

## Q2 2015 Earnings Call

### Company Participants

- Eduardo Silveira Camara, Managing Director and Investor Relations Officer
- Thiago Alonso de Oliveira, Chief Financial Officer

### Other Participants

- Unidentified Participant

### Presentation

#### Operator

Good afternoon, ladies and gentlemen, and welcome to JHSF Participacoes Conference Call to discuss the results of the Second Quarter of 2015. Today with us are Mr. Eduardo Camara, Managing Director and IRO and Mr. Thiago de Oliveira, CFO.

We inform you that this presentation is being recorded and that all participants will be connected in listen-only mode during the company's presentation. Later, we will begin the Q&A session when further instructions will be given. (Operator Instructions)

Before proceeding, we would like to clarify that any forward-looking statements that may be made during this conference call relating to the company's business outlook, operational and financial targets are based on the management's premises and assumptions and beliefs and on information currently available to the company. They involve risks and uncertainties and has to do with future events, which depend on circumstances that may or may not materialize. Changes in macroeconomic policies or legislation and other operating factors may affect the future performance of JHSF and conduct to results which differ materially from those expressed in such forward-looking statements.

I'll now turn the floor over to Mr. Camara.

#### **Eduardo Silveira Camara** {BIO 2074637 <GO>}

Thank you very much. Good afternoon to all. I would like first of all to thank all of those attending this conference call and I would like to start on page three with the highlights for the second quarter of 2015. These results made us very happy.

Our shopping malls had sales that grew by 34% with a relevant growth of same store sales, same area rent, same store rent and these are figures that stand out relative to the

market in general. This has to do with the quality of our assets, to their prime location, the potential of growth and the quality of the management.

This can also be seen in the financial figures. The growth was very relevant in terms of consolidated gross income which was seen across all of our business units. We have made an announcement two conferences ago, we aimed that reducing by -- our expenses by 30 million approximately.

We have met this target in proportional terms, we have reduced our expenses by 15 million in this period and this will allow us to achieve our target. We haven't stopped working, we are vigilant, we are watching everything costs and expenses from a very close range. Our adjusted EBITDA also grew very strongly across all of our business units and in terms of net income, the growth was 25%.

On page four, we have data that reflect to what I said before. We saw a substantial growth in net revenue and the other metrics like EBITDA and income and we also saw an increase in the financials. We also saw a financial loss that has to do with increasing interest rates and in the amount of the net debt. This is something that has been the object of our analysis as we tried to mitigate that cost and to link that debt to other costs other than the CDI. And we're also going to focus on reducing the debt. We've addressed that in greater detail later on.

On page five, we have another way to see the performance of our shopping malls. Sales have grown substantially, even when we deduct from that Catarina Fashion Outlet, which was not in the comparison basis for in 2014. It is still a very strong growth that stands out amongst the sector. The same goes for gross revenue and the commercialization cost is also important, the commercialization rate that is important, this is linked to the Manaus operation, which was a strategic decision for the company. We decided to make a change in the mix of stores and therefore we have created some vacancies, but we have negotiated with other stores, the stores that we want to attract to the Manaus project and we are on track with that.

Also the Catarina Fashion Outlet is fully occupied, the expansion will be open in the second semester and we have been able to lease all the stores as well. This takes us to the occupancy cost, we control those costs, very, very strictly, so as to make our operations more profitable for our store owners and occupiers.

As regards to the development business, contracted sales grew substantially. We also sold lots of units in Fazenda Boa Vista where the margins are better and we are monetizing our inventory. We are financing our sales and we are financing units for the longer-term which was very well received by the market. So our inventories are becoming more liquid assets and are being transformed in receivables and this may cause a misperception in the sense that we would be consuming working capital.

But in fact, when we talk about land at Boa Vista, the gross margin is very substantial, so it is not that we are consuming working capital, also the EBITDA grew very strongly.

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On page seven, you have the performance of hotels and restaurants. Let's look at hotels first, it accounts for one-third of the revenue of this business line. In 2014, the results were very specific as they were impacted by the World Cup. So they are not a proper base of comparison. But the management has been rationalizing costs and controlling costs and although there was a drop in the occupancy rate, which has to do with the current economy and the current scenario, especially business tourism has been dropping, but we have been able to maintain revenue flat as compared with the same quarter of last year.

We have been able to focus on reducing costs, increasing efficiency and this operation has been satisfactory. In terms of the restaurants, there was an average increase in 14.8% in the average couvert and the margins have been conserved. From 2014, up to now we opened the Parigi Bistrot and the Cidade Jardim shopping mall and we discontinued two general operations in March.

Let's move now to page eight, and I'll turn the floor over to Thiago.

### **Thiago Alonso de Oliveira** {BIO 6637078 <GO>}

Thank you, Eduardo. We have been monitoring our debts from a very close range as Eduardo said, we have been trying to explain to the market that the perception of our consolidated debt has to take into account the breakdown of the different business lines and the leverage, the respective leverage. You also have to understand our cycle of investment and the debt.

On this slide, we show the adjusted net debt of the company, we adjust the growth that according to the performed receivables and the cash position. When we look at 1.5 billion and we compare it with the EBITDA in the last four quarters, we have a leverage of 5.1 times. This R\$1,535 million includes debts regarding the internationalization of JHSF in the United States and that accounts for R\$600 million. This debt with this amount deducted with the R\$922 million.

I would like to stress that because the EBITDA that this capital can give us in the United States is not seen, but there is a perception that there is an amount which in book value is above the assets that the company has. We would be able to adjust our net debt through R\$900 and this would give us another two points to reduce the level of leverage of the company.

So this is how we have been managing the business lines, and just to remind you, our performed receivables are linked to an interest rate and monetary restatements and this helps us pay for the funding that is linked to the receivables.

Here, we see also debt payments and receivables schedule and you see that these two items are very balanced in 2015. We have been working to lengthen the debt maturity in the following years. 25% of our debt is for the short term, of these, 77% have to do with the maturing of debts of previous debt plus the interest rates and 75% of the debt is non-current.

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With this, I'll turn the floor over to Eduardo and we remain available to take any questions you might have.

**Eduardo Silveira Camara** {BIO 2074637 <GO>}

Thank you, Thiago. We are now going to open for the Q&A session.

## Questions And Answers

### Operator

We are now going to open the Q&A session. (Operator Instructions) Mr. Nicolau [ph] from Bradesco would like to ask a question.

### Q - Unidentified Participant

Yes, just one question. Can you give us a little bit more color about the reversal of the provision having to deal with expenses with clients and also the real estate disposal item which also improved the bottom line?

### A - Thiago Alonso de Oliveira

 {BIO 6637078 <GO>}

Hi, Alain. This is Thiago speaking. Thank you for your question. I'll take the second one first, we had an area close to the airport, this involved a swap operation, and we had a gain there. And this amount that you asked me about comes from this swap operation. Relative to the reversal of the provision, we have been very (Technical Difficulty) had a certain view about certain clients that would require cancellation (Technical Difficulty) cancellation not (Technical Difficulty) We had an excess provision and we reversed that provision.

### Q - Unidentified Participant

Thank you very much.

### Operator

(Operator Instructions) The Q&A session is now ended. I would like to turn the floor over to Mr. Camara for his final remarks.

### A - Eduardo Silveira Camara

 {BIO 2074637 <GO>}

JHSF thanks you all very much for participating and I would just like to reiterate that the team and I remain available to take any questions you might have in the future.

### Operator

JHSF conference call is now ended. Thank you all very much for participating and have a nice afternoon.

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