Q3 2020 Earnings Call

Company Participants

- A. Emilio C. Fugazza, Chief Financial Officer and Investor Relations Officer
- Hugo Grassi Benevides Soares, Investor Relations Officer
- Unidentified Speaker

Other Participants

- Analyst

Presentation

Hugo Grassi Benevides Soares {BIO 19772261 <GO>}

Good morning, one and all. And welcome to EZTEC's Results Presentation for the Third Quarter of 2020. I do apologize for the minor delay, we had some technical difficulties. But please let us know if you can listen to us well. Please note that this call is being recorded and that all participants are in a listen-only mode. By the end of the presentation, we will begin a Q&A session when further instructions will be given.

In any case -- in case any of you may need any assistance over the call, please let us know through the chat box. In case you have any connectivity issues you may reuse the same web link or ID to return to the presentation. You may find that ID, as well as the slides for this presentation, at our website at the address ir.eztec.com.br.

Before we start, we'd like to mention that any statements during this call pertaining to EZTEC's business projections, operational and financial targets are based on management's beliefs and premises, as well as on currently available information. Future considerations do not constitute an assurance of performance. They involve risks, uncertainties and promises.

Investors may take into account the general economic conditions, industry or operational circumstances, may ultimately affect EZTEC's future performance. They may cause the company's results to differ materially from those expressed in those forward statements.

Now, I and Hugo will keep on with the words along with Emilio Fugazza, our Chief Financial Officer to introduce the results for the third quarter. So, if you could just quickly move to Slide number 3, where we address the overall landscape for operational and financial performance for the third quarter. As far as the operations, what we see on the aggregate figures of the nine months of 2020 is net sales of BRL916 million as well as launches of BRL770 million.

Naturally you know that there was a gap on the operational performance associated with especially the initial stages of the pandemic where uncertainties were at its peak. But, now as we speak on the third quarter, we are currently at the late stage of pandemic, where quite frankly we witnessed a V-shaped returning in the operational -- in our operation, marked by net sales in the third quarter specifically of BRL335 million.

Even in a context where we didn't met, we only launched BRL206 million. So as far as the sales we are --like we mentioned further, we're back on track. As far as our landbank, we have BRL9.4 billion by the end of the third quarter, but with caveats that on the fourth quarter we've made additional acquisitions as long as a few option acquisitions leaving us at BRL12.8 billion, in overall landbank by the time in which we speak.

As far as the financial performance, looking at THE third quarter, we've had a gross profit of BRL119 million with a gross margin of 44%, a gross margin of 44%. As far as the net income, we've reached BRL120 million, which is in effect the (Technical Difficulty) ever since 2015 a very clear mark of the V-shaped return I mentioned, naturally here I accept--making the exception for the quarter in which we sold tower between the Esther Towers.

And also with that a net margin of 44%. As far as our net cash, we have BRL1.291 billion by the end of the quarter, on top of BRL583 million in performed receivables with very strong liquidity. Direct receivables portfolio of BRL489 million have -- already have a registered statutory lien agreements in yield and IGP-Di plus 10% to 12% annually, on average that lands at about 10.4% at closing actually.

Now I'll take the opportunity to mention the subsequent events that we get to talk about now after the third quarter, which is to begin the fact that we admitted an official guidance, a launch -- a projection for lunches for the two-year term of 2020 and 2021 where we announce our expectation of launching exclusively for residential projects BRL4 billion to BRL4.5 billion for these two years.

We also get to announce the dividends that we have already paid by the 2nd of October of BRL66.7 million that still refers back to the fiscal year of 2019. Also as a subsequent event we get mentioned the fact that EZ Inc which had an ongoing offer over the course of the past months has recently announced the suspension of the offer as well as a suspension of the listing of EZ Inc onto the Novo Mercado -- Arbitragem Mercado while on the same time keeping on continuing with the registration of the company as a public company by CVM.

