

Q1 2013 Earnings Call

Company Participants

- Carlos Medeiros, Chief Executive Officer

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 Leandro Lopes. 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 following immediately by another session for journalists. At that time, further instructions will be given.

(Operator Instructions) Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of BR Malls management as of information currently available to the company. They involve risks, uncertainties and assumptions because they relate to the future events and therefore depend on circumstances they are 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'll turn the conference over to Mr. Carlos Medeiros, who will begin the presentation. Mr. Medeiros, you may begin your conference.

Carlos Medeiros {BIO 15324538 <GO>}

Hi, good morning. Thank you for participating in our call for the first quarter 2013 results. As we have done in previous calls, we'll go through a brief summary of the earnings release and then we will turn to Q&A. And then Leandro and myself will be available to answer any questions you may have.

Like we've done in previous quarters, we will refer to a presentation, which is available on our website and we'll start on the second page of that presentation. Our net revenues in the first quarter reached R\$290 million, 19% increase over the same period of last year. Our NOI reached R\$255 million, increasing 22% over the first quarter of 2012 with an NOI margin of 90.3%.

Our adjusted EBITDA grew 9.3% compared to the same period of last year, reaching 222 million. When we exclude the non-recurring gain from the sale of Shopping Pantanal in the

first quarter of 2012, our adjusted EBITDA grew 18% in the quarter with an EBITDA margin of 77%.

Our adjusted FFO grew 2% in the quarter reaching R\$92 million. When we exclude the gain from the sale of Shopping Pantanal, the adjusted FFO in the quarter grew by 14% with an adjusted FFO margin of 32%.

The total sales in our shopping malls in the quarter reached R\$4.6 billion, 14% above the same period of last year. In terms of same store rent, we continue to see a double-digit levels, same store rent in the first quarter reached 11.1%. Our same store sales for the same period reached 7.5% from the strong comparison base in the same quarter of last year.

On our leasing front, our leasing spreads for contract renewals reached 21% and for new contracts reached 19%.

But the occupancy in our malls remain high in the first quarter of 2013, reaching an average of 97.9%, compared with 97.4% in the same period of last year. If we exclude the malls that we acquired or opened in the last 12 months, the occupancy rate goes up to 98.1%. In terms of occupancy cost, we ended the quarter with an occupancy cost of 11.3% compared to 11.2% with the highlight being that we increased the portion of the rent revenue in their occupancy costs from 6.6% to 6.8% and decreased the condominium charges from 4.6% to 4.5%.

As we had done in previous quarters, we have a very brief (inaudible) of Shopping Paralela in this presentation, this is a mall which was opened in April 2009 and we acquired in April of 2011. We have been able to achieve very strong results in that mall, when you compare the May to December period of 2011 with the May to December period of last year, which is basically -- when you're comparing our first seven months in the mall to 2011 to 2012, we've been able to grow NOI by 54%, which is the number that is almost 20% above what we expected when we acquired the mall. That mall has also been showing same-store sales numbers above 14% over the last six quarters. And we have been able to increase the occupancy of that mall from 93% when we acquire to the current of 98%.

In terms of our development pipeline, we have one new mall opening this year at the end of -- at the fourth quarter of this year, at the end of the year, which is Shopping Contagem. We have three expansions which would be open -- one which we have opened last week, which is Plaza Niteroi, totaling 67,000 square meters. And then we have two openings -- two Greenfield openings next year and two expansion rent, to Greenfield openings in 2015 and beyond and two expansions. That would total of 12 projects in 300,000 square meters in GLA. As mentioned before, in May, (inaudible) the expansion of Plaza Niteroi, adding almost 11,000 square meters of total GLA and owned GLA to that mall. We expect that expansion to generate R\$26 million in stabilized NOI for the company with a real and unleveraged IRR of almost 19%.

In terms of our balance sheet, we continue to make progress on reducing our cost of debt. We've been able to achieve a large debt renegotiations this quarter totaling over

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R\$600 moving that cost of debt almost 1% and achieving a net present value for the company of over 25 million net of any costs. With that, we've been able to bring our real [ph] cost of debt to 5.6%, down from almost 7% a year ago.

With that, I end this brief summary of the results and we'll open to Q&A. Thank you.

Questions And Answers

Operator

Ladies and gentlemen, we will now initiate the question-and-answer section. (Operator Instructions) This concludes the question-and-answer session. At this time, I would like to turn the floor back to Mr. Carlos Medeiros and Leandro Lopes for any closing remarks.

A - Carlos Medeiros {BIO 15324538 <GO>}

Thank you very much for participating in our first quarter 2013 earnings call. If you have any further questions, you can always call us or send us an email. And we wish you all a 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.

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