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PRESENTATION

Operator

Ladies and gentlemen, good morning. Thank you for holding, and welcome to MRV's fourth quarter of 2024 results conference call. Today with us, we have the CEOs of the company, Mr. Rafael Menin and Mr. Eduardo Fischer; and the Chief Financial and RI Officer, Mr. Ricardo Paixao. (Operator Instructions)

Rafael Nazareth Menin Teixeira de Souza - *MRV Engenharia e Participacoes SA - Co-Chief Executive Officer, Member of the Executive Board*

Good morning, everyone. Thank you for attending one more earnings release call of MRV. I'd like to say that the company started a very important cycle last year. This was a cycle in which we performed under the historical records of the company, a company that since the IPO has had earnings on results regarding growth, profitability, and cash generation much higher than the industry has presented in all this year but we've been through an uncommon cycle, and that's been ended now. It's finished.

So we have this chart with the main operational indicators, some financial indicators that show the company's performance in the last 3 years. Launches went from BRL7.6 billion in 2022, to 2023, that's when we started the company's turnaround, we reduced launches to BRL5.8 billion and last year, we resumed launches to BRL9.6 billion. Then every quarter, launches increased in sales, BRL5.8 billion in 2022, BRL8.5 billion '23. And last year, more than BRL10 million in net sales. And that same happened every quarter, net presales grew.

There was a nonrecurring event, which was the incoming with BRL50 million. And except for that, we would have had growth in sales. The average price is something we always talk about. The company was very aggressive in 2021. After that, we faced that famous inflation of 40% almost.

In 2022, prices improved a bit, but still much lower than they should have been an average price of BRL192 then BRL233 in 2023, and BRL250 in '24. So we have been able to transfer prices way above inflation in the periods from '22 to '23 and '23 to '24. The accounting gross margin has also recovered. It reached the worst level in 2021 with 19%, then 0.3% in '22, 22.7% in '23 and 26.5% in 2024. And quarter-on-quarter, we see the development of this gross margin, 25.9%, 26.6%, and ended the year at 27%.

This is still lower than what we're used to reporting. But given the operational recovery, I am absolutely sure that very soon, the company will report profitability in the first year of the industry. It's important to talk about the EBITDA, the EBITDA, not the margin, but the EBITDA of BRL374 million in '23, BRL593 million, and last year, it more than doubled, reaching BRL1.14 billion. every quarter, the EBITDA is advancing. As for cash generation, this comes from a season of very low profitability.

We burned BRL680 million in cash in '22. The cash burn dropped to BRL230 million in '23. And last year, we generated BRL420 million in cash. The same dynamic applies with a significant recovery quarter-on-quarter during '24. And finally, the profit attributable to shareholders of the company was a loss of BRL167 million in '22 somewhat improved to BRL132 million loss in '23 and last year, '24, a BRL274 million in profit, which is still lower than what we would like to have, but it is a recovery trend and the dynamics of 2025 will certainly continue upward.

Now let's move on to the guidance. We presented the guidance on MRV Day last year, and we exceeded all the goals proposed in the guidance. Net revenue from BRL8 billion to BRL8.5 billion, we delivered BRL8.5 billion, gross margin between 26% and 27%. We were at 26.4% on average. Cash generation, BRL300 million to BRL400 million.

We delivered BRL420 million, above the guidance and net debt to equity, 36% to 34%, 35.7%. And finally, net income from BRL250 million to BRL290 million, we delivered BRL274 million, which is in the middle of the guidance. As for 2025, we have updated some guidance parameters as compared to last year. So for this year, we have a net revenue from BRL9.5 billion to BRL10.5 billion, a gross margin from 29% to 30% cash generation between BRL500 million and BRL700 million, net income from BRL650 million to BRL750 million. That is the net income of MRV real estate development company.

As for Resia, given the performance of rentals and how we believe that will be the sales of assets, we expect a cash generation of $300 million. If we add up cash generation from MRV plus Resia and given that subsidiaries will also have some cash generation in a positive arena, we expect a cash generation from MRV and Co of BRL2.1 billion, which is a very important figure. Of course, we want to reach an even higher net income and cash generation, and gross margin that's even higher. But what's important is the trend and to show that quarter-on-quarter, our operation is performing better. So, as I said, we end a cycle in 2024 and start a new cycle in '25 with a continuous recovery of margins and a discipline in terms of profitability, an absolute discipline in terms of capital allocation and simplification of operations.

