

2Q22 Conference Call – EZTec

Pedro Lourenço:

Good morning, and welcome to EZTec's result presentation for the 2Q22.

Please note that this call is being recorded, and all the participants are in listen-only mode. By the end of the presentation, we will begin a Q&A session, when further instructions will be given. 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 connection issue, you may reuse the same weblink or ID to return to the presentation. You may find this link and ID, as well as the slides for this presentation, at our website, ir.eztec.com.br.

Before we start, we would 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 currently available information. Future considerations do not constitute an assurance of performance. They involve risks, uncertainties and premises. Investors may take into account that general economic conditions, industry and 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 would like to introduce myself. I am Pedro Lourenço, the IR Coordinator for EZTec, and along with me for this presentation, I have Emilio Fugazza, our CFO and IR Officer of EZTec.

I would like to introduce you in the third slide. We will start talking about the launches of the 2Q22. We made something close to R\$230 million in Haute Brooklin, and R\$180 million in Hub Brooklin. Those projects are directed for the high income clients. They are segmented by the standard of high end and smart living type of product that the Company is launching recently. It is something close to R\$400 million that we launched in the 2Q, a close number that is very similar to what we have done in the 1Q22.

Talking about those launches that we have made in the 1Q, I would like to highlight that both Expression Ibirapuera and Exalt Ibirapuera, they are more than 51% at this time.

So moving to the next slide on page number four, we are going to start to talk about the operational performance. And you would be able to see that our gross sales were up to R\$666 million in this quarter, and net sales stand at R\$231 million.

Despite the fall of the sales performance, we would like to point out the major of our sales came from our recent launches, more than 60% of it. And also, I would like to highlight that the cancellations are evolving very well for the Company since it came back to the same amount that was reported in the year before. So it is now at R\$335 million.

Now moving to the slide number five, we would like to talk about the future launch, the next launches for the Company. And we would like to share with you that R\$670 million in potential sales value is ahead. But also talking about the second phase of Unique Green, it is a picture that you can see at the border to your right, and you will see that it came with a potential sales value share is at R\$410 million. That is the second phase of the same project that we have launched in the 4Q21, in which it was already 50% sold in that first phase.

And now, by launching this product, we have opened the sales stands in the last weekend, and we already performed something close to 25% in sales, something close to R\$120 million for this project

only. Those numbers, I would like to remember that this project is already in our accountability. So all of these sales will be affecting directly our revenues for the 3Q22.

Moving to the next slide, I would like to talk about what the Company is going to deliver up to the end of this year. And you can see that it is something close to R\$800 million in PSV, value EZTec, in which, in the charts below, you can see that something close to 82% of it, talking about PSV terms, is already sold.

So our future deliveries are being done, or will be done, and they will not increase too much the inventory levels for the Company since they are very well sold. So up to today, we have already launched something close to R\$300 million, with the deliveries for 1Q and the 2Q together.

Moving to the slide at the next page, I would like to talk about our land bank formation. Since the Company is not acquiring new land lots, we are just launching our units and correcting the value by the INCC, the inflation index for construction industry in Brazil, we can see that despite having launched something close to R\$900 million, we have a project variation at the same amount, maintaining the same level that we have reported before at R\$11 billion in our land bank.

But another thing that is really important to highlight is the projects that we are carrying with resolute causes that are not inside at this moment in our land bank volume, but it will soon be considered, since the majority of it is a single project only, which is Extra Margin, which increases something close to R\$2.5 billion for future land bank formation, going to something close to R\$13.5 billion or R\$14 billion.

I would like to also remember that we have a very diversified land bank that you can see in the chart below that is almost well distributed in our companies, Fit Casa, EZ INC and EZTec brand, very well distributed, so making us available to launch whatever is necessary in the future scenario.

And also, in the map at your right, you can see that these lands are very well located, most of it, R\$6.5 billion are located in the South Zone of Sao Paulo, where we can make more aggressive sales and do very good projects for the neighborhood.

On to the next page, slide number eight, talking about our inventory evolution, we would like to point that despite all of the launches and the gross sales that we are carrying now, the EZ Infinity project that we launched in the last year is now considered a non-sales inventory. So it is a standby inventory that you can see, no evolution on the chart. Because of that, we are reporting our inventory for sale that is close to R\$2.7 billion, which is currently something close to two years of sales performance for the Company.

But I would like to highlight that only R\$367 million of this inventory is residential ready inventory. If you look at the chart below on your right, the major part of this inventory is under construction at this moment. So we are looking very carefully for future launches, looking for those projects that would also provide us a good sales speed, and also a good gross margin and less inventory formation.

