Y 2016 Earnings Call

Company Participants

- Emilio Fugazza, Chief Financial Officer and Investor Relations Officer
- Hugo Soares, IR Analyst

Other Participants

- Renan Manda, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to EZTEC's Fourth Quarter 2016 Results Conference Call. Note that this event is being recorded and that all participants will be in listen-only mode during the company's presentation. After the company's remarks are completed, there will be a question-and-answer session, where further instructions will be given. (Operator Instructions) Today's event is available through a live webcast that may be accessed through the EZTEC Investor Relations website at www.eztec.com.br/ir, by clicking on the banner 4Q'16 Webcast and Engage-x platform.

Following presentation is also available for download on the webcast platform. The following information is stated in Brazilian real and in BR GAAP and IFRS applicable to real estate developers in Brazil, except or stated otherwise.

Before proceeding, let me mention that any forward-looking statements made in today's conference call regarding the business outlook, forecasts and financial and operating targets is based on the beliefs and assumptions of EZTEC's management and the information currently available to the company.

Forward-looking statements are no guarantee of performance. They involve risks, uncertainties and assumptions, because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of company and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Emilio Fugazza, Chief Financial and Investor Relations Officer, who will begin the presentation. Please, Mr. Emilio, you may begin the conference.

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Emilio Fugazza {BIO 16474296 <GO>}

Thank you very much. Hello, everyone. Welcome to our -- to this results presentation for the fourth quarter 2016 and a consolidate of 2016. I'm Emilio Fugazza, and with me today, Mr. Hugo Soares; and Mr. Augusto Yokoyama, IR team.

So the year of 2016 has been a difficult one for the country, both due to macroeconomic and political issues. The drop in sales and the strong increase in cancelations has impacted the real estate development sector heavily. The sector is still has to deal with penalties imposed upon real estate developers, such as obligation to return a substantial portion of the amount paid by clients, who choose to cancel their units.

Despite that, the company has managed to maintain its financial robustness with healthy margins in cash generation. We're proud [ph] of conservative and sustainable strategy, that -- the company remains prepared to face the challenging scenario, while acknowledging that the worst of the cycle is already behind us. It has re-organizing itself to resume its operational growth according to the gradual recovery of the market.

Given said that, I ask you to observe slide number three, I will talk about EZTEC in fourth quarter this year. Now referring to the operational side. The company kept with its strategy to launch relatively little and to focus on the liquidation of its inventory. Three projects have been launched throughout this year. Apart from the acquisition of Shares in the following residential projects, Royale in the City of St. Andre, metropolitan region of Sao Paulo, and a project called Brasiliano in the Brooklyn. Brooklyn neighborhood is a neighborhood of the City of Sao Paulo. Adding BRL26 million to the quarter's potential sales value, closing the year at BRL231 million in launches as a whole.

Net sales accounting for cancelations, which is BRL76 million in the periods, our land bank potential was at 5.7 billion by the end of this year, including that plus three specific plots we bought and further we are going to mention in the EZTEC's [ph] topic. In regard to the financial side, the company has been able to keep its high margins and concluded 2016 with a gross profit of BRL270 million, and gross margin of 47%, the highest among all the real estate developers in 2016 and on.

The year's net profit reached BRL230 million, rewarding a return on equity of 8.5%. EZTEC close the end of this year with a positive net cash position of BRL210 million, having generated BRL200 million ever since December 2015.

The company accounts with accounts receivables at BRL389 million, partly compensated by 10% to 12% year plus inflation subjectable to securitization or to bring the contracts to the bank, we called Repasse, so the action of transfer the receivables of our clients to our client -- of our clients to the banks.

So now I would like to give the following presentation to Mr. Hugo Soares. Please Hugo, go ahead.

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Hugo Soares {BIO 20127334 <GO>}

Thank you, Emilio. Good morning to all. I ask you to please direct your attention to slide number four, where I will discuss the company's launching vision. We have launched three projects, all of which directed towards the mid-high and high income segments. In total [ph], we have launched potential sales value of BRL205 million. The Le Premier Moema ended -- project ended December being 50% sold. Splendor Brooklin 43%, and Up Home Vila Mascote, which was launched in the final quarter of the year has reached accumulated sales of 23%.