Geographically speaking, will be in less areas, a product portfolio that's more efficient. And all of that will certainly lead us to consistent growth in sales volume, still growth in profitability, and also cash generation. I'd say that the company has imposed itself and will make it happen because we're undergoing a very important healthy context in the economic area, and we've set challenging goals for ourselves. And I am absolutely sure that 2025 will be a very important year according to our metrics. It will be a year that will provide even better support for 2026 to be better.

So talk about this turnaround and the indicators that evolve every quarter, but also paving the way for a future that will make us a company that will again be a benchmark in the industry, not only in terms of size, but return cash generation, and lower and lower leverage. Now I'll give the floor to Kaka, who will speak about some details, financial details.

Ricardo Rodrigues - *MRV Engenharia e Participacoes SA - Chief Financial and Investor Relations Officer, Member of the Executive Board*

Good morning, Rafael. Giving a bit more highlights in the figures of the fourth quarter in 2024. We had a cash generation in the quarter of MRV real estate development and all its subsidiaries and totaled BRL371 million cash generated in the quarter. We had BRL11.3 billion in sales, the highest volume for the year. We've closed MRV real estate at Meland.

We closed with 34% in real estate gross margin of new sales. Net sales, BRL10 billion, which is 70% higher than in 2022, and an increase in sales associated with an increase in production. We had 36,000 units produced in '24 which caused our net revenue to grow. We closed at BRL8.5 billion, 70% higher than in 2023 and 32% higher than in '22. The gross margin of the fourth quarter continued this trend and increased by 27%, 0.4% than in 2024.

The SG&A and commercial expenses have grown below inflation and way below our net revenue causing the SG&A over net revenue to reach 14.5%, 1.7% below 2023. Our operation continues to increase. We closed the EBITDA BRL1.14 billion, 92% higher than in 2023 and almost double than 2022. The adjusted net income adjusted for the effects of swap and swap of debt added BRL233 million. Looking at the Brazil operation, we also see a good development with the net debt over EBITDA having dropped 23% against 2023 and 28% against the last quarter of '24.

During the last months of '24, we had several conversations with shareholders and analysts about the impact of the Selic interest rate rise and our impacts. And I have this chart prepared that shows our exposure to CDI. So we have BRL3.6 billion of corporate debt attached to CDI, BRL2.4 billion exposed to the same index with a net exposure of BRL1.2 billion with an impact of BRL12 million per year. For Resia, the strategy for the years '25 and '26 with our focus is deleveraging by selling property, lower equity in this process, reduction of operation limited to two projects launched per year, simplification of footprint limited to Miami, Houston, Dallas, and Atlanta, discontinuing operations in Austin and a streamlining of structure. Our G&A went from BRL30 million per year to BRL10 million annually starting in 2025.

This is what I had to say. And now we go to the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Antonio Castrucci, Santander.

Antonio Castrucci - *Santander - Analyst*

My question is about Resia. We have a significant corporate debt reduction for next year, 25%, '23, and 40% of NAV plus cash. I would like to understand if you have any negotiations with creditors to extend the terms of the debt.

Ricardo Rodrigues - *MRV Engenharia e Participacoes SA - Chief Financial and Investor Relations Officer, Member of the Executive Board*

This is Kaka speaking. In terms of Resia, the corporate debt we have is MRV US. We have obtained these funds. The first tranche of this debt was paid in January this year, and it's BRL130 million to be paid next year. The rest of the debt is corporate debt that will be paid according to the project sales that we have scheduled for this year.

There's no conversation with creditors as these debts will be paid as they mature with the sales of projects and land.

Antonio Castrucci - *Santander - Analyst*

Just a follow-up. How are the conversations for project sales at Resia?Â In terms of if they are developed, what would be the cap rate?

