

Y 2019 Earnings Call

Company Participants

- Antonio Emilio Clemente Fugazza, Chief Financial Officer and IR Officer
- Emilio Fugazza, Chief Financial Officer
- Hugo Grassi B. Soares, Investor Relations Coordinator

Other Participants

- Nicole Inui

Presentation

Operator

Good afternoon, ladies and gentlemen. At this time, we would like to welcome everyone to EZTEC's Fourth Quarter 2019 Results Conference Call. Please 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 when further instructions will be given. (Operator Instructions) Today's event is available through a live webcast that may be accessed through the EZ TEC Investor Relations website at www.eztec.com.br/ir by clicking on the banner webcast. The following presentation is also available for download on the webcast platform.

The following information is stated in Brazilian Reals and in BR GAAP and IFRS applicable to real estate developers in Brazil except where 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 the 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.Hugo Soares, IR Coordinator, who will begin the presentation. Please Mr.Hugo, you may begin the conference.

Hugo Grassi B. Soares {BIO 19772261 <GO>}

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Thank you very much, and good afternoon one and all. I'm here to discuss the result's presentation for the fourth quarter of 2019 as well as the year of 2019 as a whole, and with me we have Emilio Fugazza, our CFO and Investor Relations Officer.

Now to begin with, just generally getting into the operational and financial outlook for the year, which is experienced in 2019, where the underlying reality of the moment we lived was of an effectively spectacular momentum and performance over the course of the year, which hints to a lot of the fundamentals and of the capacity to execute that EZTEC has been able to perform. So as you look to net sales, what you see is a performance of BRL1.5 billion sold in 2019, and you can see the momentum going forward as sales up until the second week of March, we're actually able to deliver BRL548 million effectively on the same pace of the fourth quarter of 2019, and possibly improving.

As far as launches, what you realize is that we had what -- in fact, was the largest volume launch in the company's history, and again, as a subsequent event, we had significant launches, 4 launches specifically already in 2020, which delivered another 600 -- BRL615 million, which was in effect 27% of the guidance that we had admitted for the year.

As far as the Land Bank, we were sitting at BRL7.4 billion potential sales value for a land bank in 2019, and considering the Land Bank's acquisitions under negotiations in the first quarter of 2020, we are basically up to BRL9 billion. To the extent that the operations unfolded over the course of the year, you see that performance translating into results, which pumped gross profits up to BRL328 million in the year 2019, where you have a gross margin performance, effectively on par with the company's historical standards of profitability. As you see operations increase and the net revenue base increase, there's an increase room for net profitability, as you see net income increasing to BRL285 million diluting the operational expenses, leaving a net margin of 35%.

Keep in mind that BRL112 million net income were exclusively on the fourth quarter, going to say what a remarkable performance the quarter had on the back of EZ Parque da Cidade, which we'll discuss in a bit. As far as the company's liquidity, ever since the follow-on, the company is sitting still on BRL1.3 billion amount of cash. We're on top of it, there is a complementary liquidity coming from a portfolio ready receivables from the projects that -- from the sales that EZTEC finances directly, you have as much as BRL519 million of securitizable receivables awarded at a 10% plus inflation rate.

That has been the outlook of 2019, but naturally getting ahead of ourselves to the reality that we're living today going to subsequent events, there is -- we will have a general meeting coming soon where we are set to distribute the mandatory minimum of BRL66.7 million, which is practically BRL0.29 per share. But most importantly, we -- just yesterday, we have admitted the material fact where we announced the discontinuity of the launching guidance on the back of the coronavirus outbreak and the pandemic as a whole, and its repercussions on the company's operations as far as not being able to approve new projects in the city hall or to open sales stands to keep on launches going. On top of that, the Board of Directors just recently approved a stock buyback program under the understanding that the share price was not reflective of the company's underlying reality and resilient business model, where there is the option to liquidate as much as 10% of the company's free float within the next 3 months.

