

Q3 2017 Earnings Call

Company Participants

- Eduardo Fischer Teixeira de Souza, Co-Chief Executive Officer
- Leonardo Guimarães Corrêa, Chief Financial & Investor Relations Officer
- Rafael Nazareth Menin Teixeira de Souza, Co-Chief Executive Officer & Director
- Ricardo Paixão, Director-Investor Relations & Financial Planning
- Unverified Participant

Other Participants

- Alex Ferraz, Analyst
- Daniel Gasparete, Analyst
- Edson Hashimoto, Structured Products Manager
- Gustavo Cambauva, Analyst
- Luiz Mauricio Garcia, Analyst
- Marcelo Motta, Analyst
- Nicole Hirakawa, Analyst
- Rodrigo Fraga, Equity Research Associate
- Wilfredo Jorel Guilloty, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, good morning. Thank you for holding, and welcome to MRV Engenharia Conference Call. We would like to inform that all participants will be in listen-only mode during the company's presentation. After the company's remarks, there will be a Q&A session when followed instructions will be given.

Now, I would like to turn the floor over to Mr. Rafael Menin. Mr. Rafael, you may proceed.

Rafael Nazareth Menin Teixeira de Souza {BIO 16905756 <GO>}

Good morning. It's a great pleasure that we published the quarter results. The first one was very good with spectacular results. But I'd like to talk about the past to reach our future strategy. We had our first cycle of great increase growth. We grew up to 100% a year.

We had loss with a gross margin of 35% to 26%, and then from 2014 to 2016 in a severe economic crisis with the consumers' confidence going down and the power, we were able

to keep the size of the operation, but much more healthy and profitable.

We invested a lot in land. The market was very passive and MRV very aggressive during the crisis. We had a spectacular growth generating cash and making the company more profitable. By the end of 2016, we had a 33% gross margin, much similar to pre-IPO. We had BRL 40 billion ready to the new cycle that starts now. Growing cycle, the company is ready to act with 50,000 units per year. (02:49) operation or production team's training process, all of these.

This moment also is a moment where the economy is recovering. The client is more confident, and he comes to our development with the intention to buy, so they are sure that this growth will continue. We saw a nice growth in sales and launchings in the third quarter. This morning, we disclosed a relevant fact, October was the best month in 2017, and we're improving it. October was a really good month.

And another important point to quietly (03:44) mention, funding in Brazil (03:48). The market, look at it as a half empty glass, and MRV looked a bit as half full glass. So we started to have a rationality and good cash. We'll have some short-term noise, but we want to address this economic situation in a long-term to improve our cash management.

Cash economic has been very innovative and more aggressive in the real estate funding so - or housing funding. The analysts, they saw the different from us. So we this very optimistically. So this positive and long-term view we see as a very good thing.

Now, I'll give the floor to Leo and he will talk about LOG and funding to our sector.

Leonardo Guimarães Corrêa

Good morning. Thank you for your attendance. I start highlighting that this quarter was very important in terms of external public since it shows in our DRE and balance sheet, (05:22) we were in our store growth and market share strategy. We are increasing ROI, increasing our operations and keeping a positive cash generation.

Concerning LOG, I kindly ask you to read the details in the release of the results presented on Monday. The LOG markets are strong. The migration of the physical commerce to online is having a positive impact. If you do the math, you will see that FFO LOG in 2018 comparing to 2017 may double. This is a good growth. In 2019, it will be still growing. This is a result of the capital inflow and the new deliveries in the market as well. In our opinion, the LOG value is not in the MRV shares, but I can guarantee that MRV shareholders will incorporate this value at some time.

Now, I will touch two very important points to MRV that are interconnected and overlapped, FGTS and the funding banks, especially Caixa. Starting with funding, last week, it was approved the FGTS drawdown for the next four years.

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There was no surprise in relation to what the media was saying. There was a slight increase in the resources, going from BRL 52.1 billion to BRL 53 billion in the MRV field. The drop in subsidies is kind of natural, in line with the lower Selic and cash volume by the FGTS.

More importantly, it shows the fund with capacity to repeat in 2018 the 2017's activity allowing competitive interest rates. I encourage you to read these resolutions that will make you comfortable about the level of drawdowns and capacity to meet the demands for new housing.

Another point is the lender bank. We have two major partners, Banco do Brasil and Caixa. Banco do Brasil reshaped its housing lending activities in the last quarters, and for some time, the partnership was not so active. But we have already restarted to send new projects to Banco do Brasil. Therefore, we expect to have the same importance for this partnership as some time ago. Our other partner is Caixa that today has a preponderant leading volume to our clients.