Now if we get to dive deeper into the landbank landscape on the fourth slide, I think that the punch line we get to see from all this information that we're handing out is that acquisitions have been key in the past quarters even prior to the second quarter we've been making about BRL1.5 billion in PSV added to our landbank. But looking at the -- specifically on the past -- on the second quarter -- sorry on the third quarter, the fourth quarter we've had BRL630 million of acquisitions that were carried out and already booked on the third quarter. But it is worth highlighting that we also have BRL1.5 billion of PSV already acquired that it's not booked in the third quarter because the definitive acquisition happened by October as a subsequent event, but it is in effect already in reality. And on top of that we have an additional BRL1.8 billion of acquisitions already lined up very much matured but still being held as options which would bring the overall landbank all the way up to that BRL12.8 billion in PSV available for the company.

Looking on the chart on the bottom left it becomes very noticeable, very clear that landbank is very roundly distributed in all different segments of operations. So you get a substantial chunk on the commercial portion which is basically -- which is literally -- the EZ Inc divide. And other than that you have more or less and even distribution between high, middle and low income segments that which leaves us very much room and flexibility to act and to operate in all different strategies. At a time in which all segments have been very much inviting for new launches.

Now as far as the cash outflows for -- relating to those acquisitions I just mentioned, you can see that on the graph on the bottom right. And if you look at the aggregate figures what you see is that by now we have already basically fulfilled the promises that we had made by the time of our follow on offer in September of 2019 where we raised about BRL950 million in cash with the mandate of making acquisitions and that is what we just did. So if you look at the overall money committed to acquisitions in between -- after the follow-on and counting the money that we still have to pay but that's already committed, contractually committed that to these acquisitions that tops BRL1.1 billion in committed outflows.

In the third quarter we had about BRL75 million in cash dedicated to those acquisitions but there's a heads up for the next few quarters, especially in the fourth quarter where we should -- for the fourth quarter of 2020 and first quarter of 2021 we should basically have to spend some 3x to 4x that BRL75 million mark.

Now if you can move to the operational performance where we get to discuss our launches and sales. Now, first of all when you look at the evolution of launches coming ever since 2016, you'll notice that naturally 2020 fell short as of now to what we originally intended but the guidance we admitted reinstates, the expectation reinstates the conviction in delivering lunches for 2020 and 2021 in far or actually greater than what we were doing in 2019.

So basically, implicitly in the projection of that guidance if you read implicitly you notice that we're basically saying that for the next five quarters, so from the fourth quarter of 2020 through 2021 we will launch -- we expect to launch BRL3.3 billion to BRL3.7 billion on the top border of the guidance. Now that effectively means that over the next five quarters we will launch between 21% to 40% more than we had launched in EZTEC's all-time record high quarters. So that's as far as the volume now the underlying beneath the volume of launches there is a volume of sales that justifies that at the bags for those launches when we look at the third quarter gross sales hitting up to BRL377 million that's basically a reap -- the average weekly figure of BRL25.6 million of inventory sold. That's already 15% above what we had been delivering in the first quarter of 2020 prior to the pandemic. So that signals that V-shaped return.

When emphasize the performance for ready sales -- ready inventory units most of those mid-income projects that really took a turn there, thanks to the increases in the affordability that really make it easy for the mid-income segment to buy into ready units. So on that note we have Itau and Bradesco delivering mortgage rates of 6.9%+TR from Itau and 6 .7%+TR by Bradesco. And also innovating with a new modality, a new form of mortgage concessions, a new mortgage line pegged the savings remuneration. So, that's basically 3.99% plus savings remuneration for both Itau and Bradesco. That hasn't really reflected onto three quarter figures and should be a good sign looking ahead as prospects for the fourth quarter none.

In October, as we speak, we already had 25% of finance and concessions made by Itau being made under the new savings plus remuneration line. As far as cancellations very quickly, you noticed that, the third quarter had a slightly more cancellations than what we had averaged consistently ever since the cancellations law was enacted. There was a -- those cancellations were concentrated specifically on July and have already normalized on the subsequent months.

I may also mention that half of those cancellations are not technically are actually cancellations compounded with new sales. So, they're basically downgrades unit transfers or upgrades. With that, we reached a net sale figure of BRL337 million for the third quarter of 2020.

