

4Q23 CONFERENCE CALL

Pedro Lourenço:

Good morning, ladies and gentlemen. Welcome to EZTec 4Q23 and full year 2023 earnings conference call. I am Pedro Lourenço, Head of the Company's Investor Relations department, and joining us for this presentation are Silvio Ernesto Zarzur, Board member, Chief Executive Officer, and Real Estate Development Officer; Flavio Zarzur, VP and Chairman of the Board of Directors; Samir Tayar, VP of the Board of Directors; Emilio Fugazza, CFO and Investor Relations Officer.

We would like to inform you that this event is being recorded and that all participants will be in listen-only mode during the Company's presentation. We will then begin the Q&A session when further instructions will be provided. Should any of you need assistance during the conference call, please ask Support for help via the chat. In the event of a connection failure, please reuse the same link or ID available on ri.eztec.com.br to return to the presentation. You can also find the presentation slides in the download center on our website. The information is presented in Brazilian reais and BR GAAP and IFRS applicable to real estate development entities in Brazil, unless otherwise noted.

Before we begin, we would like to mention that any statements made during this conference call regarding EZTec's business prospects, such as projections, operating and financial targets, are the beliefs and assumption of the Company's management and are based on information currently available to the Company. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties, and assumptions because they refer to future events, and therefore, depend on circumstances that may or may not occur. Investors are cautioned that general economic conditions, industry conditions, and other operating factors may affect EZTec's future performance and lead to results that will materially differ from those in the forward-looking statements.

Now, I am going to hand the call over to Mr. Emilio Fugazza, Chief Financial and IR Officer, who will begin the presentation. Please, Mr. Fugazza.

Emilio Fugazza:

Thank you, Pedro. I would like to thank the members of the Board of Directors for joining us, members of the management, our CEO, VP, Executives of the Company, and I would like to start talking about the Company launches for the year of 2023, reaching R\$987 million.

Some highlights can be seen on the left part of the presentation. 3 launches in partnership and under the brand Adolpho Lindenberg. First, Jota Vila Mariana, a development that EZTec has 50% and that is 64% sold; Lindenberg Alto de Pinheiros that has a very suitable price for the region and 37% sold; and Lindenberg Ibirapuera. Important to highlight that the percentage sold, 20%, corresponds to the first tower. We are going to launch the second tower along the year of 2024. And also East Blue Tatuape, a development that is 100% EZTec and that we have achieved 67% of sales.

I am going to talk about sales further on, but still on launches. In the bottom right part of the chart, we see the percentages of launches sold in 2020, 2021, and 2022. The highlight of sales that we had along 2023 was precisely those of developments under construction, so much so that all the deliveries that we are going to have for the next 2 to 3 years shows that we have a very suitable percentage sold and therefore a very little formation of inventory for the future, including 2024.

Sales now, we had R\$1.5 billion in gross sales for the Company, resulting R\$1,270 million of net sales. The highlight on this slide is that in the 4Q we went back to a level that was a lot more suitable and adequate to our operation compared to what we experienced in the years of 2021 and 2022. And in the bottom right part, we see the 4Q and see how strong sales were of apartments under construction. Approximately, R\$150 million of the total R\$255 million that we had were of developments under construction. So the highlights of sales, undoubtedly for the year of 2023, were new sales and gross sales that added up to approximately R\$930 million of the total R\$1.5 billion of units sold altogether.

On the next slide, we talk about our deliveries. It was undoubtedly a year with the highest number of deliveries for the Company. On the left part of the slide, we can see the Air Brooklin residential that was delivered on Santo Amaro.

In the end of December, we had that development Air Brooklin with 84% private area of units sold, which is exactly what we had in the year to date of all the sales of R\$1.8 billion, 84% was sold. In the bottom part, on the right, you can see that the year of 2024 is not going to be as strong in terms of deliveries. We are going to amount to R\$764 million. But still 73% of the units to be delivered this year have been sold.

So again, we are not going to build relevant inventory, which I think is important. We are able to move the operation. And when we get to the end of construction of developments, the gross inventory is very low. That also means that we are having good prices for the performed units that are in inventory.

