Q2 2020 Earnings Call

Company Participants

- Antonio Joaquim de Oliveira, Chief Executive Officer
- Henrique Haddad, Chief Financial Officer and Director, Investor Relations
- Marcelo Izzo, Vice President of Deca Business Unit

Other Participants

- Caio Greiner, Analyst
- Isabella Vasconcelos, Analyst
- Lucas Canteras, Analyst
- Unidentified Participant

Presentation

Operator

Good morning and welcome to Duratex's conference call. At this moment, all participants are connected in listen-only mode. Soon, we will begin the questions and answer session when further instructions will be given. (Operator Instructions) This conference call is being recorded.

We would now like to give the floor to Mr. Henrique Haddad, Investor Relations Director at Duratex SA. You may go on, sir.

Henrique Haddad

Good morning, everyone. Welcome and thank you for listening into one more earnings call from Duratex. I'm here with our CEO, Antonio Joaquim; and the heads of the Deca division, Marcelo Izzo; and the Wood division, Henrique Marcondes, as well as Ceramic Tiles, Gilmar Menegon. And we have our IR team here.

This quarter was marked by uncertainties and many changes at Duratex to adapt to the current scenario of the COVID-19 pandemic, which is what we will discuss in today's presentation. On Slide 2, you see a summary of our crisis management committee. We are still focused in ensuring safety and health for all our employees. Not only do we have working from home and are we following up on possible new cases among employees, but also we are reinforcing cleaning our units. We have a robust communication process and we're always taking care of transparency with employees and with the market.

We'd also like to highlight for you some additional items in this agenda. We have healthcare activities such as daily monitoring through the app. This is made available to all our employees and we have a psychology support program, we have online physical training, and online meetings on mental health and ergonomics. We defined a work relations list with several initiatives to maintain the protection of our workforce. We have been maintaining jobs and avoiding pay cuts. This is an achievement we had this quarter and we're very happy to share that with you. We have defined a safe recovery protocol in detail to train our employees. It's been very effective so far.

To help our community, we concluded the quarter with over BRL10 million donated to projects to fight the COVID-19 pandemic. Especially, to Todos pela Saude, as well as donations of Deca, Hydra, durafloor, Duratex and Portinari products. We are continuing to pay attention until the pandemic evolves. We really have to raise a yellow flag to avoid any surprises.

Looking now at our results, we move on to Slide 3. Our results were strongly impacted by the COVID crisis, especially in April. So they had a major evolution throughout the quarter, concluding at operational levels similar to the pre-COVID period across all the divisions. Due to the loss in sales volumes, our net revenue had a fall of 8.6% despite the Cecrisa consolidation in 2020 while our EBITDA had a reduction of 44% versus 2019, which I'll explain in further detail on Slide 4.

As we said at the close of the first quarter, with the pandemic, we had to reorganize our structure and production flow to continue servicing our clients. However, we aim to have the lowest impact possible to our cash. In April, we had to adapt our inventory management to adjust our production under the demand we had at the time, which meant we had to stop most of operations for the first time.

Although, this was essential to manage our working capital, this loss in production scale led to a significant increase in our costs and expenses, which had already been impacted by the exchange rate. These increases were partially offset by a strict crisis management process implemented across the company. It's important to highlight that a part of this reduction will be maintained in the next quarters.

Another important activity was getting close to our clients. At first, our goal was to supply their demand, considering the impact of the crisis. However, we quickly evolved into supplying the demand that grew during the quarter and that strengthened our partnership. This demand management and the quick reaction we had from the beginning of the crisis allowed our recovery to be agile. And the potential impact we would have from losses and credit risk was also kept under control.

To make this easier to understand, as we can see on the graphs to the right, on the right part of the slide, the biggest impact on the results was definitely the reduction in volumes in April. In May and June, we already see the recovery was strong and we were able to conclude the quarter with operational levels similar to the pre-COVID period.

Now looking at our cash flow impacts, we continue with Slide 5. We had a huge number of initiatives, especially connected to inventory management, negotiating with suppliers, taxes, and others, and they have boosted Duratex, so that we had a higher cash generation this quarter than last year.

