

## 1Q22 Conference Call – EZTec

### **Pedro Tadeu:**

Good morning, one and all, and welcome to EZTec's presentation for the 1Q22.

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Before we start, we would like to mention that any statements during this call pertaining to EZTec's business projections, operational and financial targets are based on management's beliefs and premises, as well as on currently available information. Future considerations do not constitute an assurance of performance. They involve risks, uncertainties and premises. Investors may take into account that general economic conditions, industrial and operational circumstances may ultimately affect EZTec's future performance. They may cause the Company's results to differ materially from those expressed in those forward statements.

I would like to introduce myself. I am Pedro Tadeu, Investor Relations Coordinator, and here with me, I have Emilio Fugazza, our CFO and IR officer of EZTec.

Let us start going to slide number three, where we talk about the launches of the 1Q22. The total amount of PSV that launched, as exposed in the screen, is something close to R\$500 million, and that is because we launched to big projects, Exalt and Expression, both of them located in Vila Clementino neighborhood, and they are very well sold.

The first one, Exalt, which you can see in the left of the screen, is already 43% sold, and the other one, Expression, is 51%. Both of them were launched in February.

Along with those launches, we acquired a stake acquisition of Vila Nova Fazendinha, which is a low-end kind of product that we are attached with a casual partner of EZTec, which we have previous launches that we have made together.

Moving to slide number four, we will be able to see our operational performance, starting on the left, where we can see a chart that is pointing our launches and sales, and how those launches are being performed.

As you can see, we were able to sell of R\$186 million from our launches in 2022, and the majority of our circumstances here are attached to those launches that we have made in 2021, that you can see we are only R\$422 million. That is why you have been able to see in our release from 2021, an increment in our inventory, and we are going to talk about them further in this presentation.

Gross sales for this quarter ended at R\$351 million, and I would like to highlight the performance of our ready unit, sales of units that are performing, because they increased significantly when compared to the amount that we had sold on the 4Q21.

On the right part of the slide, we have been able to sell cancellations, and it is easy to see that our cancellations are now at R\$48 million, and it sounds that incremented significantly when we compare to R\$33 million that we were, in average, present in our previous year.

But despite this increment, I would like to highlight that the majority of these cancelations are indeed downgrades to operations of units from large units for smaller units or other projects inside the Company. So that is why you do not see FX directly in our financial results attached for this R\$48 million in that cancellation. That is a result on net sales, that we reached R\$303 million in this 1Q.

Moving to the next slide, I would like to present to you our next and future launches. Those three launches that you can see on the screen are those launches that we are indeed able to see a feasibility to launch in next months of this year.

To begin, we start with Unique Green – Tourmaline phase. This is the second part of the first phase that we launched in the 4Q21. Then, moving to Hub Brooklin and Haute Brooklin, you can see that they are in the same land based, let us call it Estilo Barroco. So they are the same launch, the same effect that you can see in our Exalt and Expression launches that we had made in the 1Q22. Those are towers of smart living standard units and high end units that are 100% EZTec, and which you can see with our next launches, we are aiming to achieve something close to R\$800 million in terms of future PSV.

Going forward to this slide number six, I would like to show you the composition of the land bank of the Company. We did not acquire any huge land plot during this quarter. The variation that you can see coming to almost R\$11 billion is mainly attributed to the launches that have made and changes in projects in our landbank.

With this almost R\$1 billion, we had some projects that are ready with deals in contracts signed with cancelation clauses, and we put all this together, it is almost R\$13.5 billion in land bank for the Company.

With this land bank in the bottom, on the left, you will be able to see how it is being distributed across the standards inside the Company. R\$7.2 billion for products in standards that are bounded with EZTec label; R\$2.7 attached to FIT Casa, our low-end, economic-end brand; and R\$3.6 attached to EZ Inc., our commercial vehicle for the Company.

This land is well located and spread across São Paulo city, but it is mainly focused on the south zone of São Paulo.

Moving to slide number seven, you will be able to see the composition and variation inside our inventory map. You will be able to see that now we are carrying R\$2.4 billion, but at the beginning, I would like to draw your attention to the chart that it in the corner at your right, inventory evolution. Then, you will be able to see that we that we reported R\$2.8 billion in the 4Q21, and now, with the launches that incremented this amount and the sales that we have done, the cancellation, and here is the thing that I would like to point to you, the suspension of the sales from our previous product, EZ Infinity.

The EZ Infinity is a high-end tower that we launched last year, in Paraíso neighborhood, and now we are suspending those units from our inventory. And then further, maybe this year or the next year, we will be relaunching or repositioning those sales again to be able to push for our clients.

