

Q2 2019 Earnings Call

Company Participants

- Antonio Emilio Clemente Fugazza, 'Chief Financial Officer Investor Relations Officer Member of the Executive Board'
- Hugo Soares, 'Investor Relations Coordinator'

Presentation

Operator

Good afternoon, ladies and gentlemen. At this time, we would like to welcome everyone to EZTEC Second Quarter 2019 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 be given.

(Operator Instructions). Today's event is available through a live webcast that may be accessed through the EZTEC Investor Relations website at www.eztec.com.br/ir, by clicking on the banner web cast. The following presentation is also available for download on the webcast platform. The following information is stated in Brazilian Real and 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, forecast and financial and operating targets is based on the beliefs and assumptions of EZTEC management and on the information currently available to the company. Forward-looking statements are no guarantee of performance, they involve risks and uncertainties and assumptions because they relate to the future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of the company and could cause results to differ materially from those expressed in such forward-looking statements. Now, I'd like to turn the conference over to Mr.Hugo Soares, IR Coordinator, who will begin the presentation.

Mr.Hugo, you may begin the conference.

Hugo Soares {BIO 19772261 <GO>}

Good afternoon, one and all, this is Hugo Soares, the Investor Relations Coordinator here at EZTEC, and with me we have also Emilio Fugazza, our Chief Financial Officer as well as our Investor Relations Officer, and we are here to discuss the second quarter results for 2019. And for that, I ask you to look at our webcast and specifically it slides three and four,

FINAL

Bloomberg Transcript

FINAL

where I'll try to put the quarter's performance in context. When you look at the some follow real estate market, it has been showing significant signs of getting heated up, and they really indicate the fact that we're entering a new moment in the sector.

That implies that not only we are moving away from the crisis that we have officially gone beyond it, but they're also that we are certainly entering into a brand new cycle with very many opportunities. In this new operational cycle, we start to perceive, we start to see their main indicators that we were used to seeing back in the past boom cycle back in 2010 to 2014. Signs such as new investors entering the market as well as expectations of increasing prices and EZTEC is set in the particularly good position in the face of this upcoming cycle, such that its operational and financial figures actually already reflect some of the update. If we look at the fact that EZTEC has delivered BRL676 million in net sales in the first semester, what that basically means is that we hit our all-time record as far as net sales for any given semester.

The same is true about gross, and if we take into account inflation, if we adjust for inflation, what we see is that we're actually performing at a level, at the same standard as 2012 or 2013 at the prime of the boom cycle. Inventory sales have accelerated significantly but the market has been particularly heated up for new launches, so we have launched six projects up until now in 2018, such that we reached BRL707 million from PSV launched in the first semester. And from those six projects the three largest of them have actually managed to sell 80% as of now. It is a market that is willing to buy, and which has making us very motivated to keep on launching and for that, we've revised our guidance for launches in 2019 with our new objective to launch something between BRL1.5 billion to BRL2 billion in PSV in the year, which basically means that, when you look at the second semester of 2018, we're still allowed to launch an additional BRL1.3 billion.

It is as important to see a market is willing to buy as it is to see that the company in itself internally is able to deliver in that current -- in the given market and we have actually been preparing strongly over the course of the crisis and one of those preparations was to actually inject BRL2.3 billion in new plots and acquisitions that we have made from 2017 up until today. And with that, our Landbank currently sits at BRL5.8 billion potential PSV figure, we have managed to buy make those acquisitions at a very opportunistic timing, while the sector was still busy digesting the crisis. And we've managed to make those acquisitions both in shares in new stakes or in new plots because we have a very strong net cash position that provides us a very comfortable position to make those purchases. The net cash position today sits at BRL349 million and it is particularly important in the beginning of a new cycle, because it is a time in which we generally have a significant investments in making new launching stands as well as putting up new construction sites, while also at the same time allowing yourselves to finance some of our clients ourselves directly.

In that sense our portfolio of ready receivables, which currently sits at BRL527 million means a very important cushion of liquidity that we carry forward. It really helped -- the portfolio receivables was also helped us significantly with channeling our ready inventory and thanks to which 10% plus inflation rate, it also offers a very consistent net result -- of net financial result that really helps in covering for very many of our operational expenses, not to mention the fact that, it is an application that today is at 259% of the CDI. That reflects in our result all of those factors put together in confluence, they have already

FINAL

affected our results despite the fact that the way that accounting takes place in the real estate sector in Brazil, some of that revenue recognition gets postponed over the course of the construction cycle. But in the limit, we already see today an increase in gross margin back at the 40% level as well as a net income that in the first semester of 2019 has already overcome all of the net income recognized in 2018 as a whole.

