

Y 2014 Earnings Call

Company Participants

- Carlos Medeiros Neto, Chief Executive Officer

Other Participants

- Unidentified Participant

Presentation

Operator

Good morning, ladies and gentlemen and thank you for waiting. At this time, we'd like to welcome everybody to BRMALLS' Conference Call. Today with us, we have Mr. Carlos Medeiros and Mr. Frederico Villa. We would like to inform you today's event has been 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. 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. 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 BRMALLS 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 future. Investors should understand that general economic conditions, industry conditions and other operating sectors could also affect the future results of BRMALLS and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I'll 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>}

Good morning. Thank you for participating in our conference call for the fourth quarter 2014 results. As we have done in previous calls, we're going to go through a quick summary of the quarter results and then, we'll be available for questions-and-answers. There is a brief presentation available on our website if you want to follow that while we go through the summary.

FINAL

In terms of the highlights of the fourth quarter 2014, our net revenues grew by 7.5% to BRL404 million and by 7% to BRL1.395 billion in 2014. Excluding the malls that we divested in the last 12 months, as our net revenues grew by 10.3% in the quarter and 8.6% in 2014. Our net operating income totaled BRL382 million in the fourth quarter, 8.3% higher than in the fourth quarter 2013 with NOI margin of 93.1%. For the full year of 2014, our NOI reached BRL1.297 billion, up 7.5% from the previous year. Excluding the malls we divested in the last 12 months, our NOI increased 10.9% in the fourth quarter and 9.1% in 2014. Our adjusted EBITDA stood at BRL335 million in the fourth quarter, up 3.3% from the same period of last year, with a margin of 82.8%. For the full year, our adjusted EBITDA reached BRL1.12 billion, 6.2% higher than in the previous year, with a margin of 80.3%. If we exclude the divestments, our adjusted EBITDA grew 6.1% in the quarter and 8% in the full year. Our adjusted FFO reached BRL155 million, 4% above the number in the fourth quarter 2013 and BRL470 million in the full year.

Total sales for our malls reached BRL7.2 billion in the quarter and BRL23 billion for the full year, up 1.3% in the quarter and 4.4% for the full year. If exclude the malls that we divested, the total sales of our malls grew 9% in the quarter and 10% in the full year. Our same-store rent was up by 7.2% in the quarter, 7.9% for the full year, while our same-store sales grew 6.5% in the quarter and the same number for the full year.

Our occupancy remains at very high levels, averaging 97.4% in the quarter, up 0.3% over the third quarter 2014. Our ten most representative malls in terms of NOI averaged occupancy reached 98.4%. In the fourth quarter 2014, our renewal and new contract leasing spreads averaged 29% and 20% respectively in the 2014, renewal and new contract leasing spreads reached 24% and 18% respectively. In 2014, we opened three expansions, Shopping Piracicaba, Shopping Recife, and Sao Luis Shopping. Together they increased our total GLA by 40,000 square meters and our owned GLA by 10,000 square meters. We estimate that these three expansion projects will generate over BRL10 million in stabilized NOI for BRMALLS. On August 25, we opened Shopping Vila Velha, which is our 10th largest greenfields adding 72,000 square meters to our total GLA and 36,000 to our owned GLA.

Lastly, during 2014, we continue to sell some stakes in our existing portfolio. We divested six malls. We divested our entire interest in Patio Belem and Shopping Metro Tatuape and we also sold 49% stake in Shopping Ilha Plaza of those sales during the fourth quarter 2014. In the second quarter, we sold the entire stake in Big Shopping. And on the fourth quarter, we sold our interest in Fashion Mall and also in Shopping Muller Joinville. With all those sales, we received almost BRL390 million.

And with that, I conclude this brief summary of the fourth quarter results. Now, Frederico Villa and myself 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 session. (Operator Instructions). Our first question is coming from (inaudible).

Q - Unidentified Participant

Hello. Hi, I'm (inaudible). Thank you for the conference. I'd like that progression rather than the order rationing, (inaudible) the projects under construction in the following quarters?

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

Hi, good morning, Nicholas. Our understanding is about the water rationing[ph] is that if it -- it will happen when we are again, we are not sure it's going to happen or not. It will only be in Sao Paolo. We don't have any information of water rationing happening in the places where we are expanding or developing malls. So we don't expect any impact in our development or expansions because of the water rationing. In terms of Sao Paolo, in terms of the malls that we operate in Sao Paolo, we have contingency plans for all of our malls in Sao Paolo if the government starts to ration water. However, we don't have any confirmation of that and we don't -- also don't have any confirmation if they are going to ration water how it will happen.

Q - Unidentified Participant

Thank you.

Operator

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

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

Thank you for participating in our conference call for the fourth quarter 2014 results. We remain here at the company available, if you need any additional information. We wish you all good afternoon. Thank you.

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