Construindo qualidade de vida

1Q20 Conference Call – EZTec

Operator:

Good afternoon, ladies and gentlemen. At this time, I would like to welcome everyone to EZTec's 1Q20 results conference call.

Note that this event is being recorded and that all participants will be in listen-only mode during the Company's presentation. After the Company's remarks are completed, there will be a question and answer session, when further instructions will begin. Should any participant need assistance during this call, please dial *0 to reach the operator.

Today's event is available through a live webcast that may be access through the EZTec's Investor Relations website at www.eztec.com.br/ir, by clicking on the banner 'Webcast'. The following presentation is also available for download on the webcast platform. The following information is stated in Brazilian Real, in BR GAAP and IFRS applicable to real estate developers in Brazil, except where stated otherwise.

Before proceeding, let me mention that any forward looking statements made in today's conference call regarding the business outlook, forecasts and financial and operating targets are based on the beliefs and assumptions of EZTec's management, and on information currently available to the Company. Forward-looking statements are no guarantee performance. They involve risks, uncertainties and assumptions, because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand the general economic conditions, industry conditions and other operating factors can also affect the future results of the Company and could cause results to differ materially from those expressed in such forward looking-statements.

Now, we will turn the conference over to Mr. Emílio Fugazza, IRO and CFO, who will begin the presentation. Please, Mr. Fugazza, you may begin the conference.

Emílio Fugazza:

Thank you very much. Welcome, everyone to our 1Q20 results. I have to say, the 1Q20 was a skyrocket moment for EZTec. Just to bear in mind, on page number three you are going to see some operational and financial highlights for this Company, before I give the word to Mr. Hugo Soares.

So, on the operation side, you are going to see net sales of R$455 million, for launches of R$564 million. Was a kind of moment that, without selling apartments on March, we could achieve almost a record sales moment for January and February 2020. And that is why, even in terms of gross margin, we were improving compared to 2019.

Landbank, we closed two 1Q holding something around R$7 9 billion in landbank, which means that in the 1Q we bought something around R$1.1 billion in new pieces of land.

From the financial side, gross profit of one R$101 million, but the news are coming from the gross margin, achieving almost more 41% in the 1Q. Net income coming at R$78 million, 31%.

In terms of cash, given to follow-on we did in last September 2019, we reached almost R$1.3 billion. Trying to remind you that we hold something around R$552 million of performed receivables by the end of the quarter. From these amount, R$512 million of statutorily agreements. So, this is a kind of financing we provide to our clients, yielding something around 10% or 12% annually plus IGP.

In terms of subsequent events, it is important to bear in mind that, in terms of the positioning of the directors, we managed to change Mr. João Paulo Flaifel for Silvio Ernesto Zarzur in terms of New Business Officer position. Mr. João Paulo Flaifel has been working for EZTec for 12 years. It was the it time for retirement. He resigned, simply because in this pandemic moment it is a little bit hard to keep going with the operation of buying new pieces of land.

Let me remind you that the holding something around R$8 billion in pieces of land means that I have achieved my goal for the next four years. So it is a hard moment. It is a tough moment here in São Paulo. He is 76 years old. So was a common decision with the Company to resign, to get him retired.

We thank very much Mr. João Paulo Flaifel for all the job done in the Company. And now, Mr. Silvio Ernesto Zarzur, who is our Vice-President and Development Director is assuming, he is accumulating the work of New Business Officer position.

In terms of Board of Directors, another kind of change. In order to ask someone, as an independent Board member, to come to EZTec, to help the team to reflect, to think about what is happening now, in this new kind of world, in this new momentum happening in the real estate sector here in Brazil. We called Mr. Luiz Pretti, who is the former Cargill CEO and chairman of Votorantim Cement's board of directors. Votorantim is one of the major producers of cement here in our country. So he is the chairman of the board of directors over there. He is going to help EZTec a lot, improving governance, improving transparency, improving the way we think about our business.

And in order to do that, Mr. Flavio Ernesto Zarzur and Mr. Marcelo Ernesto Zarzur resigned their spots on the Board of Directors, simply because it was not a time nowadays to increase dispends in terms of for new salaries, new payrolls for new members. So, in order to open a space for this new member, Flávio Ernesto and Marcelo Ernesto, they resigned their spots.

But let me remind you that they are keeping completely their positions. Mr. Flávio Ernesto Zarzur is our CEO, and Marcelo Ernesto Zarzur is our Chief Technical Officer.

