

Belo Horizonte, January 12<sup>th</sup>, 2021 - Direcional Engenharia S.A., one of the largest homebuilders and real estate development companies in Brazil, focused on developing large scale low-income projects, and operating in several regions of the Brazilian territory, discloses here its operating statements for the fourth quarter of 2020 (4Q20). Except when indicated otherwise, all the amounts presented in this document are expressed in local currency (Brazilian Reais - R\$ or BRL), and the Potential Sales Value (PSV) demonstrates the consolidated numbers of the projects (100%).

## NOTICE TO THE MARKET

### OPERATING PREVIEW OF 4Q20

#### HIGHLIGHTS

- **The best quarter in Launches in Company's history:** R\$ 697 million, representing a 26% growth over 4Q19 and a 21% growth in comparison with 3Q20.
- **All-time-high record in Net Sales** for the third consecutive quarter: R\$ 523 million, an increase of 41% over 4Q19 and 14% over 3Q20.
- **Net Sales grew 27% YoY in 2020.**
- **Inventory Net Sales Speed (Inventory VSO) of Direcional and Riva**, excluding Old Harvest segment, reached 22% in 4Q20.
- **Cash Generation<sup>1</sup>:** R\$ 63 million in 4Q20, totaling R\$ 146 million in 2020.
- **Payment of dividends of R\$ 120 million**, R\$ 0.81 per share
- **Buyback program** reached a volume of R\$ 35 million up to date.

#### RIVA

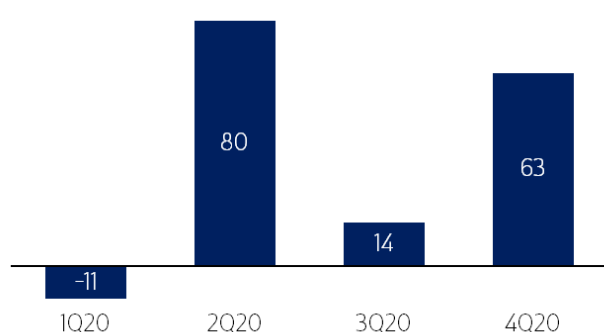
Expressive acceleration of Riva's operating figures:

- Growth of 417% in Launches when compared to 3Q20, PSV of R \$ 231 million in 4Q20.
- Growth of 53% in net sales when compared to 3Q20, PSV of R \$ 94 million in 4Q20.

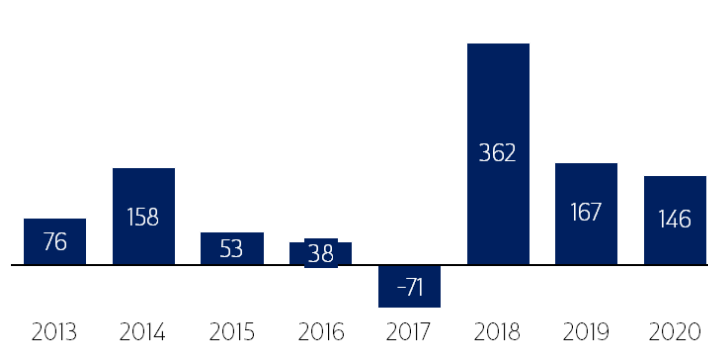
#### CASH GENERATION (CASH BURN) <sup>1</sup>

Direcional ended 4Q20 adding R\$ 63 million in terms of Cash Generation. In 2020, Cash Generation totaled R\$ 146 million, consolidating the cash generating profile of the business and the consistent track record of recent years.

