Q3 2011 Earnings Call

Company Participants

- Antonio Guedes, General Director, Living
- Elie Horn, Chairman & CEO
- Ubirajara Freitas, General Executive Officer, Cyrela Sao Paulo
- Unidentified Speaker, Unknown

Other Participants

- Alain Nicolau, Analyst
- Daniel Casperete, Analyst
- David Lawant, Analyst
- Flavio Queiroz, Analyst
- Marcello Milman, Analyst
- Marcelo Motta, Analyst
- Nicole Hirakawa, Analyst
- Vinicius Mastrorosa, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. Thank you for waiting and welcome to the Cyrela Brazil Realty conference call, where the results of the Third Quarter 2011 will be presented. All participants are connected only as listeners and later on there will be a Q&A session, for which instructions will be given. (Operator Instructions).

You can access the results release disclosed yesterday, November 9, after the close of trade on BM&F Bovespa Stock Exchange on the Company website. This conference call and the slides are posted on the Internet and can also be accessed on the Company website.

Before we proceed, we would like to clarify that any statements during this call regarding the Company's business prospects, as well as projections, operational and the financial goals concerning its potential for growth are forecasts based on the expectations of the management for the future of Cyrela. These expectations are highly dependent on domestic market conditions, on the general economic performance of Brazil and international markets and are, therefore, subject to change.

We have a problem of power supply in the region this morning. If the call is cancelled, we will reconnect shortly.

Today we have Mr. Elie Horn, President; Mr. Ubirajara Freitas; Mr. Antonio Guedes, General Director of Living; Mr. Jose Florencio Rodrigues Neto, Vice President of Finance and Director of Investor Relations.

Now I hand over to Mr. Elie Horn; Mr. Horn, please proceed.

Elie Horn {BIO 1823000 <GO>}

Good morning, ladies and gentlemen. We are still confident in Brazil's real estate sector and its internal fundamentals.

(technical difficulty).

We will resume from the top.

(technical difficulty).

Sorry, we've had some technical problems.

We're still confident in Brazil's real estate sector and its internal fundamentals. From the macroeconomic point of view, levels of employment and income are sustaining a short and mid-term demand increase, making it attractive for new units.

Demand is growing by more than 1 million homes per year, above all, because new families are being set up. And despite the fact that the industry has generated a significant number of new units, the deficit is high. This demand, in the long term, is oversupply and will make the real estate sector increasingly attractive.

We are following developments in Europe and although they are worrying, we do not believe that there will be a major effect on the Brazilian market. Nonetheless, we are continuing to adopt a conservative posture and we are preserving cash so as to be prepared for any possible consequences in the local markets.

We expect, in the short term, that customers will become increasingly selective. In this environment, we believe that the solidity of our brand associated to the higher quality of the products are a competitive advantage. Bearing this out, for the ninth year running, we won the prize of the Most Admired Company in Brazil in the Builders and Developers category of Carta Capital.

In terms of our execution capacity, we have strengthened our engineering structures and we are monitoring our sites very closely. Our corporate engineering structure are operating to support the business units and monitoring the quality of budgets and of building sites.

We have now best practices in each of the business units in processes and systems and we're at an advanced stage of publishing these practices in all the business' units. We will give privilege to sites with organic engineering in regions where our presence is consolidated.

In terms of our corporate structure, the Company is strongly engaged in reducing expenses and improving internal governance; centralizing our shared processes and decentralizing local processes. This will gradually bring results in the following period.

The main actions are we're consolidating and optimizing back office management; enhancing processes such as accounting and accounts receivable and payable; we're strengthening decision making at every phase of the business from the purchase of lots to billing and transfer.

We're enhancing governance by setting up new committees at Board level, focusing on risk management and compliance. We're optimizing systems and processes; investing in automation. This is already bearing fruit in the sense of lower general expenses and administrative expenses.

