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PRESENTATION

Operator

Ladies and gentlemen, good morning. Thank you for holding, and welcome to MRV's Second Quarter of 2025 Results Conference Call for analysts and investors. Today with us, we have the CEOs of the company, Mr. Rafael Menin and Mr. Eduardo Fischer; and the Chief Financial and IR Officer, Ricardo Paixao. (Operator Instructions)

To open our second quarter 2025 earnings call, I would like to hand it over to Mr. Rafael Menin, CEO.

Rafael Nazareth Menin Teixeira de Souza - *MRV Engenharia e Participacoes SA - Chief Executive Officer*

Good morning, everyone. Thank you for attending one more earnings conference call for MRV. Well, we are going through a very special moment not only in the company, but also regarding the industry as a whole. Looking to the external environment, I would say that the current ecosystem of the industry is probably the best ever in history, because from the governmental point of view at the federal level, the product program -- the housing program has been going through continuous improvements, causing customers to improve their purchasing power. The budget has also increased year-on-year. The government has worked on a coordinated fashion, being very focal, and the result of this work is something that is a growth quarter-on-quarter.

Looking at the state level, we've seen several states implementing additional support to the program, the state checks that usually are additional subsidies to the program, and they play an important role causing clients and customers to improve their purchasing power.

At the third level, the local level, municipalities also have made adjustments in their construction code, master plan to improve the use and the efficiency of properties for affordable housing.

So we noticed that at the federal, state and also local levels, there is a continuous will to improve. And many municipalities have improved their regulations, more states have discussed their regional programs, the checks and subsidies, and the federal government says that it wants to cause the program to increase even further, discussing creative solutions with the industry.

And we strongly believe in that, because this is a strong balanced ecosystem that will become even stronger in the future. This is very important because Brazil has a deficit of 6 million houses and there is a structural deficit, which has a huge impact on the Brazilian society.

Now looking in-house, as we said, MRV has been through important adjustments in the three business areas: DI, production and commercial areas. So the three business areas, the operational results and KPIs are now operating within the best historical standards of the company. We've been talking about the capacity of delivering a margin of around 35% for new sales. We've reached that level already. That's a result of all the work we've done.

But we are certain that we still haven't reached the state-of-the-art in DI, production as well as commercial area. We still have a lot of homework to do. Our team is very committed to continue to deliver even better indicators. I can say that in DI, we see that every quarter, the land purchased has been -- have been done -- those purchase have been done in swaps, smaller swaps, and which will cause the future profitability will have room for growth.

Looking at production, we are at a production cost that is almost flat compared to '23, '24 and the first half of '25, but there are still opportunities because there are important projects that will bring even further decrease in our costs and improve the quality of our products.

And looking at the commercial area, it has delivered higher sales volumes in the last two or three years, prices going up above inflation, the Pro Solutio that's dropping. But there is still room to do more. And we are now working to strengthen in-house sales. There are some cities that are at the right level, the channel of in-house sales and real estate brokers' balance, but there are states in which there is room to strengthen in-house sales. And the strong combination of both channels cause us to make the most of the gigantic number of leads that we have.

So we are absolutely sure that a lot of our homework has been done in the operational part. And now, we are making more so that in the future MRV will undoubtedly be at the operational level close to the state-of-the-art and the top of its industry. So comparing the external environment, the ecosystem, and what happened and is happening and will happen in-house will cause this economic segment to be even stronger. So looking in-house, our competitive capacity when compared to other players in the industry is undoubtedly very good. So MRV will be at the top of affordable housing in Brazil.

Now I'll turn the floor over to Kaka, who will talk more about initiatives and indicators, not only financial, but also operation. Thank you.

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

Good morning, everyone. Thank you, Rafa. I'll start talking about the operations of MRV Real Estate Development. Our result was marked by good evolution. We had BRL3.5 billion in launches, 19% growth compared to first Q '25, and 2.7% in net sales, which was 24% higher than the last quarter and 6% higher than one year before. Sales volume would have been close to BRL3 billion if it wasn't for the delay in transfers of regional checks, as highlighted in the operational review.

