

ALLOS

Initiation of Coverage: Scaling Quality – A Defensive Champion in Brazilian Malls

Real Estate

Main takeaways:

- **Largest shopping mall platform in Brazil:** ALLOS accounts for approximately 20.9% of total sector sales in 2025, providing bargaining power with tenants and structural operational efficiencies.
- **Portfolio quality upgrade with productivity gains:** The strategic shift toward dominant malls has translated into **real NOI per sqm growth of 22.1% and 8.6% in sales per sqm between 2019 and 2025.**
- **We see a valuation gap relative to market pricing:** The company divested non-dominant malls at **cap rates between 8.5% and 9.5%**, well below our estimated **implied cap rate of ~13.5%**, evidencing value gap with pricing.
- **Visible earnings growth trajectory:** We estimate average **EBIT growth of 8.0% per year over the next five years**, driven by portfolio concentration, events, cost control, and Helloo's expansion.
- **Helloo as a growth and diversification lever:** Services represented 11.7% of revenues in 2025 and Midia segment yielded 7.6% of gross revenue in 1Q26. We expect services to reach ~14.5% of revenues by 2028, reducing reliance on traditional mall rental income.
- **Attractive shareholder returns:** ALLOS is expected to distribute R\$ 1.75 billion in dividends in 2026, implying a **~11.5% dividend yield**. Between 2023 and 2025, the company already returned R\$ 3.3 billion to shareholders and management has signaled an intention to increase payout consistency.
- We rate the company **Buy**, with a **target price of BRL 38.00**.

Analysts

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Company

ALOS3 BZ Equity
Buy

Price: BRL 29.80 (11-May-2026)
Target Price 12M: BRL 38.00

Investment Summary:

We initiate coverage on ALLOS with a **Buy recommendation and a target price of BRL 38.00**, based on a Free Cash Flow to Equity (FCFE) valuation. Our thesis is that the company trades at a valuation that still **does not fully reflect the structural improvement in portfolio quality, driven by asset simplification and recycling, advances at Helloo**, and the development of **mixed-use projects as enhancers of asset surroundings**.

We project a **compound EBIT growth of 8.0% over the next five years**, supported by greater exposure to dominant assets, increased use of events as a **traffic-generation tool, cost discipline, active tenant mix management, direct and indirect benefits from the development of mixed-use spaces, and the expansion of Helloo, the company's media platform, which contributes to real growth and revenue diversification**. Additionally, the expected dividend yield of around 11.5% in 2026 reinforces the company's solid cash generation profile and shareholder returns.

Company Overview:

ALLOS was created through the merger of Aliansce Sonae and brMalls, forming the largest shopping mall operator in Brazil. Since then, the company has been **simplifying and upgrading its portfolio**, reducing exposure from **73 malls in 2019 to 45 owned assets and 51 managed assets in 2025**, with a focus on higher productivity per asset. Alongside improvements in **tenant mix, supported by data usage and proprietary apps, leading to a higher-quality portfolio**.

ALLOS's scale enables more efficient commercial negotiations and operational gains, while portfolio repositioning and disciplined recycling of non-dominant assets have contributed to narrowing the gap between asset book value and market valuation.

We highlight the one-off impact from Shopping Tijuca in the first semester of the year, due to fire, affecting provisions and delinquency. We expect normalization throughout 2026, alongside further overall portfolio improvement.

