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# EDITED TRANSCRIPT

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**Bruno Mendonça** *Bradesco BBI - Analyst*

**Jorel Guilloty** *Goldman Sachs - Analyst*

**Marcelo Motta** *JP Morgan - Analyst*

**Alejandra Obregon** *Morgan Stanley - Analyst*

**Editor**

## PRESENTATION

### Operator

Ladies and gentlemen, good morning. Thank you for holding and welcome to MRV's first-quarter Of 2025 results conference call. Today with us we have the CEOs of the company, Rafael Menin and Eduardo Fischer; and the CFO and IRO, Ricardo Paixao. (Operator Instructions)

Now, I would like to turn the floor over to MRV CEO, Mr. Rafael Menin.

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

Good morning, everyone. Thank you again for attending the MRV & Co conference call for the first quarter of 2025. As for the first quarter, we have presented some run-offs, especially regarding Resia that I'll comment on after Brazil's remarks, and also run-off regarding a portfolio sale that Kaka will explain during the presentation.

Despite the run-offs, we are absolutely certain that the company's management is on the right track and the operational and financial indicators continue to improve quarter-on-quarter. Adjustments made to the operation in recent years have clearly shown results as we expected in MRV Day and shown in MRV Day the areas commercial and have improved every quarter.

And we are absolutely sure that the efforts made by the team in the last two or three years will reflect in a state-of-the-art operation very soon. It's also important to highlight that the Minha Casa Minha Vida housing project environment, there have been many adjustments made in the last two years, but more recently 30 days ago, more adjustments were made, making this sector even stronger, and this sector already had good dynamics.

I also would like to highlight the regional programs that continue to gain speed, and every quarter new states implement public policies targeted at these low-end housing segments, which causes in the state area as well as domestic and national area for these segment of low income to become a very strong, resilient with funding, good interest rates and great affordability for our customers.

And because MRV is present in the best market in most of the states of Brazil, and it's a company that's been operating in every market for so many years, it is the company that's most exposed to the strength of the economic segment for low-income housing. So, we've made changes in our

operations, and as well as the adjustments made to the rule of MCMV program place us in a position to deliver very strong results in the next quarter, so that we can once again be the benchmark for the industry in that segment.

So, talking about Resia, we started the delivering of Resia at the end of last year with a sale of asset. And we have marked the results of three assets, two plots of land and one project in Dallas, that reported losses, but the cash generation will come in the second quarter of this year. The project continues going very well within plan and the allocation of projects has accelerated more than we had estimated at the beginning of the year, which make us absolutely sure that these projects will be sold within the timeline defined by the company.

If, at first, mark-to-market can hurt Resia's earnings results, later on we'll receive a lot of cash, and Resia will be responsible for a very strong cash generation in future quarters, which will be very important for us to deleverage the result of MRV & Co very soon. As for guidance, we are very comfortable that the guidance will be met. All the metrics -- income, sales price, margin -- we are comfortable with them, and we'll certainly deliver on our promise as stated in the beginning of the year.

Now, I will turn the floor over to Kaka to talk more about our financial details.

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

Good morning, everyone. Now going into detail and figures, we had an MRV real estate development -- We had an MRV real estate development and ROL that -- net revenue that increased more than 9,000 units than the first quarter of '25 and 17.5% higher. Net sales lower by -- lower than 1,400 units that were not transferred. So going into more detail on the impact, we had BRL320 million in net sales lower than the first quarter, BRL150 million in revenue, BRL42 million in gross revenue and BRL102 million in cash generation.

And these bottlenecks were addressed and the backlog that was generated in the first quarter of '25 and will be transferred. The generation of gross margin, we closed at 29.6% after interest, an evolution of 3.7 percentage-points when compared to one year ago and 2 percentage-points when compared to the 4Q '24. We had 100% bps, an improvement due to the Pro Soluta transfer with a BRL32 million in -- well, revenues have grown in an annual basis as well as on a quarterly basis due to branding campaigns. G&A added up to BRL108 million in the comparison. EBITDA continues to improve, reflecting the better performance of the company, 22% higher than the fourth quarter of '22 and 43% higher than 1Q '24.

