CONFERENCE CALL 4Q22

PEDRO TADEU LOURENÇO:

Good morning, ladies and gentlemen, and welcome to EZTec's results presentation for the 4Q22.

Please note that this call is being recorded and that all participants are in listen-only mode during the Company's presentation. After that, we will begin the questions and answer session, when further instructions will be given. If you need assistance during the call, please let us know in the chat box. If you have any connection issues, you may reuse the same link or ID to return to our website. It's available at ir.eztec.com.br, along with the slides for this presentation.

This information is available in BRL. And before we begin, we would like to mention that any statements made during this call about the Company's business projections, operational and financial targets are based on the management's beliefs and assumptions as well as on currently available information.

Future considerations do not constitute an assurance of performance. They involve risks, uncertainties and assumptions as they refer to future events, which will depend on circumstances that may or may not happen. Investors should take into account that the general economic conditions, industry or operational circumstances may affect the Company's future performance and may cause the Company's results to differ materially from those expressed in these forward-looking statements.

Now to continue our presentation, I would like to pass it over to Mr. Emilio Fugazza, the Chief Financial Officer and Investor Relations Officer, who will get us started.

EMILIO FUGAZZA:

Thank you, Pedro. I am very happy to be here for our earnings call for 2022 and for the 4Q22. I have the honor of being in this presentation with some of the Company's executives. Flavio Ernesto Zarzur, Silvio Ernesto Zarzur; Marcelo Ernesto Zarzur, who will be here to help answering questions from our investors and to add information to this presentation.

I would like to begin with the first slide, the operational slide. Speaking about what we did in the 4Q22. We had a few launches such as Park Avenue, which is a high-end launch here at República do Libano. It's an apartment building and each one will run for about R$10 million, and we have 24% of it sold as of now. It still has not been recognized in our results, but it definitely will be in the 2H22, and it will definitely add to our gross margins.

We also launched Chanés Street, which is in Chanés Avenue, very close to Bandeirantes avenue in Moema, very close to Ibirapuera park, and its PSV is R$176 million.

And finally, we are in the second phase of Pin Osasco, which is a low-end unit. Its first phase has already been delivered, about 40% to 50% of this first phase had already been sold, and it follows the same rationale as we had in Pin International in Guarulhos, which is now being launched. It was a very successful stage and it had amazing results.

And here, we see the remaining launches that we had in 2022. In the 1Q, 56% of them were sold. We had a few launches very close to Ibirapuera park and very close to our headquarters, at EZTec. In the 2Q, we launched Hub and Haute Brooklin with 41% of the units sold. In the 3Q, we had the second stage of our project. It's a big phase of the Bandeirantes project. Many phases are still to come, and we are still waiting for some approvals, but the first part has a total PSV of R$800 million, and we are now at 58% sold. And in the 4Q, we have mentioned in the past slide. So we finished 2022 nearly at R$1.8 billion launch, with about 48% of it sold on average.

On the next slide, we have some of the next launches that we intend to have or have already had in the 1Q23. We had our first launch of our joint venture called Jota by Lindenberg in Gregório Serrão in Vila Mariana. It's a building that had a

50% stake from EZTec. It was launched in February and 21% of it has been sold. It's important to highlight. That's the first launch that we had with this construction company, Lindenberg.

And here, we have a picture of our current construction of EZ Infinity, which will probably have a regulated launch, we have many units already sold. We have a model apartment, and it will have a new name, a new campaign from May onwards.

On the next slide, we see the Company's operational performance in sales. So the 4Q22, as you can see on the graph, at R$346 million in gross sales and R$304 million in net sales. You can see on the right-hand side, the annual sale comparison in net and gross sales. So we have finished at R$1.2 billion in 2021, and we finished at R$1.4 billion in 2022. So this is an 18% growth in the Company's sales, and this was balanced throughout the year.