It is important to bear in mind that all of the Board of Directors and the Managing Directors of the Company are completely united in a common sense in thinking about what is going to happen, what is the best way to manage this Company. We are we are more prepared than never about sailing in this time of uncertainties, in this it is new moment of our economy and real estate business here in Brazil.

Saying that, I would like to give the word to Mr. Hugo Soares in order to talk a little bit more about the operational side of our Company. Please, Hugo, go ahead.

Hugo Soares:

Emilio, thank you very much, and good afternoon. I will be speaking of the operational side before taking it back to Emílio, who will conclude with the financials.

If you could please move to slide number four, where we discuss our land bank, like Emílio just mentioned, we are talking about an operational pillar from EZTec that is currently under the leadership of Silvio Zarzur. He is a person that had very much involvement with new acquisitions, as he is the Development Officer for the Company. So naturally, as the person who conceives all the projects that that will be developed, he has always been a part of the process of making acquisitions, and he is a person that knows the city of São Paulo on the palm of his hands.

So when you look at the landbank that we have accumulated thus far, what you realize in the table below is that we are talking about approximately R$8 billion in potential sales value in our landbank. That is very nice distributed among all different income segments and typologies, while entirely within our geographical domain in the broader São Paulo region, and specifically the city of São Paulo.

As far as the different types of projects we have, we can roughly break it down between the corporate side, which you see represented mainly by Eastern towers, on the most left chunk of the table, while the residential chunk basically represents R$6.1 billion in PSV, which are roughly distributed between 1/3 of economic projects, which have a vocation for Minha Casa Minha Vida; you have another 1/3 of the projects within the mid-high and the high income segments, which are most suited for families as final consumers, and also a type of very useful asset to have in our landbank; while the latter 1/3 could be distributed between the middle income segment and the smart living segment. Smart living is basically a small unit suited for investors, with a very high appeal for investors.

As you know, we have recently come from our follow-on, where we have raised as much as R$941 million of new cash, some of which was already being directed towards new acquisitions, which gets reflected on the 1Q20, as that R$1.1 billion in added PSV. Within that R$1.1 billion, possibly the most important is the IBM parking lot.

The IBM parking lot in the Paraíso neighborhood, a very appealing neighborhood, where people do aspire to live in. It is a high income project, which in some way resembles the prominence and profile of EZ Parque da Cidade, also a very high success in the past quarters.

And as we stand with the R$8 billion in landbank and approximately R$6.1 billion in residential landbank, the R$6.1 billion basically implies as much as 3.2x the amount of the volume of launches in 2019. So we currently have in our residential landbank 3.2x the volume of launches we had in 2019. It is a very comfortable landbank position to have. It does grant us a lot of flexibility in times of unpredictability, and naturally, the projects where we already had work in formation, that already had ongoing developments, some of that will continue despite current circumstances.

But naturally, that is a landbank that allows us to be very opportunistic as far as new acquisitions, in terms of really digging in for the most resilient, discounted options. There is no need, no imperative to buy landbank given what we already have.

If you, please, move to slide number five, it is a slide where we exhibit basically what has been the operational track record for EZTec going back a few years. And what we realize is that, after having gone through a sustained boom period, surviving a very strenuous crisis, we were on a skyrocketing trajectory towards a very prosperous operational cycle, with launches, a net sales going together at very high speed.

Naturally, as everyone knows, there is a very abrupt interruption in this trend, given the COVID-19 pandemic. But ultimately, from what we can see, it is a pandemic that cuts the operational cycle at a very early stage, and the fact that it is early stage actually makes it less of a burden to deal with than what we saw in the past crises.

For example, the launches that we have just recently made, they should be starting to get delivered and to be finished their construction by the end of 2021. That gives us plenty of room to accommodate, both in terms of engineering, but also in terms of clients, as far as digesting the current situation before having to face the delivery of the project and having to transfer their balance to banks.

So basically, it is a very prosperous beginning, a very promising cycle, very abruptly interrupted, but leaving very solid foundations and a good standing going forward.

Now, if you move to slide number six, you will see in more details what I mean by that. On slide number six, on the left side, we show the volume of launches that we had pushed forward in the past years. And we also see on the carveout, we realize how much of what was launched is actually sold by this point. And what we realize is that, despite the very high volume of launches we made, the actual gross inventory formation is very much under control.

And when you look qualitatively at those sales, what you realize is that those are sales that were followed, were accompanied by very fast down payments. So that amortization schedule in average for the projects that we launched ever since 2018 implies that clients have paid as much as 54% of the ticket price by the time of delivery. Naturally, that has very strong, very positive implications as far as the leverage that we will have to incur to deal with constructions going forward.

