

**Hugo Grassi:**

Good morning one and all, and welcome to EZTec's results presentation for the second quarter of 2020. Please note that this call is being recorded and all participants are in listen-only mode. By the end of the presentation we will begin a questions and answer session, when further instructions will be given as to how to participate.

In case any of you may need any assistance over the call, please let us know through the chat box. In case you have any kind of connection issues, you may reuse the same weblink or ID to return to the presentation. You may find that link I.D., as well as the slides to the presentation at our website: <https://ri.eztec.com.br/en/>.

Before we start, we'd like to mention that any statements during this call pertaining to EZTEC's business projections, operational and financial targets, are based on management's beliefs and premises, as well as on currently available information. Future considerations do not constitute an assurance of performance. They involve risks, uncertainties and promises. Investors may take into account the general economic conditions, industry or operational circumstances may ultimately affect EZTEC's future performance. They may cause the company's results to differ materially from those expressed in those forward statements. Now, I'd like to pass the word to Emilio Fugazza, the EZTEC's chief financial officer and investor relations officer, who will get us started earlier.

**Emilio Fugazza:**

Hugo, thank you very much. It is delightful to be here presenting the 1H20 and 2Q20 results from EZTEC. So on page number three, you are going to see operational and financial highlights from the operational side, where I'd like to highlight net sales for R\$581 million in first half 2020. As far as launches, there was a lack of launches in the 2Q20, so we ended up with the first half 2020 with R\$564 million. Landbank is worth R\$8.9 billion by the end of the first half, but the trend is going to be R\$11.6 billion by the end of the third quarter 2020, we're going to discuss it further on. Financially speaking, the company ended up the first half with a gross profit of R\$79 million in the second quarter with a gross margin of 52.2%. Net income was R\$68 million with a net margin of 44.4% in the second quarter 2020. And in terms of cash position, net cash was R\$1.3 billion and generation of cash of R\$29 million. I would like to highlight R\$519 million performed receivables with agreements of statutory lien, where we have R\$504 million of IGP-DI+10% and IGP-DI+12% annually, and, most recently, a little bit of IGP-DI+8% annually in our direct receivables portfolio.

Moving on to slide number four, I would like to say a little bit more, three slides, about land bank. This is a very important subject this quarter specifically because we ended up with almost R\$9 billion in landbank, taking in mind that in the 2Q20, specifically, acquisitions were something around R\$1 billion. Let's say that from this R\$1 billion, I would like to highlight one third of this value that refers to a reevaluating of our own previous landbank, while the remaining two thirds, I would like to highlight that we have been buying land in the East zone of Sao Paulo, specifically in the neighborhood of Mooca, something around R\$600 million. However, the third quarter, specifically in the last forty days were priceless in terms of landbank acquisition; it was something around R\$2.6 billion in new pieces of land, taking in mind that we have signed some R\$2.6 billion, of which the majority are options signed with the landlords, so, after diligence, we're going to ratify those acquisitions, reaching something

around R\$11.6 billion by the end of the 3Q20. Reaching that, we are going to increase the landbank from the commercial side, high-end side, mid to high-end side. However, we have in our land bank enough possibilities to launch within each income class, and we'd like to fulfill in terms of new products, new launches, whenever we want to launch that project.

So moving on to page number five, we are talking about two projects that we acquired in this 3Q20, as subsequent events. The first project was a project on the left side of this slide: it's a project of a high-end tower inside the complex. This project is worth something around R\$400 million of PSV, and is inside a mixed-use complex (which means a corporate tower, a mixed-use tower, and a residential tower). So nowadays the residential tower belongs to EZTEC. This project is close by Marginal Pinheiros in the south zone of Sao Paulo, less than half a mile from the Parque da Cidade project, Morumbi Shopping mall project. So it's a supermarket called Carrefour. It's the very first store of Carrefour in the city of Sao Paulo, it's a large piece of land over there, and it's a kind of project that we are looking forward to seeing launched, because it's going to be a very similar proposition to the Parque da Cidade project launched last year.

The second piece of land, in the right side of this slide, is a piece of a small piece of land in the city of Osasco, in the metropolitan region. So it's a project of a potential sales value of R\$150 million. So we bought this piece of land in a public auction. It's a project that we can see the project Jardins do Brasil very close to this piece of land; it is very well-known plot in the city, as well as a very well-known place in the city. So it's a kind of project that we are going to launch projects over there with the same price, a little higher than Reserva JB that we launched last year, to target the gross margin of a bit above 40%, given the cost-to-potential sales value of up to 12%. All in all, those projects can reach something around R\$600 million in potential sales value. But as you can see as a highlight, apart from these two project, the company also has R\$2.1 billion in projects under confidentiality agreement to sign, so options with final due diligence ongoing, to be ratified by the end of this quarter.

