GP Investments

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Prof. Bülent Gültekin July 2010

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Creating BR Malls: the Acquisition of ECISA[1]

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Creating BR MALLS – the acquisition of ECISA

GP Investments, the largest private equity firm in Latin America, is partnering with Sam Zell's Equity International to make a joint bid for a controlling stake in ECISA Group – a large mall owner and operator in Brazil. GP Investments expects to close the transaction during October 2006 to create the largest player in the sector by implementing an aggressive M&A strategy. The members of the investment committee are excited about this acquisition in the Brazilian mall industry but are concerned about the historically high volatilities of several key economic variables that could adversely affect the viability of the transaction. GP Investments' exit strategy considers taking the firm 100% public in the Brazilian stock market (BOVESPA) within a two-year timeframe and fully divesting its exposure within 5 years.

ECISA Group

ECISA group is currently one of the leading mall owners and operators in Brazil. The firm was created in 1949 as a construction company with a particular focus in developing roads, viaducts, and highways. In 1971, ECISA began developing shopping centers and gradually decreased its participation in other activities. Since then the company has built and managed several malls including Shopping Recife, NorteShopping, Shopping Campo Grande, and Shopping Del Rey. In the 1990s, the management and leasing activities were transferred from ECISA to special purpose companies called EGEC and DACOM. These companies were founded by ECISA to provide those services to its own malls and to those owned by third-parties. In summary, the ECISA Group is divided as follows:

a) ECISA – Mall Ownership
b) EGEC – Mall Management
c) DACOM – Mall leasing

ECISA (Mall Ownership)

ECISA derives its revenues from three major sources: rent (both a minimum fixed rent and a variable fee based on store turnover), cession of rights ("luvas"), and parking fees. ECISA owns the following properties:

NorteShopping

Located in Rio de Janeiro and serving 24 middle-to-low class neighborhoods. Opened in 1986, NorteShopping has a GLA[3] of 65,103 m^2, 320 stores, and 4,000 parking spaces. It is currently undergoing a large expansion project which will increase its GLA by 52%, or 33,000 m^2 (ECISA owns 100% of expansion GLA). The new area is scheduled to open in December of 2006 and will make Norteshopping the largest shopping center in Rio de Janeiro. (NOI[4] CAGR: 14.9%)

Shopping Info

NORTESHOPPING	2003	2004	2005
Occupation Rate	96.7%	97.4%	97.6%
Average Turnover	12.4%	15.2%	14.3%
NOI (R$'000)	29,429	34,586	38,856
Area	64,047	64,575	65,103
NOI/m2	459	536	597

Recife

Shopping Center Recife was the first in the northeast region, and currently is the largest in Brazil in leasing space. Opened in 1980, Recife has a GLA of 81,816 m^2, 465 stores, and 5,000 parking spaces. (NOI CAGR: 15.5%)

Shopping Info

RECIFE	2003	2004	2005
Occupation Rate	97.9%	96.9%	95.8%
Average Turnover	12.2%	7.0%	16.4%
NOI (R$'000)	38,714	45,798	51,690
Area	81,816	81,816	81,816
NOI/m2	473	560	632

Campo Grande

Shopping Campo Grande is the only mall located in Campo Grande, the capital of the state Mato Grosso do Sul, serving the city's high income population. Opened in 1989, Campo Grande has a GLA of 54,000 m^2, 175 stores, and 2,100 parking spaces. (NOI CAGR: 13.1%)

Shopping Info

CAMPO GRANDE	2003	2004	2005
Occupation Rate	97.0%	97.9%	97.5%
Average Turnover	12.6%	12.0%	6.9%
NOI (R$'000)	9,155	10,637	11,716
Area	54,000	54,000	54,000
NOI/m2	170	197	217

[3] ***GLA (Gross Leasable Assets):*** sum of all areas in a shopping mall that are available for lease.

[4] ***NOI (Net Operating Income):*** gross revenue minus costs plus depreciation and amortization.

Del Rey

Shopping Del Rey is the largest mall in Belo Horizonte, the third largest metropolitan area in Brazil, and caters to a middle-class consumer base. The mall was opened in 1991 and has a GLA of 51,118 m^2, 219 stores, and 2,400 parking spaces. (NOI CAGR: 17.1%)

Shopping Info

DEL REY	2003	2004	2005
Occupation Rate	95.3%	95.3%	96.7%
Average Turnover	7.3%	12.3%	7.8%
NOI (R$'000)	11,120	12,176	15,237
Area	51,118	51,118	51,118
NOI/m2	218	238	298

Villa-Lobos

Shopping Villa-Lobos is located in a high income neighborhood in São Paulo. Opened in 2000, Villa-Lobos has a GLA of 27,333 m^2, 226 stores, and 1,591 parking spaces. (NOI CAGR: 19.2%)

Shopping Info

VILLA-LOBOS	2003	2004	2005
Occupation Rate	90.5%	94.3%	95.7%
Average Turnover	27.1%	9.2%	4.4%
NOI (R$'000)	16,775	21,388	23,849
Area	25,714	26,524	27,333
NOI/m2	652	806	873

Iguatemi Caxias

Shopping Iguatemi Caxias is located in the second largest city of the Rio Grande do Sul state, one of the richest in the country. Opened in 1996, Iguatemi has a GLA of 16,000 m^2, 110 stores, and 1,700 parking spaces. (NOI CAGR: 22.0%)

Shopping Info

IGUATEMI CAXIAS	2003	2004	2005
Occupation Rate	97.7%	98.8%	97.7%
Average Turnover	12.6%	8.5%	4.9%
NOI (R$'000)	3,732	4,721	5,559
Area	16,000	16,000	16,000
NOI/m2	233	295	347

In addition to the malls listed above, ECISA also owns a minority stake in Independência Shopping, a 24,000 m^2 GLA mall still under construction in the city of Juiz de Fora.

