

Q2 2011 Earnings Call

Company Participants

- José Auriemo Neto, Director

Other Participants

- Wesley Bernabé

Presentation

Operator

Good afternoon, ladies and gentlemen and welcome to the Conference Call to present the Results of Q2 2011 of JHSF. Today with us are Mr. José Auriemo Neto, CEO; Mr. Eduardo Camara, Executive Vice President and IR Officer and Mr. Marcio Fenelon, IR Manager.

We would like to inform you that this event is being recorded and that all participants will be connected in listen-only mode. We will then begin the Q&A session, when more instructions will be provided. [Operator Instructions]. This event is being transmitted over the Internet via webcast at www.jhsf.com.br/ri. The replay of this event will be available soon after it's closure. We remind you that the participants of the webcast may ask their questions which will be answered during the Q&A session. Slides are available for download at www.jhsf.com.br/ri.

Before proceeding, we would like to clarify that any forward-looking statements that may be made during this conference call relative to the business outlook of the company, operational and financial projections and targets are based on the beliefs and assumptions of JHSF management and on information currently available to the company. Forward-looking statements are not guarantees of performance and involve risks and uncertainties and premises as 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 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. You may proceed, sir.

José Auriemo Neto

Good afternoon. I would like first of all to thank you all for participating in our conference call to announce the results of Q2 2011. I would like to start with some highlights. We believe that the results are inline with the company's business, the expectations of the

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company. And still as regards, the revenues, and the progress in the works, and the development project, and in our cost control initiative and the last few years it has been all as a challenge, a major challenge for us. And our development projects in the shopping malls, we have been looking at costs from a very close range and we have been obtaining results, which are inline of our expectations as regards controlling costs in construction works. Also in terms of sales and the progress of our project, we achieved a very important milestone in the projects we launched. All of our projects have been healthy, very good sales performance as can be seen on page four.

You'll see Parque Cidade Jardim, Fazenda Boa Vista, Horto Bela Vista, Praça Vila Nova, Benedito Lapin, Parque Ponta Negra, Vitra, Las Piedras, they all have accrued sales rate, which are really good. This validates also the success of the projects that are in the second and third phases as is the case of Fazenda Boa Vista and Horto Bela Vista and Las Piedras. Also with very good land banks, which the company is going to take advantage of in the next few years. Also I'll review is that lot of the projects we have launched have been performing very well and they have been enabling us to achieve our targets in terms of results.

Moving on to page three, I would like to highlight the acquisition of three new pieces of land in São Paulo in upscale areas with an overall selling value of approximately 570 million and this pieces of land will be used for new launches, as we announcing our guidance. Also, we will have expansions in projects already launched and also pieces of lands which are in our land bank. I would also like to highlight the beginning of the extend work of Shopping Cidade Jardim shopping mall, we are going to have approximately 7,000 square meters or gross leaseable area of which 90% have been negotiated. This is inline with the strategy of shopping Shopping Cidade Jardim in terms of growth. The mall has been performing very well in terms of sales. And we are also launching this year, the Catarina Fashion Outlet Shopping mall is the first part of the development of Parque Catarina large mixed use of project and we are going to launch the residential areas very soon.

It is a very complete project and we have been able to bring together not only leisure entertainment, and commercial areas, and offices and housing. We believe that projects that are structured in this way more prove to success and this is why we are working so hard at Parque Catarina. I would also like to highlight the sale of the Ponta Negra Parque in Manaus with an overall selling value of 320 million. JHSF is working on the shopping mall. We sold an area for 37 million and the shopping mall enterprise is doing very well. We have launched an expansion area even before finishing the main mall.

Also on page three. In the quarter, we had a dividend payout for R\$100 million. And this was also inline with our growth in the recurring income area.

On page four, you see the success of the projects we have launched.

On page five, we see the disclosure of our receivables and the inventory, the end of the quarter it reached R\$1.8 billion and we have a realizable cash flow just with the project that we have launched, the cash flow of R\$1.8 billion, considering the receivables and the costs.

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In this quarter, we also included the areas of the Boa Vista and we have finished investment in infrastructure. It's an inventory of land banks and as we said in previous calls, the prices for, the selling prices of the Fazenda Boa Vista reflect how important this land bank is for us. This project has been very successful as well.

As regards gross revenue, there was a change relative to last year, 70% of growth. This in the semester was a 73% growth. Our gross income grew 97% and in the semester 113% growth. And we have been able to maintain a very good gross margin. Our business model is fast that it has been essential for us to look at the margins in our developing business instead of focusing on volume and fighting on this front, we have been very selective and we have been focusing on those projects where margins are more attractive for JHSF. Also because of the upscale segment where we operate, it is very important to ensure quality and ensure sustainability. As regards to EBITDA it's grew 157% relative to the same quarter last year and in the first half of this year it grew to 136 million. In terms of net income, we grew from 18.7 to 52 million in Q2, 2011 and in the first half we reached a 100 million.

If you look at our debt profile on page 11, it is still very comfort. Most of the maturities are as of 2013 about 73% and this allows us greater investment capacity. We are very comfortable with this type of capacity and this allows us to fulfill the company's strategy.

And moving on to page 12, where you see that in our strategy regarding the company's future. As I said before, you'll see our also -- our focus on the recurring income area. We would like to reach 200 million in 2013 and 400 million by 2015. We believe that it's very important to grow invest in that area in addition to the real estate development segment. This is also because the company intense to continue glory and real estate development for the upscale market. And according to our business model, we have a very comfortable pipeline for 2 billion for the years 2011 and 2012.

We are investing heavily and that makes us feel more comfortable in terms of having good projects for the company as a whole until 2015. It is important to highlight that the execution of these projects is all based on land that has been acquired and on projects that are under construction or that are in the first stages, as you can see in our release. Among those, I would like to highlight the Tucuruvi shopping mall, Ponta Negra and Horto Bela Vista, which are the first three shopping malls to be ready next year and in 2013.

I would like to thank you all for participating and make our team available to take your questions.

Questions And Answers

Operator

Thank you very much. We will now begin the Q&A session. [Operator Instructions].

Our first question comes from Mr. Wesley Bernabé from Banco do Brazil.

Bloomberg Transcript

Q - Wesley Bernabé

I would like to ask a very simple question. Do you have any ideas on the breakout of the overall selling value for the next two years?

A - José Auriemo Neto

We cannot give you any guidance, any detailed guidance, but we are working to have a proportionate part this year and next year. The idea is not to let us, to leave all of these launches for the second half of next year. The company's idea is to do this in a balanced way, taking also into account that many of our projects are large which have to be launched inline with the strategy, in a very well planned manner. So, we are not going to squeeze it, so to speaking to a single year or semester. We always do think in a very planned way and in a more balanced way. [Operator Instructions].

I would now like to close the Q&A session and pass the conference over to Mr. José Auriemo Neto for his final remarks.

I would like to thank you all for participating and say that the whole team and myself remain available, should you have any questions or require any further clarification. Thank you very much.

Operator

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

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