Conference Call 4Q24 – EZTec

Pedro Lourenço:

Good morning, ladies and gentlemen. Welcome to EZTec's 4Q24 Earnings Conference Call.

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

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

We inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. Following that, we will begin the Q&A session, at which point further instructions will be provided. If any participant needs assistance during the conference call, please request support through our website, via the EZTec IR support in the chat.

In case of a connection failure, please reuse the same link or ID available on our website at ri.eztec.com.br. Also on our website, you can find the slides used in this presentation in our download center. All information is presented in Brazilian reais and according to 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 assumptions and currently available information. Forward-looking statements are not guarantees of future performance, as they involve risks, uncertainties, and assumptions, as they refer to future events and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions, and other operating 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, Chief Financial and Investor Relations Officer. Mr. Emílio, please go ahead.

Emilio Fugazza:

Good morning, everyone. It is a great pleasure to be here at EZTec's earnings call for the fourth quarter and full year of 2024. Let's begin by discussing our launch performance.

After launching two projects during the fourth quarter of 2024, totaling R$ 262 million, we reached R$ 1.6 billion in launches for the year — a 63% increase compared to 2023. A major highlight regarding launches in 2024 was the average speed of sales over the first three months, which reached 44% for each project launched.

This is a performance we also expect to replicate in 2025 to ensure the success of our upcoming projects. Moving on to net sales, we also reached a record for the Company — approximately R$ 1.7 billion, resulting from gross sales of nearly R$ 1.9 billion, also a record for us.

We saw significant progress in quarterly net sales from the first to the fourth quarter, peaking at R$ 508 million in 2Q24. Regarding project deliveries, 2024 was admittedly modest, totaling around R$ 468 million.

However, it's worth noting that 87% of everything delivered was already sold, meaning we did not accumulate finished inventory, which is always welcome to support the continuity of launches. In 2025, we expect to see the largest volume of deliveries in the Company's history.

We are projecting R$ 2.6 billion in deliveries, covering a range of social classes and neighborhoods in São Paulo. Of this amount, 74% is already sold, leading us to believe that gross inventory will not be a relevant issue in 2025 either. Wrapping up the operational highlights, I'll mention the next launches, which give us a view of the company's operating continuity.

We started the year launching Agami Park Residences, a project with a VGV of R$ 326 million, located at the corner of Alameda dos Arapanés and Rua Agami, in the Moema neighborhood of São Paulo. The apartments range from 215 to 290 square meters. Soon after, we launched SP 360 Graus - Smart Living by EZTec, located near Avenida dos Bandeirantes and Avenida Ibirapuera, in partnership with Pamaris, with a VGV of R$ 300 million.

Sales have begun, and early indications suggest strong demand. These are small units, ranging from 24 to 35 square meters. Following this, we will launch Alt Studios by EZTec, with R$ 108 million in VGV, also in the Smart Living segment, with units between 28 and 35 square meters.

Now, moving to our financial highlights. Beginning with net revenue, we saw an increase of nearly 50% in 2024 compared to 2023, growing from R$ 1.83 billion to R$ 1.561 billion, due in part to the lifting of a suspensive clause on our DOT 230 project in the Pinheiros region.

With higher net revenue came higher gross profit, which reached R$ 533 million, and a standout quarterly gross margin of 37.5%, up 6.5 percentage points from the lowest level of 30.9% recorded in 2Q24.

This performance was supported by construction costs that trailed the INCC index in 2024, generating lower costs for the Company — a trend we hope to sustain through 2025. Next, our financial results.

This line continues to be a highlight, accounting for nearly 40% of the Company's EBITDA. In 2024, we reached R$ 132 million, compared to R$ 85 million in 2023, mainly due to the expansion of our collateralized receivables portfolio, which grew by R$ 109 million in net terms throughout 2024.

This growth is also expected to continue in 2025. The portfolio is split between IGP and IPCA-indexed contracts, currently yielding an average interest rate of 10% per year plus inflation, with new units being contracted at higher rates than the portfolio average.

Moving on to net income and ROE, net income grew significantly from R$ 239 million in 2023 to R$ 405 million in 2024, including R$ 127 million in net profit for 4Q24. There were no one-off or non-recurring effects.

It's worth mentioning that, excluding the assets of Esther Towers, Verto Divino, and Air Brooklyn Corporate, and focusing solely on the residential operation — which is currently driving results — the Company achieved R$ 408 million in net income, leading to a ROE of approximately 14.1%.

Now on to capital structure. The available cash position in 2024 was R$ 770 million, with R$ 544 million at the holding level, which backs the corporate debt solely for liquidity and capital structure security.

EZTec S.A. is net cash positive by R$ 244 million, and the largest part of our R$ 836 million in debt is construction financing.

This financing had an average interest rate of 8.9% per year in 2024, well below Brazil's base interest rate. Additionally, we had R$ 227 million in cash available in SPVs, resulting in R$ 366 million in net debt, fully tied to construction, with much lower cost than benchmark rates.

