

Q2 2015 Earnings Call

Company Participants

- Carlos Medeiros

Other Participants

- Nicolas Langlois

MANAGEMENT DISCUSSION SECTION

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 all participants will be in listen-only mode during the Company's presentation. After that, there will be a question-and-answer session. At that time, further instructions will be given.

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 {BIO 15324538 <GO>}

Hi, good morning. Thank you for participating in our second quarter 2015 conference call. As we've done in previous calls, we're going to go over a brief summary of our second quarter results. And then we'll be available for Q&A. There is a brief presentation available on our website if you want to follow during this brief summary.

In the second quarter of 2015, our net revenue reached R\$348 million increasing 5% from the same period of last year, if we exclude the effects of asset divestments over the next 12 months, as our net revenue grew by 7%. Our NOI reached R\$321 million in the quarter increasing 4% with a margin of 91.3%. Our same property NOI grew by 5.4% in the quarter.

Our adjusted EBITDA in the quarter reached R\$277 million, increasing by 3.5%. Our EBITDA margin reached 80% in the quarter. If you exclude the malls that we divested in the last 12 months, our adjusted EBITDA grew by 5.2%.

The total sales of our malls reached R\$5.4 million in the second quarter, 0.3% higher than the same period of last year. If we exclude the asset sales in the last 12 months, the total sales of our malls grew by 4%. Our funds from operations in the quarter reached R\$333 million, and our adjusted FFO reached R\$89 million.

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Our same-store rents in the quarter reached 7%, while our same-store sales reached 3.6%. Our malls focused on A and B income classes, which account for over 50% of our NOI, registered a same-store sales of 4.8% in the second quarter. The occupancy rate of our malls closed the quarter at 97% - of our 48 malls, which we held ownership in the second quarter is 16% or 15% of NOI had occupancy rates above 99%.

On May 4, we opened the expansion of Shopping Campinas, adding 5,000 square meters of owned GLA, and we estimate this project will generate R\$4 million in stabilized NOI for the company. At the end of June, we opened the expansion of Shopping Campinas which added 8,000 square meters of GLA to our portfolio and we estimate this project to generate R\$9 million in NOI for the company.

With that, we conclude this brief summary of our results. And we are available now for any questions you may have. Thank you.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now initiate the question-and-answer section. Our first question comes from Nicolas Langlois from LarrainVial. You may continue.

Q - Nicolas Langlois {BIO 21031166 <GO>}

Hello, guys. Thank you for taking my question. Can you tell me a little bit of how you have changed the contracts profile during this quarter? Is there a finished contract? Have you renewed a contract? How do you see the key operating indicators in the following quarters? Thank you.

A - Carlos Medeiros {BIO 15324538 <GO>}

Hi, Nicholas. Good morning. We - when we look at the current second quarter, we're able to reach renewal business spreads of about 16% during that period somewhat higher than the number we had in the first quarter which was around 12%. And when you look over the next 12 months, as we have about 16% of our contracts expiring and they will be up for renewal which is more or less what we have historically which is more or less what we've had in the past 12 months. We don't - in terms of leasing spreads; we expect to continue to see numbers in the low-to-mid double-digits more or less around where we've been. We don't expect any changes from that.

Q - Nicolas Langlois {BIO 21031166 <GO>}

And what about the base rents for those renewed contracts? [That has changed?]. [ph] (07:06)

A - Carlos Medeiros {BIO 15324538 <GO>}

They - that the base rents on average for the contracts that has been renewed in the second quarter has been up about 16% on average at the midpoint of the contract life

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and we expect to see similar numbers going forward throughout this year.

Q - Nicolas Langlois {BIO 21031166 <GO>}

Okay. Thank you very much guys.

Operator

. 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 {BIO 15324538 <GO>}

Thank you for participating in our second quarter results conference call. If you have any further questions, our investor relations team will be available here. 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.

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