Moving forward the next part, we are going to start to talk about our financial performance, and I would like to pass the word to our CFO, Emilio Fugazza, so he can go ahead with the presentation. Mr. Emilio?

Emilio Fugazza:

Thank you very much, Pedro. I would like to start talking about financial performance on page number nine, starting with net revenues at the top left of this slide. 2Q22 came at R\$243 million, compared to R\$287 million in the 1Q22. It is important to mention that in this quarter, there was a

recognition of revenues about the project Unique Green, the first phase we have launched so far, something around 50% sold of this first phase.

But the cost of the land is so cheap. All the cost is the minor part of the whole cost of this project. That is why the amount of recognized is so low. But as we see the construction improvement, we are going to see the major volume of revenues coming up.

In terms of gross margin and gross profit on the top right, you can see R\$84 million and a gross margin of 35% came down from 39% from the 1Q22. Here, it is important to mention the technical effect we faced this quarter. The whole amount of projects and the construction were adjusted by inflation of the sector, INCC, which was something around 5.5%, something close to 5.5%.

However, our receivables from those units under construction were not adjusted by the same INCC, because by the contract, the clients to pay this INCC with a delay of almost two months from the month we have to recognize this in the construction time, meaning that in the 3Q, we are going to see this amount of receivables being adjusted by the same index we saw in the construction in the 2Q.

So in the 3Q, you are going to see an amount very close to R\$2 billion, adjusted by 5.5% of INCC without the counterpart of the construction costs, carrying the gross margin for the same level we saw in the past, very close to 44%, 43%. That is our expectation.

In terms of equity income, in the bottom left of this slide, R\$24 million, meaning that all the projects we have been doing with our partnerships are under construction right now and coming with the same standards of the results and gross margin as the projects we have been consolidating. So something close to 35%.

It is important to mention that those projects are very well sold, projects like Hereditá, in the neighborhood of Mooca, East Zone of Sao Paulo, or even low income projects like Pin Internacional in Guarulhos, metropolitan region of Sao Paulo, or Pin Osasco, in the same region. So we are very excited to improve this line of our balance sheet in the next coming quarters with new launches like Pedro mentioned before, the very first project of EZ Co, a project located in Vila Mariana, a very high-end project.

In the bottom right, finally, backlog margin and backlog results, R\$361 million and a backlog margin of 30%, coming down from 40% from the 1Q22. The same effect of the gross margin, we are going to see a rebalance of this margin to another 40% or a little bit more because of the adjustments of our receivables at a pace of 5.5% INCC.

Moving on, page number ten, on top left, financial result and net revenues, R\$48 million. This is one of the highest financial results ever for this Company. R\$48 million, meaning that 1/3 of this value is coming from the cash and equivalents. Here in Brazil, we are facing something close to 14% base interest rates, and obviously, 14% acquired at almost R\$1 billion cash is 1/3 of the results you can see.

And the remaining 2/3 are coming from the portfolio of direct receivables we are financing to our clients. Nowadays, on top right, you can see R\$378 million, a little bit more than 1,000 clients we have been providing this financing, on average adjusted by IGP + 10%, the regular inflation index in Brazil. Apart from that, we have something around R\$200 million of receivables in a time of being transferred to the banks, and even though, adjusted by IGP + 12%.

On the bottom left to net income. Net income coming at a pace of R\$83 million. Together with the 1Q22, R\$105 million, meaning the 1H ended up at R\$188 million of net income, meaning net margin very close to the gross margin for this Company at 35%, 1H.

Moving on to slide 11, capital structure. You can see on the left side of this slide, the third-party capital had a little improvement this quarter, specifically because we raised the first debenture of this Company, R\$304 million, together with R\$91 million of loans in project finance and R\$164 million of payments to be done with the lands we have acquired so far, meaning that the whole capture, 17% of it is third-party.

On the right side of this slide, R\$5.4 billion of assets, meaning that the majority of the growth of this line was land bank. You can see the first line in 2Q22, R\$1.7 billion land bank, meaning that something close to R\$500 million is the land and construction of Esther Towers. Esther Towers is our corporate project, two commercial towers, Triple A towers located in the South Zone of Sao Paulo. 40% executed, and a project that the price, the potential sales value is close to R\$1.8 billion.

Cash and equivalents, R\$1 billion. Inventory under construction, something close to R\$600 million. And another important thing to mention is the finished units' receivables, R\$457 million, meaning that something close to 75% of this whole value under management of EZTec. We are providing financing for over 20 years for our clients.

It is important to mention that, nowadays, we have opened to our clients another line of financing, close to 35 years and IGP + 8%, in order to improve sales, in order to take advantage of this branch of our Company, providing so much income, so much good results for this Company in the last four to five years.

