

Q4 2013 Earnings Call

Company Participants

- Alvaro Penteado de Castro, Financial and IR Manager

Other Participants

- Antonio Heluany, Analyst
- John Brandt, Analyst
- Lucas Ferreira, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. and welcome to the audio conference call of Duratex. Thank you for standing by. (Operator Instructions)

I would now like to turn the conference over to Mr. Alvaro Penteado de Castro, Financial and IR Manager. Please go ahead, sir.

Alvaro Penteado de Castro {BIO 5537843 <GO>}

Thank you, all for holding to the beginning of this teleconference. It is my pleasure to be presenting it specifically during a year despite being difficult given the macro environment in Brazil, Duratex managed to outstand itself from this environment, posting record numbers in terms of revenues, margins and even bottom line, as we will see during this presentation.

I would like to start in page 2, under the financial highlights, revenues reached almost BRL4 billion, posting an annual growth of 14.8%. This growth was based on more volumes, around 9% in the Deca division and 3% in the Wood division, and prices around -- or net unitary revenue increased by 9% in Deca and 12% in Wood and mix, as you will see coated products increased 6% year-over-year as Standard had a diminishment of 2.2%.

And on the Deca front, finishing goods reached a growth of 9.1% as opposed to basic products that increased only by 7.6%. So the overall environment was good, pushed revenues up by this much, almost 15%.

Most or all of these events contributed to push the recurring adjusted EBITDA to BRL1.2 billion with a margin of 31%, almost 100 basis points above the margin posted in the year of 2012, which was a fantastic year for the Company until then.

When we analyze or we breakdown this EBITDA, we can see that Deca EBITDA reached almost BRL320 million, with a year-on-year growth of 9% and margin reaching 23%.

On the Wood division, EBITDA of almost BRL900 million, growth -- very strong growth of 20% year-on-year and margins ending the year at 35%. Recurring net income reached BRL561 million, posting a year-on-year growth of 23%.

It is important to note here that in the Fourth Quarter we had to recognize under the CPC 15 the write-down of the goodwill of the first subscription of the 37% stake of Tablemac which was made on COP12. You know that we concluded during the First Quarter 2014 a tender offer where we bought an additional stake of 43% on COP8.60, so we had to recognize that write-down of the 37% over the difference between COP12 and COP8.60.

also, it is important to note that in the year of 2012 net income was improved or came better by close to BRL34 million given the recognition of biological assets. The price of wood increased -- I'm sorry, the Third Quarter 2013 biological assets increased by BRL34 million and also we had BRL10 million of positive result coming from employee benefits.

So all in all, almost BRL40 million was the contribution of these events in the Third Quarter results. So when we analyze the evolution quarter-on-quarter, you have to bear that in mind; Fourth Quarter a negative event for BRL53 million and Third Quarter two positive results, biological assets and employee benefit, contributed to almost BRL40 million.

On the investment front, during the period we invested BRL600 million. The highlights here are the completion of the MDF line in Itapetininga; also the completion of an important debottlenecking process of MDP; and the commencement of a new plant of ceramic in Queimados; also the acquisition of Thermosystem that took place in the beginning of the year in January 2013. All in all these investments added to BRL601 million.

Payout, another highlight here, reached 40% during 2013, which means that the net remuneration to shareholders topped almost BRL200 million, which represents a payout for the year 33% higher than the minimum dividend, which is a payout of 30%.

Next page, slide number 3, we have net revenues, here breakdown by the Wood and Deca divisions. We can see that Wood represents almost 60 -- or is that 67% of the total revenues during the Fourth Quarter. There was a slight decrease of revenues quarter-on-quarter based on diminishment of shipments of products in the Deca division as the Wood division posted a very strong performance.

But if we analyze the performance during the year, which is what counts, we can see that the wood division posted a revenue growth of 13% and Deca an amazing growth of 18%. Gross margin increasing by 210 bps and domestic market still the most important destination of revenues.

Slide number 4, this is the EBITDA reconciliation table. You know that by the Brazilian law there is a standard for the calculation of EBITDA, which is given by the instruction CVM

number 527. So here we start from net income and then we add the income tax, then social charges, net financial result, get into the EBIT. Then we add back depreciation, amortization and depletion and the depletion tranche of biological assets reaching the EBITDA under CVM 527.