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Now, if you could please move to the Slide number 4, where I'll discuss EZTEC's operational track record historically. Once again, we hint on the fact that the year of 2019, the moment, the sector and EZTEC in particular were experiencing was of extremely solid fundamentals and outstanding execution that delivered basically the highest performance in launches of the company's history as you can see by the LTM digits, and this perhaps most importantly accompanied by a equally impressive growth sales performance, which lasts a little room for growth inventory formation. Keep in mind that those sales -- as they happen, they happen in a remarkably secure way, and by that I mean that when people bought it, they were already committing a substantial down payment, so in the average of the projects sold launch in 2018 and 2019, we had clients commit the 52% of the ticket price as down payment load up until the time of the project's delivery. So basically talking about a cycle that was sustained by self-financed projects.

Now, if you could please move to Slide number 5, where I'll discuss the -- our Land Bank outlook. So ever since the follow on, we've had the mandate of seeking newer acquisitions, so you see some of that taking effect already over the course of the fourth quarter as our Land Bank moves up to BRL7.4 billion, and considering the projects that had been negotiated, some of that is still optioned acquisitions for the first quarter of 2020, we're basically up to BRL9 billion. Do keep in mind that the profile of the projects that we currently have seen in our Land Bank is a profile that is mostly concentrated within the city of Sao Paulo, in relatively consolidated regions of the city of Sao Paulo. There's just as more chunk in the metropolitan area, and it's well distributed among different types of profiles and leaving very many avenues and strategic alternatives for us to deal with a upcoming time of unpredictability.

So please, if you move to Slide number 6, just to getting in debt towards the operational performance of the year. On the last half of the slide, you see the increase in performance in launches over the course of the past years. First of all, keep in mind that we've basically met the entirety of the guidance for 2019, which -- where we had committed to up until BRL2 billion in launches, so that has been fulfilled. And going to 2020, we went a long way in to a strong start for the year. Naturally, we had the discontinuity of the guidance on the back of the fact that there is the fact of unpredictability of what the scenario will be, especially as we can determine ahead of time, whether we're talking -- we're seeing -- whether we're ahead of 30 day interruption, at least a 45 day interruption, the 2 months interruption, so all that leaves a little room for us to be able to pinpoint what the launch's volume will be. Although, to the extent that there is an opening in the window for new launches, the company is still ready with projects that are triggered, they're just lacking the final approval from the City Hall, so that we can push on with launches as soon as that moment arrives.

If you look at the right side of the slide, where we discussed sales performance, one thing to keep in mind is that, naturally launches -- the update in launches has been driving the gross sales performance out of the park, but if you look underneath the launches figures, you realize that there is still a very consistent ready inventory sale, despite the actual volume of ready inventory has been diminishing continuously. And perhaps more noticeably an increase of the stake of construction, of projects under construction as part of our sales portfolio as naturally we have more projects that had been launched, and are currently sitting on a portfolio available for clients. Cancellations have been capped on

check, less than half of what they were in 2018 leaving our net sales figures at more than BRL1.5 billion.

Now, if you could please move to Slide number 7, regarding the inventory. What you noticed again is that the size, the sheer magnitude of the ready inventory available has systematically diminished to the extent that right now represents as much as 28% of our inventory. Do notice that when we look at the ready inventory in the South zone of Sao Paulo, most of them refers to EZ Mark, our commercial project in Sao Paulo that despite the fact that it is sitting on our inventory, most of that is already rented, where we're basically discussing a rental level of BRL70 to BRL90 per meter monthly income, and it's the type of stuff that has -- that doesn't burden the company in any way as it prevents us from having to deal with real estate tax and covers the carry costs. So in no way is our inventory a burden to the company going forward.

You could please move to Slide number 8, where we talk about the launches. We try to bring the highlights of each given quarter for the entire year of 2019. And here above all, it should be noticeable that there is a wide plethora of different types of projects that we have been able to successfully deliver, and that shows given the speed of sales as you can see on the data below Fit Casa Rio Bonito for example on the top 4 quick[ph], top last quick[ph] quadrant was 95% sold by the time we speak, and on the second quarter you have Patrio Ibirapuera, so while each category [ph] was Maia Minha Casa Minha Vida project in the low end of the spectrum, we have Patrio Ibirapuera on the extreme high end moved and equally and nicely sold.