Ricardo Rodrigues - *MRV Engenharia e Participacoes SA - Chief Financial and Investor Relations Officer, Member of the Executive Board*

Well, we still don't have the cap rate for this market. We have conversations ongoing to sell our portfolio, not only projects but also land. There are plots of land that are in different stages of negotiation, some more advanced phases like due diligence. As to the sale of projects, the higher concentration is in the second half of the year. But in the second quarter, we may have some sales of assets.

Operator

The next question comes from Ygor Altero from XP.

Ygor Altero - *XP - Analyst*

I would like to ask about the improvements in the program, what you could expect? Do you see any room for an increase in the cap price, it's 350, and maybe increases in the income brackets? There were increases in the lower income brackets. But do you see room to increase that in brackets one, two, and three? And is there funding for those improvements in your opinion, we see that the FGTS market is a bit more nervous lately.

So what do you see in that area?

Eduardo Fischer Teixeira de Souza - *MRV Engenharia e Participacoes SA - Co-Chief Executive Officer, Chief Production Officer, Member of the Executive Board*

This is Fischer speaking. Yes, there is a discussion to improve the program even further. In my opinion, the prospects are good for some of these adjustments to be approved maybe in this first half of the year with the adjustments of income brackets being one of them.Â There are other more technical issues because buyers that have income in bracket 2 cannot buy the units in bracket 3. That's another adjustment. As for the cap of 350,000, I think it's unlikely that there are adjustments in that because it's not needed.

We still have a buffer to be used. So this is not a discussion, and I don't believe this will develop. As for funding, yes, we started the year with high funding, although we had a high record of FGTS for 2025. But at the same time, when you look, there are more in the concessions or grants, still a high number of used properties. So this is something that could be adjusted for 2025.

It used to be very high in the half of '24. Some adjustments were made, then it dropped, but now it went up again in the last 2 or 3 months of 2024. So I think that, if needed, there is room there to make adjustments for the use of funds from FGTS. We also see a high interest and a lot of turmoil or a lot of excitement regarding regional programs. The states have been very active in their housing programs and the renewal of existing programs.

So on this front, there is also good news that could come up for MRV and other low-income bracket companies in general.

Operator

The next question comes from Tainan Costa from UBS.

Tainan Costa - *UBS - Analyst*

I would like to talk about the receivables market. If you can tell us how do you see that? What's your opinion about that, both from the demand of investors as well as the quality of the portfolio? Has it been a decrease or worsening in default? Also in terms of quantity, how much of the sales of portfolio do you put in your guidance for '25, the same as '23, '24, or close to BRL2 billion?

And how would this be in the pro solute?

Ricardo Rodrigues - *MRV Engenharia e Participacoes SA - Chief Financial and Investor Relations Officer, Member of the Executive Board*

This is Kaka speaking, Tainan. First, regarding receivables, we've seen a super hot demand on the side of investors, both institutional investors and individuals, who have purchased our receivables in the platforms of XP, Tau, et cetera. So we've seen a high demand for this type of asset. They've seen the very robust performance that we have and a structure that has an important guarantee structure, and collateral structure for these investors. And the performance is according to our estimates.

We don't see a worsening in the credit profile that's been granted or a worsening in the default rates, both in our in-house portfolios as well as those that have been assigned. In terms of portfolio for guidance, we can say that we can expect a lower contribution than we had last year in terms of assigned receivables. We'll have a pro soluto that should drop as compared to the amount assigned last year. And as for the direct portfolio, everything that we sell with direct financing will be assigned in the market. We can have an OPA at the same price.

So with a small premium, we don't lose money in that transaction. So it's an individual investor that's funding an individual customer. This is where we can get the money as if it were a cash sale that happens in 3 years. So this is a portfolio that if it was not assigned, it would take 10 years to get paid. It would take 10 years.

Operator

Our next question comes from Andre Mazini from Citi.

Andre Mazini - *Citi - Analyst*

I have 2 questions. First, if you could go to this point of today that the government is willing to release FTTS funds for some group of people. Do you think this is negative for the funding in the area? Or does it make any difference since the secondary market is operating highly? Do you think that this will be approved or not?