In regard to future launches, we understand the following. We deposit hope in the prospects for an economic recovery and thanks to the company's financial robustness, EZTEC has been preparing to escalate its launching levels in 2017. It should do so to residential projects, they are well positioned within the city of Sao Paulo, aiming at the mid-high and high income segments, as these are the segments deem to be the most resilience in the current conjuncture. The first of the projects to be launched is the one in Villa Humana [ph] with a potential sales value around 50 million and 54 units.

The management acknowledges that the drafting of regulation surrounding the solutions is fundamental to the recovery of launching levels in the sector. Thus, it has acted through ABRAINC, the Association of Real Estate Developers searching for a policy proposal that will judiciously safeguard real estate developers from canceling clients.

Now I would like to discuss specifically about EZ Mark and Tower B from the EZ Towers. Tower B is currently 63% leased, and the company continues to evaluate the best conditions for its sale or further rental. We believe that the cut in interest rates in the Brazilian economy has the potential to maximize the value to shareholders in the moment of the sale. Meanwhile, we remain successfully focused on the rental of the towers remaining area.

Regarding EZ Mark, out of its available inventory, we have rented 39% for the Bank Itau, alleviating the pressure for the assets immediate sale. Rentals represent a viable and profitable alternative to originate results in the short-term for a low liquidity assets, buying the company time to ultimately sell at better prices.

Now I'd like to talk about the company's land bank. So please direct your attention to slide number five. Having gone through a long period without new acquisitions and capitalizing the opportunities presented by the current conjuncture, the company has added three new plots to its land bank. Such acquisitions happen in the fourth quarter of 2016. All of which are placed in the City of Sao Paulo, reaching a potential sales value of approximately BRL200 million.

Due to the current conjuncture, we have had the opportunity to encounter well positioned projects at the mid-high and high income segments, and they will offer quick launches. These are part of a strong projected profitability.

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On the other hand, the company has carried out the sale of a portion of a large plot located in the center of Sao Paulo, a plot that is directed to the medium income segment, leading to a sale that earned a profit of BRL10 million accounting for EZTEC's participation in the project. Thus, we have concluded the year of 2016 with the land bank, whose potential sales value reaches BRL5.7 billion, acquired at an average cost of 13.4% of its potential sales value.

In other words, it represents 764 million in total costs, already accounting for the expenses directed to the expansion of their constructed potential.

In the graph above and to the right, I want to highlight the age of the company's land bank, 74% of which was acquired after 2013. In the graph below and to the left, you can observe the land bank's distribution by standard. 62% of it is allocated to the mid-high and high income segments, 14% towards the medium income segment and 16% towards the commercial segment. The latter category is represented by Chucri Zaidan, a project that closely resembles the EZ towers. It is already at the -- at the project development stage with the beginning of construction scheduled for 2018. In the graph below and to the right, we have the breakdown of the land bank by region, 76% of its PSV being in the city of Sao Paulo.

Moving on to slide six, we'll discuss about sales and cancelations. We have ended the year of 2016 with gross sales of BRL628 million, 61% of which consists of the sale of ready units. The most critical months for the company have been those of July and August, a period marked turbulence due to the Presidential impeachment process and the occurrence of the Olympic Games. In the subsequent months, we already observed a recovery in sales.

Cancelations have totaled 552 million in 2016, a substantial increase explained by the deterioration in the country's political and economic atmospheres. It was marked by the loss of disposable income from clients as well as by a more stringent credit policy from financial agents. Besides, the company's operational cycle has registered a great volume of deliveries of projects at this time as well. The combination of these factors resulted in a situation, where more units have been canceled than they have been sold, as you can observe in the graph below. It has impacted net sales, which closed at BRL76 million.