We will be able to see that this changed our R\$2.8 billion, now arriving at R\$2.4 billion in the 1Q. These R\$2.4 billion, you can see in the inventory regional dispersion on this slide, is well distributed.

The majority of it is in the south zone of São Paulo, a very huge and attractive part of São Paulo neighborhood, and only 15% of this inventory is attached to residential-ready units. You can see on this chart below that the from residential units, only 579 are ready, in terms of residential units that we carry in our inventory.

Now I would like to pass to Mr. Emilio Fugazza, then he will be able to talk more about the financial performance of the Company.

**Emilio Fugazza:**

Thank you very much, Pedro. Financial performance, slide number eight, net revenues. Let us start with the information that we got R\$287 million in 1Q22, an increment of 63% over same quarter in 2021, mainly because of much more completion of construction this quarter, something around 25% more compared to the previous quarters.

Apart from this fact, using Information of the launches, and a very good performance of Exalt and Expression in Vila Clementino, south zone of São Paulo, we have already recognized these projects in our results in this 1Q. That is important.

Apart from this fact, let me just remind you that all the facts mentioned by Pedro regarding the suspension of sales at EZ Infinity fully impacted these 1Q results. So talking about gross profit, the costs of the increment in net revenues was R\$130 million, compared to a gross margin of 39.3%. There was an oscillation about the gross margins, dropping from 44% in the 4Q21, mainly because we got in this this result the cancelation of the core units sold of EZ Infinity, and much more than that, the incremental above the INCC regularly in the last six quarters.

It is important to bear in mind that, if I am talking about average increment over INCC, it would be something around 50% in the last six quarters, or 18 months.

So apart from the fact that the Company is trying to protect itself, buying materials, buying equipment in advance, upon the use of those in our in our construction, in order to keep the budgets under control, but regularly increasing above INCC is a huge effort to manage and to keep the margins in a very healthy and steady level.

Talking about SG&A expenses, as you can see, more net revenues means that the dilution of those over net revenues are very good this quarter. So focus over gross sales in terms of certain expenses, meaning that the volume of expenses is pretty much the same compared to the average four quarters of last year, and also ordinary expenses. R\$29 million is pretty much the same we have been carrying in those quarters.

Only to bear in mind, if you go deeper in our earnings release, you are going to see all of the expenses related to payrolls. You are going to see an increment of less than the IPCA, the regular index to provide incremental salaries here in Brazil.

Talking about, again, financial performance and financial results on slide number nine, I would like to start talking about those R\$41 million of financial results, which means that 2/3 of these amounts are provided by our receivables that we are financing to our clients.

EZTec has on its business model, the idea of providing financing to our clients over 20, charging something around the 10% to 12% plus IGP, plus IPCA, which are red light indexes for inflation here in Brazil.

In the last two months, we started a huge campaign in order to attract new clients to be in our portfolio, and we have attracted so far 50 clients, offering something around 8% to 10% plus IGP and plus IPCA.

1/3 of these financial results is provided by the increment of the basic interest rate in Brazil. As EZTec is carrying something around R\$800 of cash, this is majoritarily compensated by 100% of this basic interest rate, meaning that with an increment of 12.75% yearly, as we have been seeing now, impacts a lot, providing more than R\$800 million in a full year of financial results, regarding our cash position.

Equity income, on top right. You can see the context the projects that we are providing. We are doing the construction and launching the projects in partnerships. One very interesting example is the project Reserva JB. It is a project under construction in the city of Osasco, metropolitan region of São Paulo. It is a project of over R\$700 million of units, and it is a project going forward in the right, schedule, the right budget, the right quality. This is one example.

Another example is Pin Guarulhos. It is a low-end project, over 1400 units to be delivered by the end of this year, first phase by the end of this year, on the right schedule, on the right budget, that is important to mention.

And the third project is Signature by Ott, a high-end project in the south zone of São Paulo, Aclimação neighborhood, all in all proving R\$21 million of results coming from equity income from this project.

Finally, net income. Net income is about R\$105 million, an increment of more than 30%, for a net margin of 36%. Let me remind you that regarding financial results and equity income, we can offset the SG&A expenses for the Company, providing a net margin very close to the gross margin for this Company.

And let me mention, after all, the results to be recognized, R\$228 million for a backlog margin of 40%. 40% is proxy for the backlog for EZTec. Let me remind you that this drop of 2% from the 4Q or 5% from the 1Q21 are mainly the impact of these adjustments in costs, or these regularly adjustments of costs carrying over the INCC quarter over quarter.

On page number ten, portfolio of the receivables, which is EZTec is providing the financing to our clients. We ended the 1Q pretty much the same as we started this quarter, of about R\$382 million here.