So, all in all, let's go to page number six. This specific slide is very important to understand what's happened to this company in terms of landbank or land acquisition since we released our follow-on on October, 2019. So since then, we bought something around R\$4 billion of PSV, you can see that, from the acquisitions we've made so far, we still have an outstanding balance of R\$560 million. But the current inventory of land in this company also has something around R\$198 million to pay, and including this piece of land with such a clause. But future obligations of grants or CEPACs to increase the potential for this land can reach something around R\$220 million. So all in all, after we have successfully ratified this amount of land that we bought in the 3Q20, we're going to reach a landbank worth something around R\$11.6 billion, in potential sales value. But the costs, including the grants, it's about R\$1.72 billion, so you can see the ratio of costs over potential sales value by about 14.87%, so 54% of this whole cost even to pay in the short, medium and long term. So from now and five years we are going to pay something around 54% of this whole land bank of R\$1.72 billion. The average cost over PSV in these last acquisitions it's about 19%. Let me remind you that if you buy a piece of land in the metropolitan region of Sao Paulo, in Osasco or Guarulhos, you're going to pay something around 10~12% cost over potential serious value, but if you buy something around the South of Sao Paulo, where there are mainly fancy neighborhoods, plots can reach something around 25% for the ratio cost-to-PSV. So it's important to remind you: this doesn't matter if you can get a gross margin of over 40%. That's the theory and that's the main idea for the completion of this landbank.

So moving to page number seven, you're going to see operational performance: there was no lack of information that obviously you've got this information last July, 30 days ago. Just reminding you that the 2Q20, we got something around R\$248 million of gross sales and R\$124 million of net sales. On the left side of this slide, you can see that in 2020 we launched the R\$564 million in the gray bar, selling something around R\$261 million of this 2020 harvest. So for the 3Q20 so far, we reached something around R\$150 million of gross sales, which means that within 40 days of the 3Q20, we reached more gross sales than we could get in the whole 2Q20.

So slide on page number 10, you're going to see it next launches. We have been working on R\$6 billion over projects, taking licenses in the municipality of Sao Paulo, or Guarulhos, or Osasco in the metropolitan region of Sao Paulo. But in the short term, we are going to see those projects you can see on page number 10. First of all, Gran Maia, Giardino and Palazzo, is a project in the city of Guarulhos, a very well-known city for EZTec itself. It's a kind of middle segment project, worth R\$204 million in potential sales value, more than 500 units to be launched by the 3Q20. For the 4Q20 it is going to come with something around 3 projects: the first of them is going to be Republica do Libano, a project called Park Avenue because. It's in the same avenue of EZTec's headquarter in front of a very known social club in the city of Sao Paulo. It's a very fancy place, able to reach twenty-five thousand reais per square meter, with a gross margin above 50%. The second one, Armando Ferrenti, in the neighborhood called Aclimação, also in the south of Sao Paulo, a very well known place for EZTec's. The Company's stake in this project is of about R\$106 million to be launched also in 4Q20. And, finally, FitCasa estação José Bonifácio, very close to the train station over there in the East zone of Sao Paulo, it is a low-end project. It's a kind of Minha Casa minha vida project of R\$131 million reais for PSV; it's a kind of product in the segment that we have going to disclose a little bit more in the next slides.

Let's go to page number eleven. You're going to see a little bit deeper of what kind of projects and results are going to come from Minha Casa Minha Vida in the city of Sao Paulo and metropolitan region. You're going to see a little bit deeper disclosure of the matter in the earnings release from this quarter. So FitCasa Brás we launched this project in the 4Q18, with something around 75% of the products sold, with a gross margin of 46%, and the whole gross profit coming from this project so far is about R\$13 million, making a good contribution for the results for the company. The second one, FitCasa Rio Bonito, launched in 1Q19, we have already sold something around 95%, gross margin of 45%, and the total amount of gross profits that we have already recognized in our profit so far is about R\$29.5 million. FitCasa Alto do Ipiranga, launched 1Q20: we have recognized this project, earnings and profits with a 46% gross margin. So far we have something around 35% of this project sold.

And finally, Pin Internacional is a very huge project that we have 60% stake over it, developed by our partner in the city of Guarulhos. Our stake is about R\$162 million, already sold something around 40%, and it's going to be recognized in our earnings by the 3Q20 with the same regular margin of 40% or above.

Financial performance on slide number 12, you are going to see, first of all, net revenues, coming at R\$153 billion in the 2Q20, a little bit less compared to the 1Q20 or for 4Q19. This was simply because in a company like EZTEC, which is a company that's very easy to understand, every single operation, every single disclosure from the accountancy side, you are going to understand that the revenues come from three sides: first of all, when we sell the performed units, the cost is 100% of the revenues coming at once. But obviously, because of

the crisis, because of the pandemic moment we were living so far, fewer units within March, April, May were sold in this specific segments or from performed units. Secondly, a source for significant upcoming revenues could be launches, specifically because when you launch a project and this project is very well sold at once in the same quarter, you're going to recognize the amount of revenue corresponding to the cost of the land. So you are recognizing revenues corresponding to the proportion of the cost of the land because of the percentage of completion methods we have been using in our accountancy. As you know very well, in the 2Q20, there were no launches. That's why when you see R\$309 million in 4Q19 or R\$250 million in the 1Q20, there was much more revenue coming from the side of the launching projects.

