

Q4 2011 Earnings Call

Company Participants

- Corporate Participant
- José Auriemo Neto, Chairman and Chief Executive Officer

Other Participants

- Analyst

Presentation

Operator

Good morning, ladies and gentlemen and welcome to the Conference Call to discuss the results of the fourth quarter 2011 for JHSF.

Today with us Mr. Auriemo Neto, CEO; Mr. Eduardo Camara, Executive Vice President and IR O; and Mr. Marcio Fenelon, IR Manger.

We would like to inform you that this event is being recorded and that all participants will be connected in listen-only mode during the presentation. And then we will begin the Q&A session, when further instructions will be given. [Operator Instructions]. This event is also being simultaneously broadcast over the Internet via webcast at www.jhsf.com.br/ir.

The event will be available for replay soon after its completion. We would like to remind you that webcast participants may register questions at the website and these questions will be answered during the Q&A session. The slides are also available for download at www.jhsf.com.br/ir.

Before proceeding we'd like to clarify that any forward-looking statements that may be made during this conference call relative to the company's business outlook projections, operational and financial targets are based on assumptions and beliefs of JHSF's management and also an information currently available for the company.

Forward-looking statements are not are not guarantees of performance as they involve risks, uncertainties and assumptions. They refer to future events, which depend on circumstances that may or may not occur.

Investors should understand that general economic conditions, industry-specific conditions and other operation of factors may affect the future results of the company and may lead to results that materially differ from those expressed in such forward-looking statements.

I now turn the conference over to Auriemo Neto, CEO you may proceed sir.

José Auriemo Neto

Good morning to all. Welcome to our conference to discuss the results of 2011. I am going to begin by giving you an overview of the year of 2011 and also I am going to give you an overview of the trends for our results in the last few years.

For those of you who have a presentation in hand on page three, we see a consistent growth in that income since 2007 and in 2011 we reached 220 million. Also on page four we can see a consistent growth of EBITDA we reached 311 million in 2011, up from 273 million in 2010. As regards to revenue we reached 955 million in 2011, a significant growth in the last few years.

And our vision also on page six, relating to our cash position, our liquidity is very good and is enough for us to continue with other projects and to go forward as well.

And on page seven, you have an overview of our accounts receivable. On page eight, you have our net debt which also very conservative. What we wanted to demonstrate is that the company has been able to grow revenue, EDITDA in -- last few years. We were also able to payout good dividend. Our average payout is in the region of 48%, it was so until 2010 and in 2011 it was 30% of the income.

We are maintaining a conservative capital structure. We ended 2011 with the net sales over R\$144 million, considering also the performed receivables which we decided to maintain in-house. This attached to the company's concern relative to December fundamentals, we want to maintain a very strict financial discipline, while trying to catch the opportunities in the real-estate development segment and also in the recurring income segment, which includes office rentals and malls.

Our aim is to capture all opportunities for growth. In the last four years, as you could see here, we gave a very clear example of our focus on these guidelines. Means, a good track record and good performance poses an important challenge to us in the next four years. We have an EBITDA base, which is a very important reference in terms of profit, which is higher than four years ago, and our challenge now is to face these next four years in trying to grow the recurring income segment basically shopping mall. And also, a commercial buildings and office rentals.

On page 10, you can see the growth of our portfolio. Our internal target is to grow the income portfolio to 400 million in 2015, up from 64 million today. This is a huge effort, but it will be achieved with the completion of the projects that are underway. Our challenge is therefore not to look for new areas or to add projects to our current portfolio. Our target is to complete the projects that I mentioned here, such as the expansion of the Cidade Jardim shopping mall which will add substantial value for of R\$76 million. We are also going to open the Tucuruvi shopping which is very important in our portfolio. The growth Imobiliário - 53,000 square meters. And we are also going to open a first and second the phase at the end of 2011 of another important project and the expansion will be opened

in the second half of 2012. We were able to bring it forward because of our logistics and of the strong demand that we met with.

We are opening Bela Vista in Salvador, we are also building Ponta Negra shopping mall, Catarina shop, a fashion outlet which is being build and should open in the beginning of next year. And we are also expanding new areas in - shopping mall.

So these are examples of what we have been doing in our income generation division. So, looking at the context as a whole we believe that the recurring income division makes an important contribution to what we want to achieve in 2015. As regards real estate development, our vision has been to maintain the level of launches that we have seen in the last few years.

As you can see on page 13, we launched 4.2 billion in the last four years, we have landbank worth 11 billion, and our target is to launch R\$1 billion per year. We have conservative vision in real estate development. And it is our understanding that 1 billion for a year was of launch is a level that we can manage well in terms of quality, while maintaining the margins that we have been seeing so far, basically then maintaining margins at 25%, which is what we have been seeing and the real estate development division for our 1 billion launch, we have an internal target of 200 million, plus 400 million in recurring income will allow us to achieve our target in the next few years that is a major lead in the area of recurring income and also very strong contribution from our real-estate development division. We are very confident that the market will support the growth that we are proposing. The high income segment has been reacting very well to our launches.

Our challenges have to do more with the execution and with maintaining quality of projects and controlling construction costs. But our vision is that market has responded very well to our launches. We also emphasize that real-estate development projects in the high income bracket have a receivables cycle that is shorter, once we have paid for the land. The cash flow from buyers contributes to the building of the projects themselves. We therefore, feel that the market supports the plan outlined for the future, as has been the case with our history.

This is backed up also by service, research and by the trends we have observed in the market. And lastly, I would like also to highlight within the company we assessed the intrinsic value of our company, the net asset value. And this is reflected on page nine, where you see the receivables of the projects launched. You see the future cash flow, the disbursements in real estate development, the inventory at market value and the landbank is at book value.