The BRL132 million was adjusted by BRL32 million negative in the debt to swap and BRL73 million negative in financial expenses due to anticipation of credit assignments and because it was -- and finally, BRL30 million with the return of ECL and PVA. We had a cash burn of BRL51 million in the quarter as a consequence of building 9,000 units and transferred 180. And we did not consider the units not transferred due to regional checks. That has caused a debt in the Brazil operation of 41% similar to the next quarter. Net debt to EBITDA, we had a significant improvement compared to 1Q '24, 1.27 times compared to 1.84 times, 56% improvement in this indicator.

In the first quarter of '25, we created a structure for receivables transfer not to generate any credit assignment liability. Resia have continued with the deleverage plan with an increase in the greater lease speed, and we are making a good projects for the right audience. We have the following percentage: 95% Dallas West in terms of leasing, 86% Tributary, Rayzor Ranch 67%, Ten Oaks 60% and Memorial 43%.

We sold Dallas West in the beginning of May and two pieces of land that add up to \$14 million. So \$71 million in properties sold, \$35 million and generated an expected cash generation of \$62 million. So we have \$117 million in assets sold within the plan announced of \$800 million for '25 and '26.

This is what I had to say. Now let's move on to the Q&A session.

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Mr. Tainan Costa, UBS.

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### Tainan Costa - UBS - Analyst

I would like to explore your guidance regarding cash. You said the bottom is close to BRL500 million. And in MRV Day, you said that 1/3 of it could come from portfolio and the rest from operations. So we're talking about BRL300 million for operations. Now thinking about the figures disclosed, we're talking about BRL350 million for the next nine months.

Are you comfortable with that level? The main driver for improvement for the first quarter is the operation itself or do you think that the two detractors like the change in the criteria of Caixa and the change in regional criteria can be less significant during the year? And what do you expect to have -- when do you expect to have these two items normalized?

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

This is Rafael Menin speaking. As I said in the beginning, we are comfortable. The operation continues to flow well. Sales have improved every month. The program is strong with good launches. Pricing is moving above inflation and cash generation will certainly reflect this operational development that is happening every quarter.

The second quarter will certainly be better than the first one, the third better than the second and the fourth is likely to be better than the third. So nothing changes. We are comfortable and we'll meet the guidance proposed at the beginning of the year.

As for regional programs, we see an improvement. Problems were not 100% solved. They were partially solved. And we expect that until the end of the quarter, we'll be able to solve a good portion of the backlog left from the first quarter. In terms of the change in the accounting criteria, that was mentioned two years ago. Caixa defined the timeline for deployment that was followed.

So it's only natural that cash generation is postponed. But this was already considered in the model to build the guidance for the year. So today, there are -- there is BRL150 million in cash that is not recognized due to this change in the model. This figure grows in the year, but it -- this was considered when we built the model for 2025.

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### Operator

Matheus, Santander.

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### Unidentified Participant

I have two questions regarding Resia. The first thing that caught our attention is in the figures disclosed for Resia. I saw that you reviewed the values up for land bank. So I would like to understand this review. What's the rationale for that?

And the second question is regarding the project sold, Dallas West. Was it according to cap rate compared to the cost of the project? And do you see a trend for improvement in the indicators for the next projects? And also regarding Resia, what's the percentage of the cost of the bond regarding the PSV of the project?

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

I'll start with the third point. We haven't purchased land for a long time. The last time we purchased a plot of land was three years ago, approximately. So in general, land represents 10% of the PSV. That depends on the exit cap rate, but it's around 10%.

That varies from city to city. So this metric varies a lot. With regard to the sale of Dallas West, the cap rate at the margin has improved quarter-on-quarter. This sales competitive price was much better. There was a lot more demand than in the last two assets we sold.

We sold an asset in the fourth -- property in the fourth quarter of last year and the first quarter of last year. Those were more complex sales with tougher contracts. Dallas was more fluid selling process with a lot more competition. So we see the market improving on the margin. Of course, the interest rate of 10 years still impacts this market.

