

## Y 2020 Earnings Call

### Company Participants

- Eduardo Fischer Teixeira De Souza, Co-Chief Executive Officer
- Rafael Nazareth Menin Teixeira de Souza, Chief Executive Officer
- Ricardo Pinto Paixao Rodrigues, Chief Financial And Director Of Investor Relations

### Other Participants

- Andre GB, Analyst
- Bruno Bentosa, Analyst
- Elvis Credendio, Analyst
- Igor Alpino, Analyst
- Marcelo Motta, Analyst
- Nicole Inui, Analyst
- Pedro Casanova, Analyst
- Thais Alonso, Analyst

### Presentation

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

We are very happy and opportunistic. We closed last year, it was very hard year, unfortunately there where the health problems that continue to afflict the Brazilian society, but still we had record sales in the year. We grew almost 40% in sales compared to 2019, closing with BRL8.7 billion in sales, a very good number that should be celebrated by the Company.

But more important than talking about the past, is talking about the future. For some time now, we have been preparing and creating a unique infrastructure in the sector. MFA operates in in 162 Brazilian cities and also several cities in the US markets. We invested lots of money in recent years in technology, processes, and most of all, in our people. Today, we have a very qualified team that takes care of such diverse operation as MRV's. And some years ago, we started a very important project, which is to expand our portfolio, diversifying our operations.

So today, in addition to our core product Minha Casa Minha Vida, we have the Sensia line, that is going to work at the Severance Pay Fund and Workers Fund. And we have Luggo, our rental business, Urba, our company that is focused on allotments and finally, AHS, that is a sister company of Luggo that does the same thing, but in the US. So, all this portfolio and geographic footprint will enable us to take an even greater leap. In our release, we have a target of getting to 80,000 units by 2025. A number that has never been reached

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before by any developer, except for two companies that operate in China. So, we will indeed be a world case and this 80,000 units will translate in approximately BRL18 billion in potential sales value, a very good number.

So, in this context of expanding portfolio and diversifying geographically, operating in different market niches, I would like to highlight in our target for 2025 approximately 1/3 of Company revenues will come from AHS in the United States, which is very good, a company that has a different economic behavior, a different cycle, which will bring us very unique resilience. And also, another third of the potential sales value, will come from investors and not individuals. MRV traditionally sells apartments to our clients. But with AHF and Luggo developing more than one-third will come from the sale of the portfolio of this products to invest in funds in the US and Brazil, which is very unique in this sector.

And talking about AHS, another important movement is that AHS has entered in two more states, Georgia and now Texas more recently, which is a very pro business state. The population is growing, people are migrating from north to south in the US, the tax is low, just very friendly for individuals, it is a very pleasant climate. So, this three states, Texas, Florida and Georgia will have their population growing in next year's. Texas alone, the most important state has \$1.5 trillion in GDP, the size of Brazil, one state alone.

So, we are very optimistic and sure that AHS operation will be quite representative in our portfolio and to close, AHS today, we have six developments that are ready to being sold. We want to complete the sales in the next months, these are projects with PSV of \$250 million with profitability, close to 30% gross margin, so, beautiful product -- profitability. And because we work in Miami, Dallas and Houston, we are amongst in four of the 10 largest metropolitan regions in the US.

Luggo is similar AHS, a very modern company. It is very easy to rent an apartment, you can do it on their app in five minutes and then you have all services, internet, cable TV, shared cars, cleaning, markets, bakery, laundry. So, it's a very nice business. But, most important of all, this concept of maternity is quite democratic, the average rental is BRL1400 a month, which -- that fits a family income of BRL4000, BRL5000, BRL6000. So, we deliver a lot with very democratic business and so much so that the vacancy is almost zero. Society demand has been very, very good.

And finally, Urba, our allotment company. What is happening you know, with allotments, you know, seeking for houses, lots of people wanted those traffic, to whatever we launch in Urba is selling like water and it is a company that we do believe is going to grow a lot and is going to be very important for the MRV portfolio as a whole. People want homes that have a yard, that have more space and Urba has urban quality with democratic prices. So, the mindset is very similar to AHS, Luggo and MRV, which is to deliver a very good product, but at a democratic price. So, in our material, what we expect for Urba, and this is on our website, is 15,000 lots a year and we can even go beyond that. Well, for introduction, this is it.