Finally, it is important to mention that the book value of this Company per share is very close to R\$20 compared to the current price of our shares, close to R\$18 per share.

On the slide number 12, finally coming to an end of this presentation, two important facts to mention. First of all, share buyback program. Share buyback program as consolidated, so far, we have acquired almost 9 million shares, meaning that from the 227 million shares at the beginning of the last year, nowadays it is something close to 218 million shares, a dilution of almost 5%, investing a total value of R\$177 million, in an average price of R\$20 per share. In this third program nowadays, about 2.8 million shares already, in a total value of R\$45 million, average price of almost R\$16 per share.

In terms of dividends, coming to a regular pace to pay dividends quarterly, the Board of Directors have approved the payment of R\$0.09 per share at the next 31st of August, meaning something goes to R\$19.7 million to be paid, which means close to 25% of the total amount net profit released at this moment.

Having made this presentation and said all this before opening the question and answer session, I will now open the floor for our controllers to make their comments. I would also like to mention our Commercial Director, Marcos Ernesto Zarzur, who is present in the Company. Mr. Flávio and Mr. Silvio.

Flávio Ernesto Zarzur:

I wanted to convey to everyone our peace of mind due to the structure of our company and my personal satisfaction for the launching of the second phase of Unique Green. It was a land that we bought many years ago and it was a very long approval process due to the very strong demand for that product.

So, this brings me a lot of confidence. As Emilio said, we are feeling much more control and awareness over the costs and execution work. So I am very confident in the future.

This was the first thing I wanted to transmit, and I will pass it on to Silvio and Marcos as well. We are very calm and with no doubts that we will achieve the goals we have.

Silvio Ernesto Zarzur:

Good morning everyone, I would like to thank you for the audience and say that with this whole scenario that we are encountering today, the characteristics of the business have changed. We are very aware of this.

The company is moving in a very active way to adapt to this new system of the market with all these rapid price changes, etc. I want to say that we are very attentive and strongly operating these improvements.

The scenario is challenging, but I understand that we are doing well in this situation in a very positive way. I want to remind you that we have a very good landbank, which was bought at the right prices.

The projects are very well chosen, they are being very well executed. When I look at our inventory, it is not inventory, it is merchandise in the store. It is very good, we have no disposition to hand them over in any way.

I don't have merchandise that I have to liquidate, I have merchandise to sell well. It was the fruit of a lot of work and we don't believe that it is worthwhile to get rid of it for very low margins. So, we will continue to operate with liquidity.

I think that until the end of the year with more speed than we operated in the first semester, but preserving the price and the margin as much as possible, of course. It is within this scenario that we find ourselves. We will operate with responsibility and care, which we have always done very well and will continue to do.

The Company since it went public and was founded has never had a loss quarter. We will continue to make profits and the profits will be growing, because I believe that the worst of the adaptation we have passed through and from now on it is growing profits that we are expecting.

And I say again that we are very well grounded in our landbank. Emilio spoke about the VGV of R\$11 billion and we have three more. I don't know, it is more or less that, because we have 220 thousand meters of private area in "Extra" landbank at least R\$15 thousand a meter.

So, this will give us at least R\$3.3 billion more PSV. It is super well located, I think it has a high liquidity and it is a product that will make a differential for the Company. I believe this is what I had to say and I would like to mention that the launching, as Flavio said about Unique Green, was a success.

This brought more confidence to us and to the Company. We sold R\$120 million in the first weekend. We opened the sales stand and did it in three weeks of warm-up.

It was not a long or classic warm-up, as was done in up to 70 days. It was a 15-day warm-up, all of which is very positive. That's what I had to say, and now I'll pass the word on to Marcos.

Marcos Ernesto Zarzur:

Good morning everyone. After my brothers have posted many positive things, what I see in the commercial part of the client we are serving and looking at the macro situation, is that the biggest difficulties have passed and we see a more positive scenario ahead.

It was really challenging, but the mood change in our market is fast and the clients at this moment of just seeing this interest rate that may come down along with inflation and that things tend to get better in the first half of next year, already have a general mood both in the sales team and in the clients we are serving.

I am feeling that we will have a good improvement and we are full of products not only on the shelf, but products approved and ready to be launched when the market responds. I believe it will happen.

Pedro Lourenço:

Thank you, gentlemen. We will now open the question and answer session. For those of you who wish to speak, please use the "Raise Hand" feature. As time permits, we will also answer questions that come in via chat.

If it is not possible to answer within the allotted time, we ask that you forward the question with an e-mail contact to EZTEC's IR. This way, our team will be able to contact you after our conference call.

Lobato:

The first question is more to understand if you are having some difficulty in accelerating the launches and we wanted to know if this difficulty is more margin or demand related.