We're managing cash flow. We have delivered 17,000 units this year and also transferred 13,000 units. With this level of delivery and transfers, we are generating operational cash, which will be maintained next year. We're committed to using this cash to generate long-term value for the Company's shareholders.

In July, we announced a program of buyback of stocks and we have purchased BRL170 million in Cyrela stock in the market.

I'd like to reiterate that the strategic focus of Cyrela is three points; profitability; sustainable growth; and cash creation. We will implement this plan by investing and creating leaders who have the mindset of owners.

I'll give the floor now to Bira, who's going to be talking about the operational results.

Ubirajara Freitas {BIO 15314879 <GO>}

Good morning, everyone, ladies and gentlemen. I'm going to talk about Cyrela's consolidated results, including Living.

In the Third Quarter, we launched 21 projects, which comes to 59 in the nine months of 2011. They came to BRL1.8 billion, which is 29% higher than the same period in 2010.

In the accumulation for the year, this comes to BRL4.6 billion, a growth of 48% over the same period last year; in the first nine months of the year, 57% of the mid-range of the guidance for the year and 60% of the minimal point of the guidance.

Our share in launches came to 82.5% in the semester and it's 80.3% accumulated for the year, compared to 75.7% last year and 75% in the first nine months of the year. So we have had a growth of some 7% or 8%.

Geographically speaking, Sao Paulo, Rio de Janeiro and the South of Brazil accounted for 62% of launches. The Living product represented 26% of the total of launches in the first six months and 33% of the first nine months of 2011.

It should be pointed out that the Morumbi Sao Paulo office was launched and also Wave in Rio de Janeiro in Copacabana, which now has sold 90% of its units.

To finalize, we are confident that we will reach at least the minimum point of the guidance for this year.

In the next slide, number 6, we will talk of pre-sales for Cyrela and Living. At the end of the Third Quarter of 2011, pre-sales came to BRL1.5 billion and BRL1.2 billion only within Cyrela, which is 41% up on the same period last year.

In the first nine months of the year, pre-sales came to BRL4.1 billion, 13% up on the same period in 2010. This is 56% of the midpoint of the guidance for sales for the year and 60% of the minimum point in the guidance.

Sales of launched projects in the preceding quarters came to 58% of total sales for the quarter. Sao Paulo, Rio and the South of Brazil accounted together for 73% of sales in the quarter. The high, mid-high and mid-level segments accounted for 78% of sales in the quarter. And Living products accounted for 22% of the total sales of the Company in the Third Quarter, 28% in terms of the accumulation for the year.

With regard to sales over supply, which take into account the sales of launches and stock, 55% of sales speed in 12 months is what we had. Our launches came to sales of 60% to 70% in the first 12 months of sales and we think that this is a very healthy sales speed. We're also confident that we'll reach at least the minimum point of sales for the year of 2011.

Now on slide 7, talking about the landbank. In the Third Quarter, Cyrela bought 14 plots of land in the south, southeast and northeast regions of Brazil, which added a potential sales speed of BRL1.2 billion to our landbank.

Of these purchased lots, seven were for the mid and high segments of the market and seven in the economic and super-economical segments, which Living represents. Of the purchased lots, 63% were through swap deals, keeping the landbank at 78% of acquisitions in this particular modernity. At the end of the month of September, the landbank had a potential for sale coming to BRL45.6 billion. Cyrela's share in the landbank is 86%, equivalent to BRL39.2 billion.

Some 72% of the sales speed of Cyrela's landbank are units whose prices go up to BRL500,000 and, therefore, can be within the housing system, along with the strategy of concentrating on regions where the Company has a sound presence. The regions of Rio, Sao Paulo and the South account for 72% of the total of the Company's landbank.

We now go to slide number 8, which is talking about delivered units. In the Third Quarter of 2011, Cyrela and Living together delivered 15 projects, coming to 3,600 units. In the nine months of 2011, deliveries were 62 projects and 18,000 units delivered. 97% of the total was pre-sold units. Our expectation for the year is to deliver approximately 25,000 units.