Another important factor was prioritizing maintenance CapEx. We've reprogrammed our investments and focused on high-return projects without losing sight of the productivity commitments we had. With that, we managed to generate nearly BRL70 million in cash this quarter and that is before investment projects as you can see. This result, even given the current scenario, was higher than what we saw in the second quarter last year, which makes us feel confident of the path we've chosen. It's also worth highlighting that, as planned, we invested BRL211 million in building a new soluble or dissolving pulp unit in Minas Gerais, which closed the quarter with a total cash consumption of BRL139 million.

Continuing with Slide 6, we are going to go into detail on our working capital and CapEx. As expected, we had a one-off increase in client payment lead times. It was offset by our renegotiation with suppliers, which led to a continuation of the strong effort we had already been starting in the previous quarters. So, a strong management of our cash controls and the availability of our clients was the fundamental lever to accelerate our recovery of this quarter.

Regarding investments, as was said before, our sales of our share equity in the last two years is already noticed in our forestry OpEx reduction, which offsets the CapEx increase from the Cecrisa acquisition. Despite these reductions, our total CapEx increased due to the investment in LD Cellulose according to our plan.

Now, on Slide 7, even with the worst result due to the crisis and to the investment in LD Cellulose, our debt was basically stable versus the second quarter of 2019. This goes to prove how solid the company is financially and how efficient its crisis management was.

Regarding debt, we finished our capture process of BRL1 billion in April and May, positioning the company's cash to ensure the continuity of its operations as well as its growth projects. With a total capture of BRL1.6 billion this year, we have a strong position for any short-term debt.

Now to talk a bit about our divisions. Let's continue with Slide 9. The wood panels market had a retraction of 22% in Brazil due to the strong drop in domestic demands and volumes reduced by 26% in MDP and 18% in MDF. But with already strong signs of a recovery in June, in the forward market, we saw a 14% drop versus the previous year due to the social isolation measures adopted in Latin America.

Now looking at Duratex on Slide 10, at Duratex, the Wood division had a better result than the market overall, a drop of 18% in sold volumes. As well as with other divisions, this is a drop due to strong retractions in sales in April, which was partially offset by a quick recovery in May and June. And in June, we had a significant high versus June 2019. This quick recovery in plants, along with a strong client relationship was what led to this performance. But anyway, we still had a reduction of 20.9% in our net revenue in this division versus the same period last year.

With regard to exports, even with the significant increase in sales to the US and Asia, enjoying the more favorable exchange rate, we still were not able to offset the reduction in sales to South American countries where our main clients are. It's important to remind you that economic activities were suspended around the world, not only in Brazil, but they were more intensive in our neighboring countries. Finally, the loss of production scale and the currency exchange variation were the main factors that justify the 50% drop in the Wood EBITDA.

Now with the Deca division on Slide 12. We see that in the midst of the COVID scenario, ABRAMAT showed that we would have a reduction in revenue versus last year but with signs of recovery. The biggest impact was in April, a reduction of 33.5%, with a slight recovery in May of 12 percentage points. That reflects how our timeline for construction work was maintained and how construction materials stores were opened again. It's worth highlighting that the figures for June have still not yet been published, but the estimate is positive, given the evolution that ANFACER presented as we'll see further on.

On Slide 13, we discuss Deca. Although, there was a strong impact from economic activities being paralyzed in March and April, as I mentioned, as construction projects resumed their activities and as our construction materials stores reopened, we were able to regain our sales quickly, especially in May and June. And consolidated figures for the quarter, Deca had a reduction of 16.1% of its volumes sold.

However, our commercial strategy was strengthened and we are positioned in diverse markets such as in the food industry with the Hydra brand and that led to consecutive record sales, but also superior operational levels than the pre-COVID period already in June. However, by reducing our operational capacity in our plants and a strong currency exchange variation, led to a strong drop in our gross margins and our EBITDA levels. And our EBITDA was reduced by 50% approximately versus same period in 2019. If we analyze the results in June, though, we would see a significant improvement versus 2019.