I now ask you to look at slide number seven. We believe that in 2017, we may still suffer high cancelations as there is a substantial volume of delivery scheduled for the year. Yet, we're expecting nominal reduction in the amount canceled as our project portfolio tends towards having predominantly ready units. We currently have a higher percentage of units under statutory line, which are less susceptible to cancelations.

Additionally, the management has worked proactively in trying to bring to the table the clients in delinquency. In order to understand their situation and figure out how to go about in an ad-hoc case by case basis. In that way, a portion of the cancelations that would be expected to happen at the time of delivery has been effectively brought forward.

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As you can see in the graph, the cycle of large projects to be delivered we'll see it in 2017, allowing for a sharper decline in deliveries, particularly in 2018.

In slide eight, we will now refer to inventory. Considering the sales, cancelations launches and acquisitions in 2016, our inventory has closed the year at BRL1.3 billion, 55% of which are ready units. We can observe in the map that 42% of the inventory is distributed in the metropolitan region of Sao Paulo, predominantly Guarulhos and Osasco. Our inventory in the state's capital, which is where the company will target its 2017 launches, represents 32% of the total residential inventory, 14% being imposed of ready units.

Regarding the prices practiced, the company has very judiciously promoted discounts in certain projects, aiming for higher inventory liquidity. Such analysis is always made by comparing the projects profitability to the cost of carrying the inventory forward as well as considering the impact of cancelations. It is important to emphasize that EZTEC's positive net cash position brings in the tranquility in setting the appropriate prices such that it brings the highest return to shareholders.

This positive net cash position also grant the company a differentiated freedom that promotes the direct financing of its clients. It must be noted, that a good portion of the year sales happen through direct financing.

Now, I would invite -- I would like to invite Emilio Fugazza to speak again. Please, Emilio.

Emilio Fugazza {BIO 16474296 <GO>}

Hugo, thank you very much. Let's move to slide number nine, financial performance. Let's start with net revenues, and I'd like to use this chart on the top left to explain something about cancelations or dissolutions. First of all, it's important to mention that net revenues, there has been a drop in net revenue since 2014, 2015, and obviously 2016. And the main reason for that is about launches. We have less launches in 2016 compared to 2013 for instance. That's because, when we were in 2014, we were in a moment of our economy completely different than today.

With the moment, that's launching more, price is gaining ground, so our perspective was about launching more and more to compensate the huge capital we have. Obviously, 2015 started in a completely different situation, in a completely different economic situation, this downturn we have been living so far.

The problem is, we try to deal with this situation, trying to lowering the volume of launches, and trying to deal with the situation of credit recovery, delinquency and cancelations since then. Obviously, when you see BRL572 million of net revenues, means that the total amount of construction we have ongoing is becoming less than in the past. And obviously 2017, we are going to see less than in 2016. And that's why it's mandatory trying to start new projects to get new amount of revenues from 2018 [ph] and on.

But why the topic of this specific subject, dissolutions or cancelations is so important now and -- or different than in the past times, because unfortunately, since this economic

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downturn began in 2015, the problem of cancelations is a kind of a tiny problem compared to today, because 1964, we have kind of -- a specific kind of law, developers law, which is completely different than the consumers law, which is the decade of 1990s. And this consumers law is a kind of law giving shelter to a lot of people, who are changing their minds about their purchase in the past.

So what is -- what's been said by this law since then. So if you buy a specific kind of unit, and we won't deliver this unit or we haven't delivered this unit yet, so the clients can cancel this purchase without almost nothing in terms of penalty fees, and that is a kind of support, the Brazilian Judicial Branch is giving to our consumers.

So we are trying to say that the penalty they are applying to the developers is about giving back something more than a 100% of the consumers -- the consumers have paid for that unit so far. And that's why in terms of unions -- in terms of associations like Mr. Hugo said before, we are trying to push the government in order to make some adjustments in the developers law from 1964, because that kind of law is a designation anything about cancelations. And that's why we have to make sure, we have to change in our laws to give some shelter also to the developers.