The next slide shows some of the deliveries we have made. This will be a relevant topic for 2023 because there has already been some growth in 2022. In the 4Q22, we delivered 2 enterprises coming to a total of R$400 in PSV, part of it in Ibirapuera and Haute Ibirapuera. And everything that was delivered in 2022, 83% has been sold. So we have a very small inventory of apartments and real estate is already prepared.

And here, we can see what we will deliver in 2023, R$1.8 billion. And out of all of this, 75% has been sold. So our deliveries are very important to generate cash for the Company and for our operational recovery. It also allows us to have new enterprises developed, and it does not create any relevant inventory with these deliveries. So it shows how healthy our launches have been in the last year.

The next slide shows the Company's inventory finishing 2022 at R$2.8 billion, out of which R$130 million is commercial inventory. We had significant sales this quarter, especially in the 4Q22, which contributed to significant gross margins and a revenue of nearly R$20 million in this sale alone. If you look at our inventory, it's made up of a significant share of projects under construction. So our residential inventory is under R$400 million.

The next slide shows the situation in our 2 commercial projects in construction. Esther Towers has 51% of its project executed. This is a project in Chácara Santo Antônio, right next to EZ Towers and next to the Parque da Cidade complex. We are making significant investments there, and it will probably bear fruit in the next few years.

On the same slide, on the right, you can see a picture of 2 of our enterprises. Air Brooklin residential, which is the tallest building and run next to our Air Brooklin commercial project, and 82% of it has been executed and will probably be concluded with some rental so that we can generate sales in this building still in 2023.

The next slide shows our landbank based on projects that are under construction. So we see how much of it is for the residential and for commercial projects. And we finished at R$8.6 billion. And about R$3 billion of it was in projects with resolution clauses that will be recognized by 2024.

We now continue with the Company's financial performance. The Company's financial results for 2022. Starting with net revenue. It grew in 2022 from R$958 million in 2021 to R$1.1 billion. So this is about a 20% growth, and it relates to the Company's launches in the last few years with growing sales over the last few years. So we had very significant and important work coming into an advanced stage, and it allowed the Company to have more revenue.

Similarly, on the right, we see the Company's gross profit and margins. It had to be adjusted in the 4Q22. It was a one-off adjustment, which was the result of a significant adjustment in the companies projects in delivering some of our main projects. So for the Company's transparency and integrity, we positioned our costs to deliver earlier and also to offset some of the fines according to the law. So all of these effects and the best expectation we had in the 4Q22 have been accounted during this quarter.

And it does not mean that there was anything to account for besides the Company's regular activities in the 4Q22. So we concluded the year with gross margins of 34% for the entire year. And it should recover if we return our results to the appropriate margins. What we should expect is that it will come to about 36%. And this is the margin for all of the Company's projects with the mix approved by the Company's results in buildings under construction or yet to be launched.

Of course, it does not include some projects, which are better than the Company's consolidated projects. So we might see that these margins come closer to 40%, with Park Avenue in the 2Q23 being launched, we will also see significant expansion of these margins, since this is a project that will give the Company margins above 50%. So as you can see, this margin that we reported in 2022, is the effect of a compensation in our balance.

Finally, you can see our equity income. There was a growth of R$77 million to R$87 million, and it could have been a bit higher, R$10 million higher to be precise, just as you can see in this graph for the 4Q, because we decided to include a land area from the Company that cannot be used for construction.

We are taking action for that, but for the Company's equity income, we had to provision for all of the land area in FTE that includes this area. So we have no further provisions. So again, this is a one-off effect in our results, and we do not expect it to repeat.

The next slide shows the Company's financial results. So the upper left-hand corner graph shows our financial results specifically. As you can see, our results for 2022 were lower than 2021, and this is due to our receivables portfolio, which still has a high level of default, and it has a very similar volume to what we had in 2021, R$363 million versus R$384 million in 2021.

So our portfolio is being corrected by the interest rate at around 10.2%, and in some cases, by the IPCA index. IGP-DI, one of our indexes, was negative, and it practically offset how much we charge in this portfolio. So what you see in our financial results is a reflection of how the companies applied its indexes.

