Conference Call 1Q25 – EZTec

Pedro Lourenço:

Good morning, ladies and gentlemen. Welcome to EZTec's 1Q25 earnings conference call

For those who want to listen to this conference call in English, please use the translation button in your Zoom platform.

Hello, good morning everyone. I'm Pedro Lourenço, Head of the Investor Relations Department at the Company, and joining us for today's presentation are Mr. Silvio Ernesto Zarzur, Member of the Board and Chief Executive Officer; Mr. Flávio Ernesto Zarzur, Executive Officer, Vice President, and Chairman of the Board; Mr. Samir El Tayar, Vice Chairman of the Board; Mr. Marcos Ernesto Zarzur, Member of the Board; Mr. Marcelo Ernesto Zarzur, Executive Officer and Vice President; as well as Mr. Emílio Fugazza, Chief Financial Officer and Investor Relations Officer at EZTec.

Please note that this event is being recorded, and all participants will be in listen-only mode during the Company's presentation. Following the presentation, we will begin the Q&A session, at which time further instructions will be provided. Should anyone require assistance during the conference call, please request support via the website by contacting EZTec's IR support through our chat.

In case of a connection failure, please use the same link or ID available on our website at ri.eztec.com.br to reconnect. On our website, you can also find the slides used in this presentation in our download center. The information is presented in Brazilian reais and under BR GAAP and IFRS applicable to real estate development entities in Brazil, unless otherwise indicated.

Before we begin, I would like to mention that any forward-looking statements made during this conference call regarding EZTec's business outlook — such as projections, operational and financial targets — are based on the Company's management's beliefs and assumptions, as well as currently available information. Forward-looking statements are not guarantees of performance; they involve risks, uncertainties, and assumptions, as they relate to future events and therefore depend on circumstances that may or may not occur. Investors should be aware that general economic conditions, industry conditions, and other operational factors may affect EZTec's future performance and lead to results that differ materially from those expressed in such forward-looking statements.

Now, to begin the presentation, I would like to turn the floor over to Mr. Emílio Fugazza, our Chief Financial and Investor Relations Officer. Mr. Emílio, you may proceed.

Emilio Fugazza:

Good morning, everyone. It is a great pleasure to be here for EZTec's first quarter and full-year 2025 earnings release event. We begin by discussing our launch performance, where, as you can see, R$616 million in launches in the first quarter of 2025 represents an increase of nearly 32% compared to the same period last year.

But that's not all. If we look to the right-hand side, we can also see that this was the strongest first-quarter launch volume in the Company's history. And it doesn't stop there.

The second quarter is expected to follow the same magnitude, given the projects we are launching, which we will now present to you. So, to talk about these developments, let's begin with the next slide: Agami Park Residences.

Agami is one of our new launches, located near our headquarters on República do Líbano Avenue, in the Moema neighborhood. It is on Rua Agami, approximately one block from República do Líbano, with a PSV of R$318 million. The project offers high-end apartments of 215 and 290 square meters, targeting the high-end segment.

A launch that reflects the characteristics of a high-end, upper-class product developed by the Company, by EZTec. We also launched SP 360 this quarter. SP 360 is a project that originally came from EZInc and was converted into a residential development. It is located practically on the corner of Avenida dos Bandeirantes and Avenida Ibirapuera, very close to the Eucaliptos subway station on the Lilás Line and near the Ibirapuera shopping mall — an extremely prime location — with a PSV of nearly R$300 million.

We have already recorded 52% of units sold in the system as of this date, and we have additional sales from this project that will be registered in the coming days. The development features studio apartments ranging from 24 to 35 square meters. On the next slide, I'll highlight what we are already working on and what is either happening now or set to happen in the second quarter of 2025.

We begin with Lume House, shown on the left side of the screen. This is one of our developments in Vila Prudente, near Avenida Iaiá Melo and very close to our Dream View Vila Prudente project. The land will host two additional launches beyond this one. It is a project with a PSV of R$165 million, and sales are already open. The apartments range from 39 to 71 square meters.

Sales are also already open for Alt Studios By EZTec, and our Investor Relations team will provide you with more information by next week. The project has a PSV of R$106 million and is located very close to a successful development we launched a few years ago, called Sky House, in Chácara Santo Antônio. This project also consists of compact units — studio apartments ranging from 28 to 35 square meters — and sales are progressing well. Both developments I just mentioned are 100% EZTec.

Now I turn to the last project on the right, which is expected to be the Company's next launch: Pop Osasco. Pop Osasco is being developed through one of our partnerships specialized in the Minha Casa Minha Vida program. It is located on a site where we previously had a successful launch with Pin Osasco, right next to the Rodoanel, in the city of Osasco. This development will unfold in three phases — the current phase, with a PSV of R$110 million and approximately 500 units, is set to be launched in the coming weeks.

And finally, still within this quarter, we have the Moved Osasco Residence — already prepared for launch, with the sales office open and kickoff meeting completed. It is located on Avenida Busso Caba, actually right across from Bradesco's headquarters in Cidade de Deus, a prime area in the city of Osasco. This is a mid-income project with apartments ranging from 56 to 72 square meters. It is the first phase of a development that will include a second phase, to be launched once we confirm strong commercial performance from Moved. With this, we expect to add another R$600 million in launches in the second quarter, making the first half of the year the Company's all-time record in terms of launches, which we will announce in the coming months.

Now moving on to net sales, which showed an excellent performance compared to the first quarter of last year — a significant increase of nearly 30%. I'd like to remind you that gross sales totaled R$414 million, resulting in R$378 million in net sales. It's also worth noting, as highlighted in the earnings release, that we recorded one of the lowest levels of cancellations among all recent quarters.

I believe this clearly reflects the solidity of each sale the Company has been making. It's important to highlight that, when compared to the fourth quarter of 2024, the difference we're seeing in sales is largely related to the sale of performed inventory. The Company demonstrated strong momentum in new launches, which is also why we achieved significant success with them. As a result, campaigns aimed at improving the performance of performed inventory sales have already been launched to enhance this aspect of our performance.