Production units grew 11% year-on-year and 4% quarter-on-quarter. The sales growth and the development of production resulted in higher net operational revenue at BRL2.5 billion, 16% and 21% higher than the first Q '25 and 2Q '24. There was also an impact of delay of regional checks of BRL145 million. Gross margin indicator continues to evolve. We closed the quarter at 30.2%, an increase of 0.6 percentage-points when compared to last quarter and 4.1 percentage-points compared to 2Q '24. This recovery of gross margin is supported by gross margin of new sales that's healthy and the closing of old projects with poor margins.

In expenses, commercial expenses were in line with the first Q '25 and higher than 2Q '25, closing with an impact of recent branding campaigns of the company, similarly to what happened in the first quarter of '25. G&A closed less than revenue, caused G&A over NOR to be 4.9%, the best indicator in historical series.

EBITDA closed at BRL467 million with a good development, 35% compared to last quarter and 63% compared to last year, which proves our operational development. This was less than first quarter -- last quarter, but higher than one year ago. We had a decrease in Pro Solutio credit assignment liability. Since as of this year we are transferring receivables through sales, we noticed a reduction of 10% on the credit assignment liability.

All of that combined caused the adjusted net income to be BRL125 million, 5 times higher than first quarter '25 and 65% higher than one year ago.

Now talking about cash generation of MRV & Co. There was a gap of 850 units between produced and transferred units in the quarter and 3,000 units for the first six months, which had an impact on cash burn. For the second half of the year, we envisage a different dynamics with more transfers than produced units, which will be key for us to generate cash in the period.

Now looking at the debts of Brazil operation. We ended the first quarter at 1.27 times, net debt over EBITDA for the year, which is 21% lower than last quarter and 35% than one year ago. We settled certificate of real estate receivables BRL600 million, two thirds or 102% of CDI five years bullet and one thirds IPCA plus 8.25% per year.

Now talking about Resia, the Resia result was impacted by impairment, which was widely discussed last month with you, \$144 million. And there was also a cash generation of \$34 million and a significant drop in investment in construction, \$15 million compared to \$52 million in first quarter and one year ago. So we would like to say that on July 18, 2025, Forresta Village land was sold by a total value of \$7.2 million, which was already part of the impairment announced in July.

So this is what I had to say. And now we can move on to the Q&A session. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

[Maria Angela], Itau BBA.

Angela Maria - Itau BBA - Analyst

Good morning everyone. I have two questions. First, about Resia. I would like to understand from you what are the negotiations for new sales that are forecast for coming months? What's the timeline for that? And if the values are in line with the impairment disclosed last month? And the debt covenant, we noticed that it is much closer to 0.65. It grew to 0.6. So what are the plans to reduce that line in the coming quarters?

Rafael Nazareth Menin Teixeira de Souza - MRV Engenharia e Participacoes SA - Chief Executive Officer

Good morning, Maria, this is Rafael speaking. I'll answer the first question about Resia, and Kaka will answer the second one about covenants. Resia is working with five projects with a good -- at a good speed. The market remains good and will still improve, absorbing our products with an excellent liquidity. This is an important indicator to have a guarantee that properties will be stabilized in the shortest term possible. This is happening.

We wait for a stabilization of the first new projects that were marked to market that brought to the impairment of the second quarter, Rayzor Ranch, Dan Oaks, Terry and Memorial. These four will be stabilized until the end of the year. Golden Glades started leasing as of June, and it's been very successful. We have rented 90 apartments, and we believe that it will become stable much sooner than expected.

Now looking from the point of view of the purchasing market from funds point of view, we see that it's a market, it's growing and (inaudible). And the funds understand that the current transaction level won't remain so, because good properties -- good assets will increase their prices. When we mark-to-market when the price per apartment was lower than the replacement cost. And something that we've heard always in the funds market, they are trying to benefit from this moment. It's quite an opportunity because the market doesn't work if prices are lower than the replacement cost.

The consensus here is that there will be some cuts in the next Fed meeting and probably two additional interest rate cuts until the end of the year, which was an additional lever to reduce caps. So first, we're confident regarding price, very confident regarding the speed of rental of the assets. And we believe that the cap will be a pleasant surprise at some point in time.

So in our point of view, the possibility of having an upsize regarding transactions is higher than a possible downsize. The plan that was announced 30 days ago, which is to sell five properties until the end of next year with \$590 million in cash generation, we're very confident that will be reached with the sale of properties as well as land that will be fully completed.

