, Elvis, this is Dani. First of all, in the fourth quarter we got into the expenses referring the transaction, however, we are still working with the integration of the two companies, so it's natural that we still have a few expenses referring to the consulting companies, consulting of our HR, IT, consulting of the integration itself that's still working in the first quarter, and as a reference to the brMalls' legacy, we still have the expenses retention and a few expenses related to severance with more concentration in the first quarter, therefore, we're going to

reduce all throughout the year, after the first quarter.

In regards to the project, multiuse project and expectation of addition of areas, we are exploring the projects for a long time, we have projects that are very important in Maceió, Alagoas, we launched 3-4 buildings and a hospital, some projects that are very relevant in Goiás, where we have a contract with Cyrela to talk about some towers and we are getting close to the local developer so we can bring this potential for the expression of the shopping mall and the exploration of the land bank, the real estate, so we can bring qualified improvements to the shopping mall.

When we think about the projects on the long-term, we always prioritize the shopping mall and how can we do to actually highlight the capacity for each of these assets. Therefore, that's why we have several expansion projects, just with the legacy Aliansce 4.4 million in potential that is for the future where we balance between the expansion and the potential of the mix.

**Elvis Credendio:** Thank you.

**Operator:** Ladies and gentlemen, remember, if you want to ask a question, please type \* or star one. Please, wait while we are registering the questions.

Next question is from André Dib, Itaú BBA.

**André Dib:** Good afternoon, everyone, thank you for the presentation, thank you for the questions. On my side there is just one question that maybe we are still going to have the first quarter in the company that is still going to be talked about, but thinking about the long-term horizon after the integration that has been consolidated. What do you imagine therefore the company in terms of strategy? Do you think that the strategy we are consolidating in the market? Given this deal, do you imagine that the company can become a company that is more yield, that has more yield and therefore profit sharing more?

**Rafael Sales:** Hi, André, thank you for the question. We prepared the company so we can get into this moment and we can make a few decisions, certainly now there is a need for consolidation which is lower because as we can see one of the slides here adding the relevant brands here in Brazil we separated eight brands, but we can get the 20 best brands that we can see that are very similar we have at least double, double the number of operations of the best brands and some of the small competition, we have comfort that in terms of relevance, in terms of impact in the wholesale we have a size that makes a difference in regards to us being a smaller company in one of the regions, in some of the regions. This is one of our objectives to differentiate ourselves.

Now having reached this objective, we obviously are a potential consolidator for the industry, I don't think that we are... we're not the only one, there are others that have the capacity [unintelligible] in our business, and we are going to continue, continue consolidating one way or another, maybe we're not going to have so much of an impact relevant as when diffusion happened because of the size of our company now. So, I don't see that one thing is a conflict with the other idea, we're going to be a company with a robust cash management, we will continue to do the disinvestment of the malls, we have less potential and we will continue to reallocate the capital in investments with expansion, new projects, as well as purchasing malls that maybe eventually will come up and they are for sales.

We want to work with the dominant malls in cities and urban areas and that we can have the best destination in town. These are our objectives, within these objectives, of course, we have to return the capital, profit share for the shareholder in a predictable manner. The predictability is key while the shareholder can expect to receive in a company that doesn't have a high leverage and that doesn't allow for the company, for example, to do an strategic investment once we are very leveraged, but this is not going to happen, we are prepared should that happen and when we have an opportunity we can consolidate certainly.

However, the first year of the company is a year focused on integration, on improving our commercial practices, improving the management capacity. We have a lot to learn one from another and we also have to look outside and adopt new management models and processes that can help us.

I think we should get a cash return and we can show the shareholder that there is growth, but there is a capital return that is predictable, relevant for the shareholder along the way.

**André Dib:** OK, perfect. Thank you.

**Operator:** Next question is from Tainã Costa, UBS.

**Tainã Costa:** Good afternoon, everyone, thank you for the opportunity to ask question. Congratulations on the results, I wanted to know a little bit more about the following: you were talking about these past two months, is there maybe something an element that helped highlight that result? Maybe something that happened with the tenant or a region? And also, still on stores, what is the distribution in terms of segments now for your portfolio for the two consolidated companies? Do you see any possibilities to improve the mix?

**Daniella Guanabara:** Hello, Tainã, thank you for that question. Actually, we've seen

a general improvement in our portfolio, I think in some of the regions like the north of Brazil, northeastern region of Brazil, it's been very robust, and some of the areas started to recover with more momentum now, so when you see the combined results of January and February, in January and February we had that impact of carnival which happened in March last year and we believe that there is going to be recovery in March this year as well. So, it was stronger, and I think in terms of demands for retailers, we see a very good demand, very high demand right now, we understand that yeah it's happening with home appliances, we see that happening with services, with food as well, chains that had suffered a lot with the pandemic, but now it's recovering.

I think we're always looking for opportunities to improve the mix of them mall to look for more opportunities trying to [unintelligible] want to have always a high quality in our portfolio.

**Tainã Costa:** Excellent, thank you.

**Operator:** If you don't have any more questions, I'd like to give the floor to Mr. Sales for the final thoughts.

**Rafael Sales:** Thank you very much for the interest in our earnings call for Aliansce Sonae + brMalls. We are very optimistic with the perspective of the company working together and we remain at your service should you have any more questions that you have all throughout the quarter and you can contact our team. Thank you.

**Operator:** Thank you and the earnings call of the fourth quarter of 2022 of Aliansce Sonae is closed. You may disconnect, have a wonderful afternoon.