Conference Call Transcript
4Q15 Results
Aliansce (ALSC3 BZ)
March 29th, 2016

Operator:

Good morning ladies and gentlemen. At this time we would like to welcome everyone to the Aliansce's 4Q15 earnings conference call. Today with us, we have Mr. Henrique Cordeiro Guerra, Executive Director, Mr. Renato Botelho, CFO, and Mr. Eduardo Prado, IR Director.

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 the Company's remarks are completed, there will be a question and answer section for investors and analysts. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator. There will be a replay facility for this call for one week.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of the Company's management, and on information currently available to the company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that 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 the Company's and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Henrique Cordeiro Guerra, who will start the presentation and will be followed by Mr. Eduardo Prado. Mr. Henrique, you may begin the conference.

Henrique Cordeiro Guerra:

Good morning. I would like to welcome everyone to this teleconference call in which we will be presenting the 4Q15 and 2015 financial and operating results, and highlights for Aliansce.

I would like to begin by highlighting that we will be presenting managerial information which excludes the impact of a reclassification due to a circular letter from CVM, that has required to register the BH Tower, which is an officer tower attached to our Boulevard Shopping in Belo Horizonte, although formally it is considered a sale, our consolidated financial adjustments were adjusted to account for this transaction as an obligation. So, we will present managerial financial information that does not reflect this clarification.

We will begin now by saying that in the 4Q15 the Company's net revenue, excluding divestments of interest in 2014 and 2015, increased 10.4% and adjusted EBITDA, 9%. We saw reduction of 1.2% in a mall's operating cost in the quarter, parting in cost were reduced by 3.4% in the 4Q15 and by 1.3% in 2015.

General and administrative expenses were reduced by 1.5% in the 4Q15. Same-store rent grew by 4.6% in this past quarter. In 2015, same-store rent increased by 4.7%. Aliansce's occupancy rated to 97.2% in the 4Q15. The Company's ten malls, which accounted for 82% of Aliansce's NOI in 2015 had an occupancy rate of 98.5%.

In the 4Q15, the portfolio's occupancy cost was of 9.5% and of 10.2% in 2015. Sales in Aliansce's malls reached R$8.4 billion in 2015. The net investments were R$38.5 million in the 4Q15, CAPEX of R$132 million in the year. The deleveraging trend continues with net debt EBITDA last of months being reduced from 5.4x in the 4Q13 to 4.1x in the 4Q15.

With that, I would like to transfer the presentation over to Eduardo Prado, who will lead the presentation portion of this conference call and I will stand by here with my other colleges to answer any questions or comments you may have later.

Eduardo Prado:

Good morning. Turning to page three of the presentation, the graph on the left hand side shows the evolution of occupancy rate of the portfolio since the 4Q13. It is important to the highlight occupancy rate of the Company's top 10 assets, which is 98.5% during 4Q15. These top 10 assets represent 82% of the Company's NOI in 2015.

On the right hand side, the graph shows the occupancy costs since 4Q13. During the last 12 months we hand in impact of energy cost from condominium costs, specially energy costs. In some regions of the country the tariffs increased by around 50%. We have a different scenario in this year of 2016. Actually, we expected a reduction in energy costs, mainly due to the fact that we are changing our properties form the captive market to the free market, which will bring a significant reduction in energy costs and allow our occupancy costs to remain below the sector's average.

Moving on to page 4 of the presentation. Aliansce has posted a same store sales growth of 26.9% in the last five years. During last year, specific issues, especially in Shopping da Bahia have impacted the sales performance of the portfolio. Shopping da Bahia has undergone a renovation for construction last year, during 2015. And in the middle of the year, the shopping center started to collect parking fees, which also has impacted the traffic and, as a consequence, the tenant sales of the property.

It is worth mentioning that the renovation works have been concluded. The new access to the mall was been opened in the beginning of December 2015. Since then, not only traffic, but also sales per sqm, have improved significantly. The graph on the inferior left hand side shows the total sales growth between 4Q10 and 4Q15. During that period, the total sales growth in 4Q15 presented a CAGR of 13.6%.