So let's now take a look at our inventories. In the upper-left chart, we see the bars for 2021 and 2022 that showed our inventory. For each one of these years, R\$2,800 million every one of these years. For 2023, we closed at R\$2,700 million, a fruit of R\$987 million of launches, R\$1.5 billion of sales, R\$229 million of terminations, and our inventory of R\$104 million.

The highlight certainly is the chart on your right that shows that now we have a bit more inventory performed that is being released for sale as we finish the transfers to banks in 2024. And this inventory performed. Because I do not have much inventory in the developments delivery, this inventory has a potential to grow our gross margin for the Company. So we see the R\$371 million of inventory to be available for sales along the year of 2024.

On the next slide, we talk about our landbank. When we talk about landbank, we talk about future developments for the Company. Our landbank has been relatively stable. The only acquisition we had in the period is a plot of land in the area of Paraíso, together with Adolpho Lindenberg, a launch that should take place by the end of 2024, beginning of 2025.

We also have our plots to be resolved, and after the acquisition is ratified and we start to pay for this development, we are going to add something close to R\$3 billion in PSV, with the potential for the end of 2024 of R\$12 billion of landbank for the Company.

We have talked about past events, but let's now talk about financial indicators for the Company. First, I am going to talk about the quarter itself. In the 4Q23, we had R\$338 million in net revenue. On this revenue, please, take note of an important increase compared to all quarters of 2023.

In the 4Q, this increase has to do with the accounting recognition of Lindenberg Ibirapuera and the sales we had there. By the way, we just had another sale in the 1Q for Lindenberg Ibirapuera, and until December, for each sale we had a 60% POC. That's why we have a very interesting balance for the 4Q. As of now, all sales will continue to be recognized as well as construction execution.

On the top-right part, gross profit grows as revenue grows, but margins also show a sign of recovery. Gross margin already reached 33% in the quarter. Important to note, however, that is to say that to me, the most positive effect that continues to be positive in the quarter and should represent a pure improvement in margin is the bottom-right chart, which is margin to be appropriated.

Note, from the 4Q22 until the 4Q23, we have steady improvement of our gross margin, already reaching 38%. And from the 3Q to 4Q, the increase was 0.9 p.p.. So it's quite significant to us and in an operation that is optimal, we expect in 2024 to observe this gross margin improving as we saw in the past. And perhaps even additional accessory gains came in from inventory units performed that have gross margin above 40%.

Finally, when we talk about equity, I would like to highlight the R\$21 million. This is the beginning of the recognition of Lindenberg Alto de Pinheiros. We had 2 beginning of recognitions in the year of 2023 with a total of R\$100 million. This is what we have been doing with partners that represented in 2023 equity and potentials of net profit of R\$100 million.

Still talking about quarter results, we talk about our financial result, which is a lot more in line with the rationale of the whole year of 2023, with R\$24 million, basically resulting from our portfolio of fiduciary sale portfolio that you can see on the right. See that since 2019 we have decreased our portfolio getting to the floor in 2022 with R\$363 million. In 2023, we went up to R\$387 million.

But this number does not tell the whole story. In the end of 2023, we already see a higher formation of portfolio units that have been either already signed or that are under registration, and along the first and 2Qs of 2024, they are already going to show in our earnings release, leading this number to above R\$400 million.

In the bottom part of your slides to your left, we have net profit R\$83 million, net margin of 25%, which adds to our annual profit, which is the best performance in the quarter that we had for the past 5 quarters.

Just to close, we have our debt net cash position. We had by the end of 2023, our net debt position at R\$94 million, which is largely expected from the Company. We should keep at this level for another 2 years, given that we obviously have a substantial amount of developments under construction and that will need real estate credit a long time.

On the next slide, my considerations on our annual indicators. Net revenue, approximately, R\$1.1 billion and net profit R\$239 million. That is 23% of net margin for the Company in the year of 2023 as a whole.