Now, I ask you to move to the slide number 5, where I'll provide further details as far as our Landbank. So the operational cycle that we started in the past three quarters has been fed -- has been given ammunition by important acquisitions that we have been making ever since 2017. So they have been about BRL2.3 billion in PSV acquired over those years and from those we have only launched BRL800 million. They were interesting acquisitions because they took the opportunity of a moment in which the market for acquisitions wasn't heated as it is today, and it was at a moment in time in which we actually enjoyed very many of benefits that the new regulatory master plan for the City of Sao Paulo, which at that time had just recently been implemented, weren't fully priced in into acquisitions prices.

So we manage to make those acquisitions counter cyclically such that, today we have the projects with very healthy rates and gross margins. However, we're launching rather quickly and when we look at a Landbank of BRL5.8 billion that we have right now, I am confident that we should acquire new plots so that the Landbank suits the pipeline that we devised. I would believe in our capacity to execute those constructions, so we should go want further acquisitions. Now, I ask you to move the slides number 6 and 7, where I'll discuss our operational performance and the impact that it has on our inventory.

The second quarter of 2019 was the third quarter in a row that, that has shown a heat up - - heated up economic activity in the Sao Paulo real estate market. And we have been managing to actually gain traction in all fronts that we're facing. So our launches are actually being delivered with a strong sales speed which allows us to put products in the market without having to carry further inventory. So given that our launches are being pushed forward without inventory formation, if you look at for example, the projects that launched in the past two quarters, they ended June being 57% sold that means that inventory formation is under check and which makes us comfortable to go on launch.

And with that said, that's the reason why we put a guidance provision that allows us to launch as much as 2 billion in 2018 and we have choose very impacting projects that we should be able to launch in 2019 in the second semester. I'll talk about them soon. It is also important to mention that we have been able to gain traction in the ready inventory sales just as well, even though despite the fact that we've launched BRL313 million in the second quarter, we've still managed to digest BRL91 million of the inventory, so we shrunk our inventory even so. It has been really easy to finance clients that work out the affordability of those clients in a context in which rates are at 7.99 at their all-time low.

So that net -- the fact that inventory is shrinking has been taking place without a loss of prices or profitability. So for example, when you look at sales in Cidade Maia, they have advanced 28% in the second quarter and they have delivered the gross margin above 40%. So if you look at for example, Osasco as well, we have managed to shrink our inventory to such an extent that right now we should confident enough to actually put on a

Bloomberg Transcript

FINAL

new launch, the sixth phase of the Jardins do Brasil Project, which is to be launched still in the third quarter of 2019. With that, I ask you to move to slides number 8 and 9, where I'll talk about the launches that we have devised for the year as well as slides number 10 and 11, where I'll talk about projects approved -- that are already approved and projects that we are intending to launch in the future.

So when we speak of launches, it is important to remember that we have begun the cycle with a strong backlog of projects that had already been approved by the City Hall. That backlog is the fruit of a very strong work that we've been doing over the past years and that now allows us to coordinate our launch and pipeline with a lot of ease and a lot of tranquility. It also allows us to maintain a rhythm of about one launch per month, such that we allow our brokers to be able to properly digest and work at each project at a time. Our real estate broker TEC Vendas has been key channeling all of those launches and it has responded really well to the work that we put in it.

So the number of real estate brokers that we have registered in TEC Vendas has more than doubled ever since the beginning of 2018, and today counts with over 1,400 autonomous brokers. And that TEC Vendas has been the protagonist of this new cycle corresponding to something about 80% of the sales that we carried out. Among the launches that we carried out in the quarter, the main one should be Patrio Ibirapuera, a project a few blocks away from EZTEC's administrative headquarters, it is a project directed to the high income segments that we launched in June and that at the very same month managed to sell 60% of its 54 units. And it is currently sitting at 83% sold.

It is a project that was recently acquired, bought in 2017 and where we actually managed to increase prices significantly from the time that it was launched, delivering gross margin above the 50% mark. The success that we achieved with Patrio Ibirapuera motivates us to further large scale launches in the second semester. Among those launches, we can mention Haute Ibirapuera with BRL146 million PSV in Vila Clementino where we actually have very many reserve sales already and we're expecting a good a strong sales speed. We can also mention Reserva JB, a project of BRL133 million which is actually the first tower of the two towers, they are to be launched in the last phase of the Osasco project, Jardins do Brasil.