As we go above 0 in the IGDP index, we will be much closer to the results that we obtained in the 3Q22, a result of R$30 million or more. So from the net profit perspective, we finished at R$323 million, which is an EBITDA margin of about 29%. So you can see that here's the projection of our net profits for the first 3 quarters and the 4Q, which was impacted by these effects I have mentioned thus far, which are nonrecurring effects in the Company. So the Company's net profit was R$32 million in the 4Q22.

Finally, the Company's net cash variation. You can see that our operation is strong and it's lower cost. It's construction debt is low. And as you can see for 2022, we had R$223 million in construction debt and R$171 million in investments in other parts of the Company, such as buying land and so on. It's also important to mention that we had a significant amount of dividends paid, R$172 million and a buyback of R$61 million. So these R$230 million also result in our net cash, which is still positive for the Company, R$241 million. And this makes us feel absolutely confident in the Company's future operations.

In the next slide, we see our balance and how robust it is. On the left, on the pie chart, you see our financial sources and how we build up our capital. 18% was third-party capital, which is basically the loans we have. Whether they are financing or debentures and on the land payable. And this is about R$1 billion from third-party capital versus R$4.5 billion in shareholders' capital.

Asset distribution can be seen on the right-hand side graph, where we see our cash and our equivalents, R$769 million. And you see at the top, the assets with bigger liquidity at the end of 2022. In our finished units receivables, we have R$578 million. Non-finished units are the ones connected to executing projects, but that have been recognized, and it's about R$500 million.

Inventory under construction, out of the Company's R$2.8 billion in inventory, we have the different shares, which are under construction and in the landbank. And this is all at market value. So you can see that it's about 40% of the Company's inventory.

Landbank, R$8.6 million. This connects to R$1.194 billion. So this includes the land prices themselves and some costs related to the contamination and so on. So when we look at the Company's results in 2022, you can see the Company's assets. Our company shared assets R$539 million. So if you look at everything that was done in the Company's equity. This has allowed the Company to give returns of about 18%.

And to conclude, here we see some information on dividends in 2022, we paid R$179 million. And we are going to pay an additional R$7 million according to the payment approved by our Board. This is due to the 4Q22. And the first 3 quarters have already paid dividends in this line of R$179 million. It will be paid on March 23 and ex dividends on the 24th.

So that concludes our presentation, and now I will pass it over to our controllers who are going to open up for questions from our floor. Thank you.

FLAVIO ERNESTO ZARZUR:

I would like to welcome everyone. It's a pleasure to be back with you. I am here with my brothers, and some of our directors to talk about the results for this year. We are maintaining our way of being. So whenever something is reportable, we report, so we do not let problems fester or surprise anyone. So we are very confident and Emilio's presentation demonstrates it.

We have a very solid Company and it will help us to overcome the challenges that we may face. So right now, we are very comfortable with our position. We are aligned and very united to overcome the challenges that we may face in 2023 and in the future.

So feel free to add anything.

SILVIO ERNESTO ZARZUR:

I would like to welcome everyone. Thank you for being here. And I would just like to tell you that we are in a new difficult macroeconomic scenario in our industry. If we analyze macroeconomic factors in the Company's restructuring, we really are facing an adverse situation. We are used to dealing with it.

This is not new for us. We are going to have to navigate these waters and face some consequences in the short term. But we have a lot of certainty in how we will be able to do well even with an adverse scenario.

We are absolutely sure that we are going to have good results in the future. We are working hard and the Company has never been so mature. The Company has never been so well prepared in its personnel and its system. And we are really at a different level. The Company really is at a new level, and we really can manage this company in the best way possible.

So my message to you is that we are very confident on what we can do. We do not have any major concerns. We work a lot. We are trying to get good results and do well. I think that's it. The Company's solidity, its assets, and we handle it with a lot of care. I think that's it.