In other words, if it weren't for the higher costs, would these launches be viable with a satisfactory SoS? The idea of the question is to understand whether it is an issue of insecurity only with the customer's ability to absorb more price or whether it is a broader, structural issue.

And the second question is that we see a certain dampening in launches. Now Unique Green has had the second phase launched and we wanted to understand what the expectation is for price increases over the first phases with these launches. Thank you.

Silvio Ernesto Zarzur:

Lobato, how are you? Thanks for the question, this is Silvio speaking. We are within our operational capacity, we have already launched R\$1 billion in this first semester. We are now entering the second phase of Unique Green and we have more launches to come this year.

The scenario was not exactly sheltering when we went through the pandemic and the beginning of the war in Ukraine that brought a lot of price increase for us. We were careful. I will speak looking at the overall macro scenario.

We have the elections, the World Cup and a series of things that will happen this year. So, all this leads us to be cautious on the one hand, but if you analyze this PSV that we are going to perform, it is very bold for the scenario we are facing.

Therefore, we have no insecurity in one aspect or the other. We have a little bit of our operational capacity left, that is true, but within a scenario that is coming up with elections, the World Cup and this problem of the war that is not over.

This problem of lack of material brings a price increase, the oil price variation, all this makes us understand that the volume and the ideal speed for us is the one we are doing. We should accelerate a little.

It is one thing for you to carry a little bit of merchandise with interest at two, it is another thing for you to carry the merchandise with interest at 13. So now you will see us speed up a little bit. Let's talk about selling inventory, because it has made more sense to sell it now.

I think that is it. In the case of Unique Green, our expectation is to give more liquidity as I said. It is not so much a price increase, because the margin is already conveniently adjusted.

When we had all this INCC price increase, we incorporated it. When I talk about not earning above the INCC, this already brings a big increase in profitability in the project.

The idea there is that we make more liquidity, sell faster, and practically maintain the prices that we had adjusted by INCC at the previous launch prices. I think that is it, thank you.

Pedro Lourenço:

Lobato, was your question answered? Would you like to ask another one?

Lobato:

No, it was very clear. Thanks, guys. Good morning.

Gustavo Cambauva, BTG Pactual:

Good morning everyone. I wanted to ask two questions. The first is in relation to gross margin, I understand the effect of the INCC in the quarter and that part of this should come back now in Q3. My question is in relation to the gross margin of new projects.

You even put in the presentation some projects that you intend to launch in the second half of the year and my question is if looking ahead in this scenario of cost being a little more stabilized, if you already see the margin of these new launches that you have in the pipeline returning to above 40%, which is your historical.

And my second question is in relation to the low-income projects that in this more challenging cost scenario, you had run away and avoided these projects a little bit. With the changes in the CVA program and also with this cost stabilization, does it make sense to look again at the low-income as well, or are you still preferring to stay in the upper-medium? That's it, thank you.

Marcos Ernesto Zarzur:

Thank you for the question, and if you look at the developments this year, as we have some very high standard projects within this mix, you will see the gross margin going up. However, when we look at the scenario as a whole within the market that we observe going forward, there is a slight decrease in the gross margin.

So, when the research is done and we understand the price that would sell today to pay this adjustment next year, you have a small decrease in margin. It is that in a year's time, if things are better, the sales price will recover and this margin will return to what it was before, so it is simple. If things stay as they are now, we should have a small decrease. If things improve, we should have an increase in margins.

If things get worse, we should have a decrease and that's it. If things get better, we earn a little more. If they are worse, we earn less. I think that's the way it is, I don't know if Flavio wants to talk about low-income.

Flávio Ernesto Zarzur:

I was just going to tell you that Emilio made an explanation of the return of the margin in the next quarter.

Emílio Fugazza:

Cambauva knows this effect and we report it here. Marcos only comments on the issue that in the next quarter we will have the rebound upwards due to the insertion of the 5.5% INCC. As for this, yes, and we are back to the 40% level in the average for the year. Silvio made a mention of the medium to long term.

Marcos Ernesto Zarzur:

I made a mention in the short term that has one more effect, which is the launching of high-end buildings like these in the República do Líbano Avenue. So you should see our margin go up substantially in the second half. As a whole, it comes in substantially higher. What I said about stability and variation according to the scenario is for next year. That is it.

Emílio Fugazza:

And now a low-income option.

Flávio Ernesto Zarzur:

Now just to put it here, I'm going to raise something regarding low-income. Just to be clear to you, Cambauva. Is it a strategy of EZTEC? Yes, to continue launching in the city of São Paulo the low-income ones.

At this moment we are re-studying our products and readjusting them to the reality we are living. Certainly, at the beginning of next year we will be launching these low-income products.