Now I'll turn the floor over to Kaka, who will talk about the covenants.

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

Good morning. Regarding covenants, it has gone up mainly due to impairments done. That covenant takes into account the consolidated indicator. So we see that it is -- the peak is 0.6. Moving forward, we see a strong downward trend until the end of the year. There are two important things. Operations in the first half of the year, because there was an important mismatch between units transferred and units produced. In the second half of the year, our projection is to have a reversal of those figures. So we'll transfer more than produce.

So -- and a big cash generation coming from operations. So that's the first level leverage we see for the third quarter. And also we want to get funds from construction financing, which will (inaudible) healthy indicator.

Angela Maria - *Itau BBA - Analyst*

Okay. That's clear. Thank you.

Operator

Piero Trotta, Citi.

Piero Trotta - *Citibank Cameroon SA - Analyst*

Good morning Rafa, Kaka. I would like to have a follow-up on the first question. It's about the assumption of 100% of cap rate, that was well explained by Rafa, but I would like to understand whether you see negotiations around that cap for similar projects. That's the first question.

And the second question is about cost scenario and a parallel regarding productivity of construction works. There was no increase in costs in construction this year. So I would like to understand whether the construction of different seasons are following the same pattern.

Unidentified Company Representative

Good morning, Piero. Let me explain what's happening in the cap rate. Obviously, there is an important correlation with the treasure. When we say 5%, a small spread is because we see some transactions in Houston, for example, transactions lower than 5%. This happens because in the

investors' mind, rents are very small. I mean, there's a lot of pressure on rents, a lot of developments delivered at the same time. So that caused the supply in the market above what the market could absorb, which brought prices down. And so the NOI of the market is compressed.

So that brings us back to price, as you was -- when the price is lower than the replacement price, investors accept to pay a cap below 5% because they know that rentals or rents in the next two or three years will go up above inflation to correct that equation and cause the market to function well again. So the dynamics we see in cities -- not in Miami because Miami is different because it has less land, I'd say under offered. So in Miami, rent prices went up a lot more and continue to go up. The market was not able to supply the number of properties demanded by the market.

But in Dallas, Houston and Atlanta, which are cities that have a different geography and much more room for growth of cities, so during 2021 and '22, developers launched many projects and all of them were delivered in '23 and '24, caused rent prices to go down. So NOR was then decreased. So investors that are going back to the market, if that NOI is reasonable, they analyze whether it's reasonable or tends to go up, and of course, the cap rate.

So this combination of indicators have caused some transactions to be already closed below 5%. So we are very confident. And we've noticed recently that the level of interest on new projects in the regions and for market niches in which Resia operates has grown on a monthly basis. More and more funds are coming to us seeking information, trying to understand prices. So I'd say there is more upside regarding market prices in our balance sheet than downside. Of course, we're not going to correct this now, but our expectation is to rent the apartments at a good speed and make the deals at the correct prices, at least as stated in our business plan for Resia.

Now regarding costs and talking about Brazil, we've said in the presentation that on the cash basis, this year cost is in line with the cost of last year, which indicates that we are gaining productivity. I'd say that today, our productivity is higher than the pre-pandemic period. Our production KPIs are better now than they were back then for several reasons. We've made several changes in the production process, small changes, but when added together, they become significant. We've also reduced the number of locations we operate in, the number of SKUs, the change in our portfolio with more efficient products.

So all the homework we've done in the last two years is proven assertive. And there's a lot of good things. There are a lot of good things to come still. We've been planting a lot and many of them have been introduced in the system. And there are also new things that will appear in coming projects. So as I said in the beginning, there are many towns and cities changing their master plans, construction codes. We've reviewed the portfolio internally.

So looking at costs, we are confident that costs are under control. We look at the first half of the year not only in construction costs, but also land. Land costs have gone down regarding -- in terms of PSV. So many things are happening, bringing good indicators. But I'd say that most of it has -- is going through operations. So we are optimistic about what MRV will be in the next quarters and years because we are confident it will be a very, very special company.

Piero Trotta - Citibank Cameroon SA - Analyst

Perfect. Thank you.

Operator

Mario Simplicio, Morgan Stanley.

