

## Q3 2014 Earnings Call

### Company Participants

- Carlos Medeiros Neto, Chief Executive Officer, Vice Chairman of the Board

### Other Participants

- Unidentified Participant

### Presentation

#### Operator

Good morning, ladies and gentlemen and thank you for waiting. At this time, we would like to welcome everybody to BR Malls' conference call. Today with us, we have Mr. Carlos Medeiros and Mr. Frederico Villa. We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company's presentation. After that, there will be a question and answer session for analysts and shareholders followed immediately by another session for journalists. At that time, further instructions will be given. (Operator Instructions) Today, we have a simultaneous webcast that may be accessed through the website, [www.brmalls.com.br/ir](http://www.brmalls.com.br/ir). The slide presentation may be downloaded from that website as well. There will be a replay facility for this call on the website for a week.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of BR Malls' management and on information currently available to the company. They involve risks, uncertainties and assumptions, because they relate to future events, and therefore, depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of BR Malls and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I turn the conference over to Mr. Carlos Medeiros, who will begin the presentation. Mr. Carlos Medeiros, you may begin your conference.

#### **Carlos Medeiros Neto** {BIO 3714300 <GO>}

Hi, good morning. Thank you for participating in our conference call for the third quarter 2014 results. We will begin with a brief summary of the third quarter results and then we'll be available for any questions you may have. Additionally, you may access a brief presentation that we have on our website, summarizing the quarter results.

FINAL

So starting with summary, in the third quarter, our net revenues grew by 4.2%, totaling 336 million. If we exclude the malls divested in the last 12 months, our net revenue grew by 6%. Our net operating income reached 311 million in the third quarter, 4% higher than in the same period of last year, with an NOI margin of 91.4%. If we exclude the malls divested in the last 12 months, our NOI increased 5.5%.

Our adjusted EBITDA totaled 264 million in the quarter or up 2% from the same period of last year, with an EBITDA margin of 78.5%.

Our adjusted FFO in the quarter totaled 126 million with an FFO margin of 37.5%.

And our adjusted net income in the quarter reached R\$124 million, with a margin of 34%.

Our total sales in the quarter reached R\$5.3 billion, up 2% from the same period of last year. If we exclude the malls that were divested in the last 12 months, our total sales grew by 7.5%.

Our same-store sales were up 4.4% in the quarter, while our same store rent was at [ph] 7.8% in the quarter.

If we exclude the malls that we opened in the last 12 months, we reached an occupancy rate of 97.4%. 29 out of our 50 malls in our portfolio reached an occupancy rate greater than 98% at the end of the quarter.

Our renewal and new contract leasing spreads averaged 24.3% and 20.9% respectively. At the end of the quarter, on August 25th, we opened Shopping Vila Velha, our 10th development and our largest, adding a total GLA of 72,000 square meters and 36,000 owned GLA. We expect this project to generate R\$28 million in stabilized NOI for BR Malls.

After the end of the third quarter in October, we issued R\$250 million in CRLs or mortgage-backed securities at a rate of TR+9.8% to finance the Cuiaba Plaza Shopping greenfield project, which we started (inaudible) during the quarter.

With that, I conclude the summary and we are available for any questions you may have. Thank you.

## Questions And Answers

### Operator

Ladies and gentlemen, we will now initiate the question-and-answer section. (Operator Instructions) Our first question comes from (inaudible). You may proceed.

### Q - Unidentified Participant

FINAL

Hi. A couple of questions here. I want to ask about the debt raised in the quarter, so that brings [ph] your net debt to EBITDA to 4.3 times, which is on the high side, especially at the current macro environment, which we are going to see potentially smaller consumer growth. So are you comfortable with that level and what are some of the plans you will take to bring the leverage down from the current high level?

And also regarding the performance of the new assets, perhaps you could let us know new assets which have opened in the last 12 months, are they sort of performing according to your plan, especially from the tenant side, are their sales sort of slower than you had expected and that's why it explained the lower same store sales growth for the entire portfolio? Thank you.

### **A - Carlos Medeiros Neto {BIO 3714300 <GO>}**

Hi. Good morning. Regarding your net debt question, our trend is to end 2014 and 2015 with net debt to EBITDA at the current levels, which as you said, around 4.3 times with the perpetual bond and 3.3 times, excluding the perpetual bond.

After 2016, that number should decline rather fast because we will have the leverage, the projects that we're currently working on, and then we'll have a large base of assets, which will bring that debt [ph] number down. So, we're comfortable with that level and again, we expect that number to come down, starting 2016.

Regarding your second question, we have opened two malls in the last 12 months. One, November of last year, which was Shopping Catuai in Minas Gerais [ph] and another one, very recently at the end of August, Shopping Vila Velha in Espirito Santo. Both have been performing according to plan and both do not affect same-store sales, because since they opened in the last 12 months, they're not included in same-store sales, because we don't have the sales days of last year to compare.

The reason we had -- the main reason we had a slowdown in same-store sales in the third quarter was because of the very weak July, because of the World Cup, we have -- over 60% of our sales are concentrated in (inaudible) Minas and Sao Paulo which were the states that had the most holidays for the World Cup. And one of our main asset was very close to the stadium in Rio and had restricted access -- few days during the competition.

So that had a negative effect in July of same-store sales, bringing that number to very low number, which is the lower we've ever had. The same-store sales numbers for August and September were better and more in line with what we had seen in previous quarters. Therefore, we expect the fourth quarter to be more in line with what we've seen in the first and second quarter. Therefore, what we saw in the third quarter was a slow down caused by a non-recurring event and therefore, we don't expect that number to be seen in the next coming quarters.

### **Operator**

(Operator Instructions) This concludes the question-and-answer section. At this time, I'd like to turn the floor back to Mr. Carlos Medeiros for any closing remarks.

Bloomberg Transcript

## A - Carlos Medeiros Neto {BIO 3714300 <GO>}

Thank you for participating in our third quarter 2014 conference call. If you have any further questions, please contact our Investor Relations team. Thank you and have a good afternoon. Bye.

## Operator

Thank you. This does conclude today's presentation. You may disconnect your line at this time and have a nice day.

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*

FINAL

Bloomberg Transcript