Let me let me make sure that this means that we are providing finance for a little bit more than 1000 people. For this quarter, the origination was something around 20 new contracts, and the foreclosure was seen about 11 units. The whole year of 21 year was 40 units of foreclosure, which means that we are pretty much the same path of the last year, despite the fact that the IGP increased 15% last year, meaning that the whole amount of the receivables, only in the full year of 2021, increased by something around 25%. And only in the 1Q22, something around 5%.

So going to slide number 11, it is the big picture of the shareholders equity of this Company, which means that the total amount we got up to 2021 was R\$4.3 billion, adding the results off the 1Q, another quarter, all in all, very close to R\$4.5 billion.

The breakdown, you can see on the right side. The right side means that the assets of our Company are mainly cash. Cash means that the cash and equivalents and the finished units receivables, all in, it is about the R\$1.3 billion, pretty much 1/3 of the total amount of shareholders' equity of this Company.

Land bank, Pedro mentioned that the land bank of this Company is about R\$11 billion. The cost booked in our shareholders equity is about R\$1.2 billion, or R\$1.1 billion, meaning something around 26% of equity.

And let me remind you that, on average, the amount of land bank we bought, we bought between 2015, 2019, even 2020. So taking in consideration all the inflation we got here in Brazil in the last 24 months, it is important to bear in mind that the value of this land bank is following suit the inflation here in Brazil. Which means that we can take from this landbank above 50% of value, over the costs, all of the costs we have already paid for it.

Units ready to leave, meaning R\$255 million, which means that the total amount of potential sales value is something around R\$500 million, meaning that the gross margin provided by design is about 50%.

And finally, inventory under construction means that even Esther Towers is within this number. So something around R\$400 million to R\$500 million we have already spent for Esther Towers; it is the Triple A project of over 88,000 m<sup>2</sup> of leasable area. It is a project under construction that we are doing in order to rent and sell it with a better cap rate, in a better economy moment of this country, and it is a kind of asset that we are doing for the whole cost of around R\$9,000 to R\$10,000 per m<sup>2</sup>, expecting to be sold for over R\$20,000 per m<sup>2</sup>, which means a gross margin of pretty much 50%.

All in, let me remind you that the equity per share is about R\$20 per share, because we have already bought 6 million shares of this Company, meaning that, when you see the market cap of this Company, which is about R\$16 per share, we are discounted by 20% at least, the value of this Company is 0.8%, or 80% of the shareholder's equity of EZTec.

Finally, talking about subsequent events, all of those three events are very important to our Company and very good decisions for our shareholders.

First of all, interim dividends, which means that all the dividends we got in the 2021 results, we have already paid by the end of March, by the end of the 1Q21, and the Board of Directors took the decision of, this year, pay the dividends using the same metrics of the obliged dividends every single quarter we provide results.

This quarter, the 1Q22, we got something around R\$105 million of net income, which means that we are going to pay pretty much 25% of this, meaning approximately R\$25 million, R\$0.11 per share. The payment is going to be by the end of May, and the Company's shares will be traded ex-right to dividends, included of 18<sup>th</sup> of May, next week.

Secondly, the share buyback program. So far, we bought 6 million of shares, and the Board of Directors yesterday has approved the cancellation of those 6 million shares, meaning that we are making room to buy another 9.5 million in this third program of this new phase, which means something around, in the current price, around R\$130 million of EZTec's cash in order to add value to our shareholders. We are going to start now.

Finally, debentures. We took the decision to raise money through debentures, through this debt, the first emission of this debt, which means R\$300 million, in order to protect ourselves, protect the Company from this awkward environment we have in passing through.

This administration has never passed through a moment that there is a pandemic, with covid, the effects of the pandemic, there is a war, and the effects of the war, there is a huge inflation, inflation

of the IPCA is about 10%, the INCC is over 10%, the IGP is over 15%, and the basic interest rate in Brazil is coming very close to 13%.

So we do not know for sure what is going to happen, we do not know for sure what is coming, and that is why we took the decision to increase liquidity for our Company, given the fact that this is a company that is paying all in cash, paying all in advance. We are doing our share buyback program, we are paying interim dividends.

So, doing all of this, in order to bring back to our shareholders very good results, means that we have to put ourselves in a position that, if something wrong happens, or a good opportunity happens, we have cash enough to take this advantage, or to avoid any kind of struggle for this administration.

Saying that, I would like to open for further questions from our shareholders.

**Pedro Tadeu:**

Since there are no raising hands appearing for us, I would like to close this conference call. Thank you all for your time. We appreciate you being here with us in this conference call results for the 1Q22.

Thank you all. Have a nice day, have a nice weekend.

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