Table 1. Income statement projection for ALOS3

R\$ Millions	2023A	2024A	2025A	2026E	2027E	2028E	2029E
Net Revenue	2.633	2.676	2.780	2.972	3.126	3.318	3.514
(+/-) % Change Net Revenue		1,6%	3,9%	6,9%	5,2%	6,1%	5,9%
(-) COGS	(249)	(241)	(246)	(254)	(263)	(271)	(279)
Gross Profit	2.385	2.435	2.534	2.718	2.864	3.047	3.235
(-) Operating Costs	3.754	(402)	(467)	(544)	(557)	(590)	(627)
EBITDA	6.139	2.033	2.067	2.174	2.306	2.457	2.609
(-) D&A	(676)	(612)	(635)	(641)	(639)	(655)	(651)
EBIT	5.463	1.421	1.432	1.533	1.667	1.802	1.957
(+/-) % Change EBIT		-74,0%	0,8%	7,0%	8,8%	8,1%	8,6%
(+/-) Interest, net	(566)	(427)	(534)	(515)	(490)	(459)	(269)
(-) Income Taxes	(1.561)	(120)	(100)	(210)	(220)	(234)	(247)
Net Income	3.336	873	798	808	957	1.109	1.442
(+/-) % Change Net Income		-73,8%	-8,7%	1,3%	18,5%	15,8%	30,0%

Source: ALLOS, Genial Investimentos

Table 2. Multiple projection for ALOS3

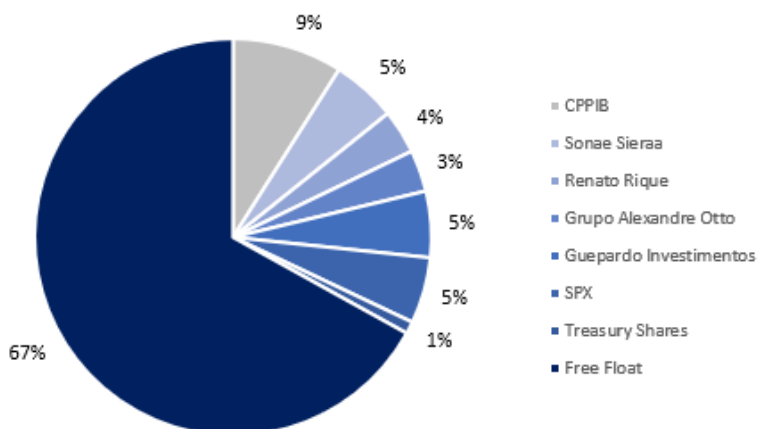
	2026E	2027E	2028E	2029E
EV/EBIT	12,4x	11,4x	10,6x	9,7x
P/L	19,2x	16,2x	14,0x	10,8x
EV/EBITDA	8,7x	8,2x	7,7x	7,3x
P/B	1,3x	1,3x	1,4x	1,4x
P/FFO	10,9x	10,2x	9,4x	8,1x

Source: ALLOS, Genial Investimentos

Management – ALOS3:

- **CEO:** Rafael Sales, CEO of Aliansce Sonae since 2018, former managing partner at Constellation Asset Management (2007–2017).
- **CFO:** Daniella Guanabara, over 20 years of experience in financial planning and capital markets, including 10 years as a sell-side analyst (Brasil Plural and UBS Pactual).
- **Chief Commercial Officer:** Renato Floh, over 18 years of experience in retail companies; joined Aliansce Sonae in 2020.
- **Executive Chairman:** Renato Pique, Founder of Aliansce Shopping Centers, former CEO and board member.

Table 3. Breakdown of company ownership



Source: ALLOS, Genial Investimentos

Simplify, Therefore Upgrade:

Since 2022, ALLOS has been executing a **consistent process of portfolio simplification and quality enhancement**, through the selective disposal of non-dominant assets. These divestments occurred at **cap rates of 8.5%–9.5% vs. an implied estimated cap rate of ~13.5%**, highlighting a valuation gap.

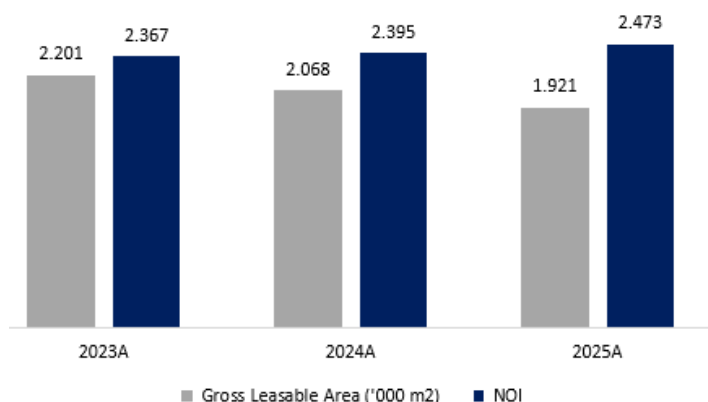
We highlight the disposal of seven assets in partnership with Kinea (April 10, 2026) at a 9.5% cap rate, as well as the asset swap on May 5, 2026, which resulted in a portfolio with sales per square meter more than 20% higher, reinforcing the average quality of the remaining malls.

