

Operator:

Good afternoon, ladies and gentlemen. Welcome all to SYN's videoconference to discuss for the 3Q21.

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Before I proceed, I would like to emphasize that forward-looking statements are based on the beliefs and assumptions of SYN's management of the current information available to the Company. These statements may involve risks and uncertainties as they relate to further events and therefore depend on circumstances that may or may not recur. Investor, analysts and journalists should be aware of events related to the macroeconomic environment, the industry and other factors that could cause results to differ materially from those expressed in the respective forward-looking statements.

Presenting this videoconference are Mr. Thiago Muramatsu, CEO, CFO and Investor Relations Officer of SYN, Mr. Hector Leitão, Financial Superintendent of SYN.

Now, I would like to hand the floor over to Mr. Thiago Muramatsu, who will start the presentation. Please, Thiago, you can proceed.

Thiago Muramatsu:

First of all, good afternoon to all of those who are with us during these results videoconference. From the 2Q call to this one, we have had an important move, especially in terms of the sales of assets.

So let me go to the part of achievements here, and we want to explain in more details the transaction, talk a little about the results for the quarter, and how, as we said in the teleconference, for the 2Q, we had a positive perspective for the leasing for offices and shopping centers, and that has been confirmed. We were able to show those numbers.

Those are the highlights. We defined here two enterprises, Faria, Lima Financial Center and Tower D of the JK Complex, and in the 3Q, with the change of our name, we also had the change in our ticker in B3, and we also entered as part of their B3 index for small caps.

As I had mentioned before, in the subsequent events, we have signed with Brookfield to sell the (03:22) we have for four buildings, FL Financial Center, Faria Lima Square, JK 1455, and over Miss Silvia Morizono, around 49,000 m², with a price of around R\$1.74 billion.

In this period, we had signings for selling our participation in JK Financial Center. We have 66.57% of the total area. That means 4,864 m². The price was a transaction of R\$25,000 per area.

Before advancing, we have these transactions, and most of the analysts and investors have talked to me or to Hector and Filipe, and the IR team to take out and understand a little better the transactions, so I can even consider the questions that may arise in Q&A.

One of the main reasons why we carried out the transaction is that we try to work with focus on profitability for stakeholders, and especially to the shareholders. So we found a good opportunity here, because it is a moment that interests are in a tendency of going up, and it will continue. So

there is a strong correlation between the value of assets and the interest rates. So we were able to find a point of price that made sense for the exchange correlation, with an attractive rate of 5.

And we also have a moment when we found tax efficiency for this transaction. So the buildings are all in the Company since they were open, so we had a tribute window for that transaction to make sense, even though we know there may be an appreciation in the price of terrains.

So these two affects brought a unique opportunity, and we are still managing the buildings, which is very important for us. We want to prove ourselves as managers as well. Since our follow-on, we want to have a structure where we put part of the capital in this, an investment of capital where we would split the capital risk, so adding less capital, and adding to our personal leverage to manage the buildings. And so these brings an additional return for shareholders.

And the transaction of the JK Financial Center has to do with an effort we have carried out for some years to invest in assets that we have no control. So this building is one we did not manage the building as a whole. We were a minority owner of the complex, so we had plans to make divestments, especially this property, as we have done with some transactions with XP in this line of leaving the assets we do not have the control of.

Continuing on talking, especially about the shopping centers and shopping malls, we have some of what we see as the first and second wave for our resume in the sales recovery, where we have periods that were stronger in the opening, in July, and we had an acceleration. And we were expecting a strong Black November, Black Friday.

And in the beginning of November, there were some signals of a second wave, and it did end up going into December and January. End of December, beginning of January, we started having some restrictions again, and the ending March, April with closures again.

And the recovery is above last year. We ended up focusing on sales, and we have a sales flow that is very close to the one we had back in 2019. And there are some regional differences in Brazil. So when you look at the behavior in certain cities or regions, they vary a lot. And in the regions we are present, we can notice the difference. But the signs show that, from November on, we are going to have a strong recovery of sales.

And talking about offices, our office is in Faria Lima avenue, and on our day to day, I have spent very little time working from home. I have always come to the office. We see traffic on the streets, we see people walking during lunch. We have a crowd, and we still have an occupation restriction, but we can see the life coming back to normal.

And when we see the numbers of our offices, the offices we manage, in the beginning of the year, we had a population of around 10% to 15% in the buildings, and now this number in some offices are around 70%, 75%. So over 40% of the buildings capacity going back to be used in all offices.