In the meantime, we are trying to launch projects, only projects through the middle-high or the higher income classes in order to avoid this future cancelations. Simply because, not because these kind of people couldn't cancel that purchase, but it's simply because they are less vulnerable to cancel, vulnerable -- less vulnerable than in terms of losing their affordability in order to take those units.

Completely different this scenario in terms of middle income segment. Middle income segment, we are trying to say they are much more vulnerable in terms of affordability. So when they start gaining ground in terms of -- in terms of payrolls, obviously, they can cancel, and we have to give back them a 100% of the total amount of money paid by them.

Saying that, let's move to gross income and gross margins on the top -- on the top right. The important to mention in terms of this short is about 47% gross margin, 47% in the -- in the worst year for the real estate developers ever. I cannot remember, I'm 42 years old, I cannot remember a kind like this one, not only because of the economic downturn, but mainly because of the cancelations, the cancelations that we face -- we have faced so far.

But the main contribution for this 47% of margin was about two kind of things. Such as, first of all, we sold one piece of land like Hugo mentioned before BRL29 million revenues and almost BRL10 million net profits. So 34%, 35% of margins in this deal.

And the second, because of the cost savings, every single enterprise, every single project we have been delivering since 2013, 2014, we have been doing this with some kind of cost savings. We have obviously a kind of engineering team of highest quality in the sector. Highest quality, because they can deliver on time, they can deliver on the budgets contracted, and obviously, higher quality compared to the market. And everything

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together can be done with kind of cost savings we have been accounting every single quarter.

In the fourth quarter 2016, we delivered a one project in the city of Santos. And also this project with kind of cost savings. We have 3,000 units to be delivered in 2017, something around eight to nine projects. Every single project we are -- we have under construction, we can see -- we can foresee some kind, some amounts of cost savings. And that's why I'm so confident that the amount of margins we have today is the amount of margins we are going to see in 2017. These margins can compensate, can offset a little bit the discounts we have to -- we have to get in order to get new sales from the inventory units we have.

In terms of G&A and selling expenses, below, in the chart below, starting with G&A expenses on the bottom left. I would like to mention that from 2016 to 2015, the G&A expenses dropped by BRL9 million, which is almost 10%. But taking in mind, the inflation we have in Brazil of about 6%, 6% the construction sector inflation. So the whole economy, the whole savings in terms of G&A expenses was about something around 16% to 17%.

It's important to bear in mind that this is a trend for 2017. I don't know about 2018, but this is the trend for 2017. And specifically, because we have a lot of projects 80% to 90% of the projects we have under construction are going to be delivered in 2016. So all the big costs that we have to deal with the amount of units is going to drop, obviously, it's going to decrease in 2017, and that's why apart from less investments we have, we are going to see some reductions in G&A expenses by the total amount of people working by EZTEC.

On the opposite side, selling expenses. Selling expenses, you can see 2016 higher than 2015. We are talking about BRL15 million compared to BRL46 million, so that means not only the advertisement of big -- the advertisement of our projects is increasing, but also because we have to account on these specific selling expenses, all the tax and maintain its costs of the units and inventory. So if I have a projects of 50% sold, the 50% on inventory, the remaining 50% on inventory, all the taxes we have to pay, all the maintenance costs we have to pay is accounted on selling expenses. And that's why you can see a huge increments compare -- huge increment compared to 2015, and that's going to be the trend for 2016 and in '17 too.

Moving to slide on page number 10, financial results on top left. It's important to bear in mind that 50% of this amount of financial results, partly financial results of BRL81 million are brought by the receivables -- the performed receivables we have. So performed receivables are very good part of our operation. We have been doing since 1979, since the beginning of the company, is a way to provide some part of the sales for people who are not -- we need to go to the commercial banks.

Obviously, we are not providing these receivables. We are not providing this credit for the same interest rates or for the same business model as the banks can do.

On average, we are providing those credits for IGP-M plus 10% yearly. We have been asking something around 20% to 30% down payments. So the LTV, the loan to value is

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about 70%. And with perhaps the kind of -- a kind of amortization system, which is a decrease in the amortization system. So they start paying higher installments than at the end, so lower installments at the end.