And as you see, the sales are on the right side, the sales and cancelations. First of all, cancelations have not shown their face in the 1Q, and still very few symptoms going forward. And as far as growth slows, naturally, we were looking at a beginning of a cycle of a year of 2020, which was on its way to break to break all operational records of the Company. Very unfortunate turn of events, but still very solid ground.

Going forward towards slide number seven, we will get into further detail as far as the Company’s inventory. When we look at the Company’s inventory first and foremost, like I just mentioned, the volume of the inventory is absolutely under control. Less than R42 billion in current inventory, and the largest proportion of it concentrated within the south zone of São Paulo, where we can build very well.

On the bottom bar charts, you see the separation of construction, of which stage of construction the projects are, and you see that those that chunk of the projects that we have under construction and that there were recent launches, those are projects that, like I said before, still have as much as two years for it to be able to properly digest and to be able to work with before the time of delivery. It is a very manageable asset to have.

As far as the commercial inventory, again, very much concentrated in the south zone of São Paulo, it is the type of stuff where you have most of it already rented, rewarding greater rates than the base rate for sure. All in all, it is a very comfortable position to be in.

If you could please move to slide number eight, where are we getting into details as far as the projects that were launched. Naturally, the main takeaway in here is the Air Brooklin project. The Air Brooklin project was a phenomenal project, both in terms of the product type; it is actually a project that was recently reconceived to fit into the new the new regulatory masterplan of urban development in the city of São Paulo. So it is the type of project that is very much suited for this new investor-driven small unit type of profile, which has been the most selling mark of the past cycle.

And it sold, within the very first month, as much as 60% of the project, and we actually managed, over the course of that launch, to pick up some of the price and ultimately deliver in the 1Q around 39% in gross margin, even though it has the investor profile I mentioned. Usually, investors will pressure somewhat the margins, just out of the fact that they are down paying so quickly. They are usually followed by some discount at the margin. But even so, it is a project that delivered a margin of 39%, with great sale speed.

On the side, you have Fit Casa Alto Ipiranga. It is possibly the first project that we have conceived and launched as a Minha Casa Minha Vida project originally. And much like the Fit Casa line, it does resemble very much the Fit Casa Brás project, it counts on a very robust demand. There is very much pent up demand in the Minha Casa Minha Vida segment, especially within the city of São Paulo. But usually, it does not deliver very concentrated sales, very fast sales in the short-term because of the surrounding bureaucracy of transferring still while at the launch. So it is a project that has a very consistent pace of sales, and a good product overall.

When you look at Z Ibirapuera, it is a project that very unfortunately had a bad timing as far as its launch, in the sense that it was launched already by mid-May. It was actually launched at a week where we had a few circuit breakers, so the sale speed that we ended up having was a little bit less of 10%, and it does not exactly reflect the underlying quality of the project.

It is also very much a project that we are comfortable in carrying forward, both because it is very close to our headquarters, the type of place where we will surely be able to find clients going forward, and also because of the quality, the type of the project. Z Ibirapuera is a follow up to Z Cotovia or Z Pinheiros, both of which at this point are more than 70% sold.

Going forward to slide number nine, we do address what we have as a landscape for launches going forward. Like we mentioned before, the landbank we have is quite versatile. So it does enable us to play in different fronts.

We have Fit Casa Estação José Bonifácio, it is a project where you can rely on a very abundant underlying demand just out of the pent up demand in the Minha Casa Minha Vida segment. And when you look at Armando Ferrentini and República do Líbano, the Park Avenue project, both are high income projects, where if you were to be launched recently, they would deliver gross margins as large as 40% in Armando Ferrentini, and possibly as much as 50% in República do Líbano.

They are projects that also make us very comfortable as far as the capacity to absorb them going forward. So they should be a safe place in the environment that we are having to face.

That basically rounds up the operational side that EZTec is living in. If I could, please, pass the word to Emílio Fugazza, as he discusses the financial performance of the quarter and going forward.

Emílio, please.

Emílio Fugazza:

Thank you very much, Hugo. Talking about our amazing operational performance in the 1Q20, as much as January and February sales over there.

Now talking about financial performance on slide number ten, starting with the 1Q20, R$250 million of net revenue coming in that order. It is an increment coming from the 1Q19, mostly because of the Brooklin project launched in February. As as in this project, we sold something around 60% of the project, the contribution of net revenues coming from that project was barely R$60 million, something around 20% to 25%.