So if you consider just the, if you don't take in to account the ID Project, the attachment project. We're basically talking about a project has been 100% sold. Moving on to the third quarter. Haute Ibirapuera also has delivered as much as 80% of sales by this point and on the fourth quarter, our main event of the evening is. The project of BRL568 million in PSV. Then mobilized the company's full commercial effort, but it didn't take long to actually feel the impact that the sales impact as we're currently able to have sold as much as 60% of the project.

On the next slide, on Slide number 9, we put a emphasis on how EZ Parque da Cidade have an outstanding performance and already point to Air Brooklin as a subsequent event it was the main launch of 2020. Also a residential project we very much appeal to investors where we saw again much down payments they can place and a lot of interest from the very start of the project. As you can see, the sales curve hits 60% basically within the first five weeks of the project.

Moving on Slide number 10, you can see the whole portfolio of the project that were launched in the first quarter 2020. So most of them then -- so they recently, but from whom we have little doubt of their capacity to continue sales and inventory liquidation.

Now, I would ask Emilio Fugazza to discuss about the company's financials for the year 2019. So please Emilio if you could.

Emilio Fugazza {BIO 16474296 <GO>}

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Thank you very much, Hugo. Let's go to Slide number 11, financial performance. Let's start with net revenues. Net revenues came in BRL309 million fourth quarter 2019, an increment of 64% coming from third quarter 2019. That's important, it's important to mention the fact that as Hugo told you before that only EZ Parque da Cidade came with net revenue BRL106 million almost one third of the whole fourth quarter 2019 rate net revenues coming in this quarter. Apart from EZ Parque da Cidade we have, Haute Ibirapuera, Haute Ibirapuera, it's about BRL30 million in revenues and Haute Ibirapuera coming with BRL30 million and a 43% gross margin, that's important. So an increment of net revenues because and not only we have strong sales in 2019 but also because of the volume of construction we have been doing so far.

So now, we have almost 15 sites under construction from projects launches between 2018-2019. So talking about gross profit, gross profit was BRL123 million fourth quarter 2019, but the gross margin was 40%. It's important to bear in mind that this drops from 47% third quarter to 40% in the fourth quarter, it is because in the third quarter we had Patrio Ibirapuera. Patrio Ibirapuera is a very high-end projects in the neighborhood called Moema in the city of Sao Paulo, South zone of Sao Paulo, we sold the project for BRL17,000 per square meter, it's a project of more than 50% gross margin, and on average in the fourth quarter, we have not only a strong sales coming from Parque da Cidade but also Haute Ibirapuera coming in in a gross margin of 43%. But also Fit Casa, Fit Casa is of Minha Casa Minha Vida the low end program, so Fit Casa Bras in the downtown Sao Paulo was a project of 46% gross margin, Fit Casa Rio Bonito is a project of 44% of gross margin.

Project Cidade Maia for instance, Cidade Maia is a middle range, is a project in the city of Guarulhos as you know very well. The net revenue of this project was BRL32 million in the fourth quarter, but the gross margin of this project was 47%, and increasing, because in the fourth -- in the first quarter 2019, the gross margin of Cidade Maia was 41%, second quarter 42%, third quarter 46% and now 47%. So that's the kind of news that we have of prices coming up in the whole 2019. Talking a little bit about expenses, G&A expenses, SG&A expenses.

Let's talk about the G&A expenses. Fourth quarter was BRL26 million on average, the same state, the same numbers of the whole 2019, but the good news are coming from the ratio. So when you compare the volume of our expenses, G&A expenses to the volume of net revenues we faced this quarter, we see 80% ratio G&A net revenues. That's why we are not increasing the volume of people in our company, we're not moving or changing a little bit the process, the standards of the company, and even though trying to release, trying to show the same -- trying to show -- I've kind of commented that it's completely prepared for the volume of projects, for the volume of sales we are facing, we are showing today. So that's why we think that as we have more sites under construction to come, and obviously after facing the crisis, more projects to launch, more sales to come, we are going to see -- show up over 8% or 9% or 10% G&A over net revenues.

