Conference Call Transcript
4Q08 Results
Multiplan (MULT3 BZ)
March 19th, 2009

Operator:

Good afternoon, welcome everyone to Multiplan 4Q08 earnings conference call. Today with us we have Mr. José Isaac Peres, CEO; Mr. Armando d'Almeida Neto, CFO and IRO; Mr. Marcello Barnes, Chief Investment Officer; Mr. Hans Melchers, Planning and IR Manager; and Mr. Alberto Santos, Director.

Today's live webcast and presentation may be accessed through Multiplan website at: www.multiplan.com.br/ir. We would like to inform you that this event is being recorded and all participants will be in a listen-only mode during the Company's presentation. After Multiplan remarks, there will be a question and answer session. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Multiplan management and on information currently available to the Company. They involve risks and uncertainties because they relate to future events and therefore depend on circumstances that may or may not occur.

Investors should understand that conditions related to the macroeconomic scenario, industry and other factors could also cause results to differ materially from those expressed in such forward looking statements.

Now, I will turn the conference over to Mr. d'Almeida on behalf of Mr. Peres. Mr. d'Almeida, you may begin your conference.

Armando d'Almeida Neto:

OK. Thank you. Good morning, thank you for joining Multiplan's conference call. We will start with a speech from Mr. Peres, on behalf of Mr. José Isaac Peres, and then I will move forward with the presentation.

"Ladies and Gentlemen, good morning. I am very pleased to present you with Multiplan's 2008 4Q operating results. While the economic crisis ripped across the globe, Multiplan has maintained its strength and stability.

Although from October to December 2008 we saw extreme capital market volatility, our 4Q operating results were exceptional. Not only did we grow same store sales by 8% and EBIDTA by 18%, we opened a new mall in Porto Alegre, BarraShoppingSul, almost fully occupied, which was a milestone for Multiplan. It was the first time in Multiplan's history that we maintained 100% ownership interest in a new development project from start to finish. We are very proud of this accomplishment and will allow all our shareholders to participate in what we know will continue to add great value to the Company.

We will continue to reinvest in our properties to maintain our strength and leadership in the marketplace as evidenced with the three expansions that were opened in the 4Q. Currently, Multiplan has five expansions under development and one shopping center under construction: Shopping Vila Olímpia, in São Paulo. We will also begin the construction of Cristal Tower, which had 70% of its units sold.

We are very well positioned with our land bank with almost 1 million m² to take advantage of future greenfield developments when the market conditions support new development.

The team at Multiplan is focused and dedicated to continue to drive the best results in all areas of the Company, keeping our malls as leaders in the cities where they are located. Recently, we worked with Jones Lang Lasalle to evaluate our properties and the results was that our assets, the Multiplan assets were evaluated as R$6.2 billion, not considering our land bank and the shopping mall under construction, Vila Olímpia.

We look ahead for 2009 with realism. Despite the unstable scenario, Brazilian economy has proven to be quite resilient among other emergent countries. We believe our past experience with economic crisis during 30 years of existence will help weather the storm through the current global crisis.

Thank you for your support of Multiplan to date and we look forward to your continued support in the future."

We now move ahead with the presentation, starting on page three. Once again, in the 4Q08, we brought a consistent performance in our main operational indicators. Our investments, as expected, reflected in higher sales. Our shopping centers sales presented an impressive performance growing by 19% on a year-on-year comparison, after a nearly 20% growth presented in 2007. We outperformed comparables figures like national retail sales and the average shopping center sales being 9.1 % and 11.4% respectively.

This number is not only a consequence from the investments we made to add new areas, but also a result of the successful changes implemented in the tenant mix. Same area of sales over same-store sales is a good measure of what I just mentioned. Both presented a significant real growth when compared with the Brazilian CPI.

Our rent revenue grew by 21% in 2008 while same store rent presented a 11% growth or 270 b.p. over the IGP-DI renewal effect, the inflation that measures these agreements in Brazil.

Moving to page four, in this graph we try to show that rent as a percentage of sales is not a commodity but also showing the room we have to rent increase in selected properties of our portfolio.

On slide five, we highlight what we are doing to continue growing. Our focus is the consumer. We have a continuous effort working on the shopping center mix, replacing operations for others that will anticipate their needs and market trends.

2008 was a record year in renovations. The idea is to make our portfolio a place that consumers find quality operations, services and entertainment in a pleasant atmosphere. Our strategy led to higher sales and consequently a lower occupancy cost to our tenants.