Figure 1 illustrates the geographic distribution of the owned shopping center locations:

Figure 1 - ECISA Shopping Center Locations (Ownership in %)

EGEC (Mall Management)

EGEC is one of the largest mall management companies in the country. Its responsibilities include marketing and promotion, security / cleaning / maintenance, and store mix management. EGEC revenue sources include (i) a NOI-based management fee paid by mall owners, (ii) a percentage of the Condominium expenses paid by store owners, and (iii) a percentage of the marketing fund of the mall. Its portfolio of clients includes five malls owned by ECISA and thirteen third party malls. Figure 2 below illustrates the geographic distribution of EGEC's shopping center locations:

Figure 2 - EGEC Managed Shopping Centers

DACOM (Mall Leasing)

DACOM is a real estate brokerage firm specializing in selling space in shopping centers. This subsidiary derives its revenues from commissions paid by both the mall and store-owners upon new rent contracts, and on the sale of merchandising space inside the mall. The firm's client portfolio includes all six malls owned by ECISA and thirteen third party malls. Figure 3 below illustrates the geographic distribution of the DACOM-managed shopping center locations:

Figure 3 - DACOM-Managed Shopping Centers

Current sources of Revenues:

i) **Leasing –** stores in the shopping centers enter into lease agreements with an average term of five years. Rent is based on the higher of either a minimum marked value-based rent or a percentage of the total sales of the tenants. This source of revenue represents about 71-73% of total gross revenues.

ii) **Parking space Fees –** this represents around 16-18% of total gross revenues.

iii) **Key Money –** tenants pay an additional amount entitling them to the use of commercial space in shopping centers. This represents about 5% of total gross revenues.

iv) **Transfer Fees –** shopping centers are entitled to a percentage of the transfer price of commercial space from one tenant to another.

v) **Revenue from Services: Management of development and respective tenants:** DACOM generates revenue from a fee paid by the shopping center and a fee paid by the shopping center's lessees (predetermined amount or a percentage of the condominium's total costs and promotion funds).

vi) **Revenue from Services: Leasing and Merchandising of stores and common spaces:** DACOM provides leasing and merchandising services for stores and common spaces, which

are generally charged as a percentage of the value of the agreements for leasing of stores, kiosks, and merchandising space.

Main costs:

i) **Payroll –** salaries and wages, social security contributions and benefits provided to the employees of each shopping center.

ii) **Services provided by third parties** – includes shopping center management fees, legal fees, expenses from services provided by individual contractors and services provided by corporate contractors.

iii) **Condominium costs -** expenses relating to the maintenance of vacant stores which are borne by the owners of each shopping center.

Promotion fund – contribution owned by shopping center owners for promotion funds maintained by lessees to cover part of the shopping center's marketing and advertisement costs.

iv) **Depreciation and amortization –** includes depreciation of the shopping center's buildings calculated using straight line depreciation on the basis of a depreciation rate determined in appraisal reports.

v) **Commercial costs -** costs relating to brokering services provided by DACOM with respect to the marketing and merchandising of each shopping center's stores and common space.

The table below shows a breakdown of ECISA's total gross revenue from rent and services (numbers are expressed in thousands of Reais -$R):

Gross Revenue from Rent and Services	2004	% of Total Gross Revenue	2005	% of Total Gross Revenue
Leasing	57,900	80.6%	62,526	76.1%
Parking fees	11,364	15.8%	15,067	18.3%
Key money	1,834	2.6%	4,009	4.9%
Transfer fees	158	0.2%	306	0.4%
Management services	-	0%	-	0%
Leasing and Merchandising services	-	0%	-	0%
Other	540	0.8%	264	0.3%
Total gross revenue from rent and services	71,796	100%	82,172	100%

The following table shows the contribution of the principal shopping centers to the total gross revenue from rent and services (numbers are expressed in thousands of R$):

Gross Revenue from Rent and Services	2004	% of Total Gross Revenue	2005	% of Total Gross Revenue
NorteShopping	25,784	35.9%	28,708	34.9%
Shopping Recife	16,709	23.3%	19,760	24.0%
Shopping Campo Grande	11,097	15.5%	12,807	15.6%
Shopping Villa Lobos	8,935	12.4%	10,233	12.5%
Shopping del Rey	5,737	8.0%	6,901	8.4%
Iguatemi Caixas do Sul	2,994	4.2%	3,508	4.3%
Services	540	0.8%	264	0.3%
Other	-	0.0%	-	0.0%
Total	71,796	100.0%	82,181	100.0%

The Shopping Center Market in United States

Modern shopping centers were first developed in the United States during the 1920s. The format has changed several times since then, but it was in the 1980s that the American shopping center industry showed unprecedented growth. There was a surge in major regional shopping centers, those with more than 80,000 square meters[5] of GLA (Gross Leasable Area). Between 1989 and 1993 the savings and loan crisis deeply affected the development of new shopping malls. In 1993, the structure of shopping center ownership in the United States changed significantly when various family-owned companies began transforming themselves into REITs (Real Estate Investment Trusts) and listing on U.S. stock exchanges. The incorporation of the listed REITS led to the consolidation of the shopping center industry. Newly incorporated REITS include Simon Property, General Growth Properties, Kimco Realty, Developers Diversified, Taubman, Westfield Group, The Mills Corp, and others.