Now to talk about Ceramic Tilings, we move on to Slide 15. The Ceramic Tiling market according ANFACER had a 9.6% drop in the first quarter of 2020 versus the first quarter of 2019. The volume produced was 118 million square meters, which is 39% of the installed capacity utilization. There was a reduction in revenue in April and May of 24.6% and 17.1%, respectively. And they were partially offset by a 13.6% increase in June.

On Slide 15, before we talk about this division, we have to remind you that in the second quarter of last year, we had not yet consolidated the Cecrisa results, which was only consolidated in August 2019. In this market, Ceramic Tilings also had a retraction in volumes in April and May, but its recovery was faster than the rest of the industry, especially in June. With that, the volume shipped in the quarter was nearly 4.5 million square meters, around 80% of what Ceusa and Portinari did added together in the second quarter of 2019. This is just a pro forma comparison.

The reduction in volumes also impacted the costs in this division, which can be quickly seen in the margin reductions this period. Although we are focused in reducing CapEx, we decided to prioritize investments that we would feel improved operationally the Ceramic Tiling division. Of course, the effects will take some time to be seen in the results given the lower utilization of our capacity, but as soon as the operational levels are recovered, this positive impact will be evident.

Now to talk a bit about our dissolving pulp operation, we move on to Slide 18. The biggest highlight here is the capturing process for the new plant in Minas Gerais. Valued at $1.2 million, it was acquired through BID Invest, IFC and Finnvera. Direct investments of BRL211 million have already been made by Duratex for this company. According to our plan for this project, although we have the COVID crisis, the timeline has not changed. Operation should begin in the first half of 2022. LD Cellulose results was negative in the first quarter by BRL23.6 million. However, we are treating this operation in the project period, and they were not considered for our adjusted and recurring EBITDA.

We're now going to talk about our expectations for the next months on Slide 19. It's very difficult to estimate what the second half of 2020 will bring given all the uncertainties we have. However, we have to see that perspectives are very positives. Regarding the market, the construction industry has been more resilient than others. Our strategy is focused on capturing all the opportunities we can as the industry recovers.

In line with what happened in June, July also started strong. It had a relative improvement in our capacity utilization in our plants, which is usually close to capacity. This is a surprising level, given that it goes over the levels in which we operated in the last years.

Regarding our costs and expenses, we are focused on cutting costs and preserving our cash, paying special attention to working capital. We are also counting on a reduction of the debt provision level for our clients, considering the evolution of the market.

Regarding our employees, we continue to monitor people closely where we operate as well as our employees' health. We are trying to take quick measures and be efficient in maintaining health and safety for all. In administrative areas, we've already structured a recovery plan, which will be implemented gradually as the pandemic develops.

Finally, I have some good news to share with all of you before I conclude my presentation. I'm very happy to share that today we're publishing the first integrated report Duratex -- excuse me, the first Duratex integrated report that is. It's an evolution of our yearly report about sustainability, which has been published over the last few years, where we are finding a format that presents our strategy better, including environmental, social, and corporate governance concepts, as well as of course the indexes that confirm our position as one of the most sustainable companies in this sector. We hope it will be received well and we are counting on your return.

This concludes my presentation and we are now open for any questions you may have. Thank you.

Questions And Answers

Operator

Ladies and gentlemen, we will now begin the questions and answer session. (Operator Instructions) The first question comes from Isabella Vasconcelos at Bradesco BBI.

Q - Isabella Vasconcelos {BIO 20566061 <GO>}

Good morning, everyone. Thank you for taking my question and congratulations of course for your results. I have a couple of questions from my side. First, I have to say that this was an expressive recovery across all segments throughout the quarter. I'd just like to understand a bit better how you're seeing your order book now for July and August. If you can tell us a bit about the differences that you are seeing. And my second question is about prices, especially for the wood panels market. We saw that some of your competitors have announced price increases. So I'd just like to understand how this will be handled with Duratex and if you foresee any price increases throughout the second half of the year. That's my question. Thank you.