The subject we are all following, including the media, is the Caixa adjustment to Basel. This is a subject that is so technical and complex. But what is worth mentioning is that the great majority of lending to our clients does not require much capital Basel. Therefore, Caixa's lending activity is guaranteed in 2018. We have heard that Caixa is actively working to expand its Basel capacity with new instruments or capital and by directing its operational capacity to its major market that is the housing market.

I want to conclude saying that the construction of new low-income houses is extremely important in economic and social terms. The balance of tax collection to the national treasury is positive, and solutions are being worked and will be achieved. In this sense, MRV will continue with this strategy to increase new launches since we see capacity in the system to finance our clients as we have been doing until today.

I'd like to close now, and let's open to the Q&A session.

Q&A

Operator

We will now open the Q&A session. Our first question comes from Gustavo Cambauva, BTG Pactual.

Q - Gustavo Cambauva {BIO 17329406 <GO>}

Good morning. Following your comments about Caixa and FGTS, can you elaborate how is this issue of Caixa re-passing the funds? We had some states that had a limit in the budget that was reviewed by the government. Has it been normalized? How is it working?

And Rafael mentioned about October being a very strong month for sales. Do you see any risk of losing part of the sales due to these limitations of Caixa? The re-pass was also

a record. Can you talk about this performance?

And my second question, you are very confident with Caixa funding, cash funding FGTS. But the daily operations of the company, did it change? Do you still have expectations for new launchings? Are you still buying land with the same pace? So with all the discussions that we are hearing now, are you being more conservative in the short-term? Or are you doing as you always did? Thank you.

A - Operator

Good morning. Let's start with the October month. First, I'd like to make it clear that October was totally normal in terms of payments of all the funding or financing and totally normal in terms of Caixa's contract to all other states except here in São Paulo, specifically for Rio and São Paulo in October. In the beginning of the month, we had a hold concerning the allocation of FGTS to these states.

This subject has been resolved, and it is being normalized with the signing execution of contracts of new individuals in Rio and São Paulo. So the process is being normalized, and with our conversations with Caixa, they are saying that this backlog from October will be totally recovered in November. So we will continue to operate normally. And in November, we'll be 100% normal with this recovery, backlog recovery. This has not impacted us.

So, first, we stopped to understand the situation. We looked at it. We continue with the operation with the new launchings and sales because we didn't have any clarity if there will be any changes that will impact the future. So we didn't change anything. And we continue with the same strategy.

October was strong, not only in terms of sales, but also launching. This will be a stronger quarter for launchings and stronger in sales. Rafael has mentioned this. The confidence of the consumer there showing up more - they are becoming more available. And within our LOG strategy, as we launch in places that we saw unbalance of supply, we're being successful. So we will continue with this strategy.

One aspect that we're still analyzing and maybe we will find a new solution is the contracting of companies of legal entities or what we call the corporate plan. These has been very important in terms of - let's say, to have the structure of this every year, Caixa assesses the real estate, the land, and then the contractor with the corporation can go on normally.

In case of having less availability for operations, we don't see this as a problem, just the opposite. We will have the land ready. What is important is the funding from FGTS to individuals. So this is guaranteed. In terms of funding for companies, we have a relatively small value of funding. I'm talking about Caixa.

This new situation will be more positive for companies who are financially more robust. So, this is a situation that may favor us because it will favor companies with more liquidity and better financial situation. So we this is as a positive factor. And we'll continue following our

plan of market share, new stores (17:09). So executing the plan we have of buying land to have the right offer to the right market.

Q - Gustavo Cambauva {BIO 17329406 <GO>}

Okay. Thank you. Good morning.

Operator

Next question, Luiz Mauricio Garcia from Bradesco. Mr. Luiz Mauricio, your line is open. Thank you.

Q - Luiz Mauricio Garcia {BIO 17432519 <GO>}

I have two questions. Going back to Caixa, the market is talking about the long-term sustainability of Caixa. We had a strong movement of landbank in the sector. This is a very relevant point. And part of the investors not only the issue of Basel, but also the issues of Caixa, this long-term sustainability, to what extent they will have cash balance and incentives. We will continue in the future. So can you address this point?

And another point is the auction of unities that (18:51-18:58) could you elaborate this? How can you participate in this conversation? I think it's an interesting point.