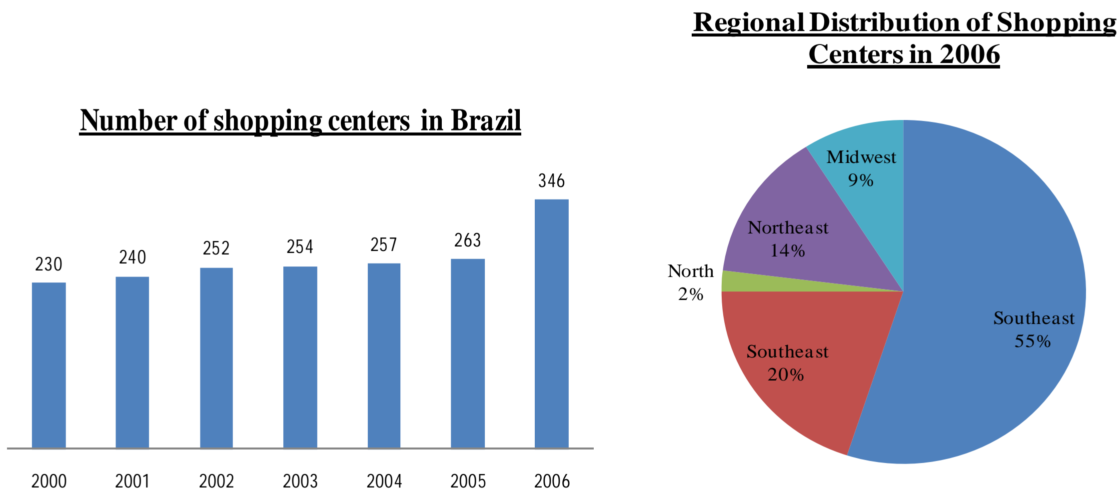
In 2005, there were 48,695 shopping centers in the U.S., totaling 563 million square meters of GLA with an average size of 11,600 square meters per shopping center. However, 62% of the shopping centers have GLA of less than 10,000 square meters. Over the last 20 years, the number and total leasable area of shopping centers in America have grown at a compound annual rate of 2.9%, while the American population has grown at a compound annual growth rate of 1.1%. During this period, sales generated at shopping centers grew at a compound rate of 5.5% and totaled more than $1.5 trillion in 2005.

The Shopping Center Market in Brazil

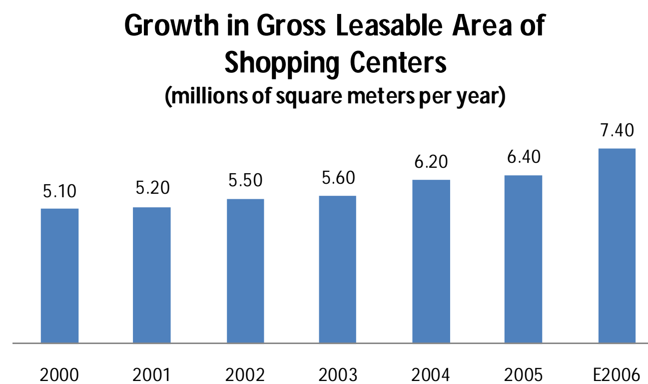
The first modern shopping center in Brazil was developed in 1966 but it was really in the 1980s when the shopping center industry emerged. The Brazilian Research Institute indicates that by mid-2006, there were 346 shopping centers. The development of new malls peaked in the 1990s as the Real Plan brought

[5] One square meter is equal to 10.76 square feet.

inflation under control. Factors for demand growth have been urban growth, a need for greater security and comfort while shopping, the Brazilian volatile climate, introduction of women to the workforce, economic stability, and increased investment in shopping centers by pension funds. The following charts show the growth of the number of shopping centers and regional distribution in Brazil:



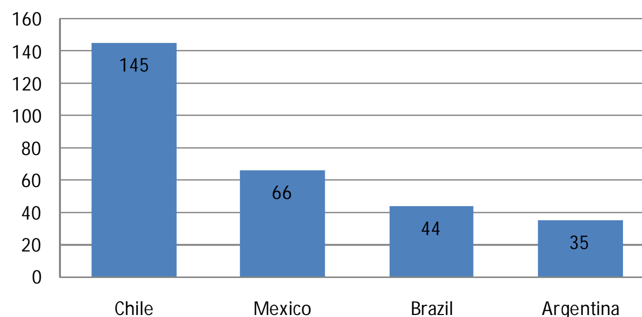
Brazil has a total GLA of 7.4 million square meters, which represents only 1.3% of the total GLA in United States. The GLA in Brazil is concentrated in the southeast (over half of the shopping malls are located in the states of Sao Paulo and Rio de Janeiro), which has the largest population density and income per capita. New opportunities are arising in the country's interior, since population growth has lately migrated to secondary cities. These cities are also experiencing rising incomes related to the global commodity boom.



Shopping center sales has grown 1.9x GDP between 2002 and 2005. Brazil's shopping mall sales and economic growth are closely correlated. Analysts have estimated the elasticity of shopping mall sales to GDP between 1.1x and 2.0x. This suggests there is potential for expansion in the sector given GDP growth forecasts for the Brazilian economy, which are north of 4% for the upcoming years, and the low GLA per

capita figures (see chart below for a comparison within the region). The GLA per capita of shopping centers in Brazil of 0.044 square meters still has plenty of room to reach the 1.91 square meters of the U.S.