Finally, about dividends in 2024. Total dividends distributed amounted to R$ 246 million, equivalent to 60% of 2024's net income.

The next distribution will be from the R$ 127 million earned in 4Q24, which means R$ 30 million in dividends to be paid on March 31, 2025, with the ex-dividend date set for March 21, 2025.

To conclude, two important subsequent events.

First, we subscribed to shares in Construtora Adolfo Lindemberg, becoming a co-controlling shareholder of this publicly listed company. We now hold 46.8% of total shares, acquired for approximately R$ 130 million, with no cash disbursement — only through the contribution of joint ventures we already held, including the conversion of debt EZTec co-owned with the company.

Second, in February, we issued our first CRI, which was very successful — R$ 375 million placed, including the additional lot. It was issued in two tranches: one with semiannual interest, and the other with a bullet payment in four years, paying 98% of the CDI rate, tax-exempt due to the CRI structure.

This brings our total corporate debt to R$ 675 million, with R$ 375 million at 98% of CDI and R$ 300 million at CDI + 0.85%, both issued with the support of Itaú BBA, to whom we extend our thanks for the success of these placements.

With that, before we open for questions, I will hand it over to our CEO, Mr. Silvio Ernesto Zarzur, for his opening remarks. Silvio, good morning

Silvio Ernesto Zarzur:

Good morning, everyone. I would like to thank you all for joining us and say that, despite the challenging environment, we remain very confident in the company's operations.

We have a well-structured company, increasingly mature, with established processes, commercial systems, and important competitive advantages in property sales. We have a strong sales structure, a robust financial foundation, and extensive experience in what we do.

So, we are very confident in our ability to further improve our results this year. That's all from me, and once again, thank you for your attention.

Now I'll hand it over to Flávio to continue the introduction.

Flávio Ernesto Zarzur:

Good morning, everyone.

I'll follow Silvio's remarks, which truly reflect the confidence and maturity our company has. One important point that I believe we should highlight is our capital structure, which is very robust and gives us great peace of mind about the future.

Basically, in a moment like this, we have that equity strength. And I'm confident that we will perform well, precisely because of our land bank, strategic positioning, and the products we've been launching. So, we feel calm and confident about the future — that's it.

Emilio Fugazza:

We will now move on to our Q&A session. Pedro, please go ahead and open.

Pedro Lourenço:

Thank you.

Thank you for the presentation. We will now begin the Q&A session.

We'll start with questions from the sell-side analysts who cover the company, following the previously established order, as long as the representative has activated the Raise Hand function.

As time allows, we'll also address questions submitted via the chat.

If we're unable to answer within the allotted time, we kindly ask that you send your question along with an email contact to our Investor Relations team through the contact information available on our IR website. That way, our IR team will be able to follow up with you.

The first question comes from Mr. Pedro Lobato, from Bradesco BBI.

Mr. Pedro, you may proceed.

Pedro Lobato, Bradesco BBI:

Now we're good to go. Good morning, everyone.

Thank you for the opportunity. We have two questions from our side.

The first one is regarding the product mix for the year. You've already announced the first few launches, but I'd like to understand how things are shaping up for the coming months of 2025, and what's the expected project profile in terms of mid-, low-, and high-income segments? How do you see this mix evolving in 2025?

And the second question is about gross margin. When we look at the reported gross margin and the backlog margin for Eztec alone — excluding the equity-method projects — they are already at quite similar levels.

How do you see this indicator going forward?
Is there room for any improvement, whether through pricing or through changes in the landbank cycle? Where do you think the upside could come from, if there is one? Thank you.

Silvio Ernesto Zarzur:

Pedro, thank you for the question. This is Silvio speaking.
I'd like to talk a bit about this year's launches.

We're going to have a bit of everything. We have high-end projects, and a lot of investor-focused products. Just yesterday, we opened the signing phase for Pamaris, and we're doing very well — a project with 100 units, including studios and apartments up to 40 square meters. It's off to a strong start.

We also have mid-income and high-income projects. There might be some Minha Casa Minha Vida (MCMV) entering more towards the end of the year.

This will be done through partnerships: we've signed two — one with Cury and another with Cyrela, represented by Vivaz. So we'll have a diversified mix, ranging from MCMV apartments to units priced at R$35,000–40,000 per square meter — a full spectrum.

We'll also have projects via Lindenberg, offering high-end products. Some of these we'll participate in directly, others via partnerships.

Now, regarding margin — you mentioned pricing, and I'd like to highlight the role of G&A dilution.

When we look at our margin expansion, it's not only related to price increases.

It's also due to G&A dilution — meaning, as we sell more, our fixed costs represent a smaller percentage.
There's some pricing gain, yes, but that's not necessarily the tool we'll rely on this year to expand margins.

Instead, we believe the margin improvement will come from higher sales volumes and maintaining current G&A levels, which leads to better efficiency. That's the path we expect to follow in this economic scenario, more so than actual price increases.

Also, I want to remind you that the acceleration of inflation will have a positive impact on our financial results.
As you saw, we had a strong financial gain in 2024, and we believe this will repeat in 2025, considering the economic outlook.