The greater focus on **dominant assets** tends to strengthen the **company’s pricing power** and support real rental increases throughout the cycle. This repositioning is already reflected in real productivity gains, with sales per square meter up **8.6% and NOI per square meter up 22.1%** between 2019 and 2025.

Based on this dynamic and cost discipline, we **project NOI growth of 21.4% between 2025 and 2029**, while acknowledging that sustained above-inflation increases over the medium term depend on a higher share of dominant assets in the portfolio. We also highlight the negative impact from Shopping Tijuca in 1H26 due to the fire incident.

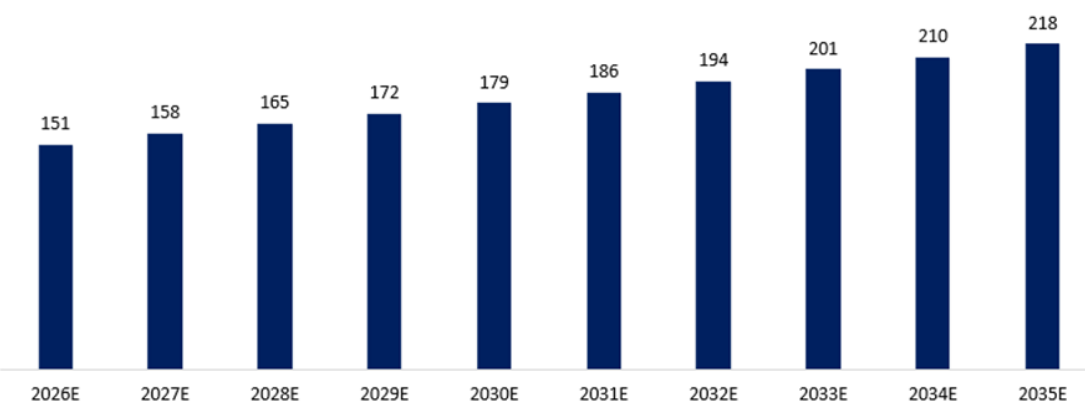
In addition, we highlight the development of **Hello**, which is expected to incorporate **six additional airports in 2026 and a further five by 2029**, completing the **total of 17 airports** under the contract with AENA. Media revenues grew by +20.0% from 2024 to 2025, lifting the **services segment to 11.7% of total revenues**, with the company expecting to generate over R\$ 200.0 million in new revenue streams by 2028. Driven by Hello, we estimate that the **services segment should reach approximately 14.5%** of consolidated revenues by 2028, with a projected average **real growth rate of 5.3% per year**. **This set of factors underpins our estimate of 8.0% compound annual EBIT growth over the next five years.**

Table 4. Higher productivity



Source: ALLOS, Genial Investimentos

Table 5. We expect continuing increase in monthly rent sqm in upcoming years



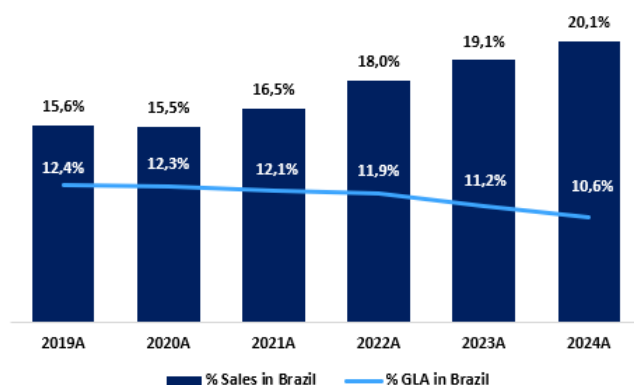
Source: ALLOS, Genial Investimentos

Dividends Yesterday. Dividends Today. Dividends Tomorrow?