In terms of selling expenses, selling expenses we have now a ratio of 4% over gross sales, which can show you the strength of Tec Vendas, our own brokerage team to sell 19% of the whole inventory of our company. It's important to bear in mind that nowadays

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Tec Vendas is a kind of company counting on more than 1,500 brokers working under the same flag, under the administration of Tec Vendas. It's a kind of a very specialized team. They know very well, the public of Sao Paulo, the people of Sao Paulo buying apartments nowadays. They understand very well they understand indeed the projects and the product that EZTEC have been developing. So we think that the path we have been following up so far. It's a kind of thing that it can provide a very good administration for sales and after passing the crisis, we are counting on them to keep on the same track.

Moving on to page number 12. Financial results on top left, on the chart on the top left. We have BRL29 million positive financial results, meaning that last year 2019 the IGP which is our inflation index over the contracts we have been providing to our clients was about 7%. So the whole amount of contracts we have been carrying in our company, which is something around BRL519 million are all adjusted by IGP plus 10.4% on average. So 10.4% on average. That's mostly responsible for the (technical difficulty) a positive financial results. Equity income on the top right, on the chart on the top right came in at BRL10 million, meaning mostly because of is the Tatuape[ph] as Mr.Hugo told you before. We had launched this project in 2019, all in all is sold to something around 40% -- 35% to 40%, and even in the fourth quarter 2019, we recognized the revenues coming from this project, all in all was a recognition off BRL33 million.

Taken in mind that the stake we hold from this project is about 76%. So the net income coming from this project, stake of EZTEC was BRL10 million. In the bottom right of this slide the results to be recognized, the backlog margin. It's about 44%. So, 44% means how strong is the gross margin of this company coming in the near future as we are doing the construction and recognizing the revenues from this project, but 44% is the average of the project so far. So, it's not only about Parque da Cidade or even the Fit Casa the low range projects or middle income. So all in all EZTEC have on average project sold that the units are coming in a gross margin of 44%. Another kind of thing that's important to bear in mind. The volume of people paying the advance, paying on average of 52% -- 53% of the whole the whole price of the units under the period of the constructions, now in the meantime, we are doing the construction. We are receiving, collecting as cash, something around 52% of the whole price that the meaning of it is.

So we are not taking -- we are not borrowing money from the banks to fulfill the needs of the construction and that's not going to impact -- they are not going to impact the gross margin of the company, because we are not going to use for 80% of our projects -- finance that they get the money coming from the banks, that's important to bear in mind. And finally, let me take a look -- a deep look in the net income of this company, was BRL108 million in the chart in the bottom left of this slide, BRL108 million came in at a net margin of 35%. 35%, the most important part of this number is that. So taking out BRL29 million from the -- of BRL108 million means that the operational result of EZTEC in fourth quarter 2019 was about at BRL80 million, so BRL80 million comparable to the third quarter 2019.

Let me remind you, so the net income was BRL61 million and financial result was BRL23 million. So taking now the financial results from the net income was about 40% net income -- operational results in the third quarter. So the increment was 100% operational results from third quarter to the fourth quarter of 2019, that's important to bear in mind the

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strength of the P&L we are showing today as the path of the construction and sales was getting stronger and stronger.

So on page number 13, is only to -- guide that the company is carrying about BRL519 million of performance receivables, direct receivables. Meaning that, we have something around 2,000 units compared to almost the same thing 2018. So in 2019 despite the fact that the interest rates coming from the commercial banks were dropping dramatically, so from 9%, from 8% to nowadays 7% to 7.3%. So, we could keep the volume of the portfolio of both the receivables remaining the same. So, origination and first the use was almost the same of the payments we collected in 2019. That's very important to remind, because it's a completely different kind of people taking to finance, taking the -- borrowing money from EZTEC to buy the apartment, our own products.