Emilio Fugazza:

Thank you, Silvio.

Pedro, regarding your question on gross margin and the backlog, you're noticing correctly that we've been seeing consistent growth — quarter over quarter.

Back in 4Q23, gross margin for EZTC projects was at 38.4%. Now, in 4Q24, we've already reached 40.4%. This growth is partially related to the INCC (National Index of Construction Costs).

When the INCC starts performing at the levels it's currently at, it has a significant impact on our backlog. And it's not just about construction costs — it also impacts our receivables portfolio. That's because the client pays, on average, 30% to 40% over the lifetime of the project, but 100% of the receivables are adjusted by the INCC. This naturally pushes margins up — that's a fact.

Another important factor is that our engineering team has become increasingly structured. That was precisely the goal when we made organizational changes a little over a year and a half ago. Now, we're starting to see the benefits. And from what we've observed internally, these engineering gains — especially on cost control — will continue throughout 2025.

So, while we don't provide formal guidance, I can say that gross margin is encouraging us, and I've been mentioning this in our previous calls — we believe that our reported gross margin will gradually align with our backlog margin over the coming quarters, Pedro.

Did we answer your question?

Pedro Lobato, Bradesco BBI:

They did, yes. Thank you, Silvio and Emilio. Good morning.

Emilio Fugazza:

Good morning, Pedro. Thank you.

Pedro Lourenço:

Thank you, Pedro. Our next question comes from Mr. Elvis Credêncio, from Banco BTG Pactual.
Mr. Elvis, you may proceed.

Elvis Credendio, Btg Pactual:

Good morning, everyone.

We have two questions on our side. The first is about deliveries, which you mentioned in the earnings release.
This is one of the challenges for the year. I'd like to understand what you see as the biggest challenges in this area, especially considering the recent deterioration in mortgage credit conditions.

In short, we'd like to know what you expect in terms of the proportion of units to be transferred and what portion you expect to keep on your balance sheet. Also, once part of the portfolio is transferred, what are your plans for those funds within the company?

The second question is somewhat related and concerns the fiduciary assignment portfolio. We've seen companies in the sector selling these portfolios at a premium. I'd like to understand what your current view is on this matter. It has been addressed before, but we'd like to know whether you are considering selling your portfolio, and what would justify keeping it instead. Also, what would you potentially do with that capital? That's it from our side. Thank you.

Silvio Ernesto Zarzur:

I'd like to start by saying that the outlook is apparently challenging.

Elvis, thank you for the question. Let me begin again.

We are indeed facing a challenging interest rate environment. But we aim to turn lemons into lemonade. So, when we offer financing at 12% plus the IGP-M—which is the rate provided to contracted clients who choose to take this option—we achieve solid profitability.

We believe a considerable volume will come through this model. We do have internal estimates, although I prefer not to disclose the figures. If Emílio feels it's appropriate, he can share them later.

We expect a specific portion of this financing to consume part of the company's cash, and we are also considering securitization if the volume exceeds what we're comfortable holding. However, investing company funds at 12% + IGP-M with strong real estate collateral does not seem like a bad position. If other opportunities arise or we need the capital for something else, we'll act accordingly. But for now, this setup is very well structured.

We also have the option to transfer the loan portfolio. And I'd like to emphasize: our relationship with the banks is excellent—we are in the best phase of the company in that regard. We already had strong relationships, but now we're in a peak moment.

This means we have a lot of influence and support to assist in the loan transfer process, and the banks are very willing to collaborate. So, we're optimistic here. On the other hand, the company is well-prepared to guide and support our clients in successfully securing these transfers.

As I said, we plan to turn lemons into lemonade. I believe we'll do well with this transition, and I foresee no operational difficulties for us in this regard. I'm very confident about that, to be clear.

Emilio Fugazza:

Silvio, thank you.

I'd just like to add that, from our perspective, the sales related to 2025 deliveries were very well executed. These are clients who have already paid, on average, over 30% of the property value. And for those clients who genuinely face issues, they've already been directed toward contract terminations (distratos).

As you've probably noticed, distratos are taking place, which means the portfolio we currently hold is very secure. The main challenge ahead will undoubtedly be the interest rates that banks will offer. Due to those rates, banks might not be able to offer the full amount of credit the client needs.

That's where our fiduciary loan portfolio becomes a key asset. And that's why we expect a considerable expansion in that portfolio this year.

Elvis, does this shed some light on the situation for you?

Elvis Credendio, Btg Pactual:

Yes, it was clear, Emílio. Thank you, Silvio. Emílio, good morning.

Emilio Fugazza:

Good morning. Thank you, Elvis.

Pedro Lourenço:

Thank you, Elvis.

Our next question comes from Mr. Kiepher Kennedy, from Citi Bank.

So, Kiepher, you may proceed.

Kiepher Kennedy, Citi Bank:

Good morning, everyone. Good morning to the Eztec team.

I'd like to explore a bit more the topic of gross margin in the context of VSO (sales velocity). The company mentioned there was an acceleration this year compared to the last two, which is very positive.