**Cash Generation by Quarter**  
(R\$ million)



**Cash Generation by Year**  
(R\$ million)

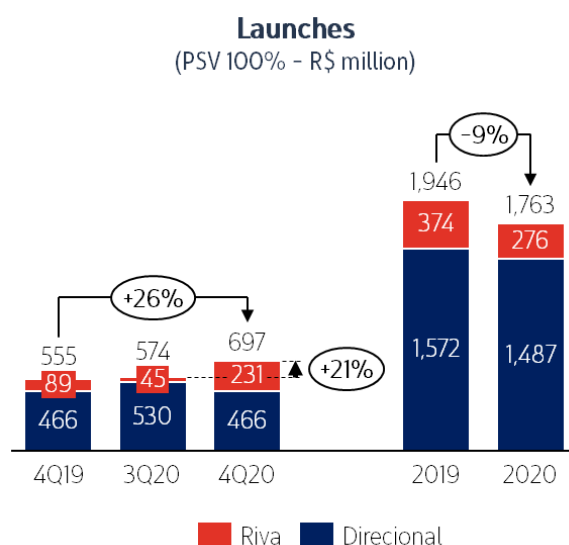


<sup>1</sup> Cash Generation (Cash Burn): variation in net debt adjusted by payment of dividends, repurchase of shares and the variation in the balance of interest swap operation agreements. Unaudited prior information.

## LAUNCHES

In 4Q20, Direcional launched 10 projects/phases, totaling a PSV of R\$ 697 million (R\$ 650 million % Company), **record high** in Company's 40 years. This milestone represents an increase of 26% when compared to the same quarter of 2019 and 21% in relation to the previous quarter. In 2020, Launches reached a total of R\$ 1.8 billion, a decrease of 9% YoY.

It is worth mentioning that the impacts generated during the year by the Covid-19 pandemic, especially in the first half, such as the reduction in the speed of approvals and obtainment of licenses/permits by government and municipal bodies, contributed significantly in the volume of project launches. Even so, we observed, over the months that followed, a gradual and continuous evolution in the pace of these approvals, culminating in the best quarter in Launches in Direcional's history.



The table below presents information about projects launched in 4Q20 and in 2020:

Launches (PSV - BRL'000)	4Q20 (a)	3Q20 (b)	4Q19 (c)	Δ % (a/b)	Δ % (a/c)	2020 (d)	2019 (e)	Δ % (d/e)
<b>PSV Launched - 100%</b>	<b>697,307</b>	<b>574,480</b>	<b>555,128</b>	<b>21.4%</b>	<b>25.6%</b>	<b>1,762,850</b>	<b>1,946,038</b>	<b>-9.4%</b>
Direcional (BRL '000)	465,813	529,743	465,799	-12.1%	0.0%	1,486,620	1,571,625	-5.4%
Riva (BRL '000)	231,494	44,737	89,329	417.5%	159.1%	276,231	374,413	-26.2%
<b>PSV Launched - % Direcional</b>	<b>650,259</b>	<b>458,127</b>	<b>501,926</b>	<b>41.9%</b>	<b>29.6%</b>	<b>1,526,597</b>	<b>1,712,229</b>	<b>-10.8%</b>
Direcional (BRL '000)	418,765	435,758	412,597	-3.9%	1.5%	1,272,734	1,369,427	-7.1%
Riva (BRL '000)	231,494	22,368	89,329	934.9%	159.1%	253,862	342,802	-25.9%
<b>Launched Units</b>	<b>3,701</b>	<b>3,358</b>	<b>3,248</b>	<b>10.2%</b>	<b>13.9%</b>	<b>10,043</b>	<b>11,212</b>	<b>-10.4%</b>
Direcional	2,749	3,142	3,088	-12.5%	-11.0%	8,875	9,880	-10.2%
Riva	952	216	160	340.7%	495.0%	1,168	1,332	-12.3%
% Average Direcional	93.3%	79.7%	90.4%	13.5 p.p.	2.8 p.p.	86.6%	88.0%	-1.4 p.p.
<b>Average Price (BRL/unit)</b>	<b>188,410</b>	<b>171,078</b>	<b>170,914</b>	<b>10.1%</b>	<b>10.2%</b>	<b>175,530</b>	<b>173,567</b>	<b>1.1%</b>
Direcional	169,448	168,601	150,841	0.5%	12.3%	167,506	159,071	5.3%
Riva	243,166	207,115	558,308	17.4%	-56.4%	236,499	281,091	-15.9%