Mario Simplicio - Morgan Stanley - Analyst

Good morning. Thank you for the question. I have two questions. First, if I'm not mistaken, this is the first quarter in which you report a higher cash value regarding transfer when compared to receivables. So the increase in gap between the two? And maybe a drop in credit assignment liability?

And the prospects for the second quarter and the guidance? Could you give us some color about the trends for the next quarter? And how do you see the path for MRV to attain cash generation and net income ratio goal?

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

Okay. This is Kaka speaking. The Pro Solutio transactions in the first half and will continue this way are from zero moment. They do not increase our credit assignment liabilities. So when we look at the Pro Solutio credit assignment liability, it has dropped when compared to the previous period. And there is a trend -- this is a trend we'll continue to see in the future, because the volume of payments decreases the balance of liabilities, but the volume of credit assignment is higher than interest incurred. So the Pro Solutio credit assignment liability is going down in the future.

We're always trying to reduce Pro Solutio as a percentage of sales. And by doing that, there will be a lower amount as a percentage of properties sold for Pro Solutio assignments towards the future. As for credit, we don't have a financial loss in that equation. We're doing that on par or with some premium, so we can get people that want to purchase receivables that fund the customer in the other hand.

All the flex is direct financing sales. Every sale we do with direct financing, we try to transfer the receivables. And what -- this structure is done in the first half of the year, will be off balance, but starting on the moment when deliver the keys. So we also expect a drop in this line from now on. It will take a bit longer, maybe a year and half or two to drop, but it will drop in the future.

Regarding the guidance, that's very important. First, we have a cash generation guidance. The main leverage is to be able to transfer more units than production -- produced units. 3,000 units were produced in addition to units transferred, which we're generating cash. And the second half will be the opposite. We'll transfer more than produce, causing the cash generation to go up, reaching the guidance figure.

Also important is that all disbursements of cash disbursement are stable. We don't expect to grow construction, so financial expenses, SG&A, land. So any additional transfer we have will go straight to cash generation. That's why we are confident about the second half of the year.

As for net income, we do expect an increase in sales in the second half of the year, recovery of gross margin. And together, this will bring us back to the guidance of net income. You didn't ask about revenue, but it's line, as well as gross margin.

Mario Simplicio - *Morgan Stanley - Analyst*

Okay. Perfect. Thank you.

Operator

Bruno Mendonca, Bradesco BDI.

Bruno Mendonca - *Bradesco BBI - Analyst*

Good morning. Thank you for the question. Let me just confirm if I understood this cash generation and transfer details that you mentioned. There are small effects that caused the cash to stay in the first half. This cash that -- we should see being offset in the third quarter by being released? That's the first question, if the process are normalized.

And the third -- second question is about the gross margin. I remember some time ago, Rafael talked about the margin of each season, the season of 2021 was very poor and that would improve. Maybe Piero addressed that in his question. But could we assume that today that the development of construction is proportional to the launch time? Or is there any old season whose constructions are a bit delayed?

Is there any leftover from the worst pre-pandemic seasons' projects that could impact that? And how could we envisage this moving forward on a linear basis? Thank you.

Unidentified Company Representative

Okay, Bruno. First, regarding the regional checks that were left back in the first half, 1,324 checks that were not affected in two main states, Amazonas for Manaus, we overcame that. The first step, there was lack of funding, which was the main problem, that's a given. And we're able to enroll more than 90% of the checks needed for Manaus. And now there is a regular process of calling customers, signing contracts, document analysis.

So the first problem, which was funding, we -- that's solved. And now we have to operate according to the process of the city. In Ceara state, we still have some issues, but it's a much lower amount of checks. In Amazonas, there are 800 checks. In Ceara, 200-some checks, and that remains. We still have to solve funding issues there, but we believe that will be solved in coming months.

With regards to the gross margin, what we have currently, it's a small amount from the projects launched in 2022, whose construction were delayed. But we see a trend of margins going up. The new sales have margins close to 35%.

So as we complete previous projects, there are a small number of projects from 2022 left. And now we have a major blend from '23, '24 and '25. That's why we see a growing trend for margins moving forward. So I think you can start projecting on a linear basis, except for those projects that ended in 2022.