So I think this is one of the evidence that they return is real, and that is why we have always been very excited with the recovery of our properties.

One topic I talked a little during this 2Q conference was ESG, and I mentioned we were gathering some information we had of all the practices we carried out inside the Company. And now, in the past month, we were able to disclose a report, it was published, and if you want to know more about the work we have done related to the environment, social and governance, we will have the report that was prepared by DRI department. I congratulate everyone that is involved, because it was an excellent work you did.

And some of the highlights of these reports, one for each area, some commitments as well for the next year. In the environment, most of the water resources off our assets, shopping malls and the

buildings, are from alternative sources, 85% of them, and half the enterprises use incentivized energy.

Besides, in the social aspect, we have every year a census inside the Company, and among several factors, we analyze age, gender, ethnicity, and we try to bring the most diversity inside the Company. We think that is very important. We have highlighted a relevant point that is 50% of directors and 57% of managers and superintendents are female today. We have a diverse community, where we gather groups of some minorities to discuss how we can bring more diversity inside the Company, and we can do it internally and externally.

In the social aspect, we also have the Instituto SYN, where we have a percentage of the profits of the Company being directed to the institute. The institute is based on three pillars, which are the employment, entrepreneurship and relationship, and we want to bring these positive impacts.

And we had some campaigns internally last year. We were able to gather 80 tons of food that were distributed in the area surrounding our shopping malls, and we were able to help with over 100,000 doses of vaccinations.

In terms of governance, we have independent members. Besides the members of the controlling Board, the President and Vice-Presidents, the rest of the Board is independent. We have the Committee of Audit and Compliance, and we also have a Committee for People.

Talking a little about the goals that we have for the next years, in five years, in terms of water resources, we want to get to 90% of them coming from alternative sources of water. In the energy, within five years, we want to have 100% of the electricity consumed from incentivized sources. We want to raise the level of recycling for 70%. And in the next five years, we want to use a majority of sustainable materials, and the use of ETA and ETE in our enterprises, so we have the treatment of effluents.

Talking a little about our personal highlights, we start with the occupancy index. In the past five quarters, we had a decrease in physical occupation of 1%, but that 1% is impacted by this variation of area that we have, specifically for the offices. We have the ITM impact, and it is still the most offender in this vacancy, we get to 70%. And for the shopping malls, in Grand Plaza, we have a small commercial tower that is available, with around 4,000 m². And if we do not consider the tower, consider only the shops, we reached a level of occupation of around 91%. So we have the occupation here for offices and shopping malls.

For sales, we have had a growth. In total sales, we have also had reached a level of 87% of what we had in 2019. In the flow of cars in the parking lots, we were able to have 2 million in the 3Q21, and we had 3 million in the 3Q19. So it went from this number to the other.

And now, Hector is going to talk a little about the financial highlights.

Hector Leitão:

Talking about the financial highlights, first of all, thank you all for your presence in the conference. In terms of gross revenue, our growth was around 16%, with R\$116.6 million as revenue. And the highlights here are the shopping malls, as Thiago mentioned. The return has been interesting, and the business in the offices is becoming more flat, more stable.

In the net revenue, we had a nonrecurring event, which was the sales of one of our units. And then, when we compare it to 2021, we have a growth of 20%, and it adds to the net revenue, parking lots and service provision that had an increase in fees aspect. So it was a good recovery for shopping malls when you see the net revenue.

When you look at NOI, it is the same impact. We had a growth of 14.6% with a stable margin. And what we have here is a growth of EBITDA of 44.1%. And besides the revenues and costs of operational expenses of shopping malls, we have a recovery of debts, and we had an impact here. And so, we were able to recover all that in a strong pace.

If you want to see more about that, we received more in rents than we had before, and it impacted in the accounting dictator. We also had some other effects in SG&A, one of those is there reversion of legal action around R\$2 million, and the other was in different lines, and related to commercial expenses, and all that is related to enterprise.

In terms of net profit, we have sales of 2021. And discounting that, we had a growth of 45% profit. And if you consider the adjusted FFO, we see a growth of 18% in IFRS, and 1.1% in proforma. They are being backed here in the financial network expenses. We see throughout the semester a growth of 2% in Selic, and a negative impact of R\$15 million in our results.

And as I always explain, the difference between IFRS and proforma is the corporate debt, where we have almost 100% of the debt with the balance, in comparison to the enterprise balance. That is why you have a difference.