And the second question is about Luggo. How is the agreement with Brookfield, I know those are assets from 2021 or rather an agreement that was signed in 2021, but it was improved with time. Last year, Luggo was selling like an association with the banks participating and you receive, as the construction evolves, I was wondering if 100% of projects in the partnership with Brookfield are in that scheme or not.

Eduardo Fischer Teixeira de Souza - *MRV Engenharia e Participacoes SA - Co-Chief Executive Officer, Chief Production Officer, Member of the Executive Board*

This is Fischer speaking, Andre. I'll answer the first one, then Rafa will help you. Yes, we are keeping track of this discussion about FGTS balance. As far as we understood, it's for people who have been dismissed, but still have some funds in FGTS that were not withdrawn. So it's a very limited impact.

I don't think, obviously, this measure will be published today, and we'll know more in detail. In parallel, something that's very significant is happening about the limits to be withdrawn to this birthday withdrawal date. And it's within that same context. So along with this measure, there could be some limitation rules. And this is our expectation, and this is what we've been working for.

Of course, this is always a point of attention. But given what has been announced and according to our conversations, the impact may be a bit more limited than the headline may sound. But let's wait for the end of the day, but I believe that impact will be limited.

Rafael Nazareth Menin Teixeira de Souza - *MRV Engenharia e Participacoes SA - Co-Chief Executive Officer, Member of the Executive Board*

This is Rafael speaking, Andre, about Luggo. Well, the most relevant aspect of Luggo is the power that this company has to transform the market in the future. What we see in younger generations is that they want a type of property, residential property that's more flexible and that nobody is doing that in the market today. So there is the value proposition that Luggo has, which is amazing, so much so that the speed of rentalÂ is outstanding. We are able to lease a full asset in a very few months.

So as a trend, it is a company that we are sure that will make a huge difference to MRV in the future. But of course, with the interest rates at the current level, the speed of operation must be reduced. And giving more details today, there are 5 projects, 2 are within this agreement with Brookfield that are being sold, but both the receivables and future revenues according to POC, and 3 projects that are not with Brookfield. Out of the 3, 2 are almost ready. And the third project will be finished maybe in the beginning of the second half of this year.

They are very well located in important markets because we are certain that we will rent them at a good yield on cost, and there will be buyers soon. The new projects depend on a buyer given our strict discipline in terms of capital allocation. We are talking to real estate funds. We know that the current moment is not the best for real estate funds. We're also talking to Brookfield and other potential buyers.

The model to start a new project has to be very similar to the most recent model we applied with Brookfield. We don't want a capital exposure. It must be an asset-light model, with capital allocated to land, the project, and rates. So in order to start a new project, we can as long as there's no new capital in the project. But I'd say we feel confident that we'll be able to start some new projects this year.

But again, the rhythm of Luggo at current high interest rates is lower. But in the medium to long term, we are very sure that Luggo will play an important role in the performance of MRV. Was I clear in my answer to your questions, Andre?

Andre Mazini - *Citi - Analyst*

Yes. Thank you, Rafa and Fischer.

Operator

The next question is from Rafael Rehder from Safra.

Rafael Rehder - *Safra - Analyst*

I have 2 questions. I would like to talk about construction inflation. If you could talk about your in-house inflation, labor, and inputs? And the second question is about the gross margin for new sales. You showed the guidance to reach 35%.

Today, it's 34% because inflation also increased in your budget. So I would like to understand if you still see room to reach 35%. And how is the environment of the program to increase prices, assuming that the program remains as it is without any improvement?

Eduardo Fischer Teixeira de Souza - *MRV Engenharia e Participacoes SA - Co-Chief Executive Officer, Chief Production Officer, Member of the Executive Board*

Rafael, this is Fischer speaking. About inflation, we always measure our inflation against the INCC, and we've been trying to stay below INCC. Our basket is below INCC, which is good, but inflation is always a point of attention. We have to look at it, and we've been able to be below it, which is an important point. Labor, this is a main point of concern because we see labor prices increasing higher.

We've made some important efforts to increase our production speed. We've done that during 2024. Consequently, the number of people per unit produced will decrease, which is an important metric for engineering. So the increase in labor costs has been offset by the increase of productivity. This has been real for us in 2024.