## CONTRACTED NET SALES

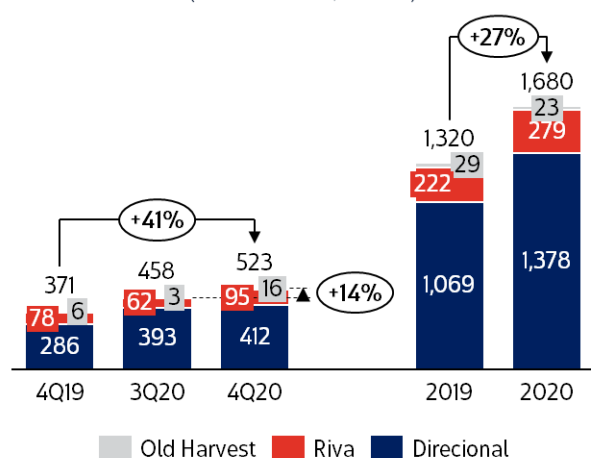
In 4Q20, Net Sales reached the **milestone** of R\$ 523 million in PSV, a growth of 41% in relation to 4Q19 and 14% in comparison with the previous quarter.

As a result, Net Sales marked 4Q20 as **the third consecutive quarter of historical record**.

In 2020, Net Sales totaled R\$ 1.7 billion, + 27% YoY, confirming the strong demand observed throughout 2020, despite all the impacts generated by the uncertainties resulting from the pandemic.

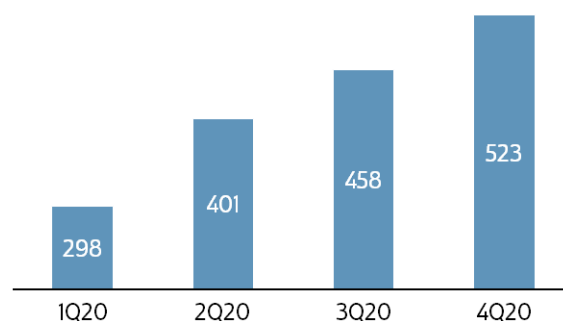
## Net Sales (Development)

(PSV 100% - R\$ million)



## Net Sales Track Record

(PSV 100% - R\$ million)



The table below presents information about contracted Net Sales in 4Q20 and in 2020:

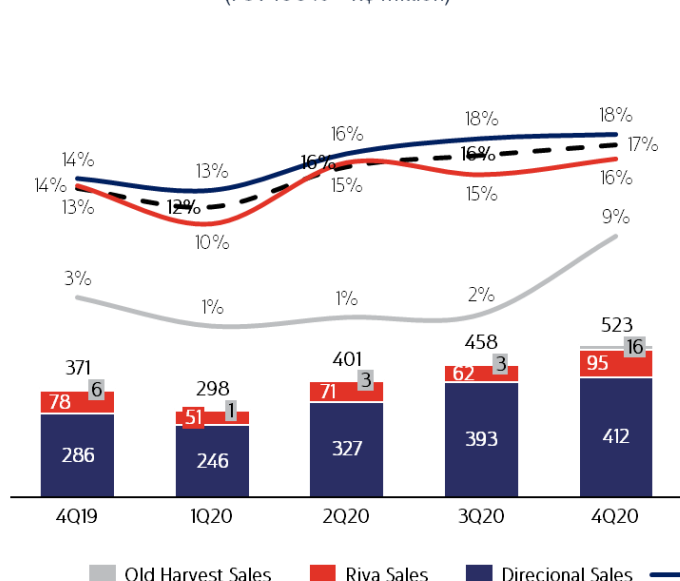
Contracted Net Sales (PSV - BRL'000)	4Q20 (a)	3Q20 (b)	4Q19 (c)	Δ % (a/b)	Δ % (a/c)	2020 (d)	2019 (e)	Δ % (d/e)
<b>PSV Contracted Net Sales - 100% (BRL '000)</b>	<b>522,749</b>	<b>458,407</b>	<b>370,616</b>	<b>14.0%</b>	<b>41.0%</b>	<b>1,680,302</b>	<b>1,320,407</b>	<b>27.3%</b>
Direcional	412,117	393,027	285,642	4.9%	44.3%	1,378,312	1,069,338	28.9%
Riva	94,723	62,133	78,490	52.5%	20.7%	278,829	222,382	25.4%
Old Harvest	15,909	3,247	6,484	390.0%	-145.4%	23,161	28,688	-19.3%
<b>PSV Contracted Net Sales - % Company (BRL '000)</b>	<b>446,741</b>	<b>368,944</b>	<b>322,598</b>	<b>21.1%</b>	<b>38.5%</b>	<b>1,407,756</b>	<b>1,153,186</b>	<b>22.1%</b>
Direcional	352,909	312,154	245,395	13.1%	43.8%	1,144,424	927,370	23.4%
Riva	83,158	55,234	73,337	50.6%	13.4%	249,078	209,354	19.0%
Old Harvest	10,675	1,556	3,867	586.3%	-176.1%	14,254	16,462	-13.4%
<b>Contracted Units</b>	<b>2,749</b>	<b>2,457</b>	<b>2,072</b>	<b>11.9%</b>	<b>32.7%</b>	<b>9,061</b>	<b>7,601</b>	<b>19.2%</b>
Direcional	2,401	2,224	1,773	8.0%	35.4%	7,969	6,645	19.9%
Riva	303	215	280	40.9%	8.2%	1,022	886	15.3%
Old Harvest	45	18	19	150.0%	136.8%	70	70	0.0%
<b>Average Price (BRL/unit)</b>	<b>190,160</b>	<b>186,572</b>	<b>178,869</b>	<b>1.9%</b>	<b>6.3%</b>	<b>185,443</b>	<b>173,715</b>	<b>6.8%</b>
Direcional	171,644	176,721	161,107	-2.9%	6.5%	172,959	160,924	7.5%
Riva	312,618	288,992	280,321	8.2%	11.5%	272,827	250,996	8.7%
Old Harvest	353,539	180,383	n/a	96.0%	n/a	330,876	409,823	-19.3%
<b>VSO in PSV</b>	<b>17%</b>	<b>16%</b>	<b>13%</b>	<b>1 p.p.</b>	<b>4 p.p.</b>	<b>40%</b>	<b>35%</b>	<b>5 p.p.</b>
Direcional	18%	18%	13%	0 p.p.	6 p.p.	43%	38%	4 p.p.
Riva	16%	15%	88%	1 p.p.	-72 p.p.	36%	30%	5 p.p.
Old Harvest	9%	2%	1%	7 p.p.	7 p.p.	12%	13%	-1 p.p.

## NET SALES SPEED - VSO

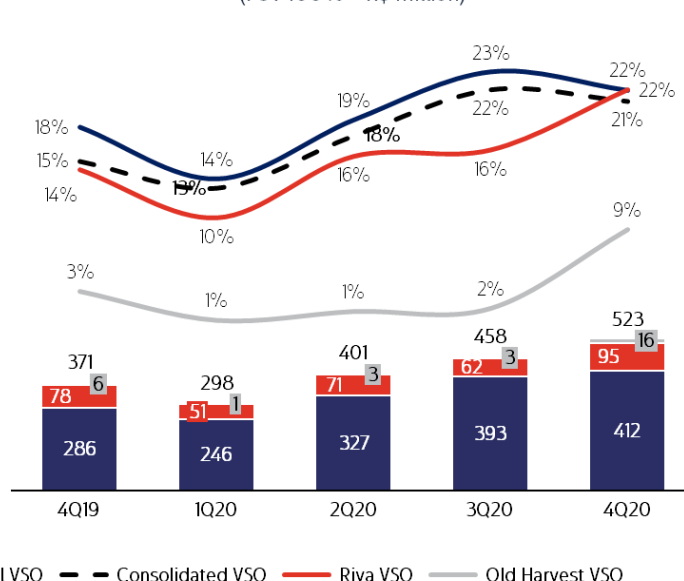
Net Sales Speed in 4Q20, measured by the VSO (Net Sales over Supply) ratio, reached 17%. The VSO of Direcional's projects, excluding the Old Harvest segment, reached 18%.