MARCELO ERNESTO ZARZUR:

Let me just say something. Good morning, everyone. As my brother said, it was a challenging year, and we know that it will continue. So we are working as we have never worked. We are determined to overcome these difficult moments. I am sure that we will do it well. And that's all I have to say.

MARCOS ERNESTO ZARZUR:

I just want to say hello to everyone. And on sales, despite these issues, we are still selling, and clients are still buying apartments, they are still looking for opportunities. That’s it.

PEDRO HAJNAL, CREDIT SUISSE:

Good morning. Thank you for this presentation and for taking my question. On my side, considering the Company's inventory, I would like to understand what the Company is thinking about this trade-off between sales speed and gross margins? We see that inventories are at healthy levels. But considering that you might need to eventually prioritize, what margins would be the lowest for this inventory to still be sold?

Secondly, on inventory, we can see the Company's efforts to reduce this current level through different initiatives, from financing rates and from your commercial strategy. And if this inventory comes to a certain level, will you change your strategy? Will the Company not operate the stores that have been bought? Are we returning to the same levels that we had before. That's it.

EZTEC:

So when we set prices in an agenda. It's difficult to say, but we work a lot with accounting. We test our balance, and we see what the results are of what we can do. So what I have to tell you is that we are not doing anything based on guess work. Basically, every month, we look at the Company's balance sheet to see what will happen to what we did. So we control it very well. And now we are trying to balance between VSO and sales prices. So we dilute the Company's financial expenses, and sometimes even with a higher discount, we have a good result that's similar or only slightly below what we would have.

I am very careful about doing that. I do it with Emilio, and we follow this up close. It's something that we seek, and our goal is to make the Company healthy. We do not want to sell off our inventory. We want to keep the Company healthy with a lot of profitability at the bottom line.

So you mentioned financial expenses, but we look at this every week, expenses in stores and everything. And we have numbers where we seek a certain percentage versus gross sales. I cannot take into consideration net sales because we can only do it once a year, and you cannot really control it. So we are within the normal threshold.

So commercial expenses did not go up. There are some other things that add up in our accounting that make this figure go up. But in any case, my answer to you is that we always try, whenever possible, to be at about 3.5 or 3.4 of our general sales volume. That's our commercial expenses. Advertising, having salespeople there, and this all adds up to number I mentioned.

HUGO GRASSI, CITI:

Good morning. Congratulations for your results. Although this is a noisy scenario, I think you deserve congratulations. And it's worth mentioning that it may be one of the best years for you. So congratulations to the entire team. I would like to ask you about the land dynamics and how it affects your launches.

We see that there has been some rotation on the landbank. You acquired a lot of VGV, but you also sold a lot in the same proportion. So, if you can tell us how much you have available and how this appetite for acquisition matches your appetite for launches. And if you can tell us about the specific area in Guaratuba, Bertioga that led to a provision of R$10 million.

EZTEC:

Hugo, thank you for that question. We have a large volume in our landbank. These 2 areas that have been sold are not appropriate for construction right now, and we see an interest rate of 75% a year. We received an offer that was profitable and sold it. So that was basically it. So it was a profitable proposal, a long term to carry it.

So it makes sense to sell. But this is not the Company's policy, to sell these areas. You might see some of them being sold in specific situations because we always have to run all the figures. So whatever opportunity we see, we will look at.

But last year, we launched 1.8. And if we look at our land bank, I need to make a correction. It's a bit higher than this. There's some price updates and some things that need to be done about what was calculated, but it's a landbank of R$12 billion. So with interest rates at 13.75%, our line of thought is that our lands are very good.

So we might buy something if there's specific needs. But something we have always said is that we have a lot of relationships for sales. We can receive several offers, and it's never been difficult to sell. A landbank for 4 to 5 years with these interest rates, I think it almost answers itself. So we are going to carry on, look at this carefully and further ahead when we understand that this is the right moment, I am sure that we can sell it. So I do not see any risks there, and we are not going to change our calculation. We might use our landbank. As you saw in our plan, it will reduce, the Company's cash will go up. But I do not think we are going to invest this money, but we might distribute it. I mean, we will find a different use for it.