Then I'm going to turn to Fischer, then we are going to go to the Q&A. Good morning, everyone and have a good day.

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## Eduardo Fischer Teixeira De Souza {BIO 17580321 <GO>}

Hello. Thank you, everyone, thank you Rafael. I would -- just to something that Raphael said, that is very important. We have a guide to diversify our portfolio to extend our housing platform, to go to what we call a multi-funding multi-client platform. So our strategy in the medium term, we will create a company that can capture all potential in the Brazilian real estate market, as well as the American market, as Rafael mentioned.

I love this line, I would like to touch an important point. Looking at some analysis that were carried out, our new businesses are being placed as one off, that is non-recurrent. What 2020 showed us in MRV, is that, this is the start of recurrence in our businesses and in our new areas. In 2020, we really showed the strength, especially when AHS started to support our business, enabling our growth, and this is very important. We have a portfolio of products and companies now that will enable MRV to grow in different businesses with different risks and different fundings. This is strategic for us. This is our guide and this is something that you all have to have in mind, but it will indeed change the Company level, in terms of for risk and size and potential.

And along this line of product Rafael mentioned quite briefly, but we had disclosed our new mid-level brand, which is Sensia. We did that soon after the MRV day. But in February, but typically on the 24th February, we had the launch of our first Sensia development in Campinas. In five days, we had to -- the development closed and remember, the process of transfer to banks is just like MRV, at the blueprint during the sale. Our new product with this kind of transfer is a landmark to us. It shows that we are on the right path and very soon we are going to see recurrence in Sensia brand in our business, in our platform.

Another point I would like to highlight, is that, too much has been said in recent months about the increase in raw material costs. Increase and like, what do we see in MRV. Indeed, in the second half of last year, there was some delay in the delivery of materials and prices going up, especially on price on items that are important to us, that does not have an immediate effect on our whole portfolio. You have developments ongoing at different stages, but we did see that along the second half of 2020.

So, what did we do. Well with regards to possible lacks, we started to piling up material to -- storing material, which does have an effect on cash generation, which is not optimal. But, we did that to protect our operations and to mitigate increase of cost. So, we increased inventory levels. What we see in the beginning of 2021 is a sign that this is going down, increases are no longer happening, freight costs, which are good indicators to us, is thought to be cheaper even with diesel costs going up. So, this is an excellent indicator that we monitor on the day-to-day. So, it is a positive sign and we think this is going to dissipate along the coming months.

So, how did we address prices going up. Well two fold, first, we continue with our processes to gain efficiency and productivity. They are showing results. So, we will more than be able to cushion the increases that happened. And second, we were able to transfer this increase of prices to our product mix and because there was an explosion of demand, we are generating, you know, gains as never before in the Company and with that we are able to transfer some of this cost.

So, looking forward to 2021, our strategy to recover gross margins has not changed. Of course, there was a slight impact in the end of the year, but it's not going to be different '21, as I mentioned before and we will continue to grow our gross margin in the year.

So, now, I'm going to turn to Paixo, that also has some comments to make.

## **Ricardo Pinto Paixao Rodrigues** {BIO 22108148 <GO>}

Hello, everyone. Thanks, Eduardo. I'd like to go to some financial results. I would like to say that we had growth of 10% compared to 2020. And I would like to talk about gross margins. We had a slight recovery compared to the previous quarter with 24.8% and going down, I would like to talk about our expenses. So, first, that there were some analysis comparing the year of 2019, without the adjust in '20, with a adjust. So, you have a bit of a distortion. So, when you get SG&A overall, you see that there is a difference in 2020 compared to 2019 and if you think of contracted sales, we had a reduction of more than 200 bps year-on-year, showing a dilution of expenses on growth long there years, as we start growing our production volume.