One comment here, and I made that, but just to make clear, when we analyze Fourth Quarter results of BRL70 million under the net income, here we have minus the effect of the write-down of the goodwill of Tablemac, BRL53.7 million. And when we analyze the profit of Third Quarter 2013, BRL170.2 million, here we have a contribution of the biological assets and the benefit for employees of almost BRL40 million. So we have to equalize that in order to have a more recurrent number.

Then to get to the recurring adjusted EBITDA, we add back -- or we take it out the value of the biological assets from the Fourth Quarter, BRL40.9 million, employee benefits, BRL1.1 million -- here you can see the BRL10 million that contributed for net income on the Third Quarter -- other adjustments, extraordinary events to get BRL304 million, pretty much in line with the results posted during the Third Quarter and margins stable quarter-on-quarter.

Highlight here of course is the result during the year, where we posted an almost 20% growth of the recurring adjusted EBITDA year-on-year, reaching BRL1.2 billion on top of the BRL1 billion posted in 2012.

Slide 5, we have some information about net income. Again, to get to the recurring net income we start on the BRL70 million. We shutdown the operation in Argentina during the First Quarter this year, and because of that, all the results of that operation were stripped out from all balance sheet and income statement lines and they are consolidated in one specific line of discontinued operations.

So in the Fourth Quarter this discontinued operations (affect) BRL5.7 million of the result. Then we add back the goodwill write-down, getting to BRL118 million worth of recurrent bottom line. Recurrent ROE reached almost 11%. And when we disregard the financial cost of all the investments made, we get a recurrent ROE of around 11.3%, which is stated in the bottom of this page.

Equity reached by the end of the Fourth Quarter BRL4.3 billion, and this represents almost a 10% increase year-on-year.

Full-year numbers, we can see that bottom line reached almost BRL560 million on top of the BRL455 million one year ago, representing a 23% increase. And return on equity also posting an important advancement to 12.3%, up from 11.9% and the recurrent number 13.3% as opposed to 11.8%. Very important result in a very difficult and challenging year when we saw the entrance of new capacity and the commencement of new investments on the side of Duratex.

Page number 6, as a result of this record result, we or the Board decided to increase the dividend payout. You know that our bylaws state a minimum dividend of 30%, and the

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Board of Directors ruled a 40% payout based on the low leverage situation we have, the good capital structure and the high hopes of free cash flow generation for this year. All in all, dividend payout increased from BRL134 million in 2012 to almost BRL200 million in 2013.

Next page, slide number 7, we have the demand for wood panels in the domestic market. All in all, when we add the performance of the MDF market with the MDP market, we see that volume grew by 6% in the industry. This is pretty much aligned with what we've been saying with regard to the correlations of demand of panels with GDP.

In this case, the correlation is close to 3 times. We don't have the official GDP number for 2013, but we believe that it should be close to 2%, which in this case it gives the 3 times correlation level.

Another important information here is when we analyze the quarterly performance of these two business segments, all in all MDF market is still posting a stronger performance than MDP. But interesting here is the analysis of the year-on-year evolution of results, where we had an evolution of 9.2% growth consolidated MDF and MDP.

Following to that, we have on slide number 8 the performance of Duratex itself. Again, because of the price adjustments we made in the beginning of 2013, we traded some market share -- we suffered a little bit on the market share side, but we were very successful in pursuing our strategy to improve the profitability of the business, as we will see on next page when we analyze the margin side.

One important information, when we analyze Duratex shipment is on a quarter-on-quarter performance, Fourth Quarter 2013 over Third Quarter 2013, when we posted a growth of 4.2%. When -- if you analyze the previous page, the industry posted a growth of 4.58%, which means that Duratex during the Fourth Quarter performed in line with the market already, even after the entrance of new capacities from competitors and new capacity from Duratex itself.

Slide number 9, as I said before, now we analyze revenues, gross profit, EBITDA and EBITDA margin. We can see an important evolution of gross margin from 33.4% in 2012 to 36.5%, which implies a 310 bps of improvement, nominally revenues increasing by 13%. And on a quarterly review, margins -- still gross margins on the 30 -- almost 34% level.

When we analyze all of this information, we can imply that the improvements specifically when we analyze the year as a whole. The improvement is based on the unit price, cost and mix. Here we have an improvement in these indicators that contributed to push the operating numbers of this division.

When we analyze the EBITDA, the margins are increasing by 210 bps, nominally 20%, the year-end EBITDA for the year of 2013 over 2012. And the EBITDA during the quarter finishing at 34.6%, a little down from the -- what we posted for the full-year.