I understand that there's a composition of this margin to be recognized over time. I'd like to better understand this trade-off between sales velocity and margin recognition—what is the company expecting for 2025 in terms of accelerating sales? Because naturally, the longer a project stays in inventory, the higher the margin it accumulates. So how are you thinking about accelerating sales versus managing margin over time?

And my second question is related to the already-built inventory. There was a significant divestment this quarter, which I also view positively. Is there a specific target or expectation from the company regarding the sale of this inventory? Was the acceleration in the fourth quarter due to a specific reason, or is it expected to continue?

Thanks.

Marcelo Ernesto Zarzur:

Good morning. I'll start by talking about our inventory. Our inventory is very well located, well constructed, and already delivered.

Even those that haven't been delivered yet are in the final stages of construction. Last week, we launched another strong campaign for remaining units. We had a very successful campaign last year as well, with solid sales.

We're confident that we will continue this accelerated pace of inventory sales, just like we did last year, which allowed us to reduce our overall inventory. That's it. We are very confident in the sale of completed and nearly completed products, and we believe we will continue to perform well.

Silvio Ernesto Zarzur:

I'd like to point out that these products have a low cost of goods sold. Their costs were accounted for a while ago, so we have room to offer commercially aggressive discounts.

We also have our collateralized receivables portfolio supporting these inventory sales, along with strong backing from the banks that finance us. This campaign Marcelo mentioned is highly aggressive — we're investing a significant amount in it. We even hired Mariana Weickert to lead the campaign.

So, we are confident that we'll perform very well in the ready-to-sell segment, with a considerable sales volume.

Emilio Fugazza:

May I add a few points?

Kiepher, just to wrap up the topic of inventory — we sold R$ 458 million, which represents approximately 75% of our ready-to-sell stock. We ended 2024 with R$ 625 million in inventory. We'll begin forming new ready-to-sell inventory with upcoming deliveries. However, we shouldn't expect this new inventory to be diluted too quickly, as there's a time gap — we must wait for the repasses of completed units, etc.

So, the 2025 units will gain more traction towards the end of the year and into 2026.

Now, about your question regarding gross margin versus VSO — when Pedro presents the gross margin from new launches, there's a distortion caused by AVP (Present Value Adjustment). The AVP in 2024 was very high due to a spike in Brazilian bond rates. Our AVP is calculated based on NTN/NTNB rates, so the gross margins from launches look artificially lower than they truly are.

Thus, we expect two effects:

Reversal of AVP over time, recovering margin that's temporarily hidden.

The INCC indexation of our portfolio will open a positive spread, supporting gross margin growth.

As Silvio mentioned, higher sales will lead to increased net margin through better G&A dilution, and the INCC will further support gross margin improvements. Does this answer your question?

Kiepher Kennedy, Citi Bank:

Very clear, thank you guys.

Emilio Fugazza:

Thank you, Kiepher. Good morning.

Pedro Lourenço:

Thank you, Kiepher.

Moving on, our next question comes from Mr. Igor Machado from Goldman Sachs Bank. Mr. Igor, you may proceed.

Igor Machado, Goldman Sachs:

Good morning, everyone. Thank you for the opportunity to ask questions. I'd like to better understand the company's current thinking regarding leverage.

You recently paid out an extraordinary dividend, and the company has historically maintained low leverage. It has now increased, so I'd like to understand more about shareholder returns.

What is your current mindset going forward? Where do you see returns coming from? That's it. Thank you.

Silvio Ernesto Zarzur:

Igor, here's the situation.

You mentioned leverage. A significant part of this increase in leverage came from the R$110 million growth in our fiduciary assignment portfolio. You see, for example, this year we expect to grow that portfolio by a multiple of what we saw last year. So this leverage is relative. We will proceed carefully and with good judgment to decide whether to maintain this leverage level, increase it, or potentially sell off part of the expanded portfolio.

We could have sold that R$110 million in portfolio last year and kept leverage flat, but we chose not to. It depends on the cost of capital we can obtain and the confidence we have in maintaining that capital.

We believe our current level of leverage is healthy—actually a healthier capital structure overall. So, medium-term, the idea is to maintain leverage at this level. This could be through increased dividend distribution or other mechanisms, depending on interest rates going forward.

We like this new leverage positioning; we believe it's more sound and allows us to improve our ROI. It makes us a bit more profitable when you look at return on capital. That's it.

Emilio Fugazza:

Igor, did we answer your question?

Igor Machado, Goldman Sachs:

Yes, it's clear. Thank you, everyone.

Emilio Fugazza:

Thank you, Igor.

Pedro Lourenço:

Thank you, Igor. Our next question comes from Mr. Luiz Capistrano, from Banco Itaú BBA.

Mr. Luiz, you may proceed.

Luiz Capistrano, Itaú BBA:

Good morning, everyone. Thank you for the opportunity.
I'd like to hear more about the company's view regarding the HSI and HMP regulations being discussed in the city of São Paulo.