For 2026, the company expects to distribute approximately **R\$ 1.75 billion in dividends**, implying a current **dividend yield of ~11.5%**. In addition, ALLOS has already returned around **R\$ 3.3 billion to shareholders between 2023 and 2025**, reinforcing its value-creation commitment. While there is **no formal dividend guidance beyond 2026**, shareholder remuneration remains a core pillar of the strategy, with increasing **focus on predictability and sustainability of payments, rather than aggressive payout expansion**.

We view positively any **temporary capital retention allocated to expansions or acquisitions**, especially when directed toward dominant assets or projects with superior risk-adjusted returns, which tend to be structurally **more value-accretive over the medium and long term**.

Table 6. Massive player with increasing operational efficiency



Source: ALLOS, Genial Investimentos

Positive Points:

- **Low leverage**, providing **financial flexibility** to capture acquisition opportunities, expansions, and growth projects throughout the cycle;
- **Portfolio rebalancing toward dominant assets**, positioning the company to capture **greater pricing power and operational efficiency gains over time**;
- **Relevant national scale**, facilitating negotiations with large-scale tenants across the country, mitigating **regional risks** and improving commercial terms;
- **Strategic use of shopping mall** surroundings for the development of multiuse assets, not only as a direct source of revenue, but primarily as a driver of density and asset-quality enhancement, indirectly supporting NOI growth through higher traffic, recurrence, and pricing power;
- **Traffic and engagement driven by events**;
- **Accelerated expansion of Helloo**, consolidating its role as a relevant driver of growth and revenue diversification.

Risks:

- **Limited ability to capture expansion benefits**, constraining incremental GLA and NOI growth;
 - **Lower penetration of Helloo across the portfolio**, limiting diversification potential;
 - **Execution risk in the multiuse pipeline**, given gradual monetization and long development timelines.
- **Valuation:**

Table 7. FCFE projection

R\$ Millions	2026E	2027E	2028E	2029E
Net Income	808	957	1.109	1.442
(-) CAPEX	641	639	655	651
(+) D&A	(219)	(244)	(218)	(248)
(+/-) Changes in WK	(44)	(14)	(29)	(31)
(+/-) Net Borrowing	(331)	(133)	(1.159)	216
FCFE	854	1.205	358	2.030

Source: ALLOS, Genial Investimentos

Table 8. Sensitivity Analysis

Cost of Equity	Terminal Growth Rate									
	2,0%	2,5%	3,0%	3,5%	4,0%	4,5%	5,0%	5,5%	6,0%	
11,5%	46	48	49	51	53	55	58	61	65	
12,0%	43	45	46	48	49	51	54	56	59	
12,5%	41	42	43	44	46	48	50	52	54	
13,0%	39	39	41	42	43	44	46	48	50	
13,5%	36	37	38	39	40	42	43	45	46	
14,0%	35	35	36	37	38	39	40	42	43	
14,5%	33	34	34	35	36	37	38	39	40	
15,0%	31	32	33	33	34	35	36	37	38	
15,5%	30	30	31	32	32	33	34	35	36	
16,0%	28	29	29	30	31	31	32	33	33	
16,5%	27	28	28	29	29	30	30	31	32	

Source: ALLOS, Genial Investimentos

Sector Analysis

How Do Shopping Mall Companies Recognize Revenue?

Retail leasing is the core of the shopping mall business model. Revenues follow a hybrid structure, combining fixed and variable components, where tenants pay the higher of a minimum rent (typically predictable and inflation-indexed) or a sales-linked variable rent.

This structure aligns the interests of mall operators and tenants by directly **tying revenue generation to foot traffic, sales per square meter, occupancy levels, and tenant mix quality.** In addition to rental income, ancillary revenue streams such as **key money (CDU), service fees, and parking operations** further enriches the monetization of the asset's infrastructure and broader commercial ecosystem.