And I said 3, but it's actually 5% commercial expenses when you look at all of that, including salespeople, model apartments and so on. So thank you.

EZTEC:

So I am going to talk a bit about Guaratuba. This is something that's been in our landbank since we filed our IPO, this was an auction with SENAI, and we really believed on the transparency and legality of using it for a residential construction. But what happened was that the federal public ministry came in. There was a lawsuit and, after 15 or 16 years, we are getting a decision from an appeals court, and they say that in this area, since the license was granted for use for a specific reason, it could not be used for residential construction.

So as a punishment, SENAI has to recover the area, but appeals are in order, but what's clear is that in this level of decision, we prefer to list what we spent as an expense instead of seeking further measures, which would be either getting the area approved by the Supreme Court or getting the amount back from SENAI.

EZTEC:

So we are limited to what was launched. We have no more to list. So we are considering this as a money loss. So this R$10 million is the maximum of what we can lose.

DANIEL GASPARETE, ITAÚ BBA:

Good morning. Thank you for taking my question. I also have two. And I also have two. I would like to hear a bit more about your sales this year. Are you getting better volumes? Are you getting better prices? If you can tell us a little bit more about that. And if you think any changes to your sales process will be needed during the year?

And I would also like to ask about Esther Towers, if you can give us a little bit more of an update. I know that your target is 2023 to 2025, but I would just like to hear a little bit more about that.

SILVIO ERNESTO ZARZUR:

Thank you, Daniel. So let's talk about sales first. If you imagine when everything happened last year and how we were facing things in the beginning of the year, it did not seem like it would be a good one. But now we have talked among ourselves, and even though it's a difficult scenario, a company of our size needs to start on the right foot.

So we need to begin as if it were a good year. We had a very good sales convention. We spoke to many brokers. We had a marketing campaign, which was very victorious, with an artist called Mariana something, I cannot remember her name. And we had a great investment plan in media. And it sold a lot, was record sales. Of course, in order to sell, you need to give some discounts. People want to have a good business. They are also investing from their savings, and they are buying with us.

But as I said before, when you increase your sales volume, you can reduce administrative and commercial expenses. The Company has to rent buildings, speak to its employees and some things are regardless of the sales. So when you can sell more, you can recover some of the margin.

So we were able to reach record sales and maintain the same margins. So that's how we diagnose this 4Q. But if you were to ask why we are selling well? I really do not know because interest rates are high, financing plans are high, and this would all make people reduce their expenses in real estate. But for some reason, it's doing very well.

As I said, even though we did not see a very good scenario, we decided to invest. And I still do not foresee what's going to happen in the future, but we have decided that, again, we are going to have a mega convention in the beginning of April, and this is going to be even higher, with 1,800 people; again, it will be the biggest we ever have done. We are going to invest in marketing, readapt the campaign, and we will launch Lindenberg Ibirapuera. So along with what we are doing in Lindenberg, it's 90% EZ and 10% Lindenberg. But the strength of their brand will help us sell a lot. So I think we have a good chance of doing well. That's it.

EZTEC:

Can I just say something about what you said? What was clear to me in this year is that we are having very good performance in development, the commercial side of things, marketing, tech Tec Vendas had a number of brokers in this event. But I think we are going to see more performance and less lower prices. But when you look at marketing, commercial and lower discounts, I think it will be very positive.

I am happy to see that prices are not receiving so many discounts, and our team is playing very well together. So I think the next campaign will be very good because they are very driven.

EZTEC:

In general, sales have been good. Of course, there were one-off cases.

EZTEC:

On Esther Towers, we are working very hard to build. We know that the market is difficult, but it's advancing according to the market. So we are at a low speed, but we are ready to speed up if needed. So that's the situation we have right now. So the estimated conclusion date will depend on this allocation.