But although inflation persists, there are some signs of deceleration of the US economy. So when interest rates drop before below 4%, that will be reflected in the cap rate. As important is the rental dynamics. We see a very strong market for that. The number of projects delivered is being reduced. So the market for new projects is being widely reduced and that causes us to rent faster at higher rentals. So that makes it more beneficial for us.

So also important to know is that for each project that we sell, you notice a better profitability because projects were executed more efficiently and new rentals have increased in price. So with time, we do expect a reduction in cap.

So Hutto and Dallas Suite West are the worst profitability projects. So from now on, sales that will happen in the third, fourth quarter of this year and first quarter of next year will certainly have better profitabilities. And the last projects to be sold will have positive profitability. Golden Glades, which is to be finished in this year in Miami, it will have a yield on cost very much in line what we had closed before COVID, which was close to 7%. There are projects with a yield on cost close to 6%, 6.5%.

So you will see that projects with better and better yield on cost and profitability. And we do expect the cap to fall. Specifically for Dallas, we'll maintain the same policy than Hutto, the publishing or disclosing the profitability, but we won't go into details of yield on cost and cap.

I think, what's important is to see that the profitability is improving project on project. Some assets are -- some lands are difficult -- more difficult to sell because there are a few development companies starting new projects. Of course, the profitability to sell land is more complex. That causes us to be able to sell the land much lower than the ideal price.

But it's a trade-off. We decided to be very aggressive on sales. Of course, if we decided to sell next year in 2027, this land will be sold at much higher prices. But we prefer to be very aggressive in selling, prioritizing balance sheet and speed. That's why we decided to sell them, these two plots of land, at a very low margins.

In general, we sold them for \$15 million, but they were accounted for around \$30 million. But our book value was \$30 million. So if we were able to sell them later on, we would sell them for a much better price.

But it was our choice to deleverage Resia as soon as possible. So it's a trade-off. The income statement will be a bit affected, but then Resia will be a great source of cash generation for coming quarters.

Now Kaka will talk about the NAV.

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

There was a change in the zoning of two projects. And with that, the mark-to-market of these plots of lands increased. These are not lands that are for sale. These are plots of land that we will be developing new projects later on.

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**Operator**

Gustavo, BTG Pactual.

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**Gustavo Cambauva - BTG Pactual CTVM S - Analyst**

I have two questions. A follow-up from Resia. Rafael mentioned in the ad about the income statement a bit affected and cash generation coming -- increasing soon. From the point of view of capital because you have a guidance for cash generation. So I would like to understand whether you have an estimate in a bit longer timeframe for two, three years.

How much capital do you think that Resia will release for the holding company or Brazil operation once it will be deleveraged and cash will be generated?

When we see this loss that you booked on the sale, obviously based on what Rafael said, it will improve in net sales. But how much is left from money to help invest in new projects and deleverage Brazil even further? So Resia is more about zeroing its debt in order to start new projects without -- or then for next projects, you will need investors or maybe Brazil injecting capital.

And so second question is about Brazil. You've shown an improvement in gross margins. So I would like to understand how do you think about the effects of recent changes announced in April of the brackets for MCMV sales? Has there been any increase in sales or sales over supply? Do you see any benefits of these changes in the results of the second quarter?

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

Well, just to recap on Resia. First, regarding sales, we propose to sell and we will sell \$800 million in assets in the years of 2025 and '26. This sale will generate \$500 million in cash. The final result, which is your concern, your question about capital, will -- no capital from Brazil will be invested abroad. Any new projects that we may start that was mentioned in the presentation.

We will be in a very asset-light model. That's the land that we already have. There is very little additional capital needed in addition to the land. And as you said, in the consolidation of Resia in your balance sheet, \$500 million at an exchange rate of \$5 something, we're talking about almost \$3 billion in cash generation in the balance sheet of MRV & Co until the end of 2026. It's a huge amount of money that will bring a huge deleverage to our balance sheet in the coming quarters.