This week, we had an important piece of news in favor of these benefits, as the legal discussion with the Public Prosecutor's Office seems to have weakened. I'd like to understand the company's position on this matter.

Silvio, you mentioned earlier that the product mix for this year will continue to include a strong focus on investor-oriented products. So I think it would be interesting to get your take on this discussion and how much the company expects to benefit from this new legislation.

Flávio Ernesto Zarzur:

Good morning, this is Flávio speaking. We are very comfortable with our exposure to HSI (Social Housing Inclusion). All of our sales were conducted in full compliance with the legislation.

Our exposure is strictly limited to the solidarity quota on a few larger apartments, and everything was done according to what the law stipulates.

Even so, there have been recent legal decisions that appear more lenient for companies with slightly higher exposure. So we don't see any reason to change our approach.

We use these provisions as a benefit to reduce the amount we pay in development rights (outorga onerosa). So yes, this is something we're monitoring closely, but it's well within our strategic planning.

Emilio Fugazza:

Just to add to Flávio's comments, for instance, we launched a social housing (HIS) project in the fourth quarter—Connect João Dias, in partnership. It's a fully HIS project that was entirely transferred to Caixa Econômica Federal.

Because of this, it meets all the SICAQ requirements (Brazil's quality assurance system for low-income housing). So, we do exactly what the legislation prescribes.

That's also why, as we often explain in our investor relations (IR) meetings, our sales velocity in social housing projects, like Minha Casa Minha Vida, tends to be lower. People sometimes ask why the VSO in categories A and B is faster than in HIS—and the answer is, we prioritize sales that can be 100% transferred to Caixa.

This process takes time and follows a specific flow. But in the end, it allows us to complete the project with legal security and sales aligned with regulatory standards, which gives us a lot of comfort.

Luiz, that's how we view our involvement in HIS.

Silvio Ernesto Zarzur:

I'd just like to add that we're working on two major projects—truly large-scale developments. We're talking about something in the range of R$1 billion each, when considering all of their phases—one in partnership with Vivaz and the other with Cury.

We expect to begin launching them in about a year. Both are HIS (social housing) projects and will be financed through Caixa Econômica Federal. While the structure is a bit different from our usual model, we believe these projects will deliver a faster sales pace.

So once again, we'll benefit from the security and full compliance that comes from using SICAQ and Caixa financing, while also achieving the high sales velocity we always aim for.

Emilio Fugazza:

Luiz, did we answer your question?

Luiz Capistrano, Itaú BBA:

Very clear, Emílio. Thank you very much, everyone. Good morning to all.

Pedro Lourenço:

Our next question comes from Mr. Rafael Rehder, from Banco Safra.

Mr. Rafael, you may proceed.

Rafael Rehder, Safra:

Good morning, everyone. Thank you for the opportunity. I have two questions.

First, I'd just like to get a better sense of how you're seeing this first quarter. If you could share the number of clients visiting the sales stands, and whether you've already noticed any slowdown or if the strong momentum we've seen throughout 2024 is still continuing?

And second, I'd like to talk more about Esther Towers. Please correct me if I'm wrong, but I believe the first tower is scheduled for delivery within the first half of the year. I'd like to understand your view of the area — whether it's in terms of rent per square meter or the vacancy rate, which seems to have decreased in recent months — and get a better sense of the region's dynamics. Thank you.

Marcelo Ernesto Zarzur:

Rafael, so, visits to the sales stands remain very strong — in fact, in these first few months, EZTEC reached its highest sales record in recent times, let's say.

This reflects the surprising number of clients coming to our stands. Just yesterday, we launched a new project and sold over 150 apartments in the first two days. So, we're very excited that this strong pace of visits is continuing.

As for Esther Towers, we're aiming to deliver one of the towers by the end of the year. That's our current focus. Actually, this is something we had already planned to mention — rental visits have already started.

So it's a scenario that gives us confidence, and we're working hard to secure the building's occupancy, which would speed up the delivery of the entire project, as it's closely tied to the leasing progress. If anyone would like to add to that...

Silvio Ernesto Zarzur:

I just wanted to add one thing.

Yesterday's sales — we opened the sales stand at 3 p.m., and we sold around 80 units in just about eight hours. Marcelo mentioned a bit more, and we're likely to reach an even higher number by the end of the week.

But yes, we expect to hit a larger number by week's end, and things are going very well. That's all I wanted to add to make things clearer. And just one more point:

When I mention around one billion for each of the developments, I'm referring to the total value. Our stake is 50% in each one — just to clarify. So, one billion each, and 50% of that is ours.

Flávio Ernesto Zarzur:

Just to reinforce what Marcelo said about Esther Tower — it really is a unique development in that region. It stands out from the others. People who have visited can clearly see how efficient our floor plate is and how bold the architecture is, especially with the helipad design.

I'll even talk to Pedro — one day we should take some of the bank folks to visit the entire building, the whole complex. It's not a simple calculation of how much it cost versus how much it will rent for, but what's certain is that it will be leased, and over time we'll recover the investment.

That's the situation — recovering the investment made. But it's not quite what we originally imagined at the beginning.