But with the financial difference, we have a growth that you can see here. And when you see the indebtedness, we can see we have the indebtedness of the net debt, and our main covenant was 4.3x. When you see the evolution of the financial expenses, we reached a balance of 43.7 in comparison to 33 in the previous year.

And when we talk about where amortization timetable, we have a very stable timetable, very coherent to our cash generation. So in the past three months, we will still have R\$6.5 million amortization, and in the next two year, 25%. So you can see the cost of the debt that has gone very close, especially the corporate one, which is around 100% to the Selic index.

And then I conclude the financial part, and we can start the Q&A session now.

Gustavo Cambauva, BTG:

I have two questions. The first, if you can talk a little about the sales of assets you mentioned in the beginning. What is the expectation? I know there are some steps to conclude the sales. So I want to know your expectation on when it will be concluded.

And if you could talk a little about the use of the resources coming from the sales. So basically, when we look here, the impression is that the Company has the potential to pay high dividends and reduce the leverage and invest in new assets. So I wanted to know how is it for you, the use off around R\$2 million gross? How much will it be for dividend, how much to reduce deleveraging? What are you going to do in this aspect?

And my second question is about the Class A offices. You talked about the vacancy and mentioned ITM, but there are some other Class A offices with very high vacancy. I wanted to know how you see the perspective for these segments, because we have seen more fly quality in the Triple As. So for Class A, I think it is a struggling a little more. So what do you think the performance will be like in the future? These are my questions. Thank you.

Thiago Muramatsu:

Thank you, Cambauva. Let me start by the second question. Apart from ITM, we have two offices that are 100% rented, and Birman 10 is 50% vacant, and Brasílio Machado is around 50% as well, and there is one more 50%. And so these are the offices we have today.

Birmann 10, we have had some conversations to rent 100% of it. The negotiation is interesting and we are positive about concluding it, maybe this year or the next quarter or next year. And Brasilio Machado has a problem in one of its spaces. We are regulating it, differently from the other offices. It is one that is at Vila Olímpia, in a region that we believe there is very high liquidity. So as soon as we conclude the regulation of some flaws, we will be able to rent is a little faster, because now we are a little stuck in the past remasters.

And finally, for Suarez Trade, it is an office building in Salvador. We have a commercial scenario there, but it is a market that it is more difficult for negotiation. We have changed a little our technique there, but it is a small area. Our participation is a little over 1,500 m². It is not going to make so much of a difference in terms of financial impact, because the rental price is around R\$40 or R\$50 every m².

So these are the Class A offices, ITM will be a little more challenging for a traditional kind of rental or because it is an enterprise with 45,000 m², and we have a demand for renting 2,000 m² of 3,000 m², but it has to be a little more robust to justify the enterprise. So maybe 3,000 m² financially will not make sense, but we have studied some alternative of use for the enterprise, and we hope that in 2022, we will be able to solve the problem we have there with the vacancy.

In terms of your first question, we are now in a good moment in the negotiations. When you talk about the MoU, you know it as well as we do that you have the commercial terms, and you start negotiating the terms, and there is nothing that concerns us.

What concerns us here is the term, the deadline to conclude the transaction, not only sign the documents, but really close all of that inside this year, maybe in the next 20 days. We are working with that.

And with what you said about recent proceeds, in all that you said you are right, about around R\$2 million of capital entering the Company, a little less after taxes. We always have a very conservative view. We have discussed on the Board the alternatives, the possibilities, and we have three great uses for the capital, which is reduction of the leveraging, especially in the capital moment we are living in, some division of dividend and reinvestments.

If I were to say the percentage I was going to do to each of those items, actually, it is not defined. So that is a discussion that we are doing right now, and we are thinking about the distribution, how we can be more efficient with capital and bring more of our return over capital.

You know, we have changed in August, the Board of the Company, and we brought people from different profiles, people that come from the startup and from other boards in infrastructure, in education, for instance. So we are trying to get most of the knowledge the Board can bring to us so we can think of what to do with the capital.

And what we can say so far as the idea of reallocating the capital, one part will be technology, but one part will not. And it is very relevant when we consider the capital we are going to raise and the size of the Company. But we are going to start with that, but we are not going to buy to any company and spend half of these resources in M&A, nothing like that. It will be a smaller purchase, and we are also considering how to allocate the capital in new investments in a way that we can have a better leverage with third-party capital as well, together with the partnership that we have with SPX.