Move please to slide number 6. Where we talk about our inventory. So, first of all, when we look at that BRL1.6 billion -- BRL1.7 billion in inventory available, it is fundamentally very much contained inventory for how much we have been launching over the past years. And it gives us very much confidence. It safeguards the fact that we can push on with new launches with the capacity to digest it as we go. When you take a deeper look into the inventory you noticed that it is very fresh inventory. You have a very substantial portion of it on the lower graph you noticed, very substantial portion of the landbank relates to works in construction or that have recently been launched which basically means that some inventory that's already fresh for consumption that we -- that there is still very much liquidity in that.

And as far as the ready inventory which is slightly older inventory that is still responding very strongly to the fact that -- affordability has recovered so substantially with these new mortgage lines. So, when you look at the ready inventory in Guarulhos that's still highest concentration that basically the project Cidade Maia. It has sold in the third quarter BRL32 million, which signals to how strong performance it is. But it's also -- it's worth highlighting the fact that it's also delivering a gross margin of 52% on the third quarter in Cidade Maia. So that that's not at all a problem for EZTEC and it's something that will help us generate cash over the next quarters.

Now, changing gears to future launches, if you could please go to Slide number 7. What you seek is projects that ideally we would have -- wanted to have launched already ever since the past months. I think, ever since June, it has been very clear to us that it is a prime time for new launches. We did have a bottleneck as far as our ability to admit new licenses for those projects to be launched with the City Hall of the municipality.

But as we stand right now, we had these three projects mentioned on the slide already with their sales stands open, fully constructed and open for visit. So, basically you have Signature by Ott, a project with BRL113 million in the neighborhood of Aclimacao. You have Fit Casa Estacao Jose Bonifacio, and Meu Mundo Estacao Mooca, these two are both low-end projects that go along the Minha Casa Minha Vida program signaling to a cycle where Minha Casa Minha Vida should have quite an expression, you can imagine something like 1/3 of the residential operation, pertaining to the Minha Casa Minha Vida program. So, we have -- if you take all of these three projects in mind and when you look at the temperature in the sales trend, it's something that really motivates to push forward those launches as soon as we get the licenses to move ahead. Those three projects are combined, generate BRL319 million in PSV that we hope to launch in the next months.

Now moving to Slide number 8. There are these additional two projects Heredita Parque da Mooca and Alta Vista Residence Resort. They also -- they combined contributed an additional BRL224 million, these two are projects that also have their sales stands ongoing, they're currently at the late stage of construction something that we should have ready to go still within the fourth quarter. And here we also depend on the municipality, the effect of those launches but those are launches that we want to make as soon as possible.

All of that said, I'd like to move ahead to the financial performance where Emilio will take over. Emilio, our Chief Financial Officer and Investor Relations Officer. Please Emilio.

A. Emilio C. Fugazza

Hugo, many thanks. Thank you so much. Hello, everyone. It's a pleasure to be here. Let's talk about financial performance on slide number 9. Let's start with net revenue, third Q was, net revenue of BRL272 million, almost 2x we accomplished in second Q 2020. Mainly because of the volume of performance units sold in third Q, as mentioned before. And also because of the volume of construction ongoing in all sites something around 20 sites under construction right now from projects launches in 2019 at the beginning of 2020. As we -- have recognized more net revenues, obviously we can accomplish more gross profits BRL119 million for 44% of gross margin.

It's important to say that the gross margin remaining stead, since 2019, 2018 above 40%. That's very important to say, and when we talk about performing units, performing units like those units BRL300 million on the top of inventory we have, we got in the City of Guarulhos. We can accomplish something around we can get from those units something around 52%, 53% of gross margin.

Even when we talk about some projects under construction right now, at the moment that we can get more units sold from units a little bit more expensive than the units we started selling at the beginning of the launch, specifically because nowadays, the majority of the buyers are the final users instead of the investors buying more units on top of the buildings instead of the units less expensive windows. And that's why we can see quarter-by-quarter an increment in gross margin in projects under construction.

