

Y 2014 Earnings Call

Company Participants

- Eduardo Fischer Teixeira de Souza, Chief Executive Officer
- Leonardo Guimaraes Correa, Chief Financial Officer and Investor Relations Officer
- Rafael Nazareth Menin Teixeira de Souza, Chief Executive Officer
- Unidentified Speaker

Other Participants

- Daniel Malheiros, Analyst
- Fred Mendes, Analyst
- Klaus Schmidt, Analyst
- Luiz Mauricio Garcia, Analyst
- Marcelo Motta, Analyst
- Nicole Hirakawa, Analyst
- Rafael Pinho, Analyst
- Unidentified Participant

Presentation

Operator

Good morning and welcome to the conference call for Analysts and Investors of MRV Engenharia e Participacoes Earnings of the Fourth Quarter 2014. Today with us are Rafael Nazareth Menin Teixeira de Souza, the CEO; Eduardo Fischer Teixeira de Souza, CEO; Leonardo Correa, Chief Financial and IR Officer; Ricardo Paixao, IR and Financial Planning Director; and Matheus Torga, IR Executive Manager.

We would like to inform you that this event is being recorded and that during the company's participation, all participants are going to be in a listen-only mode. Later on, we are going to start the Q&A session for analysts and investors alone, when further instructions will be provided. (Operator Instructions) Today's live webcast may be accessed on MRV's Investors Relations website.

Before going on, we would like to mention that any forward-looking statements made during this conference call relative to MRV's business outlook, projections and financial and operational goals are based on the beliefs and assumptions of MRV's management and rely on information currently available. They involve risks, uncertainties and assumptions since they relate to future events and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of the

MRV and leads to results that these are materially from those in such forward-looking statements.

Now, we'll turn the conference over to Rafael Menin, CEO that will start the presentation. Please, Mr. Rafael you may go on.

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

Good morning. I'd like to reinforce in the presentation today the main reasons that make us confident about MRV's present and future. First, I'm going to talk about the perception of the segment that we have that continues to be strong and resilient. The factors to decide to buy our products are still there. The main ones being the low interest rates and the installments rate that is lower than the rental rate. Added to that, so we have a decrease in competition in the places where we work.

We closed the third year in a row operating in a volume close to 40,000 units. This operation is being supported in our real estate development machine, credit, commercial and production. Business areas of the company are increasingly more mature, sophisticated and homogenous. With regard to MRV, we are very proud of our premium brand in the Economic segment that affects our position and credibility that we have the best audience. Another highlight in the fourth quarter was the evolution of the Simultaneous Sales Project that is closed in the medium term to a natural liquid sale of the current gross sales. In the year of 2015, we have the austerity project. These topics commented will enable us to increase our ROE.

Now, I'm going to turn the call over to Eduardo Fischer. Thank you.

Eduardo Fischer Teixeira de Souza {BIO 17580321 <GO>}

Thank you, Rafael, and good morning, everyone. As Rafael mentioned, we closed, once again, a quarter with the evolution of our indicators. We had a very good number in terms of cash generation and good growth in gross margin. Going more specifically in this two numbers, we generated 238 million of cash in the fourth quarter and 567 million in the year of 2014. It is our tenth quarter recurrence of cash generation in a row, which places us in a very comfortable position to face, quite confidently, anymore adverse scenarios that we can have. In terms of gross margin, we continue with the evolution that we've had expected as our operation matured and improved its productivity rates.

We would like to highlight that, along 2014, we evolved a lot in decreasing at the dispersion of costs in our construction, and results of that are already showing in our balance, and the trend is to keep that for the future. As for sales, again we had strong numbers showing the resilience of our market. We closed the quarter with a number close to R\$1.5 billion in the year of 2014, with sales above R\$6 billion. It is important to mention that we got to December with 78% of our sales made within our Simultaneous Sales Project. With that, we protect from the risk of possible cancellations, and we start to see net sales converting to gross sales.

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As for real estate credit, we closed the year with 36 units transferred to banks. We have today a dedicated team, including own personnel and partners of over 1,300 people. This team, very well trained and focused, works closely with the banks, which guarantees productive operation and more important than that, very stable operations. As for production, perhaps it was the best years of the company. As mentioned before, we got very positive results in reducing dispersion of costs between construction sites and increase our productivity. We delivered more than 42,000 units to our customers, most of them before the maturity of our contracts.