Bruno Mendonca - *Bradesco BBI - Analyst*

Okay. Just a follow-up for checks. In Manaus, once it's normalized, they will be released immediately or gradually? Because at the end of the day, we are in the middle of the quarter already. So probably this will be released in the fourth quarter?

Unidentified Company Representative

Bruno, we do expect a higher number of transfers regardless of the number of checks. But looking at checks only, this is the new mode of transfers for Caixa. We have to transfer and then there's a registration term. So there's -- it's likely that a good amount of those checks won't be received within the quarter. But regardless of that, more transfer, more cash generation in the next quarter than we saw in the first half of the year.

Bruno Mendonca - *Bradesco BBI - Analyst*

Okay. Great. Thanks you.

Operator

Jonathan Koutras, JPMorgan.

Jonathan Koutras - *JPMorgan Chase & Co - Analyst*

Thank you. Good morning. I have two questions. First, looking at the new assumptions of cap rate that will increase Resia, how much is below the impairments?

And the second question is a follow-up on gross margin. So quarter-on-quarter has improved. I would like to understand how -- when do you understand that we will reach the level of 35% mentioned by Rafael? Maybe towards the end of the year or next year? So the EBITDA of Resia and the new margins when they go through the P&L.

Rafael Nazareth Menin Teixeira de Souza - *MRV Engenharia e Participacoes SA - Chief Executive Officer*

This is Rafael speaking, Jonathan. Good morning. About -- we have in the material an implicit cap rate. And I answered 5 or 10 minutes ago that the market looks at these two metrics, the value per apartment as well as the cap rate. So the combination of these two indicators causes us to be very confident that we will sell all the properties within the term established in the next -- in the last call, '25, '26.

The rental market remains good. We are in the ramp-up of properties at the projected speed. I talked about Golden Glades. That's been a positive surprise. We've launched -- we've rented 20% of the project in a very short period. So that caused the yield on cost of that project to be higher than 7%. So the plan sets of investments of \$800 million in '25, '26, a cash generation at the end of the process of \$490 million. We are very positive and confident that these figures will be the minimum, not the maximum, or the cap.

In terms of margin, in the last eight quarters, we've delivered a consistent recovery of margins. It is advancing 60 bps, 80 bps per quarter. And this trend will be repeated until we reach 35% ex interest. The adjusted gross margin of 35% would be close to 38%, up to 38%. So depending on the context of Minha Casa, Minha Vida market, in operational terms, the land that's being purchased, adjustments to production, sales price, we are doing our best to have a margin with interest higher of this margin at the level of 35% that we've been very vocal about.

So the homework that was done and still continues to be done will allow us to have an even higher margin. Now the margin for the year, that's the guidance. Kaka said that we reaffirm the guidance for [2020] -- this year. But for 2026, we cannot talk about margin or cash generation. We can see a development in production and a development of financial indicators quarter-on-quarter, and this dynamic will remain.

Jonathan Koutras - *JPMorgan Chase & Co - Analyst*

Okay. Understood. Thank you.

Operator

Ruan Argenton, XP.

Ruan Argenton - *XP Investimentos Corretora de CTVM SA - Analyst*

Good morning. Thank you for the questions. I have two questions. First, I would like to explore a bit the expectations of launches you have for this quarter in particular, you showed an acceleration. So I would like to understand what's your expectation for growth in the second half of the year? And what are the KPIs that you're looking at to understand what's -- if there will be a drop in inventory or better profitability of projects?

And the second question, so to understand the construction CapEx scenario for Resia. Kaka said that it dropped considerably in this quarter when compared quarter-on-quarter. Is this a consequence of the conclusion of the construction cycle at Resia? And what do you expect from now on? Thank you.

Eduardo Fischer Teixeira de Souza - *MRV Engenharia e Participacoes SA - Chief Executive Officer*

Good morning. This is Fischer speaking, and Kaka will answer the second. Well, launches in the second half of the year will follow the strategy we designed. We had an excellent second quarter. And the third quarter will be especially strong with a high impact, but not as strong as -- not as a high impact as the third.

What we see for the KPIs is that our launches have had a much better margins than the previous projects. So we have a reinforcement in the margin growth. We have to calibrate that according to the inventory of each city. So as we accelerate our sales speed, we make room for that and that's how we calibrate things.