It's a kind of people that they have the needs, because of the recent crisis that we saw between 2016 to 2017, hurt a lot of people. So they can count on money coming from the banks, but not 100% of the money. So mostly, they are taking something around 50%, 40% but this is not enough, they need at least 80% to buy an apartment in Brazil, which means that 40% or 50% they have no the remaining 40% or 50% to give to EZTEC as a down down payment, and that's why that's a moment that comes the direct financing provided by the debt in [ph]. So moving to page number 14. Let me use this slide in order to show you the strength of the balance sheet of EZTEC balance sheet. So we are ending 2019 showing a book of BRL3.8 billion for liabilities of only at BRL400 million, to be more precise BRL397 million of liability over a shareholders' equity of BRL3.8 billion.

And in terms of assets, you can understand that we are going into this crisis into this movement coming from the coronavirus with our position of assets are at BRL1.3 billion of cash and equivalents. So our liquidity is about BRL1.3 billion. Let me remind you that in the fourth quarter 2019, we had only BRL14 million of gross debt. The whole company there was only BRL40 million of gross debt. Now March 2020 we have nothing, one single penny we have in gross debt. So BRL1.3 billion of cash equivalents is net cash. In terms of performance receivables, we have BRL573 million. So part of it coming from our portfolio with the agreement signed. so with all the assurance that we can take this units back whenever it's happening kind of default. And the remaining provides the remaining BRL60 million -- BRL50 million to BRL60 million are for the receivables under process to bring the contracts to the banks.

In terms of ready inventory, the cost of the ready inventory, BRL335 million. So let me remind you that the volume of performed inventory we have nowadays is about BRL600 million. The cost of this inventory is about BRL335 million, which means that the gross margin of the inventory is about 45% not less than that. So a very healthy performance portfolio of units. In terms of Land Bank, as Hugo told you before the Land Bank of our company fourth quarter 2019 was BRL7.4 billion and a cost of BRL897 million. So the cost of the Land Bank, so we have no exchange agreement, we have no swap agreements, all paid in cash. So which means that it's a kind of healthy land bank to use whenever we think is the most profitable time to use this Land Bank, so that's the situation.

Let me take a look on page number 15. Talking about subsequent events. The first event is the general -- we don't know for sure what is going to happen by the end of April by

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the law we have to call for the general meeting of investors by April 28, 2020 is a moment that we are going to propose BRL67 million in dividends, which means something around about BRL0.29 per share, which means 100% increment coming from 2018. So the total amount of net income reported 2019 was BRL281 million. For this BRL281 million, we're going to take the legal reserve, which means 5% and then we're going to pay a dividend to 85% of the remaining volume, which means BRL66.8 million to be paid at the year of 2019. So another subsequent advance is the stock buyback program. So the Board of Directors has approved up to 10% of the free flow to acquire, this is simply because obviously the company has done its follow on by BRL36.25 per share.

The volume of money we have here, the quality of our assets, the strength we are going to entering the point of the crisis does. So this has to be take in mind about the share price we have today. So we are trading in a kind of price that cannot be understood by this management. And that's why we think that the 10% is not going to hurt the balance sheet of our company, but is not going to hurt. Everything we have to pay to our employees to our suppliers to deliver our construction sales, that's why we have been thinking about the next 3 months. The decision obviously of canceling those shares or selling again those shares we're going to take an opportune time after this crisis passing through.

So -- and finally the slide on page 16 only to you guys living in other countries, living abroad just to understand what do we have impacted, here in Brazil is simply in -- seen in some power obviously we are going to take in all the care for our -- taking care of our employees. We try to make it a reduction of more than 50%. Nowadays we have here on our headquarter less than 50% of the whole staff. The majority of them they are doing home office and obviously it's going very well. So we have acquired, we have rent a lot of TI -- IT equipment to support all the employees of our company enormously. The projects are going through. All the movements to manage the company are going to going through, part of them by home offices. part of them inside our office.