To conclude, we have an annualized net sales volume of R$1.8 billion. Over the last 12 months, the Company's net sales reached R$1.781 billion, compared to approximately R$1.3 billion a year earlier. Let's move on to the next slide.

Now, our final topic within the operational section — and an extremely important one — is deliveries. In 2025, our deliveries are expected to reach R$2.6 billion. On the left side of the screen, we can see one of our deliveries made in the first quarter of 2025: Dream View Vila Prudente. Note that this is a mid-income project, with 58% of its units sold. Just to the far left of the screen, you'll see a small building — that's the FIT Casa Oratório tower, part of the same development and already delivered to our clients last year.

This represents approximately R$300 million in deliveries for now, taking place from the second quarter through the end of the second half. We still have R$2.3 billion in deliveries scheduled, with 75% of those units already sold. This naturally means we will still sell a portion of these units throughout 2025, but it also indicates a low formation of performed inventory in what is the largest delivery year in EZTec's history. Let's now move on to the financial highlights, starting with net revenue.

Net revenue totaled R$311 million. When compared directly to the first quarter of 2024, this represents a 30% increase, which is closely aligned with the growth in net sales over the same period. I'd like to point out that when we look at a quarter-over-quarter comparison — from R$427 million in the fourth quarter to R$311 million in the first quarter — it's important to consider the impact of collective vacations, Carnival holidays, and seasonal rainfall. These factors naturally slow down construction execution and, consequently, reduce the POC-based revenue recognition for the period. Historically, over the past ten years or so, this trend has only not been observed in two or three instances.

So, it is natural to observe this trend in the first quarter of each year. Of course, there is also some impact this quarter from lower sales of performed inventory, which we expect to reverse over the coming quarters. Speaking of gross profit, the key highlight when comparing to both the first and fourth quarters of 2024 is the increase in gross margin.

The increase in gross margin over the past year is close to nine percentage points — around eight to nine points — which is quite significant. Here, it's important to highlight two aspects. As we mentioned, this is a year of major deliveries, totaling R$2.6 billion, and deliveries have a notable impact on margins.

First, as we deliver projects, we recognize certain construction cost savings. These savings are reflected in the margin. In addition to that, we also account for the present value adjustment.

The delivery year is when we reverse the present value adjustment. By reversing this adjustment, we see a positive impact on gross margin. Naturally, the margin that best reflects future performance is the REF margin.

I've consistently pointed this out over time — EZTec's REF margin is around R$40 and is a very reliable indicator of what the Company is likely to deliver over the medium to long term. The next slide covers the Company's financial result, a highly relevant topic, as it represents roughly one-third of our overall result. Note the stability in the nominal value of the Company's financial result, as shown in the lower-left chart.

This is naturally related to our cash position minus outstanding debt, but it is also strongly tied to our fiduciary alienation segment, which finances end buyers. We've been mentioning that there is a net buildup — not a projection or guidance, but rather a trend — driven by the fact that bank mortgage rates remain relatively high compared to historical levels. As you can see, there was a net increase of approximately R$27 million in fiduciary alienations, stemming from R$44 million in new fiduciary alienations generated during the first quarter.

So, just as you can see the net buildup, you can also notice that the volume of payments — the amount being repaid — is quite significant. In the earnings release, there's an even more interesting insight: the duration of these receivables. Very simply put, the duration is currently around 70 months, as shown in the release.

In 70 months, we will have received more than 50% of the total balance of this direct receivable portfolio. Why? Because we widely adopt the SAC amortization table, which is very important. These receivables are being collected at an average interest rate of approximately 10%. The next topic is our net income.

Net income reached R$94 million. It is important to highlight that this represents growth compared to the first quarter of 2024, as well as year-over-year growth on an annualized basis. Over the last 12 months, the Company recorded R$442 million in net income.

These are steps — we are taking structured steps where a number of factors are contributing to this net income. It's not just about the increase in gross margin; there has also been a significant improvement over the years in the efficiency of selling expenses and administrative expenses. This can even be seen in the quarter-over-quarter reduction in administrative costs. So, ultimately, this is a result that's being built gradually and is taking us to a different level, driven by the current management approach.

With that, we have a capital structure as shown on this slide — in the chart on the right — where our holding currently has R$933 million in cash against R$681 million in corporate debt. This means our holding is in a net cash position. If we compare cash consumption or generation during the period, we'll see that the holding generated net cash, while on a consolidated basis, there was a cash burn.

Why? Because we are making greater use of project finance — we are, in fact, executing construction works that are drawing on project financing, which is currently available at a very competitive cost. Meanwhile, the holding continues to generate cash. Our net debt stands at R$398 million and, as you can see, it is entirely based on project finance.

With that, we conclude this part of the presentation by addressing dividends. In line with our tradition of quarterly dividend distribution, an additional R$22 million will be paid out — approximately R$0.10 per share — with the ex-dividend date set for May 23 and payment scheduled for May 30, 2025. With that, I'll conclude the presentation and turn it over to our CEO, Mr. Silvio Ernesto Zarzur, for his opening remarks.

Silvio Ernesto Zarzur:

I'd like to thank everyone for joining us — all of you, as Emílio mentioned. I believe the presentation gives a good overview of the Company's operations.

I'd like to point out that our current revenue doesn't fully reflect the stage we're in. We expect to recover that revenue over the coming quarters. I'd also like to highlight that all of the launches projected for this half-year are either already launched or have open sales offices.

We're not facing any execution risk — I'm already referring to the second quarter. And for the next quarter, we already have approximately R$900 million in approved projects with sales offices ready to open.

We're holding back on opening them now purely for operational reasons. We are firmly committed to shifting the Company's level of operations — both in terms of activity volume and financial results.