We are partners of CPIB, and now we have a new partnership with Brookfield, with the management of the three enterprises, and there may be new opportunities of business, because the CEO, the one responsible for properties, has been CEO here too, and I believe we have some alternatives still to explore.

So right now, I do not have a final answer, but we are working on it to see how we are going to work with this capital.

Gustavo Cambauva:

Thank you, Thiago. Good afternoon.

Alex Ferraz, Itaú BBA:

Good afternoon. Thank you for the presentation. I have a question not so much related to results, but also sales, thinking about your portfolio. Today, your post-sales portfolio still have some shopping malls, and you have single way assets. And in this reinvestment, I wanted to know what you are thinking about the mix, about the assets to have the office Triple As, explore new fronts, maybe in the area of sheds, maybe SPX. What would be your portfolio from now on, and if there would be any changes in it.

Thiago Muramatsu:

Good question, Alex. What I can answer right now is that there are things that are being discussed and defined, but right now our appetite for investment in parts of this capital will not be to increase our participation and our exposure in shopping malls. We understand we have upsides in the investments we have, we have smaller investments to expand, with the highlight for a possible expansion of Cidade São Paulo, and there are two other shopping malls that we can increment their area. Our participation is low, it is around R\$40 million, R\$50 million.

And in terms of SPX, we are interested in growing our participation with the fund we have then, of R\$300 million, so we have a capital of around R\$90 million inside that fund, inside that initial resource of R\$150 million with SPX.

And inside the fund, we are looking at projects of a residential corporation and logistic, industrial sheds. We also have some investments in industrial sheds where we can work in a partnership, or together with a fund, with SPX, to be a little more assertive.

And then, in the office line, we are going to compose the portfolio. And why we were selling to Brooke, we purchased something in 2019, we bought offices in 2019, so we are trying to have a little more of an opportunity, and there is a buyer, whereas the same mindset, so other opportunities may come inside this partnership in the future.

But I believe that is it. I do not know if I have answered exactly your question, but from what we can talk so far, I believe that is our intention.

Alex Ferraz:

Great, Thiago. And a second question regarding earnings, we see a recovery of the revenue in malls. I know the city of São Paulo is returning, so Grand Plaza and Tietê have a better performance. So what are the highlights here?

Thiago Muramatsu:

What we have seen, the micro panorama for the shopping malls in Brazil, in Southeast, Rio de Janeiro has a better performance. It is a little different in our portfolio. What has come back to the pre-pandemic levels is, the first one, the Shopping Metropolitano, and on the other hand, the ones struggling more are the malls that are more exposure to the passive flows.

So Shopping Cidade São Paulo, even though it has a dense area with a high income, they had a huge audience around the offices and tourists, especially on the weekends. So this mall has struggled more in our portfolio. And Shopping Cidade São Paulo was the most productive. And it is because Paulista was closed. SO we believe in January there will be a ramp up because of the news we have heard from the main offices there around the mall, and the tower of Banco do Brasil, for instance.

And Shopping D, with a higher movement of people, this one is in Marginal Tietê. It has grown in inflow. And the other three, Tietê, Grand Plaza and Shopping Cerrado, have presented recovery before those.

So from now on, Shopping Cidade São Paulo and Shopping D will be the ones recovering more, and the others will grow, but in a lower rate. And I believe this is the general panorama that we have.

Alex Ferraz:

Thank you.

Pedro Lobato, Bradesco BBI:

Good afternoon. My questions is about the vacancy in malls. How do you feel the commercial activities, and what are your expectations looking forward? Thank you.

Hector Carvalho:

We have talked in other quarters that the turnover was very high in the peak of the pandemic, but also, people are seeing it as an opportunity to enter the mall with a lower CAPEX. So there was a consolidation of smaller franchises that were increasing their participation in several malls that these guys are present.

So we still have a demand for rental areas, but the part of contract termination has stopped. On the next months, we know that in retail, it is time for focusing on Christmas sales and invest in stock and structure plans for Christmas, but we still have an interesting pipeline being negotiated.

If we are talking numbers, it is around 1% of our BL in negotiation. So the expectation for the last quarter is not strong rental, because January and February are months that historically are not so good for retail, but we see an interesting move in that direction.

Pedro Lobato:

Thank you.

Eduardo (via webcast):

How is the XP fund? I see you have captured R\$50 million. What assets are you going to purchase? Do you have any continuity?