So given our concern for inflation in 2025, these are the 2 essential elements, being able to keep our basket below INCC. And in terms of labor, which is our main concern today, we've been offsetting that with increasing productivity. So far, we've been navigating equal or better than INCC given the circumstances. As for margin, what we've been able to do is to transfer prices every month. When we can do that above our inflation, the margin grows.

So I believe that 35% is feasible. January and February, we've been able to make prices even without any changes in the rules of the program, as you mentioned. If the rules change, it will help us even more in the price development and margin recovery route. What we see is a growth of sales volume. We've been launching good projects.

We launched a very robust project in Sao Paulo in month of February. There is a strong demand. And therefore, we've been able to transfer to prices given this margin. So if these changes that I mentioned earlier happen, which I think they will, we'll have a scenario in 2025 that's more favorable. The international scenario is good despite the competition.

The market is very good. So I hope I have answered all your questions.

Operator

The next question comes from Pedro Lobato from Bradesco BBI.

Pedro Lobato - *Bradesco BBI - Analyst*

I would like to talk about the gross margin. You mentioned in the release that you have increased your in-house inflation in this quarter. And despite that, the gross margin was in line and even went up quarter-on-quarter. So how do these things work? And what was the impact of inflation on the quarterly results?

Rafael Nazareth Menin Teixeira de Souza - *MRV Engenharia e Participacoes SA - Co-Chief Executive Officer, Member of the Executive Board*

Pedro, this is Rafael speaking. With regard to the margin, gross accounting margin, okay? We've been a bit more cautious. Eduardo answered the previous question because what we see is the controlled inflation, both materials and labor inflation rates. Some cases are different, for example, SÃ£o Paulo is a tougher market because the number of launches, not only in the economic segment but in other segments was very high.

So it's a market that main suppliers are looking for labor. So it's a more difficult market. But given our geographic presence, the pressure of labor for us is low. But what we saw is an appreciated dollar by 10% fiscal indexes that are complex. So they may exert some pressure on the exchange rate again.

So to be conservative, we've made a new change for the inflation of the year for 2025. Of course, we hope that doesn't happen. We haven't seen anything to the contrary. We're still at the beginning of the year, but we preferred to have a more conservative inflation rate to calculate the new sales margin as well as the accounting margin. This review of approximately 1% additional 1% had an impact of BRL30 million in the results of the quarter, which is marginal.

And we strongly expect to offset that with the price increases during the year and also deliver our real inflation for the company below this rate that we estimate. Since the cycle was very tough and complex, MRV is working to always deliver earnings or results above what we stated to you. So we are being more conservative. And if we have to surprise you, we hope it's a good surprise, a positive one, not a negative one. Did I answer your question, Ped?

Pedro Lobato - *Bradesco BBI - Analyst*

Yes. So just to check if I understood, so the accounting impact that you estimate are those BRL30 million?

Rafael Nazareth Menin Teixeira de Souza - *MRV Engenharia e Participacoes SA - Co-Chief Executive Officer, Member of the Executive Board*

In the fourth quarter, the impact was approximately 30 million BRL.

Operator

The next question comes from Marcelo Motta from JPMorgan.

Marcelo Motta - *JPMorgan - Analyst*

I have 2 questions. Could you comment a bit more on how you see the growth outlook for 2025? 2024 was a strong year in terms of launches and sales growth. And I would like to understand what we could expect in terms of growth of launches and sales for 2025 to reach the revenue guidance. Also in terms of financial results, Selic is used for modeling, but thinking that inflation will also grow and other indexes related to that could influence year-on-year impacting the financial results.

So I would like to understand how the financial indexes reach the bottom line.

Rafael Nazareth Menin Teixeira de Souza - *MRV Engenharia e Participacoes SA - Co-Chief Executive Officer, Member of the Executive Board*

It's a pleasure to talk to you again. I'll talk about growth and Kaka will talk about financial assumptions. The company has operated simultaneously in 120 cities. Today, we operate in 100 cities. We'll reach the end of the year with operations in 80 cities.