A - Operator

We see an improvement in equivalents. We see an additional point in the fourth quarter with the stronger contribution not only for (19:38-19:49) but with other projects that are with small funding.

A - Eduardo Fischer Teixeira de Souza {BIO 16644318 <GO>}

Luis, it's Fischer. Good morning. As for Caixa, we are following this day after day. Caixa is signaling its concern in addressing all these subjects including Basel. Caixa was signaling something we've talked in the past that it would go back to its main core which is the housing lending and eliminating the lines where it doesn't have any knowhow.

So we see Caixa now talking about this openly. It's a strategy that we agree and we were defending in the past, so we are in line. And another point important that Leo mentioned, we are working with Banco do Brasil for more than one year to make the (21:07) product fitting our segment. We were talking with them last month, and we are now directing our products to the bank in a line of work that is adjusted to the market.

So we look ahead and we see partner banks working normally. And again, we have Caixa with the FGTS, the Chairman of the Board of Caixa talked about this Basel ratio. So everybody is aligned. I see this as an obstacle we have to overcome, but that is being well addressed. As for the auction, it's important LTV is smaller, and this brings a better health degree, and this behavior that we see that is stronger in the last two years is collaborated to recovery having a better situation to the bank.

Now, we'll talk about LOG, and I will talk about the companies. We disclosed the Prime to show the results of a work that is more than three years long. Three years ago, we started to address this Prime discussion. We reallocated people from MRV to support them, and the result comes gradually. So we disclosed this to show that, operationally, Prime is a case solved. Depending on the target you look at, it has even better numbers than MRV, and this will go to the financial results.

As for LOG, now we'll talk about, we had an excellent - we did an excellent deal with LOG.

Our increase in capitation was with a very adventurous price, but let's hear Luiz first.

A - Operator

I will repeat what I said. The market is extremely positive. The last capital inflow of LOG, parts of it are being directed to new projects. Today, we have much more demand than the company has inside. So, the company is in a very positive situation and can choose among the different possibilities, better possibility in terms of profitability.

We do not talk about build-to-suit because we - to build specific things to the customers, but we have a difference between typical and atypical contracts. The shelters are all the same, and we renew or we'll have long-term contracts that the market will actually call it build-to-suit. We have partnerships with the best names in the market in terms of credit.

And also in terms of commercial perspective, and when you add all these pieces up, a strong market - strong cap rate, you see LOG is more capitalized with an important decrease in interest rates, so more flow of resources, and we need also to take into consideration the new financial instruments that are coming to the market. And it's very positive in terms of Selic (26:02) this is a bond paper that will exempt income tax to the individuals, and this is being launched in the market. This is very different from the preferred that LOG has. So this cap rate of LOG is doing the new contract with the (26:31) in the market provides value creation to LOG.

If you want to do the math and see the growth of projects being ready, you see the FFO growth for 2017 will be of three digits. In 2019, we'll have a two-digit growth with no any new resource in LOG. So what we see is that the perspective of LOG's growth is very, very big. We have companies with shopping mall; they are excellent in terms of this in the Asian side. But LOG has growth component so that I don't see in the other comparables and is within this context that we see LOG's contribution.

And to the shareholders, MRV shareholders, it is of value, asset value. We try to have an IPO for LOG. The shareholders did not agree with the prices, so they - we did this internally. But in some moments, if the market continues to be strong, and we clearly see it will, we'll have some room to capital market operation, and obviously this will generate value to the MRV shareholders.

Q - Luiz Mauricio Garcia {BIO 17432519 <GO>}

Just a comment. Caixa announced the focus in units up to BRL 4,000 lending for used houses and mid-income. What about this range? Is it this range BRL 3,000? How do you see this market?

A - Operator

Luiz, in fact, if you look to our average income, it is likely below BRL 3,000. So this measure - I prefer to have a measure that concentrates in my core - my major core - major customer and target. So we have an income below this BRL 4,000. We have units being sold to household income of BRL 4,000, even in (29:49) Our sales goes to families with income up to BRL 4,000. So, I prefer to have this more concentrated in my core range than to have it open.

Q - Luiz Mauricio Garcia {BIO 17432519 <GO>}

Thank you.

Operator

Next question, Alex Ferraz, Itaú BBA.

Q - Alex Ferraz {BIO 19294308 <GO>}

Good morning. Thank you for the presentation. I have two questions. The first is repetitive but again relating to Caixa, you mentioned that it's positive especially long-term. I'd like to know if - Monday, it was published that the federal auditor was requiring the devaluation of some treasury bonds and Caixa would be impacted by this. What is the probability of any problems when you talk about Caixa sustainability?

