



Operator:

Good morning ladies and gentleman. At this time, we would like to welcome everyone to the Aliansce 1Q16 Earnings Conference call. Today, with us, we have Mr. Eduardo Prado, ILO; Mr. Renato Botelho, CFO, and Mr. Mauro Junqueira, CIO. 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.

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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.

Additionally, the Company's managerial financial information and other non-accounting information presented below have not been reviewed by independent auditors. For a review of the Company's accounting and audited information, please refer to the Company's consolidated financial statements.

In response to the Circular Letter CVM/SNC/SEP No. 01/2016, the sale of Boulevard Corporate Tower – a commercial tower next to the Boulevard Belo Horizonte Mall –, formalized in June 2014, was reclassified for accounting purposes, although formally and legally it was a sale. The managerial financial information presented during this call does not reflect this Reclassification.

The managerial-financial information presented during this call does not reflect the reclassification. Now I will turn the conference over to Mr. Eduardo Prado who will start the presentation. Mr. Prado, you may begin the conference.

Eduardo Prado:

Good morning. I would like to welcome everyone to the conference call of Aliansce Shopping Centers in which we will be presenting the 1Q16 results.

Going to the slide three of the presentation, here, we see the main indicator regarding sales per sqm. Same-store sales were reduced by 4.8% in the first quarter, same-area sales went down 3.9%, and sales per sqm was decreased by 1.7%.

It is important to mention, to talk to about the three indicators and the comparison between those three indicators, and it is clear the impact of the tenant mix adjustments of the



Company constantly does. The difference between same-store sales and same-area sales is basically changes in stores in the same area.

And when we compare same area sales to sales per sqm, it is clear that the Company has been able to change, to occupy spaces with a higher productivity and remove stores that were selling below the mall's average. It is also important to mention that all of those metrics, same-store sales, same-area sales and sales per m² improved compared to the last quarter, 4Q15.

On the left hand-side graph in the bottom of the slide, there is comparison between same area sales and same store sales during the past year. As you can see, same area sales growth has always been higher than same store sales and that has been the case in the past 5 years. In the last graph, total sales growth in the past five years presented a CAGR of 12.4%, reaching R\$1.8 billion in the 1Q16.

Going to the next slide, slide 4, continuing operating highlights in the portfolio in the 1Q16, occupancy rates reached 96.1%, compared to 97.2% in the 4Q15. The change in the variation on occupancy rates was highly concentrated on three anchors that have left three malls of the portfolio. We already approved a lease proposal for one of those anchors at Via Parque Shopping, increasing the occupancy rate of the portfolio to 96.5%.

On the next graph, you can see the net late payments of the portfolio, which reached 6% in the 1Q16, compared to 5.3% in the 1Q last year.

Usually the 1Q has a higher uncollectible when you compare to the remainder of the year. 6% is still a comfortable level, especially when you consider the current macro scenario.

Looking at occupancy cost, total occupancy cost of the portfolio reached 11.4% in the 1Q16. Looking at the last 12 months, the total occupancy cost was up 10.4%. Again, it is clear in this graph that you can see the 1Q impact, we have a lower sales during the 1Q, the impact on the occupancy cost. Occupancy cost for satellites reached 15.1% and during the last 12 months the occupancy cost for satellites was up 13.9%, still below the sector's average and leaving room for further rental increase.

Moving to slide number five, some indicators regarding the top ten assets of the portfolio. Those assets represented approximately 82% of our NOI in 1Q16. The top ten assets had an occupancy rate of 97.6% in the quarter. Satellite sales were about R\$2000 per sqm. And same store rent was 7.3% in the quarter, compared to 7.1% of the portfolio.

Going to the next slide, talking now about financial highlights, the breakdown of Aliansce's gross revenue. Approximately 70% is from rent revenues, and of those 70%, 83% comes from minimum rent. The remainder comes from stands and kiosks and the percentage rent. It is important to highlight the parking contribution in the Company's gross revenue, which continues to increase significantly, as it has been the case for the past five years.