Emilio Fugazza:

Rafael, were we able to address your questions?

Rafael Rehder, Safra:

It was very clear. Thank you, everyone. Have a great day.

Emilio Fugazza:

Thank you, Rafael. Good morning.

Pedro Lourenço:

Thank you, Rafael. Our next question comes from Mr. Antônio, from Banco Santander. Mr. Antônio, please go ahead.

Antônio Castrucci, Santander:

Good morning, everyone. Thank you for taking my question. Actually, there are two points I'd like to check.

First, what was the driver behind the margin improvement for the 2021 and 2022 project batches? Was there a price increase, or was it mainly due to a product mix repositioning within those batches? And second, how is the decision-making process going regarding the potential acquisition of the Extra site?

And still on the topic of the Extra site — is there already a defined positioning for the project, in case you move forward with the acquisition? Thank you.

Silvio Ernesto Zarzur:

So, regarding the Extra site — I'll talk about that at the end.

Starting with the acquisition process: it's important to note that this is a conditional acquisition, not a mandatory one. We're very excited about it and likely to move forward, but there are specific conditions that must be met for the purchase to happen.

Now, regarding the project's positioning — we already have the entire project developed and ready. The decision to move forward will come after the project's incorporation is registered. Everything is already designed and positioned. We're targeting a price slightly below our direct competitors — aiming to sell at around R$15,000 to R$16,000 per square meter, while our cost structure allows us to price more flexibly if needed.

This pricing strategy is 20% to 25% below that of our closest competitors, so we're feeling quite confident. The volume is significant, with a VGV exceeding R$3 billion. We're still working through a few elements of the process, and we'll see how everything unfolds. I think that's as much as I can share for now — we'll have to wait and see how it all develops.

Emilio Fugazza:

Silvio, thank you.

Antônio, regarding your question about the 2021 and 2022 batches:

These batches include developments that are scheduled for delivery in 2025 — with a few possibly extending into 2026. For example, 2021 includes projects like Dreamview and Arkadio. In 2022, we have Unique Green, Haute, Hub Brooklin, Expression, and Exalt. These are all consolidated EZTEC projects currently under execution, benefiting from efficient management and engineering efforts that are delivering cost savings and operational efficiency — with the INCC (construction cost index) working in our favor.

So, the margin improvement is directly linked to these 2021 and 2022 batches. We're starting to see the results now and expect to continue reaping the benefits into 2025, Antônio.

Did we answer your question?

Antônio Castrucci, Santander:

Great, glad to hear that — very clear.

Thank you, everyone, and congratulations on the results!

Emilio Fugazza:

Thank you, Antônio. Good morning.

Pedro Lourenço:

Our next question comes from Ms. Ana Júlia, from UBS Bank.

Ana, please go ahead.

Ana Julia Zerkowski, UBS:

Good morning, everyone.

Thank you for the opportunity. We have two questions. The first is about cash generation and dividends.

Considering the R$2.6 billion in deliveries, could you share the company's current thinking regarding cash generation and dividends over the coming years? Should we expect any acceleration or possibly a special dividend?

And the second question: what are you seeing in terms of land acquisition and competition in São Paulo so far this year? How has the buying process been — more cash deals, more land swaps? Any details on these two points would be greatly appreciated. Thank you.

Emilio Fugazza:

Good morning, Ana.

Let's talk about cash generation and dividends. You specifically mentioned 2025, and I understand the reasoning, especially when we consider the R$2.6 billion in scheduled deliveries. Out of that, about R$1.9 billion is already sold.

Now let's break down the math on that R$1.9 billion:
Approximately 40% has already been paid by clients.
We also have something close to R$500 to R$600 million in construction financing that will be settled using these incoming funds.

This brings us to the key challenge of 2025 deliveries: how many clients will obtain financing through SFH (Housing Finance System) with commercial banks, and how many will require EZTEC's own financing? We have internal estimates, but we'll need to wait and see.

When will we have a clearer picture? Likely around July or August, when we'll better understand the amount of free cash flow available. So while the projected cash generation may seem significant, around 50% of that might be tied to fiduciary lien financing, limiting the actual free cash available. Based on this, the Board of Directors will decide on what's feasible — whether that's dividends, reinvestment, share buybacks, etc. Those discussions will happen throughout 2025.

Silvio Ernesto Zarzur:

ust to add to that — Emílio explained it very well regarding cash consumption and fiduciary lien financing.

If everything proceeds as planned, we're set to begin payments for the Extra land, and it's a significant amount — a sizable investment.

We'll be closely monitoring everything to try to maintain the company's leverage at levels similar to what we currently have. Depending on how that unfolds, we'll then decide how to allocate the funds — whether to retain the fiduciary receivables, transfer them and issue dividends, or prioritize paying for the Extra land, which could limit room for dividend distribution.

All of this will be decided gradually and carefully over the year, as we observe how the situation develops.

Marcelo Ernesto Zarzur:

And Ana, regarding land acquisitions, we're still receiving many good land offers — both through land swaps (permuta) and direct purchases. Unlike in previous years, we're now more open to evaluating swap deals as well.