Thiago Muramatsu:

Thank you for your question, Eduardo. We have not concluded this transaction. XP has raised around R\$50 million, and additionally, they have an internal debt inside the fund leverage where they were the creditors, and we are probably going to, instead of 13 real estates, just one, the Estação BH.

We are still on the path to conclude, and when we define what we are going to do, we are going to let you know. But it is about the sale of Estação BH for now.

Leandro Scartezini (via webcast):

You still haven't decided about the use of the R\$1.9 billion, but you could at least say if you could pay more dividends than in 2017.

Thiago Muramatsu:

Thank you, Leandro. I would like to answer that with precision, but we are still discussing it on the Board, on how to use the resources and see the alternatives. In 2017, it was R\$347 million in dividends, so I still do not know. We do not have a definition if the distribution will be superior to that or not.

It will all depend on the route we are going to follow, and our investment pipeline in the short term for that definition. But as soon as we define it, you can be sure we will let you all know.

Adriano Bittar:

Hi, Hector and Thiago. Related to the performance of the malls, could bring us some more granularity? Because we know the city of Sao Paulo was affected in the offices and tourism region, and when we think of the assets post sales, we see 80% of your NOI were from shopping malls. And Cidade São Paulo will be relevant, 1/3 of the NOI will be from there. And so you become a company of shopping malls with the best shopping malls, and this mall was affected and it pulled their sales down. So what is the level of this specific asset? Because when it recovers so much, it is going to bring us a result.

Thiago Muramatsu:

Yes, we can give you a specifically idea about this mall. We have around 30% below the sales of this mall in 2019. NOI is a little below what we had in in 2019, and when we think about what we had planned for 2020 and what we have for next year in terms of sales and NOI, we are talking about numbers above the ones we had in 2019. When we see rental and our delinquency, we are going to perform better in 2022 in comparison to 2019, especially in Shopping Cidade São Paulo.

Adriano Bittar:

So that recovery is going to be very relevant, right?

Thiago Muramatsu:

Yes. And Grand Plaza is also very relevant in our portfolio. We have numbers above the ones from 2019, in Metropolitano with 80%, and plans designed for 2022 that are very interesting. So I believe these three malls in comparison to the largest participations that we have, they are going to have an interesting recovery for 2022.

Adriano Bittar:

And when we talk about Tietê, we have a MRV project, a residential project on this site, and we have another one close by. Can you feel a structure increment because of those initiatives?

Thiago Muramatsu:

This asset is the one we see with most potential of growth on the short term. We have enormous potential for growth. We have Metropolitan in an area that has been only developed 10% of the total area, so it has a potential for a mega shopping mall.

And when we talk about Tietê, we also see a huge potential there in that region that we call an immediate region, around the mall. And we see the new enterprises, so that are people that are moving in. So the project is partially delivered for the families to live. The audience is young couples with or without children, and the main driver of these people to go to the mall is entertainment and food.

So we have focused a lot on these operations for this mall. Tietê has a potential of expansion of 7,000 or 8,000 m². We are considering focusing it on food and experience of the end user. And so we are very excited with these malls, Tietê especially, because it is isolated in an area that is becoming denser.

So we see the effects of all that. And in the future, if you look at the flow of vehicles and the number of people, it will grow, because people can access our malls very easily on foot.

Adriano Bittar:

That is great. And just one more question. I know you still have not conceded on the Board the investment, but given the risk of a tributary reform, is your expectation of paying dividends this year?

Thiago Muramatsu:

Probably. it makes sense.

Adriano:

All right. Thank you.

Operator:

Since there are no more questions, we are concluding our Q&A session. I would like now to hand the floor over to Mr. Thiago Muramatsu to make the Company's final remarks.

Thiago Muramatsu:

Thank you once again to all of you who have participated and made questions during the call. We are at your service to answer any other questions you may have later on.

And to summarize everything we have talked about, we are very excited in all fronts. The next quarter is very promising in the shopping malls, with flow and sales improvements. In the office aspects, we have a rental possibility for short and mid-term of most of our portfolio that is vacant, even though we have had a good movement in the 3Q.

And we are very focused now on concluding the transactions and discussing on the Board how we are going to use the resources as soon as these transactions are concluded. And we are going to keep everyone up to date about all that, and we are going to announce all the decisions made.

Thank you all, and we are available if you have any more questions. Thank you. Good afternoon.

Operator:

SYN's videoconference is now closed. We appreciate your participation, and have a good day.

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