In that case, the launching stand is already open and very heated up, we count on something around 100 reserves already made, and we should start signing those sales from the next week on. And that last but not least we have Parque da Cidade, a project with BRL550 million in PSV in Chacara St. Antonio. In that case the sales stands is already ready to start sales so the projects already approved and I think that a few weeks after the launch of Jardins do Brasil, we should be able to start to open up the sales stands for new clients.

So these projects already count with their sales stands either already ready or underway, and they lead an aggregate BRL829 million in PSV added to the pipeline. In practice that implies that we should be able to reach that BRL1.5 billion that was the ceiling for the old guidance already by the end of the third quarter of 2019. And apart from that, we have about four projects that are already approved by the City Hall and that will assist us in

fulfilling that 2 billion guidance that we recently revised. Now, I'd like to pass the word to Emilio Fugazza, who speak of the financial results.

Emilio, please.

Antonio Emilio Clemente Fugazza {BIO 16474296 <GO>}

Thank you very much, Hugo, for the excellent explanation about the operational sides. Let's talk about the financial performance, starting with the net revenue chart on the top left. This time, net revenue came in at BRL162 million second quarter 2019.

Let me remind you that these amount of net revenue is coming from all the consolidated projects, let me explain a little bit about. In facts all the projects we have the control, we have the control of the actions for the projects, we can consolidate in our -- in our P&L, in our balance sheets. The projects we are sharing control, sharing the decisions of the projects, we have to book as equity income in this -- in this case. For this moment and on, projects like we have 100% of belonging into EZTEC project that you can see in our net revenue charts.

In the last -- in the last six months, we launched something around six project, six projects from those -- six projects, two of them are not yet recognized, because we have not sales enough to fulfill the suspensive class in order to start recognizing the revenues, but from the projects of 2018 and four projects from six in 2019, you can see if the results come in this chart. On the top right, you can see the gross profit chart and gross margin chart, gross margin coming in at 39%, coming up a little bit since third quarter 2018. I have been saying that not as a targets, but as a mindset from this company, we'd like to see gross margin coming at 40% to 50%. So far we can reach something around the 39%, at 39% let me remind you, includes projects like Minha Casa Minha Vida projects from the low end projects we have been launching since 2018.

Project trying to consolidate the (inaudible) prices we have been watching since the first quarter 2019. In terms of expenses G&A expenses and selling expenses it's important to bear in mind that those charts are not showing the whole story about the volume of our expenses and deficiency of this company. Let me start talking about G&A expenses in the bottom left, BRL26 million, first of all BRL26 million there is one-off events coming from a project we bought at stake in this quarter, BRL3 million -- around BRL3 million is the volume of one-off coming from this acquisition. So the regular volume of G&A expenses is something around the BRL23 million -- BRL22 million, that's a kind of expense you can expect from this company, the whole year, every quarter.

When you see a 16% as an expense from net revenue, let me remind you that I have so many projects coming from the equity income side and those projects are totally organized and I would say managed by EZTEC. So, we have to use the force, the power of this company the people from this company from EZTEC itself to manage those launches. So including for instance, the launch of Patrio Ibirapuera as Mr.Hugo mentioned before, I would say that the volume of G&A expenses over net revenue including the revenues of the Patrio Ibirapuera of the equity income projects, could reach something

FINAL

around 10%. So deficiency of the G&A expenses are gaining ground and becoming more-and-more efficient as we are increasing the volume of launches in our company.

Finally, this first slide of financial performance, I would like to say something about the selling expenses on the bottom right from this slide. So, selling expenses came in at BRL18.2 million. Let me remind you that BRL18.2, we can break up in two parts, the first one is the publicity and the stand-up sales. Let me explain that, we have been building a lot of new sales stands, sales stands that we have to make up everything in order to get people over there, in order to make the sales apart from the fact that we have to build a kind of an apartment or two apartments in order to show the final apartments to our clients.