It is important to bear in mind that net revenues are coming from three main sides. The first side is when I am selling performed the units, so the whole price of the performed unit is coming as a net revenue at once. This is simply because, as a performed unit, I am selling and receiving the price or providing financing to the clients, and then I can recognize at once 100% of the price as net revenue.

The second way to see net revenue is when I am selling recent launches. Given the recent launches, I can recognize the cost of the land and the proportion of the land in the price. In a project like Air Brooklin, the price of the land is so high because it is a fancy project, in the south zone of São Paulo. It is a kind of project that can provide a much better and higher recognition pf revenues.

And the third way is by the percentage of completion. So I am going forward with the construction, I am recognizing the percentage of the completion as revenues for our Company.

I am saying that because in the 2Q and 3Q20, what are you going to see is much more revenues come from the side of the construction side then performed units being sold, or launches being doing, specifically because there is no room for doing launches or selling as many perform units as we were selling in the last quarters.

Saying that, I would like to see something about gross profit, R$101 million in the 1Q20, an improvement of barely 100% from the 1Q19, but the more important message coming from the chart is the 41% of gross margin.

Let me remind that are the margin of the Brooklin project, which was the major contributor for net revenue, was 39%. And let me explain this 39% of gross margin. The majority of the units are being sold from the bottom to the top. A lot of investors, they prefer, because it is a little bit cheaper, to buy units in the bottom of the building. And obviously, the units at the top of the beauties are units that can be sold for higher prices, and mainly for the final users.

Another kind of thing that is very good from the side of selling at Brooklin was the majority of the people buying Brooklin, 60% of them, they bought the projects paying much more then compared to the initial agreements we proposed to our client.

So the regular asking price is paying something around 35% in the meantime we are doing the construction. But in this specific situation, given the low interest rates we have in Brazil, the majority of the people agreed to pay something around the 60% up the time we deliver the keys.

Going forward, obviously, we are going to need less production finance in this project. So we are using the money of the client to accomplish the construction. This is the bright side.

The other side is that you have to provide a kind of discount. In our case, in 2020, we have been providing something around 4% of present value adjustments in the prices of the units sold. And that is why the first recognizement of gross margin is a little bit about 39%.

Going forward, with the inflation of the sector adjusting the price, you are going to see something around 40% to 41%, or up to 42% in that Brooklin project.

Other projects like Cidade Maia, for instance, the major projects we have with units being sold, it is project that we can provide 44% of gross margin. Projects coming from the Minha Casa Minha Vida side, the low-end projects, Fit Casa Rio Bonito is a project of 44% of gross margin; Fit Casa Brás in downtown São Paulo, it is a project of 46% gross margin.

But projects located fancy neighborhoods of the city, like the west zone or the south zone of São Paulo, like Z Pinheiros itself, it is a project that offers 47% gross margin, making a huge contribution for margins in our balance sheet. Diogo Ibirapuera, a project launched by the end of 2018, it is a project of 57% gross margin.

So, going forward, the 40% gross margin level, it is a kind of assured by the projects we sold so far.

in terms of expenses, like G&A expenses and selling expenses, two kinds of different things. Given the pandemic, in the 1Q20 you saw R$27 million, R$1 million more compared to the 4Q19, mostly because we made a lot of adjustments in salaries and payrolls in our Company, specifically because it was a very profitable moment in order to launching more projects, selling more products.

So we hired a little bit more people over there, much more skilled people over there, with higher salaries. But now the reality is completely different. The game is changing completely. In the 2Q20, we are going to see that going down a little bit because of the adjustments we have been doing in our payrolls, and also because of the service providers we have in our Company, like law firms, rents we have to pay for our offices or for our sales stands. So you are going to see coming down a little bit, the G&A expenses for the next two quarters.

The same for the selling expenses. Obviously, the expenses about publicity, for instance. Nowadays it is only online publicity, cheaper than the offline publicity we have been doing. Even though about the sales stands, we shut down the sales stands. Nowadays, it is only a line. So we are no more expenses to pay to support the sales stands.

So in the 2Q and 3Q, you are going to see a low level of selling expenses, and obviously, the remaining expenses you are going to see is the remainder to support the expenses to the performed units, to pay for the maintenance for the performed units that you can see all the sales expenses.