Now I would just like to highlight issues related to our capital structure and dividends. On the left part of our pie chart we can see our shareholders' capital, R\$4.6 billion, which represents R\$21.3 per share. And on the right, in the distribution of assets, we have a higher variation, so to speak, in receivables in terms of performing investments because we have been selling a lot of units in developments ongoing and very low inventory as we can see what was delivered in the end of 2023, the ready inventory that we have between residential and commercial units, about R\$800 million and R\$400 million of cost for this ready inventories. Gross margin, as I mentioned before, in this call of approximately 40% to 45%.

Our shared assets, R\$501 million, are those investments that the Company has in joint ventures and partnerships that have already been released of the Company that generated net profits of R\$100 million, that is return on invested capital of about 20%. All that said, remember that we have our dividends policy. For the 4Q, we are talking about more than R\$19.6 million to be paid out on March 28th approximately R\$09 per share ex-dividend date, March the 22nd.

To close our presentation and open for your questions, I also pass on to the Company's managers and controllers, I would like to mention subsequent events. In the 1Q, we already launched the 2 first phases of the Mooça Citta development. We have a joint venture there that is a share of 50%. EZTec is building and managing the development, and it is a development in which we have several launch phases to happen. And also, we launched Mooça Citta Firenze with 33% of units sold with PSV for the EZTec and Milano with a slightly larger apartment, 16% sold, 50% share.

Now for the end of February and March, we started to work ourselves and that will be announced soon for Lindenberg Vista Brooklin, a fantastic development, in partnership with Adolpho Lindenberg. We are talking about a development at the best place in Brooklin with permanent view. In this development we have high hopes, not only in terms of sales, but also in terms of results, and very soon we are going to announce a test launch.

And for the beginning of April, most probably, we are going to have our first launch in recent years on the north side of Sao Paulo. So we are going back to the north side. It's called Villares Parada Inglesa, R\$140 million, EZTec has a 75% share with basically midclass, an area that the Company works very well.

With that I am going to open for the remarks of our managers. Before we open to questions, we are going to start with Silvio Zarzur, our CEO.

Silvio Zarzur:

Good morning, everyone. I would like to thank you for joining us. You know, last year we had recognition of an increase in cost of construction that hurt us a lot. This is practically settled, in our point of view. We should not have deviations in the magnitudes that we had in the past. We are very much focused on the midmarket.

We have something that is premium, but our main focus is going to be the mid-market, a segment that we usually perform very well with traditional margins. We are somehow going back to really lead this space in midmarket. So we are going to working in the whole of the city in Sao Paulo and also the Greater Sao Paulo area, Osasco, Guarulhos, these are areas that we understand. We have lower competition and therefore better margins.

The inventory of ready developments, we had R\$500 million delivered in the past 6 months, and because of our MO, this is going to be put to sale now. We should have a high speed of sales of these units because they were just delivered last year. So we are going to focus on selling those units, those finished units in the next 3 to 4 months, and we developed a strategy for the Minha Casa, Minha Vida government program. We are working again establishing partnerships. During the year, we should close some relevant amount of partnerships for the government program, and that's it.

We are very confident about our operation. We also had a drop in financial result which hurt our balance sheet. Traditionally, we have a stronger financial P&L that does not depend on us. It has to do also with inflation and interest rates. But it did drop by almost 50% in terms of our P&L.

So, in a nutshell, we should increase revenues and sales this year considerably. And we should have better performance than last year because we are not going to have the deviations of costs in constructions, as we had in the past. We hired 2 new directors. You should expect new things to come. With regards to company management, we are working very hard for things to run as smoothly as possible. That's it.

Flavio Zarzur:

I would like to say good morning. I would like to say that Samir Tayar, our partner, is here. He has been our partner for more than 45 years, along the whole history of EZTec. Pedro is also here. So we are all very much in line with the strategy designed by Silvio. The strategy he designed is consensus within the Company.

Our objective is to pursue and execute this strategy. This is our focus. So just to say it again, to operate in midmarket, to have partnerships in the premium market, and also partnerships in the low-income market, that will bring higher fluidity to our landbank. It will improve our return on invested capital in the coming years. We are really confident about that. And just as a reminder, we have a very comfortable indebtedness position, and that will allow us to really pursue our objectives.