But these 80 cities will allow much higher operations than the current operations of MRV. So our market share in most markets, we are the market leader, but this market share has a big room for growth. But our goal is to make a moderate growth, continuous growth year-on-year. Last year, we delivered 44,000 sales, 41,000 in '23, and 35,000 in '22. So given the context of the program, the demand, and our capacity to launch more in important markets, we envisage the possibility of having a year with prices going up above inflation and the sales volume, the net sales, that's what we report in units going up compared to 2024.

We don't give sales guidance. But based on what we see in the market on an everyday basis, the response to our launches, the strength of markets, and the competitive environment in important markets, we still see a market that's favorable. SÃ£o Paulo is a very strong market but with many launches. So it's pretty much balanced. But what we see is a dynamic with a real estate deficit that is huge and the market still is undersupplied in every city we operate.

So with our sales force, our know-how in acting, and the strength of our brand, we can deliver a year of 2025 with more sales in terms of unit volumes as well as with price going up at least as inflation is and likely to be above inflation in 2025. As for the assumptions, Kaka will give you more details.

Ricardo Rodrigues - *MRV Engenharia e Participacoes SA - Chief Financial and Investor Relations Officer, Member of the Executive Board*

Pleasure talking to you. That's clear. For every BRL100 billion, we have that variance. When we think about IPCA, the main impacts are the construction budgets. We just reviewed the assumptions to have that margin more protected.

And when we talk about financial results more specifically, we have BRL2 billion a total of BRL3.4 billion in assignment liabilities against a portfolio that's not assigned of BRL2.7 billion IPCA with all our receivables are linked to IPCA, and that's the guarantee we have, protection we have. When we look at cash, we have a corporate debt of BRL2 billion linked to IPCA. So we have liabilities in assignment BRL2 billion, debt in IPCA BRL2.5 billion, that's BRL4.5 billion-plus BRL2.7 billion of non-transferred portfolio, BRL2.2 billion. So BRL2.2 billion is the amount. So every BRL100 billion that goes up, that BRL200 million in financial impact.

It was a bit quick because I was just making those calculations. I hope it was clear.

Operator

Our next question comes from Jorel Guiloty from Goldman Sachs.

Jorel Guilloty - *Goldman Sachs - Analyst*

I have 2 questions. First, I would like to know about the guidance of Resia. What is the gross margin that you assume for sales in 2025? And the second question is about MRV real estate development. I would like to understand the mix for revenues to be appropriated.

How much comes from the seasons of '24 to '25? '22 to '24.

Rafael Nazareth Menin Teixeira de Souza - *MRV Engenharia e Participacoes SA - Co-Chief Executive Officer, Member of the Executive Board*

This is Rafael speaking. Pleasure talking to you, Jorel. We don't give guidance for Resia margin because we don't know what will be the cap rate at the time of sale. The Resia margin comes from the cap rate threshold, yield on cost for the project, and the exit cap. So these five projects that are in leasing, we see an active market in some cities.

The rental prices are still low, but they are improving. The rental yield is within expected. As for Golden, we have all projects stabilized. The last project that is located in Miami in a very differentiated location, the leasing of this project starts in the third quarter. So it would only become stable next year.

As for yield on cost, it's hard to talk about gross margin. So I'll talk about yield on cost. The older season or the older projects have a lower yield on cost and the more recent ones have better. So at every project of Resia, the yield on cost improves. The last project we finished is Ten Oaks.

Ten Oaks is located in Houston. And this project has a yield on cost that's close to the historical yield on cost of Resia. Golden Lakes is a bit higher. On the other hand, the projects that will be sold in the second and third quarters have a lower yield on cost but are better than Luggo which was sold in Austin in the fourth quarter. So what you see, Jorel is an evolution.

At every project we sell, the yield on cost goes up. Still a bit hurt, but we expect also the cap rate at the margin to drop at every project we sell as well. We know that the U.S. market is still volatile. The treasury went up, went down, then went up again.

And the treasury plays an important role in the cap rate. But if we look at the U.S. market overall, the mood to buy multifamily assets, that's been improving at marginal rates. I mean, not substantial, but better quarter-on-quarter. So we believe it won't be a significant reduction, but there will be a reduction in the cap rate.