As you well know, we already have several lands bought with this destination, so yes, we will come back strongly representing something like 20% to 25% of our PSV for the future. That is it.

Silvio Ernesto Zarzur:

Also, to make it clear to everyone, a company the size of ours that only wants to operate in São Paulo should operate in all markets. So, we are going to operate in CVA, in the lower-middle, in the upper-middle, in the high, in the very high, in the corporate. We will have to operate in everything, in commercial, like hotels.

We will have to work all these segments so that they are part of the CVA menu, as all the segments of the São Paulo real estate market are part of it. And to be clear, we have explored the low-income like our partner BP8 a little more in the periphery of São Paulo.

And to be clear, we have explored the low income segment with our partner BP8 a little more in the outskirts of São Paulo.

Pedro Lourenço:

Has the question been answered or are there any other questions left?

Gustavo Cambauva:

No, it didn't. It was clear, folks. Thank you very much, good day.

Emílio Fugazza:

Thank you, Gustavo. Good morning.

Ygor Altero, XP:

Hi guys. Good morning and thanks for selecting my question and for the presentation. Two quick questions here. Still on the question of the high-income segment that we were discussing now, could you give an update on how it was?

How are the partnerships, even with Lindenberg, that you have made? If you can comment on the launches that you are seeing ahead, in the high-income segment.

And the second question, Emílio has already commented on the INCC scenario, which is a little more favorable. I wish you could give a little more detail about what you are seeing to contribute both positively and negatively on the INCC side. That's basically it, thank you.

Emílio Fugazza:

Thank you, Ygor. I will pass it on to Silvio to start answering about our partnerships and essentially Lindenberg.

Silvio Ernesto Zarzur:

Lindenberg is a partnership that is going very well. It is not a partnership, it is more of a joint venture that should culminate in the acquisition of half of its control. This is adjusted.

We are on this path and I understand that it is something that will bear a lot of fruit, as it is already doing. We brought them in to help us relaunch what was Infinity. So, we will relaunch Infinity with the Lindenberg brand.

We understand that it will give us a lot of strength. We have two more projects in progress that will be launched later this year. As it culminates in an acquisition, the Company understands that the Lindenberg brand is important and adds value.

We will help together to build this, to make a very strong brand that will help EZTEC in a series of projects. It should bring a lot of fruit. We also have a very extensive partnership as I talk about BP8,

which is at the other end, exactly in CVA, in the standard, in band three and two. It is also very successful and we are doing very well. We are studying other partnerships, to tell the truth.

It is part of occupying a bigger space in the São Paulo real estate market to have more local partnerships with other construction companies, and this is on the table to be analyzed. I think that is it.

Emílio Fugazza:

Ygor, I will answer you the question of the INCC. I believe it is important to make two mentions in it. We have a way of looking at the budget and bringing it into our reporting and accounting.

So, we understand that this budget that we bring is always the best estimate of how that work is going to be executed. When you look at the last years, especially the last 8Q, essentially we found a huge detachment of the INCC to our activity, because we are practicing the types of building that we do in the city of São Paulo.

This detachment reached 50% and has now gone backwards. As far as the retreat is concerned, our vision is that we are living better times, in addition to the suppliers' mentions, where some prices are already starting to inform the retreat of values.

For example, steel, which everyone mentions, including but not limited to this. Now, we must also remember that labor was a decisive factor in this 2Q INCC increment. Labor is already altered and brought into the budget.

Now, we are going to live with this labor cost for the next 12 months. So, it is expected that the INCC will also make this recomposition. Therefore, we are optimistic about the cost of labor in the coming months.

Silvio Ernesto Zarzur:

I would just like to complement one thing. Emílio is saying that we should have less INCC increase going forward, but we should also have a reverse detachment of the cost of construction in relation to the INCC.

You can imagine a pendulum that has been pulled to the maximum. We have pulled the real cost further away from the INCC. This pendulum should swing back, it is natural. I speak from our experience that in the next four, five, six semesters, they will bring this pendulum back.

Saying that the INCC will vary above the construction cost, doing the opposite path of what it did in the last quarters, as Emílio said. Besides the INCC not being so great, it is going to vary more than the cost of construction, even though it is not so bad.

Emílio Fugazza:

Ygor, have we answered your question?

Ygor Altero:

It's very clear. Thank you, gentlemen.

Emílio Fugazza:

Thank you, Ygor. Good day.

Pedro, Credit Suisse:

Good morning everyone. Thanks for the introduction. For the question on my end there are two. In the first one, I wanted to know how you are seeing the price dynamics. You commented that the margin recomposition should come, mainly, in function of the receivables adjustment.

I would also like to understand if part of this should come as a function of a potential price increase, both in launching and in inventory. And the second one is in relation to the landbank.