I thank you very much. And we are here for your questions.

Pedro Lobato, Bradesco BBI:

Good morning. Thanks for the presentation. I have two questions. First, with regards to launches, just to understand your strategy. First, if it is actually to accelerate launches, what kind of mix are you talking about between premium, midmarket, and low end? If premium is more partnerships with Lindenberg. In low income, the strategy, you mentioned also partnerships and joint ventures, so what are conversations like? And midmarket, what is your mindset for launches this year?

And second question, just to understand your strategy for your direct portfolio in 2024, because that is indeed an important line for your results. So I would like to understand if there is a connection between you continuing for the next 2 years with this level of net debt, if that affects your strategy in terms of direct portfolio, or things should go on business as usual. So just to understand what the segment is going to be like for the coming period.

Silvio Zarzur:

This year, Pedro, we should have some kind of launches in the premium segment, but we are not going to be alone. We are going to have this focus on midmarket. But even in the premium market we have a new brand. We had the rebranding for the Company, so we should come up with a new premium brand.

So we had something in premium by ourselves, something with Lindenberg, and the main focus in on low income, a little for the Minha Casa, Minha Vida government program at first. I believe that we had 2 developments for this program this year, and then a pipeline that is a lot heavier for the coming year for the Minha Casa, Minha Vida program. So that is basically it, the bulk of it in midmarket, some in premium 2, 3, and then 2, 3 for the low-income market, but with a lower present sales value.

About Lindenberg, we have had partnerships with them, joint ventures that are doing very well. Together we have better performance than we had before we worked alone. You know that we have an agreement of acquisition with them that we signed before and that could be executed. We do have the options of acquiring 50% of the Company. If we do whatever we capitalized in the Company is enough for the acquisition to be completed.

So we are not going to have a cash impact, because we already done that through the partnership. The decision has not been made, but this is an option on the table and things have been doing very well, with good margins, good sales. So it's really running smoothly.

Emilio Fugazza:

The other question is about our direct portfolio. That is, direct sales.

Silvio Zarzur:

You talked about net debt. Although Emilio modeled net debt correctly, I am going to work a lot for us not to have net debt. I want to change scenarios through the aggressiveness of sales, of really turning inventory into cash.

Emilio is right, and everything he does is right. But I expect not to keep that net debt as presented in what Emilio rightly said. So I do not want to reach this level. Anyhow, the fiduciary portfolio has a good use to us. We know how to manage that. It's also a management and sales tool. The cost of financing is lower than the yield of the portfolio, so I see no reason not to have it. That's it.

Emilio Fugazza:

If I can add to that, Pedro, we see the conversion of this portfolio at the end of the development. So we do not have many deliveries for 2024. And I am giving you an example of 10%, 15% about the developments of 2024.

This altogether is not high. We already had R\$500 million in our portfolio. It would be welcome for us to have that, given our gross cash. So we have no concern with the portfolio or any substantial addition now. But we have a cash position that is very comfortable and generates additional results, as Silvio mentioned.

Silvio Zarzur:

And when I say a strategy of strong liquidity for ready units, one of the things we use is the sales portfolio. That really enables us to finance things faster without customers having to go through the bank. And this finance-ready units are already free of burden. So I am not removing cash for the Company, I am just delaying it.

Juan, XP:

Thanks for taking my questions. I have two, one in margins. When we see your slide on margins per year, it seems that previous years are less representative. And my question is basically to understand what is the level of recurring margin that you would expect. And also if you could give us a bit more color in terms of level of margins for the midmarket, as you are being more exposed to the segment.

My second question is to try and understand your strategy to accelerate sales of your inventory. So just to understand if you are providing a bit more discount, a better financing term, having a bit more of sales efforts, how are you dealing with the sale of inventory.

Silvio Zarzur:

When we talk about midmarket, we are very much focused on, what shall I call it, product design. So on Roque Petroni, I do not know exactly what our PSV is, but it's high. Emilio or Pedro can perhaps look at it for Roque Petroni avenue.