With regard to projects, at the end of the Third Quarter, we had 200 construction sites ongoing, 93 of which were in the Living segment and the rest with Cyrela projects. In terms of execution, 76% of the projects are carried out by ourselves or with joint ventures.

Now Guedes will talk on the topic of the Living results.

Antonio Guedes {BIO 17964221 <GO>}

Good morning, everybody; slide number 10 is about the launches and pre-sales within the Living part.

Good morning, the next slide has to do with Living launches and sales. In the third semester Living launched 10 projects with a total sales speed of BRL463 million, 6% up on the same period in 2010. For the first nine months of 2011 that comes to 30 launched projects and BRL1.5 billion of sales, being 29% up on the same period in 2010, coming to 33% of the volume launched by Cyrela for the year.

Of the 9,300 units launched in the first nine months of 2011, 47% are within the government's My Home My Life, Minha Casa, Minha Vida project. It's worth pointing out that in two years Minha Casa, Minha Vida, Living came to 50,000 units assessed, hired and delivered.

With regard to sales, Living sold BRL320 million in this quarter, BRL1.1 billion for the nine months of 2011, 28% of total sales for Cyrela in 2011.

In the accumulated results for the year, 7,200 units have been sold at an average price of BRL157,000. Sales for the Third Quarter of 2011, I'll breakdown in the following way; 27% in the super-economical segment, in other words up to BRL170,000 within the MCMV; 67% in the economical segment, from BRL130,000 to BRL250,000 per unit not within the My Home, My Life project; 6% of sales in the mid segment, BRL250,000 to BRL400,000 per unit.

In this quarter, two launches stand out, Dez Guarapiranga in Sao Paulo, 95%; and Londres with 90% sold by the end of quarter, both in the economic segment. We have projects in Guarulhos called My Guarulhos, with 70% of units sold.

Slide 11 is about the lots for Living or the landbank. In the Third Quarter, we bought seven new plots, coming to a potential sales speed of BRL524 million, 3,300 units. At the end of September, the whole landbank in living was BRL12.1 billion in potential sales speed, 90,000 units approximately, at an average price of BRL136,000.

Sao Paolo, Rio and the south account for 71% approximately of the landbank.

Now we'll go to other highlights, within the financial highlights of Cyrela. Now we're on slide 13 with regards to net revenue.

Net revenue came to BRL1.6 billion, which is approximately 13% over the Second Quarter of 2011, 34% above the same period last year. In the first nine months of 2011, net revenue came to BRL4.1 billion, about 18% over the same result for the nine months of 2010.

Gross profit came to BRL446 million in the Third Quarter, 16% over the Second Quarter and 9% over the same period in 2010. Gross margin advanced 0.9percentage points over the previous quarter, 28.6%. With adjustments, the gross margin comes to 32.5%. For the quarter, gross margin is in line with the guidance disseminated for the year of 2011.

The margin for revenue to be recognized, REF, is 33.2%, projects beginning recognition in 2010 account for 79% or 80% of the gross profit to be appropriated, with margins over 36.5% (sic; see slide 14).

We're on slide 15 now. We'll be talking about adjusted EBITDA and adjusted EBITDA margin. The adjusted EBITDA for the quarter as BRL297 million, a margin of 19%. This improvement in adjusted EBITDA to the previous quarter results from two points mainly. One, an increase in gross profits of 17%. And two, a reduction in commercial, general and administrative expenses, which we achieved as a result of efficiency actions taken by the Company in the quarter, of 9.3%.

In the nine months of 2011 the adjusted EBITDA margin came to 16.4%. Net profit for the quarter was BRL147 million, a margin of 9.4%, 2.5percentage points above the Second Quarter 2011. Accumulated for the year, net profit came to BRL317 million, a margin of 7.6%.