Gross revenues, as you can see on the right hand side graph, grew by 8.1%, reaching R\$146 million in 1Q16. If we exclude the divestments with Via Parque, where we sold a 35% estate in the asset, and also excluding a small estate acquisition in Shopping da Bahia, those revenues grew by 10.9% in the quarter.



On the next slide, you can see the same store rent 7.1% growth in 1Q, significantly increase compared to the last for quarters. And it is important to mention that the number already includes discounts granted by the Company during the period. Again, three main indicators of rental growth per sqm presented a significant increase compared to 4Q15.

On the bottom left hand side, you can see the growth of minimum rent per sqm and the impact of main inflation index of our contracts in that number. We also show here in this slide, the same store rent growth per store type in 1Q. The main highlight was the leisure segment, growing by more than 20% in the quarter. And mega stores growth is explained mainly by the electro electronics segment performance and also anchors growing by 7% and satellites on a same store rent basis of 6.5% in the quarter.

Moving to the slide 8, talking about financial highlights. In terms of revenues, highlight again was the parking revenue, increasing a double digit, with a growth of 18.5%. Parking revenues have grown double digit for the past five years.

The traffic flow increased by 2.3% in the quarter and the average ticket also has increased in the quarter. As a result of 14 of the 17 malls which charge for parking in 1Q16 they increased parking revenues.

Another highlight was the mall and media, this is the rental revenues coming from kiosks and merchandising. In 2012, Aliansce became responsible for all the leasing activities regarding Mall & Media. And, as you can see on the left hand side, the trajectory of M&M revenues, and its representativeness on our growth revenue, coming from 7.3% reaching above 10% in 1Q16. Between 1Q12 and the last quarter, M&M posted a CAGR of 27.5%.

Talking about costs and expenses, parking costs presented a reduction of 28% in 1Q16. This is mainly because the Company has automatic stations in all of our portfolio, reducing labor costs. So, the parking margin increased by 10 p.p. in the last 12 months and has reached 85% in the quarter.

Also, G&A expenses were reduced by 1.7% and the Company has been able to reduce G&A expenses for the second quarter in a row. Looking at the graph on the bottom left hand side, you can see the trajectory from 1Q12 to 1Q16. G&A over net revenues came from 21.6% to 14.3% of net revenues in the last quarter.

Going to slide 10, talking about CAPEX and the pipeline. Net investments in the last quarter were R\$20.3 million, a reduction of almost 20% on 1Q15. The main contribution to investments during the quarter came from the acquisition of the stake in Shopping da Bahia and the investments renovation in the portfolio.

As you can see on the first table, the expected CAPEX for the next three years is close to R\$140 million. The main investment will be on renovations and maintenance of the portfolio. we only have one expansion to be opened during the year. We do not expect an investment in the next two years. That could be changed if the macro scenario changes, if we see a possibility of adding new GLA to the portfolio.



It is important to mention that we have three projects already approved and waiting for the right moment to be launched. At this time we do not have an expectation of when those expansions will be leased, but the projects are ready and we are just waiting. The only expansion to be opened is on Shopping West Plaza, it is a new movie theater in the mall. It has a little bit above 3,000 sqm of GLA and representing a net Capex of R\$5 million at stake. The expected IRR of this investment is a little bit above 10%.

Going to the next slide, talking now about recent events. The Company was successful in issuing new debts, representing a reduction in costs and longer maturity, in comparison to the debt we have prepaid. Basically, there was a prepayment of R\$52 million of debt, which had a cost of 20% and a maturity in 2019. And the Company was able to issue the debenture in the amount of R\$75 million, a significant cost reduction of 16%, representing CDI plus 1.7%. And with a long term maturity of 12 years with a 12-month grace period on principal.

Another recent event was the opening of the 20th expansion of Shopping da Bahia. The Company added a supermarket, with roughly 1,000 sqm of GLA, one mega store and 400 sqm of satellite stores. The expansion is 96% leased and the project have a stabilized cap rate of 18.1%.

With that we conclude this presentation. And myself and my colleagues are available to any questions you may have.

Operator:

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

Eduardo Prado:

I would like to thank you for your participation and say that we remain available for any question you may have. Have a nice day.

Operator:

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