And that's good, because we try to keep safe, the total amount of the principal we have been given to our clients, and the first-third of the period financed to the clients. So apart from that, one be in that cash position can provide a positive financial result, specifically in a country that interest rates on average, in Brazil 2016, the base interest rate -- interest rate was about 14%. So and that can offset obviously huge discounts we have to provide to our clients to keep their units on sale. BRL81 million that was the final financial positive result.

And then result [ph] for equity income on the top right. On the top right, you can see a chart showing BRL39 million in terms of the results coming from the equity income. I have been now -- I have been explaining this equity income as projects when we have no control of the results of those projects. We can participate as a constructor, we can participate as a manager, we can develop the business, but obviously, we have to share the decision of the future of these projects with our partners.

But the problem is, so we have been delivering those projects. Nowadays, we have less percentage of completion to see on these results, because the projects are delivered or the projects are to be delivered in 2017. Apart from that, we have been -- we have been acquiring stakes on the projects belonging to our partners, specifically, because obviously, the interest can be completely distinct; they are completely different from partner to partner. For instance [ph], to EZTEC is highly profitable to keep performed receivables because we can earn IGP-M plus 10% paying taxes, only 4% of taxes of these -- on these receivables.

But to our clients, to our partners, it's not true, they -- many times, they are over leveraged that they need to generate cash to pay the VAT [ph]. That's why we have been acquiring some stakes. We have been doing this since 2013-2014, and that's going to be a trend for 2017 and '18 too.

Finally, net income. Net income of BRL230 million.

Let me remind you that the BRL80 million is coming from the financial positive results. So from our operation, we can see a BRL150 million of results. We are talking about positive results, which is completely different than majority of the developers in Brazil so far. And that is very good. That is very upheld specifically, because when you think about the worst year ever for real estate developers, ended up this year with positive results and positive in a way to pay dividends, and positive in a way to see a positive performance, operational performance is distinctive. And I think that we are going to see a better future in 2017.

Results to be recognized. The last chart on this slide can show you that the margin, the gross margin, the margin to be -- the backlog margin is about 49%. Trying to say that the gross margin of the company ending 2016 are 47%, it's completely sustainable through

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2017, mainly because of these units, these results coming from units we sold, but to have delivered yet. Obviously, it's not the same perspective for the units we are selling today, but from the units we sold in the past, that is the perspective.

Moving to the slide number 11, that's a good part of this presentation. That's a very good part from this presentation, apart from the -- the net income this year. So taken in mind, the net income of BRL230, and taken in mind that this lower results compared to 2015 and 2014. So the Board of the Directors is bringing a proposal to the general meeting of shareholders by the end of April to pay a dividend more than the minimal obliged by the law.

The minimal obliged in the Brazilian law is about 25% of the total amount of results this year, which means something around BRL54 million till the minimal obliged. So we are proposing extraordinary dividend of BRL125 million more, totaling something around a BRL180 million, which means almost BRL1.1 per share. Two kind of fair [ph] considerations, first of all, this is almost 80% payout. This is the highest ever for this company, and obviously, one of the highest among real estate developers. And we are trying to say also which is 5% dividend yield compared to the current price of the -- of our share which is almost BRL20 per share. It's possible to do that, specifically, because we are net cash positioned. First of all we are net cash positioned, and even paying a BRL108 million in dividends, we are not going to see the company turning to a net debt position.

Secondly, because as we understand, our shareholders are used to better results year-on-year. This is a way to compensate this drop in results. This is a way to compensate this drop in return on equity. This is a way to say that, if we don't have a better way to reinvest our capital in order to promote better return on equities year-on-year, one way to provide that to our shareholders is trying to give back to our shareholders part of the capital.

Let me remind you, that apart from the fact, that company has almost BRL3 billion in shareholders' equity. One huge part of this BRL3 billion is invested on land, on receivables, on inventory. So the part of is possible -- the stake of the shareholders' equity is possible to pay as dividends, we are paying today. That's our proposal, 80% payout over the results -- the 2016 results.