Now slide 16, accounts receivable. We closed the quarter with BRL12.7 billion in receivables; 12.7% in delivered unit contracts, in other words BRL1.6 billion. Receivables for units being billed came -- increased 3.3% over the final balance of June 2011. Receivables from billed units grew some BRL62 million in the quarter; 4% growth.

We have had a banking strike in Brazil. But it hardly impacted our machinery for transfers because we asked the banks to deal with this before the strike. The average deadline for accounts payable -- receivable is 2.1 years. And the cost of construction is BRL4 billion, 31.5% of receivables for these units, in terms of units sold. Construction costs to be incurred.

Slide 17 is talking about transferred units. In the First Quarter we transferred BRL549 million; BRL277 million in the high and mid-level. And BRL272 million in the Living segment. For the year we have come to BRL1.6 billion in transfers; 10,000 units. This is approximately 130% of the total value transferred in 2010.

In terms of units, in the Third Quarter of '11 we increased 2% over the same period last year. And 18% comparing over the nine months. The greatest increase in value of transfers has to do with the growth in the number of units transferred as a result of greater importance of the MAP segment in the mix and the higher average price; that's the mid and high level.

With regard to transfers, there have been an advanced number of pay-offs in the first nine months of the year. 2,500 units were paid off, some BRL 580 million.

Now slide 18, liquidity and debt. The growth there to the end of June came to BRL4.6 billion, a growth of 10% over the Second Quarter 2011. The cash flow at the end of the Second Quarter was BRL1.8 billion, a rise of BRL208 million, or 13% higher than in the previous quarter. Our debt structure is still healthy with leverage of 57% of net equity considering the whole debt. And 3% of net equity if you rule out the national housing system.

Of the total of our debt, 58% has to do with financing for construction or building within the SSH. Our net debt increased 7% in the quarter as a result of the growth in the hiring of financing for works. But mainly because of the acquisition of the share of Cyrela Nordeste. And the assumption of this debt within the SSH. The impact on leveraging was 0.03% of net equity.

Now talking about cash burn, on slide 19. We have operational cash flow creation of BRL60 million, not taking into consideration the buyback program, which is BRL130 million. And also acquisition of ownership interests of BRL142 million in the quarter. We're expecting to generate cash in 2012 also.

In the summary of nine months of 2011, cash burn was 86% (sic; see slide 19) less with regard to the BRL806 million presented in the nine months of 2010, the same period last year. It has come to BRL136 million.

And now we'll go to questions and answers. Thank you very much.

Questions And Answers

Operator

(Operator Instructions). David Lawant, Itau BBA.

Q - David Lawant {BIO 16370172 <GO>}

Congratulations on the results. Two questions; first is could you talk about the gross margin? I'd like to understand if there was IMCC impact on this. How can you explain this high gross margin, or was it a result of the sale of stock, or products? Could you go into some detail about that? And what's your outlook for the gross margin going forward? Is it going to be a continuous improvement from now?

And with regard to cash burn, could you say some more about the purchase of the ownership interest? I'd like to know if this has to do with Andrade Mendonca and the assumption of their debt, or is there anything more with regard to this? Those are basically my questions.

A - Unidentified Speaker

Thank you, David. The first question with regard to the gross margin, the major effect was the recognition of projects at the end of the cycle. And the entry of new projects. So it's a weighted average. The REF margin also increased.

Our expectation for the Fourth Quarter is marginal. We have a good expectation of increasing these margins for 2012.

The second question, about cash burn, yes, it has to do with Andrade Mendonca. No other event explains this generation of cash except for this change to the Company. We didn't carry out securitization, for example. We haven't had any -- done any securitization, although we did have a small volume of securitization in the -- we will have in the Fourth Quarter.

Operator

Alain Nicolau, Bradesco.

Q - Alain Nicolau {BIO 17913545 <GO>}

Two questions. The first some other news about, for example, reduction of ready stock, what's your expectation in the Fourth Quarter? A large volume to be sold; how far -- are you comfortable with this volume? What's the pipeline like? And what about with regard to the reduction in stock?