This is a strategy we've designed together. When we look at the current results, they're not bad, but there's a shared understanding between the controlling directors and our professional leadership that this doesn't reflect our full potential. We're all aligned in the pursuit of elevating EZTec to a new level.

As Emílio mentioned, we've been working on multiple fronts throughout the year. As you can see, operating expenses are down, and we've made improvements in our sales operation and across the board to rise to the challenge. Surprisingly, the market has responded positively.

That's something beyond our control, but it's surprising how the market has responded. It's also interesting to observe how at one moment we're selling studio units, then R$10 million apartments, then mid-range, then entry-level units — each week, each month, a different product sells, and in the end, it all comes together in a very positive way. That's what's interesting about having a presence across all market segments — we see good results and demand cycles across every type of product.

I think that's it. We're feeling very comfortable with our current operations, and we strongly believe we'll be able to deliver even better results in the coming quarters.

Emilio Fugazza:

Flávio, would you like to say a few words before we open up for questions.

Flávio Ernesto Zarzur:

Following up on what Silvio just said, I'd like to welcome everyone and also emphasize that, beyond the alignment within the executive team, we have full alignment at the Board level — 100% support for the strategy in place. We've laid out a clear plan, and we're actively putting our sizeable landbank to use, which allows us to generate capital and move toward a more suitable capital structure for the current market environment. Silvio covered everything regarding our development segment, and I'd add that our corporate properties arm is also showing signs of progress — day by day, it's becoming more aligned with market trends. We believe that during this year we'll be able to bring one of the Esther Towers office buildings to market.

All of this is giving us increasing confidence in how we're putting our assets to work. That's it from my side.

Emilio Fugazza:

Pedro, let's open it up for questions. Thank you.

Pedro Lourenço:

Thank you.

Thank you to the Executive Team. We will now begin the Q&A session.

We'll start with questions from sell-side analysts covering the Company, following the pre-established order, provided that the participant has the Raise Hand feature enabled.

As time permits, we will also address questions submitted via chat.

If we are unable to respond within the allotted time, we kindly ask you to send your question along with an email contact to the Investor Relations team using the IR contact information available on our website. Our IR team will follow up accordingly.

Our first question comes from Ms. Carla Graça, from Bank of America.

Carla Graça, Bank Of America:

Good morning, everyone.

Thank you for the opportunity to ask a question. I have two on my end. We saw a considerable increase in gross margin this quarter, reaching close to 40%, as you mentioned, and much of this growth stems from the reversal of present value adjustments (AVP) in projects nearing completion.

Could you give us some color on how much this reversal contributed to the margin this quarter? And how much of the margin is also being supported by tighter cost control and price increases, which have also been helping the REF margin?

And my second question: as you mentioned, the first half of the year is shaping up to be a record for the Company in terms of launches. I'd like to understand whether you intend to maintain this same pace of launches in the second half of the year. If we look at just the first quarter, you're already approaching R$2.5 billion in launches for the year.

Is that what we should expect? Thank you.

Silvio Ernesto Zarzur:

I'll take the second question, which refers to the launch volume.

We have a large landbank and a significant number of projects that are ready to be launched. So, the answer is: if the market absorbs what we intend to sell and we are able to deliver good sales performance, we will continue.

There's also an agreement among us here that, at the end of each quarter — since we've been making substantial progress in the way we operate — we'll sit down and decide whether to continue at the same pace or adjust for the following quarter, based on what happened during the current one. So in July, we'll have a meeting, and based on how things go through the end of June, we'll decide whether to maintain the same pace or slow down a bit.

I believe that's a clear and transparent explanation of how we plan to proceed.

I'll let Emílio address the first part of your question. Thank you.

Emilio Fugazza:

Thank you, Silvio.

Carla, thank you very much for your question and for the opportunity to talk about margin. On page 8 of the earnings release, there's a chart that Pedro always includes, which breaks down the composition of the margin. That chart tells an interesting story. For example, products launched in 2021, 2022, and 2023 were showing gross margins in the range of 31% to 38% a year ago — that is, in the first quarter of last year.

So, on average, the Company was reporting margins below 30%, and that's exactly what we were seeing reflected in our results. Now, in that same chart, when you look at the composition for the first quarter of 2025, nearly everything is showing margins around 40%, except for the 2024 launches, which are a bit below 30%, around 28%.

What does this tell us?

First, we have the effect of INCC. At the levels it has reached, INCC begins to help restore margin. This was something we observed often in the past, and we're now seeing it again, due to the way we structure customer payments and the portion of the total price we receive before handing over the keys.

Second, there has been much tighter cost control — both with suppliers and construction execution. This means the projects we are delivering right now are fully on track with their budgets.

Third, we have the reversal of present value adjustments (AVP). That reversal brought margins on projects from 2021 and 2022 back up to around 40%.

Now, why do I share all this? Because when you see the 28% margin on 2024 launches now being recognized in 1Q25, it's tied to a large AVP being applied — since AVP is calculated based on the NTN rate from that period, and that was around 8%, it led to a significant adjustment.

Also, some of these projects have not yet been impacted by INCC. So, gradually, margins will be restored. But to directly answer your question, the AVP reversal by itself added around one percentage point — or slightly less — to the overall margin.

Did that fully answer your question, Carla — from both Silvio and myself?

Carla Graça, Bank Of America:

They did, yes. Thank you, everyone — that was very clear.

Emilio Fugazza:

Good Morning, Carla. Thanks.

Pedro Lourenço:

Thank you, Carla. Our next question comes from Mr. Herman Lee, from Bradesco Bank. Mr. Herman, you may proceed.

Herman lee, Bradesco BBI:

Good morning, everyone.

Thank you for the opportunity — we have two questions as well.

The first is about the studios. You've launched several of them in recent quarters, and you have more in the pipeline, as shown on the previous slide. I just wanted to understand whether these land plots were acquired under the previous master plan, or if this reflects a broader strategy by the Company to focus more on this type of product.