Finally, we started the year with a very important project for MRV. 2014 was the year of sustainability for the company. 2015 will be the year of austerity. Our goal is to reduce admin and commercial costs in already from the beginning of the quarter and we plan for the year costs in these areas below the fourth quarter of 2014 on an annual basis.

Thank you very much. And I'm going to turn the call back to Leo.

Leonardo Guimaraes Correa {BIO 15387486 <GO>}

Thank you, everyone. Thanks, Eduardo. I'm going to be very brief. Additionally to the cash generation of the fourth quarter, we had the fixed income inflation [ph] where we've raised a debenture in the amount of 300 million in the month of January. Thus, had as an objective to roll out the maturity of the part of our main debt of the fifth issuance that is to debentured now in July 14, which I mean that we do not have any roll out of corporate debts to be made in 2015 and that company cash right now close to 1.6 billion is at a very comfortable level.

The second comment has to do with the cost of our debt, which is partly connected to CDI and partly connected to TR. Our consolidated debt cost is below the CDI. Therefore, a positive differential, which is a cost extremely suitable to the profile of our company and activity.

Finally, let's talk about cash directions. We have a lot of cash in our balance and we have a trend of growth in 2014. Regarding 2013, we had to pay out our dividends of 35%, above the parameters of our (inaudible). Also we spent R\$220 million in the buyback of shares. So we lowered our net indebtedness to 24% compared to our net growth. As we have been doing, we continue to divest excess cash to the operation with our shareholders. We are working to have 2015 similar to 2014 with profitability and growing cash generation. So we prefer right now to have a more conservative position, keeping the cash and the balance of the company and leave to later the decision of giving the cash to shareholders over the form of buyback or dividends.

We'll now open for Q&A.

Questions And Answers

Operator

Bloomberg Transcript

Thank you. We'll start now the Q&A for investors and analysts. (Operator Instructions) Our first question comes from Nicole Hirakawa from Credit Suisse.

Q - Nicole Hirakawa {BIO 18242556 <GO>}

Hello, good morning, everyone. I have two questions. The first is, what do you think, it's going to be your Prime results along the next quarters and also for 2016? If you can talk also about your line of provisioning and consequently the payout and also I'd like to know if you had an update about the processes with Banco do Brasil and Caixa [ph]. You showed in your release that you had a bit more of cancellations along the year. So, I would like to know if you think the government is going to pass in the new readjustments, what if things are going to be like for this year? Thank you very much.

A - Unidentified Speaker

Hi, Nicole. Well as for Prime, as we have been mentioning the operational problems of Prime had been addressed. The company and its executives are in the Central West working for approximately a year and Prime operation is going to come first to MRV. Of course, there is a bit of a delay in operation, but our expectation is along 2015 to have things better and at some point, Prime operation will have results, very much in line with MRV.

As for your second question, in terms of provisions. Most of our provisions come from liabilities related to different calculation tables issued by the government. The company has been abiding by the practices, and in 2015, we expect still a bit of pressure in this area. And as we have addressed at the main points for 2016, this line is probably going to get better.

And the last part of your question has to do with transfer to banks and the cancellations. Well, the transfer to banks continues to be very much in line with our sales, which shows the robustness of our portfolio, which is fundamental for our company. Now, what happened was the following, the company sold a very high volume of units until mid-2014 and this units have not been transferred to banks, and then we started our Simultaneous Sales Project. So, this part of the sales had a slightly worst results in terms of cancellations. Caixa made some changes in 2013, and then again in the beginning of 2014 and last year again a change in the policy of prices. And banks started to restrict the credit a bit. So, -- and the Simultaneous Sales, we did have a bit of a lower results than before.

But this is not a problem in our opinion, because most times after we had the cancellation we can sell the same units as sometimes at even a better price than originally had been sold. So, in the fourth quarter 80% of our sales was in the Simultaneous Sales Project with very, very low cancellation rates.

Q - Nicole Hirakawa {BIO 18242556 <GO>}

Okay. Thank you very much for your answers.

A - Unidentified Speaker

Thank you.

Operator

Your next question comes from Luiz Mauricio Garcia from Bradesco.

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

Good morning (inaudible) I have two questions. The first if you could give us a breakdown in terms of gross margin and thinking up what is improvement quarter-on-quarter and recognition of sales commissions on prices? So, if you could give us a breakdown of what each effect contributed to the improvement of your gross margins, that is what is improvement itself, and what is commission related to sales? And second, we saw that you advanced your plans, in terms of delivery, which improved your cash flow of around 70 million, so I would like you to tell me what exactly happened there, what is the new strategy that led you to that?