But instead of having a product that has a very high cost of construction, I make it slightly simpler, and I have a more competitive price. But that's R\$15,000/m³. So when I talk about midmarket, I am talking about Roque Petroni, Carrefour, more than R\$1.5 billion, R\$2 billion PSV at this price range of R\$15,000.

Carrefour, Roque Petroni, we are adjusting. Roque Petroni is much larger than that. It is approximately R\$1.2 billion for Roque Petroni. That is a rough estimate. And for Carrefour, about R\$500 million.

So this margin is traditional margin, a simplification of construction for us to run less risk in terms of competition, so we can sell slightly cheaper than the competition and a lower risk of engineering involved.

As a reminder, this plot that Emilio mentioned, the Extra supermarket plot that is probably going to come in this year is 230,000 square meters at a price of R\$12,000, R\$13,000/m³. And again, we are trying to have a more economical building to sell at about R\$12,000, R\$13,000/m³. The competition is selling at R\$18,000 to R\$20,000. So that's our policy. That's the strategy.

You ask, and Emilio is going to add to that, because I do not recall everything by heart, but when you talk about sales of inventory, it is what you said. It's a bit of discount. I want to expedite sales. If the unit is corrected at the INCC level and it will take me 1 year to sell, if I sell now, I am going to have a yield of 12% to 14%. So I am going to offer a discount. I am going to finance this buyer with IPCA plus 8%, plus 10%. That in a way offsets any losses. So all strategies, all weapons for us to expedite sales as much as possible.

Emilio Fugazza:

Let me answer your question on margins. First, when you talked about margins of the past, they are shown on our earnings release. That chart is very interesting for you to understand each period of launches and the level of margins that we are attaining.

Just as a reminder, there is also an accounting effect, which is adjustments to present values. That is, when I recognize the gross margin, I discount the present values. That is, gross margin grows a long time for each development, and I reach

maturity at the end of construction. But you see the gross margin of everything that has been launched and under execution in the Company, and it is on average close to 35%.

When you take a look at our REF margin, it represents many of the sales that are happening now of units under construction that we had some valuation compared to the time of launch. So you already see register the 38% there. There is obviously a difference between the 38% and 33% of gross margin, which are financial burdens.

So whenever you get to the end, you have to discount financial burdens that could represent 1 to 2 p.p. of the average. When Silvio talks about margins for launches in midmarket, and he talks about the Company's comfort or expertise in midmarket.

That has to do with the fact that they are large developments whose plots have a lower weight in price composition, and whose engineering work takes us back to a very competitive environment in terms of construction costs for this kind of development, which is what led us to reach very substantial margins in the past. And when I say the past, I say 5 to 10 years' time.

So obviously, we expect for future launches in midmarket to have gross margin that is better than what we show on average today. This is the work of the Company that starts in planning, continues in engineering, in management, as Silvio mentioned.

Silvio, would you like to add?

Silvio Zarzur:

No, I am fine.

Hugo Grassi, Citi:

Good morning. Congratulations on your results. Thanks for taking my question. I see that in this quarter, you started to recognize in your report and in managerial data on landbank, the PSV gains related to the changes in the city's masterplan. For your choice of words, I was led to believe that there is more to come. Could you give us a bit of color in terms of potential size in the repricing of PSV?

And along this line, if I can ask you perhaps more systemic question about how projects are being approved in this new cycle. I do not think you are the only ones that are going to work with projects in your pipeline. So I wonder if things are taking a bit longer with the regulatory agency because of that. We saw in the past a bottleneck for approval of new projects. Are you observing anything of the kind that can lead to delays in launches?

Silvio Zarzur:

I would just like to say something. Things are happening in a very dynamic manner. What you see is just the tip of the iceberg, which is the city's masterplan. But then we have other real estate operations going along the lines that have affected some of our properties.

And this is a tough game to play. For instance, you have a project that is almost approved, then the city administration says something about the plot that you have. I will give an example. We have a plot with a considerable PSV, and they double the potential for that plot. But you already have something going on, so it is hard. It's not even in our landbank. They probably do not even have this information.