And our subsidiaries showed better results. With that, we had an increase of BRL25 million in the year. The financial result are BRL40 million below compared to 2019. And the main reasons, first, you know, AHS introduction in 2020, this is a company that is more leveraged because it is growing. Also a decrease in inventory and also a drop of financial release, because of the marking of bonds to market that happened completely recovered. But in the bottom line, we had BRL550 million end of year as a whole. Well, with that, we have the investments of AHS and more and more AHS and Luggo will contribute to our results in the first quarter of '21. We are going to see new sales of AHS development and in the second half of the year, to be Lubbo's.

Cash generation, in the release, you have the cash generation per business line, BRL520 million in MRV. Urba, Luggo and AHS are building cash in the natural process of growth. In terms of capital and allocation, you have -- the numbers that you can see on our release. Well, this is what I had to show you, and now we are going to go to our Q&A session. Thank you.

## **Questions And Answers**

### **Operator**

We will now start the Q&A portion. (Operator Instructions). We have one question from Pedro Casanova from Credit Suisse.

### **Q - Pedro Casanova** {BIO 20391352 <GO>}

Hello, everyone. Good morning, thanks for your question. I have two questions. First, In terms of SG&A, there was a slight increase in 2020, which was expected because of the leveraging of your subsidiary operations. I would like to know what levels are -- you are considering for the year, given there is a slight increase that you had.

The second question, I think you have already approached, the gross margin recovery. So, do you think that by the end of the year, we are going to have a gross margin close to 30%? Do you think it will take a bit longer? And is still about costs, if you give this verse a bit more color with regards to materials, what has had the highest weight and also in terms of labor, that's -- these are my questions. Thank you.

**A - Ricardo Pinto Paixao Rodrigues** {BIO 22108148 <GO>}

This is Ricardo. Well, your audio was not optimal. Could you repeat the first question please?

**Q - Pedro Casanova** {BIO 20391352 <GO>}

Certainly. The first question is with regard to your SG&A, you had a slight increase in 2020. What do you expect for the coming months?

**A - Ricardo Pinto Paixao Rodrigues** {BIO 22108148 <GO>}

Okay. G&A, we did see an increase because of the incorporation of AHS, and we see G&A about flat compared to the fourth quarter 2020 in this year. For the future, we are going to have a dilution of this general administrative expenses and what we see is that, some of the business lines are still starting their operation. So, it's just natural that we have a team that is prepared for a larger volume of operations that we are delivering. That's particularly true in AHS, Urba and Luggo.

Gross margins, you are right. Eduardo did explain that well, in terms of gross margin. This is a movement that we are expecting, and we had -- we expected an improvement in the second half of last year, which did not happen, because we removed the discounts in the beginning of the pandemic, but that was partially offset by the increase of costs and inputs, as I mentioned before.

I'm not going to repeat what we said in terms of margin recoveries. But, we should see an increase in margins. We are expecting the gross margin to recover in the first quarter of '21. It's going to be a bit more flat, this is basically the four of gross margin. We don't believe this is going to go down, but in the second half, we will continue on track to have a more natural normal gross margin for the Company 31%, 32%. We probably not getting there this year. But we are going to see the movement towards that in the second half of the year.

Materials and inputs, copper, steel and PVC were the main ones. We have taken important measures to somehow offset these costs. In steel, for instance, we have a technology that was developed for plots, for development up to five floors, that do not require the screen sheet, we can use fiber glass to keep the concrete in place and with that, we reduced steel consumption and we can also just dry walls on -- in internal apartments, especially for Minha Casa and Minha Vida. So, we are taking the right measures to offset the effect and if we want, the one hand we have had the increase of some inputs, on the other hand, we are decreasing costs in surfaces and etc.

Labor, zero pressure, we are not seeing an effect, and employment is still very high. Of course that we see that people are concerned about that in the Sao Paulo markets. But this is not our reality for the whole of Brazil. I hope I have answered your questions.

**Q - Pedro Casanova** {BIO 20391352 <GO>}

Certainly. Thank you very much.

**Operator**

Our next question comes from Elvis Credendio from BTG Pactual.

**Q - Elvis Credendio** {BIO 20084266 <GO>}

Hello, Fischer, Kaka. I have two questions. First, the competition in the Casa (inaudible) and especially you know thinking of the increase of materials in recent months, how do you see the smaller competitors in the segment, vis a vis this increasing costs? Do you think they're going to be more affected and consequently you could even increase your market share faster?