So it's a huge amount of expense we have to use prior, the launching moments and that's why when you see BRL12.7 million of publicity and stand include -- we have to include over there, launches we're going to do in the fourth quarter 2019 or third quarter 2019. As Mr.Hugo mentioned before, so the launches of Haute Ibirapuera, Reserva JB and Parque da Cidade our projects that the stand of sales and the publicity are already done or already beginning, so that's why you see volume of expenses increasing a little bit. On the other hand, when you see BRL5.4 million of ready inventory carry, means that as we are selling more-and-more apartments are ready to live like (inaudible) itself or even Jardins do Brasil, or apartments that we have to pay for the maintenance cost or for the property taxes or even more they maintain into cost for having the apartment ready to receive new buyers, receive the brokers in order to offer the apartments to new clients. And that's why the cost of carrying the amount of ready inventory we would have is a little bit higher than in the past times, but as you can see from the first quarter through the second quarter, these amount of expenses dropped a little bit, and dropped because exactly because the volume of all the units being sold every single quarter is in the same and in the same level, so we are reducing the volume of ready inventory by a rate of BRL100 million every single quarter.

So moving on to second slide of financial performance, starting with the top left with the financial result. Financial results in terms of EZTEC balance sheet means that the majority of this amount of BRL32 million, it's coming from the volume of financial or financing we are providing to our clients. So let me remind you that one part of our business model is to provide finances to our clients. It's a kind of finance that we can provide in order to get some kind of people that's a little bit more harder to get to obtain mortgages from the commercial system, like the public or the private banks.

But as we have the whole guarantee that if the client is not paying back the units to EZTEC, we can get back the units without any kind of penalty fee. This is a kind of business that we have guarantee enough to save the money of EZTEC lending to our clients. And for this kind of business we have been charging something around IGP-M, which is Inflation Index in Brazil, IGP-M plus 10% yearly, it means in the last 12 months something around 15% yearly, 15% yearly compared to base interest rate in Brazil, which means something around 6% means more than 200%, kind of investment of the shareholders equity of our company. In this kind of business more than enough to accomplish the target return on equity we have in mind.

FINAL

So obviously time over to over time, we can see the yield or the volume of financial result of changing a little bit, compared to the first quarter 2019. Second quarter is much higher and much better, but the explanation about it is because the inflation in the first quarter 2019 was not inflation, positive inflation was a deflation for our assets. And that's why there was a change a little bit in the volume because in the second quarter the total amount of inflation, we booked it in our P&L positive instead of being negative like the first quarter. So for the next quarter, we are forecasting something positive, but obviously a little bit less than the second quarter is specifically because we are in the movement here in Brazil of inflation much more controlled than in the past.

Inflation in much more controlled means that we are going to see some boundaries or some targets from the Central Bank of Brazil, gaining ground to decrease a little bit to the limits and making a new total -- a whole new space to decrement of the basic interest rate in Brazil. So moving on to equity income, equity income is a kind of -- as I told you before is the kind of projects that we have no -- the complete control of the projects. Although we have been doing the construction of the plots or the management of the receivables of this project. And especially -- particularly in the second quarter 2019, we launched the project Patrio Ibirapuera.

Patrio Ibirapuera is a kind of project that could provide more than 50% of gross margin and that's why you can see BRL36 million of equity income results with gross margin of 48.3% that's obviously, that was an outstanding result compared to the previous quarters. As you can see since the second quarter 2018, we saw projects in the Metropolitan region of Sao Paulo providing something around 34% or 36% of gross margin. With the accomplishments of this project the Patrio Ibirapuera with more than 50% of gross margin, the average gross margin was from the equity income projects 48.3%. Let me remind you that from this project specifically is in our accountancy only 65% of the units sold and recognized it up to the second quarter 2019.

As Mr.Hugo told you before, we have reached so far something around 85% of units sold, so these remaining 20% of the units sold, we are going to recognize in the P&L from the third quarter 2019, trying to keep the volume of results from the equity income in the higher levels, like the second quarter '19. So moving on to the bottom left, the net income it's about BRL95 million, in the first half it's about a BRL112 million. So more than the last three years let me exclude the sale of the tower B from the EZ Towers but so from the operational side and both operational and financial result is a kind of volume of net income that is a kind of -- you can understand how important is or how strong is the movement of the real estate market here in Brazil. Obviously, in this BRL95 million, so we have some one-off events and from those events, I would like to say something.

First of all, in terms of something around BRL9 million to BRL10 million of results from three piece of land in the city called Praia Grande Long Beach, which is a city from the Sao Paulo State very close by. We have more than 10 piece of land over there, and we sold three piece from this land specifically to make -- to another developer very specialized in shopping and in big huge shopping malls, to start the construction of a very interesting commercial mall over that area. So doing this kind of project obviously we're going to see a very interesting increment in prices, increment in the willing of buying apartments over

FINAL

that area specifically in the next coming years. And that's why was a very interesting kind of deal to EZTEC selling this piece of land to our partners over there.