And also we've read in the company's release that you're talking about a reduction in construction time. I think that this is a consequence of working capital, but in the past, you said that it's no use to have such faster construction cycle. Because otherwise the customers wouldn't be able to afford buying the units during the construction. So, the company thought that it wasn't really affected. But, we see that this has changed. You are reducing construction cycles. So, if you could comment on that, what changed in your interpretation of the markets? Do you think it's going to be easier to charge faster from clients? So, I would like to understand why you changed so radically in that aspect? Thank you very much.

A - Unidentified Speaker

Well, I'm going to answer part of your questions. Talking about gross margin, what you see is that our margin grew -- our gross margins that we're showing has a very little effect on the commissions, on the increase of prices. This is going to happen and you will start to see that more intensely. As we evolve in our projects and in the construction sites that changed to this process. So, it's very difficult to give you a breakdown right now. But in this quarter, we have very little effect on the sales commission. This is going to be seen as we move on with the revenues of our sites.

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

I'm sorry to interrupt. So you're talking about prices. When you're talking about cancellations of your hedging [ph] to unit, don't you resell already with the commission?

A - Unidentified Speaker

Yes, we do. But this is something that we are changing. So -- but the impact of the ready units is there, but not as much as the units that are going to be delivered in the future.

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

So you do have those things simultaneously but not so strong yet?

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A - Unidentified Speaker

As for the shortening of cycles, you are right. Our production evolved a lot. We have been working with the concrete plans for some time now from four or five years and so we started to give a bit more weight on those in our project as we start to have the transfer of the clients from the plant. So, it makes more sense to accelerate the cycle and collect the cash a bit faster. For the granting of credits, you have to be very careful with clients. But sometimes if you have a bit of a delay in the beginning of construction, so that customers can take a deep breath and kind of dilute payment, then you'll have a faster cycle and with that, we can have a better payment terms. As for the remainder of the question, I'm going to turn it over to Leo.

A - Leonardo Guimaraes Correa {BIO 15387486 <GO>}

We had a higher volume in the terms of advancing of customers, but that depends on the type of sale, what kind of product. So we haven't changed radically. It's just the mix that brings changes to this amount along the quarter.

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

Eventually, Leo, can this be associated to a delay in the beginning of the work and therefore you have an increased advance?

A - Leonardo Guimaraes Correa {BIO 15387486 <GO>}

Not necessarily. This is connected to the company receiving money from clients, from things that haven't been produced yet.

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

So, if you delay -- so what you're saying is that if you delayed this part of your construction, then you'll have a higher share that is not produced?

A - Leonardo Guimaraes Correa {BIO 15387486 <GO>}

Yes. Then, you are going to get a bit more money than you would receive.

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

Okay. Thank you very much.

Operator

Our next question comes from Rafael Pinho from Morgan Stanley.

Q - Rafael Pinho {BIO 15321539 <GO>}

Good morning, everyone. My first question has to do with your efforts to improve -- in terms of cost. I would like you to comment on what happened in this quarter specifically. And second, in terms of what you see for the future, what do you think of Minha Casa, Minha Vida Program? We haven't had any official announcements about that yet. So I

would like to know if you have any news about dates, conditions, what do you think the government is going to announce? Certainly, you are closer to the matter than ourselves. We have been seeing a drop in the government disbursements, so we would like to know what do you think the dynamics for the year is going to be like?

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

Rafael, this is Rafael. As for your first question in terms of the cancellations reduction of costs. We did have an increase in cancellations for the fourth quarter. This is much more related to units that were sold in the past outside the Simultaneous Sales Project. Today, we have a volume of units that are transferred to banks that is quite voluminous. And our cancellation rates are below the rates that we had in the past.

So, as the project gains relevance, in the fourth quarter, 78% of sales were in the Simultaneous Sales Project. So, this new sales will reflect lower cancellation rates in the future. The company has a backlog to be consumed. It's important to mention that at the time of sale, you have the sale completely aligned with the credit policies of Banco do Brasil and Caixa. If by any chance, the customer was cancelled three months later, indeed as I mentioned, and so you call it, there were three changes in the credit policies of banks. So, the client that got one or two changes, lost capacity in terms of credits and indeed, the company has a certain tolerance with clients.

We do not cancel clients just the following months. We try to help them. If the current customer has an installment in arrears for some reason. We wait some time for the customer to get back on track. If that's not possible then we have a cancellation. But remember the market continues strong, the brand MRV is extremely strong. We can resell very fast.