My second question is about ASH. What do you see in terms of cap rates from now on? Do you see, you know, people talking about an increase in costs in the US, do you have any kind of concern with regard to the cap rates for the next months?

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

This is Fischer, I'm going to answer your first question and then Kaka is going to talk about AHS. Competition, what we saw last year is that small and medium sized players decreased their operations hugely in the beginning of the pandemic. More towards the end of 2020, they did pick up a bit, but we had already gained market share in several cities, because once you consolidate market share, it's hard for you to lose. And very heavy competition in Sao Paulo, particularly the metropolitan area. Other than that, the scenario has not gone back to pre-pandemic times.

And because of the increase of cost that larger companies are slightly more protected against, I think small medium players are going to have more difficulties to browse the environment in the first, second half's of '21. So, I think we have in hand, an opportunity to continue consolidating and increasing market shares in the cities in which we operate.

Kaka?

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

Well, with regard to AHS, what have we seen. Well, basically we see, you know, transactions are basically at the level that we had estimated. The last one, even better, we had expected our yield cost of seven and we saw room for us to grow back that, with gains on productivities and a better production process in the market. With that, we had the 28% to 30% gross margin per project and remember, AHS is not -- is the commercial

player here. So, the net margin is very close to the gross margin, different from our traditional business.

**Q - Elvis Credendio** {BIO 20084266 <GO>}

Okay, thank you very much.

**Operator**

Our next question comes from Nicole Inui from Bank of America.

**Q - Nicole Inui** {BIO 17757166 <GO>}

Good morning, thanks for your call. I would like to turn to AHS. So, I have some questions here. First, you are starting going to different states, your impacts as now. Could you talk about the challenges of starting operations in a new state? How is it going on?

And the second question is still about AHS and the American market. I think that, in the US you are also having an increase in cost, how does it impact your business in terms of yield, and what do you see from here on?

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

Hi Nicole. Good morning. This is Rafael speaking. Okay. New states and challenges. Well, we naturally do have challenges, but it's important to point out that this is something that MRV have been doing for 30 years. We started our geographic dispersion in '94, years ago. And you know this preparation of infrastructure in terms of teams, processes, systems is very mature. We at MRV have huge managerial capacity to manage a whole lot of buy's that disperse developments in a large geographic footprint. And this know how of the past 27 years is going to be incorporated by AHS.

Now, how do we see the American market. It is a market that has less entry barriers. In Texas, you know, Texas is a very pro business state. The law -- The government is very efficient and that makes our process easier. Also in the US, different from Brazil, there is a very standardized building process. The way we are building Texas is just like how we build in Miami. And we are growing our team. We said good to MRV executives to AHS, have we have capacity to put together teams. There were a lot of people that wanted to grow and we saw a possibility for them to grow their career in AHS. Many executives are taking the steps, they are highly involved with the company future, they highly qualified. So, we are quite confident. Of course nothing is easy, but we are quite confident that we can do it.

MRV produces 50 units -- 50,000 units a year. AHS is at 1,000. We want to get to 5,000 in four to five years' time. So, we have time to mature teams and processes. But always looking to the inside of MRV, because there are many lessons learnt in 27 years of geographic dispersion. And remember that we are just in four metropolitan areas, great Miami, great Atlanta, Houston and Texas. We are looking to Austin, we are taking a look there, but very close to Dallas, the American Logistics works very well. So, geographic dispersion is going to be much smaller than Brazil, 15, 20 towns in metropolitan areas. So,

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we are aware of the challenge, but we are investing not to have any surprises in terms of performance.

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

And Nicole, in terms of costs, indeed, in the last three years, the sector had some inflation, it's going on. Land is a bit more expensive, labor and materials as well. So, it is slightly above the American inflation rate. But, you have also productive industrialization processes in AHS, that offset inflation rates. As you heard, Kaka said, the yield cost was estimated at 7% and we think that we can go beyond that, even knowing that we can have still a bit of pressure of cost, you have the package of \$1.9 million, that will certainly bring short term inflation, but you know, the exit cap and yield costs, will enable us to deliver a gross margin close to 30%. Okay.