In terms of annual sales, the total sales have increased from R$4.1 billion in 2010 to R$8.4 billion in 2015, presenting a CAGR of 15.5% during that year.

Going to page 5, some comments about the top 10 assets of Aliansce's portfolio. As mentioned, the top 10 assets represent 82% of Aliansce's NOI for 2015. The above-average occupancy rate was 98.5%. And the satellites sales per sqm posted R$2,500 in 4Q15. Talking about mature assets with an average age of 13.4 years.

Moving on to page 6, there is a breakdown of the Company's gross revenues. It is worth to highlight an increase in parking revenues, which is mainly due to the beginning of collection of parking fees in Shopping da Bahia, which will continue to happen this year as the parking operation in the mall matures.

Gross revenues increased 6.8% in 4Q15. If we exclude divestments of interests in ownership to monetize that effect growing less in the last 24 months. The growth in those revenues was in 10.6% in 4Q15.

Moving to page 7, same store rents with Aliansce has increased 4.6% in 4Q15. Excluding divestments, the same-mall rent per sqm increased by 4.2%. And the total rent per sqm increased by 6%. If we look at the same store growth evolution during 2015, we are able to see an improvement since 2Q15, as the Company was able to pass through a high inflation in most of the contracts to the tenants.

On the left hand side below, there is a growth of minimum rent per sqm in 4Q15. And this is a above inflation, meaning that we adjust our lease contracts. And also, on the right hand side, there is the same store rent growth per store type in 4Q15. Highlight was anchors, based on the sales performance, and also the megastore presented the lowest growth also due to sales, specially from the electronics segment.

Moving to page 8, it shows the evolution of the adjusted EBITDA since the IPO of Aliansce. Our EBITDA margin in the period increased by 6 p.p. and the CAGR was at 22.9%. It is important to mention that during that period, we opened seven new greenfields, seven expansions, and also divested in seven properties.

Going to page 9, Aliansce was able to reduce not only cost but expenses especially in 4Q15. There was a reduction in 3.4% in parking costs, mainly due to the installed, most malls have automated paying stations. So with that, we reduced the number of paying station in each property. Also, we have been able to reduce operating costs, especially in the new generation assets. In those properties, we reduced operating costs per sqm by 6% in the last quarter. And also, the G&A expenses were reduced by 1.5% in 4Q15.

Going to page 10, Aliansce's NOI excluding divestments increased by 8.4% in 4Q, and 6.7% in 2015, reaching R$135 million and R$461 million respectively. Adjusted EBITDA increased, again excluding divestments, than 2014 and 2015, the adjusted EBITDA reached R$114 million, growing 9% compared to 4Q14. And R$387.6 million in 2015, up 7.1% on 2014.

Moving to the next page, net income reached R$28.9 million in 4Q and R$51 million in 2015. Adjusted FFO reached R$49 million in 4Q15 and R$125 million in 2015.

Going to page 12, we show the on-going expansion in the portfolio. Both of them should open this year, in Shopping da Bahia and Shopping West Plaza. The table below we show the CAPEX for the next two years, which shows a significant reduction compared to the last three years. This income R$600 million in 2013 to R$130 million in 2015. And we expect to invest around R$40 million this year.

Going to page 13, Aliansce's total debt reached R$1.7 million in 4Q, and net debt was R$1.6 million. It is worth mentioning that 87% of net debt is long term, with an average maturity of 5.7 years. And most of our debt is linked to indices, mainly TR which accounts for 75% of our total debt. And as a result, the change in our cost of debt in the last two years, there was an increase of 3.1 p.p. since the 4Q12, and in the same period, the SELIC rate increased by 7 p.p.

Going to the next page, we highlight Aliansce's main operating and financial indicators in 4Q15 and the last 2 years.

With that I conclude this presentation and open for any questions you might have. Thank you.

Operator:

This concludes the question and answers section. At this time, I would like to turn the floor back to Mr. Henrique and Mr. Eduardo for any closing remarks.

Aliansce:

Thank you. And we remain available for any questions or comments you might have. Good day.

Operator:

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