Let me use the slide on page number -- on page number 13, and then I'll come back to page number 12. The potential -- I'm sorry, the potential generation of cash for the company is given by this slide. We have been showing this slide to you guys simply because it's possible to understand what is the total amount of generation of cash we are expecting, we are foreseeing for this company within 2017 and 2018.

First of all, because we have performed receivables, performed receivables, we can securitize, we can bring to the banks. So we can turn into cash whenever we want. And for the receivables, all receivables coming from units under construction, we're going to deliver those units, we're going to use part of those receivables to pay our debt, our production debt and the remaining amount is going to be turning cash. We have this whole obligation, the construction obligation to pay only BRL232 million, this is the whole of construction obligation to pay by the end of -- 92% by the end of 2018.

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And all the projects, all the money coming from the projects, we have control in partnerships -- in partnerships is about BRL216 million. So all in all, we are talking about BRL1.3 billion in potential generation of cash, mainly 2017 and '18. If we -- if we move that inventory including (inaudible) EZ Towers, Tower B, we could add something around BRL2 billion on this potential generation of cash. Remaining BRL3 billion to be generated by the end of our operation.

So with all the projects we have launched so far, with all the units we have to deliver, the total amount of cash to be then generated is about BRL3 billion, that's our operations without any kind of new launches, but obviously, that's not the whole story. The whole story we are going to see on page number 12.

Coming back to page number 12, you can see the shareholders equity of this company about BRL2.8 million, which means something around book value per share BRL17. If we take in mind, the inventory, the profit of the inventory is about BRL4 per share. The profit is coming from EZ Tower, Tower B to BRL2.5 per share. And the backlog results something around BRL1 per share.

So all in all, we are saying, even with a downturn in our operation following to the economy in Brazil, we can provide positive results, and those results can be add by selling inventory, selling EZ Towers and delivering the projects with the backlog results. Apart from that, we have the land bank. The land bank mainly in the city of Sao Paulo, more than 70% on the city of Sao Paulo, located in the city in very good neighborhoods, fancy neighborhoods. We have land bank in the metropolitan region of the city. Even though, we are talking about very good land bank in the metropolitan region. We are talking about a land bank highly prepared to the middle-high -- or the middle-high income segments.

And one big stake of lands almost BRL1 billion, we are saying is a project very similar to EZ Towers, we have done so far.

So this project can add another 50% gross margin in terms of our commercial tower -- AAA commercial tower, to start the construction, as Hugo mentioned before in 2018.

So all in all, we can add in our shareholders' equity another BRL16 per share.

So we are fully confident and truly confident that our operation is sustainable.

What happened so far, specifically 2015, '16, and what we are going to see in 2017 is part of the Brazilian way of life.

The Brazilian way of life is full of purpose in that [ph], what we announced in economy, because obviously different kind of mindset in our politics.

And exactly the things could be hard in the next -- in the last three years, could be very good, could be better in the next three years.

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And that's why to conclude, I would like to send a message from the management -- from this management, where you have been seen together since 2007, regarding the current moment and what to expect from the company in the following years.

We believe that the year of 2016 was the most complex in the company's history. The sector is used to the characteristic cyclically -- the characteristic cycle of real estate development, yet a combination of factors have made this cycle, particular on ours. The year was marked by a complicated a national scenario, by large deliveries inherited from a period of great operational results. By the utilization, surrounding sales cancelations, all of which culminated in a perfect store [ph] for real estate developers and for the whole economy, leaving some of them in a very critical situation over leverage having to sell the inventories with huge discounts, and that is a competition we have to face, but we won't participate in the same way.

The new perspective bring us to the belief that we are gradually leaving the cycle behind us, and that we will have a resuming of activities in 2017. However, we are aware that we will still face higher -- half [ph] with operational and organizational challenges, (inaudible) when the main topics of discussion will still be renegotiations, cancelations, inventory sales, transfer to banks et cetera, but unlike 2016, we have to add to that the topic of new launches.