And my second question is regarding Esther Tower — just a quick update on the construction timeline, whether there have been any changes, and how you're currently viewing pricing dynamics in the region. Thank you.

Silvio Ernesto Zarzur:

I'll take the question on studios, and then Flávio and Marcelo can speak about Esther.

Regarding studios — we're an opportunistic company. We operate in São Paulo's real estate market from A to Z. So, our intention is to be present across all segments, and studios are simply a consequence of our goal to cover every possible space in the market.

We expect to launch around two thousand additional units over the next 12 months. It's worth noting — for those who might be surprised by the number — that many of these projects include studios as part of a broader unit mix. They are not exclusively studio buildings. For example, we have developments that start with 70-square-meter apartments, then 60, 50, 30, all the way down to studios of 22 square meters. So, we've deliberately built a diversified product mix, which has been very successful for us — this model of offering multiple unit types within the same development.

So, it's not a specific strategy focused solely on studios, but rather part of our broader strategy to cover all income segments across the São Paulo metropolitan region. That's it.

Marcelo Ernesto Zarzur:

Good morning, everyone — this is my first comment today. Regarding Esther, we're feeling optimistic, as we're now seeing a real and growing demand for leasing in that region. Our building has already attracted interest from four or five major players looking to lease space.

The rental rates aren't quite at the level we initially envisioned at the time of the launch, but they reflect the current market, and we are open to leasing at these levels while waiting for the right moment to maximize the project's return.

As for the construction timeline, we're aiming to complete the first tower by the end of this year or early next year. For the second tower, we'll move forward with the façade and then wait for demand to determine a more precise delivery date.

If there are any further questions...

Emilio Fugazza:

Herman, did we answer your question?

Herman lee, Bradesco BBI:

Very clear. Thank you, and have a great weekend.

Pedro Lourenço:

Our next question comes from BTG Pactual, from Mr. Gustavo Cambauva.

Gustavo, you may proceed.

Gustavo Cambauva, Btg Pactual:

Hi, everyone.

Good morning. I'd like to ask about the large volume of deliveries you have scheduled for this year, and if you could comment on two specific points.

First, how do you view the potential increase in the Company's performed inventory? You mentioned that 75% of deliveries are already sold, and of course, more will be sold before handover — but with such a large volume of deliveries, performed inventory could nearly double. So how do you plan to manage this performed inventory throughout the year?

And my second question is also related to that. Emílio, you talked in detail about the Company's direct receivable portfolio — how do you see that evolving alongside these deliveries? We're in a more challenging financing environment, with significantly higher interest rates. Do you believe the conversion rate into the Company's own financing will rise meaningfully compared to historical levels?

We saw relatively few deliveries this first quarter, but have you already noticed an increase in direct financing by EZTec? Or do you think the trend will remain similar to historical levels? And is there any kind of guidance you can provide on where this portfolio might land?

Thank you, and good morning.

Slivio Ernesto Zarzur:

Dito pelo ChatGPT:
Thank you, good morning.

Thank you for the question, Gustavo. When it comes to selling performed inventory, timing is key — we generally wait until after we've completed the bank transfers for financed units. So there's usually a gap between the building's delivery and when we begin actively pushing ready units.

We already have a marketing campaign running, specifically for ready-to-move-in units, featuring Mariana Weickert. We've also adjusted broker compensation — commissions for selling performed inventory are higher, with special bonuses, and we have a dedicated team focused on this effort.

On top of that, we're making strong use of direct financing as a tool to support these sales.

And there's one more point: even when we apply discounts — say, 3%, 4%, or even 5% below competitors' pricing — we're still maintaining a net margin around 30%. That's key. So we're selling at a slightly lower price than the competition, paying brokers more, investing heavily in marketing, and offering in-house financing.

With these four levers, I'm confident we'll sell this inventory at a healthy pace.

Of course, our direct receivable portfolio is growing significantly — more than ever before — but I'll let Emílio speak to that in more detail.

Emilio Fugazza:

Thank you, Silvio, and thank you, Gustavo, for the question.

Let me give you a snapshot of what happened in the first quarter. Although Pedro listed approximately R$300 million in deliveries for 1Q, we were already working on about half of the Unique Green project as well — so in total, we handled a bit over R$600 million during the quarter.

And the initial data we're seeing shows a conversion rate of about 8% into fiduciary alienation.

So, for example, out of those R$600 million, we're talking about roughly R$50 million being converted into our direct receivable portfolio. That said, the portfolio might grow even more than that — but on the other hand, keep in mind that our cash inflows are also significant. So, the real question becomes: what will be our net portfolio position by year-end?

Our expectation — which Pedro has also outlined — is that over the next three quarters of 2025, we'll collect another R$76 million from the existing portfolio. That means revenue of over R$100 million for the year, just from that receivable base.

So the net portfolio formation should be meaningful. Given the delivery volumes, we're openly estimating that we could end the year with a portfolio at least 50% larger than today's — based on current conversion rates and planned deliveries.

That's a bit of color on our expectations, Gustavo.

Did we fully answer your question?

Gustavo Cambauva, Btg Pactual:

Yes, it's been answered. Thank you very much, everyone.

Pedro Lourenço:

Our next question comes from Mr. André Mazini, from Citi Bank.

André, you may proceed.

André Mazini, Citi Bank:

Hello, team. Good morning, and thank you for the call. I also have two questions.

The first one is about the current trend we're seeing in São Paulo with branded residences — those developments tied to luxury brand names. When I look at your portfolio, I see that you already have a very strong brand with EZCal, and of course the Lindenberg brand as well.

In a way, Lindenberg can also be considered a branded residence. So my question is: how much of a pricing premium do you believe you capture by attaching the Lindenberg brand to a project in a prime location like Jardins or Itaim, versus not using that brand? Is there anything tangible we can use as a benchmark?