Talking about selling expenses and G&A expenses, talk a bit selling expenses, in the third Q was something around BRL21 million that can -- you can see how ratio, how assertive we can deliver the units sold in the last quarter. Even taking in mind that the majority of the sales stand for the projects we're going to launch by the end of the fourth quarter, and the beginning of the first quarter 2021.

We also stopped the construction and obviously we have already recognized those expenses to build those sales stands inside of this BRL15.8 billion of publicity and stand sales expenses. In terms of G&A expenses, you can see something very close to those we achieved in the fourth quarter 2019 and first quarter 2020, specifically because at the same level before the pandemic outbreak in the first Q 2020.

So I'm saying that we are recovering the same operational standards that we got before specifically because the volume of launches we have had much higher than thought in the past and that's why we are trying to be completed, trying to be fully prepare it in terms of people, in terms of skills, in terms of IT tools to deliver as much as we thought in our previous guidance -- launching guidance.

Talking -- let's move to slide number -- on page number 10 talking about financial results. Financial results is highly impacted -- I'm sorry on the top left of -- this is why, it's highly impacted by the increment of IGP. IGP is an inflation index in Brazil, and this inflation index was something around 22% in the last 12 months. Specifically in the third Q the impact in our receivables was about 5%. And the volume of financial result you can see on the chart about BRL34 million is not the whole assets -- performed assets we get -- we got in our receivables. Because the part of is controlling partnerships is recognized in the equity income results.

So you can see talking about that equity income a huge recovery of those figures by BRL21 million mostly because first of all, the recognizement of one project in the city of Guarulhos Minha Casa Minha Vida low-end projects. We launched this project November 2019, and we are going to talk a little bit more of this project ahead when we are talking about Fit Casa project.

Apart from the international, we can talk about (inaudible) is the 6/4 of one huge project in the city of Guarulhos (inaudible) which is the last phase of project in Brazil, it's a very middle income class project, more than BRL700 units and we got an amazing performance of sales right in moment of the pandemic outbreak. So that's important to mention was the project of middle income segment when we -- where we got the majority of the middle income segments sales in the whole company. And obviously it's a project under construction and the recognizement of revenues it's coming from the equity income because the state of this project by EZTEC is about 76%.

On the bottom right, you can see results to be recognized, 45% gross margin or gross backlog margin. So that's important to mention that it is remaining flat since the third Q 2019 and it's a very good forecast that -- what are we going to see in terms of gross margin in the next couple of quarters that's important.

And finally, on the left, you can see net income of this company given the fact that the net revenues was something around twice as much we saw in the second quarter 2020. The same outcome, we can see in the third quarter net income. So almost twice as much than net income of second quarter 2020. Net margin almost close to the gross margin of the company staying 44% an amazing performance since 2015.

So moving on to slide on page number 11. You can see the receivables we got in this company, it's a part of our business providing financing to our clients of performed units. So by the end of nine months 2020 the volume of receivables is about BRL489 million for 1,700 units funded by EZTEC. So the highlight here is about the volume of payments, down payments and anticipations we've got from those receivables. Apart from the fact that the origination was BRL31 million and the yields that we could agree or could ask in those assets was something around BRL91 million, so all in all we are talking about BRL122 million, the payments provided by our clients was something around BRL143million.

Given the fact that the interest rates provided by the commercial banks nowadays is below 7%, and also the basic interest rate in Brazil is around 2%. So, everyone who is saving money on making accounts are trying to anticipate soaked payments from those mortgages. Let me remind you obviously that the foreclosures so far is too low. So foreclosure in nine months 2020 is about BRL8 million, given the fact that the IGP was a little bit higher than in the past. In terms of the units no more than 17 units was the foreclosure out of 1,700 units funded by EZTEC.

On page number 12, now you can understand a little bit better the performance of Fit Casa, Fit Casa is EZTEC's brand to the lower income segment from this company. Nowadays we have four projects under construction as you can see at the bottom of the slide, the first one is Fit Casa Bras, Fit Casa Bras a project of 46% -- a remarkable 46% of gross margin, a project of 76% of the units sold. Nowadays we have something around 60% of completion in this project. The second one is Fit Casa Munich, Fit Casa Rio Bonito is part of low end, part of middle low-end, it's a project of 97% sold and something around 45% gross margins that's important to remind, a project of also bout 50% with status of completion.