We have the malls and offices at present value, discounting the CapEx. And according to this internal metrics, our understanding is that the company has been able to grow the net asset value also in the last few years. We believe it is important to show you this metrics. This is the one we feel most comfortable with when assessing the business, much more relevant to us than the multiple metrics for instance. We believe it is very important to look at the value of each project, based on the view that irrespective of future projects that we

will develop, the current projects have to be dealt within some way so that they can perform as expected.

In the last few years we were able to grow the net asset value of the company. And we expect that in those lines in the future we will be able to see that we have been able to continue growing the net asset value of the company. This is our view on the scenario and on what happened in 2011.

And I would now like to open for the Q&A session. Thank you very much, we will now begin the Q&A session.

Questions And Answers

Operator

[Operator Instructions]. We would like to request that participants in the English room ask the questions all at once. Our first question from Mr. Newman from BTG Pactual.

Q - Analyst

Good morning. I have two questions. The first one is about the pipeline of launches for real-estate development this year? And what is going to be launched in the next quarter? Is there specific focus on Parque Catarina, that will be the first question.

And the second one, in the recurring income division. Could you tell us little bit more about the MI projects, what about the approval schedule? Have you have change all the licenses, could you give us little bit more color about the MI project?

As regards real estate development, what we have in the pipeline and just to give you a brief summary of this 1.5 billion that we have in terms of launches to achieve the guidance for the two year period. We have a project, a residential building in the area of Cidade Jardim for 250 million in PSV, also the Bosque project for 300 million in PSV. Boa Vista, should continue with a launch for approximately 300 million in PSV, we have projects in upscale regions in Sao Paulo that have not been disclosed yet, and those projects account for approximately 150 million in PSV, and Parque Catarina which will account for something between 250 million or 300 million in PSV, which is the breakdown and we also have also Bela Vista which should contribute this year with a different phase in addition to the Ponta project. Although the PSV there is a bit lower, it is very good in terms of increasing our sales.

Basically what we see and this is something that we forecast for the next period is that part of the PSV, on an yearly basis comes from the second third phase of the projects that we have already launched. We have a new project coming in, the Catarina project, and that is starting very well. So, in the next few years, we will have these projects underway and also new pieces of land for maybe smaller projects. But also targeting the high income segment.

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As regards recurring income, we acquired a piece of land from MI, and the project is being designed now. Probably will include specific mix with a shopping mall and a commercial area more or less in the line of Cidade Jardim together with an office building and a hotel in the last floors of the building. The schedule for this project forecast that it should be ready by 2015, and we should start the work by the end of 2012. The company focusing on this new project now.

We are working hard on that, we have been working on that for more than a year, and it's, we're very carefully planning this. This should be implemented, we've been schedule that's what we're confident about. We also have Cidade Jardim a project for some R\$30 million per year. And these are three office buildings. We are beginning to build them together with the other projects in connection with Cidade Jardim. Thank you very much.

Operator

[Operator Instructions].

A - Corporate Participant

We were asked to talk a little bit more about -- versus Cidade Jardim this is information I had to give. And what is important about this project is that we were able to add the adjacent areas, which were acquired after the Cidade Jardim project had been developed we manage to pay a good price in terms of the construction potential that these areas have.

We get efforts to acquire these pieces of land. And I think that the advantage is that we have been able to grow a project that is consolidated already. Cidade Jardim either from the residential point of view, from the office point of view, from the mall point of view, it is a very, very successful enterprise. So when we acquire the adjacent areas and we were able to plan new projects and this can be treated as an expansion of Cidade Jardim and this will give us a market advantage.

The expansion of any shopping mall gives us an advantage and this is how we are treating the MI and the reserve a project, they will be considered expansions of your regional project. And we'll obtain many advantages from being considered so.

Operator

[Operator Instructions]. Please hold while we collect the questions.

A - Corporate Participant

I am translating the question that come over to internet there is a question about Catarina, new Fasano Hotels and the airport.

The airport is part of the Catarina project. We have obtained approval from the from the AMAC from the agency in charge of aerospace and some approvals are pending. The

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internal target of the company is to begin the work at the end of 2012 or the beginning of 2013 and the airport adds something very important to the project.

There would be an increment in terms of recurring income, a major increment in terms of recurring income which is not considered in the pipeline and in the projections for 2015. But the rental of clause to executive aviation companies should make a major contribution to our recurring income decision.

And as regard to real estate, division the airport will make an important contribution as well. Since there would be commercial activities and would give more flexibility in terms of the agreements we can make for the residential area.

We could offer flights to certain regions on -- and this could add an important benefits in terms of people being able to live in such an area with an airport that can make their lives easier. In the next few months you will receive more details about project.

Operator

[Operator Instructions]. As regard to the Fasano Hotel, Fasano is a company that manages hotels. JHSF remain the owner of the hotels where we have our own projects like Boa Vista and Ponta Del Este and Fasano is a managing company. They have their own pipeline for new hotel in Salvador, Trancoso and others.

We believe that this is going to continue to grow. It is the profitable business. Although proportionally it makes a smaller contribution to the company's bottom line as whole since it is a company that manages hotels and their fees has to do with management services.

This will be the last announcement. [Operator Instructions]. We now end the Q&A session. I would like to pass the floor back to Mr. Aurimo Neto for his final remarks.

A - José Auriemo Neto

We would like to thank you all for participating and to make ourselves available, should you require any clarification. Thank you very much.

Operator

The conference call of JHSF Participações has now ended. We would like to thank you all for participating and have a nice day.

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