As we said many times, the chance of sending capital from Brazil to the US is zero. It's quite the opposite. We have a debt in the US. We've discussed that. And Resia has capacity to pay that debt that was made to bring capital to Resia two, three, four years ago. So that's the opposite. No capital from Brazil will go there. And the US operation has capacity to repay this funding made from MRV Brazil to MRV US many years ago. We are very comfortable with our projects. They have been rented at very good rates. Prices are going up. We believe that cap rates will fall.

New projects have a very healthy yield on costs. So regardless of the corporate model or corporate structure we'll have in the future, Resia will be very healthy because its area of operation is wonderful, the building construction model is tested, the right income segment. So in coming years, it will be a very small company with a small balance sheet, deleveraged.

And looking at the full glass from now on, if the half empty was the deleverage that it brought to our balance sheet, will bring a huge balance cash generation from that from Resia. So at every asset we sell, you will see a less negative yield on cost until it becomes positive very soon.

Today, we're discussing whether we disclose the income statement a bit more because we're being very vocal regarding the \$500 million in cash generation. Today, there is a concern about the impact on the income statement of Resia. So we may give you some more detail about that to remove that concern from MRV because it's recovering so well. And we noticed a consensus about the recovery of MRV Brazil. And Resia pollutes a bit the storytelling of MRV.

So we may give you some more details about the income statement. We're discussing that at the Board of Directors, and soon we'll have some news for you. But again, every time an asset is sold, the profitability will be better than the previous one.

Now speaking of Brazil, the accounting gross margin is comfortable. What we proposed in the guidance will be met. It's still a gross margin far from we could deliver. We've seen the new projects operating with a gross margin ex interest close to 38% and with interest around 35%, which places us at a profitability at the top of the segment and with some room to go even beyond that eventually.

But the program on a regional basis and on a national basis is very positive. MRV is very well positioned because we did our homework very well in recent years in terms of production, new land, swap model and percentage of swap portfolio building, construction, technology. So we are very positive that MRV will be the best company in this low-income segment in Brazil.

Did I answer all your questions?

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**Gustavo Cambauva** - *BTG Pactual CTVM S - Analyst*

Yes, Rafael. Thank you. It's very clear about the changes in Resia.

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**Operator**

Bruno, Bradesco BBI.

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**Bruno Mendonça** - *Bradesco BBI - Analyst*

I have two questions. Maybe a bit more technical in accounting terms, but for us to try to reconcile everything because the result -- the earnings of the first quarter was a bit dirty or polluted. Operations is clearly there are operational terms. Everything is fine. It's improved, but there was a change in the booking of sales of trade receivables. This was a topic that was widely discussed in the last two years. And you reported in the new accounting for the Pro Solutio portfolio sold with a higher impact when compared to previous sales.

If you could, Kaka, tell us what changed and why the rule changed? And if from now on, this will be applied to all sales or if there is a possibility for you to change the booking of credit assignment liability going backward because this could have a significant impact in the profit guidance. So how could we think about this reconciliation of this new sales of trade receivables with the net income guidance?

Do you need to make any adjustments to that guidance? And I'll ask the second question later on because this was a dense one.

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

Thank you, Bruno. Okay. What we've done is in the accounting, we changed the structure of the transaction. We were able to make a modeling in which the risk and benefit of the portfolio was derecognized. So in terms of figures, what happens is that now we have the investors as a subordinated quota and MRV has a mezzanine quote.

We have subordinated mezzanine and investors are in the sub and senior series and in MRV and mezzanine series. Since we are free from the risk of the transaction, we made this a true sale. This is why it doesn't generate any credit assignment liability. We did this in the Pro Solutio portfolio. We were very detailed in the explanation.

So we're not generating any additional expense. We're just advancing an expense that would be -- go through the operation in the entire duration and advancing it for now. So that's why we highlighted that figure because it was not comparable to previous ones. So the idea is to simplify our income statement and balance sheet. So if it goes through the income statement all at once, we don't have to show everything.