But I think I did mention that in a meeting last week. So you have something ongoing. Then you think, are we going to delay it? Are you going to go? It's a hard game to play, and it is not over. It is still going on. There are other things to be

approved that may interfere in, what should I call it, be a construction potential of our properties. So it is a paradox, I would say. We have to play the game.

You talked about SMO but I am concerned about the Company. If you have a capacity to perform and you change the rules of the game, then you lose capacity. So it is something that we are taking a look very cautiously. We are monitoring it from close. Sometimes we prefer to launch it because we do not want to wait, and others, we think it is worth taking our time and redesign the project.

So the thing is, what gives me the comfort is that we have plenty of things to launch. So I may wait and leave some things behind, because I do not want to launch everything that I have. It was not even in our plan.

Hugo Grassi:

I have another question, if I may. I would like to hear from you how you see the low-income segment. We did talk about premium and midmarket segments. Perhaps low income is not going to be so substantial in 2024, but perhaps growing in 2025. You have a landbank of, if I am not mistaken, R\$2.2 billion. I remember with the new Technical Director, you revisited the engineering of the segment. So what are your prospects for the future in terms of low-income launches?

Silvio Zarzur:

It's just what I mentioned in the presentation. It's all about partnerships, joint ventures. Today, I do not recall by memory, but I think it's R\$1.5 billion in partnerships that are already ongoing. Now you have to understand that there are large plots whose completion will take 2, 3 years. I am talking about large plots of land, but ongoing things that we already established joint ventures, R\$1.5 billion, and this is the first step.

We are going to restructure everything to also be able to work directly with the Minha Casa, Minha Vida government program. But with these partnerships, we are talking about construction alone. We are not talking about the other needs of the development as a whole. Sometimes we finance our partner with CDI plus 3%, depending on the partner that we have, and that also gives responsibility and accountability for our partner.

There is a case with Cyrela, we have a JV of 50:50, although Vivaz] is going to operate. So with the segment, perhaps for next year, we are going to have a restructuring and work directly. The margins that we have, at least for these ones now, are good. We believe the Minha Casa, Minha Vida, this is my understanding, is going to be very important for a long time.

So I think that we are working through JVs with relevant results for the Company, and we cannot be as fast directly. We are going to continue as is until we are able to operate directly in the segment.

André Dibe, Itaú:

Good morning. Thanks for the presentation and for taking my question. I have one question. It's basically a follow up on the first question about launches, about the pipeline of launches for this year. We understand that you are more comfortable with the level of sales that you see in estimated deliveries, and you are going to resume launches this year. This resumption of launches also depends on the performance of sales that you are having. So as you sell more, you get more comfortable to launch more. I would like to understand your mindset in terms of level of sales for the 1Q. That would give you the comfort to continue accelerating launches for the coming quarters.

Silvio Zarzur:

Andre, let me say something. I am not happy. We are not happy with the results of last year and with the volume of sales that we have. We intend to improve a lot. And I am not comfortable with the level of inventory either. I want to sell more.

So if you want to have some color, it's hard for me to give you some color, but we are going to do our best to be aggressive in sales.

So what's the point? I am talking about inventory, but that is for everything. Financing customers, granting discounts, be aggressive. If we can increase the number of sales and decrease admin and commercial costs, because you know, admin costs are high, advertising costs are high. Sometimes I am getting a discount of 5% – and I am not attaining to numbers, just as an example – but then my margin is going to be the same. I sell more, I have less admin expenses, advertising expenses, and that's okay.

So the idea is to be aggressive, for us to be able to sell more and keep the pace of launches. I have no questions that we are going to be more aggressive than what you saw in the past. And I do not have a target, but Emilio and I have agreed, of course, that as inventories start going up, we are not going to have irresponsible launches. But I am sure we are going to sell because we are going to be aggressive.

Luma Paias, UBS:

Good morning. I have two questions. The first is about Esther Towers. I would like to have an update on the project, what's the pace of construction? If it is as planned indeed, and also what are your plans and strategies for the project once ready?

