

International Conference Call
MRV Engenharia
First Quarter 2019 Earnings Results
May 9th, 2019

Operator: Ladies and gentlemen, good morning. Thanks for standing by. Welcome to the conference call for analysts and investors of MRV Engenharia e Participações S/A to discuss the earnings of the first quarter 2019.

Today with us are the CEOs Rafael Menin and Eduardo Fisher, and also the Finance and IRO Officer Ricardo Paixão. We would like to inform you that all participants are going to be in listen-only mode during the company's presentation, later on we are going to start the Q&A session when further instructions will be provided. Should any of you need assistance during the conference call, please, reach the operator by pressing start 0.

Now you're going to turn the call to Rafael Menin, the company's CEO. Please Mr. Menin, you may go on.

Mr. Rafael Menin: Good morning everyone. It's a pleasure to be here to talk about the results of the first quarter. We are incredibly happy with our indicators and financial results. MRV once again had a very good performance that left us quite satisfied and optimistic about the future that we are going to have even better indicators for our investors further on.

So let me talk about what we did in recent years and that led to these wonderful results. The company in the past that 3-4 years has been investing to have a healthy, well-managed company at the level of 50,000 units. The investments first happened so our balance sheet was a bit more heavier, the G&A expenses a bit larger than suitable for the company, for some time now we have been investing in products with several items related to sustainability, quality, trying to de-commoditized our products in this economic segment and all that started to pay out, and I would like to highlight some important indicators: The company is launching more units and this greater number of launches enabled us to sell more, as we saw in the first quarter compared to the last year's quarter, we launched more, we had more net sales and with that we could accelerate production.

Selling more, launching more, producing more, our revenues increased considerably, and the immediate effect is a dilution of SG&A and with that we had a fantastic net income and a ROE more than 15%, which is extremely healthy for the first quarter.

You know, we had some challenges, Caixa started to operate as of February and because of that we had a lower amount of transfers to banks, below expected, but despite of the lack of movement in the month of January, all indicators were exceptional.

It is important to highlight that we expect a gross margin stable, more or less at the level that we saw in the first quarter. We have a project for pricing to have gross margin between 32 and 34% this year because of the 1.5 range of the *Minha Casa Minha Vida*, we know that this takes a little time to get

to the result, so we are going to have gross margins close to the first quarter, and as of the next year we expect our gross margins to recover gradually.

Another important aspect of this growth project of the company is our SBPE. It is a new source of funding that is going to be very important for the company, and all these investments, relationship with customers, technology, customer experience enabled us to go very strongly into this segmented with a differentiated products and excellent cost benefit, and I have no doubt it is going to be a successful segment and it is going to become more and more representative for MRV.

So we are going to see the share of our SBPE portfolio to grow and this is going to be very healthy for the company because we are going to be able to access more than one source of fund.

Another aspect is people talk about the sustainability of a program. We are quite comfortable, *Minha Casa Minha Vida* ranges 2 and 3 have a surplus tax wise, the government understands that, for each R\$1 of investment the government receives R\$7 as taxes, so it is an extremely successful program in terms of taxes, let alone employment, contribution to GDP, social impact. The company has this sensitivity, the government likes the program.

Of course, when you go to the 1.5 and 1 ranges, we know that they have to go through adjustments. The 1.5 range did go through adjustment in the first quarter, the rules have changed, and I think it's more balanced compared to the rest of the market vis-à-vis the speed of sales were 3-4 times higher, and this year they are still higher, but they are close to ranges 2 and 3.

So this rationality, the concern about perennity of the program and the Workers Compensation Fund is something that we consider as a very positive point. The government has very good people, not only Caixa, but also the secretaries, ministers, the management of the Workers Compensation Fund, so there is a true concern of how to maximize the Workers Compensation Fund, its quotas, but also have a perennial, healthy program.

We know of the importance of the program for the country, so we are very comfortable, ranges 2 or 3 may have adjustments here and there, but the framework of the program is to be maintained. We have had countless meetings and the feedback about the program, especially ranges 2 and 3, is the best possible.

Another interesting indicator is that the government announced still not officially, but the idea is to create once again the Ministry of Cities; this is another indication that the government believes this is a program that has to continue to run well.