The decision to buy is left to the management team, and we're always keeping an eye on our current land bank, which we don't want to expand too much. So, we're prioritizing the use of our existing land bank first. But with that said, the moment we reduce our land bank a bit, we'll be ready to quickly acquire well-negotiated plots with very positive margins.

Silvio Ernesto Zarzur:

And regarding competition, as you asked about land purchases — it is intense, but mostly in specific regions. In fact, I have some doubts about the feasibility of some of these areas where prices are extremely high and many plots are being acquired — I question whether all of that inventory will truly be absorbed later.

So, as we've always done, we've been looking for alternatives outside the competitors' radar, aiming to continue acquiring viable and competitively priced land.

When you go to an area with less competition for land, naturally there are fewer launches, which creates better selling opportunities. It's not easy to find, but it's something we're used to doing. In that sense, we've redirected our focus away from the most competitive zones.

Another point: when it comes to securing land through swaps (permuta), we've also developed internal criteria that help us filter opportunities more efficiently. And keep in mind — while the major companies like ours do benefit from preferential treatment in these negotiations due to credibility, a significant number of players in the market don't enjoy that same advantage.

So, that gives us a natural edge, which we actively use — not just EZTEC, but large players in general. I believe that covers it.

Emilio Fugazza:

Ana, did we answer your questions?

Ana Julia Zerkowski, UBS:

Yes, perfect, everyone. Thank you very much. Have a great day.

Emilio Fugazza:

Thank you very much for your questions. Good morning, Ana. Pedro?

Pedro Lourenço:

Thank you, Ana.

Our next question comes from Mr. Jonathan Koutras, from J.P. Morgan.

Mr. Jonathan, please go ahead.

Jonathan Koutras, JPM:

Good morning, Emílio, Silvio, and team.

Congrats on the fourth-quarter results. I have one question — could you comment a bit on the cost scenario at the ground level? There's been a lot of talk about protecting margins and portfolio quality, as Emílio mentioned, but I'd like to get a bit more color.

Do you expect the INCC (construction cost index) to remain at current levels in the short term? How is the labor shortage situation in São Paulo? And are your internal cost structures tracking in line with the INCC, running below it, or do you still see room for additional efficiency gains in certain projects?

Any insight on how INCC is evolving in practice on-site would be much appreciated. Thank you, everyone.

Marcelo Ernesto Zarzur:

Jonathan, good morning — thank you for the question.

As Emílio already mentioned, we've been able to execute our construction projects below the INCC. That said, we are indeed concerned about the labor shortage and are actively looking into process improvements and construction innovations to ensure both cost control and schedule adherence. We're developing new systems, and we feel confident that we've entered a new phase — not of cost overruns, but of efficiency gains.

Looking ahead, for Minha Casa Minha Vida, we're currently relying on partners to ensure cost control. However, we are also working on internal projects to bring this construction fully in-house again. We're confident that, with this new phase of engineering, it will be just as successful as it was in previous cycles.

Flávio Ernesto Zarzur:

And as Marcelo mentioned, the processes we're implementing in engineering are heavily focused on industrialization and reducing the need for direct on-site labor.

For example — and this isn't exclusive to us — we're studying the use of pre-fabricated bathrooms. That's just one example, but there are other solutions already being applied that help us significantly reduce the number of workers needed on-site.

We're also investing heavily in our own equipment, which not only cuts down on labor requirements but also helps us ensure cost control during construction.

Emilio Fugazza:

Jonathan, were we able to shed some light on your question?

Jonathan Koutras, JPM:

Yes, you did. Thank you, Emílio. Thank you, Marcelo.

Emilio Fugazza:

Thank you very much, Jonathan. Good morning.

Pedro Lourenço:

Thank you, Jonathan. Moving on — it looks like we have our final question.

This one comes from Mr. Ruan Argenton, from XP Investiment.

Ruan, please go ahead.

Ruan Argenton, XP:

Good morning, team. Thank you for taking my question, and congratulations on the results.

There's one point I'd like to explore regarding competitiveness in new launches.

Recently, you made a fairly significant land acquisition in São Caetano, and historically, the company has explored the broader São Paulo metropolitan area. Over the past year, however, that seems to have slowed down a bit.

Are you viewing the metro area as an opportunity to reduce competition in new launches and potentially find better deals?

That's my first question. The second one is about your product outlook for the second half of the year. We're anticipating a potential mild economic slowdown, which could generally hurt affordability for the middle-income segment.

My question is: are you factoring that into your plans for the second half of the year? And does it influence your product strategy moving forward? That's all.

Marcos Ernesto Zarzur:

Thank you. Ruan, how are you? Thanks for the question. I actually want to talk a bit about the São Caetano land acquisition, because I supported the management team in that purchase.

We believe that land in Greater São Paulo offers some relief from the intense competition we're seeing in the core São Paulo area, where things are highly concentrated. When we move into new regions, we've already had great success — like we did in Osasco and Guarulhos. And I'm confident that São Caetano will follow in the footsteps of those major developments, practically becoming a city on its own.