Second, Parque da Cidade, a project that hurt company margins by more than 2 p.p., as you mentioned in your release. Any other project that runs the risk of additional expenses and costs because of delay? And what is the Company doing differently to avoid it to happen again?

Emilio Fugazza:

Luma, I am going to start with Parque da Cidade, which is a past event. And then we are going to talk about future events. Parque da Cidade, it's important to mention that we proposed when we bought the project, and we started construction, we started construction in 2019.

Back then, it was one of the projects with the best reference for the city of Sao Paulo. And it was a challenge for the Company and our engineering. We delivered the project. It was our purpose to deliver at the highest level of quality and sophistication, exactly what we had proposed to do and what we sold. And this is what we did.

But given the challenge of the project, to do that, we needed additional time. However, we always communicated and informed consumers, as the law demands, with no resistance whatsoever. They bought it. They had a gain in prices, it's important to say that, because we started selling this development at R\$11,000/m³. Now it's R\$24,000. And this is the reason why we had very, very few terminations. I am now passing customers on to banks. And you see some people with difficulty in the end of the way. But they do not want to let their units go because they were compensated for their money.

So in terms of Parque da Cidade, it's important that, okay, it did hurt the Company, but it was an excellent impression for the Company, an important growth in terms of the EZTec brand status in the Brazilian market as a whole and in the city of Sao Paulo.

Of course, it was a lesson learned for the Company. This new Technical Director, the leadership of our CEO and Chairman will really take this lessons learned for new developments. For us not to experience anything of the kind of Parque da Cidade for the next development. And that is important. There is nothing even close to what we experience in Parque da Cidade for the next 2 years.

As for Esther Towers, this is a project in which the Company invested so far an important volume of capital. And obviously, it is going to complete the project when it sees that rental and sales prices are compatible to Company's needs and expectations.

Silvio Zarzur:

The thing is, we are not going to finish the building while we do not see that we are going to sell or rent it. That is, we are not going to invest or finish any. And buildings get old, so we are at a point in which we are going to keep it semifinished with a close delivery time, and we are waiting for the market to react.

That is, why am I going to sell something when the market is negative? We are going to wait a little. When the market gives sign of positivity, it is the most modern commercial building in Brazil. By far, the most beautiful, the most modern. When the market reacts, we are going to put it to sale. We are not going to finish it and let it age. When the moment comes, we complete it and sell it.

I do not want to be the first runner to do that. It took us a lot to build it. I want the compensation. I do not want to sell it as a first mover. I want the fair price. And that's the strategy that we arranged with managers, executive officers, and directors. Just in a nutshell, to be very clear.

EZTec:

And we are getting the bottlenecks that we have in the building that were challenging. That takes longer to happen, like the helicopter station and things like that, for us to get to that point that Silvio is mentioning. Eventually, go on standby and wait for the opportunity to come. Meanwhile, we are going to look for someone that leverages and gives us the comfort to complete the towers.

Elvis Credendio, BTG Pactual:

Good morning. We have two questions. First, about transfers to banks, how are you feeling the banks? Are they being more restrictive? We see news about that. And if the volume of your portfolio should grow because of that, not only because of more promotional events, but also the banks kind of being more restrictive to transfers.

Second question, cash generation and leverage for the Company in the end of the year. I know it's hard to say a number because the market is dynamic, but how you see cash generation? You had a high volume of deliveries in the 4Q, you had receivables for the 1Q. So how that can impact your cash generation and leverage for the year end?

Silvio Zarzur:

I would just like to say something. Remember that we have the payment of the Extra plot of land. That is quite relevant. If things happen as planned, we have to pay R\$200 million to be paid. And although we have high receivables, Emilio is going to give you a number, I do not know. Emilio is going to say something, but we cannot forget the Extra plot of land.

Emilio Fugazza:

Elvis, I am going to start with the transfers that you asked for. The thing is, to be fully transparent, we are not feeling a restrictive environment from banks in terms of transfers. And why is that? I think it is because the deliveries we are making are deliveries in which customers paid well. We have more than 50% payment, their fee is less than 50% remaining to the bank.