The highlight of this quarter is being international, being international it's a project 60% stake by EZTEC with a project of 39% sold, the majority of those units sold was in the exactly in the moment after the pandemic outbreak and was of course recognizement of the revenues and net income and nowadays the gross margins about 41.1%. Finally a remarkable project of Maia Casa, Maia Fit Casa Alto do Ipiranga we launched this project in the first Q 2020, it's a low end, it's relatively low, units below BRL240,000 per unit but it's a low-end with swimming pool on the roof top, gym on the rooftop. So it's a very interesting project to be bought here in the City of Sao Paulo.

Nowadays it's a project of gross margin 43.5%, 35% sold so far. So, the main idea this is like is to represent what you can see in those shots on the chart, first one on the top left, you can see from the whole net profit of EZTEC something around BRL260 million, BRL270 million the contribution from Fit Casa was BRL34 million nine months 2020. But what is more important than that is the gross margins. So the gross margin is practically the same that we dealt counting on Fit Casa on this result so something around 44%.

So the final message here on the chart is so making a contribution or something around 15% of the whole net profit of EZTEC we can get is in a low-end segment in a gross margin of almost 45%. And this amounts of net profit could provide 2020 return on equity of 16%, taking in mind the equity of this company about is BRL316 million, let me mention that the inside of equity there are something around 10 projects more to be launched in the next couple of quarters of the low-end segment, segment belongs to Fit Casa the brand from EZTEC.

Let's move to slide on page number 13 talking about EZ Inc financial performance first of all. Talking about asset evolution, you can understand that by the end of the third quarter 2020 we had a segment here in our company that you can see BRL242 million of cash, BRL359 million of lands, and finally BRL80 million of (Technical Difficulty) including the liabilities, the equity of this company the shareholders equity of this company belonging to 98% to EZTEC is about BRL716 million. So that's very important to mention.

So from BRL4 billion nowadays that we have in shareholders' equity EZTEC is something about BRL4.1 billion. So BRL700 million is about EZ Inc, EZ Inc is our vehicle of support growth in the commercial properties. And as I mentioned before BRL300 million, something around that of Fit Casa, our vehicle of low-end segment. So all-in-all taking something around 25% of the average of this company.

In terms of event it is important to mention as Hugo said before in the 4Q 2020 we had an awkward interruption, but we are keep going with the register as a big company to take the decision of whatever we have to do in terms of getting money from accomplish the projects we got in this company in the next 60 or 90 days. In the fourth quarter 2020 also, we have the conclusion of two very important clause in the City of Sao Paulo as I'm going to mention in the next slide.

On page number 14, you can see the whole portfolio, you can get, you can understand from EZ Inc The last few ones, the plot number 9 and plot number 10, we acquired in the third quarter 2020, but also paid, we have paid for those sites at the beginning of the fourth quarter 2020. Both piece of land located in the South Zone of Sao Paulo in a very well nailed neighborhoods, very close to visit hours. Very close to all the others development of our company and both acquisitions in a very good shape, in a very good gross margin as usual for EZTEC.

Let me talk about the number 1, 2, and 3 from this page. The highlights here is number 3, it's a piece of land that we also have already rented to a big market that we can get a contract, an agreement up to 2037 units to EZTEC we can get from this contract something around BRL5 million of leasing revenues per year that's very important to mention. And also in terms of number 1 and 2. Two commercial towers that we have already developed that we have already delivered and we kept those towers some stores, some piece, some stores to be rented and one of those are rented nowadays to Itau Bank units something around BRL5 million per year.

Number 4 is Esther Tower. Esther Tower is a flagship of EZ Inc It's a project of something around 8,000 square meters of leasable area. We have already started the construction.

It's a project of more than BRL1.6 billion of potential sales value. And number 5, 6, 7 and 8 are also broad commercial projects (Technical Difficulty) but also very well located on the process of taking the license to be started construction by the first half of 2021.