The margins are very good. That's important for us because then we can accelerate in looking at the strategy for the year. The strategy of launching more in the second quarter comes from that. We launched projects around BRL3.5 billion with very good margins.

So as the constructions evolve, that could even boost the margins. The second half of the year will be strong in launches, especially the third quarter. We have a good pipeline of launches at very healthy margins.

Now Kaka will answer Resia question.

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

Good morning. As for CapEx for Resia, we have one project under construction, Golden Glades. The less modules are being finished now. But the third quarter has less investment in construction than the second quarter. Another important point that North City is another construction that's been started but won't be consolidated within Resia balance sheet. It's a full asset-light and it's a service base. So that CapEx won't go through the disbursement line of the balance sheet of the company.

Ruan Argenton - *XP Investimentos Corretora de CTVM SA - Analyst*

Thank you, Kaka. That's very good. Have a good day.

Operator

Carla Graca, Bank of America.

Carla Graca - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Good morning. Thank you for the presentation and for the question. I have two questions. I would like to make a follow-up on the guidance question to talk about the net income in Brazil. I'd like to confirm if the figures that you're going to use to reach the guidance of BRL150 million is the adjusted net income reported in the release, BRL25 million for the last quarter. If positive, you would have to reach BRL500 million in net income to reach the guidance, right?

And the second question is about direct funding. I would like to understand, because in the last quarter, there was a significant drop in sales with direct financing, only 8% of total sales. But this quarter, there was a growth coming close to 10%. Where do you expect this figure to stabilize? And what's the impact that you expect for bracket four?

Unidentified Company Representative

Well, for the net income guidance, there are some impacts. First, an impact from operations in sale that was not foreseen in the budget. There was a growth in interest rate that impacted more financial expenses than when the budget was calculated in the beginning of the year. But for now, we keep the guidance without any adjusted figures because we are absorbing those gains that we see in the second half of the year. Any review that is different, we'll announce officially through a material fact to be formal.

(technical difficulty)

What we see here that the best sales we have is associative credit. We always prefer that because it has the best year, the best return, less capital exposure. The second best is direct financing and then the regular FB, where we receive 30% in the beginning and 70% in the end of construction. So what we have seen is that some projects we launched sometimes have more pressure of sales to investors for -- from customers that make BRL18,000 to BRL20,000. So bracket four took some space from direct sales of customers that fall within the housing program. We prefer those sales, but we also like the sales with direct transfers, which may grow due to some changes we'll make.

Carla Graca - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Okay. That's very clear. Thank you.

Operator

Fanny Oreg, Santander.

Fanny Oreg* - *Santander Osbkinc - Analyst*

Good morning, everyone. I have two questions. First, if you could tell us how you see the sales scenario in this third quarter. You see the programs in July maybe to a delay in data, but the figures were weaker than we saw in the other months.

And the second question, could you speak about Luggo a bit? In the release, you mentioned there is a potential sale of some projects of Luggo, around BRL185 million. I would like to understand if you have mapped any potential buyers? I understand that these projects were not part of the partnership with Brookfield. And I would like to understand if the sale of these towers could be part of the cash generation guidance.

Eduardo Fischer Teixeira de Souza - *MRV Engenharia e Participacoes SA - Chief Executive Officer*

Hello. This is Fischer speaking. First question regarding sales, differently from what you asked about market data, we see the quarter coming strong and there are two components to that.

First, we did the branding base, as mentioned in the last call. That was important in the beginning of the year, and that has a long-lasting effect. So along with that, you see an increase in the funnel of lead searches, and we see this overflowing to the operations. We see a strong demand. On top of that, of the strategy of having important launches in the second quarter, when I put two things together, that are important for us in terms of sales. So we see the -- we're almost in the middle of the third quarter, so we see sales at a very good pace.

As for Luggo, there is a scenario in which there are properties for sale. Luggo, we don't have a consolidated sales scenario for it. As that happens, we'll see a strong cash generation from Luggo, but we can't talk about that for now. While that doesn't happen, we see neutral cash generation for Luggo and with an upside that's not in our cash guidance. So Luggo may have a stronger cash generation coming from the sale of these three projects, but we're working on that.