We are trying to avoid that our employees coming to our company using public transportation. Nowadays, we are doing some kind of reimbursement of taxis or Uber cabs its expenses to provide them more protection to come to the office if it's necessary. Everyone who are trying to be tested by the coronavirus have the expenses eventually not be covered by the health insurance paid for the company and finally, obviously the removal from the office of all the collaborators within the risky groups. Let me remind you that we haven't so far received any kind of news from the government to stop the constructions, so far the sites are ongoing, so the constructions are ongoing.

Obviously, we think that the inside the constructions, the health, the environment, the health environment is a little bit more interested in health here than in the headquarter because it is open space, the construction sites are open space, much more fresh air, and that's why I think we are not facing some lockdown in our construction site so far, and that's why we are going as this way. But on the other hand in terms of sales stands, now we have from the government the news to stop, so we cannot receive our clients in the sales stand, and that's why is that's the kind of thing that is much more complicated to improve the sales, because people want to see their apartment model, the model of the

building of the apartment, they want to talk with the brokers, they want to talk with the people to understand if it is a good deal or not.

And so, it's a kind of thing that we cannot doing anymore. So, our sales stands are completely closed, but our brokers can count on a lot of systems that we have been investing since the 2013-2014. There's a kind of system that, we can contact our clients by phone, we can contact our clients by mails or chat or Whatsapp, whatever. So we think that in the next few weeks, we're going to improve the way we are going to get in touch with the people and obviously, because of our company is vertically integrated, we can ensure that all of the process are under our control. So, so far we are open we are working, part of the company home office, part of the company inside. The sites under constructions are okay, but the sales stand completely shut down. So that's why we think that we are going to face the challenges ahead with a lot of serenity to cause a minor impact in everyone.

Thank you very much guys and we are completely open to questions. Thank you.

Questions And Answers

Operator

(Question And Answer)

Ladies and gentlemen, we will now initiate the question-and-answer section. (Operator Instructions) Our first question is from the Nicole Inui with Bank of America. Please go ahead.

Q - Nicole Inui {BIO 17757166 <GO>}

Great. Thank you. Hi Emilio. Hi Hugo. Thank you so much for the call and the presentation. So, just talking a little bit about that the construction sites, you said that they're not closed right now. But just understand, if you came to a point that you had to close the construction sites, if you could talk a little about what would be the running costs for EZTEC, how many of the construction workers are on your payroll? How many of them are third party?

And then my second question, you know, I know it's still early, we don't know what's going to happen going forward. But we are expecting Brazil to enter into a recession now. So, if you think about when launches restart again. How would you think about changing the mix of those launches, expecting a weaker economy going forward? Thank you so much.

A - Antonio Emilio Clemente Fugazza {BIO 16474296 <GO>}

Nicole, thank you very much for the questions. Nowadays the problem is, we are not talking about risks, we are talking about uncertainties and that's why it's very hard to make any kind of plan. But in terms of sites, we think that obviously in some moments we are going to face that the sites are going to shut down completely. We are not receiving any

kind of news coming from the authorities to do that and we think that also in Europe, Spain and France. In France, the sites are already open at least in the last week.

So, the problem is obviously the majority of the people working in our sites are third-parties, because we have the whole team of management, but the unskilled people they are coming from the third-parties. And that's the problem because we don't think that the third-parties that the companies are so small, they have no working capital to support -- to support shutdown of, I don't know 1, 2, 3 months whatever.

So, we have been doing a lot of discussion -- a lot of discussion with other companies, with our union, union of the Companies to understand what we are going to do? We're going to support the salaries of this people. We're going to support the payments of the third-parties. So, what we are going to do? We don't know, because it doesn't matter what EZTEC is going to do. Because it's EZTEC is doing something, but my competitors, the other constructor is not doing the same thing, the third parties is going to few people -- is going to break the same way. So, that's why we think that we have to do something for the whole sector, not only for EZTEC. And obviously in terms of some kind of impacts, in terms of schedule to deliver the construction, what we have no concerns about it.