That's the first question.

The second one is a follow-up on your comments regarding upcoming deliveries. There's a high volume expected in the second half — R$6.3 billion in deliveries, with 75% already sold.

Can you share any insight into how many of these clients are already pre-approved by banks? Is there a significant portion that already has financing lined up, and how much of those deliveries would fall under that?

And since 75% is already sold, what's the cash generation expectation from those deliveries? And what are your plans for that cash?

Thank you.

Flavio Ernesto Zarzur:

André, regarding the Lindenberg brand — as you mentioned, it goes beyond just a name. It's not simply a label; it carries real substance.

All of their projects are developed by them, and they include a series of design and architectural features that we often don't include in our mid-range developments. In addition to those product attributes, part of the construction is carried out by their own team, and they offer a more personalized experience with a higher level of attention to detail — they're able to keep a closer eye on the project than we typically can in other segments.

So for us, the Lindenberg brand stands above — it's not just about branding, it's about delivering content and differentiation.

That's what I wanted to highlight regarding Lindenberg.

Silvio Ernesto Zarzur:

And I wanted to say something — already talking about price, about pricing — a Lindenberg product usually sells, I'm going to say, with a premium, in the range of 8%. So I think 8% is a reasonable number for how much more is charged or how much more is paid when you have their brand.

And it's funny — I'm going to say something that's funny — I usually say that they don't sell apartments, they don't sell apartments, people buy a Lindenberg apartment. So people call there, they go to buy a Lindenberg apartment, and there's kind of a tradition in São Paulo, having them associated with high-end real estate, and the customer looks for their brand. And you know that they built a building for us.

We made a building for us, for our family, the controlling shareholders of our apartments. We had a plot of land and we built an entire building for us to live in, our mother and our children. So we were clients, we didn't want to hire EZTec so there wouldn't be a conflict, this building was done, it was delivered about a year, a year and a half ago, it was built about 5 years ago, and being a Lindenberg client was a different experience, it was also a very good experience.

So all of this has a very important meaning for us, they also have a very strong ability to sell their properties. So our partnership with them has been very good for them and for us as well. But regardless of that, we're going to work on our own brand individually in the high-end segment.

So it's not that we're now going to launch only high-end projects with Lindenberg, no. We support them, they support us. We also have our own brand, working very strongly.

Emilio Fugazza:

Thank you, Silvio.

André, responding to your question about deliveries and the potential cash generation from those deliveries — here's how I usually run the numbers, though don't take it word for word or comma by comma. It goes like this: we have roughly R$6 billion in PSV scheduled for delivery, with 75% of that already sold.

Historically, we receive about 40% of those receivables before delivery. So that means 60% is still to be collected. From that 60%, by the end of each of these projects, we'll have approximately R$600 million in project finance — that is, debt already drawn down.

So, once we settle those R$600 million, we're left with around R$600 million in equity from the delivered portion. On top of that, we still have the 25% unsold portion.

Now, the big question is how much of those R$600 million will be converted into fiduciary alienation. From what we're already seeing, that number should be between R$250 and R$300 million.

So, we're looking at a net cash generation of around R$300 million from these deliveries, because the rest will be converted into the receivables portfolio. That's the cash generation outlook. If that's the magnitude we're working with, as we start generating that cash, the Board of Directors will evaluate the best use for those funds — whether to reinvest, distribute, or allocate them otherwise.

Does that give you a clear idea?

André Mazini, Citi Bank:

Very clear, that was exactly it. Thank you, everyone. Have a good day.

Emilio Fugazza:

Thank you, André. Good morning, Pedro.

Pedro Lourenço:

Thank you, André.

Our next question comes from Goldman Sachs, from Mr. Jorel.

Jorel, you may proceed.

Jorel Guilloty, Goldman Sachs:

Good morning, everyone.

Thank you for the opportunity. I'd like to return to the topic of Esther Tower. If I understood correctly earlier, the focus was on the leasing process, but I'd like to understand a bit more about the discussions around a potential sale.

Given the outlook for interest rate cuts — whether in the second half or next year — I'd like to know if conversations around a potential sale of Esther Tower have evolved. Are they gaining momentum, staying the same?

That's it. Thank you.

Flavio Ernesto Zarzur:

Jorel, thank you for the question. Just to share some context with you.

At this moment, our strategy for Esther Tower is not focused on selling. Our priority is to lease — to anchor the building — and in parallel, we'll complete the first tower and then move forward with the second.

Once the building is leased, we'll wait — and we're confident, because we know how Brazil works. One day interest rates are high, and then they come down. In a scenario with lower rates and returns that are more aligned with that environment, we believe the asset will be better positioned. Right now, the return we'd get simply isn't attractive enough for an asset of this size.

That's the direction we're taking.

Emilio Fugazza:

Jorel, did we answer your question?

Jorel Guilloty, Goldman Sachs:

Yes, you did. Thank you.

Pedro Lourenço:

Our next question comes from Itaú BBA, from Ms. Mariângela Castro.
Mariângela, you may proceed.

Mariangela Castro, Bank Itaú BBA:

Good morning, everyone.

I had a bit of trouble activating my microphone, but all good now. Thank you for the presentation and the opportunity to ask a question. I have two on my end.

First, more recently and related to your market — I'd like to understand how you're seeing the sales performance evolve in the second quarter, and whether you have any concerns for this year. We've already gone through a few quarters under a more challenging macro backdrop, with higher interest rates.

To what extent have you seen this impacting sales at the stand? Maybe slowing down a bit? What are your main concerns in that regard?

And the second question is whether you're seeing any trend of construction delays in the city. We're heading into a year with a high volume of deliveries across many mid- and high-end companies.

A couple of years ago, companies were talking a lot about delays, especially related to elevator parts. Is there anything similar happening now in 2025 that could cause construction delays in São Paulo?

That's it. Thank you very much.