Moving to slide number 11, I would like to talk about the financial results of our Company. 1Q was R$37 million. Let me remind you that, mostly because our receivables portfolio right now, which is about R$415 million, and the adjustments of IGP, so inflation in this quarter was 2.7%.

So when we provide financing to our clients for over 20 years, we provide by an interest rate of 10% plus an adjustment to inflation. The index of inflation is IGP. So the IGP for these three months of the 1Q was 2.7%.

Only to compare with the 1Q19, the inflation adjustment was -1.52%. So there was a deflation at the beginning of 2019, compared with a lot more inflation in the 1Q20.

Just as a forecast, in the 2Q20, we are going to see an adjustment of 1.71% on these financial results, compared to 2.7% in the in the 1Q20.

Equity income, on the top right of this slide, the projects we are not consolidating in our balance sheet. So we are sharing the management of all of those projects. And the majority of them is located in the city of Osasco, which is metropolitan region of São Paulo.

And recently, last year, 2019, we launched Reserva JB. It is a project of middle income segment, selling very goods even in the pandemic time. So it is a kind of project to middle end people who spend something around R$300,000 to R$400,000 300 per unit. It is a project to provide something around 36% of gross margin, but it is a project of more than 700 units over there. We have something around 50% of this project sold, and the construction is going to start by the beginning of May.

So you are going to see the recognizement of revenues coming from this project in the next coming quarters. And that is going to be impacted in this equity income results going a little bit higher than the last two quarters.

In terms of backlog results, the results to be recognized, that is a bright side of this release, which is R$445 million to be recognized, but the margin is about 44%. 44% means that all sales we have done so far are in a gross margin of 44%. As we are making the completion of the constructions, we are going to see these results coming to our P&L.

It is important to remind you that, as we are not using production finance to support the cash flow of our construction, mainly because the clients are paying their installments in advance and we are with cash in excess to fulfill the construction, obviously, we are not going to be impacted at the cost of the financing for this construction. Which means that the 41% gross margin is going toward the 44% backlog margin we can see in this specific chart.

And finally, net income and net margin. Net income came at R$78 million, more than 4x the 1Q19, mainly due to the financial results, and the improvement in the operational side. The bright side is about 31% of net margin in this time. That is a kind of thing that is, even living in a pandemic time, you were going to see. Because of the reduction of SG&A expenses, you were going to see net margin improving a little bit.

Moving to page number 12, a little more detail about our portfolio of direct receivables. We ended 2019 at a position of R$519 million of performed receivables. And now, in the 1Q20, R$514 million, meaning that there was origination of R$13 million, yields of R$29 million, and finally, payments in advance, regularly, of R$44 million. Foreclosure, almost nothing so far, and all of it regarding 1,910 units under management of EZTec.

Going to the last slide, given room to questions, I would like to talk about balance sheet, value generation for our shareholders and analysts. EZTec is a company that ended up 1Q20 in a shareholder's equity off of R$3.88 billion, and the majority of it is kind of made of assets in a size of R$4.3 billion, meaning that R$1.2 billion, R$1.3 billion is cash and equivalents, so completely available to new investments, to new developments.

And we have a range of things to do, to think in this middle way we are living here in Brazil. We can buy new pieces of land, we can go forward with the construction of new corporate towers like we have done with EZ Towers, and we are doing with this towers.

We can buy a small company, a real estate developer in another segment or in the region. What we are going to do? And that is why we think that is the best moment to take very good decisions. The moments we are fulfilled of cash to pass through these moments without any kind of instability.

On these assets, you can see finished units receivables, which means the portfolio we are providing and financing to our clients, something around R$552 million, and ready inventory. Ready inventory is very interesting because, as Mr. Hugo told you before, the total amount of units we have, performed units ready to leave, it is R$700 million in our inventory. And the cost of this inventory ready to leave is about R$344 million, a little bit more than 50% gross margin in our inventory. That is very important to bear in mind.

And finally, talking about landbank. As Mr. Hugo told you before, it is about R$8 billion in landbank. And these R$8 billion in landbank, the cost is about R$900 million, meaning all the pieces of land that we have in the city of São Paulo, in the metropolitan region of São Paulo, are in a cost of 12% to 13% over potential sales value.

I said something about R$4.3 billion in assets. But in terms of liability, we are talking about less than R$500 million. And the main liabilities we have, construction finance we do not have, so given we are acquiring land by installments in some pieces of land, we have R$145 million to pay in the next coming quarters.

Dividends, we have approved it in our shareholders general meeting held by the end of April, R$67 million to be paid in the next coming months. And finally, other liabilities, over 7% of our equity, which means R$244 million.