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But the message here is that these margins they are pretty much aligned with those sorts of margins that we state to the market that they are sustainable, between the level of 34% -- 32%, 34%, 33%, 35%, 36%. These should be an interval that you can work long-term.

Following to that on slide number 10, we have the performance of the building material industry. Here we can see that during 2013 this industry posted a growth of revenues of 3% year-on-year. This is a little down from the first expectancies of 4%. The performance was more hurt during the Fourth Quarter, given a punctual deceleration in the retail of building materials. We believe that this channel was with high inventories and consumed less from the producers.

But on slide number 11, we can see that Deca managed to post a very strong performance when we analyze the end numbers for the year of 2013 over 2012. This division posted an almost 9% volume growth. If we disregard the volume of Thermosystem that was acquired in the month of January 2013, still the volume growth would have been close to 2%, which is in line with what we believe is the correlation with GDP close to 1 times.

On the bottom we can see that we added already the capacities of Mipel, a company that we acquired in 2012, Thermosystem and also Queimados, a new ceramics unit commissioned during the Third Quarter 2013. The message here is that given this level of occupancy, we have or we are positioned to grow and catch up business momentum.

Following to that, on slide number 12, gross margins stayed a little flatter, even a little above of what we posted in the year of 2012 even with all of these challenges that we faced during the year. Revenues increased by 18%. And even if we disregard Thermosystem, revenues would have grown by almost 11%, which is much more stronger than the ABRAMAT Index that posted a 3% growth.

So the growth of Deca standing alone was almost 3.6 times of the overall growth of the building material industry, showing not only resilience, but focus and a market difference when analyzing Deca and the rest of the industry.

Margins during the Fourth Quarter end up almost at the 37% level. When we analyze the EBITDA level, also nominally EBITDA reaching almost BRL320 million, margin at the 23% level during the whole year, which is also included -- or this margin, yes, within that range that we say it is sustainable between 21%, 25%, 22%, 26%.

And when we analyze on a quarterly basis, we can see that the margins tested all of these intervals of this margin that we believe is sustainable, 26% one year ago, 24% Third Quarter, and 21% Fourth Quarter.

The message here is that we believe that the worst is gone. The Fourth Quarter we saw clearly Deca following the trend of the ABRAMAT participants, but on a better way. We did not suffer much as the industry suffered. And looking forward, we expect the situation

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to improve as we saw already and we are seeing already it's happening during the months of January and February.

Following page, 13, we have the leverage situation. Total debt BRL2.4 billion, although BRL57 million above the debt levels in the end of September. Still net debt decreased a little bit by BRL107 million. Net debt to equity reduced from 35.7% to 33.3%. And net debt to equity -- net debt to EBITDA reached 1.17 times, down from 1.27 times in the end of September.

When we analyze the amortization schedule, one comment here, whatever we have in cash is more than sufficient to meet all debt amortization during the year of 2014. And the full debt, we have 80% in domestic currency and 19% in foreign currency, these being 100% hedged.

So this is a well-balanced capital structure. Cash level again above the short-term maturities. And given the situation or one of the explanations why the Board decided to improve the payout for the year of 2013.

Following page, we have CapEx. Here we can see that the total amount invested during the year was about BRL230 million below the levels invested in the year of 2012. And the highlight being acquisition of Thermosystem, commencement of the new MDF line, (finishment) of the debottleneckment of MDP and a new plant in Queimados.

For the year of 2014 we expect to invest organically around -- for organic growth, BRL500 million, of which about BRL330 million for maintenance and the rest for organic growth mostly in the Deca front.

We did not include in this number investments and M&A. So in January already we spent about BRL152 million for the conclusion of the tender offer of Tablemac, where we bought an additional stake of 43%. So CapEx for the year, it is already in line or a little above of what we posted for the year of 2013.

In the bottom we have some information about this tender offer. We bought 14.7 billion shares of Tablemac at COP8.60. The investment is there, BRL152 million. It is not dollars; it is reais. And the total stake was 80.60%. This is what we have today.

The strategy here of course is to improve our participation in this company that we believe is located in a very strategic place, Colombia. There are only two local players in that market and Tablemac is the biggest. We see a very good potential in terms of growth, and it was an opportunity to acquire this big stake at that price of COP8.60.

Following to that, we have an evolution of capacities during the years. One highlight here is that we are already including a new line that might be MDF or MDP by the end of 2016 in the Wood division segment that will increase our capacity by then to almost 5 million cubic meters, effective capacity.

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On the Deca front, all the capacities of Thermosystem, Mipel, and Queimados they are already included, so we have about 36.8 million items a year worth of capacity.