And the second has to do with the future, the improvement of dilution revenue, or will there be a reduction in the absolute figure? Thank you.

A - Unidentified Speaker

With regard to the first question, ready stock and launches. Over the year we've been selling ready products with no problems, because as they're -- it's very -- we have no problems with liquidity in the sale of ready stock. If you have a large volume of transfers, sometimes what will happen is the unit comes back and it can be sold very easily. So the level of ready stock does not worry us at the moment or in the future.

With regard to launches, as I said in the presentation, we are confident that at least the minimum of the level of the guidance will be achieved in launches and sales. The market is more selective; we felt this in all the market segments in Brazil. However, again there's been a good sales and a healthy sales speed for our units.

I'd just like to add to the first question. 30% of the ready stock is concentrated in five projects. It's not an issue. It's not scattered or widespread; it's concentrated.

With regard to equity, our expectation is that we will continue to reduce the pipeline this year. The major reduction will be in 2012. What happened in this Third Quarter, we were expecting a larger reduction had it not been for the purchase of Cyrela Nordeste which had an impact of BRL8 million. So we're continuing to reduce. It is slow going; we expect great reflections of this in 2012.

Operator

(Operator Instructions). Marcello Milman, BTG Pactual.

Q - Marcello Milman {BIO 7252528 <GO>}

Two questions. If you could -- talking about ownership, or market share, could you tell us something about the impact on the balance sheet? It was a reduction in minority share owners. There was no cash outlay. I need to understand this impact in terms of share ownership. That's my first.

Secondly, when you look at the mix of launches for this year we see that you had mid and high standard which came to about half of the launches. So going forward, what will the mix be? Will you have a more balanced mix going forward?

A - Unidentified Speaker

Let me answer your first question, Marcello, about the purchase of Cyrela Nordeste. The impact was the assumption of the debt was BRL50 million, more or less -- BRL160 million. We spent BRL10 million in cash, something of the order of BRL8 million. So this came too [ph].

With regard to the reduction of minority shareholders, we've increased the number of minority shareholders in terms of partnerships.

Q - Marcello Milman {BIO 7252528 <GO>}

Sorry to interrupt; my query is -- I understand this with regard to all your projects. But now I'd like to know about the impact on the balance statement -- the financial statement.

A - Unidentified Speaker

The impact of the purchase of Cyrela Nordeste reduces the number of minority shareholders. It was proportional beforehand. We incorporate the debt when we incorporate a new company.

A - Ubirajara Freitas {BIO 15314879 <GO>}

Marcello, with regard to your second question -- good morning, it's Bira speaking. In our planning for mid and long term it's about the mix of segments. We're operating firmly in the mid and high standards. And also working very hard within Living. Living will account for something like 35% to 40% of the total sales speed for Cyrela next year. It will come to something like 40% to 45%.

Since the Living sales speed has a lower average ticket, the number of units may balance or overtake in terms of mid and high. But the mid-high and high standards, plus Living, will all be worked on throughout Brazil. We believe in the economic situation of the country.

Operator

Flavio Queiroz [ph].

Q - Flavio Queiroz {BIO 16589941 <GO>}

Congratulations on the results. What about the cost of projects? How can you improve the gross margin? What about, for example, with regard to IMCC?

The second has to do with the reductions in expenses that you mentioned. Is this extraordinary or will you continue reducing costs in this way? Thank you.

A - Ubirajara Freitas {BIO 15314879 <GO>}

Thank you; it's Bira. With regard to cost of projects, as we've commented there was a major impact in our projects with regard to non-organic engineering projects. Many steps have been taken to address that. These projects are coming to an end; they were at the end stage.

With regards the new projects, we have a much greater organic percentage than before. And we've taken a large number of steps to protect this against a decoupling from IMCC, apart from the margin and some business units. And we've also had corporate directorships internally, which have been covering these very successfully.