Going back to the rationale, what we have observed is that this concern of having a better, healthier ecosystem has forced greater qualification and investigation of the health of the companies that work in the company. The program has reasonable percentage of companies that were very informal, that didn't follow the best practices and we see the government very much concerned as well as the Workers Compensation Fund, managers and Caixa to improve the quality of the companies that take part in the program. And we think this is excellent.

MRV is leader in the industry, it tries to raise the bar bringing more technology, innovative solutions, quality and when we feel that the government is thinking alike is something very positive to us.

Another thing that is important, all the investment we made is always looking into the long-term, and we are sure that companies that invest in products, customer relations, qualification of projects, better integration with suppliers, clients in the long-term is very important. We want to be close to banks and to our clients, even after we delivered the units, and that has a cost, but we believe that this investment pays out in the long-term.

The company has to be seen in a timeline; we cannot take a snapshot of a quarter. All the projects that we have been establishing are going to continue, we still have a lot more to put into the market and I have no doubts MRV is really going to stand out.

Well, since the IPO, between dividends to be paid out and buyback programs, we are talking about 3.5 million return to our shareholders, a very important amount vis-a-vis the IPO investment of 1.6 billion. So post-IPO, the company has already returned to its shareholders more than twice what was invested, and that gives us great satisfaction and I'm sure that we are going to continue to deliver excellent indicators, excellent results and we are going to pay back to shareholders even more along the time in the company.

I thank you very much, now I'm going to turn the call to Ricardo Paixão and then we are going to open for your questions. Thank you.

Mr. Ricardo Paixão: Thank you, Rafael. Good morning everyone. I would like to highlight some important points about our operating and financial performance in this first quarter.

The general shareholders meeting decided to pay out 490 million for the payout of dividends, 164 million that are mandatory and 328 that are extra dividends to be decided in terms of date of the company.

The construction cycle is translated into higher units produced, 24% higher, ROE 23% higher than last year, that gave us better dilution of SG&A. SG&A closed the quarter at 15.4%, the lowest since the second quarter of 2015.

We have already mentioned that our structure was ready for better levels of operations and the numbers is doing: 4.2 in terms of earnings per share, and 2.3 less in terms of sales and general expenses compared to 18.

As for subsidiaries, they are positively contributing to our results. Since the IPO of LOG, the contribution decreases in 19. As for Prime in MRL, as you have the annual release, you can see their contributions for 18, these companies are going to generate better contribution for the company in the future. The consolidation of MRV Holding sets that the equivalent line has basically G&A and financial expenses. the deleveraging of this company will contribute for us to improve our equity equivalent.

With that we had R\$189 million of net income, growth of 18% year on year, good result for 18, and a new level of LOG with ROI of almost 16%, and we also see improvements for this indicator. Our market value with our consistent results places us with a very appealing valuation.

Now we are going to open for your questions.

Question-and-Answer Session

Operator: Ladies and gentlemen, we will now start the Q&A. If you have any question, please press star 1.

Our first question comes from Gustavo Cambaúva, from BTG Pactual.

Mr. Cambaúva: Hello, good morning. I would like to ask about revenues. You mentioned in the beginning and indeed it was a lot higher than expected. I would like to understand if there was any item that is nonrecurring in terms of revenues, because when we compare quarter on quarter, you talk about an improvement in productivity, but you are talking about 200 million less in terms of sales and revenues are about flat.

So is it productivity alone? Is there anything else, an average POC of sales that is higher? And is this the level that we should expect from now on?

My second question is about what you see in April and May, especially with transfers to banks. In the first quarter there were some problems, it seems that they were settled in February and March, but I would like to know if the second quarter is running smoothly and what is your expectation for the year. Thank you very much.

Mr. Eduardo Fischer: Hi Gustavo, good morning, it's Fisher. Okay, to answer your first question in terms of revenues, well, our expectation is for revenues to run at a higher level, as was in this first quarter and in the fourth quarter as well, that is a reflection of the production units. As you know, since 18 we are increasing the numbers of units produced and that increased these revenues, despite a little gap in the first quarter production is going on, many units were already transferred and we have been investing a lot in productivity, you mentioned that. We want to reduce cycles, so we still see room for the construction cycle to get better, productivity to go up and if the cycle is shorter then we have better results.