Following page, we have here a summary of what we have of new capacity in the first block of information. For all of these items here we invested around BRL1.2 billion between the years of 2011 and 2013. This is important to note because this investment is not concentrated in one specific year. It is spread during this 3-year period.

The highlight here in the Wood division are the new unit -- is the new unit of MDF, with an additional capacity of 520,000 cubic meters. You know that this plant was commissioned or started to make panels commercially speaking only during the Fourth Quarter, so the participation of this business unit and the results of the Company was very limited in 2013. Looking forward, we expect this unit to contribute more decisively for the improvement of the result.

In Taquari we also finished an important investment because it added via a debottleneckment 230,000 cubic meters, which is almost half of the capacity that we added with a new line. And in Queimados, we also -- with the commencement of this new plant we added 2.4 million items a year. And this represents roughly a 25% increase over the existing capacity pre-commencement of this plant.

The message here is clear; we have capacity to meet market demand. We are positioned to grow, and the ramp up of all of this capacity should happen during a 3-year time, peaking by the year of 2016 if everything goes according to our plans.

In the bottom we have a second tranche of investments made. The first one the acquisition of Thermosystem again, where this business segment added electronic showers. By the time that we acquired this Company, it was producing around 1.5 million items a year. After some adjustments in production, this capacity was adjusted to 2.6 million items a year. The results posted by this operation in terms of revenues and EBITDA when compared to the year of 2012, it is listed on the right hand side, revenues increased by 31% with this operation in our hands, and EBITDA increased by 10%.

When we analyze Mipel, which was the company acquired from Lupatech back in 2012, by the time we acquired this operation it was generating something around 780,000 items a year. After some adjustments, this capacity was pushed to 2.6 million items a year. What we did was the inclusion -- the addition of shift and some change in the product mix, bringing to this plant already some better products, valves, better valves to contribute with the dilution of fixed cost.

And finally, with Tablemac, the Colombian operation, with two lines of MDF and MDP, combined capacity of 260,000 cubic meters. If we analyze the results of this business unit with regard to revenues and EBITDA, (9 months) figure because they did not release their results yet, we can see that revenues increased year-on-year 2013 over 2012 in this period by 26.4%, and EBITDA increased already by almost 30%. And production, we have some idleness in this operations still, around 30%, that we believe we can improve these levels of occupancy rate of results during the coming periods.

Finally, again, the Company's in a position to grow. We have a balanced capital structure to explore any opportunities. We have completed major investment program in both divisions. We have a high degree of forest integration that contributes for accretion of margin in the Wood division. We have proximity to customers with the geographical diversification. We have plants located in the south, in the southeast, in the northeast regions of Brazil, and a skilled, focused and motivated team.

So with that, I conclude my presentation, and now myself and Flavio, we are here open to address the questions that you may have. Thank you.

Questions And Answers

Operator

(Operator Instructions)

Antonio Heluany, BTG.

Q - Antonio Heluany {BIO 20614129 <GO>}

I wanted you to give more details on demand for wood board. You mentioned that you expect that it should grow at least two times GDP in 2014 again. If you give some more color on the main drivers for the demand for the year? If you expect it to be home delivered? How to be the credit for the segment and also the impact on the government measures to boost the furniture sales in Brazil, is my first question?

A - Alvaro Penteado de Castro {BIO 5537843 <GO>}

Hi, Antonio. Thank you for your question. Well last year GDP was around 2%. The industry grew by almost 6% in that. The expectancies for this year's GDP is between anywhere 1.6 to 2 times. We are still in February. There are a lot of uncertainties with regard to what the year will be. But this is what the market is expecting for GDP. Under this situation, we are working with the possibility of correlation like of the one we saw last year. So this is what we can say up to this point.

With regard to the macro drivers, when we analyze what has contributed for the past growth of furniture revenue, and when we analyze these specific items today, they did not change. We still have a good financing terms in the retail of furniture, ranging from 18 to 24 fixed installments. We still have those governmental programs, Minha Casa Melhor, in place. It's difficult to assess by how much these programs are contributing nominally to the revenues itself. But talking to the retail segment, they signal that the result of these incentives they are positive on the margin. So everything that is made to contribute for growth to keep the wheel turning this is positive to ourselves in the end.

Q - Antonio Heluany {BIO 20614129 <GO>}

Okay. Thank you. And my second question is on Deca. With very low levels of leverage in your -- like intention to continue to grow through M&A? Would you comment if there is

anything on the radar in the segment or any ticket that you are already looking or there is nothing (inaudible) in the short-term? Can you give some more color on your strategy on this?