So all the expected result goes simply in one time. So the idea is to simplify. From now on, we'll have this new model for credit assignment for new transactions in Pro Solutio. That's been decided. This is how we do it.

And for Flex, we're still discussing the modeling, but it's possible that Flex transactions conducted in the first quarter from now on will be suitable for derecognition after key are delivered. We don't have the obligation to repurchase after the permit is given and the keys are delivered.

So we plan to reconcile this amount. So not every financial expense that generated in this transaction that was already in the guidance, but a portion of it was. So we'll start reporting to you the percentage of this expense that was in the guidance and the parts that was not.

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**Bruno Mendonça** - *Bradesco BBI - Analyst*

So, so far the guidance is capped for profit for net income?

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

Yes. Of this 43 of impact, a percentage will be in the year. This will be maintained.

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**Bruno Mendonça** - *Bradesco BBI - Analyst*

And the addition?

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

Any additional amount will be disregarded.

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**Bruno Mendonça** - *Bradesco BBI - Analyst*

As for the debt of MRV US, there was a movement that's not shown in the consolidated figures, but there was a change in the balance sheet, the division of the profit and loss of the company between income and loss. We saw the income statement of Resia going up despite the net worth of Brazil. So I understand that's the funding from MRV US. There was a debt that was international. And now you decided to make this issue in Brazil. But if you could explain the rationale for this change in the profit and loss between Resia in Brazil? That would be good.

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

Well, Bruno, when we acquired Resia in 2020, we did -- we had a loan in two tranches totalling \$237 million, \$107 million that matured in February this year and the rest to mature in February next year. So the strategy was we did a loan MRV Brazil and funded MRV US to pay the debt. That's why a portion of our profit on the net worth comes from here and goes to the US.

To have comparable figures, we decided to relocate managerially this debt from Brazil to the US so that we can continue to keep track of the result of our investment in the US subsidiary with all the debt and interests -- and the interest that this new debt will have so we can have comparable basis.

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**Bruno Mendonça** - *Bradesco BBI - Analyst*

Okay. So just to make clear, there is no new money going from MRV Brazil to Resia, right? All these are liabilities from previous funding transactions?

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

Yes.

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**Bruno Mendonça** - *Bradesco BBI - Analyst*

So despite seeing this drop in the cash of MRV Brazil going from here to there, this is reference to previous fundings?

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

Yes. This is not a Resia. For Resia, this came as equity. So what we're doing is just a different way of looking at the balance sheet. The debt MRV US is the same as MRV Brazil, but we're allocating them in different places to facilitate the investment analysis in the US market as a whole.

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**Operator**

Jorel, Goldman Sachs.

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**Jorel Guilloty** - *Goldman Sachs - Analyst*

I have two questions regarding Resia. The first, I would like to understand this forecast sales -- sales forecast. So I would like to understand if you could have more impairments to the sales. And if yes, at what level? This 10% of the projected value, 15%?

And the second question is very specifically, I would like to ask about the corporate debt of Resia because you said you paid the first tranche, BRL107 million that was funded in reais. So how do you -- can we expect you to pay the second tranche? It will be funded in reais? Or do you expect to pay with Resia sales -- to pay this with Resia sales?

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

This is Rafael speaking. As for profitability, there are several projects and several plots of land. So it's complex to talk about the profitability of each project in the Q&A. The important aspect is that at each asset that is sold, the profitability will be better or less negative. Some of them will still be negative, but less negative than Hutto and Dallas West were.

And the projects that will be sold next year will have a positive profitability. As I said in the previous question, we are discussing internally since there is some lack of -- some discomfort from analysts and investors that as to what could be the size of the loss, we could then limit a range for loss in the years of 2025 and '26. It will be likely -- it will actually be lower than some people estimate given the price of our share today but also talking about the counterpart of the cash generation of \$500 million.

As for the debt, when you sell the project, you automatically pay the debt of that project. So we have three US -- three debts in the US. First is the debt of the project. When you sell, it's the debt is settled. Second is the corporate debt of Resia. And the third debt is MRV US debt. As Kaka explained in the previous answer, half of it was paid and the other half will be paid in a year.