All-in-all this in company, we've got something around 180,000 square meters of gross leasable area that's important to be reminded that all these figures are going to be ready. I would say providing revenues from tenants, providing revenues from rented between 2023 to 2025.

So finally on the slide on page number 15 you can see shareholders equity -- EZTEC shareholders' equity of above BRL4 billion, something around BRL4.1 billion. Mainly when you see breakup of the assets in the right side of this slide you can see the majority of the assets something around 34% of the whole equity cash and equivalents to support the growth of our landbank and Hugo mentioned before we have something around RUB900 million -- BRL800 million to BRL900 million to be paid in new acquisitions.

Another figure to be highlighted is the ready inventory, the cost of the ready inventory about BRL200 million that I can assure you something around 40% to 50% gross margin. Like that the cost of the landbank acquired so far, so when you think about BRL9.4 billion as Hugo mentioned before the whole cost of the landbank including this part, included grants, we have already paid something around BRL990 million a 26% of that quickly. And only as you can see as liabilities, you can see 100% to be paid on those lands that we have already recognized in our balance sheet. And finally they finished units receivables BRL583 million with agreement signed so far, with something around BRL480 million.

So the difference between the assignment and this BRL583 million is something about BRL100 million are units ongoing the process of bringing the contracts to the bank to turn those receivables into cash. So, so far, that's the presentation.

I would like to thank you so much for your -- audience today. We are completely open to new questions. Thank you very much.

Questions And Answers

A - Hugo Grassi Benevides Soares {BIO 19772261 <GO>}

(Question And Answer)

Q - Analyst

All right. Thank you, Emilio. We will now open the call for Q&A session. (Operator Instructions) We see here that Nicole (inaudible) Bank of America has a question. Nicole, you may please ask your question.

Hi, can you hear me?

A - A. Emilio C. Fugazza

Good morning.

Q - Analyst

Good morning. Good afternoon. Hi, Emilio, hi Hugo. Thank you. Thank you so much for the presentation. It was great as always. I just have a couple of questions. I think -- I think what's really impressive is your -- the margins that you're getting on your finished inventory. And I was just curious are you increasing prices on your finished inventory, is this any special because this -- imagine the product that's most being benefited by the lower rates. So you're talking about margins above 50%, could we see that going even higher if you have space to increase prices there?

And then on the land bank, you talked about a lot of land bank that you're able to acquire recently. So I was curious is this land bank that you had been negotiating or at least had mapped out pre-crisis, pre the pandemic that came back and that you weren't able to close at the beginning of the year and you closed now? Or is this new land that came available that maybe I don't know the landowner was having more difficulties or was negotiating with another home builder that couldn't pay in cash. So just curious about where the increase in land bank has come from. So thank you so much.

A - A. Emilio C. Fugazza

Nicole. Can you hear me?

Q - Analyst

Yes, I can hear you. Yes.

A - A. Emilio C. Fugazza

Oh, (Multiple Speakers) and many thanks for the questions. So let me start talking about the margins of the finished inventory that's very important and interesting question. So what is interesting here is, obviously when you think about the interest rates provided by the commercial banks, especially when you have -- when you got Itau in the middle of the third quarter 2020 changing the way to charge the interest rates was very profitable for companies like EZTEC itself.

So the new rates calls for (inaudible) highs or savings account plus means that the point of interest rates for the client -- to the clients taking in mind the basic interest rate in Brazil nowadays of 2%, it's going to be something around 5.4% plus TR. TR nowadays is about zero, it's going to be zero up to 8% of SELIC, basic interest rate in Brazil.

So 5.4% is at least 1.5% to 2% less, at that time are the interest rates of the majority of banks we're practicing here in Brazil. And what is interesting is after the movement of Itau, so Bradesco now in the fourth quarter has started to do the same movements and to do the same interest rates, the same -- seeing accomplishment of Itau and obviously. So in the fourth quarter the majority of the contract I am providing to my clients are using this new method. And they have been the banks advisor, the commercial banks, they have been analyzing making the feasibility analysis of those clients taking in mind the interest rate, the basic interest rate of nowadays.