A - Alvaro Penteado de Castro {BIO 5537843 <GO>}

Yes. Well Antonio, our strategy did not change and there is no news with regard to M&A activity. We are still looking for possibilities to grow the business via M&A. We have specific area within Duratex focused in analyzing potential targets. We have a balanced capital structure to explore all the possibilities within Brazil and outside Brazil. But you know that we cannot -- right now we don't have anything for the short run. We are analyzing and we are very eager to grow this operation further via M&A activity. This is what we can say up to this point.

Q - Antonio Heluany {BIO 20614129 <GO>}

Thank you. And if you will allow one more question. When are you planning to announce the new investment on the new wood board mill, and if there is any change on the CapEx or it continues on the one that you announced like a couple of years ago of close to BRL1,000 per cubic meter?

A - Alvaro Penteado de Castro {BIO 5537843 <GO>}

No. There is no further change. We have not made -- we did not give more color on these investments because we are still negotiating with the municipalities in the region that this plant will be located. This plant is included in the material fact that we disclosed back in the beginning of 2011 along with the other plant that was already commissioned, the plant in Itapetininga.

So this is a known investment that will take place, yes, but we are finalizing this negotiations with the government to make the official announcement. Still we did not give color if it is going to be MDF or P. It is still open. You can see that on slide 15 of this presentation. This line is there to be inaugurated by the end of 2016.

CapEx should be around BRL1,000 per cubic meter. No change in that -- on that front. And this investment has already the necessary wood to run. So it will be -- the CapEx will be smaller than a traditional CapEx given that the wood is already or will be already available by 2016.

Q - Antonio Heluany {BIO 20614129 <GO>}

Okay. Thank you very much.

Operator

John Brandt, HSBC.

Q - John Brandt {BIO 18264726 <GO>}

I just wanted to ask you about Deca. We saw volumes drop off quite meaningfully from the Third Quarter and I understand a lot of that is due to seasonality. But even year-on-year we saw a drop off. I know the expectation is that we should start to see sales volumes ramping back up. But I am wondering, are you seeing a slowdown? How much of it actually is seasonality, and if you could try and quantify what we should expect for volumes in this division for 2014? I guess that would be my first question.

A - Alvaro Penteado de Castro {BIO 5537843 <GO>}

Hi, John. Thank you for your question. Well internally we see the performance of Deca very positively. It was a fantastic year on our end. There was of course this punctual slowdown during the Fourth Quarter. But when we analyze the performance for the full-year, I mean we see a growth in demand for basic products of almost 8%. We see a demand for finishing goods 9%. Overall, almost 9% growth. Revenues increasing by 18%. Unit revenue increasing by 9%, in line with cost. EBITDA margin finishing the year at the 23% level.

So this is a very positive performance for Deca, record volume, record revenues. Even on the EBITDA side, Deca is clearly on a positive trend, very focused in the segment it serve. So we don't see like that. There was a gap, a punctual event that under our analysis is gone already. January and February they are showing already that the market is recovering. So we expect a positive year for Deca in 2014.

On top of that, we have --

Q - John Brandt {BIO 18264726 <GO>}

Is it fair --

A - Alvaro Penteado de Castro {BIO 5537843 <GO>}

Sorry. On top of that -- I was just finalizing my explanation. On top of that, we have, as you can see, available capacity to meet future market demand. And the CapEx for this year, we are investing in the metal fittings. We are concentrating the investments in metal fittings to grow capacity there by 1.2 million items a year, which shows our confidence in this market.

Q - John Brandt {BIO 18264726 <GO>}

Okay. Is it fair to say that volumes should trend back up to the 7.5 million units that we saw in the second and Third Quarter?

A - Alvaro Penteado de Castro {BIO 5537843 <GO>}

Yes -- hopefully, yes. We are working with -- in our numbers with the possibility for volumes to grow year-on-year. Again, volumes tend to be more correlated to GDP performance in Deca. So this is the best that I can tell you up to this point.

Q - John Brandt {BIO 18264726 <GO>}

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Okay -- no, that's helpful. Secondly, I wanted to ask about the pricing in the Wood segment. We saw a little bit of price weakness in the Fourth Quarter. I am wondering how much of that is due to mix, because from what we understand there has been no price cutting and the expectation in the Wood division is that we should see some price increases maybe late March or early April.