So the cancellation in the past was not a problem to us, and it's not a problem today. We don't want to have cancellations in the future and we want to resell cancellations at very good price. So we don't see the cancellations in the past as risk, but rather opportunities.

As for Minha Casa -- Minha Vida 3, this program is a program, that once -- of the cash cows of the previous government administration, was an exceptional program. You have a -- two areas. We have the service provision, which is number one, and number three -- two and three. One, is the largest consumer. 90% of the subsidies granted were to this number one, and 10% to two and three. But even in two and three, subsidies comes from treasury and from the workers compensation fund. So, numbers two and three had a volume of delivery close to number one -- with a much lower number of units. And that somehow gives us the comforts that the program is going to continue. I don't think there is a reason for it to stop, especially in those areas of two and three we work with. And just to make it clear, we continue to sign contracts in those areas, two and three, as usual, business is as usual. So, we are not working with a scenario of interruption of the program.

Q - Rafael Pinho {BIO 15321539 <GO>}

But the question is, do you know when the government is going to make a formal announcement about the program? It seems that it's kind of, being pushed to the future.

Do you know when we're going to have news?

A - Unidentified Speaker

Well, the government has giving much attention to construction companies by being ABRATE [ph]. Of course, that when a government changes, people change as well. But ABRATE has already met with the parties responsible. Our President, Dilma Rousseff has already announced that the official notice about the program for this year will be announced soon. So, we believe that the government is interested. It has been talking to us and it's going to be announced very soon. Of course, I don't have the date, but I can tell you that the government is aware of the importance of the program. It's very open to us. It has been talking to construction companies.

So, at any point, I think that the government is going to be announcing the program for this year. And again, the fact that the government has not made the announcement for the third phase of the program does not mean that things have come to a halt. We continue to work with the Phase II of the program.

Q - Rafael Pinho {BIO 15321539 <GO>}

Okay. Thank you very much. Have a good day.

A - Unidentified Speaker

You too.

Operator

Our next question comes from Klaus Schmidt from Itau BBA.

Q - Klaus Schmidt {BIO 17584111 <GO>}

Good morning, everyone. Congratulations on your results. I would like to go back to your gross margin. What could we expect about this number from now on? And also if you could break down this margin into order and newer projects? Thank you very much.

A - Eduardo Fischer Teixeira de Souza {BIO 17580321 <GO>}

This is Fischer once again. As I answered to Luiz, if you take a look at our numbers. our gross margin has been going up consistently quarter-on-quarter in line with what we have been saying in past years. The operation improved a lot. We were able to increase average costs and more important than that, we could adjust the operation in such a way that, we've reduced costs, we optimize the construction costs a lot, and with that we brought results to our balance sheet.

So, I cannot promise you numbers, but we expect to continue with this trends. And also, if you think of revenues -- of course, what you see in the gross margin is part of old things and newer things. But, newer things quarter-on-quarter are more and more part of our gross margin. And we believe that, this trend is going to continue.

Q - Klaus Schmidt {BIO 17584111 <GO>}

Okay. Thank you very much.

Operator

Our next question comes from Daniel Malheiros from Banco Votorantim.

Q - Daniel Malheiros {BIO 18660708 <GO>}

Good morning, everyone. I have a question related to the pro-soluto where it going up quarter-on-quarter. That is almost 7.5% of the accounts received. I would like to know what the normatized [ph] number is like and how do payments in default contribute to that?

A - Unidentified Speaker

Well, the pro-soluto is growing. The closer it is from the sale, I have to issue some kind of pro-soluto. As we are always seeing our commercial areas, I have a large amount of sales in the beginning of the launches, and therefore, I have a higher number. So, basically, you have to separate to what is our pro-soluto before delivering the units and after delivering the units and this is different. And also, I have to know if in the end of the construction work, if I had a debit in arrears. So I have to see what the performance of the client was like and I have an idea of our positions in the delivery of keys. We believe that this is a number that is probably going to increase a bit for the future, but we are getting very close to what we believe the normalized levels are going to be like from here on thinking of present conditions. Of course, that if there are changes in the Minha Casa, Minha Vida Program, we are going to have a difference in terms of this pro-soluto level, positively perhaps in terms of a larger number of units for the Minha Casa, Minha Vida Program. But I wouldn't say that we are very far from what our recurrent number is going to be like for the future.

Q - Daniel Malheiros {BIO 18660708 <GO>}

As for the pro-soluto, after the delivery of the units, do you know how much percent is default here, payment in arrears?