You mentioned that from now on the Company's posture should be more to recompose the used landbank than to increase it. I would like to understand how you are seeing the land prices in São Paulo.

Because we see some smaller players withdrawing land. Could this be an opportune moment to buy as the Company did in the past? And also, about this issue of recomposition.

Looking ahead, perhaps you envision the Landbank distributed in a different proportion than you have today. So, as mentioned, maybe you intend to increase launches in the low-income segment.

Landbank has a share more geared towards that, just as an example, or else towards high income. How do you envision this distribution looking forward? Thank you.

Silvio Ernesto Zarzur:

Pedro, it's Silvio. I am talking about short term, so I don't think so. I believe that we observe a price maintenance adjusted by the INCC. The prices went up a lot, Pedro. So, the prices are very high.

I am saying that in the short term they follow the INCC. In my view they will not go up in the short term, but in the next six or seven months. As long as the scenario does not change substantially for the better or for the worse, I am not a super economist to speak, but it is price maintenance.

The other question regarding the Landbank is that land prices in São Paulo have not given way. I don't see prices going down, just up. Land is very expensive. I want to remind you again that we have landbank, in fact, of R\$14 billion.

We are launching something with R\$2 billion this year, something close to this. After all, we are going to be very criterious in buying land.

It is obvious, as the market points us in a direction, we go in the direction it leads. If the market points us in the direction of low-income, we will make this replacement there.

Where it points we go. It is not exactly in the low-income, it is wherever the market points. Now, very opportunistic and very selective. We are not saying that we will not buy, but in a very opportunistic and selective way.

I want to remind you that this landbank is also missing approximately R\$ 1 billion that will be made up of CEPAC aggregation. So, there is another R\$ 1 billion that just depends on adding CEPAC.

This can also be the result of internal transfer. We have places and properties where we have CEPAC that we can remove. This would bring a very big increase in the landbank. Our landbank is very comfortable, so it is going to be very selective and opportunistic.

Flávio Ernesto Zarzur:

I would like to add one other thing within the landbank. Part of it is being developed in the corporate buildings by an ongoing strategy and as a basic guideline is to use the landbank.

Eventually decrease it as a result of more launches, selective purchases and even via partnerships to use our landbank. We would like that in the next one or two years our landbank comes a little more adequate to the PSV projection, that's it.

Emílio Fugazza:

Pedro, did we answer your question?

Pedro:

You did. If I can just follow up on the pricing issue, so you have been able to pass on INCC in both inventory and launch? Even if you haven't gained above that, have you been able to adjust?

Silvio Ernesto Zarzur:

I will say it again, from then on the market was very bad. So, we gave in a little on the price issue. The market firmed up, it improved. Now, we are managing to adjust the price within what was foreseen, within the INCC evaluation.

In order to make this liquidity and increase this sales speed until the end of the year, I want to make it clear that if we need to decrease the sales price by two or three percent, we will decrease it, because it makes a lot of difference.

The important thing for us will be to reach the end of the year and have an adequate sales volume, because our margin is already very high. How much is our margin, Emílio?

Emílio Fugazza:

We have 35% today.

Silvio Ernesto Zarzur:

Liquid?

Emílio Fugazza:

Liquid and gross.

Silvio Ernesto Zarzur:

If it is 35% and I get to the end of the year with a much higher sales volume and with a net margin, for example, of 32% it is good. That is not the point, you have to see that it is not only the volume of profit that you have. It is the volume of cash that we generate for the Company.

Despite being a development Company, we have a very financial head and I want to remind you that interest rates are running at 13% per year.

So, selective land purchase: interest at 13% per year. Increase the sales speed: interest of 13% per year. To generate cash for the Company: interest of 13% per year. We will try to work in this direction.

In each market and moment, we have to adapt and work according to it. Now, if we have to give in a little on price to reach the liquidity and the sales volume, we will do it.

Emílio Fugazza:

Ok, Pedro?

Pedro:

Answered, folks. Thank you very much and good day.

Emílio Fugazza:

Thank you. Good morning, too.

André Mazzini, Citibank:

Hi, guys. Thanks for the call. The first question is about the JV's follow-up with Lindenberg. The Infinity relaunch will be the first project with Lindenberg and with you, what will change the project?

Will it be only the façade or something more substantial? It is a project with a very large leisure area, what is going to change for the launch to sell more initially? This is the first question.

And the second question is about Esther Towers. We saw that Brookfield recently paid R\$6 billion for a São Paulo and Rio portfolio, but there are many things there in São Paulo, including even a building in front of Esther that Brookfield is taking.

Well, certainly you know Brookfield well. Even Tower B I remember was sold to Brookfield behind EZ Towers.