Finally, the revenues we are getting, right now, is coming from the project we have already under construction. So because the authorities here in São Paulo and in Brazil took in mind that civil construction and the construction sites are an essential activity to the economy, we could get all the sites under construction without any kind of problem within the 2Q20. And that's why we have this amount of one hundred fifty-three without any kind of problem coming from the company, from the construction site.

Let's talk a little bit more about gross profit and gross margin: let me remind you that when you see backlog margin in the previous quarters, you'll see something around 44% to 45% gross margin. So in the further quarters you could expect sometime around 44% of gross margin, at least. But in this specific 2Q20 more than that, we have recognized a little bit more adjustments coming from the receivables, coming from some changes in our accountancy regarding specifically some products we have under construction. And that's why. We could reach 51% gross margin in the 2Q20, but mainly because the volume of revenues were too low, such that any small adjustments in costs and profitability can get or can raise the margins very sensibly. That's why you can see 51% gross profits in the 2Q20, however, in the further quarters you are going to see a flat gross margin above 40% definitely.

Talking about selling expenses or G&A expenses, obviously, because of the pandemic moment and huge crisis we were living on. You can see that the company made a huge maneuver to decrease their volume of expenses and a huge amount of the decrements you can see in the 2Q20 under selling expenses, because we discontinued publicity efforts, shut down sale stands, and took advantage of new tools to work on sales. Tec Vendas is our brokerage team made a huge maneuver in terms of improving tools, improvement ways to offer our products to the clients that we can expect that in further quarters we are going to see a new level off selling expenses definitely.

In terms of G&A, obviously, because there were some sort of adjustments in terms of earnings, in terms of payrolls, some firings here, so all in all, coming R\$6 million smaller than the previous quarter, a nominal adjustment in G&A expenses.

On page number thirteen we keep going with the financial performance, you can see financial results mainly because R\$21 million is coming from our portfolio of receivables, direct receivables, where we are providing financing to our clients. IGP-DI has been huge as inflation adjusted our portfolio, so the total amount we can get was R\$21 million, corresponding to one third of the contribution in terms of the total amount of net income.

Equity income on the top-right side is of about R\$6 million, mainly because of Reserva JB, the project in the city of Osasco, that alone was responsible for selling the largest number of units from the whole 2Q20. This is a project controlled in partnership with other companies, with

our stake over the project at above 70%. Net income is at R\$6 million and a net margin of 44%, a record for the last four quarters. Obviously it is less than expected, but much better than we thought at the beginning of the quarter, definitely. With the maneuvers, with that very good practice in terms of pricing – let me remind you that the pricing, specifically in the third quarter, now is increasing twice as much the inflation of INCC, which is inflation in our sector. So, you can expect very good results coming from the third quarter, 2020.

And finally results to be recognized, obviously, are not increasing in this quarter, specifically because we have no launches in the 2Q20. But on the other hand, you can see our remaining 45% gross margin over here, the backlog margin remaining stable since 3Q19.

On page number 14, a big picture for our portfolio of direct receivables, let me remind you that we ended up in the first half 2020 with R\$504 million, this meaning almost nineteen hundred clients under management here in our company. The highlight for this quarter is that, in terms of payments over origination, we got a little bit more payments than we thought previously. Specifically because the basic interest rates here in Brazil so low, record low – we are talking about something around the 2% nowadays. So people with some savings, obviously they use those savings to pay back those units. And that's what happened both in the portfolio of receivables and the construction receivables. And that's why when you see my balance sheet, you are going to see a lot of money, even at R\$29 million of cash generated in this quarter is because people are paying ahead of their contractual amortization schedule. Which means that we are doing all the construction without taking any single penny from the banks in terms of production financing, which is very good. So, obviously, paying in advance for me means that I can support all the SG&A from this company.

Ladies and gentlemen, the last slide on page number 15, value generation for our company, is just to remind you that in the 1H20 we ended up reaching a shareholder's equity of R\$3.9 billion, almost R\$4 billion in our company. And from liabilities, mainly land-payable booked in our accountancy as 3%, meaning something around R\$116 million reais. From this what needs to be paid 2%, or R\$67 million. So on the asset side, the most important asset we can talk about is cash and equivalents of almost to R\$1.3 billion; receivables over R\$1 billion, both performed and unperformed receivables; inventory and land bank, we are talking about R\$953 million reais, but, as I told you before, it is going reach R\$1.7 billion reais by the end of the third quarter, if all those piece of land would be ratified after the due diligence.

So saying that I would like to open for questions and thank you very much for your audience so far.

**Hugo Grassi:**

In case there happens to be any questions, you may send them either through the chat box, and we'll pick them up and read them up. Or, alternatively, if you happen to be a sell-side analyst, you may also raise your hand, and we'll allow you to speak up.

In the absence of any questions our conference calls for the results, presentation of the 2Q20 is officially over. We thank you all for your attention and hope you have a nice day.