From an investment perspective, the hybrid rent model introduces a **natural hedge across economic cycles.** While minimum rent provides cash flow visibility and downside protection, the variable rent component increases **earnings elasticity during periods of strong consumption,** allowing for long-term NOI growth without a proportional increase in fixed costs. High-quality assets with stable/increasing traffic patterns, this dynamic tends to **reduce earnings downside and support higher sustainable valuation.**

Beyond recurring rental income, the sector also incorporates **real estate development activities** in areas **surrounding shopping malls (multiuse).** These initiatives capture the **positive externalities** generated by the mall itself and for the multiuse space. Revenue recognition in this segment is typically linked to **project execution and physical-financial progress,** recognized over time. Although more cyclical and opportunistic in nature, these activities often reinforce the core business by increasing traffic density and quality, convenience, and overall asset attractiveness for both malls and multiuse spaces in which malls own a percentage.

Overview of the Shopping Mall Sector:

During the COVID-19 pandemic, the shopping mall sector experienced the most severe disruption in its history, marked by prolonged periods of full operational shutdowns and heightened structural concerns regarding the viability of the format amid the rapid acceleration of e-commerce.

Following this period, the sector demonstrated a **high degree of adaptability,** repositioning itself as a **multifunctional platform for social interaction,** leisure, and services, **extending well beyond traditional retail consumption.** This strategic repositioning has been accompanied by a robust recovery in operating metrics.

Total sector sales reached **BRL 200.9 billion in 2025,** reflecting historically high levels of asset utilization and a post-pandemic recovery in consumer traffic.

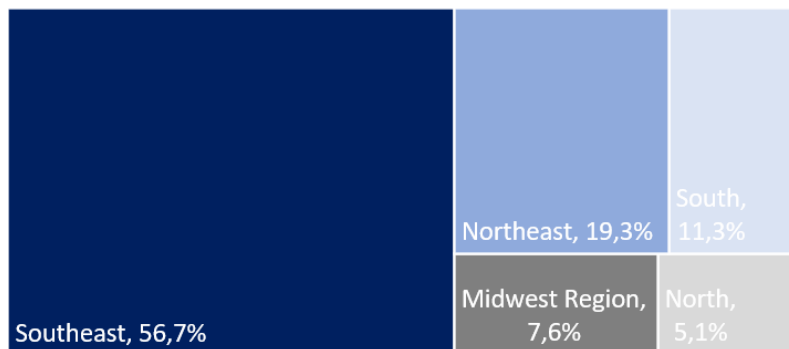
Regional Concentration and Asset Quality:

From a structural standpoint, the Brazilian shopping mall sector remains highly concentrated in the Southeast region, which accounts for **52.9% of Gross Leasable Area (GLA)**, **56.7% of national sales**, and **55.9% of total foot traffic**.

This geographic concentration supports greater operational resilience and asset liquidity, particularly in adverse macroeconomic environments, given higher income levels, population density, and consumption potential. On a sales per m² basis, 11 of the top 15 assets are located in the region. From a valuation standpoint, assets located in the **Southeast, especially in São Paulo, tend to exhibit lower implied cap rates and higher transaction liquidity**, reflecting stronger demand fundamentals and more predictable cash flows.

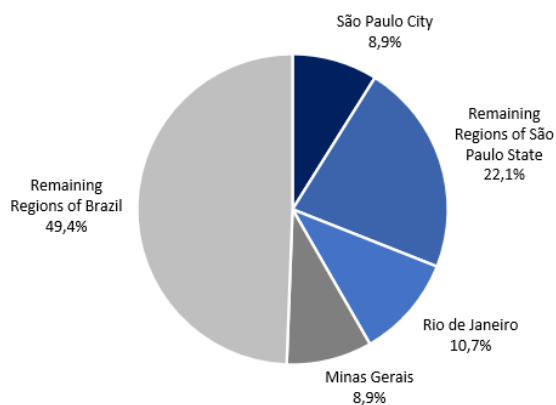
These characteristics become particularly relevant in stress scenarios, where geographic quality acts as a **buffer against valuation compression**, reinforcing the importance of location and asset dominance in portfolio construction.