A - Unidentified Speaker

We do not break down this number. We monitor this number every quarter. We review the numbers past sometime of maturity. I'm going to make the readjustment, but default rates here are very low.

Q - Daniel Malheiros {BIO 18660708 <GO>}

Okay. Thank you very much.

Operator

Our next question comes from Fred Mendes from HSBC.

Q - Fred Mendes {BIO 17221617 <GO>}

Good morning, everyone. I also have two questions. The first is how you see the capacity of buyers, those buyers that earn R\$2,000 to R\$3,000 a month to continue outsourcing, increasing up prices? And also, we know that Minha Casa, Minha Vida has not been launched yet, but it's very hard to assume that this is going to be with higher prices. And do you think this is going to be stable for customers? And also, I know that you don't give guidance, but could you give us a bit more color on what you would expect in terms of sales from here on? Thank you very much.

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

Fred, this is Rafael. As for the capacity payment, our customer's capacity payments, our segment buyers are still with us. 2013, we had a slightly a decrease in growth. Brazil close to zero in terms of GDP and 2015 is not going to be different. However, MRV has been increasing market share in the markets in which we operate. So, perhaps again, we'll -- the year it's not going to be that good, but the company has been succeeding even in a more adverse scenario. We are gaining market share from our competition.

And I don't think sales is going to be a problem in the current scenario. Of course, if things get worse and worse over again, things can change. But in terms of demand, it continues very good. The market continues to work, that's not a concern. As for prices, what we have been saying is that, 2013 to 2014, we are able to pass some prices above inflation. And as of now, this is going to be very much in line with inflation in several CDs. The Company is just starting with its program, so there is room for us to charge good prices and the group of real estate properties above R\$115,000.

We are very much in line with the product. Some cities have better or worse performance, this is part of the business. But anyway, we believe that will pass on prices according to inflation. We do not expect the gross margin of the company to deteriorate. This is the scenario we are working with.

A - Unidentified Speaker

I just would like to make a comment. You talk about subsidies, in the case of cities of 115,000 inhabitants, we do not expect an increase of subsidies from the government to the industry.

We are okay, but if they increase the limits of cities, I can have the cities of 115,000 inhabitants without increasing the number of subsidies in terms of treasury, but I do have a change in sales. It gives the possibility of a higher purchasing capacity because the interest because the interest rates are much lower. You see, half of the MRV clients do not receive subsidies. They have a higher income and they are buying with zero subsidies. As for our expenses, we improve -- decreased our G&A because of a provisioning that we had, because of the PMR, we were having some problems to reach the goals. We had to provision the expenses in the fourth quarter and also we increased the line of contingencies. So what's that?

Q - Fred Mendes {BIO 17221617 <GO>}

No, go on.

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

Okay. As for commercial expenses, in fact there was an increase, we had an effort in the fourth quarter and we had temping up brands and therefore our revenues went up. In 2015, as I mentioned, we have our austerity project. We are going to have lower expenses for sure, even taking into consideration inflation.

Q - Fred Mendes {BIO 17221617 <GO>}

Okay, thank you very much.

Operator

Our next question comes from Lukas [ph] (inaudible).

Q - Unidentified Participant

Good morning, everyone. I'd like to comment a bit about the demand of the two first months of the year. If it continues to go up or if there was a reduction compared to 2014?

A - Eduardo Fischer Teixeira de Souza {BIO 17580321 <GO>}

Hi, Lucas. This is Fischer. We cannot say much, but we see the market is behaving as it was in 2014. Just to add to what's half I mentioned in the previous question, we are in a market where demand is higher than supply. So despite the restriction of credits, there is a high demand. And you can filter demands like this. So we are expecting a year that is quite similar to last year.

Q - Unidentified Participant

Okay. Thank you very much.

Operator

Our next question comes from Marcelo Motta from JPMorgan.

Q - Marcelo Motta {BIO 16438725 <GO>}

Good morning, everyone. I have a quick question and if you could break down your initiatives to decrease SG&A? 2015 is not going to be a year in terms of income that is going to be better than 2014. So how can you decrease your SG&A?

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

This is Rafael speaking. Well, as for our expenses, we mentioned we have a project in progress, but the most important thing is the following. Increasing gross margin means of having a difference in our business, our business has cycle of two, three years. So, it is a lot of work to increase price sales, decrease cost prices, reduce SG&A, it's lot faster, it's a

lot more immediate. So, for instance, marketing expenses the company has spent more in the fourth quarter and now, we are going to go back to normal. So, cutting expenses is a lot faster than other actions that make gross margin go up or down. So, we're in another comfortable situation.