EZTEC:

With Esther Towers and everything, the odds of this happening soon are much higher than a regular building.

EZTEC:

I just want to say something: when did we buy this land? In 2013. So we worked for 10 years. And if it takes 1 more year or to build, 2 more years to sell, the important thing is not to do it fast, but to do it with a profit. So we are not going to do this haphazardly. We are going to try to do the best business we can for the Company because we have to do it calmly. The market is not suggesting that this is the right moment. what it's telling us is that it's not right now and that we will probably have to wait.

YGOR ALTERO, XP:

Good morning. Thank you for taking my question. I have two. First, you are going to have a fast pace in 2023. And in this challenging scenario with higher rates, do you think that we can have an impact from contract cancellations? And if you can tell us about how you are seeing this contract cancellation law being used.

And also, compulsory payments are being approved by banks for real estate credit. So what impact do you imagine this initiative will have for you? Do you think it will be helpful to offset these higher rates that we are seeing?

FLAVIO ERNESTO ZARZUR:

In the projects that we are delivering this year, a hard percentage of them have already been paid. So I think Emilio said that 40% has already been paid. So first, we have this comfort. Secondly, through ABRAINC and so on, we have had conversations with the Central Bank to approve a part of these compulsory expenses to have higher interest rates, because it's very difficult to sustain a company with these papers like CRI and so on. So we are going to navigate in the best way possible.

So we have advanced some of these payments, sometimes 30% to 40% of a project has already been paid when it reaches 70% of construction being done. So that's a huge benefit for our clients, and that makes them feel more relaxed. But we cannot tell the future, what we know are these variables.

EMILIO FUGAZZA:

Let me just add to this answer. So this is not a commodity in EZTec. And we work very closely to banks, and banks know about things in advance. They know their clients' credit capacity, how much they are able to pay. And therefore, we can create some special rates for them, which are often better than the regular rates that banks announce. And this is very clear to us from the launch.

So with new clients, what they owe based on the market value for that piece of real estate is very low. So in 2023, at least on this side, we will be doing very well.

FLAVIO ERNESTO ZARZUR:

And there's also an option of having clients and fiduciary alienation with the current fees.

ELVIS CREDENDIO, BTG PACTUAL:

Good morning. I have a couple of questions. First, about your gross margins in the 4Q because it went down. And I would just like to hear a bit more why that happened? Is it an issue of cost or mix? And when we consider these margins for the future, do you think it will improve since the program went through recent changes? So are you able to pass on these prices to the end consumer?

And also, I would like to ask about delays in construction, how much you are still waiting to deliver Parque da Cidade and how your supply chain has been going? Are you facing any issues? Are supplies normalized? And how comfortable are you about the next delivery dates?

EZTEC:

So I just want to say something. PDC is something that is a complete outlier from the curve. And I do not know how to say this, but it's nonrecurring. And Marcelo is going to tell you about delayed construction and so on. With PDC it's a different thing. So...

MARCELO ZARZUR:

Let me answer that question. So as PDC, we now have a higher expectation than what we had in the past. It has been reported. And it's here in the presentation.

For the other ones, we have much better dates, much closer to us. We are going to be able to service all of our clients. And costs, it is still a little bit difficult. Now the issue seems to be labor, but this is not anything new. So we are at cruising speed, I think. And from now on, the costs and the due dates will have much better projections. We have good expectations for that.

EMILIO FUGAZZA:

Marcelo, if you allow me to add to your answer. You asked what we are considering, and we are considering only 4 months besides the clauses. It's the one and only case. It was a single case in which that happened in 40 years.

Now let's talk about Fit Casa. What happened was that we delivered some of them. The Company only has one more to deliver, which is Fit Casa is reported in our statements. Its gross margins are about 60%, which is what you see in our results. So the revenue is only for one construction.