And the second point, how do you internally evaluate the voting of the (31:06) was excluded? This shows that the government is well aligned with this purpose of the fund, and this would be a positive indication for this sector.

A - Operator

Good morning, Alex. The first point, about the first point, all these operations, we have a questioning about the instruments used by the government and the banks to provide capital. These operations are from 2010 and 2012. These are very old. They have been analyzed strategically in different situations. We see this much more as a noise than a situation that will have to be solved tomorrow. What we see is the continuation of these instruments preserving the company's capital.

As for (32:26) specifically, there is no doubt FGTS is an important source of resources in an environment of economic and budget restriction by the government. Several sectors try to have access to resources, but I think that this was an important signal to preserve or to maintain the FGTS to the housing sector, and no deviation will be allowed. It was a practical demonstration of this capacity. Under the point of view of the government, the FGTS will be to the real estate or housing funding.

Q - Alex Ferraz {BIO 19294308 <GO>}

Okay. Thank you.

Operator

Next question, Rodrigo Fraga, Citibank.

Q - Rodrigo Fraga {BIO 20043127 <GO>}

Thank you all for the presentation. I have two questions. First, going to the operation of the company and the way to the future, we see an expressive growth. And you mentioned that today you have already the structure for an operation of 50,000 units. We are almost close to 40,000. Do you have any deadline or is it reasonable to think that, by the end of 2018, we'll be close to this 50,000 units or it will be slower?

And the second question, you mentioned that in terms of portfolio, MRV is taking some actions avoiding default. Can you tell us the level of default, and what are the actions that you are taking to mitigate this risk? Thank you.

A - Ricardo Paixão

Rodrigo, good morning. This is Ricardo. Starting with the growth structure, we had two quarters with growth in relation to what we had last year, but the growth pace will be even greater because – from what we saw. We don't know when we will reach 50,000 units, but we think that next year, we'll be close to 50,000 units. Now, we have several investments in systems, project, training, et cetera, and we are certain that we have the proper structure to reach this volume of 50,000 units that will have the contribution of the FGTS. And for the next quarter, this will be even improved.

Now, as for the portfolio, we don't open this information in terms of default. But I can assure you that we are very conservative in everything we do, as well as in the provision for bad debts. So default is below what we are planning. So there is no surprise for us.

Q - Rodrigo Fraga {BIO 20043127 <GO>}

Thank you very much.

A - Operator

Thank you.

Next question, Nicole Hirakawa, Credit Suisse.

Q - Nicole Hirakawa {BIO 18242556 <GO>}

Good morning, everybody. I have two questions. The first is I'd like you to comment that some funding can have – or lending can be zero impact. Is this the estimated understanding for Caixa, because this would reduce substantially the RWA of the bank?

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And the other question is about your comment that October was not impacted. This is a different view from what we heard from the other companies. So you are launching for the corporate or are you launching your backlog? What is the negative side of launching for corporate? We mentioned the security that the corporate would bring you.

A - Rafael Nazareth Menin Teixeira de Souza {BIO 16905756 <GO>}

Nicole, as for the first question about Caixa, we have already mentioned this during the call. In the perception of the company, the conversations we have with the bank and future (37:48) mentioned, our impression is that the bank, from now on, will keep the focus directly to low income. The bank will be more conservative than it is and this will reflect in a proper detail (38:11). We will have a pressure in the mid/long term. The government will see this.

So what we can say concerning the conversation with the bank, for this economic range, this funding will be preserved. We'll be using the FGTS. This will happen. We need to be able to manage this scenario. But for mid/longer term, we have no concerns that the bank, the Caixa will not do what it's doing, maybe in another portfolio (38:55) or something different, because Caixa is a very conservative bank.

Now, concerning October, let's separate individuals and corporate. In October, almost all the products had the corporate contracted. The individual was the problem in Rio and São Paulo. And it was not the Caixa problem; it was budget (39:30). It had a cap for region and monthly. But if you contracted less than this cap, this amount is reallocated to Rio and São Paulo. This is what happened. We had Rio and São Paulo be resupplied by the budget to equate this backlog. So this started to happen. We had repassed this week, and the banks said that along November, the non-repassed PFs (40:11) will be resolved along November.