GLA Per Capita (sq. meters per 1,000)



Market Fragmentation and Sources of Funding

The Brazilian shopping mall industry is highly fragmented and diversified. Brazil is ranked tenth worldwide in the number of shopping centers in operation but is one of the most specialized. Initially, investors in the sector were solely banks, holding companies, construction companies, and individuals. Later in the 1980s, Brazilian private pension plans began to invest in shopping centers and became the primary source of funding. The primary contributions by pension plans and wealthy families resulted in small portfolios of malls and diluted ownership of individual properties. On average, between 4 and 5 investors lay claim to each mall. Lately, to comply with government imposed limits on pension funds' real estate investments, funds are pairing back their investments in real estate and in some cases selling off their real estate portfolios altogether. This is creating opportunities for new investors.

In the last five years, the Brazilian shopping center industry has invested in market niches; developing enterprises with neighborhood or community formats which are smaller than the average shopping center and are located in medium sized cities. Due to the lack of financing alternatives to fund new or large shopping centers in capital cities and large urban centers, developers have begun to operate in smaller markets in Brazil's countryside through smaller and less costly buildings. Recently, shopping centers have also been increasing the range of services they offer, including entertainment, leisure, and cultural services. The market continues to be highly fragmented: the 10 major groups of shopping center owners hold only 18.3% of the total number and 31.5% of the total GLA of shopping centers.

Categories of Shopping Centers

Shopping centers can be classified in 8 different categories: Neighborhood Shopping Centers, Community Shopping Centers, Regional Shopping Centers, Specialized Malls, Outlet Centers, Power Centers, Discount Centers, and Festival Malls. In Brazil most of the existing shopping centers are regional shopping centers offering a variety of goods and services and have anchor stores, discount department stores, and supermarkets as main attractions. Regional shopping centers do not usually have open spaces and stores usually face inward. The number of theme malls has been growing as well as projects for constructing of festival malls.

Regulation of Shopping Centers:

Shopping centers can be set up by either:

(i) incorporation, or building of condominiums, with the creation of autonomous condominiums established pursuant to the Brazilian Condominium and Development Law and the Brazilian Civil Code. Each store represents an autonomous unit and the relationship between the condominium's members is regulated by the condominium agreement and internal regulation

(ii) a deed for an undivided shopping center under the pro-indiviso condominium model, also regulated by the Brazilian Civil Code, in which the development represents a single property and the relationship between co-owners is regulated by a co-owners' agreement.

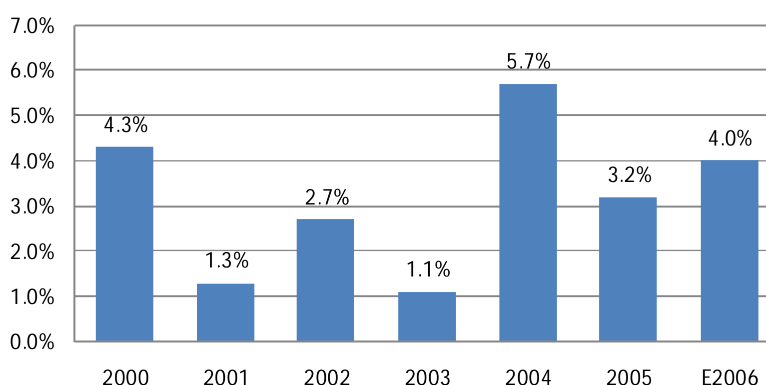
Condominiums: In Brazil the main shopping centers are organized as condominiums. The main difference between condominiums and "building condominiums" is that only the building condominium allows the developer to sell the units separately, in whole or in part, without the consent of the owners of the other units. Building condominiums and civil condominiums may coexist in the same development. It is common for a shopping center to be organized as a building condominium, in which each store is independently owned than to have many stores with two or more owners sharing a civil condominium.

Lease Agreements: leases in shopping centers are governed by the Brazilian Leasing Laws, which regulates the rights and obligations of lessors and lessees.

Macroeconomic Environment:

From 1964 to 2005, the Brazilian economy has experienced annual growth of 4.4%. However, this growth has not been uniform and rapid growth periods have been followed by severe and prolonged economic contractions. The last political and economic crisis occurred in the 1990s. In 1993, Brazil suffered an inflation rate of 2,477% and impeached President Collor. In 1994, President Franco implemented the "Plan Real", which successfully controlled inflation and brought it down to 22% by 1995. As part of the Plan Real a peg to the dollar was implemented. The flight to quality from the various crises in emerging markets (Asia, Russia) mounted pressure on the Brazilian fixed exchange rate regime. In 1998-1999 Brazil suffered a major currency devaluation.

Current President Luiz Ignacio (Lula) Da Silva was elected in 2002. Initial uncertainty about President Lula's economic policy led to heavy dollar outflows, and the local currency depreciated from R$ 2.27 in April to $3.95 in October of 2002. The new government took office in 2003 and has continued the previous administration's macroeconomic policies (inflation-targeting regime, floating foreign exchange rate, and primary surplus target), giving priority to fiscal responsibility and achieving macroeconomic stability. In 2004, Brazil's GDP increased 4.9% and the average unemployment rate in the country dropped from 12.3% to 11.5%. In the same year, Brazil had a public surplus in its public accounts before debt service of 4.6%, which exceeded the IMFs loan agreement. Inflation, as measured by the IPCA, was 7.5%. Since year-end 2002, GDP growth has been positive and the local currency has appreciated continuously (as in many other countries in the region). The following graph shows the GDP growth rate for the country since 2000:



In 2005, the Central Bank kept interest rates high in order to meet its annual inflation target of 5.1%. With the economic slowdown, the Federal Government began to reduce base interest rates in order to foster the country's economic recovery. By year end of 2005, the annual base interest rate was 18% and the local currency appreciated 11.8%. However, Brazil experienced a trade surplus of USD $ 44.7 billion – its

highest ever – and GDP growth of 2.3%. During the first half of 2006, the Central Bank has continued to reduce the SELIC interest rate, which has dropped to 13.75%. Economic analysts expect Real GDP growth for 2006 to be 2.9%, with IPCA predicted inflation of 3.1% and a currency appreciation of approximately 9%. The table below shows Brazil's GDP growth, inflation, interest rates, dollar exchange rates and the appreciation of the Real against the dollar for 2004, 2005 and E2006:

	Year Ended Decermber 31,		
	2004	2005	E2006
Real GDP Growth	4.90%	2.30%	2.90%
Inflation (IGP-M)*	12.40%	1.20%	3.80%
Inflation (IPCA)**	7.50%	5.90%	3.10%
Interbank Certificate	17.80%	18%	13.20%
Appreciation (devaluation) of the real against the dollar	8.10%	11.80%	8.70%
Exchange Rate per US$ 1.00 as at the end of the year	R$ 0.0265	R$ 0.0234	R$ 0.0210
Average Exchange Rate per $1.00	R$ 2.9257	R$ 2.4341	R$ 2.1771

**   IGP-M is the general market price index measured by the FGV/SP.*

*** IPCA is a consumer price index measured by IBGE.*

BOVESPA (Bolsa de Valores de Sao Paulo)

The Sao Paulo Stock Exchange is a not-for-profit entity owned by its member brokerage firms. Trading on this exchange is limited to member brokerage firms and to a limited number of authorized non-members. The CVM and the BOVESPA have discretionary authority to suspend trading in shares of a particular issuer under certain circumstances. Settlement of transactions occurs three business days after the trade date. In order to reduce volatility, the BOVESPA has adopted a circuit breaker system for which trading sessions may be suspended for a period of 30 minutes or one hour whenever specified indices of the BOVESPA fall below the limits of 10% and 15% in relation to the index levels for the previous trading session.

The Brazilian equity market is the largest in Latin America in terms of capitalization but it is smaller and less liquid than the major U.S. and European securities markets. The aggregate market capitalization of the 392 companies listed on the BOVESPA is R$1,545 billion (USD $ 722.6 billion), and the 10 largest companies listed on the BOVESPA represented 51.3% of the total market capitalization. In contrast, the aggregate market capitalization of the 2,763 companies in the NYSE total USD $ 25 trillion while the 10 largest companies listed on the NYSE represented 10.2% of the total market capitalization. Although volatility has decreased in the last few years, illiquidity is always a risk for BOVESPA.

The stock exchange has seen considerable growth and multiple expansions in the last years. In 2005, nine companies launched IPOs raising USD $2.3 billion, but the number is expected to grow for 2006 when market analysts expect that Brazil will have a record number of IPOs, raising a total of USD $7.1 billion. During the first half of 2006, GP Investments successfully launched five IPOs in the BOVESPA, three of them in the last half year: GAFISA in February 2006 for USD $438 million, Equatorial in March 2006 for USD $251 million, and Lupatech in May 2006 for USD $210 million.

Companies	Sector	Period	Return (cash on cash)	Thesis
Equatorial Energia	Power Distribution	Nov 2004 – March 2006	34.0x	Restructuring Project – GP took part in the company's new executive team and focused efforts on operational efficiency gains Acquisition of controlling stake in Equatorial Energia along with Pactual Capital Partners IPO raised US$ 438 million
Gafisa	Real Estate Developer	Dec 97 - Feb 06	6.3x	Restructuring Project – GP injected capital to help company during liquidity crisis; professionalized executives with aggressive Partnership with Sam Zell's Equity International Leader in Brazil's real estate sector IPO raised US$ 251 million

GP Investments

GP Investments was founded in 1992 and is the largest Private Equity firm in Latin America. GP Group was conceived as a partnership in which employees had the opportunity to become partners. As a result, the founders gradually transferred the management and control of the GP Group to some of the GP Partners as part of a natural succession plan. Since 2001, GP's Partners have managed the GP Group, which has raised more than $2.6 billion from Brazilian and international investors for several private equity funds.

GP views the creation of BR Malls as an opportunity to participate in the increasing demand for real estate assets in Brazil through a platform uniquely positioned to consolidate the Brazilian shopping mall sector. The growth potential in the property management business, the compression in capitalization rates, and the room to leverage the company are compelling factors for considering this deal. Similar to many of its previous deals, GP plans to install a partner as CEO of BR Malls. In less than one year, the firm plans to implement an aggressive M&A strategy by increasing ownership from 7 to 32 malls and administration from 24 to 25 malls, making BR Malls the largest player in the sector. The objective of the transaction is to combine a series of key strengths in BR Malls: ECISA's 50-year experience in shopping center development and mall operation, Equity International's world-class real estate intelligence and GP's experience in operations and M&A.

Strategy and Deal Structure:

GP's business plan for BR Malls is based on the following strategic points:

- **Focus on creating value through acquiring ownership interests in shopping centers**: the team's efforts will be dedicated to implementing a growth strategy through acquisitions. A new management division will be exclusively dedicated to the search, analysis, and execution of shopping center acquisitions. The growth strategy focuses on generating value through acquisitions that provide adequate returns independent of location, income segment of target customers, minimum percentage of ownership interest, and immediate control of the management of the shopping center. BR Malls would leverage its expertise in managing shopping centers to improve the operations of the shopping centers acquired, adding further value to the investments.
- **Expand existing shopping centers and develop new shopping centers**: the expansion of shopping centers owned by the company will help (i) obtain economies of scale where certain fixed costs are not significantly affected by such expansions; and (ii) maximize the revenue from growth in such shopping centers. Internal analysts believe the market for new shopping centers in Brazil represents significant potential for the development of mid-size projects targeting cities with 100,000 inhabitants and GLA per capita of 74.1 square meters. BR Malls could focus efforts in developing innovative projects that are commercially viable and constructing mid-size shopping centers at costs in line with potential returns in cities with less population density.
- **Expand the services business:** the management, consulting and marketing services ECISA Group provides should benefit from an accelerated growth of the shopping center industry in Brazil. Increased professionalism in the management of real estate properties should improve the demand for such services. Growth would come by expansion of customer base and through acquisitions of other companies that provide management, consulting and marketing services for shopping centers.
- **Implement standards of excellence throughout the company's operations:** in prior transactions, GP has successfully implemented excellent standards in operations, finances and personnel by adopting leading practices such as zero-base budgeting, variable compensation focused on the attainment of pre-defined goals, and systematically monitoring key performance indicators. At BR Malls, the focus would be on recruiting and retention rates as well as implementing incentives (including use of stock options) to align the interests of employees with shareholders.

GP and Equity International are negotiating a price to acquire a controlling stake of 55% of the ECISA Group (ECISA, EGEC and DACOM). All assets of the three companies would be transferred into a new vehicle, BR Malls. As part of the transaction, GP and Equity International plan to inject an additional R$ 100 million into the new company to finance capital expenditures and acquisitions. The valuation below shows pre and post money figures[6].

Exhibits 1-4 present the consolidated financial projections and valuation model for ECISA Group. The pre-money valuation of the company is R$ 630.5 million with an equity value of R$ 609.5 million. An external advisor has estimated the value of the group's equity in R$ 585 million with the following breakdown:

Equity Value (External Valuation	(in R$'000)
ECISA	492,327
EGEC	49,400
DACOM	43,274
Total Equity Value	R$ 585,000
Net Debt	20,985
Total Firm value	R$ 605,985

The purchase price considers an EBITDA multiple ranging between 7.3x-8.0x. At a pre-money price of R$ 585 million, the injection of R$ 100 million for CAPEX would give a post-money value of R$ 685 million and leave the ownership structure as shown in the charts below:

Investment Size		
Current Equity	R$	585,000
New Equity	R$	100,000
Total Equity	R$	685,000

	Primary	Secondary	Total	Total (US$)	%
GP	50,000	138,375	R$ 188,375	85,625	27.5%
EIP	50,000	138,375	R$ 188,375	85,625	27.5%
Founders	-	308,250	R$ 308,250	140,114	45.0%
TOTAL	R$ 100,000	R$ 585,000	R$ 685,000	311,364	100.0%

[6] ***Pre-Money Valuation*****:** this is the firm or equity value before the injection of the PE funds. Basically, it is equal to the Post-money valuation less the investment.

Post-Money Valuation: this is analogous to market capitalization for public companies. The calculation is investment/proposed ownership percentage or price per share * pre-transaction (fully diluted) share count.

Owner	%
GP Investments	27.48%
Equity International	27.48%
Richard Paul Matheson	19.75%
Dyl Empreendimentos Ltda.	19.75%
Leanardo Matheson Drummond	1.99%
Hugo Matheson Drummond	1.99%
Antonio Wadih Arbex	1.41%
Carlos Madeiros	0.15%
Total	100.00%

Other Financial Considerations:

Capital Expenditures and Other Acquisitions:

The projected capital requirements relate to the acquisition of ownership interests in existing shopping centers, expansion and implementation of new developments, investments in maintenance and modernization of assets. In line with GP Investments and Equity International's strategy, CAPEX projections consider the acquisition of additional interests in five shopping centers and the increase of 83.5 thousand square meters to the portfolio's GLA with a total investment of R$ 192.4 million. These acquisitions consider: (i) 30% of shopping Del Rey; (ii) 38.7% of Gaiana Shopping; (iii) 100% of Shopping Estacao; (iv) 10% of Pantanal Shopping; (v) convertible debentures with profit sharing rights issued by Maia e Borba S.A. which build Araguaja Shopping. The negotiations with Del Rey to increase ECISA's existing participation are in advanced stages and the transaction is expected to occur in late September 2006. Other negotiations to purchase 99% stake in firms such as DEICO are under way. DEICO is responsible for the management, leasing and planning of 13 shopping centers.

Internal Rate of Return and Risks ahead:

The expected Rate of Return in local currency for the transaction is 20.8%, as shown in the chart below:

IRR Calculations		Year 1	Year 2	Year 3	Year 4	Year 5
Initial GP Investment	-R$ 165,000					
Vehicle Net Debt	R$ -	R$ -	R$ -	R$ -	R$ -	R$ 5,282
Divestment Proceeds	R$ -	R$ -	R$ -	R$ -	R$ -	R$ 418,915
Total (R$)	-R$ 165,000	R$ -	R$ -	R$ -	R$ -	R$ 424,197
R$/US$	2.20	2.24	2.29	2.33	2.38	2.42
Total (US$)	$ (75,000.00)	$ -	$ -	$ -	$ -	$ 175,139.76
IRR (R$)	20.8%					
IRR (US$)	18.5%					
Cash on cash	2.3					

(Amounts expressed in thousands)

This Rate of Return considers a current equity value of $585 million, an investment period of 5 years, and an exit multiple of 11x. GP Investments is well acquainted with the real estate industry in Brazil and successfully led a recent deal with GAFISA. However, several risks lie ahead for the success of the "BR Mall" transaction: over 60% of revenues will be concentrated in few properties, low negotiating power with anchor tenants, execution risk associated with an aggressive acquisition strategy and high competition in a fragmented market. Furthermore, competition in acquisitions from well-capitalized players could drive up asset prices, increasing the risk of overpaying for properties. This could easily be the case especially if other international players such as GP's partner Equity International enter the market via alliances with local companies. Finally, a major risk is the traditional volatility of macroeconomic variables: potentially lower GDP growth, lower household income, higher interest rates and reduced credit availability could negatively affect consumers' disposable income and BR Malls' revenues.