Analyzing Inventory VSO separately, disregarding the projects launched during the quarter, the indicator reached 21% in 4Q20. Looking only at Direcional's projects, excluding the Old Harvest segment, Inventory VSO reached 22%. The same level was registered in Riva's projects, an increase of 6 p.p. in comparison with 3Q20.

**Net Sales and VSO**  
(PSV 100% - R\$ million)



**Net Sales and Inventory VSO**  
(PSV 100% - R\$ million)



## INVENTORY

Direcional ended 4Q20 with 13,381 units in Inventory, totaling a PSV of R\$ 2.5 billion.

The table below shows the Inventory at market value, detailed by stage of construction and by type of product. It is worth to emphasize that there are only R\$ 22 million in PSV of Direcional (ex-Old Harvest) completed units, representing less than 1% of total Inventory.

Breakdown of the Inventory at Market Value	PSV Total				PSV % Company			
	Direcional	Riva	Old Harvest	Total	Direcional	Riva	Old Harvest	Total
<b>In progress (BRL million)</b>	1.830	490	2	2.322	1.624	428	2	2.054
% Total	73%	20%	0%	93%	73%	19%	0%	92%
<b>Completed (BRL million)</b>	22	6	152	181	21	6	132	160
% Total	1%	0%	6%	7%	1%	0%	6%	7%
<b>Total (BRL million)</b>	1.852	497	154	2.502	1.646	434	134	2.214
% Total	74%	20%	6%	100%	74%	20%	6%	100%
<b>Total Units</b>	11.122	1.858	401	13.381	11.122	1.858	401	13.381
% Total Units	83%	14%	3%	100%	83%	14%	3%	100%

## LANDBANK

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In 4Q20, 12 plot of lands were acquired, with a construction potential of 8.5 thousand units and a PSV of R\$ 1.6 billion.

The average cost of the acquisition was equivalent to 9% of PSV, and 57% of the payment shall be made via swaps, which causes a reduced impact on the Company's cash position in the short term.

In 2020, the acquisition of land had a PSV of R\$ 5.4 billion, with an average cost of 11% over PSV, 71% of which with payment via swaps.

Direcional ended 4Q20 with a landbank with a development potential of 144 thousand units and PSV of R\$ 24.8 billion (R\$ 23.0 billion % Company).

## DIVIDENDS AND SHARE BUYBACK

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Direcional paid, in 4Q20, a total amount of R\$ 120 million, R\$ 0.81 per share, representing a *dividend yield* of 5.6%, and totaling a distribution of more than R\$ 340 million in dividends in a 24 month period.

In addition, in order to manage the Company's available resources to enhance value generation for its shareholders, a share buyback program was announced and approved in November 2020. By the end of 4Q20, R\$ 21 million in shares were repurchased. Taking into account the shares repurchased until the date of publication of this Operating Preview, the amount totaled R\$ 35 million in shares.

Statements contained in this document concerning the business perspective, projections of operating and financial results and references to the growth potential of the Company, are mere predictions and were based on expectations and Management estimates in relation to the future performance of the Company. While the Company believes that such forecasts are based on reasonable assumptions, it does not ensure that they are achieved. Expectations and estimates that are based on the future prospects of the Company are highly dependent on market behavior, Brazil's economic and political situation, of existing and future state government regulations, industry and international markets, and therefore, are subject to changes that are beyond the control of the Company and its management. The Company makes no commitment to publish updates or revise expectations, estimates and forecasts contained herein arising from information or future events.