Marcelo Ernesto Zarzur:

Regarding the scenario — yes, we still have some delayed deliveries, particularly earlier this year. We're working to regularize all of that.

For us, the issue is not elevators. In fact, we have a very strong partnership in that area, and elevator supply hasn't caused any construction delays. The main challenge remains labor, but we're already addressing that as well, and we believe that with the upcoming deliveries, we'll be back on track with timelines. We've already managed to align the necessary resources, and now we're focused on aligning the deadlines.

That said, we're not facing penalty situations beyond six months — we're still within the grace periods stipulated in the contracts.

If you have any further questions...

Emilio Fugazza:

The other question is about the sales performance in the second quarter and the challenges posed by high interest rates.

Silvio Ernesto Zarzur:

I'll put it this way — it's challenging, Mariângela, but it's going well.

It's kind of like this: you can't really predict what will happen. From the outside, it might look worse than it actually is. If you asked me about the economy, I might say, "I won't launch because it won't sell." But actually, it is selling, one way or another.

I also want to remind you of something important. Our margin can actually work in our favor. In tougher times, we can use our margin to avoid losing too much volume.

If you're in a situation with a compressed margin and no room to maneuver, that's not ideal. But in a worse market, I can sell a bit cheaper and still maintain margin. Having this margin advantage allows us to be more competitive when needed.

How do we set the selling price? It's the price the market will pay. So we test the market and set prices accordingly. If the price needs to be a bit lower, we still have room to sell.

If we can sell for more, we do so and add margin — no problem. But the scenario is very uncertain, so we evaluate quarter by quarter.

We can't stop just because we expect things to go wrong. We won't do that. We might pause for a quarter... If that quarter goes well, we proceed through the third quarter.

If the third quarter goes well, we go through the fourth. If the fourth is bad, then we rethink what to do next. But we won't halt operations just because we fear things might get worse.

We will live through each quarter as it happens to understand the reality.

Since the Company is large and has been around for a long time, we have the ability to manage this approach.

Emilio Fugazza:

Thank you, Silvio and Marcelo.

Mariângela, did we answer your question?

Mariangela Castro, Bank Itaú BBA:

Yes, you did. Just a very quick follow-up: is the labor difficulty related to a specific type of workforce, or is it a general issue?

Marcelo Ernesto Zarzur:

Sorry, it's a general issue.

Silvio Ernesto Zarzur:

Mariângela, it's partly a lifestyle change. People no longer want to work on construction sites. Our company's engineering team... People want to be influencers or Uber drivers.

They simply don't want to work on construction sites. We're working hard here to reduce the number of workers needed on site by implementing more industrialized processes. This is something I see the engineering team, Marcelo supporting strongly, and Flávio as well, actively pursuing to lessen our on-site labor requirements.

Flavio Ernesto Zarzur:

And, Mariângela, just to add to that — in the last year and a half, we brought in a new engineering director, Silvio Gaia, an experienced professional well recognized in the market. He's been making changes, adjusting some of our systems, and modifying our use of scaffolding, cranes, and more, so we can gain a competitive edge. Over time, we believe that for the new projects starting now, this recurring labor issue won't be a problem because we're proactively addressing it. That's it.

Pedro Lourenço:

Thank you, Mariângela.

Moving on, our next question comes from J.P. Morgan, from Mr. Marcelo Motta.

Motta, you may proceed.

Marcelo Motta, Bank J.P. Morgan:

Thank you, Pedro. Two quick points.

First, in the release, you mention that Esther Tower's progress is at 67%, which is the same construction volume reported in the fourth quarter release. I just want to clarify if the construction hasn't actually advanced or if you intentionally slowed down — is that the case, or is there another reason?

Second, how are you seeing financing conditions on the buyer side with recent launches — both in the first quarter and now in the second quarter with the new project you opened? Have you noticed any increase in the requirements banks are setting, or in your own standards when pre-selecting clients during these sales events?

Thank you.

Marcelo Ernesto Zarzur:

Marcelo, regarding Esther Tower — 67% progress refers to the overall project, which consists of two towers. One tower is significantly further along than the other, and that's the one we're focusing on completing by the end of the year. The progress has never stopped; the tower has been moving forward steadily but slowly, especially as we were finishing the helipad on top, which is a complex part of the construction, and we're set to complete that this quarter.

Interest in leasing our building only started early this year, and to accelerate a project like this, there's a lead time to re-contract and mobilize all suppliers. That period was spent doing just that, and now we're pushing full speed ahead to finish the first tower. Again, the 67% refers to the entire development, but the first tower is much more advanced, so we expect to deliver it by year-end, provided we secure a significant tenant.

Emilio Fugazza:

Marcelo, here's the situation: our sales model incorporates the assurance at the sales office that customers can access our direct financing if they don't qualify or have credit available through traditional banks. What has happened over the last 12 months is that interest rates have risen to around 13-14% per year.

At the same time, incomes haven't increased at the same pace, so naturally, it's more difficult for buyers to secure bank financing, even though they already have EZTec financing approved. Despite this, we have a good understanding of credit behavior, and our default rates remain very low. Moreover, the low volume of cancellations this quarter shows how well this portfolio is adjusted to the current client situation.

So ultimately, the portfolio growth isn't because buyers are unable to pay. With us, everything is already approved, the insurance is cheaper, and buyers feel a sense of continuity. Very likely, if interest rates come down in the future, they'll be able to refinance easily — which is exactly what many did between 2021 and 2023.

Silvio Ernesto Zarzur:

Exactly as Emílio said, we're financing clients on average over 180 months, using either the Price or SAC amortization tables — often Price with interest rates around 12% indexed to IPCA or IGP, depending on the case — and it's working very well. I believe clients appreciate the security of signing a contract with us knowing exactly what their monthly payment will be, having that guaranteed upfront.

Later, they look for refinancing options with lower rates. That's it.

Emilio Fugazza:

Marcelo, did we answer your question?