Now PJ, since Caixa contracts PJ to cover 100% of the cost of the bank, you have to consult the bank. And the bank is saying that PJ contracted with a low percentage of the cost of the work and new demand inflow from the company, these companies will have more feasibility. Leo mentioned this. The positive collateral effect is that the market will be more selected. Companies with financial resources, with a low leverage, will have a percentage in this contraction and companies with lower cash will have difficulties to contract the cap rate, the PJ.

So what we would like to see - it's because it can have negative result to the entire sector, but the positive result for better capitalized company. At the end, it can be positive. I don't know if I addressed your question correctly, but this is the way we understand the current situation. The PJ is not being contracted. This is what I understood. But when it resumes the contraction, we'll have more money. Yes. We have some PJ. The normal operation within this new model, less debt and more cash zero. Today, we have 20 PJ. It's important for - the crucial for the company is to detach the individual, because these individuals at Caixa made it clear Basel (42:54) point is addressed. We will just accelerate the detachment of individuals so the impact for the company is small.

Q - Nicole Hirakawa {BIO 18242556 <GO>}

Okay. Thank you. Thank you, Rafael.

Operator

Next question, Gabriel Gasparelli (sic) [Daniel Gasparete] (43:21), Merrill Lynch.

Q - Daniel Gasparete {BIO 17999254 <GO>}

Good morning. I'd like to understand this issue of leverage. The company had a very positive financial activity, but you didn't capture this. So I'd like to understand how are you addressing this issue of cash generation/use of cash. How are you going to pay for the land that you bought? Maybe you can benefit from this great confidence you have with the continuity of the operations versus a fear from the market. The buyback (44:19) since the beginning of the year, so.

A - Operator

Good morning. We see cash generation continuously with no major impact, cash generation continues strong. We continue with the stoppage of buying land. We see important window open until maybe 2019. We understand that this window will close somehow. But now, we have a drop in the price of land, so we can accelerate this buying activity. It wouldn't be surprising.

As for the inflows, inflow is a financial investment. Instead of investing in a fund, we will invest in the contraction of PJs for some projects.

Q - Daniel Gasparete {BIO 17999254 <GO>}

So these are not excluding, your objective is to focus on cash generation in purchase of land and inflow.

A - Operator

Well, the buyback, what we see, nobody here is comfortable in seeing the price of the share going down with such volatility, and there is positive result. We don't have any plan to buy back, but this is to call a meeting and to have - until December, we have a plan going on.

Q - Daniel Gasparete {BIO 17999254 <GO>}

Perfect. Nothing has been executed. Okay. But it's okay. Perfect. Thank you for your answers.

Operator

Next question, Marcelo Motta, JPMorgan.

Q - Marcelo Motta {BIO 16438725 <GO>}

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Good morning. Two questions. First, can you comment on your gross margin? It will continue to be at a high level as it has been? And then, going back to Caixa-FGTS issue, we saw a reduction in the budget for October and November. And in terms of FGTS, in October, the resources ended in the first 15 days and you'll double this. Maybe we will lack it in November. So what can we expect of the new resources coming from FGTS? And you mentioned also the allocation for infrastructure and training for housing. So how can you guarantee that resources will not finish before the end of the year?

A - Operator

Well, gross margin, we see in the last three months, the margin is increasing. In my opinion, we still have room for some marginal growth. We did a disclosure of this. We are getting relevance in operation, reaching 60%. The idea is to be around 70% by the end of the year, and this will reach about 100% in the beginning of 2018. So I believe that we still have room to improve this margin. You asked if we will keep this level, yes, we will. And I see some margin for growth.

Now, if you look to 2018, we may have room to do something that we didn't do, which is a surprise if the market continues strong and growing. We will have an opportunity to gain margin with the price and not only with the cost, as we did in the last three years as for the FGTS and Caixa. What happened in October, in two important states, Rio and São Paulo, we didn't have the money from FGTS. So all these drawdowns of October will be given in November, and the bank's goal is to pay everything that was for October to have it in November. So we are working with this operational strategy.

Q - Marcelo Motta {BIO 16438725 <GO>}

So reimbursement of new contracts - the reimburse of old contracts is normal?

A - Operator

Yes. The contracts in force were paid normally. So now, everything from the past was normal. This was only for new contracts.

Q - Marcelo Motta {BIO 16438725 <GO>}

Okay. Thank you.

Operator

Next question, Jorel Guilloty, Morgan Stanley.