On page six we show our income breakdown. Our gross revenue increased by 23% reaching R$453 million. In 2008, we showed a positive contribution on all shopping center related revenue. Rent revenue grew by 23% including a 42% increase in merchandise for the year. Looking at the 4Q picture, the meaningful growth of 29% in the minimum rent demonstrate the trust from our tenants in our portfolio's future performance bringing to our Company a more predictable cash flow.

On the next slide, number seven, this is one of the most significant growths presented in our report. Net operating income, NOI, grew 37% in the quarter, achieving R$96 million or R$280 million in 2008. The growth is due not only to the new expansions, parking operations and organic growth but also to substantial margin increase, from 83% to 87% in the quarter. Also worth mentioning our leasing success in 2008 leading to a R$51 million in key money contracts.

Parking was another example of results that grew revenues above expenses. Parking net revenues double its figure from one year to the other. We expect to charge parking in the remaining three shopping centers until the end of 2010.

Moving to slide eight, please, the main impact of the law 11.638 was in the stock option program cost, amounting R$1.3 million in the year 2008.

We can move to slide number nine where we talk about the financial status. In the last quarter 2008 we leveraged the Company to face the investments required to deliver our pipeline. We raised about R$200 million being R$120 million in long-term debt and R$80 million in short-term instruments to increase our cash position, our net debt of R$204 million represents 81% of our EBTIDA for the year.

And this healthy financial position, is even more impressive if considered that in the last year we invested over R$700 million in expansions, new developments and acquisitions as shown on slide number 10. We have consistently invested more quarter on quarter, having a significant increase if compared to years before, basically with the proceeds coming from the IPO and our own cash flow generation. Never before Multiplan has so many projects at the same time.

In the slide 11, it shows what we have delivered just in the last quarter. We opened one new development and three expansions adding 65.000 m² of GLA to our portfolio. BarraShopping Sul, as already mentioned in our last call, is the largest Shopping Center in the South region of Brazil, our largest in own GLA and the second largest of our portfolio being only 1.200 m² smaller than BarraShopping, which passed through six expansions to get to its size.

Additionally, we opened the first phase of the largest expansion from RibeirãoShopping, adding two new important anchor stores to the mall, five restaurants, besides 14 other new stores.

ParkShopping Barigui Gourmet expansion added a new floor to the shopping anticipating the trends and needs from our consumers, while ParkShopping in Brasília added 23 stores, being 20 new operations to the city, adapting to the new fashion profile of the renewed shopping mall.

Even delivering all this projects, we still have a further pipeline to develop and this is described on slide 12. In 2008, we added 415 new stores to our portfolio and in our pipeline we plan to add 600 new stores. This will lead our total GLA to achieve 554,000 m² and our investments amounting R$404 million. Those are some of the projects of the Company that was modified and updated in the last quarter to excel our initial plans.

So, what do we have ahead of us? First of all, Shopping Vila Olimpia. As you can see on the pictures on the slide 13, the shopping mall is already on a advanced stage of construction, getting to the fifth and last floor of the project. The project is 71% leased and we expect the opening during the 2H09.

Four expansions are also coming as shown on slide 14. They are also under construction and presented a tremendous leasing success being nearly 90% leased. It is certainly worth mentioned that those are some of the largest expansions of our shopping malls have undergone so far. Three of these expansions are planned to open already in 2009 and together with the projects delivered last year will have a substantial impact on our revenues.

Besides those projects under construction, we have another two projects, which due to its early leasing success and expected returns will have its construction started in 2009. These projects are listed on the slide 15. The first is the second expansion of ParkShopping Barigui, in Curitiba. This is the largest expansion the shopping mall ever had and certainly one of our expansions with the highest return. Reason for that is that our only five year old mall is already consolidated in the city of Curitiba, being greatly demanded by our tenants and consumers, leading this expansion to have over 90% of its GLA planned for satellite stores only.

The second project that we plan to start construction is an office tower, Cristal Tower, which due to the increasing value of the region surrounding BarraShopping Sul, had 2/3 of its units sold for a price comparable with markets like São Paulo and Rio de Janeiro.

The next slide will have some of our main figures, which might help us during the next part of the call were we open for the questions. So, besides Mr. Peres and myself, we have Marcello Barnes, Alberto Santos e Hans Melchers available for any questions you might have. Thank you and thank you very much.

Operator:

There are no questions at this time. I will now like to turn the call back over to Mr. d'Almeida.

Armando d'Almeida Neto:

Well, thank you very much. Since we have no questions I just want to thank you for participating, thank you for your support to Multiplan, and if any questions arise, we are always available, please contact myself or our Investor Relations team at any time. Thank you very much, and have a great day. Bye.

Operator:

Thank you, this concludes today's Multiplan 4Q08 earnings conference call. You may disconnect your lines at this time.