Marcelo Motta, Bank J.P. Morgan:

Very clear, everyone.

Pedro Lourenço:

Thank you, Marcelo.

Continuing, our next question comes from Safra, from Mr. Rafael Rehder.

You may proceed.

Rafael Rehder, Bank Safra:

Good morning, everyone. Thank you for the opportunity.

I'd like to return to the topic of launches. As you mentioned, you have a significant volume of launches planned for the year, but I'd like to better understand the factors that might make you reconsider that strategy. Is it more about the speed of those launches? If the VSO turns out to be a bit lower than expected? Potential project delays? Or would you be more focused on inventory sales performance throughout the year to avoid increasing supply?

I'm trying to understand if there's a "golden rule" that guides how much you want to launch each year.

Thank you.

Silvio Ernesto Zarzur:

Rafael, our overall inventory cannot increase disproportionately.

It's quite simple. Last year, we launched R$1.6 billion — a launch volume that corresponds to an acceptable inventory level. If, for example, we were to launch more, say R$2.5 billion, we would still accept a proportional increase in inventory.

We won't accept a large inventory increase that poses risk or discomfort to the Company. So what will we do? If inventory does expand, we'll work to reduce it during the quarter before resuming launches. I think this approach is quite manageable.

If the economic scenario worsens and buyers stop purchasing for any reason, we'll pause launches and focus on selling existing inventory before starting again.

That's it. We have no commitment or obligation for a specific guidance. We want to deliver good results for the Company without putting it at risk.

We won't be overly conservative, but we also won't put the Company's management at risk. That's our approach.

Emilio Fugazza:

Rafael, did we answer your question?

Rafael Rehder, Bank Safra:

I think my audio froze here, sorry.

But everything is very clear now. Thank you, everyone. Good morning.

Emilio Fugazza:

Thank you, Rafael. Pedro?

Pedro Lourenço:

Moving on now to Banco Santander, Mr. Antônio Castrucci, you may proceed, please.

Antônio Castrucci, Bank Santander:

Good morning, everyone.

Thank you for taking my question. Mine relates to the margin expectations for upcoming launches planned for 2025. How does the expected margin for these projects compare with the REF margin above 40% that you've reported?

And secondly, how are you thinking about the trade-off between margin and SOS going forward, given this robust margin level? Would it ever make sense to sacrifice some margin to boost sales velocity?

Emilio Fugazza:

Antônio, thank you for the question.

Let's start with your question about future margins. I'll build my answer around some points Silvio often mentions: we really focus on sales velocity. There's no point in launching a project and building up unnecessary gross inventory.

If you notice, over the past years, we've maintained a relatively stable inventory level from a nominal standpoint, partly because what we launch is also fairly consistent on average. So, the concern about inventory buildup is valid — because it can undermine the price of your own launches in the future. The margin has several components.

It's a margin built over time. We start by selling units at certain prices, and as we recognize revenue, we see two important things. The first units tend to sell at a somewhat lower price.

This is an opportunity for the buyer — they need to feel they made a good deal by purchasing early. What happens next is that the margin is also impacted by the Present Value Adjustment (AVP).

Currently, AVP applies over a period of more than 40 months on average between launch and final delivery. Given an NTN-B rate of about 7 to 8%, the margin erosion can be significant.

However, we operate in a country with inflation — a regular inflation rate roughly aligned with the INCC index, fluctuating between 4% and 6%. If we control costs, what happens is that the client pays 30% to 40% upfront until delivery, and the remaining 60% to 70% after delivery.

That 60% to 70% is adjusted by the INCC index, which gradually increases the margin over those three and a half years, allowing us to reach a margin of about 40%.

So you see lower margins initially, and higher margins upon delivery — assuming all costs remain controlled. That's exactly what Pedro's chart on page 8 of the release shows: the company's historical and projected margin profile. Some are better, some are around the average, but that reflects our reality.

Silvio Ernesto Zarzur:

I just want to say this: there will be a mix again when we shift our brand. We'll sell a lot of old ready inventory, so everything will increase.

I believe the margin will vary according to the market. If the market recovers — because it's not great right now — we'll sell with compressed margins. If the market improves, we'll increase our margin.

If the market worsens, we'll reduce it a bit because we'll need to sell at the price buyers are willing to pay. If they pay more, we'll raise the margin slightly; if they pay less, we'll lower it a bit.

That's basically it.

Emilio Fugazza:

Antônio, were we able to give you some insight on this topic?

Pedro Lourenço:

Moving on, our next question comes from UBS, from Ms. Ana Julia.

Ms. Ana, you may proceed.

Ana Julia Zerkowski, Bank UBS:

Hi, everyone. Good morning, how are you?

We'd like to explore a bit more about cash generation and dividends, considering the R$2.6 billion in deliveries planned for 2025.

Yesterday you announced the approval of the R$22 million dividend. Could you share with us the Company's mindset regarding cash generation and dividends for the year? Should we expect any acceleration or an extraordinary dividend?

Thank you.

Emilio Fugazza:

Ana, good morning. Thank you for the question.

I'll recap our numbers regarding these deliveries.

We have R$2.6 billion in deliveries, with 75% sold. That 75% sold has been paid on average about 40%. So there's potential cash generation of 60% relative to everything delivered.

Of that 60%, I have approximately R$600 million in real estate financing to pay off. That's not what I have right now, but by the time these projects are completed at year-end, I expect around R$600 million. Given that, the possible net cash generation is about R$600 million.

So it's R$600 million in debt balanced by R$600 million in cash generation. Of the R$600 million in cash generation, based on what's happening now — this is not a guidance, just the reality since the first quarter — we expect about R$300 million in net fiduciary alienation generation.

That leaves approximately R$300 million in extraordinary cash generation from these deliveries and prior ones.

As this unfolds, of course, the Board of Directors will evaluate whether to distribute an extraordinary dividend, invest in new projects, execute a share buyback, or hold the cash. But that will come only after these cash flows materialize.