We will remain firm in the belief that the value that guide the company, product quality, investment profitability, and operational and financial robustness are values that are capable to sustain its operation in the long-term. Such values are up held and safeguarded by accounts of administration, the Board of the Directors, that is both experienced and active aim at the best and most consistent return to our shareholders.

Now, we will be available to answer our listeners' question. Thank you all.

Questions And Answers

Operator

Ladies and gentlemen, we will now initiate the question-and-answer session. (Operator Instructions) Our first question comes from Renan Manda with Santander. Please go ahead.

Q - Renan Manda {BIO 20347216 <GO>}

Hi. Good morning, everyone. Thank you for the question. You guys mentioned in the local call that the main strategy for the Tower B from the EZ Towers is still the sale of the asset. And I noticed that the fair value of the tower was revised upwards to BRL700 million, right. So could you give us a little color on the reason for this revision. And if possible could you comment about the demand for potential buyers of the tower, is there any ongoing negotiations at advanced stages, or have you seen increasing interest from potential buyers lately? Thank you.

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A - Emilio Fugazza {BIO 16474296 <GO>}

Renan, thank you very much for being here. Thank you very much for change from the local call to the English call. Let me explain that. So regarding EZ Towers, what Hugo said in the local call -- a call was that, so the main strategy is to sell, is to sell, because we are real estate developers.

So far we haven't taken the decision to become a property company, to turn to a property company or part of our operations to a property company. So and that's why for a while, we are -- we have to take in mind that we are selling this Tower B. But obviously, 2016 as I mentioned before was very complicated year, specifically, because it was hard to take a decision, it was a kind of -- a kind of year that there was a lot of clouds forward. And that's why in a very first moment, we started a process, we started a bid to sell this tower. And we realized that moment, that to sell this tower in that scenario was a kind of -- was a kind of deal to let a lot of money on table.

When you think about some kind of reform, some kind of changes in our loss, changes in our political mindset and watching some good perspectives for 2017 and 2018, having the perspective to lower their basic interest rate in Brazil, we realize that the total amount of money we can get obviously not fully, but one part of these gains we can get, waiting a little bit more to sell this tower.

So I would like to reaffirm what Hugo said before. So the tower is to sell. But to sell with the best cap rate possible. The best cap rate possible, we think we are going to achieve 2017 maybe by the beginning of (Technical Difficulty) 9.5% and the asset management.

We can sell this tower at very long run asset management. They understand deeply this kind of marketing, as they are going to paid for that, specifically, because it's a unique kind of building. The efficiency of the building, the quality of the building, the location of the building and the type of tenants we have in that building. It's going to price this building better than in 2016.

The demands is higher than in the past, it's very impressive, Renan.

2015 was the kind of ugly year, tough year, without any kind of demands, so people trying to buy a kind of assets like, EZ Towers, completely different than in 2016.

We've received a lot of proposals, a lot, but the company took the decision to remain this tower in our balance sheet, specifically, because even with the rate of price doing today, we can compensate, we can have a return on equity in this investment superior, higher than 15% yearly. That's the mindset so far, Renan.

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Q - Renan Manda {BIO 20347216 <GO>}

Perfect, thank you.

A - Emilio Fugazza {BIO 16474296 <GO>}

Thank you very much, Renan.

Operator

(Operator Instructions) This concludes the question-and-answer section. At this time, I'd like to turn the floor over to Mr. Emilio Fugazza for any closing remarks.

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A - Emilio Fugazza {BIO 16474296 <GO>}

Everybody, thank you very much for being with us today. I would like again to welcome Mr. Hugo Soares and Mr. Augusto Yokoyama to our IR team since the end of 2016. This was the very first release of the results they have done alone. And I am very happy by that. And they are completely available to answer any other -- further questions you may ask. Thank you very much. See you next time.

Operator

Thank you. This now concludes today's presentation. You may disconnect your line at this time. And have a nice day.

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