

Q3 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 the BR Malls' Conference Call. Today with us, we have Mr. Carlos Medeiros, CEO of the company. 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 followed 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 beliefs and assumptions of BR Malls' management and on information currently available to the company. They involve risks, uncertainties and assumptions because they relate to future events, and therefore, depends on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors, economic conditions 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 would turn the conference to Mr. Carlos Medeiros, who will begin the presentation. Please Mr. Carlos, you may begin your conference.

Carlos Medeiros {BIO 15324538 <GO>}

Hi, good morning. Thank you for participating in our third quarter 2013 conference call. As we've done in the previous calls, we'll go through a brief summary of our results, and then Leandro and myself would be available for questions. As we've done also in the past, there is a presentation available on our website that you can follow during the brief summary.

In the third quarter, our net revenues grew 16%, reaching R\$322 million. Our net operating income in the quarter reached R\$299 million, up 16% with the NOI margin of 92% in the quarter, which was our biggest margin in the company's history. Our same-property NOI grew 12% in the quarter compared to the same period of last year.

Our adjusted EBITDA reached R\$259 million in the quarter, increasing 16% over a year ago. Our adjusted EBITDA margin stood at 80% in the quarter.

Our adjusted FFO reached R\$131 million, up 37% from R\$95 million in the third quarter of 2012. Our adjusted funds from operations margin was 40.6% in the third quarter.

Our adjusted net income in the quarter was R\$128 million, 32% above the same period of last year, while the net income margin was 39.8% in the quarter.

Our same-store rent in the quarter increased 9.3% while our same-store sales reached 8.1% also in the current quarter.

As we've been presenting in the past, we continue to evolve on reducing our occupancy costs in the quarter reaching 10.2% of which 6.5% was related to rent and 3.7% to common area and marketing expenses, in line with our efforts to reduce common costs for tenants and replace this cost with rent increases, at the same time keeping total occupancy cost for our tenants very steady.

Also in the quarter, we opened the expansion of Natal Shopping adding 9.5 thousand square meters of GLA in total and 4.8 thousand square meter of GLA to our company. We estimate that Natal Shopping will generate R\$9.5 million in stabilized NOI for BR Malls with the real and unleveraged return of 18%.

After the end of the quarter, on October 31st, we opened our third expansion this year which is Rio Anil Shopping in the city of Sao Luis, state of Maranhao which added 11.5 thousand square meters of GLA in total and 5.7 thousand to the company. We expect this project to generate almost R\$7 million in stabilized NOI for the company with real and unleveraged IRR of 21%.

We are also announcing in this quarter four new expansions to BR Malls. Capim Dourado in the state of Tocantins, Sete Lagoas in state of Minas Gerais, Recife in the state of Pernambuco and NorteShopping in Rio de Janeiro are the four new expansion they are adding. We are also announcing that we are deciding not to go forward with the (inaudible) project which we were analyzing and decided not to push it any further.

With that I will conclude this brief presentation and open to any questions you may have. Thank you.

Questions And Answers

Operator

Ladies and gentlemen, we will now initiate the question-and-answer section. (Operator Instructions) This concludes this 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 third quarter 2013 conference call. We remain available here if you need any details or any additional questions. Thank you very much. Have a good day.

Operator

Thank you. This concludes today's presentation. You may disconnect your line at this time and have a nice day.

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