In Brazil, definitely we have been delivering our towers in terms of the total schedule is about three years. So, 36 months, three years. So, we have huge amount of months to be used, if there is a huge problem to be stopped it completely for at least three, four, five months. I think that up to six months we are not going to face a huge problem in terms of delivering the project on time. But there will be a huge impact for the third-party and we have to maneuver, we have to address something about it, but we have no decision so far.

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

Nicole, this is Hugo. Just try to complement, what Emilio said, I think that much of the solutions that got to be provided come from the fact that we already had in place, so just as a part of the business model. Some components to address just to manage the risks from regular operations. For example, when Emilio says that there's a 36-month window for the construction to happen. When we schedule, any given construction for any given launch, in any circumstances, we already embed some 2 to 3 months cushion just as a safety margin.

So, in a circumstance in which we are discussing, let's say a temporary paralyzation of 2, 3 months, that's already within just the regular controls that we usually have with no variance on the capacity to deliver, on the contractually mandated date.

Now, as far as the relationship with suppliers and contractors, just historically and this again is a matter of business model. EZTEC has always managed a base of suppliers, where you have a pulverized base of people working for you. We're basically talking about some 50 people, 50 different companies, where you're not exclusively dependent upon any single one of them independently, which mitigate some of the idiosyncratic risks of any of them individually going under. But also, more systemically we really try to maintain a long-lasting partnership relationship with the suppliers that we do have. So, among those

50 people, there's those 50 companies, there is a very low turnover, so that once we go back to the actual construction and we, let's say, we're past the deepest moment of crisis. We can rest assured that our construction sites will have some degree of priority and our engineering will be attended for, that's the general idea.

A - Antonio Emilio Clemente Fugazza {BIO 16474296 <GO>}

Nicole in terms of Brazil entering in a recession. So, not only Brazil, the whole world. So, what is happening now, in terms of projects trying to take -- going to an approval process. Let me remind that they're under the management of Sao Paulo municipality, we have more than BRL5 billion of projects to taking the license of there, which means that we are a little bit prepared for everything.

So, we have corporate towers, we have low weighing projects, we have middle-high, middle-end projects. We are not -- there are no concerns about what kind of projects we are going to see to be sold. The most is specifically because in our BRL7.4 billion now -- BRL8.5 billion of landbank, we have pretty much everything. We don't know for sure. So far, the projects we were selling in the first quarter 2020, the majority of them were projects focusing on investors.

So, the majority of the project were projects very well-located in the city of Sao Paulo and people were changing the bond fixed income coming from the banks to -- in order to buy new apartment in the city of Sao Paulo because we were expecting that the prices were going up. Nowadays we don't know. We don't know, which is the new real in terms of prices. We don't know the new real which is -- the new real in terms of who's going to -- who's going to buy a new apartment.

But obviously, we are going to see a kind of market, which is -- kind of market coming from people inside this crisis, talking each other, inside their homes, inside their families, talking about their needs in this new moment. And obviously we are going to focus on that. So, for now we have less visibility of what is going to sell by the end of this crisis.

Q - Nicole Inui {BIO 17757166 <GO>}

Great. Thank you. That was very helpful.

A - Antonio Emilio Clemente Fugazza {BIO 16474296 <GO>}

Thank you very much, Nicole.

Operator

This concludes the question-and-answer session. At this time, I would like to turn the floor back to Mr. Emilio Fugazza, IRO and CFO for any closing remarks.

A - Antonio Emilio Clemente Fugazza {BIO 16474296 <GO>}

Thank you very much. Thank you very much for everyone. So, we are going to start all over again by 45 days by the end of April or at the beginning of May third quarter 2020 results

for EZTEC. For the doubts, please let me know, including Hugo and the whole IR team.
Thank you very much everyone.

Operator

Thank you. This concludes today's presentation. You may disconnect your lines at this time, and have a nice day.

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