Table 9. Southeast region leads Brazil in sales %, supporting more consistent and real returns



Source: Abrasce, Genial Investimentos

Table 10. São Paulo state leads in GDP share in Brazil



Source: IBGE, GOV, Ranking de Competitividade, Genial Investimentos

A Necessary Trade-Off: Revitalization Capex:

Shopping mall operators regularly undertake **asset revitalization initiatives**, which represent a structural component of the business model rather than discretionary spending. Over the past three years, such investments have averaged approximately **10,0% of rental revenue** among the three largest shopping mall companies in Brazil.

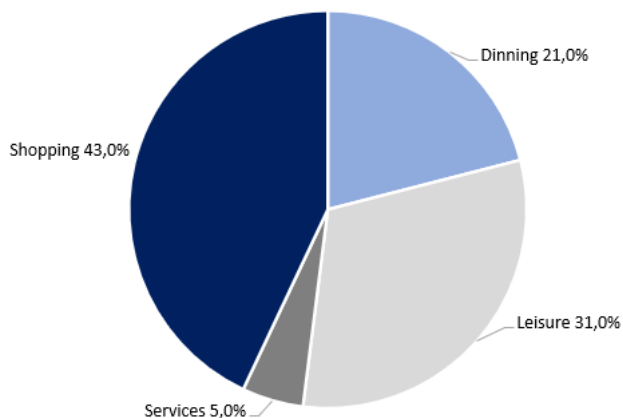
These initiatives reflect the ongoing need to modernize physical environments, refresh tenant mix, and adapt assets to evolving consumer behavior. While capital-intensive and potentially pressuring short-term cash flow, their recurring nature suggests the presence of an implicit economic return, typically materialized through:

- Increased foot traffic;
- Higher sales per square meter;
- Improved pricing power in lease negotiations over time.

In **well-located, dominant assets**, revitalization efforts often generate **operational synergies**, extending the economic life cycle of the asset and **mitigating obsolescence risks**.

From an investment standpoint, revitalization capex should be analyzed not as maintenance expenditure, but as **maintenance and growth-oriented capital allocation**. In **high-quality assets**, these expenditures lead to incremental returns that exceed the company's cost of capital. Conversely, in weaker assets, similar investments may only delay structural decline, underscoring the importance of asset selectivity.

Table 11. Reason for mall visits are increasingly driven by non-retail activities

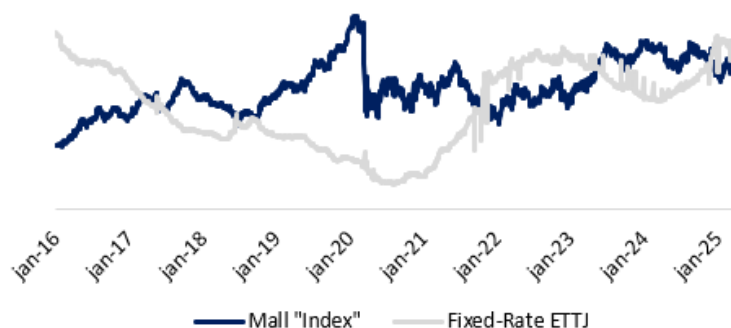


Source: Abrasce, Genial Investimentos

How Interest Rates Affect Shopping Malls:

The shopping mall sector requires recurring CAPEX investments, both for maintenance and expansions, which are essential for asset maturation and tenant-mix renewal. In this context, a **lower cost of capital is critical to achieving higher return on investments compared to cost of capital**. A quantitative analysis covering the period from January 2016 to March 2025 indicates a **correlation of -0.16** between company returns and changes in the fixed-rate ETTJ yield curve. While this suggests low to moderate short-term sensitivity, the decrease of interest rate remains a **key fundamental catalyst for the attractiveness of new investments in the sector**.