Q - Wilfredo Jorel Guilloty

Good morning. You said a percentage of - 18% (50:30) of the sales for this quarter and also for that these have been the same - or the mutual rescission. What would be the percentage of mutual rescission in relation to sales? And do you see that cash will be more selective to your clients? Thank you.

A - Rafael Nazareth Menin Teixeira de Souza {BIO 16905756 <GO>}

This is Rafael. Well, as for mutual rescission, we have made two modifications in this sales flow. The first operation was two years ago, the implementation of the simultaneous sales. This same sale process, we deal with 15%. This has a backlog from 2015, okay? So this will converge to this number.

In the beginning of the year, we did another evolution in the process which is the guaranteed sales. What is it? We only book the sales when we have the effective payment from the bank. So the balance, in the statement, it's zero. We started with a quantity in the first quarter, then we increased in the second quarter. So our projection is for the end of the second quarter of 2018 with this guaranteed sales, will be the strategy of MRV.

What is the short-term and long-term consequence? In short-term, we will recognize revenue with a smaller value, because we will not recognize the sales before the re-pass - the pass-through from the bank and each will (52:42) have a backlog in the guaranteed sales. It takes some time in 2019. We will have a mutual rescission that will be good. The income - the revenue - the sales increase and we increase the implementation of this guaranteed sales process. We only recognize the sales when the bank passes the money through, so the revenue increase and the sales.

So we think that what was designed did work. The company is growing. The market is better. This is the only company that is present in the entire country. This gives us a very good situation. We have oil gas sector, for instance, RIN, but on the other hand, the agri business is boosting. So we started to grow, even implementing another filter in our sales process, okay?

Q - Wilfredo Jorel Guilloty

Thank you.

Operator

Next question in English, (54:20) Management. Ms. (54:42), your line is open. Edson Hashimoto, Votorantim Asset.

Q - Edson Hashimoto

Good morning. Thank you for the presentation. I have a question about the question you gave to Nicole. You said you have the capable region, and apparently there was a limit, a restriction in São Paulo and Rio. I'd like to understand this. You have a huge project in São Paulo. Was it - this limited to the Paulista project? Did you have a higher volume than expected or was a low-value passed by cash?

A - Operator

Well, Edson, let's recap. I will be repetitive, but I want to make it clear. What happened is that, in October, it is started with no allocation to new contracts for individuals, so new contracts could be not signed in the beginning of October. This was solved. We had

budget reallocation in the end of October, and it took some days to have a practical result. And only in the beginning of November, the new pass-through start to be contracted for individuals in the state of Rio and São Paulo.

As we said, FGTS had resources for this, but we have some regions that are contracting below their limits and other regions contracting above their limits or the contracting pace was above the sub-geographic limit, and what happened is that this reallocation happened at the end of October.

Q - Edson Hashimoto

Okay. So this is being solved now during November. And how are the sales of Grand Reserva Paulista?

A - Operator

We continue with the sales process normally in Grand Reserva Paulista. And the promise of Caixa is to solve all contracts that were not in effect in October. This backlog would be solved in November. November, we will contract, let's say, the old October and the normalized of November.

Q - Edson Hashimoto

Okay. Thank you.

Operator

Next question in English, (59:03) Your line is open, Ms. (59:36). We now close the Q&A session. I'd like to give the floor back for the final remarks.

A - Unverified Participant

So, good afternoon. Well, we were talking about FGTS and Caixa, which are concerns that we have. I'd like to address two points to close. One is that FGTS and Caixa situation concerns us, and we are spending energy and effort to address these issues. And what makes us optimistic is this will be preserved. It's important for all aspects, social, economic. This is the core of Caixa and the FGTS, and any problem will be solved. Rafael mentioned something important.

As we apply filters to the process, the best beneficiaries will be companies more balanced, formal, and robust. So we can capture even a higher market share and I see this as a temporary hurdle that will not impact our growth strategies. The second point that is very important for us is that during 2017, we delivered what we started to plant in 2015. In all metric as we look at during 2017, we grew launching revenue, margin and we did this generating cash, a company that is growing a lot and is still generating cash.

So we had a very strong October both in launching and sales, and we are very optimistic with the fourth quarter and especially 2018. We prepared that the operation to work at a

level that we can reach in 2018. So within our medium and long term strategy, we are delivering what we imagine and I am very optimistic to what we will do next year.

So thank you very much for your attendance and see you next quarter.

Operator

The MRV conference call is closed. We thank you for your participation. Wishing you a nice afternoon. Thank you.

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