Since we have a long time to pay, we haven't defined whether we'll get funds in Brazil, if we'll fund that in the US. But what's important is the deleveraging in a very quick reduction in the balance sheet of Resia. So in a very short time, Resia will not only pay the debt of its projects, but also the corporate debt of the company.

Is that clear, Jorel?

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**Jorel Guilloty** - *Goldman Sachs - Analyst*

Yes, it's very clear.

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**Operator**

[Juan], XP.

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**Unidentified Participant**

I have two specific points I would like to touch on. First, investment with Resia. We see that the production number of units produced has dropped, but investment in construction is growing year-on-year and quarter-on-quarter. So I would like to understand the effect of that. Do you expect a reduction in investments in construction and that will maybe generate a more consistent cash generation scenario for Resia in next quarters?

And the second, there was a significant drop in this quarter in terms of sales. Is it a seasonal effect or there is any strategy related to that?

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

Rafael speaking. Reisa. Could you ask again, Juan?

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**Unidentified Participant**

It's about investment in construction. How do you see the scenario in the future because the number of units has dropped, but the investment is the same.

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

Okay, Juan. Thank you. Well, we have one ongoing project, which is the Miami project and starting a second project in Texas. The equity of Resia comes first and then comes the equity of partners. The capital stack for this project is closed and settled.

So we had a higher expense in the first quarter with the property taxes, permits to approve the projects. So there was a higher disbursement in the first quarter than we have in the second quarter. There is a guidance for Resia this year, which is the generation of \$270 million, and this guidance will be met. We are very comfortable with sales, especially the sales of projects and expenses will be reduced quarter-on-quarter from now on.

Also because the next project, which is located in Dallas as well, will be different. Resia will be more of a service provider; a very small equity amount will be involved. And most likely, the construction debt will not be consolidated into Resia's balance sheet.

Now I will turn the floor to Fischer to talk about our strategy regarding sales of MCMV and in the Flex, which is direct financing.

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**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. This direct sales portfolio is something we like. We're able to sell [Opar] as Kaka mentioned in the opening. So we like it because it's an additional sale in addition to the regular funding sources for MRV. Some people who have any restrictions with banks and prefer to purchase directly from us. So we sell, it makes sense for us. And also after the construction is finished, we can recognize that and have everything in-house in the end.

The counterpart of that, as in one of the questions today, is that there was a very favourable change in the MCMV program and in all the brackets, but the creation of bracket four competes with this funding because then the customer has a very good option in terms of loan conditions, loan terms and interest rates. So looking forward, I believe that there will be a drop in that line because it will compete with the funding sources that are more competitive and did not exist before.

Our strategy does not change because we do see a specific target. But a part of it will migrate to bracket four because a good portion of our sales fits the price and the income levels that apply to bracket four. Is that clear?

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**Unidentified Participant**

Yes.

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**Operator**

Marcelo, JPMorgan.

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**Marcelo Motta - JP Morgan - Analyst**

I have two questions. I want to go back to the impairment of Resia. I'm sorry about that, but just to make sure I understand it. What was the driver to recognize this in the first quarter if sale will happen in the second quarter? Is this a matter of signing the contract compared to the closing of the transaction?

And also, do you really stop announcing when you sell Resia because you used to sell a material -- send a material fact of that? Maybe we missed it. Just to understand whether we will not have any material fact communication in the future. Also in terms of selling expenses, we try to compare it to launches. It seems to be the total selling expenses have increased per se or when compared to budget. So is there any change or any seasonality effect?

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

Okay Motta. Regarding Resia, what happened was since these three assets are as properties available for sale, and there was an assessment of the -- an evaluation of these projects with purchase and sale agreements signed for the second quarter, we did the accounting and impairment because of that. When we -- when it's actually financially settled, that hasn't happened. So it will happen in the second quarter. That's why we marked, but we didn't announce the data. That's the difference.