Saying that, I would like to finish the presentation, hearing from you guys some questions so that we can provide good answers for you. Thank you very much for today.

Nicole Inui, Bank of America:

Thank you so much for the very complete presentation. I think you stated very well that this was a cycle that was interrupted. I am curious, it is hard to see what is ahead, when the cycle is going to turn again. What kind of things do you look at? Will you be looking at to decide whether to resume launches more strongly, especially in the mid to high segment? Is this something you are going to look at consumer confidence, you are going to see where mortgage rates are, you are going to see how is your finished inventory selling? Just to get an idea of what you look at in terms of signs that the cycle is getting better, hopefully, once again. Thank you.

Emílio Fugazza:

Nicole, thank you very much for the question. That is a very tricky question, specifically because it is a kind of forecast. I would like to say something we have been discussing in our Company.

Let me break down in three of four answers. In terms of providing financing, for instance. Obviously, given the interest rate in Brazil right now, the Selic is about 3%, there is no sense to provide mortgage financing to our clients, commercial banks providing the mortgages at a rate of 7% to 8%.

Some banks are increasing their interest rates in the mortgage side, which is a little bit insane. We have been fighting with the commercial banks in order to provide what we call saving plus. Saving plus is a kind of interest rate that you can provide using as an asset the savings accounts for the people.

The Central Bank of Brazil could liberate a little bit the compulsory deposits over there, in order to lend this amount of money, because it is saving, the compulsory is coming through the savings accounts, lending this money adding a spread of interest rates of the savings accounts. Something like a spread of 3%, 3.5%.

And given that the savings accounts compensation nowadays, which is a little bit more than 2, the interest rate could decline from 7% or 8% to 5%, to 4.5%. This could improve a lot of the sales, eventually much more the sales of the performance of receivables, which is so important for the whole sector.

Because obviously, when we talk about performed units, or units launching on the construction in the south zone of São Paulo, this is easy to sell. Sooner or later we are going to sell those units. But the problem is in all of Brazil, in the countryside, or even in the metropolitan region of São Paulo, it is a little bit trickier to sell those units without compensating clients who are watching TV all the time and perceiving that it does not match the interest rate of the mortgages, the interest rate of Brazil.

Coming from the consumer confidence, we think that the problem is not only the consumer confidence. The problem is to understand how many people are going to lose their jobs by the end of this process. Because the problem is not a single person losing their job. The problem is the feeling, the mood this could cost in the whole society.

For instance, so far, we have been perceiving that public employees are buying apartments coming from the Minha Casa Minha Vida side. That is specifically because they are completely confident that they are not going to lose their jobs. And that is why I keep selling apartments in the Minha Casa Minha Vida side. And that is why, obviously, one of the projects we are going to target the moment we are going to come back launching projects is this project of Minha Casa Minha Vida.

In terms of high-end, and that is why we placed the launches between Minha Casa Minha Vida and high-end, and high-end is something easy to understand, Nicole. We know that likely the interest rate in Brazil is going to go down a little bit further. So from 3%, to 3%, to 2.5%. And the problem is, passing this moment, people saving money, yielding something around a 2% minus taxes, over there, is not going to work.

A lot of people are going to think about three kind of things: they are going to buy USD, they are going to buy currency; or they are going to buy stock, because the São Paulo Stock Exchange is so depreciated right now; or they are going to buy a apartments, because an apartment is something they can assure the value, eventually for people from mid-high to high-end, and they think that they can add a little bit more. This is the kind of thing that they are going to provide earnings for the future, for instance, as a kind of retirement plan. That is the kind of thing that, in my personal opinion, we are going to see by the end of this cycle.

The tricky part of it is just to understand what is going to come from the middle-end segment. We do not know how hooked they are in terms of coming back and buying apartments. My personal opinion is something like that.

So only at the moment they are going to see jobs generating in our society, they are going to come buy apartments again, because they are not afraid of losing their jobs, losing their earnings.

So far, we think that we are going to see this movement coming from low-end, people who are not afraid of losing their jobs, and the high-end people are moving assets, moving money, coming from the banks to the real estate sector.

So the mindset is something like that. But we have no answer of exactly what is going to be the turning point that could change the idea of launching this or that project, Nicole.

Nicole Inui:

Very helpful, Emílio. Thank you very much.

Operator:

This will conclude our Q&A session, and we will conclude our presentation today. You may disconnect your mind at this time and have a nice day.