So they are not taking in mind that could be likely an increment of interest rates -- of interest rates in the next two years. So that's very important, because we can sell bigger apartments or expensive apartments for an interest rates attraction by those commercial private banks that are less than the interest rates practiced by Caixa Economica Federal in the low rate segment. So it's absolutely sane and that's why we have been selling so much more units in the middle land, in the middle high end, especially in cities like Guarulhos. So we can improve the affordability by 30% at least and that's why we are getting a gross margin up at least over there, where is the majority of our performance inventory something around BRL300 million, the gross margin is about 53%. So that is priceless, that -- it's amazing and priceless.

Obviously the forecast for units being sold in an inventory for the units are the same in quarter -- fourth quarter in the first quarter 2021. We have been selling much better than in the past and much better with a little bit higher prices, and that's in our forecast of impacted positively the gross margin for the next couple of quarters. In terms of landbank, this is quite interesting. The real truth is we are permanently negotiating landbank, obviously. So some piece of land that we bought this year, obviously, we started with the negotiations in 2018, 2019, and obviously the prices were not getting in a very good space, in a very good point. But the months of the outbreak obviously changes or could get the landlords or a little bit more afraid of keep those huge piece of land without very good negotiations with the developer, because they couldn't understand what could be the outcome from this crisis.

And that's why we were -- we are trying to negotiate those lands or we were trying to negotiate better those piece of lands exactly in the middle of the pandemic months. But it's (inaudible) because the majority of them obviously had better proposals, better proposals, but of course with swap agreements for instance, swap agreement. But when you get this moment, this outbreak, you start thinking about receiving about receiving all of the price of the land and money in cash. And just a few companies obviously can support a piece of land of more than BRL100 million in cash at once, and EZ TEC is one of them, that's the first part of the -- of explaination.

The second point is about is about the segments. Obviously, when you think about the south zone of Sao Paulo, the very fancy neighborhoods of Sao Paulo, everyone is looking deeply at those piece of land and trying to buy a small part just trying to make a very good piece of land, but no more than 2,000 square meters, 3,000 square meters in a very fancy neighborhood. And you have to invest a lot of money, because the land there is very expensive on these areas.

And that's why EZ TEC took the advantage of his all engineering team to see piece of land in the outskirts or very close to the borders of the city or in kind of neighborhoods. That we can say, that is a very middle income neighborhoods or immediately middle income neighborhood indeed. And that's why we started buying very good piece of land for instance in the city of Osasco, in the city of Osasco at the gates of Bradesco, in the gates of Cidade de Deus. So it's a very important place, because it's very downtown

Osasco, a place that we are selling a lot of units coming from the (Foreign Language) selling, in the middle of exactly downtown Osasco selling by BRL6,000 to BRL7000 per square meter.

So why not buy more piece of land in places like this one apart from that area. So is son of Sao Paulo -- is son of Sau Paulo is a kind of area that people think that there is only (Foreign Language) or only black very are neighborhoods that are very close to downtown Sao Paulo. And neighborhoods the income of those neighborhoods are very high. So there are much more neighborhoods than that -- than those.

One very good example, is the project we are launching -- we are about to launch Fit Casa as I already mentioned before, Fit Casa is only (inaudible) so Fit Casa (inaudible) is something around 40 kilometers so -- from our border. So it's very close to the edge of the city, it's a project very close to one subway, subway line, train line. It's a low laying plot at -- near Fit Casa. We're going to get something, we have paid for this piece of land less than BRL10 million for potential sales value of about BRL130 million. So we are looking deeply in a region that the majority of the developers are not. And that's important to keep the margin so high to developing our company in all segments that the city like Sao Paulo can provide. That's the explanation, Nicole.

Q - Analyst

That's very helpful, very helpful, Emilio. Thank you so much.

A - A. Emilio C. Fugazza

Thank you, Nicole. Have a wonderful day, Nicole.

Q - Analyst

You too.

A - A. Emilio C. Fugazza

Thank you.

A - Unidentified Speaker

Okay. In the absence of any further questions, our conference calls for the results presentation is now over. We thank you all for your attention. Hope you have a nice day.