So we're convinced that as soon as we have the recognition of the old projects, especially the non-organic ones, the gross margin will come to the levels that it was before these events that you have heard of occurred.

Q - Flavio Queiroz {BIO 16589941 <GO>}

Second question, what was the percentage of non-organic projects in terms of execution -- of work in execution?

A - Ubirajara Freitas {BIO 15314879 <GO>}

Let me just look that up. In terms of what has been recognized in the Third Quarter, we haven't got the number here off the top of our heads. We will research that and come back to you.

What was launched in the Third Quarter shows a clear trend, 10% is being carried out by third parties; 90% is organic. But our Investor Relations personnel will get back to you and answer your question in detail.

Q - Flavio Queiroz {BIO 16589941 <GO>}

Thank you. With regard to sales, do you think it's a sustainable level of sales stands?

A - Unidentified Speaker

This depends on sales speed and also when we actually demolish the stand. So in a given quarter this may be according to the number of stands that are out there. And when we demolished the stand, we then have to recognize that as a commercial expense. The reduction has been shown in other items. And we expect that this will continue and perhaps even improve in the forthcoming quarters, especially in 2012.

Q - Flavio Queiroz {BIO 16589941 <GO>}

Thank you. And congratulations again.

A - Unidentified Speaker

Just correcting the previous, my answer, the impact in terms of minority shareholders is zero, because we've already consolidated 80%. So joint ventures were not with minority shareholders. For that reason, when we consolidated and when acquired 100%, we increased the percentage of the debt.

Operator

Nicole Hirakawa, Stanley.

Q - Nicole Hirakawa {BIO 18242556 <GO>}

Good morning. The impact of the new, 14 new lots purchased. And another question.

A - Unidentified Speaker

The sound is not perfect, Nicole. We purchased 72, we are cash flow of BRL74 million. We're not going to consume more cash. But in the First Quarter, we spent BRL132 million; in second BRL151 million -- BRL51 million. And in the third BRL74 million.

A - Ubirajara Freitas {BIO 15314879 <GO>}

Bira speaking. Good morning, Nicole. With regard to your second question, our philosophy is that our sales companies -- internal sales companies, they are strategic to sell our products throughout the sales period from the pre-sale to the sale of the last unit. This is the strategic focus of the Company.

But we interact with a third party, market sales companies. At the beginning of the launch during the first few months, there's something like 70% of sales. And internal sales something like 40%; so 60 to 40% over the process (inaudible). Then where it's exclusive, the other projects start to be sold exclusively in the market.

Now the stores in this quarter sold something like 75% of the sales for the quarter depending on the region, something like 73%. I don't see this as a trend particularly. But for all products that are ready and that are being transferred, because people cannot agree with the bank, they will give liquidity for the products. The launching companies in Brazil, it's very important for the market to have this new oxygen and this level of liquidity injected into it.

Operator

Mr. Vinicius [ph].

Q - Vinicius Mastrorosa {BIO 19685619 <GO>}

Good morning. This question has to do with sales. In the guidance, when is the new guidance going to be delivered, 29%, BRL2.1 billion perhaps, BRL2.4 billion? Is that anything like the sales speed that you have today? And you justified the aggressiveness in terms of the sale, or is there a reduction in this sales speed?

A - Unidentified Speaker

It's a good question, there's a large debate about it. If you take an X-ray or a photograph, you can analyze exactly what you've said. They had to sell in the First Quarter, 30% of everything they launched. It doesn't work like that.

These launches over the Fourth Quarter have been prepared for some time. When the launch day comes, then what we do is we unleash everything that has been arranged for pre-sale. We see that the market is more selective. And it hasn't been just in the last few months, it's been becoming more selective throughout 2011. We think we will achieve at least the minimum point of the guidance for the year.

If you look at our sales speed for the three months in terms of launches, it's 34% in the First Quarter, 42% in the Second Quarter. This sales speed that you said was 20-something-%, it also has to do with sale of stock. Our sales speed in launches is very fast. In 12 months, we sell more than 70%. This just bears out our confidence in meeting the guidance.