And apart from that we have as you can see -- you guys can see in that kind of a recurring event EZTEC buying some shares in projects that we are launching projects are only or we have only receivables or inventory that's why we got something around BRL10 million to BRL20 million of value in a project of Osasco in a project called Jardins do Brasil, we were partners in a 46% of that project and now buying another 30% we reach it something around 76% in share of this project, and this is the project that we are going to launch the first phase of Reserva JB as Mr.Hugo told you before is a project of all in all, is a project of BRL266 million of potential sales value, only the stake of EZTEC. So all in all what do we see now is the operational results coming better than in the prior quarters and financial results decreasing the share in our bottom line. And finally, the results to be recognized with the backlog margin BRL201 million, but more importantly than that is the 42% of backlog margin you can see in this short on the bottom right, that in second quarter 2018 just one year ago we had 36% of gross margin over there and nowadays 42% of gross margin, so meaning that when you think about the new projects we have been launching those projects with better margins than one year ago or two years ago. So saying that let's move to the next one, the portfolio of direct receivables evolution, so this is the whole explanation about the financial result from our company.

So looking at the volume of the units in foreclosure just to understand how good, how better is our portfolio of receivables, you can see that 2018, we have something around 32 units in foreclosure so units -- we got back those units in order to provide new sales from them and in six months 2019 only 19 units in the same situation, so two kind of things you can understand from this figures. First of all, people are struggling much more in order to pay their bills in order to avoid a conflict with the developer, a conflict with the banks in order to keep the units without taking a chance of losing their units first of all. Secondly, obviously the market is going better than in the past, the prices are gaining ground again, so they know that if something happens in terms of losing the unit, it is going to be a little bit more complicated to buy an apartment again. In terms of generation for all origination of new receivables, new mortgages you can see that in the first half 2019, we could originate 258 new units providing financing by EZTEC.

In the same time (inaudible) was something around a 186 units meaning that people are trying to move from these mortgage -- off this EZTEC mortgage which is a IGP-M plus stamp [ph] to the bank's, the commercial banks, as they can get the -- they can be accepted by the banks, so the banks nowadays the best rate, the best interest rate we can get this from Santander. Santander is providing something around 7.99% plus nothing. So comparing to the interest rate of EZTEC far more far less expensive than EZTEC And that's why we have been watching this movement from the EZTEC's equities -- EZTEC balance sheet to the banks. So finally, it's important to be reminded that even watching a situation that some of people are really trying to change and to move from EZTEC' to the bank, we are originated almost the same level, ended up the first half of 2019 with 2,000 units in our balance sheet meaning something around BRL527 million of mortgages provided.

FINAL

So finally, I would like to provide part of our message for this quarter before handing back the word to Mr.Hugo Soares. So there is a kind of a slide that our IR team provided that is a synthesis of 12 year as a public company. We are doing this kind of thing, just to understand, why we have been (inaudible) as you saw in the past three months. So just want to understand a little bit, you can imagine someone trying to invest in a real estate company, public traded real estate company in the year of 2007 -- the year of our IPO.

So June 2007 you provided an investment of 100 coins. Let's say coins, so a 100 coins in 2007, so after 12 years of these operational management, this business model, we have been providing for you guys, which is a verticalized company that can provide finance to our clients can build our own buildings can sell from our own brokerage team and even though trying to avoid a huge amount of leverage in our company. So let me remind you, we are not cash position, the total amount of debt we are carrying nowadays is about BRL7 million to BRL8 million all in project finance. So, we are trying to avoid at any cost the debt from our company only trying to put, trying to place the debt in our in our projects.

Let me remind you that we have paid this time, we have paid BRL1.45 billion in dividends and even more we have something around 36% in share splits to our shareholders. So all in all the result is 739 coins, so from a 100 coins invested in 2007 nowadays from the previous share price you can see August 2019, the result is about 739 coins of results from our company. Saying that this means that the result is about 219% of the accumulated CDI in Brazil. CDI in Brazil city is kind of reference from the basic interest rate in Brazil.

So take in mind the basic interest rate in Brazil, someone invests in on EZTEC shares can get good GAAP something around twice as much the volume of invested in the basic interest rate in Brazil. And even more, when you think about the Ibovespa, which means the six more -- the 60 greatest companies, public traded companies including Petrobras, Banco Itau, Vale, so, the great companies of Brazil, this means that investment on EZTEC means something around four times more valuation, more creation of value than the Ibovespa itself. So saying that, I like to hand back the words to be Mr.Hugo to say the final message to provide for our present -- our CEO and our Vice President, Mr.Hugo, please.