So if you saw this difference, you know that we had Fit Casa Ipiranga that had margins closer to 50%. However, the Fit Casa construction that are not consolidated are the ones that we have in partnerships. We have 3 in execution today. They are doing very well. One of them has a gross margin of above 40%. And we have 2 delivery stages at the end of 2022 and at the end of this quarter, but it has 1,400 units and gross margins are significant. But it's the Company's decision as it analyzes the market to increment its margins.

EZTEC:

I just wanted to add one more thing. The specific one that Emilio mentioned really has a lower margin. So if you have the Company's mix, it's below what we usually do. And that's it. I do not think that our margins will go up because financing limits went up, no. On one hand, you can do that, but on the other hand, you would lose a bit because construction would be more difficult. I think that's it.

ELVIS CREDENDIO:

That was clear. Have a good day.

BRUNO MENDONÇA, BRADESCO:

Good morning. Thank you. I have a single question about your direct portfolio. What is the role of direct investments in the commercial strategy. So we are talking about this on your inventory, and I would just like to know how it matches the cyclical trend for reduced net cash that we saw around the year?

And if you can give us some color to your projection or your projected profits for 2023, 2024, if this direct financing line continues, will it affect your products, or is it a commercial device?

SILVIO ERNESTO ZARZUR:

Thank you, Bruno. So I am going to speak for myself. I think if IPCA is going to run at 6%, we have an average of 9%. And that's it. That's how we calculate our profitability for the portfolio. It depends on IPCA. But I think it's 6. If you think it's more or less, you can have a higher or a lower projection.

And there's one more thing. As a sales tool, it does not capture bank finance. And it's not that it will never be able to do it, but I cannot do it at that moment. We included it in our portfolio. And when people seek better interest rates, they migrate.

So this is a new portfolio. You have a lot of turnover. Some people come in and go out. Some people will stay there for this for some time. And then when they are in a better condition, they find something else. So that's it.

FLAVIO ERNESTO ZARZUR:

Yes, we are very comfortable with this kind of financing. I think it works very well. In most success cases, it's sort of like a bridge like Silvio said in the past. We basically worked with other devices. So it really does not add any risk to a portfolio. It gives people mobility and it allows them to do something else. So I think it's very healthy for us, both as a sales tool and for our profitability.

EMILIO FUGAZZA:

Bruno, just to add some numbers to that, in 2022 and in other years, the recovery of the total volume in our portfolio has been low. But we have still sold all of the pieces of real estate at a profit, and we are going to deliver R$1.8 billion this year. 75% of it has been sold. So in all deliveries even if it is slight, we still have made a profit. We need to always expect it to happen.

And it's easy to consider a 30-year-old getting a funding plan, but someone who's 50, it becomes much more expensive. But this is not true for our financing plans. I will probably use this term bridge loan. And it is true, but it's not a short bridge.

EZTEC:

And it's not that we do not have insurance. I mean it's just that this is much cheaper for us. I do not know why. Insurance and real estate credit is very expensive. But when they do it with us, it's not as expensive.

BRUNO MENDONÇA:

It’s very clear. Thank you.

JOÃO BOSCO, BASTTER:

Good morning. As you know, at Bastter we have dozens of EZTec's shareholders, especially long-term shareholders. And since your shares are at or about R$14, 30% below VTA and 1/3 below what your average is, the major concern of your minority shareholders is about the Company being in a negative cycle, and when it starts doing well, it stops being publicly traded. So I would like to get your take on that.

And I would like to ask about your cash generation deliveries. Of course, you talk about this every day. I know your company very well, you talk about how you can best generate value for your shareholders. In my opinion, the best way is letting go of your liquidity and having a buyback initiative. So I am sure that you hear this a lot, and I would just like to get your mindset on this. Those are my questions. Thank you.