**Q - Nicole Inui** {BIO 17757166 <GO>}

Great. Very clear. Thank you very much.

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

Thank you.

**Operator**

The next question comes from Bruno Bentosa from Bradesco BBI.

**Q - Bruno Bentosa**

The question is about the plan for 80,000 units. And I take a look at your plan for the States, it's also very ambitious. So, I would like for you to say, what do you consider in terms of capital structure for the future and how you're going to get there? You have a PSV amount that is growing, Casa Luggo is also growing faster than revenues and budget. So, in the pyramid of use of resources, you also have a portion of equity to grow, at Luggo and Urba. So, how do you see the evolution of your capital structure and the use of your net worth and how you're going to leverage those PSV over your net equity? I don't know if the question is confusing, but I would like to know -- to have an idea of -- a snapshot of MRV capital structure for the future.

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

Hi, Bruno. Good morning. Indeed it's a challenge. It's huge growth, going from BRL8 billion in sales to BRL18 billion in sales. But, we are very much prepared to get there. In terms of capital structure, the three subsidiaries Luggo, Urba and AHS, will demand capital, giving that their growth is going to be exponential for the next 5 years. They are doubling size every year.

So, what happens. MRV has a stable operation. We are going to have 40,000 or so units a year, we grew a bit the portion of SBPE. Last year we were at 50,000, we want to get to 60,000 units. So, you're talking about growth of about 15% to 20% in this segment. And this segment will happen in two, three years, and it does not demand capital, it just



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generate cash, because we have already the land bank. For MRV, for Sensia, Sensia is going on and we have Casa Minha Vida. We have a volume that season, a bit larger than necessary and Sensia is a bit less. So, one offsets the other. So, the Brazilian subsidiary is a cash cow. It generates cash, and it rebates the other subsidiaries.

Now what can happen. We know that the capital markets in Brazil is increasingly mature. I hope that we can address our fixed reform for the interest rates, not to go up so much. But, eventually because of that, we did have a first round with Urba, but at the right time without hurry, at the right price, we can have a follow-on in Urba.

Luggo, when it gets to 6000, 7000, 8000 units, we can also have a round of capital there. This is a very modern company, very different, then it may happen. And it has the same rationale, it will double size every year in the most mature capital market. So, with the right valuation, we might have some capital markets move. And the holding, we don't want to have movements in the holding, other than diluting the main shareholders and adding capital to our subsidiaries. You have to pay attention to costs, to multiples and keep our discipline and conservative in terms of leverage, so you always see a holding with little leverage. This is our DNA. And if any subsidiary has room to grow faster than budget, we can access some kind of capital market.

In terms of pro-soluto, it is growing in pace with sales and we are even more restricted. If you compare the beginning of 2020 to the beginning of '21, all indicators of pro-soluto payment instalments, maximum tolerated risks, this is all better than before. So, the average time for receiving the pro-soluto is going down. And this is probably going to continue for the coming quarters.

### **Q - Bruno Bentosa**

Okay, thank you very much. And are you considering any different structure in your portfolio?

### **A - Eduardo Fischer Teixeira De Souza** {BIO 17580321 <GO>}

Bruno, we have two large volumes of capital that are pooled here. First is pro-soluto, we have two billion plus in our portfolio, one billion plus post key and we have the land bank that has already been paid more than a billion. What Kaka is doing, is trying to study alternatives in the market, there are some very interesting things going on for us to have a slightly lighter balance sheet. So, we might have some move with best regard in land and pro-soluto, but I cannot give you any details right now.

### **Q - Bruno Bentosa**

Okay, thank you very much.

### **Operator**

Our next question comes from Thais Alonso from Citibank.

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### **Q - Thais Alonso** {BIO 21979935 <GO>}

Hello, good morning everyone. I'd like you to comment about Urba, to give you -- to give us a bit more color. We had several competitors that tried to go into the segment and were affected. What is MRV's difference, other than your geographic footprint in the market?

And second question, the current interest rates. Does it change to more good dynamics, because when the interest rates increase, they affect the market. Thank you.