Fanny Oreg* - *Santander Osbkinc - Analyst*

Thank you, Fischer. Just a follow-up. When talking to Kaka, you were thinking about transferring some of these projects to MRV. Have you reached the conclusion about that?

Eduardo Fischer Teixeira de Souza - *MRV Engenharia e Participacoes SA - Chief Executive Officer*

No, Fanny. Maybe -- one of the beauties of Luggo business model is that it's different from MRV, which has a huge demand and, at the same time, a stress scenario. So for us, this is a major differentiation. In the market appetite we see in the market today, we haven't activated that solution yet. We believe that Luggo -- strictly Luggo solution is still the best one. But if there is an additional drop, we may move towards that direction. But that's not what we plan to do for now.

Fanny Oreng* - *Santander Osbkinc - Analyst*

Just a follow-up regarding sale. You say that you're doing fine, but in cities like Manaus and Fortaleza, do you continue to sell with checks? Or are you holding back on that regarding instability in transfers?

Unidentified Company Representative

Well, in Fortaleza, we're not using that, we stopped. And in Manaus, there was this budget issue that was disclosed. So we're also holding on that because -- as it comes back, we'll go back to that sales model. In Rio Grande do Sul, we have solved, but the checks were not renewed. But look at how interesting, Fanny. Rio Grande do Sul, we achieved a growth in volume, but you create a volume that a movement -- that even when checks are no longer available, the volume of sales in Rio Grande do Sul remained.

It seems counterintuitive. But the market is so -- there's such a deficit in the market that when something gets into motion, there is a demand that continues to convert in sales. So these checks are very important, as Rafael mentioned in the beginning. In terms of states housing policy, so we believe that they will continue in the midterm and long term. But even with small ruptures in the process, the market may remain strong. It's an interesting movement.

Fanny Oreng* - *Santander Osbkinc - Analyst*

Okay. Thank you very much for your answers.

Operator

Tainan Costa, UBS.

Tainan Costa - *UBS AG - Analyst*

Good morning, everyone. I would like to start exploring your [ref] margin, close to 34%. How does it relate to your reported margin with a gap of almost 14 percentage-points? How does this -- what's the magnitude of the 44%? Does it become 37%, 38%? And what conversion should we expect at the current level of 30% for the ref -- adjusted ref?

And the second is regarding subsidies that you mentioned, especially those under discussion. There are some states that have subsidies being discussed. How much of your PSV, either launches or sales, are exposed to those programs? And what is exactly the discussion of subsidies? What's the amount? Anything close to Manaus' 35,000? Or are they close to the average of other programs? Thank you.

Unidentified Company Representative

Kaka will answer the first one.

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

I will answer. This is Kaka speaking. This ref margin of 43% relates to 34%, 35%. We have to make a timely adjustment, and then we have to reduce the provisions for sales, provision for technical assistance, interest rates and correction of taxes. So this 43% of ref margin has to do with the gross margin of 34%, 35%.

Tainan Costa - *UBS AG - Analyst*

Second question was -- Perfect, Kaka. Regarding the subsidies that are being discussed, can you share with us how much of the PSV, either launches or sales, is exposed to those states? And what are the -- how big are the subsidies?

Eduardo Fischer Teixeira de Souza - *MRV Engenharia e Participacoes SA - Chief Executive Officer*

Okay. This is Fischer speaking. As I said previously, what we see is a growing interest from different states that are currently not operating to add that to their housing policies. And there are different amounts. But I'd say that it's around BRL10,000 to BRL20,000 per unit in the states that are in operation. This for us accounts to 30% of our sales are exposed to that because the checks from the state of Sao Paulo, for example, it's a more mature program.

It doesn't have a very continuous flow. It varies from project to project. Sometimes in one project, one module has it, the other module doesn't have it. It depends on when it was launched. So that varies a bit. But what I've noticed in our conversations is a growing intention of states to launch those checks.

Next year is an important year, politically speaking. So that will only reinforce this urgency to launch the states -- the checks in the states. So looking forward, I would say that we'll see a growing exposure to checks in the company, either future checks and current checks. And some of them even discuss improving because it's such a big impact on housing policy.

So I'm confident that we'll see a growing -- a growth of that either in volumes in a number of states and even in the values per check in the states.