And in addition to that we have a unit amount that improved along time and along deliveries. So basically, it becomes only 30% to bank. So the level of risk for the banks is very low for this remainder balance.

And in the deliveries that EZTec is making, banks have been accepting transfers and have not been engaging in that. Even the average rates that we see in the real estate credit market for banks in general is not what is being collected from customers. It's still double digit, but low.

And that's why we do not believe the portfolio is going to grow significantly. I did say that there should be slightly above R\$400 million for this 1Q because this is already what we have at the notaries' office. But truly for the beginning of 2023, we are with a very friendly environment.

As for cash generation, we have the major payment to be made this year, which is important to us. So in my opinion, and this is not guidance, it's just my impression and is according to company models, we have an increase in gross cash for the Company until the payment of the Extra plot of land that is going to be in the 2H24, and we also have an increase of gross debt, given the fact that developments to be delivered in 2024, 2025, and 2026 will consume real estate credit. So I have an increase of gross cash and increase of gross debt.

Silvio already mentioned that we are going to work with the sales department to expedite sales of the ready units. The objective is really not to increase our net debt. This is very important to mention. This is an expectation, not a guidance, but it is a Company expectation.

Fanny Oreng, Santander:

Good morning. My question is a quick one. I would like to understand what your diagnosis is on Lindenberg Ibirapuera. You mentioned another unit sold, but why do you think sales are not as fast, given the investments of the project?

Silvio Zarzur:

Emilio said something, but I do not think that it's very interesting. He said 20% of the whole development, that is 40% of one tower. So it's not a huge speed of sale, but 40% is not that bad.

Because of the way it was acquired, we acquired this development in a system of building parking space, et cetera, and that we accounted it as a whole. So we have not launched the second tower, but we are accounting for it as a whole.

So now in May, we are going to launch the second tower. It is not in our launch guidance because it is given as launched, but you are going to see a giant sales campaign for its real launch. The campaign is very nice, all plans are prepared for us to have a major launch. Our expectation is that this is a spectacular building. We want to sell another 20 units for this launch along the year.

So the idea, you talked about our plans, basically sales over supply, and we should have a decorated apartment at the tower. And the feeling that you have at top of the tower is completely different. So we are going to have this apartment that is going to be decorated.

It's not going to be fully sold until ready, but I think we should reach 60% to 65% until completion. That is what I believe should be reasonable.

Flavio Zarzur:

Just one thing. This is a type of development that is not replicable. People are taking some time, but we are sure that the people who bought this development are doing an excellent deal. It is a plot of land of more than 10,000 square meters. It's a whole club. Sometimes people have questions, but we know that the project is not replicable, especially in this region. It's one of a kind.

Pedro Lourenço:

Thank you for all your questions. Since there are no questions, I am going to turn the call to our Directors for their final remarks.

Silvio Zarzur:

I think I already talked a lot today, perhaps more than I should. The market is not that easy, but it is not that hot. It's average. And we are going to be very aggressive. And I am saying that we are going to be aggressive in sales. I want to increase our volume of sales. And we are taking care for this company to improve its performance in all sectors. The thing is, we are not happy about last year, and we are trying to improve for this year, and we are very much engaged in doing so.

Flavio Zarzur:

I also would like to thank you all for joining us and reinforce a point here. I think that in recent times we had major changes in the country. We had a pandemic, we had the passing of my father which was a natural event and a celebration of everything that he did. It was harmonic and continues to be so right now.

We clearly have a strong strategy agreed amongst ourselves and I am talking about executive officers and Board of Directors to be pursued and met. This is important to say. I clearly want to tell you that we are in harmony right now.

So thank you very much. I would like to note the presence of Samir here. He's our patron today. And Silvio, my brother; Emilio that has been with us for just little time, 25 years, so 2/3 of his life, and Pedro Lourenço, that is a promise and that we believe a lot in him.

Thank you very much. If you have questions, call Pedro. He will answer all of them. Thank you.

Pedro Lourenço:

Thank you. EZTec's conference call is now closed. Don't forget to check out the materials available on the Investor Relations website. And thank you for joining us and have a great day. Have a great weekend.

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