Q - Vinicius Mastrorosa {BIO 19685619 <GO>}

Even if you have this sale of 40% of what you launch, there will still be a lot of sale of stock. So what's your comment on that?

(technical difficulty).

A - Unidentified Speaker

Right by the beach and 90% has already been sold. So the market, as I say, is more selective. People are taking longer over their decisions and we think that that's good. It's healthy. The best projects and best products from the point of view of competition in the market will rise to the top.

The market is selective. But it is a buying market. Buyers are there. They are purchasing real estate. It's natural that they become more selective because prices have gone up. Thank you.

Operator

Marcelo Motta, JPMorgan.

Q - Marcelo Motta {BIO 16438725 <GO>}

About financials, we see 4.4 times [ph] in terms of financial expenses quarter-on-quarter?

A - Unidentified Speaker

Thank you. There has been an interest rate increase of 2.1%, then there've been debenture interest interests coming in up to the second half of the year, an increase in completed buildings or building sites and the SFH with regard to the financial expenses.

Operator

Marcello Milman, BTG Pactual.

Q - Marcello Milman {BIO 7252528 <GO>}

I'm going to ask another question. Comparing stock and market value, what about the stock on the balance. It's come up if you compare the cost of stock with a sales speed of BRL150 million [ph] it seems -- of BRL850 million sorry, have I not got my figures right. The cost of ready stock in the balance sheet compared with sales speed, something like that. Could you elaborate on that?

A - Unidentified Speaker

Just a second please. The explanation is that stock has to do with cost; the increase in costs which was incurred in the stock. These two things explain the situation and it is a high margin.

Q - Marcello Milman {BIO 7252528 <GO>}

It's more than 50% margin and the complete cost of BRL880 million [ph]?

A - Unidentified Speaker

Well yes, you have a historical cost of a corrected price giving you a high margin, that's the explanation. The historic cost, when it's corrected, that gives a high margin, that's the explanation.

Operator

(Operator Instructions). David Lawant, Itau BBA.

Q - David Lawant {BIO 16370172 <GO>}

I'd like to just ask another question about Living. What do you think about the product in Minha Casa, Minha Vida? We see that one or more of your competitors in the last -- in recent times have reduced their exposure to this market and have gone, perhaps, to mid-income levels. What's your mindset as to that at the moment, going forward, with regard to, are you going to keep 40% of Living products in terms of units or what's your forecast?

A - Unidentified Speaker

With regard to Minha Casa, Minha Vidha we know that the market -- the construction market, these things are corrected. The trend with the speed of Minha Casa, Minha Vidha was that it was higher at first and then it's leveled off. In the Living segment we will continue around 40% with Minha Casa, Minha Vidha within Living. We think that that's a healthy of the Living product.

Operator

Daniel Casperete [ph], Credit Suisse.

Q - Daniel Casperete

My question has to do with securitization. You said that you had a certain amount of securitization. I'd like to know what's missing for there to be a greater focus on this. What about the level of securitization? Could you give me some of your opinions on the securitization going forward?

A - Unidentified Speaker

Yes. Well when you look at our receivables, then the market often says let us securitize. But you have to look in a five year horizon. It's not worth this exchange for CDI, unless we have clear applications for investment for that. So in terms of what to do with our cash flow, in terms of anticipation.

We decided to do a small amount of securitization. We have some plans that we're carrying out, which is a buyback program. We have strategic plans. We're in a process, which we're discussing at the moment, for 2012.

Operator

If there are no more questions, then I'd like to give the floor to Mr. Elie Horn.

A - Elie Horn {BIO 1823000 <GO>}

As was mentioned, 2012 will be an excellent year. We -- after launch (technical difficulty). We have a team which is highly committed. This year, 2011, we had a great volume of stock.

So thank you very much and we'll see you at the next launch.

Operator

Your teleconference is completed. We wish you a nice day.