And if players like that have an interest in buying before delivery, as Esther Towers is today, because bad or good, what they took across the street is also vacant. So I think you have some players with an appetite to buy buildings that are not fully leased. Those are the two questions. Thanks, guys.

Emílio Fugazza:

Let's start with Infinity.

Silvio Ernesto Zarzur:

This is not the first launch with Lindenberg. The first launch with Lindenberg is in Vila Mariana and we should launch another building soon. Having the Lindenberg brand helps us position the product.

Marcos set up a spectacular sales stand center on May 23. We didn't have a plant, we didn't have a decoration. Now, we rented a large plot of land at the 23 de maio next to the development. A promotional facade. It is not a storefront, it is a store with a decoration that will be wonderful.

We try to surround ourselves with all the possibilities to add up and make this liquidity that you speak of. Lindenberg: Spectacular, marvelous sales stand. A unique thing that will add and give a lot of strength. An incredible decoration, very beautiful too.

We talked a lot with Carlos Ott and he gave a bath of Brazil in the building. The building, the product, and the merchandise is that. It was given a bath of Brazil and it is a building more adapted to the Brazilian taste, it is more translucent. Lindenberg helped us with this harmonization of the building.

Adolpho gave a lot of opinions and our team also worked hard on it. I think the building is much more in the taste of São Paulo. It is a designer building, translucent, illuminated and clear.

In fact, we did everything to make this launch, including the correct moment to launch it. We are going to launch this building at the right time, we are not going to launch it in an unstable market. We want to launch it in the right market to make the money we owe from this building.

Emílio Fugazza:

And now Esther Towers, he asked the question in relation to Brookfield.

Flávio Ernesto Zarzur:

The thing about the Esther Towers strategy is that we have a pace of construction. The pace has been reduced and the idea is probably that before we sell it we get some tenant to anchor it.

We can also use the name, the naming rights, we can use a series of factors. It is a building with a totally differentiated architecture and a product that should have a performance in terms of economy, operation, and sustainability far beyond its neighbors.

But that's it, so just wait. This should be in two steps. First, renting, and then putting it on the market.

Marcos Ernesto Zarzur:

What Flavio wanted to say is that the Esther Towers will be a landmark in architecture, the most beautiful building in the city of São Paulo. So, having naming rights or anything else in this sense is very strong for us to sell it afterwards.

Emílio Fugazza:

Just a reminder, André. The construction is already more than 40% complete and we had in this period the Leed Gold pre-certification in this development. Did we answer your question?

André Mazzini:

You answered, folks. Thank you very much.

Emílio Fugazza:

Thank you, André.

Guilherme, Onix:

Hi, everybody. How's it going? Good morning, Mr. Samir, Flavio, Silvio, Emilio, Pedro and Marcos. Good morning, Mr. Samir, Flavio, Silvio, Emilio, Pedro and Marcos. There are two questions here, sorry, but today I will go into a little more detail. First of all, the internal cost is 38% above the INCC. Sorry, I don't understand.

Is it INCC plus 38% nominal or 138% of INCC? I don't understand, can you explain a little bit better? Also, you guys are super nice in the way you write the text, but it gives me a feeling that you are saying that this kind of movement has been happening with EZTEC.

However, it is not quite that. Your point is that, for those who make a large building in São Paulo, the cost has been much higher than the INCC, that is, there shouldn't be such a big difference between EZTEC and peers listed on the stock exchange, who are used to making large buildings, I am not talking about low-income. That is the first question.

The second one, I would like to go back on this Esther deal. Can you help me break down Esther's effect on the numbers a little better? I say this because she is quite big. From what I know of the management numbers, the ones that you are putting at the bottom of the NAV spreadsheet.

I understand that it is within that R\$1.7 billion landbank, but can you help me separate out how much is the land and the cost of building it? Because I think this is getting in the way of us seeing the margin embedded in his stock.

It looks like he undermines the margin embedded in his residential stock. Can you help me on these two, please? Sorry, Silvio, but I liked to see this net margin kept at a higher revenue, it is a good deal.

Silvio Ernesto Zarzur:

Let's try and work for it.

Emílio Fugazza:

I'll get started and then move on to our controllers. Thanks for the questions, they are great for clarifying things for our listeners. Effectively, we don't know exactly how each company operates.

We can look at our numbers in depth and it is more or less like this. If the INCC was 3%, for example, I would tell you that we were operating at three plus one, which would give us approximately this 38%.

So, it means that it is 138% of the INCC as we operate in all construction sites that are under construction with a downward bias, i.e., it means that the INCC, as Silvio mentioned, will continue to give something in the positive field and we believe that our cost will give something in the negative field.