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**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 answering your second question, Motta. Yes, there was an increase in expenses in this quarter. We mentioned that in some conversations, including MRV Day. We made a significant investment in some branding and performance actions in the first quarter. That's basically what caused this increase.

And the consequence of it was -- as Cambauva asked in the beginning earlier, we started the second quarter with a funnel of customers we've never had in our history. So looking at our launches strategy that's very robust in the second and third quarters, with that, we're able to -- we are prepared to have very good sales in this next two quarters. We have very great launches, a wonderful funnel because of this campaign, and we'll have very robust sales.

So looking at the expense itself, it will tend to go back to regular levels and a dilution -- a trend of dilution if these sales that we expect do come true. Just to give you some context, we started -- we closed April. It was a very good month in sales as a consequence of the campaign of launches. So answering you more directly, the commercial expenses line will probably go back to historical levels with additional dilution that will come when these second and third quarter sales are affective.

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**Operator**

Alejandra, Morgan Stanley.

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**Alejandra Obregon - Morgan Stanley - Analyst**

I mean it's clear that the underlying fundamentals for top line for Minha Casa Minha Vida are there, and we might see more of that. But I was hoping if you can talk about how this could be translating into market share for you and how your market share has evolved over the last year.

So I mean if you coupled demand trends in each of the groups, what you're seeing in the ground and your land bank and your firepower to perhaps capitalize on that, I mean if you can comment on how all of this has helped you evolve in terms of market share. Where do you see more room? And where do you see your market share landing ahead, I mean, once all the moving parts settle? And if I can tack to that, if you can remind us on your exposure to each of the groups, how does that look like today?

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

Alejandra, this is Ricardo. So the first question regarding the market share. What we are seeing is that we currently have -- historically, we currently -- we have like between 10% to 12% market share in the social housing program. We are currently a little below this number because the total number of units increased in the last cycle, in the last couple of years.

What you're seeing today is that we have a much broader exposure to the -- geographically speaking, in all the markets in Brazil. So we have this opportunity to catch up with this historical market share, meaning that we are currently roughing between 8% and 10%. We should go to 10% to 12% in the years to come.

And I'm sorry, but I lost your second question.

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**Alejandra Obregon - Morgan Stanley - Analyst**

My question was if you can remind us how much exposure do you have to each of the groups today and how much you will have in the future? Like where do you see that landing?

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

Okay. Perfect then. So prior to the announcement of the bracket four of the social housing program, we used to have like 86% of the PSV within the social housing program and 14% outside of it. But as it was announced, the bracket four going up to BRL500,000 and BRL12,000 of family income, we currently have like 97% to 98% of the whole inventory inside the social housing program. The bracket three currently is towards about 30% of the total volume.

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**Operator**

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

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

Well, thank you very much. Just an additional point. Of course, most of the call was about Resia. And -- but going back to one point, you attended the MRV Day in April. And in addition to these ambitions of volume for this year, recovery of margin and on our guidance, we had a chance of explaining more in detail all the initiatives in increasing commercial efficiency, productivity gains, improved efficiency in land bank purchase.

And this is not in our guidance for 2025. So when these operations go into the system during this year in addition to what we've said in terms of guidance for recovery of operations of the company, for 2026 there will be an additional development coming from productive efficiency in the three main operational areas we're in, as you could see in detail in the MRV Day. That's why Rafa said in the beginning that we do expect to be the benchmark in the industry, in the sector of MCMV.

That's for better -- we have better launches, better pricing. And when we reach that in 2025 -- but on top of that, we have all the initiatives that we showed in MRV Day, we are confident that beyond 2025, we'll be able to have a development, much better trend for recovering the company, improving margins and once again, we'll be the benchmark of the sector.

This is why I would like to make clear because MRV operation is gaining more and more efficiency and is in a trend recovery -- recovery of trend that we expect to be very positive. Thank you very much.

#### Operator

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

#### Editor

Statements in English on this transcript were spoken by an interpreter present on the live call. The interpreter was provided by the company sponsoring this event.

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