

Q2 2010 Earnings Call

Company Participants

- José Auriemo Neto, Chief Executive Officer

Other Participants

- Analyst

Presentation

Operator

Good afternoon ladies and gentlemen. You are all welcome to the JHSF Earnings Release for the Second Quarter of 2010. This conference call is being recorded and all participants are connected in listen-only mode during the presentation of the company's release and later instructions will be released for the Q&A session. [Operator Instructions]

This event is being simultaneously transmitted over the internet via webcast and you can access it on our website, www.jhsf.com.br/ir. This event replay will be available right after it ends on the internet.

We would like to remind you that participants may post in advance in the website questions for the Q&A session. Slides for the presentation will be available for download over the internet at the address, www.jhsf.com.br/ir.

Before proceeding we would like to clarify that any forward-looking statements made during this conference call about the prospects and estimates of the company's operating and financial performance, they are only forecasts based on the managements expectations regarding the future of the company, and then information currently available to the company.

Forward-looking statements are not guarantee of future performance as they involve risks and uncertainties and assumptions because they refer to future events that depend on circumstances that may or may not happen. Investors should understand the general economic conditions, the industry scenario and other operational factors may affect future performance of the company and may lead to results that will be materially different from those expressed in such forward-looking statements.

Now, I would like to turn over to Mr. José Auriemo Neto, CEO. Please Mr. José, you may proceed.

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Bloomberg Transcript

José Auriemo Neto

Good afternoon to everyone. Thank you very much for your attendance in our conference call for the second quarter of 2010.

I would like to start on page three, highlighting the launching of our area of developments. Real estate developments, there are two new project, and this is another phase in Salvador, which is a mix use project with 19 residential buildings, four office towers and we had started selling five buildings in this quarter, we launched another two, initially two towers, of which we sold 72% and then afterwards at the end of the quarter, we launched another two towers. That were equally successfully in terms of sales and the four towers together account for about 50% of units sold.

In this quarter we have also launched in the project in Itaim São Paulo, the project called Benedito Lapin. We had a good sales performance with about 60% of it sold. And the amount value of the square meter was also considerable about 9 to R\$11,000 per square meter depending on the unit.

We understand that the market is still warmed up and in the area of real estate development, we have been following the implementation of our launch strategy this year and we've been having a good performance in sales of our projects.

In the area of shopping malls, also in the second quarter we have an extensive growth, especially in the shopping mall Cidade Jardim as the properties for the needs of office and also malls, not just revenues increase, but also EBITDA of the segment also went up. And we are very optimistic with the prospects in this area of lease especially because of their works, the construction in progress in three new areas such as the shopping mall in Salvador, the Horto Bela Vista project, Ponta Negra mall in Manaus and also Metrô Tucuruvi mall in São Paulo which should add a major growth to JHSF in this quarter.

And now on page five, you can see the reflects of our sales, and this you have been reading by new launches and we have continued a marked sales in a project that have already being launched, more of these -- that has reached 74% in sales Cidade Jardim almost to 100%. All these projects have had their prices going up, I think that the sales dynamic in a high income and large scale projects, not just related to the speed of sales.

We understand that back, it's very important for this projects that the amount or the value of the square meter has gone up since the launch of these projects, we have witnessed a valuation that has been considerable in each one of these projects and even sometimes when there is the pressure of construction costs the valuation of the square meter price that we have been able to attain in our projects, it has been quite positive.

In Horto Bela Vista on average we have reached, we have already sold 67% including phase 1 and that was more than 80 in phase 2 that we have just launched Praça Vila another 74% and Benedito Lapin 66%. In total, we have sold about 80%.

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And the valuations on the next page, on page -- slide number seven, all projects have had a good appreciation, that is quite attractive and also good for our company considering that some of these projects still have a long way to go, such as Fazenda Boa Vista, where we have about 2,800,000 square meters net, most of it already urbanized with investments made and also in Salvador, where 19 buildings were launched.

On page eight, you can see the evolution of accounts receivable, where we had an increase of 13% in 2Q, 2010. And on page nine, our revenue backlog has grown 13% in this quarter, which after this quarter should have a highlight because some works that are going to start in phases where construction courses will go up, and until we can account for revenues you should be reminded that JHSF businesses have a seasonality basically depending on the evolution of revenues because they are major projects.

Then on page 10, you can see that accounts receivable and inventory have reached 1,600,000 and also the evolution of EBITDA net income, and they have been driven up by the accounting of revenues in large projects such as Cidade Jardim Corporate Center and this reflects in an increased EBITDA and also an increase in the net income in the quarter.

On page 13 you can see cash and equivalent have increased substantially. We reinforce it, our -- we have a conservative capital structure and I think that this is the vision of the company of always trying to have the best and greatest growth, but at the same time, taking care of indebtedness, net debt and debt profile should always be compatible with the development of projects.

And lastly, our prospects for 2010 in the area of real estate development. We are launching projects that will total R\$1 billion.

We have a new phase in Horto Bela Vista, it's an important phase and that should already have its reflexes in the second half of the year. We are also going to have a launch in Horácio Lafer in Itaim, also high income very similar to our other businesses and partly Ponta Negra, the residential project in Manaus also related to our shopping mall as well as Parque Catarina development.

We are working intensely in organizing this launch and especially in construction processes related to the project. We should witness a natural acceleration in revenue accounting which is a result of the seasonality as I mentioned before, and we are quite excited because the high income market is booming and it is behaving -- and that's why we are really confident in our growth.

I would like to thank you all for your attendance to our conference call. And now, we are available for any questions you may have.

Questions And Answers

Operator

Thank you, ladies and gentlemen. We are now going to start our Q&A session. [Operator Instructions] Heda will like to ask a question.

Q - Analyst

Good afternoon everyone. I have two questions actually. Now the first question is, I would like to hear your opinion about the demand for properties in high income market? And the second is about your development and to know how it has been evolving?

A - José Auriemo Neto

As I said during my presentation the market has evolved very positively, we often think that high income is small, but it's big growth. I think of the challenges for this area often times, are more concentrated in terms of the construction of being able to produce, then to the market being bigger or smaller and we're really confident.

As to what actual market prospect that this development will be launched by the end of this year, it is an important project, it's very important to the company. It is a project by a foreign architect without any other projects in Brazil and we're really happy with the results we've been getting in the said partnership.

Q - Analyst

Thank you very much. You answered my question.

Operator

[Operator Instructions] This will be the last instruction. [Operator Instructions] We are now ending our Q&A session. I would like to turn it over to Mr. José Auriemo Neto for his final considerations.

A - José Auriemo Neto

I would like to thank you all for your attendance. And now our team is available, if you have any questions to ask. Thank you very much and have a good afternoon.

Operator

JHSF participation conference call has now ended. We would like to thank you for your attendance and have a good afternoon. Thank you.

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