A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}

Good morning, everyone. This is Antonio Joaquim. I hope you're all doing well. Isabella, let me answer your questions. The first point that is clear from the results we presented from our figures is that our expectation is very high for the second half of the year. Throughout the second quarter we had extraordinary lessons learned. We really -- at the beginning of April, with 100% of the plants closed and with very difficult perspectives that didn't really allow for much planning because everything was very uncertain. We took all the measures we could in the company. We worked on costs. We increased our productivity. We cut our CapEx. So that was the traditional recipe, but it was done very well. And we managed to contain the crisis, which was unpredictable. We didn't know how intense if it would be.

So our perspective was quite negative at the time, but we've got a breath of air quickly in -- after May. In May, we already started seeing operational levels at promising heights. And then in June, as Haddad said, we saw some divisions, such as the Wood division working at full speed and Deca, Ceramic Tilings was a bit lower, but it was still doing very well. Of course, we're here to talk about the second quarter, but we do believe that July will be exceptional.

When we talk about volumes, our portfolio seems to be doing very well this month. So July will probably be very favorable. A 100% of our lines are in operation or at capacity. So Wood, for example, is operating at the end of July in all of its plants at full capacity or in some cases even above their capacity. So that's very positive.

Deca is also doing very well. I guess, Ceramic Tilings are also reaching full capacity this year. We only had one that was not going to be used this year because it's being refurbished. But with all lines in operation, we will have a strong month of July. We will have a strong portfolio for August and really our short-term prospectives are positive.

In July, for example, our operations will be higher than expected. In our budget, we expect that July will have a figure that is higher than 2019. But we will talk about the third quarter when we have the call to discuss it. But our expectations are positive right now, so I think that gives you some perspective.

With plants in full operation, we also believe our costs will be normalized. Of course, we had an important impact because of the currency exchange variation, but we basically managed to offset that with a few initiatives and we are implementing some changes in prices. So, the scenario for the next months will be quite positive.

I'm not sure if I forgot about any questions you asked, Isabella. I don't know if you had anything more specific to ask. If you do, please let us know.

Q - Isabella Vasconcelos {BIO 20566061 <GO>}

No, that was very clear. Thank you. And if you can tell us about the price increase that you expect for Wood, that would be great. Thank you.

A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}

Sorry, Isabella, I couldn't hear you very well.

Q - Isabella Vasconcelos {BIO 20566061 <GO>}

Hi, sorry. If you could just tell us a bit more about the price hike that you expect for wood products?

A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}

Right. What we are expecting for August is an increase of 4% to 5% depending on the segment.

Q - Isabella Vasconcelos {BIO 20566061 <GO>}

Okay, thank you.

Operator

The next question comes from Caio Greiner from BTG Pactual.

Q - Caio Greiner

Hello, good morning, everyone. I have a couple of questions. First, I'd just like to understand a bit of your costs. I think we had different messages between all the divisions. We saw that Wood up in costs when we look at it quarter by quarter. And Deca actually seem to have it under control. We know that you are exposed to the foreign exchange in both divisions. So I'd just like to know how you were able to offset that in Deca or with other initiatives. What allowed you to control these costs in the wood panels division and what expectations do you have to recover the levels for the quarter?

You mentioned that you are operating at full capacity and I'm sure that helps, but I'd just like to understand if you have some more details on what you expect for the next quarter? I'd also like to talk a bit about Deca. We know that June volumes were very good for Deca. You had a year-on-year growth, so that was very positive and there was a loss that you described in your report. But I'd just like to understand what was surprising here? If you could tell us a bit of a guidance there. And if you could tell us about the initiatives you took this year. You had some initiatives planned for the year and were you able to do it even with the pandemic or did you postpone them? So that's my question. Thank you.

A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}

Hi, Caio, I'll answer your first question and I'll ask others to add in some more details. As I mentioned before, prospectives are positive. Of course, with Wood, costs were higher because Wood is much more sensitive to cost because they're continuous lines. So, when you have a lower occupation, that creates a bigger impact. And there are many important inputs such as resins, ethanol, and they are more bound to the US dollar. We also have imported components and so on, but due to manufacturing specification, sometimes you can change that. Both units were very good at containing costs. As I said, in wood this recovery was greater in June and especially now in August, working out better cost levels.