Of course, we'll always monitor how sales go and open launches in phases, but we've had strong results with this kind of project, and I fully believe in the success of strategic plots like this one.

Marcelo Ernesto Zarzur:

Ruan, just to add to your question — we're planning to be extremely aggressive this year, quarter by quarter.

In the first quarter, we're already aiming to launch three projects, and in the next quarter, another three launches. But of course, everything is subject to review at the end of each quarter.

As you mentioned, if the economic outlook shifts significantly, we'll reassess. But we're well-positioned to operate with strong intensity and efficiency each quarter, and our track record over the last 12 months supports that.

Each quarter has been outperforming the previous one, so the plan is to go aggressive — but if conditions change, we're ready to pause and re-evaluate as needed.

Silvio Ernesto Zarzur:

Ruan, just to further complement the answer about the metropolitan region — we're resuming significant launches in Osasco this year. We have three developments planned for Osasco.

Not all of them will be launched this year, but between now and the first half of next year, we plan to launch all of them. The combined VGV exceeds R$1 billion. So yes, we're active in Osasco, in addition to the São Caetano land.

And as Marcelo mentioned, just to reinforce — we have a very broad product mix. That includes a large number of investor-focused units, middle-income developments, several high-end projects, and also partnerships with Lindenberg. Just to clarify, Lindenberg leads the launch, but EZTEC owns a stake both in the company and in the specific projects.

This diverse portfolio allows us to test different product categories, aiming to get the best possible results with the aggressive strategy we're applying this quarter.

At the end of each period, we assess and move on to the next. We're not going to pause the company mid-year — that's not how we operate. We're testing and launching as needed so we don't miss out on opportunities.

We won't sit on the sidelines waiting for conditions to change. If things turn negative, we'll react accordingly — but as long as we're performing well, we'll keep moving forward. That's the mindset.

Emilio Fugazza:

Ruan, were we able to answer your question?

Ruan Argenton, XP:

Yes, absolutely. Thank you, everyone. Have a great day.

Emilio Fugazza:

Thank you very much, Ruan. That concludes our Q&A session.

Pedro Lourenço:

Just a quick note — we received a question in the chat from Matheus Rech, from Ártica Fund, but it's very similar to the one Ana Júlia from UBS asked earlier.

So, Matheus, we believe your question has already been addressed during Ana Júlia's turn.

With that, we'll now close the Q&A session and move on to the closing remarks. Silvio, over to you.

Silvio Ernesto Zarzur:

I'd like to convey that the company remains optimistic. Even within a less-than-positive macroeconomic scenario, we are cautiously optimistic and vigilant.

We're not inattentive, nor are we running the company without awareness of what's happening around us. But as long as the company continues to perform well, we'll keep moving forward. If at any point we need to adjust course, we will — we're well-equipped and strongly supported by the Board, which is chaired by Flávio, and by the dedicated executive team working alongside me.

We're calm and confident. That's it. Let's keep moving ahead — I'm certain we'll have an even better year ahead.

Flávio Ernesto Zarzur:

Very well said.

I'd also like to thank everyone for being here. I want to give a special mention to Samir, who today stands as our patriarch — it's truly great to have you with us.

We're always available to support you. The Q&A doesn't end here — Emílio, Pedro, and the entire Investor Relations team are always open and ready to assist you.

Thank you very much. Have a great day, a wonderful weekend — and without a doubt, God is Brazilian.

Marcelo Ernesto Zarzur:

Let's go. I'd also like to take a moment — if I may — to say that the entire executive team is very excited about the structured growth we've achieved over the past two years, led by our CEO Silvio, with Flávio as Chairman of the Board, and the support of all our directors and the entire EZTEC team.

We've managed to rebuild a strong engineering department, one that's committed to cost control, quality, and meeting deadlines. On the commercial front, we're operating very aggressively, always focused on maintaining margins. In product development, we're constantly pursuing the most efficient project design.

Our incorporation team is solid, always staying on top of market trends. And we're fully backed by EZ Vendas, which gives us the support needed to channel our entire production to market.

So yes, we're very optimistic, and if conditions allow, we're aiming for even stronger growth this year than last.

Marcos Ernesto Zarzur:

Thank you. Just want to express my gratitude — we're all in this together. Thank you very much.

Pedro Lourenço:

Thank you all. Before we close, I'd like to express our gratitude to all shareholders who participated in our consultation process at the end of last year. The Investor Relations team has carefully reviewed your feedback and is working to continuously improve and better serve you.

We're listening closely to your suggestions. We're planning to implement more site visits, as Flávio already mentioned here. And we invite you to explore the updated valuation spreadsheet we released this semester, already aligned with the feedback we received from you.

On behalf of the IR team, thank you once again to everyone who participated in our Perception Study, and we encourage all other shareholders to also share their views during this year's round. We're always here and attentive.

EZTEC's earnings conference call is now concluded. As mentioned, don't forget to check out the materials available on our website.

Thank you all for your participation, and have a great weekend.

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