Silvio Ernesto Zarzur:

And as you increase the volume of launches, if we truly follow through on our plans, the cash consumption to support those launches — regardless of land acquisitions — becomes significant.

So when you accelerate launches, including marketing, sales offices, construction permits, and all related expenses, it leads to cash outflows. There's also the question of whether we keep this receivables portfolio — let's say it grows by R$250 million.

We're considering whether to hold onto it or not. Depending on that decision, we may or may not have a meaningful cash position. But if we decide to keep it, earning roughly 18% per year as it currently does, that will also lead to cash consumption on our side.

There's another factor: the R$670 million we raised through debentures and financing, which I'll call corporate debt — it's not construction financing. The plan is to keep this in cash, performing a small arbitrage to our advantage, so we have funds available for any extraordinary opportunities that might arise — though we're not currently anticipating any.

So all of this together — as Emílio mentioned — means that over the year, we expect some significant cash outflows, including a potential acquisition around R$300 million, which is important. But we also have many other cash inflows beyond what we're discussing here, such as payments from sold units and sales of ready apartments.

There are numerous other activities generating cash for the Company, balanced by ongoing expenses that absorb part of it. Essentially, it's a business plan analysis that we'll be resolving as the year progresses. That's it.

Emilio Fugazza:

Ana, did we answer your question?

Ana Julia Zerkowski, Bank UBS:

Yes, you did. Thank you very much, everyone. Good morning.

Pedro Lourenço:

Thank you, Ana.

Let’s move on to our final question of the day, from XP Investimentos, through Mr. Ruan Argenton. You may proceed.

Ruan Argenton, XP Investimentos:

Hi, everyone. Good morning.

I have two topics I’d like to touch on. First, a bit about the credit and project financing environment.

I’d like to understand if you’ve noticed any changes recently — if it’s become somewhat more difficult to secure project financing. We also know you issued a CRI, which you mentioned might be specifically for paying for the Extra land. But I’m curious if this could become an ongoing funding source for your development projects, and whether it might be relevant going forward.

Second, regarding the real estate market and Esther Towers — we get the impression that, although vacancy rates in the Chucre area have decreased, overall occupancy is largely driven by large tenants. I’d like to understand if the demand you’re seeing — given that your development will likely be one of the last with a large continuous area — is indeed coming mostly from big tenants, and whether this facilitates and accelerates the leasing and anchoring process.

Thank you.

Silvio Ernesto Zarzur:

I just want to respond regarding the Extra land.

We are not planning to use the CRI funds to pay for Extra initially.

The CRI proceeds will be held in the Company’s cash balance, and we will pay for Extra with other resources. That’s the basic company strategy. The CRI funds are reserved for other potential uses, although currently, we have no defined plans for them.

That’s the main detail. Marcelo, could you say a bit about tenant demand?

Marcelo Ernesto Zarzur:

I can say it like this:

Each tower at Esther Towers has 46,000 square meters. So it doesn’t make sense for us to start looking for tenants for just 2,000 square meters of floor space.

We’re really focused on finding the first anchor tenants — large clients with demands of 7,000, 10,000, or 12,000 square meters. Those are the types of clients who have been approaching us. And you’re right — it’s not easy to find spaces of 7,000 or 12,000 square meters contiguous anywhere. So that’s where our interested tenants come from, and the number of options is surprisingly positive for us.

So, exactly as you said, we're targeting large tenants, and those are the ones who come to see our building.

Emilio Fugazza:

Ruan, just to add to Silvio's response regarding project financing: we do annual planning. The 2025 plan was largely completed in 2024, and it led us to secure financing for a significant portion of our 2025 launches.

So, we already have financing in place for a substantial part of our planned launches this year. Of course, we see less availability of the favorable rates we used to have — banks are facing challenges given the current Selic level.

For future launches, some of the funds we raised might be used, but today it's not necessary because we've already secured the financing on a large scale.

Ruan, among the three of us, did we manage to answer your questions? Did we cover what you needed?

Ruan Argenton, XP Investimentos:

Yes, perfect. Thank you very much, everyone.

Pedro Lourenço:

With no further questions and our allotted time having elapsed, I now turn the floor over to our directors for their closing remarks.

Flavio Ernesto Zarzur:

Well, from my side, I want to thank everyone for joining us.

I believe we had a quarter with a very positive environment. We're satisfied with the Company's performance, and as Silvio mentioned, we're transforming the Company quarter by quarter.

Thank you all.

We remain available — Pedro and Emílio are always ready to assist, and you can reach out to them directly whenever needed.

Silvio Ernesto Zarzur:

We're now approaching the final minutes of the second half.

Here with us is Silvio Yamamura, a key director at the Company who contributes significantly to our operations. Hopefully, in future presentations, we'll bring in some of our other directors to engage with you as well.

Flavio Ernesto Zarzur:

He's the one leading Esther Tower.

He's responsible for leasing it, and beyond that, he also designed the helipad — a simple yet significant landmark for the city. He designed all of that, and we're always working closely together. He's someone who contributes a lot to us.

Marcelo Ernesto Zarzur:

I just wanted to express our positive expectations about the progress the Company is making. We know we're still in the process of improvement and that we need to make progress in every little area.

That's exactly what Silvio expects from all of us, and all the directors are fully committed to it. But we're very happy — truly happy — with the strong early interest in Esther Tower, such a majestic and iconic project. We're confident it will become a landmark in São Paulo, and we continue to believe in Brazil.

We're living this moment and hopeful that better times lie ahead for all of us. Thank you, that's all.

Emilio Fugazza:

Thank you, Marcelo.

Thank you all. Have a great day.

Pedro Lourenço:

Thank you all. The EZTec earnings conference call is now concluded. Don't forget to check out the materials available on our website, as I mentioned. We appreciate everyone's participation.

Have a great weekend.