### **A - Ricardo Pinto Paixao Rodrigues** {BIO 22108148 <GO>}

Hello, this is Ricardo speaking. First, with Urba. Sad for all companies that tried to become national, were affected, but we already have the geographic footprint and we also have high operational quality, so Urba is surfing this wave. We -- you know, when we joke around making analogies, you know, MRV you know, started with very bumpy roads, but Urba has already an asphalted road. So, it's going to be much easier for Urba to expand, than it was for MRV. The growth plan talks about growing in all the cities where MRV is already present, mid west, more Sao Parana, Sao Paulo state inland. So, I don't think this is a point of concern.

Another thing that is relevant to mention is that, Urba had a thousand plots of land, the plan for this year is up to 3,000. Everything is ready for us to start with our launches and we are talking about large projects, we want to go from 10,000 to 15,000 lots, a year and when you look at average size of project of 750 to a 1,000 units, you are talking about 15 to 20 projects and compared to the 240 of MRV, I don't think it is a challenge.

What was the second point, Thais? I'm sorry.

### **Q - Thais Alonso** {BIO 21979935 <GO>}

The increase of interest rates. Because when we see interest rates going up, clients have a problem to pay. Do you have any alternative to fund Luggo's projects? Are you going to use part of the cash that MRV is generating?

### **A - Ricardo Pinto Paixao Rodrigues** {BIO 22108148 <GO>}

Okay. What we see is that, we have developed, we have two important partnerships for the funding of this projects in Luggo. So, today, we have a corporate plan, so to speak. We have three projects in those plan, with partners of the company. So, the cost of capital, the indebtedness, so to speak, for construction is CDI plus 2.4, 2.5, so it is very well a curve to control, in terms of capital needs for us to build Luggo projects. And the other point is that, today, we are at an interest rate of 2%, no one expects this to be kept, it's probably going to go up. We are going to have a 6% yield, net of taxes in Luggo.

So, if you're talking about the SELIC close to six, the business is still very appealing. But if everything goes wrong and SELIC rates just sky rocket, then we have to think of alternatives and that's why all developments that we buy for Luggo, we look closely into not to have any problems.

**Q - Thais Alonso** {BIO 21979935 <GO>}

Will you allow me asking one more question?

**A - Ricardo Pinto Paixao Rodrigues** {BIO 22108148 <GO>}

Certainly.

**Q - Thais Alonso** {BIO 21979935 <GO>}

In your line of financial results, financial expenses grew by almost 50%. But, when you take a look at our indebtedness rate, it is flat. How can you do that?

**A - Ricardo Pinto Paixao Rodrigues** {BIO 22108148 <GO>}

Well, Thais, what you are comparing, is that, in 2019 we didn't have the consolidated numbers of AHS. The difference is because of AHS.

**Q - Thais Alonso** {BIO 21979935 <GO>}

Okay, thank you very much.

**A - Ricardo Pinto Paixao Rodrigues** {BIO 22108148 <GO>}

You're welcome.

**Operator**

Our next question comes from Marcelo Motta from JPMorgan.

**Q - Marcelo Motta** {BIO 16438725 <GO>}

Hello, good morning everyone. I have two quick questions. The first about working capital. Fischer mentioned that one of the initiatives to offset the pressure on cost is to advance purchases, increasing the working capital. I would like to know if you are going to decrease this line along the year or if you are going to work at a higher level of inventory.

And the second question is about the first quarter, you talked about Sensia selling 20% in five days in one week. I would love to understand the speed of sales in other segments, because of COVID lock downs, the -- and if this has impacted the pace that you had in the fourth quarter. Thank you.

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

Hi, this is Fischer speaking. Well, working capital. Indeed, what we saw in the last half of last year, was a need to have higher inventory levels and that in a way, was the same for the first quarter. But, this is getting a lot better. So, I don't think it will affect the numbers of the year, because you have two things going on, a delay of materials and increasing price. Delay is settled, so we are no longer having delays. Cost, it is what I said in the beginning, we have less pressure of increases this year compared to last year. So, we do not see the

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need of really having everything in-house because the situation seems to be settled. So, it won't affect our plan and the projection of cash generation for 2021.