Exhibit 1: Consolidated Balance Sheet

ECISA Group Balance Sheet								
(in R$ Thousands)	2003A	2004A	2005A	Year 1	Year 2	Year 3	Year 4	Year 5
ASSETS								
Current Assets								
Cash				115,141	156,827	208,669	265,542	333,854
Gross Accounts Receivable				18,076	18,076	18,076	18,076	18,076
(-) Uncollectibles				(5,854)	(5,854)	(5,854)	(5,854)	(5,854)
Net Accounts Receivable				12,222	12,222	12,222	12,222	12,222
Other Credits				11,426	11,426	11,426	11,426	11,426
Advanced Expenses				184	184	184	184	184
Total Current Assets				**138,973**	**180,659**	**232,501**	**289,373**	**357,686**
Long Term Assets								
Deposits in Escrow				1,065	1,065	1,065	1,065	1,065
Goodwill Reserves				208,333	166,667	125,000	83,333	41,667
Total Long Term Assets				**209,398**	**167,732**	**126,065**	**84,398**	**42,732**
Permanent Assets								
Investments				6,212	6,212	6,212	6,212	6,212
Gross Fixed Assets				403,584	422,495	434,054	447,251	451,852
(-) Depreciation				(180,779)	(200,222)	(220,926)	(242,400)	(264,754)
Net Fixed Assets				222,805	222,273	213,128	204,851	187,098
Deferred Assets				756	756	756	756	756
Total Permanent Assets				**229,772**	**229,241**	**220,095**	**211,819**	**194,065**
TOTAL ASSETS				**578,143**	**577,632**	**578,662**	**585,590**	**594,483**
LIABILITIES								
Current Liabilities								
Suppliers Payable				553	553	553	553	553
Accrued Taxes				4,228	4,228	4,228	4,228	4,228
Accrued Dividends				89	89	89	89	89
Client Advances				167	167	167	167	167
Others				5,121	5,121	5,121	5,121	5,121
Total Current Assets				**10,158**	**10,158**	**10,158**	**10,158**	**10,158**
Long Term Liabilities								
Intercompany Loan				2,462	2,462	2,462	2,462	2,462
Others				3,376	3,376	3,376	3,376	3,376
Total Current Assets				**5,837**	**5,837**	**5,837**	**5,837**	**5,837**
Financial Debt								
Financial Debt				35,350	40,683	46,798	53,803	61,811
Deferred Taxes				5,709	5,709	5,709	5,709	5,709
Revolver				-	-	-	-	-
Total Financial Debt				**41,059**	**46,392**	**52,506**	**59,512**	**67,519**
Deferred Revenues								
Revenues from "Cession of Rights"				4,858	4,858	4,858	4,858	4,858
Total Deferred Revenues				**4,858**	**4,858**	**4,858**	**4,858**	**4,858**
Shareholders' Equity								
Paid In Capital				144,964	144,964	144,964	144,964	144,964
Goodwill Reserves				208,333	166,667	125,000	83,333	41,667
Revaluation Reserves				56,500	50,164	43,829	37,493	31,158
Profit Reserves/ Other Reserves				3,986	3,986	3,986	3,986	3,986
Accumulated Profits				34,124	74,658	110,045	149,609	189,908
Period Profit/ (Losses)				68,325	69,949	77,479	85,840	94,429
Total Shareholders' Equity				**516,231**	**510,387**	**505,303**	**505,226**	**506,111**
TOTAL LIABILITIES				**578,143**	**577,632**	**578,662**	**585,590**	**594,483**

Exhibit 2: Consolidated Income Statement

ECISA Group Income Statement (in R$ Thousands)	2003A	2004A	2005A	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues								
ECISA				89,155	103,859	111,667	118,485	125,701
EGEC				12,736	13,372	14,041	14,743	15,480
DACOM				11,941	10,775	11,314	11,880	12,474
Total Revenues				**113,832**	**128,007**	**137,022**	**145,108**	**153,655**
(-) Sales Taxes				(5,406)	(5,900)	(6,291)	(6,651)	(7,031)
(=) Net Revenues		**82,020**	**88,907**	**108,426**	**122,107**	**130,731**	**138,457**	**146,624**
Growth			*8.4%*	*22.0%*	*12.6%*	*7.1%*	*5.9%*	*5.9%*
(-) Cost of Services		(19,007)	(18,721)	(21,090)	(23,978)	(25,717)	(27,258)	(28,888)
(=) Gross Operational Profits		**63,013**	**70,186**	**87,337**	**98,130**	**105,014**	**111,199**	**117,736**
% Margin		*76.8%*	*78.9%*	*80.5%*	*80.4%*	*80.3%*	*80.3%*	*80.3%*
(+) Equity Income		**2,791**	**4,293**	**5,024**	**5,297**	**5,586**	**5,891**	**6,214**
(-) Operational Expenses		**(30,819)**	**(27,351)**	**(26,433)**	**(32,620)**	**(34,619)**	**(35,993)**	**(37,474)**
Commercial		(4,360)	(1,611)	(1,498)	(1,820)	(2,120)	(2,279)	(2,419)
Administrative/Management		(9,097)	(11,119)	(10,155)	(10,501)	(10,874)	(11,262)	(11,665)
Depreciation/ Amortization		(14,990)	(14,045)	(14,045)	(19,443)	(20,704)	(21,474)	(22,354)
Taxes		(2,250)	(576)	(735)	(856)	(921)	(977)	(1,037)
Profit Sharing		(121)	-	-	-	-	-	-
(=) EBIT		**34,986**	**47,128**	**65,928**	**70,807**	**75,981**	**81,097**	**86,476**
(+) Depreciation/ Amortization		14,990	14,045	14,045	19,443	20,704	21,474	22,354
(=) EBITDA		**49,976**	**61,173**	**79,973**	**90,250**	**96,685**	**102,571**	**108,830**
% Margin		*60.9%*	*68.8%*	*70.3%*	*70.5%*	*70.6%*	*70.7%*	*70.8%*
(+) Financial Revenues		5,379		13,735	12,067	16,185	21,201	26,342
(-) Financial Expenses		(13,497)	(5,280)	(5,288)	(5,333)	(6,114)	(7,006)	(8,007)
(+) Non Operational Results/Goodwill Amortization		1,124	(125)	(41,667)	(41,667)	(41,667)	(41,667)	(41,667)
(=) EBT		**27,992**	**41,723**	**32,708**	**35,874**	**44,385**	**53,626**	**63,144**
(-) Income Tax		(8,553)	(9,364)	(12,385)	(13,927)	(14,908)	(15,788)	(16,718)
Effective Income Tax Rate		*30.6%*	*22.4%*	*37.9%*	*38.8%*	*33.6%*	*29.4%*	*26.5%*
(=) Net Income		**19,439**	**32,359**	**20,323**	**21,947**	**29,477**	**37,838**	**46,426**