Of course, we have to take the following into consideration. When this operation went back to the traditional levels, it was a surprise for everyone in the market. In June, we knew that we were starting to ramp up our recovery but we still didn't think it was prudent. We still had some idle capacity. We didn't think that we should, at the time, recover the prices, because at the time we still didn't know -- we weren't sure of how that would go. By June, we started understanding the market better, especially for Wood where we had a higher cost impact and we already programmed for the recovery in August.

So, we always have a lead time of a month or so in our operations and that's what we did. I believe it was a very successful strategy and we actually have a situation in the market where Duratex worked very well. In Wood and in Deca, we are sure we are going to gain market share in some segments. So the work was well done. We offered from many of our clients during the crisis better conditions so that they could withstand the crisis, everyone who is exposed to it. It was very easy for Duratex to capture cash and we had a policy. I actually highlighted this in an article that we were able to do this without changes to the price. This is the first thing we usually do in a crisis. But we did not do it and this was well accepted by our clients. It really reinforced the partnerships we had, it was very positive and there were many cases of clients, not just a few, but many clients who after they felt that they had recovered, actually paid us before they had to. So that was very positive and very interesting. It's not usual, but it shows really the strength of the relationship that we have with Duratex. So I'd say that this was very well executed.

When you look at Deca, as you said, Deca is able to do a continuous work and as Marcelo said, we have been implementing a medium-term plan to optimize our company to cut costs and we were able to really accelerate that during the pandemic. It was very good to start back up again. Deca is now hiring given the demand that we have. So the initiatives we had planned were implemented and even accelerated. So I think that was very positive. It was very positive that we were able to control costs and gain productivity. That was very important given the impact that Deca suffered from the US dollar.

I think Marcelo has something to add.

A - Marcelo Izzo

Hi, good morning. I think Antonio said it right. The effort that we are having now actually started in 2018 when we began our growth strategy, which I've always presented. We used to talk about the pillars that we had and one of them was definitely operational efficiency. This would be the basis for our sustainable growth and what we saw this quarter was the result of what we've done for the past two years. So, we are continuously seeking productivity and efficiency so that we can offset, for example, currency exchange impacts such as we saw this semester.

Volumes were very good in June and I again refer back to our growth strategy. I always said that our implementation strategy included working with operational efficiency and commercial excellence. So, again, this growth perspective that we had for our volumes was influenced by our gain in market share and it's the consequence of several projects that we had been starting for our commercial execution and they were accelerated during the pandemic. We did not stop, our strategy didn't change. We did not stop and actually quite contrary, we continued doing what we had committed ourselves to doing. As Antonio said, this was why we had this gain in market share.

You asked us what was surprising or what channel surprised us most. The biggest opportunity we saw during the pandemic was how the food channel -- the food industry channel increased. One of our businesses, which was electric showers, did very well in that area. So we more than doubled our production in that channel. So of course that contributes to the volume performance we saw this quarter.

Q - Caio Greiner

That was clear. Thank you.

Operator

The next question comes from Lucas Canteras from Goldman Sachs.

Q - Lucas Canteras {BIO 20909160 <GO>}

Hi, good morning. Can you hear me?

A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}

Yes, we can hear you.

Q - Lucas Canteras {BIO 20909160 <GO>}

Okay, great. I have a couple of questions on my side. First, going back to costs, you mentioned that in April, the situation was not so good and you decided to close several pads. We should not see this happen in the second half of the year. So what I'd like to understand is how much of your cost was impacted by the close-downs and how much will it be better just by moving that effect in the second half of the year? My second question is, talking about capital allocation, we've heard that some of your competitors especially ceramic tiling competitors have been facing challenges. Do you see this as a good moment for any kind of acquisition in ceramics or do you think it's still the moment to preserve your liquidity? That's all. Thanks.

A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}

Hi, Lucas, thank you for your questions. With regard to cost, I'm not sure if I understood your point. But what I explained was that when we shut down our plants, this was of course during the worst part of the crisis. All the fixed costs with labor and everything else was still there. We and our shareholders had a commitment to try to maintain jobs and to pay everyone. It wasn't a purely economic crisis, right. So that's what we did.