SILVIO ERNESTO ZARZUR:

Thank you, João. Let me just tell you about stopping being publicly traded. There are strict regulations on that. You cannot just buy for the listed price in the market. So I think shareholders would get a lot of money if we did it. I mean we are not expecting to do it, but I would just like to say that it's not an easy thing to do. So this is usually for companies that are not doing very well.

FLAVIO ERNESTO ZARZUR:

This is not unanimous for us, but in practice, we have some uncompromisable values. So we have a very good cash position, first of all.

Secondly, we do not want to create an expense to buy back any shares. This is not on our radar. So my brothers and I are much more focused on carrying out the projects, look at our future launches. And occasionally, we may, and of course, when we do it, we will communicate it to you.

Let's make this clear without a doubt. If we intend to buy back any shares, we will communicate this to you. We are not taking on risk, given the challenges that we have in executing everything in time, everything that we have been planned. We do not want to add anything to our stack.

EZTEC:

I just want to remind you of something, that minority shareholders always come first for my father.

EMILIO FUGAZZA:

Let me just add something, João. We understand your question. And my answer to you is this, the Company's controlling shareholders are focused on this and on dividends. The results that we had this year are deeply hurtful for them. So we are here demonstrating how much we are doing to make the Company have a better performance in 2023. And it started improving its performance in sales already. So this is very important because it will affect the net profits at the end.

So the message is that, first, we have to generate cash. Like you said, we are going to deliver and generate cash. If we have exceeding cash, then they will decide if they are going to buy back shares, pay dividend, reinvest. But right now, we are totally focused on rebalancing the Company and generating profits. So this is our focus, João.

EZTEC:

I have something to add to what Emilio said. We are not only talking about the 4 of us or only the family. We are talking about directors who are not shareholders, we are talking about superintendents, managers. And when I tell you that one problem goes for all, what I mean is that we have a lot of harmony. This sale that we had in the 1Q also took place in the 4Q, and we have been getting better. So this is a result of our alignment. I need to make that very clear to you. But more than that, I need you to look at it in the next balance sheets. Then I think everyone will be a little bit more satisfied.

JOÃO BOSCO:

I know EZTec for 15 years, and I know that you have great governance. But as Emilio and Pedro know, at Bastter we have 30,000 shareholders, and I get this question every day, dozens of times. And Mr. Ernesto has told me several times that he is focusing on minority shareholders, and I have no doubt that you are looking at them.

I just want to ask a more direct question. When you have new launches, your REF margin that's going down due to this challenging scenario, if you see it as 30, is it worth launching at 30, or is it worth buying back a share as long as you are generating enough cash that's being sold for 1/3 of the NAV. So I would just like to get an objective answer from you, if you are taking that into account.

EZTEC:

João, we take everything into account, we also take into account what you are saying, but what we need to say is that when you have capital invested into land and you lease it, I have to take this to the limit. If we buy everything back in shares, that is the limit.

All of our land areas would have come out of cost, CDI + 3%. It would be a big distortion. And sometimes when we see opportunities, we might do something like that. But right now, we are looking at the scenario that we have in the future, and we want to make cash. First, we want to make cash. Then we want to have dividends paid out, maybe buy back shares, and then we will think about it. This is going to be something we solve in the future when cash is better, and we do this every day. That's it.

PEDRO LOURENÇO:

Thank you, ladies and gentlemen. We are out of time. So I am going to pass it over to our Director for their closing remarks.

FLAVIO ERNESTO ZARZUR:

I would like to thank you all for listening. I think it was a very good presentation. And despite not having the results we wanted to present to you, I am absolutely sure that in 2023, we are going to have a very good year, especially in comparison to previous years, and we will always be together. We are always here to answer your questions. Pedro, Silvio, Marcelo and Marcos are always open. Our doors are always open, you can come and talk to us. Thank you.

EZTEC:

Thank you, everyone. Thank you for your questions, and we are available for any additional questions you may have.

EZTEC:

Thank you. Have a good day.

PEDRO LOURENÇO:

So this concludes the Company's 4Q conference call. Thank you very much.