So how much of the price weakness that we saw in the Fourth Quarter is due to mix? And I guess the second part of that question is, should we still be expecting a price increase in late March or early April?

A - Alvaro Penteado de Castro {BIO 5537843 <GO>}

Well when we analyze the performance of the Fourth Quarter that you pointed out and you analyze the release we made, the fact sheets, you can see that the volume for standard products increased by 5%, the volume for coated products increased by only 3%. So there was an improvement of revenues of products with a lower aggregated value, which explains the small reduction in unit revenue that you saw.

But on the same way, unit cost reduced by 3.5%, okay. Because these products they use less paper, less resin to finish the product. So some raw materials that experienced some cost increase already during the Fourth Quarter.

So all in all is mix, okay. Prices remained stable during the Fourth Quarter. And the most important note -- news is that they remained stable during the beginning of the year, which is seasonally speaking the weakest in terms of seasonality. So this is very positive news.

With regard to price increases, for a company like ours oriented to results, oriented to margins, that tries to excel itself, we will try to overcome all of these cost pressures in due time. We are analyzing the market right now, the performance of January, the performance of February, probably the performance of March to decide what will be the best momentum to recompose the margins.

But one thing for sure that you have to bear in mind, is that last year we increased prices in January, and margins started on a record level. Since we did not have price increases, and we will not have price increases during the First Quarter 2014, margins will start the year in a lower level than they began the year of 2013. And possibly, given that we have potential additional cost during the beginning of the year, in a lower level it's fair to say than the Fourth Quarter, to go after improvements during the rest of the year. This should be the trend for this year, okay.

Q - John Brandt {BIO 18264726 <GO>}

Okay. Great. Thank you very much.

A - Alvaro Penteado de Castro {BIO 5537843 <GO>}

You're very welcome.

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Operator

Lucas Ferreira, JP Morgan.

Q - Lucas Ferreira {BIO 16552031 <GO>}

My first question relates to the increase in dividend payout. This is something punctual or you expect it to remain throughout 2014, and what was the main driver for that? You guys mentioned the higher cash generation, but I was wondering if it could be -- also now coming back to the question of Antonio -- a lack of or a reduction of the potential M&A in the pipeline? Or, can you describe these M&As?

And my second question, you had some comment on the volume for Deca in January and February already showing some improvement. If you could comment on the wood panel side, how your numbers for January and February point and if you continue to see some price wars as usual in the beginning of the year and how is competition doing? Thank you?

A - Alvaro Penteado de Castro {BIO 5537843 <GO>}

Hi, Lucas. Thank you for your question. With regard to the first one, dividend, well, this is -- I think this payout is pretty much aligned with what we've been saying during the conversations we have and so forth. The Board is sensible to whatever the market is saying and when they see that the capital structure allows an improvement, probably they will do it.

This 40% was punctual. There is not a promise to make that as a policy. But my guess -- I cannot answer by the Board, but my guess is that if they see that there is room for additional payouts above the mean, they will do it, okay. But we have to wait for their decision making.

With regards -- yes, and again, this depends on the CapEx and the leverage of the Company of course. Okay. If the leverage stays low and being reduced, I think the Board will be more sensitive to the payout situation.

When we talk about the year of 2014, you know that we cannot provide this kind of information. But on a qualitative basis, the number so far is coming in line with what we expect for the period, which is positive. Again, prices are stable, which is good news. Of course that we have some costs in the system via FX, via labor and the salary increases. But in due time, we will tend to address these issues. This is the farther I can go.

And again, the volumes in these two businesses, both in Deca and wood, they tend to have a correlation with GDP; in Deca between 1 and 2 and in the Wood division between 2 and 3 times. So depending on the GDP that you are working with, this can give you some color for at least the performance of the industry itself, which is again positive in a very challenging environment.

Q - Lucas Ferreira {BIO 16552031 <GO>}

All right. Thank you very much.

A - Alvaro Penteado de Castro {BIO 5537843 <GO>}

You're very welcome.

Operator

(Operator Instructions) This concludes today's question-and-answer session. I would like to invite Mr. Alvaro to proceed with his closing statements. Please go ahead, sir.

A - Alvaro Penteado de Castro {BIO 5537843 <GO>}

I would like to thank you all for your patience to accompany this teleconference, and to make myself, Flavio and (Catarina), which is accompanying this call, available for further questions that you may have. Thank you, so much. Have a great day.

Operator

That does conclude the Duratex audio conference for today. Thank you very much for your participation and have a good day.

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