Okay. Perfect. That's very clear. Thank you.

Operator

Jorel Guilloty, Goldman Sachs.

Jorel Guilloty - *Goldman Sachs Group Inc - Analyst*

Good morning. I have two questions. They are kind of follow-up questions previously made. The first is about the revenue -- gross revenue of sales to be appropriated. It's of MRV, it's BRL4.5 billion. Could you give us an idea of how this is divided by project in 2022, '23, '24 and '25?

And the second question is a follow-up on launches question. I'd like to understand how you see the second half of the year, launches per bracket. From what I understood, you're seeing more launches in the second half of the year. How would that be divide by bracket?

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

This is Kaka speaking, Jorel. This mix of revenues to be appropriated, we'd say 5% for 2022; 15%, '23; 40%, '24; 40%, '25. So we have a higher level with healthier projects in '24 and '25.

And the second question -- oh, launches, yes. Okay. I'm sorry. Our launches will continue to follow a flow of 10% to 15% in bracket 1, same for bracket 4. And brackets 2 and 3, the other, 70% split. So there's not much difference when compared to launches made so far.

Okay. Thank you.

Operator

Rafael Rehder, Safra.

Rafael Rehder - Banco Safra - Analyst

Thank you. There are two points I would like to touch -- address. First, the sales of portfolio of Pro Solutio more specifically. In the second half that we will have a slowdown in the economy, how do you see the negotiation for sales? Do you still see interest? Are you changing conditions, maybe guarantees? And I would like to understand whether we should expect a higher discount in future sales.

And the ref, what's the specific impact on -- in this quarter, it's very similar to the previous quarter. Now you see better sales coming with a higher impact on ref. And I would like to understand the slight drop and if in the coming quarters, we should see ref going up.

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

Rafael, this is Ricardo speaking. I'll talk about ref. We see maintenance, it moved sideways, and an increase in gross margin quarter-on-quarter, about 60 bps. So it's a matter of mix. There's nothing specific or anything that justifies one moving faster than the other. Whereas the sale of Pro Solutio portfolio is quite the opposite. As we -- today, we have a larger number of investors wanting to buy the portfolio that we have for sale. In this next quarter, we'll have better transactions.

And so we remain quite confident that the purchasing market, the investors market is getting to know our operations, know that the portfolio is under control. So we don't have any concern regarding the demand to purchase that portfolio.

Rafael Rehder - Banco Safra - Analyst

It is very clear. Thank you.

Operator

This ends the Q&A session. For our final remarks, I would like to turn the floor over to Eduardo Fischer, the CEO of the company.

Eduardo Fischer Teixeira de Souza - MRV Engenharia e Participacoes SA - Chief Executive Officer

Some important points to complete -- to wrap up the call. We have mentioned the level of operational efficiency that are important for us to understand a bit better what MRV could be in the next quarters. So our capacity to generate new launches with even stronger margins is more and more real. We have an originated land bank. The swaps, which brings a high efficiency -- almost 100% of swaps that controls our cash exposures and brings an important gain in margins.

With regards to what I mentioned earlier, with our initiatives, we are creating potential leads that overflow to the operations that's significant. We're investing in branding -- in brands where they have a great potential. Our capacity of pricing continues very high, very strong. So each new project launched, we go with a stronger pricing when compared to previous projects in the same cities, which is interesting.

Now we are more competitive. We've launched at higher prices in the same locations. We've been able to do that, which is very important, especially in a scenario of inflation. So our portfolio brings important gains. So when I look at all that, we see -- as I said in answering one of the questions, we see projects that are being launched with very good margins and higher than usual. So this scenario that's being designed for the company in 2025 and '26 makes us even more comfortable that everything we've done in the last two or three years will be shown in the results of the quarter. And you'll see that moving on. So we're more and more confident.

And to close, Kaka has said this several times, there is a gap between produced and transfer units, but this figure dropped to 800 units. And we see this cash generation dynamics coming from this gap that is closing. So we'll transfer more than produced. That's not what happened. So we're quite optimistic that what we've done will -- the effects will be seen shortly. And all the signs of everything we've built so far is very positive to coming quarters.

So we're very confident about the third and fourth quarters of this year, especially for 2026. Thank you for attending, and we see you in the next call.

Operator

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

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