Right now, as plants are in operation at full capacity, the situation is quite different when it comes to costs. So costs are completely normalized. And I'd say that the only effect that will still persist is definitely the foreign exchange effect. The US dollar is still high and this balance is still not as favorable for us, especially for dissolving pulp and so on. So we know that we are in an unfavorable situation when the dollar is up.

We're trying to mitigate that as wood recovers its prices. So maybe with that scenario, of course, I can't say this for sure, but we'll have to look at costs. And at some point, when we think things are doing well, we might have an opportunity to try to recover somehow. And of course, we'll have to see how the foreign exchange goes. This is a very important moment to consolidate how we are occupying markets and consolidate our services. We actually have to recover some of our focus.

In the Wood division, we are working at low inventory levels which is very good from a certain point of view, but that also creates some risks, so that's what we're working on right now. Until the end of November or something of the sort, I do think that all of our plants will be working at full capacity. Because we also have a low inventory, so that goes for Deca and Wood, so -- but it -- and it also applies to the rest of the chain. This happens to us. This is happening with us, but also with store owners. They also took their measures and as the market grows, the inventory is not completely regained, so we do see that they are having sellout, especially in wood in the industry segment and retail.

We are seeing some sell-out and that can be explained clearly. It does seem like a case or something you hear in school, but it can be explained by two factors. First, since people are at home a lot, people are renewing and refurbishing their homes and that's the biggest driver for us, much more than new constructions. Refurbishments probably represent two-thirds of what we sell at Deca. When people are renewing their bathrooms, their homes, this is what they do.

And the second factor is that we are competing for -- with fewer people for the end customers. So, for example, people have less consumption or less expenses in restaurants and so on, they are using that available money to improve and refurbish their homes, their offices, and I don't see that as a short-term trend. I think that trend will probably continue for the next years. We'll have to see what the crisis brings us, but it does seem like this new trend to value houses and to value working from home is here to stay. And this of course connects closely to our purpose. I think we're well positioned to capture that. So I don't know if Haddad or anyone else has anything else do add. If you do, please feel free.

A - Henrique Haddad

No, I think you said it right, Antonio. I think the biggest positive trend we will see for the second half of the year is that our production scale will be stronger. I think that's the biggest highlight.

The next point, Antonio, is about M&A or any potential acquisitions.

A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}

I don't know if I didn't answer that. Yeah. But, yes, Duratex has future plans, we have -- we are planning, we're analyzing opportunities. This is done routinely. We have a department working on that. It may be that we find an opportunity. Of course, we're still recovering, but not everyone is performing so well. This sudden stop really did stress some of our competitors and some of them are facing challenges. Fortunately, we're doing very well. So it may be that we might look into that. But this is done step by step. There is no way around it.

The first approach we had with when the crisis began was to preserve our cash. We had to make sure that we were solid and that's when we captured cash and now we are at a level that's far beyond what we need. So we're working with our Board and with our shareholders to see what we're going to do with it. All the short-term debts we took can be paid. So that would be an option or we can also have longer terms. This was also a possibility.

But, yes, if we do see an opportunity -- I don't think we would talk about this two to three months ago, but now I do think we are prepared for that. There is nothing really wrong in looking at these things. This is something that we have to do every day. But if we do have opportunities, we will look at them with care.

Q - Lucas Canteras {BIO 20909160 <GO>}

Okay, that's perfect. Thank you.

Operator

The next question comes from Jorge Lorenzo [ph] from Morgan Stanley.

Q - Unidentified Participant

Good morning, everyone. Thank you for taking my question and congratulations on your results. My question is about the strong sales you had in showers. I'd just like to understand that a bit better. If you can clarify what happened there. Do you think it was because of other players having challenges this quarter? And if so, do you see any risks for volumes in the next quarters, if these players are able to recover? That's all. Thank you.

A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}

Regarding showers, it's important to say this. We're reaping now the fruits of the efforts that were taken in 2019 and even earlier this year by our industrial and sales areas. We really suffered when we were transferring plants from Santa Catarina to (inaudible) This is -- this may be a detail for you, but the plant we have now is completely different than what we had. So we are optimizing things. We used to have many inefficiencies, so we're redesigning our products portfolio. We're working strongly on that.

