

Q3 2012 Earnings Call

Company Participants

- Carlos Medeiros, CEO

Other Participants

- David Lawant, Analyst
- Fanny Oreng, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. 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 all participants will be in a listen-only mode during the Company's presentation.

After that, there will be a question and answer session. At this time, further instructions will be given. (Operator Instructions)

Now, I will turn the conference over to Mr. Carlos Medeiros, who will begin the presentation. Mr. Carlos Medeiros, you may begin your conference. (Foreign language spoken).

Please, Mr. Carlos Medeiros, you may begin your conference.

Carlos Medeiros {BIO 15324538 <GO>}

Hi. Good morning. Thank you for participating in our Third Quarter 2012 results call. As we've done in previous calls, we will start with a brief summary of the quarterly highlights and then we will move on to question and answers. As we've done in previous calls, we will be following a presentation, which is available on our website and we'll start on page two of that presentation.

Our net revenue in the quarter reached in the BRL278 million, growing 27% for the first nine months of the year, net revenues reached BRL788 million, 32%. Our NOI totaled BRL257 million, growing 31% with an NOI margin of 91.3%. For the first nine months of the year, NOI reached BRL720 million, up 36%.

Our NOI on a same mall basis, grew 16.4% in the Third Quarter, and 16.2% for the full year. Our FFO was up over 800% in the quarter, reaching BRL99 million and our adjusted FFO

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reached BRL95 million of 2% on a year-over-year basis. Our net income reached BRL101 million in the quarter, up almost 1,000%. For the first nine months of the year, our net income is up 270%, reaching BRL676 million.

Our same-store rent was of 9% in the quarter, and our same-store sales up 6.2% in the quarter, total sales for tenants in the quarter reached almost BRL5 billion. Our renewal leasing spreads in the quarter reached 27%, while our new contract leasing spreads reached 20%.

Our occupancy in the quarter reached 97.9%, and our late payments reached 3.7% in the quarter. In terms of acquisition, we've completed on Q today around BRL540 million in acquisition investments. When we look at what we expected in terms of NOI per acquisition that we've completed, in the last year compared to what we actually have accomplished, we're up 29%.

When -- during the quarter, we've completed the acquisition of Shopping Plaza Macae, 45% in that mall, adding 10,000 square meters of GLA to our company and an expected NOI of approximately BRL5 million on a stabilized basis.

After the end of the quarter, we completed the acquisition of 100% of Shopping Capim Dourado in the city of Palmas. We expect that acquisition to generate a stabilized NOI actually for the next 12 month is from BRL16 million and with an addition of around 30,000 square meters in GLA for our portfolio.

After the end of the quarter on the first of November, we open the Londrina Norte Shopping, increasing our GLA by 23,000 square meters, and we expect that more to generate over BRL16 million with stabilized NOI. Also, after the end of the Third Quarter, and actually today, we're opening another project, which is Shopping Sao Bernardo, which will add 26,000 square meters of GLA to the Company.

Also, in the quarter, we opened the expansion of Center Shopping Uberlandia, which added 2,000 square meters of GLA to the Company should generate approximately BRL2 million in stabilized NOI.

Also in the quarter, we announced the expansion of Shopping Piracicaba, which should add a total of 16,000 square meters of GLA, of which we hold 37%. That expansion should generate around BRL7 million of NOI on a stabilized base to the Company. Also, during the quarter, we completed the sale of a 40% stake in Shopping Jardim Sul, which we acquired last year through a real estate investment fund created for this specific sale.

After the quarter ended, we completed two debt refinancing, the first one with the retap in our perpetual bond, we issued \$175 million within a yield to maturity of 7.8%. We have also issued a local CRI here in Brazil of BRL500 million, which will tranche as one, which is 12 years the inflation plus 3.96% and another one, which is 15 years at inflation plus 4.27%.

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In terms of our cash position, we ended the quarter with BRL882 million, which is about 100% higher than we ended the Second Quarter of 2012, and our net debt at the end of the Third Quarter stood at BRL3.2 billion, which is 1% less in the end of the Second Quarter.

In terms of our stock performance, our stock was up 22% in the quarter, surpassing the Ibovespa which was up by 9% for the first nine months of the year, stock was up approximately 50% at the end of the Third Quarter, compared to 2.3% for Ibovespa.

With that, we end this brief summary, and we are available for any questions you may have. Thank you.

Questions And Answers

Operator

Ladies and gentlemen. we will now initiate the questions-and-answers session. (Operator Instructions)

Our first question comes from Fanny Oreng from Merrill Lynch, you may proceed.

Q - Fanny Oreng {BIO 15372489 <GO>}

Hi. Good morning everyone. Carlos, I have one question regarding the same-store sales, when we look at the break down according to the income classes that each of your mall obtained, it got my attention that on the higher income level, same-store sales grew only 1.4%. So can you give us some color about which malls have such a weak performance, and what you are doing to ramp up?

A - Carlos Medeiros {BIO 15324538 <GO>}

Hi, Fanny. Good morning. We have a small number of malls in that high income category Fashion Mall is one of those, Shopping Estacao in the south is one of those, (inaudible) is also qualifies as one of those. We didn't obtain specific reason for the lower performance in those segments, specifically in the quarter.

So it's not competition because we're not seeing competition in Rio or (Estacao) and indicated in the low, because we don't think it has to do with JK competition because it's, I think you know, (inaudible) is, it's much further away from JK than several other malls. So we don't think there's competition there. We just think, it's you know, it's part of the cyclicity of the business, has to do with those malls did well in the same period of last year. But there's no specific reason.

Q - Fanny Oreng {BIO 15372489 <GO>}

And do you have the number if you exclude these malls, what would be your same-store sale?

A - Carlos Medeiros {BIO 15324538 <GO>}

It would be 1% or 2% higher because they're not very represented.

Q - Fanny Oreng {BIO 15372489 <GO>}

Okay, Okay, good. Thanks.

Operator

(Operator Instructions)

Our next question comes from Dave from Itau BBA, you may proceed.

Q - David Lawant {BIO 16370172 <GO>}

Hi. Good morning everyone. Carlos, I have a quick question actually, it's regarding your parking lot revenues. This is your fastest growing revenue line, 42% in the nine months period. Just wanted to have a view on how do you see this specific segment going forward? There is still room to grow significantly, or most of the gains there have already been extracted? That's it, thank you very much.

A - Carlos Medeiros {BIO 15324538 <GO>}

Hi, Dave. Good morning. We think there's still room to grow parking lot revenues. There's more, for example, I mean, set our goal as we started charging for parking, and less than a month ago, and the parking revenue ramp up in the malls that we've developed and also there is a parking revenue ramp up in the malls that we've been acquiring. So we think that that line will continue to outgrow rents revenue for a while.

Q - David Lawant {BIO 16370172 <GO>}

Okay. Thank you.

Operator

(Operator Instructions)

This concludes the question-and-answer session. At this time, I'd like to turn the call 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 Third Quarter call. And have a good afternoon. Thank you, 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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