So if you look at the glass half empty for Resia, we have a portfolio with a low portfolio, which is true, which is improving with every product, but on average, the profitability is low. If you look at the glass half full, we still have $700 million in assets to sell. And if it wasn't for other disbursements, this $700 million would mean cash generation. We published a material fact last year with an expectation of generating almost $500,000 in Resia. So that's the good side of it.

So on one side, we'll have the profit and loss statement a bit hurt for 2024 and '25. On the other hand, the Resia balance sheet for '25 and '26 will be highly unleveraged, and it will generate lots of cash. In the consolidation of MRV and Co, Resia will be a source of a lot of cash generation for the next two years as cash, the size of our market cap. So when I look at the balance sheet and income statement, the results of the cash generation is much more important today than a low profitability or even a loss for those projects. So the land bank for Resia for future projects is very good, very well located with good yield on cost along 7%.

And we think that when we're going to sell these projects at the end of '26, '27, they will be sold at a lower cap rate, which will also mean that we'll be back at profitability. We'll generate lots of cash in the next two years with a lower balance sheet. And the next season of projects sold will have a very positive impact and still generate cash. I covered a lot of issues in my answer to give you a bit of context of Resia. I hope I've been clear.

Jorel Guilloty - *Goldman Sachs - Analyst*

Yes, I understood. And what about the mix of REF, the REF mix?

Rafael Nazareth Menin Teixeira de Souza - *MRV Engenharia e Participacoes SA - Co-Chief Executive Officer, Member of the Executive Board*

I understand that MRV Brazil, and Kaka can answer that.

Ricardo Rodrigues - *MRV Engenharia e Participacoes SA - Chief Financial and Investor Relations Officer, Member of the Executive Board*

Okay, Jorel. In the mix for 2022, there is some residual value because it still needs to be finished. It will end in the first half of this year with something from 2022. Then there will be a stronger effect of what was sold in 2023. And the main amount is 2024, if it's 10% for 2022, 30% for 2023, and 60% for 2024 in percentage terms.

Operator

(inaudible)

Unidentified Participant

First, congratulations to the entire team. Bill (inaudible) said once that it's easier to start a company than recover a large company. He recovered (inaudible) in a more serious situation. But your change since 2022 is really worth mentioning. I own a construction company.

It's not easy to change a company as it did in three years. That's really outstanding. I would like to ask a question in strategic terms. First, regarding Resia. In my opinion, you did the right thing because the inflation rate, or rather the inflation rate in the U.S.

was higher than ours in Brazil for construction and the interest rates are high. So it's basic in our industry to decrease activity to protect cash. So congratulations. But the question is, you made investments in technology with the plans to assemble apartments. And there you have a structure since 2008.

So my question is, if interest rates go down in the U.S. and the market demand goes up again, will you plan to accelerate your activities there or keep the priority here in Brazil and maintain focus here in Brazil? The second question is within your net worth, which is BRL6.5 billion, the composition of this network, are there many land that will become construction projects? Because at the speed of your work, if you have lots of land on which projects will be built, there is a very strong liquidity to pay the debt you have in Brazil. And in the U.S., the trend is to generate cash, although the balance sheet is a bit hard.

So I would like to understand a bit more about your net equity compared to the debt you have. And congratulations on your performance.

Rafael Nazareth Menin Teixeira de Souza - *MRV Engenharia e Participacoes SA - Co-Chief Executive Officer, Member of the Executive Board*

Good questions, AndrÃ©. Regarding Resia, the family that controlling shareholders of the company, I'd say it's a timeline mismatch regarding the regular investors. We look at 5, 10, 15 years ahead. We look at our history, our legacy to what the company represents, and what the company could deliver in results in the long term. And sometimes the short-term decisions are detractors for the short term, but they generate a lot of value in the long term.

And the short term for the market is different from our short term as well as the long term. Our long-term for us is like 10 years. So everything I do today, I have to look at the next decade. So Resia, AndrÃ©, we've been there for a long time. The company has invested in the U.S.

market for more than 20 years. Resia has more than 10 years. It was founded in 2013, almost 12 years ago. And we can say that the U.S. market is spectacular.