Exhibit 3: Consolidated Cash Flow Projections

ECISA Cash Flow (in R$ Thousands)	2003A	2004A	2005A	Year 1	Year 2	Year 3	Year 4	Year 5
Net Income				**20,323**	**21,947**	**29,477**	**37,838**	**46,426**
(+) Depreciation				55,712	61,110	62,370	63,141	64,021
(+/-) Change in Working Capital				-	-	-	-	-
(+) Interest Expense/ Revenue (Existing + Revolver)				(8,447)	(6,734)	(10,071)	(14,195)	(18,334)
(=) Operating Cash Flow				**67,588**	**76,322**	**81,777**	**86,784**	**92,113**
(-) Investments				(80,968)	(18,911)	(11,558)	(13,197)	(4,601)
Mall Expansions				(80,968)	(18,911)	(11,558)	(13,197)	(4,601)
New Mall Acquisitions				-	-	-	-	-
(+) Divestments				-	-	-	-	-
Direct Investments								
(=) Investing Cash Flow				**(80,968)**	**(18,911)**	**(11,558)**	**(13,197)**	**(4,601)**
(-) Cash Interest Expense (Existing + Revolver)				-	-	-	-	-
(-) Cash Interest Revenue				13,735	12,067	16,185	21,201	26,342
(-) Existing Debt Amortization				(7,849)	-	-	-	-
(-) Previous Year Revolver Amortization				-	-	-	-	-
(+) New Debt Emissions								
(+) Equity Investment				-	-	-	-	-
GP+Investors				-	-	-	-	-
(-) Dividends				-	(27,791)	(34,561)	(37,915)	(45,542)
(=) Financing Cash Flow			**-**	**5,886**	**(15,724)**	**(18,377)**	**(16,714)**	**(19,200)**
(=) TOTAL CASH FLOW			**-**	**(7,494)**	**41,687**	**51,842**	**56,872**	**68,312**
Cash Balance BOP				**122,635**	**115,141**	**156,827**	**208,669**	**265,542**
(+) Cash Flow				(7,494)	41,687	51,842	56,872	68,312
(+) Revolver				-	-	-	-	-
(=) Cash Balance EOP				**115,141**	**156,827**	**208,669**	**265,542**	**333,854**
Minimum Cash Balance				2,169	2,442	2,615	2,769	2,932
% of Net Revenues				2.0%	2.0%	2.0%	2.0%	2.0%
Financial Income from Cash Balance BOP				**13,735**	**12,067**	**16,185**	**21,201**	**26,342**
% of CDI (basic interest rates)				80%	80%	80%	80%	80%
Cash Remuneration				11.2%	10.5%	10.3%	10.2%	9.9%
Average Cash Balance				118,888	135,984	182,748	237,105	299,698

Exhibit 4: Valuation Model

VALUATION AS OF JUNE 30, 2006 (in US$ Thousands)	2003A	2004A	2005A	Year 1	Year 2	Year 3	Year 4	Year 5
EBITDA				79,973	90,250	96,685	102,571	108,830
(-) Working Capital				0	0	0	0	0
(-) Capex				(80,968)	(18,911)	(11,558)	(13,197)	(4,601)
(-) Taxes				(10,403)	(12,062)	(13,821)	(15,560)	(17,389)
Free Cash Flow (R$)				**(11,398)**	**59,277**	**71,306**	**73,814**	**86,840**
R$/US$ Year End				2.24	2.29	2.33	2.38	2.42
Free Cash Flow (US$)				**(5,082)**	**25,927**	**30,595**	**31,067**	**35,854**
WACC (US$)				*12.8%*	*12.8%*	*12.8%*	*12.8%*	*12.8%*
Perpetuity Value								378,766
Implied Perpetuity EV/EBITDA Multiple								3.5x
Present Value of Cash Flows				**-4,507**	**20,395**	**21,345**	**19,224**	**227,545**
NPV (R$)	630,484							
Multiple of Forward EBITDA	7.9x							
Net Debt	(20,985)							
Equity Value	609,498							