Hugo Soares {BIO 19772261 <GO>}

Thank you, Emilio.

Now that you've heard our CFO speak. I'd like to reproduce the final remarks that Silvio Zarzur mentioned in the -- by the end of the Portuguese conference call, our Development Officer. And what he describes is that we have recently received a heated up demand for all segments of our activities from Minha Casa Minha Vida to the high income segments and then we don't exactly believe that it's something that should come and go and it's actually something that should remain for the upcoming years and we have actually maintained much of our operational structure over the course of the years of the crisis and we have put money in that maintenance such that now we have a share capacity to go towards come towards that demand. Our sales team is prepared with the best professionals, excellent customer relationship management system, we put them in

FINAL

a brand-new office which provides them very good climate to work on, and we're going to reap the fruits of that work.

Now, we also have the best land bank in town so that go -- applies both Minha Casa Minha Vida all the way up to the high income, segments their excellent plots and that I'd like to insist on our capacity to make further acquisitions. So a few plots will be harder to get than others but with the in-depth knowledge that we have of Sao Paulo, we have a lot of ease to find them. We have a very detailed understanding of the demand in Sao Paulo where each type of person wants to live. And with that, we have the capacity to deliver the right project for each given plot.

We have also modernized the type of projects that we make in a very important way. So if we compare the projects that we make in the past four years, it's much like the way the automobile industry managed to modernize over the course of time. So that sophistication becomes apparent in the new products that we're putting forward. We've also modernized the marketing structure, the way that we presented project our publicity, modernized our sales stands and all of that has been helping us to sell better.

Now, I'd like to also mention about our engineering capacity, which allows Silvio to sleep at night, knowing that it will be putting forward large-scale projects without running the risk of going over budget, also taking consideration that of all the projects that we developed in all of our history, we've only done over budget once and that capacity to deliver hence the EZTEC, a branding quality much like a premium car. So the Branding that EZTEC has it's something that helps throughout and also helps the fact that we have a 40 years of financial solidity. It's something that helps us in pushing further sales. Flavio Zarzur, our CEO also mentioned about some regulatory improvements.

Apart from the cancellation loss that have already been implemented and are ongoing, there are also further discussions about regulations regarding default interest payments, which are to be paid only when the judicial case is fully completed. So it's something that could be upcoming, it's being discussed. All of those are factors that mitigate the risks in our activities. Going back to Silvio's words, he repeats what he had previously mentioned that we have a great demand and that it seems to be long lasting.

We are ready to attend that demand in a very profitable fashion and with a lot of volume. We have held onto the structure from past times and we're ready to reap the benefits of it. Now, we move on to the Q&A. Thank you.

(Question And Answer)

Operator

Ladies and gentlemen, we will now initiate the question and answer section. (Operator Instructions). And this will conclude the question-and-answer section. At this time, I'd like to turn the floor back over to Mr. Emilio Fugazza from IRO and CFO for any closing remarks.

Hugo Soares {BIO 19772261 <GO>}

All right. This is Hugo speaking again, the IR coordinator. I would like to finish off with some concluding remarks regarding the evolvments, the developments that we have seen over the past -- over the course of the second quarter, which presented a -- which reaffirms our confidence in this operational cycle. It is a cycle that we come into with a lot of financial breadth and a lot of capacity to deliver continued growth and launches, with quick sales and differentiated margins.

So, we enter an operational uptake that is based on -- that is founded on among others vendors, our in-house sales team, which is probably the best in-house sales team of Brazil, which is very good, nicely managed, and that's been able to deliver increasing sales, basically at the same speed at which we'll be launching. We have also the company's engineering team which is one of the best prepared, and it's ready to deliver quality constructions at low cost, at the right cost. Also, the real estate development team which has been able to produce projects that symbolize the aspirations for each client's will to acquire, with a lot of rationality and approving projects with inspiring speed. So, EZTEC's management also has the guidance of its Board of Directors.

And we advanced in a very strong fashion, yet organized fashion, coordinating a series of opportunities of value generation for the cycle. From Minha Casa Minha Vida to Parque da Cidade or even to (inaudible), our corporate project, we have been developing the circumstances for a prosperous new cycle that makes justice to the company's history. Thank you very much.

Operator

Thank you.

This concludes today's presentation. You may disconnect your lines at this time. And have a wonderful day.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.