First quarter is doing well. As I said, the explosion of demand that we saw after the second, third month of the pandemic are still high in '21. In January we had the record of leads generated in the Company. So, demand continues very strong. And one thing that I said yesterday, is that, the difference of this lockdown that will start tomorrow in Sao Paulo, compared to last year, is that this time, we are fully adapted to surfing this environment. Remote home office is okay, virtual digital sales were implemented successfully last year, and even now, our clients and prospects are already more experienced and confident in working in the virtual environment.

So, I'm much more confident. First, because I think it's going to be a lot shorter than last year. And second, because we are used to working in the scenario, we and the whole of the market. So, it's not a concern. It might be a concern, if it takes too long, but it's not what we see right now. So, as a whole, I hope I have answered your question.

**Q - Marcelo Motta** {BIO 16438725 <GO>}

Yes. Very clear. Thank you very much Fischer.

## Operator

Our next question comes from Igor Alpino from Santander.

**Q - Igor Alpino**

Hello, everyone. Good morning, thanks for your call. I have one question. We have seen cash, whereas real estate credit being offered to different channels and getting to levels that are much more appealing to end consumers. What is your -- the impact of this on your sales and pro-soluto? Thank you.

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

Okay. Igor, this is Fischer once again. Well, let's go back. In 2020, Casa had very important work and when the pandemic started, it was quite proactive. It worked with the waiting period of the payment. So it was an important player in the scenario to us. And Casa for some time now, which is very good, has been not much additions in granting credit, and this is not something that started now. In 2019, this was already given, which is good to us. Because if you look in the long term, you know, if you have the largest player in the market more stable, this is very good. So, the scenario that we have in the Company now is the same scenario in terms of granting of credit on pro-soluto, that we had in 2019 and 2020. There was no change in Casa's behavior during the pandemic, more specifically for 2021. I think I answered your question, but I'm not sure.

**Q - Igor Alpino**

Yeah. Just -- to know, if you consider that this would be a problem or not. And with regard to, you know just savings accounts, well, this is fantastic.

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

We have to have in mind that Casa is the main player in the Brazilian real estate market. So, with this new line that is connected to the savings account, it brings much better possibilities for the sector. Casa 3 has an interest rate of 8%. The savings account is much lower than that, and that's very good for us, including for our strategy to divert spending. So, I think that the recent moves of Casa were all very good to us.

## Q - Igor Alpino

Okay, thank you very much.

## Operator

Our next question comes from Andre GB from Itau BBA.

## Q - Andre GB

Hello, everyone. Good morning. First of all, thanks for the presentation. I have two questions. The first about AHS, what is the timing for divesting this year and also Luggo, you had no sales in 2020. Should we expect something for '21?

## A - Ricardo Pinto Paixao Rodrigues {BIO 22108148 <GO>}

Okay, Andre. This is Ricardo speaking. Straight to point. AHS, we are going to have something in the second, third quarter, second quarter and then third quarter, about half and half. As for Luggo, we are probably going to have something closer to the fourth quarter.

## Q - Andre GB

Okay. Thank you very much.

## Operator

(Operator Instructions). We are now closing the Q&A session. For the final remarks, I will turn to Eduardo Fischer, the Company's President.

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

Well, very briefly, first I would like to thank you all for taking part in our conference call. It was one of the best conference call recently, because we were able to cover all our progression, all our product lines and all our strategy. So, very good. Just one point, that we left out of the discussion. We said that MRV is a pioneer in using event guard of the operations in Brazil. As a Group, we had investments of BRL30 million in the pandemic. We continue to take part of initiatives to help society.

So, this is a Company that is in the event guard of ESG operations and we just had joined this act and target, which is a global initiative to decrease the world's temperature level by -- levels up to 2050. Only 18 companies in Brazil were part of this initiative. It is very

ambitious, it affect all our production line and it is something that we believe in, it is part of our purpose and the power of engagement inside the Company is huge. The people are engaged and it makes our life easier, in terms of people management and even a business management.

So, thank you very much. It was a very positive, a very thorough call and see you next time. Have a good day.

## Operator

MRV's conference call is now closed. We thank you very much for attending and wish you a very good day.

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