If we walk at 138% of the INCC, we think we are going to walk, for example, at 80% or 70% of the INCC. Sooner or later, we will converge to the INCC. So, this will only bring good news in the next few quarters.

Silvio Ernesto Zarzur:

However, it is more than we think. Logic indicates this. You can't have a pendulum always pulling in one direction, it has to swing back. The INCC is calculated by Getúlio Vargas, it is a serious index. So, at some point it will swing back and we will have this inverted decollement.

Emílio Fugazza:

Guilherme, you who are an extremely technical person know exactly this effect that I will mention now. You have a portfolio of receivables and a cost, both going against the INCC, but at a different time.

We adjusted the entire 5.5% INCC in Q2, but in the portfolio I will only adjust in Q3, because contractually the client pays me the 5.5% INCC lagged by two months. In an absolutely normal situation, this lag has to impact 3% to 4% on the gross margin.

And that is exactly the effect that we saw in this release of results. And what is going to happen in the third quarter? I am going to bring this 5.5% fully into the receivables portfolio and the cost is probably going to be a very small fraction of that.

I'm going to give the completely opposite spike, Guilherme. You can expect, for example, this margin to be much closer to 43% or 44% in Q3, which is absolutely a mathematical and technical effect.

From Esther you mentioned that we have it not accounted for, but managerially mentioned around R\$1.7 billion to R\$1.8 billion and its cost is approximately R\$200 million for land and R\$700 million for the construction work.

This means a total cost of approximately R\$ 900 million, of which we have already incurred just over R\$ 500 million.

Within that management number that we mentioned, the gross margin of this huge, phenomenal project of the Company is absolutely equal to the gross margin of EZ Towers which is more than 50%, Guilherme.

Silvio Ernesto Zarzur:

I think that's it.

Guilherme:

Can I continue?

Emílio Fugazza:

Please do.

Guilherme:

I'm sorry, we have to get this straight. I follow a lot of reports and in most of them, Esther is missing. Just to be clear, of the R\$700 million in costs, R\$500 million have already been incurred and we have R\$200 million to incur.

When I look at that managerial number of inventories within R\$ 1.7 billion, the construction cost of these R\$ 500 million incurred by Esther, are they in there or not?

Emílio Fugazza:

Yes, they are. The construction cost of Esther is accounted for within the Company's landbank. When you see the landbank of R\$1.7 billion, there is the Esther Towers cost in there, Guilherme.

Guilherme:

Silvio commented last year, but I can't miss this chance, the impact of "Extra" landbank. "Extra" hasn't gone up yet, it is still not being considered as a PSV. So, it will increase landbank's PSV by R\$2 billion? Is this the information?

Emílio Fugazza:

Silvio believes that it is much closer to three and a half. Just to give you an idea, we are talking about three and a half with a land cost of approximately 10%.

Guilherme:

I really appreciate it. Thanks, guys.

Emílio Fugazza:

It's all over with, Guilherme. Very good, I liked it. I like it. Thank you. You are on mute, William

Guilherme:

See, I'm not the one putting myself on mute, I'm thinking it's Pedro pushing the button.

Emílio Fugazza:

He is trying to get you out of the mute.

Guilherme:

This is the point. There is a lot going on and the numbers are very managerial, especially the PSV and inventory numbers. It is important to understand how you are doing it, because each company does it one way and it is important to have comparability. Thanks for the answers, let's go.

Emílio Fugazza:

Thank you, Guilherme. A great day to you and thanks for the questions.

Pedro Lourenço:

There being no further questions and the allotted time having elapsed, I give the floor to our Directors to continue with their final considerations.

Flávio Ernesto Zarzur:

Again, I want to thank you all for being here. We are available for any doubts you may have and to transmit to you our strongest confidence and certainty about all those doubts that existed in the first semester and in some situations that were more complex due to cost increases.

Today, we are much more confident that the costs will converge to the original budgets. That's it, I will also pass on to my brothers to position a few more things. Thank you.

Silvio Ernesto Zarzur:

I would like to thank the entire audience for attending and state that we are at your disposal to talk to you whenever you need to, thank you.

Marcos Ernesto Zarzur:

I wanted to thank everyone for being here and say that the most complicated scenario, I see, has passed. Now it is stabilizing and everything will return to a more casual normal. I count on everyone.

Emílio Fugazza:

Thank you, good day to you all.

Pedro Lourenço:

With this, EZTEC's earnings conference call is closed. We would like to inform you that we are developing new tools and revising our next materials aiming to bring more transparency, accurate information and engagement of our readers regarding the Company's business and strategies.

Therefore, be sure to check out the materials on the investor relations website and take part in our opinion poll through the QR Code provided in this presentation. We thank you for your participation. We wish you a great day and weekend.