

Q1 2011 Earnings Call

Company Participants

- José Auriemo Neto, Chief Executive Officer

Presentation

Operator

Good morning, ladies and gentlemen. Welcome to the Conference Call to Announce the First Quarter Results of 2011 of JHSF. Together with us are Mr. José Auriemo Neto, CEO of JHSF; Mr. Eduardo Camara, Executive Vice President and IR Officer, and Mr. Marcio Fenelon, IR Manager.

We inform you that this event is being recorded and that all participants would be connected in listen-only mode during the presentation of the company. And after we will begin a Q&A session, when you will receive further instructions. [Operator Instructions]. This event is also being webcast, and may be accessed at www.jhsf.com.br/ri. This event will be replayed and may be replayed after its closing.

We remind you that the participants of the webcast may send questions through the website, and these questions will be answered during the Q&A session. The slides of the presentation are also available for download from www.jhsf.com.br/ri.

Before proceeding, we would like to say that any forward-looking statements that maybe made during this audio conference relative to the outlook of business for the company, operational targets and projects and financial targets and projections, are based on the premises and beliefs of JHSF's management and based on information currently available to the company.

These forward-looking statements are not guarantees of performance and involve risks, uncertainties and assumptions, as they refer to future events that depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may affect the future results of the company and may lead to results that differ materially from those expressed in such forward-looking statements.

I would now like to pass the floor to Mr. José Auriemo Neto, CEO.

José Auriemo Neto

Good afternoon. First of all, thank you very much for attending our conference call to announce the results of the first quarter of 2011.

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Making some comments about the results on page three. We have the highlights of our contracted sales which improved relative to last quarter. And as you can see on page four also, we have projects and our sales level was very good. We have been very optimistic with the sales of the projects. Our feeling is that the market has responded very well, and we have been able to sell the new projects. We achieved levels of sales above our targets, relative to sales and relative to the price per square meter. The challenge has been certainly the reduction of construction works. In the last two years this process has required much more planning and more investment in processes and technology, and we have been very careful in managing this.

On page five, you can see our receivables, our inventory at market value. They all rise and reached 1.942 billion. And we have here the breakdown per project to give you an idea in greater detail of our projects. Our net cash flow of those launches is R\$1.100 billion.

We have the breakdown here on page six of the receivables less advancements, inventory at market value and cost and expenses to incur is 838 million. And we therefore, have a net cash flow of 1.100 billion of those projects to be realized. We are very optimistic relative to costs. This is really is a big challenge. But given the investments we have been making in the last two years, we have seen an improvement and greater control of cost.

Moving on, on page seven, you see our gross revenues, our adjusted gross revenues, which reached 206 million in Q1. And this reflects the progress of the construction works. In Q4 last year and in Q1 2011, the works progressed very strongly, which allowed us to recognize revenues as planned and we have therefore, an increase in gross revenues.

Our net income and our net margins were in the region of 43%. This has been the average for the projects, because we operate in large scale and in the upscale market, this is our focus. So, we have been able to obtain very good margins in our projects. This margin as well will be reflected in the gross margin of the inventories as you see on page eight.

EBITDA as well reached 64 million, a growth relative to Q1 2010 and the margin was 32%. This also reflects an improvement and a progress in the construction works and the appropriated revenue and also the net expenses after the gross profit. And we have been very focused in the company to maintain administrative expenses at a level that is inline with the revenues. The net profit was 47 million, also an improvement relative to last year and the margin is 24.1%.

This margin reflects the margins of the projects that we have been managing in the development division. Relative to cash, we have more cash available now. This has grown substantially, 866 million is our cash position and our net debt also we have been trying to be conservative in terms of net debt. And trying to keep these levels low. Our net debt is very comfortable now.

Speaking of the prospects and the outlook for the business, we will continue to upgrade in the upscale real estate development market. We are going to launch 2 billion for the

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next two years. The market and the upscale segments will allow us to select the projects where we are going to upgrade, without losing margin, which is very important for us. Our belief is that not always the volume allows us to have a good margin. So, in real estate development we would rather not work with such high volumes, but rather focus on the profitability margins that we target.

On the other hand, as a company, we intend to grow. Last year our income was in the region of R\$210 million, and we intend to continue growing. Our strategic vision is to continue investing in recurring income. This is an important area for us in the company. We have a portfolio that brings us great synergy. Often times synergies with our real estate development business, and we see an opportunity to grow in this area. Also, we invest in positions from some projects sold in our portfolio.

Our guidance is to achieve an annualized revenue for 2013 of R\$200 million and up to 2015 R\$400 million on the recurring income. This guidance was planned, based on land that has already been acquired. None of these projects that are in the pipeline was based on land bank to be acquired. And I think we have a decision to maybe increase our net debt rate, which is natural in view of our investments in recurring income projects. But we are going to be conservative. So I think we are going to be able to increase the levels of recurring income substantially. Our strategic vision is to maintain the focus in those segments where we have been able to obtain good results and focus more on the execution of projects.

As I was saying before, our land bank, we worked very strongly on our land bank, to assure our future. And also, as regards real estate development and new projects already launched and a new land bank, our major challenge and the challenge which will require our attention going forward is to keep costs in check and also maintain our deadline.

This is what we had to announce. And I would now like to open for the Q&A session. The whole team and myself will be here available to take your questions.

Questions And Answers

Operator

We will now begin the Q&A session. [Operator Instructions]. The Q&A session is now closed. I would like to turn the conference over to Mr. José Auriemo Neto for his final remarks.

A - José Auriemo Neto

I would like to thank you all for attending and I would also like to say that my team and myself are available, should you have any questions later relative to the results, the plans and the guidances of the company. Thank you very much.

Operator

The conference call of JHSF Participacoes is now closed. We would like to thank you all for attending and have a nice afternoon.

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