Table 12. Mall companies price movement x fixed rate ETTJ



Source: Economática, Genial Investimentos

Real Estate Investment Funds vs. Shopping Mall Operators:

Unlike Brazilian Real Estate Investment Funds (FIIs), **listed shopping mall operators benefit from greater operational and structural flexibility** to compete in an **industry that requires continuous innovation**. While the FII tax regime mandates the distribution of at least 95% of cash earnings, significantly limiting capital retention for CAPEX, **operating companies are able to retain cash flow to fund strategic refurbishments and expansions**. In addition, large shopping mall operators enjoy **greater flexibility in accessing debt markets**, precisely due to their ability to retain internally generated cash.

This **capital retention capacity represents a key competitive advantage in the development of digital ecosystems**. Investments in data analytics and proprietary applications, which often have a less obvious short-term internal rate of return (IRR), **are critical to understanding consumer behavior**. These strategies enable **optimization of tenant mix, support total sales growth, and increase value to retailers**.

As a result, we observe that Brazil's 'Trophy' (premium) assets remain under the control of large operators, with **the 15 shopping malls with the highest sales per square meter being operated by the dominant trio (Multiplan, ALLOS and Iguatemi)**. These assets exhibit greater resilience, allowing for rental repricing above inflation while maintaining a healthy occupancy cost for tenants.

Reciprocity and Multiuse Developments:

Another relevant structural driver for the sector is the expansion of **multiuse developments**, integrating residential, commercial, and service components into the surroundings of shopping malls. The economic rationale lies in the development of integrated urban ecosystems that increase traffic recurrence, enhance consumer quality, and reinforce the **mall's role as a regional hub**, ultimately **supporting surrounding property values**.

From a financial perspective, these projects enable the capture of incremental real estate value through structures such as **land swaps**, whereby the company contributes land and receives a share of the developed value in return. This model allows for the monetization of land assets **without significant capital outlays**, preserving financial flexibility and improving risk-adjusted returns.

The growing adoption of this strategy across sector participants suggests that multiuse development has evolved from a tactical initiative into a **structural value creation driver**, particularly for well-located, large-scale assets capable of supporting complementary uses.

Technology and Data: Operational Efficiency and Competitive Differentiation:

The increasing use of **technology and data analytics** has become a meaningful competitive differentiator in the shopping mall sector. Companies have invested in proprietary applications, loyalty programs, and analytical tools aimed at deepening consumer insights and enhancing operational decision-making.

These initiatives primarily drive value creation through:

- Optimization of tenant mix;
- Greater effectiveness of promotional campaigns;
- Increased visit frequency,
- Higher contribution of variable rent linked to sales performance.

The widespread adoption of these tools among leading players reinforces the view that data-driven strategies are not merely tactical trends, but rather **structural levers for efficiency gains and competitive advantage**, with the potential to expand operating margins and reduce earnings volatility across the economic cycle.

Macroeconomic and Regulatory Considerations:

From a macroeconomic perspective, shopping mall performance is influenced by a range of direct and indirect factors. A potential stabilization in commodity prices, combined with reduced geopolitical uncertainty, could pave the way for an **interest rate easing cycle**, supporting discretionary consumption while also compressing discount rates applied to real estate assets.

Given the long-duration nature of shopping mall cash flows, interest rate dynamics play a critical role in valuation. This impacts mostly growth-oriented players due to higher opportunity costs and financing costs.

Additionally, the **transition phase of Brazil's Tax Reform** is expected, at least initially, to benefit sector participants through increased opportunities for tax credit utilization. Conversely, structural changes in the labor market, such as a potential elimination of the **6x1 work schedule**, could have indirect implications for tenant cost structures and operational dynamics, warranting close monitoring in the coming quarters.

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	Definition	Coverage
Buy	Expected return above +10% in relation to the Company's sector average	49%
Neutral	Expected return between +10% and -10% relative to the Company's industry average	41%
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under Review	Under review	5%

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