I'd say at least 50% of what we have in this excellent performance we're seeing with Hydra and other brands in this period and I really do mean excellent. Regardless of the pandemic, it really has performed very well. And this is due to structured activities or initiatives we had. We have some competitors in the electric showers industry, which are very well respected. And as you know, we have a bigger competitor. We're not the market leader, but we had a strategical long-term plan and aiming to grow and to take a space that we can fully take. So that's what we're doing.

If our competitors did well or not, I really cannot say. You'd have to ask them, but I do think they're very competent. Anyway, if we look at June and July, we really don't see any changes in our competitors. We don't really see that they are failing. The market seems to be normal. What really happened was that we made very good decisions. We had a lot of growth in the food industry, for example, and that is an area that I would attribute to the brilliant execution we had in that area. We were very assertive with our material, with our point of sale material, it was very positive. We have strong partners, so I think we did very well there. I'd say the execution was very good and I don't think that we'll lose that. I think we're at a solid position that we achieved and that we hope to maintain.

Regarding the food industry and home centers, it seems like it can be easily explained. We were doing well at an important moment in which people could only leave to go to the supermarket or to a home center. So working well there was good and I think that's what led to our growth. There can certainly be some changes, but I think we got a good position. We're doing good work. So if our competitors faced any issues, I don't think that was the main factor that would explain our success. And of course, they would have already have recovered by now. So we know that the market leader is doing very well and we're competing normally. We're just collecting the results of the work we did very well and the new commercial policy that was well executed.

What's important to say here, Jorge, just a quick comment, what you have to keep in perspective is, across all our categories, but especially in showers, due to the seasonal distribution, it's much better to look at last year than looking at the previous quarter. With showers, we're in winter now and that is a big change. What really did happen is that we took this opportunity. I just wanted to highlight the importance of comparing our data with the same period last year.

Q - Unidentified Participant

Perfect, thank you.

Operator

The next question comes from Caio Greiner from BTG Pactual.

Q - Caio Greiner

Thank you all. I have one more question and I'll be quick due to the time. I'd just like to understand your strategy with forestry assets. We saw there was a strong reduction in the invested capital you had in Wood and you were selling your forest assets to other players. Last year, you sold a lot to (inaudible) and you closed the Botucatu unit and some of that was used for the Cecrisa acquisition. Do you still have some spaces after the sales to sell any other forest assets? The sales you had in Botucatu, could it be repeated and can we expect any cash coming in a future -- for our future acquisition? Thank you.

A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}

No, Caio, we don't have any more space to sell forestry assets. The ones we have right now are in Minas Gerais, Sao Paulo and all other states are compatible with what we need. They are the minimal necessary to maintain our wood panels operations. So not only do we not have a plan, but we are fully convinced that we will not have any opportunities to reduce them further. If we look at all of our operations with (inaudible) we were able to get 2 billion in sales and I don't think we'll have an opportunity like that again. We do have a Northeast project.

Q - Caio Greiner

I don't know if you can hear Antonio.

A - Henrique Haddad

No, I can't hear him many more. I think he was disconnected. Yeah. So he probably had a problem with his connection, but just to finish, Caio, we really don't have any space for adjustments in our forestry assets. We hope to continue to become more vertical and we're just keeping what is relevant. We think that really makes a lot of difference in the wood panels operation.

Q - Caio Greiner

Great, thank you.

A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}

Hi, can you hear me again?

A - Henrique Haddad

Yes, now we can Antonio.

Operator

If there are no further questions, we would like to conclude the questions and answer session. We will now give the floor to Mr. Henrique Haddad for his closing remarks.

A - Henrique Haddad

Hi, Antonio, we can't hear you. Don't worry. There was a slight pause and we finished an answer to your question. You can hear us, right?

A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}

Yes, I can hear you well. Sorry, everyone, I was disconnected when I was answering the last question. So just to reinforce what I was saying, we no longer have forestry assets for sales. We do have a project in the Northeast. But it's self-sustainable. It doesn't require any cash operations and we have an interesting wood utilization project there. So from the forestry point of view, in terms of assets, we should not have any further sales.

Operator

We now conclude our conference call. Thank you for listening in and have a good afternoon.