That's a great country, pro-business that also undergoes cycles, but the cycles in the U.S. are mostly virtual. So we learn a lot by being present in the U.S. market. So from the point of view of controlling shareholders, we are sure that what we did in Resia was perfectly right, knowing the performance in '23, and 2024, we allocated a lot of capital at a time in which interest rates went up a lot in Brazil and in the U.S.

So it was not adequate. But it was correct. The market doesn't agree, but we think we were right. But looking at the future, it's hard to say. What I can say is that the family has absolute confidence in Resia.

And we operate in 3 states that together have a volume that's twice as big as the GDP of Brazil. These 4 metropolitan areas have the GDP of Brazil. That's the size of the market we operate in. So it's a completely different dynamic. The capital market is much more mature and much more dynamic than in Brazil.

Unfortunately, the U.S. will continue to grow more than Brazil in the coming years. So we are very confident about the ideal growth, which will depend, as you said, on the interest rate, and on the future corporate structure of Resia. We're not thinking about this right now. We're thinking of operations, but eventually, we have to make some ownership changes in Resia in the future.

But we believe that we made the right decision and Resia, whether belonging to MRV or not, has a brilliant future ahead given the market niche that it has chosen, the industrialization of its process, and the geographic area in which it operates. It will do very, very well in the medium and long term. We are absolutely sure about that. The MRV balance sheet is really big for the size of the company in Brazil. And the main weight comes from land.

So we have BRL2.5 billion already paid in the land bank in an inventory of apartments that were not launched or sold. So if you look at the glass half empty, this money is out of our cash and didn't make any results. But looking at the glass half full, as we launch and sell these apartments, the payment was already made. So from now on, the impact will be on the income statement. We can appropriate the revenue without having the cash disbursement, which means we'll have important leverage to cause the generation of cash to be ahead of net income.

Was I clear?

Unidentified Participant

Yes, I understand your explanation. I agree.

Rafael Nazareth Menin Teixeira de Souza - *MRV Engenharia e Participacoes SA - Co-Chief Executive Officer, Member of the Executive Board*

And just to wrap up within the last 2 or 3 years, we've been buying on swap agreements. So this line of land paid and not accounted for will be lower and lower. And in terms of swap agreements for land, these will represent a major portion of our portfolio. And if you allow me to issue my opinion, MRV is a company that's worth BRL3 billion on the stock exchange and has BRL2.5 billion in the land bank. So it's PVP of BRL0.5, so with your debt in the new U.S.

solved that will hurt your balance sheet a bit, but with a very high likelihood of continuing to grow with a gross margin of 34%, 35%. So honestly, unless there is a catastrophe, the likelihood of going up is very high. I'm not a banker like the other analysts, but as a company owner, I think you're on the right track. And I hope the country will help you grow.

Operator

This ends the Q&A session. For the final remarks, I would like to call the CEO, Eduardo Fischer. Go ahead, Mr. Fischer.

Eduardo Fischer Teixeira de Souza - *MRV Engenharia e Participacoes SA - Co-Chief Executive Officer, Chief Production Officer, Member of the Executive Board*

Well, first, I would like to thank you for attending. It's always important. It's a very rich discussion we have. Just to consolidate our view, we see 2025 in a very optimistic note. Much of our homework has been done in the last 2 or 3 years.

2025 has started well, and we're able to look at the year with the mission to grow. Along with the last comments of Rafael, within MRV, we want to make the company lighter. 2025 would be very important in that strategy because given a very good scenario of the industry, if we're able to accelerate our recovery, growing margins and accelerate our cash generation that's growing quarter-on-quarter, we hope to end the year much better than we started. And this is our main goal. In this path, we will be a more asset-light company where we have had sales over supplies higher.

So in addition to this ambition for the year, we have an additional ambition to make the company lighter to deliver higher results and earnings. So this year has started well. The macroeconomic scenario in Brazil is not so positive, but the macroeconomics of the industry is very strong. And we've been able to translate the volume in growing margins. And that's very important for the strategy of 2025 and to build a strong 2026.

So this is all. Thank you all for attending and see you in the next quarter's call.

Operator

The conference call of MRV has now ended. We thank you all for attending and have a good day.