We see less pressure from several areas, for instance, the rental or lease of offices. Today, we have a better capability to negotiate contracts. So, we believe that this austerity project is going to bring return. So, expense control is not going to be a problem for 2015.

A - Eduardo Fischer Teixeira de Souza {BIO 17580321 <GO>}

And this is Fischer. Just to add to the answer, we are already moving on, with us regarding 2015. As I mentioned in my initial speech, this is a target that we have and we are going to go after it. And it's not only reducing costs in fact. When we had some migrations, for instance, to have our commercial area in house, we had this movement and it will start to produce gain productivity and the costs go down. So, we are going to see that along the year in 2015.

Q - Marcelo Motta {BIO 16438725 <GO>}

Okay. Thank you.

Operator

Our next question comes from Rafael Silva [ph] from Santander Asset.

Q - Unidentified Participant

I have to withdraw my question. It was already answered. Thank you very much.

Operator

(Operator Instructions) Our next question comes from Franscisco (inaudible) Investments.

Q - Unidentified Participant

Good morning. Congratulations on your earnings. As for the Minha Casa, Minha Vida Program Phase 3, I would like to know if you were expecting anything about the potential segment that is to be created, the 1.5 segment. This is something that people talked about last year, and if you have any expectations with that regard. Thank you.

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

Well, indeed this is a possibility. This is something that has been discussed. It's probably going to happen. It is important because there is a big difference between the areas one and then areas (Technical difficulty)

Operator

Ladies and gentlemen, the call is going to go on.

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

First of all, we are sorry for the problem. There was a bit of trouble with the connection and we were all disconnected up here in the call. So going back to Francisco's question, Minha Casa, Minha Vida Part 3 Program is going to address the segment of 1.5. This is not going to be the name, but it is very important. This is a segment that was outside Minha Casa, Minha Vida program. They couldn't or they weren't entitled to the segment one, and they couldn't afford to the 2, 3. So the name is segment 1 (inaudible) that have an income slight below 2 and 3. We have some projects that could fit to the segment of 1.5, not many. And but, we believe that this is going to be beneficial to our work. Have I answered your question, Francisco?

Operator

(Operator Instructions) Our next question comes from Francisco Brindle [ph].

Q - Unidentified Participant

Hi. I have disconnected as well. So just to funny to understand, according to the model then, this is going to be like the segment 1, but the funding would be from a GPS rather than what you use in 2 or 3. That's correct.

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

There is a price limit below 2 and 3, of course, but the subsidy is going to be bigger and it comes from the treasury. And it's a mixed solution, but the idea is to put together those that are outside the problem. Am I clear?

Q - Unidentified Participant

Yes, certainly.

A - Eduardo Fischer Teixeira de Souza {BIO 17580321 <GO>}

This is Eduardo. Just to add, it comes from treasury, but it is going to be a subsidy that is lower than what we have for segment 1. Okay?

Q - Unidentified Participant

Yes, that's clear. Thank you.

Operator

(Operator Instructions) The Q&A session is now closed. We would like to turn the call to Rafael Menin and Eduardo Fischer for their final considerations. Please gentlemen, you may go on.

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A - Eduardo Fischer Teixeira de Souza {BIO 17580321 <GO>}

Well, first of all, I'd like to thank you very much for joining our call. Once again, I apologize for the technical problem we had, but it's important to highlight some things that were not much mentioned in the Q&A session, which is the fact that the company has been generating cash for the tenth quarter in a row. We have not seeing that in the sector as a whole. That gives a comfort for the company for 2015. We are, with a very comfortable cash position, 1.6 billion. So, we are very much comfortable. The market continues with a very strong demand. MRV has a very healthy operation. We are in a mature market. Minha Casa, Minha Vida can be an excellent program for the company, and we can expedite the results of our company.

As Rafael mentioned, we perhaps had the best year of MRV in several areas, especially production in 2014. So, in 2015, our projects are in full force. We are completely protected from any cancellations. We are generating cash. So, despite the adverse scenario that we have, we are prepared to go through the year without anything really abnormal happening to the company. So we are very much positive for 2015 and we are prepared to reap the fruits of whatever we planted in the past and gain even more market share. Thank you very much and see you next time.

Operator

Thank you. The conference call to disclose the results of the fourth quarter of 2014 of MRV is now closed. We thank you very much for joining us and have a good day.

Bloomberg Transcript

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