## CONTACT

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## GLOSSARY

**Landbank** - Lands maintained in inventory with an estimate of a future PSV for such.

**Classification of the projects by Direcional as the economic segment for which they are destined:**

MCMV Level 1	Low-income projects made as contract works within the “Minha Casa, Minha Vida” housing program, contracted directly with the Financing Agent, destined to families with a monthly income up to R\$ 1,600.00. Properties of this segment has their final price determined by the Financing Agent, pursuant to the ordinance No. 435/2012 of the Ministry of Cities, and their acquisition may be subsidized by the government.
MCMV 2 and 3	Residential projects with an average price per Unit up to R\$ 240,0 thousand within the “Minha Casa, Minha Vida” housing program - levels 1,5, 2 and 3. Until 3Q15, the projects belonging to this segment were called “Low-income”.
Riva	A project destined to middle-income customers, developed at the SPEs of the wholly owned subsidiary of Direcional called Riva Incorporação S.A.
Middle-Income	Residential projects with an average price per Unit above the MCMV ceiling price up to R\$ 500 thousand.
Upper Middle-Income	Residential projects with an average price per Unit above R\$ 500,0 thousand.
MUC	Comprises projects of the Middle-income, Upper-middle income, and Commercial segments.
Old Harvest	Projects of the MUC segment developed under the previous development and building model.
New Model	A business model consolidated in 2015 for the development of the Company’s residential projects. One of its main characteristics is the possibility of off-plan transfer and industrialized construction.

**Adjusted EBITDA** - Adjusted EBITDA is equal to EBITDA (profit before financial result, financial charges included in cost of property sold, Income Tax and Social Contribution, depreciation and amortization expenses) less the participation of non-controlling stockholders and less the expenses with the stock-option program. We understand that the adjustment to present value of accounts receivable of units sold and not delivered recorded as gross operating revenue (expense) is part of our operating activities and, therefore, we do not exclude this revenue (expense) in the calculation of Adjusted EBITDA. Adjusted EBITDA is not a measure of financial performance under Brazilian Accounting Practices, nor should it be considered in isolation or as an alternative to net income as an operational performance measure or alternative to operating Cash Burns or as a liquidity measure. Adjusted EBITDA is an indicator of our overall economic performance, which is not affected by fluctuations in interest rates, changes in the tax burden of Income Tax and Social Contribution or depreciation and amortization levels.

**PoC Method** - Under IFRS, revenues, costs and expenses related to real estate projects are appropriated based on the accounting method of the cost incurred (“PoC”), by measuring the progress of the work by the actual costs incurred versus the total budgeted expenses for each stage of the project.

**Novo Mercado** - B3's special listing segment, where companies adopt differentiated practices of corporate governance, which exceed the requirements of the traditional segment. Direcional joined Novo Mercado in November 19th, 2009.

**Financial Swap** – Land purchase system whereby the owner of the land receives the payment, in cash, calculated as a percentage of the PSV of the project, to be paid according to the determination of the revenue from the sales of units of the Project.

**Physical Swap** - Land purchase system whereby the owner of the land receives in payment a certain number of units of the project to be built in it.

**SFH Resources** - Housing Financial System (SFH) resources originate from the FGTS and savings account deposits.

**Unearned Results** - The result of the balance of real estate sales transactions already contracted (arising from properties whose construction has not yet been completed) and their respective budgeted costs to be earned.

**Contracted Net Sales** - PSV arising from all contracts for the sale of properties entered into in a given period, including the sale of units launched in the period and the sale of units in stock, net from rescissions.

**PSV** - Total Potential Sales Value. Total amount to be potentially obtained from the sale of all units of a given real estate development at the launch price. There is a possibility that the PSV launched shall not be realized or differ significantly from the value of Contracted Sales, since the quantity of Units actually sold may differ from the number of units launched and/or the actual selling price of each unit may differ from the launch price.

**Launched PSV** - Total Potential Sales Value of the units launched in a determined period.