So what you see is the result of a growing production and growing sales, especially net sales that we have been highlighting in recent quarters, even with information in our release. So when you see growing net sales and growing production the level of revenues grows and our expectation is to keep at this level.

So the MRV of 2019 is definitely a larger company than it was in 16, 17, 18. It is the balance sheet that we created in the past with higher investment in landbank and launches starts to show, so the idea is to have for 19 this level of revenues.

As for transfers to banks, Rafael did mention that in his opening remarks, January was tragic, in February the second half of the month things started to work out and March was normal, April completely normal, May is going along the line, we see no clouds in our skyline. Everything is back to normal, the government understood the impact of an eventual rupture, it is really dramatic for the whole of the segment in terms of employment, even economy, tax reason, so we are much more comfortable.

So to answer your question, things are back to normal and we expect them to stay so.

Mr. Cambaúva: Okay. Just as a follow-up, so April and May expectation is to recover the units that were not transferred in the first quarter if everything follows as if? Should we expect an even stronger cash generation reversing the cash burn of the first quarter?

Mr. Fischer: Well, obviously the first quarter had this problem because of the nonoperation in January and part of February, and even last year we did have some restriction in terms of budget, you will remember that affects the operation a little in the coming months.

I would not say that everything that we lost in the first quarter and fourth quarter will come back in the second quarter because there are some clients that have to be reassessed, you know, when you have a ocess break sometimes you have to go back to ground 0, but certainly it is not going to be like the first in terms of cash generation, it is going to be a lot better.

I would say the recovery will take place in the second and third quarters, and then we are going to be settled.

Mr. Cambaúva: Okay, thank you very much.

Mr. Fischer: We are welcome.

Operator: Our next question comes from Luiz Stacchini, from Credit Suisse.

Mr. Stacchini: Good morning Rafael, Ricardo. Thanks for the presentation. I also have 2 questions. The first is about gross margin, we saw in the last 2 quarters a small drop in gross margin, which is probably because of your share in a different range, that sells faster and for that, makes sense to grow the production. As you start to stabilize your ranges and your shares, returbing to sell SBPE products, what do you see in terms of gross margin for the business?

And the second I would like to try and understand a bit more, even as a follow-up of Cambaúva's question, I would like to know about the pace of launches. We saw that in the first month and the first quarter you held up a little in the pace of launches. So what do you think the launching profile is going to be like? Do you think you are going to go back to normal, especially because of the FGTS operation is already back to normal? Thank you.

Mr. Ricardo Paixão: Luiz, this is Ricardo. The gross margin, yes, it has to do with the 1.5 range. Remember that we had a 25% share on that range, and its's now going through DRE. Our products of

1.5 is very close to 2, it is a range 2 sold as 1.5, not a 1 transformed into 1.5 and that has a larger weight in our gross margin, kind of pulling it down.

And we had some improvements for the products, in the short term you have lower margins, but further on you have the recognition of the market and the clients about this better product, and with prices start to go up again. And we also had some changes in the past, now we have the provision for delinquency and that has an immediate impact in margins.

The second question for the launches of the second quarter, the second quarter will be certainly above the first, you know we had some restrictions for the hiring of companies in the first quarter and we understood it made no sense to launch without these companies because then it would be a problem to transfer units. So we are going to launch more in this second than we launched in the first, we want to continue to have this guidance of more launches than 18.

Mr. Cambaúva: So, in terms of gross margin, what is the breakdown now, what is the difference of margin between products in ranges 1.5, 2 and 3?

Mr. Paixão: 2 and 3 is very similar, 33.5-34, and the 1.5 between 30 and 31% margin.

Mr. Cambaúva: Okay, thank you very much.

Operator: Our next question comes from Alex Ferraz, from Itaú BBA.

Mr. Ferraz: Good morning everyone, thanks for the presentation. I also have 2 questions. The first about Caixa Econômica Federal. We saw along the months an announcement made by the Ministry of Economic for the creation of workgroups to discuss the fund and rediscuss the administration fee of Caixa, and we see in the balance sheet of the bank a relevant increase in the number of units that were resumed.

So when you talk to Caixa, do you see Caixa being a bit more restrictive this year? Is there any movement for them to settle things?

And also, I have a question about your Santander project in Curitiba. You highlighted it in the release, and I would like to know what it is like, if you are transferring clients smoothly to the bank.

Mr. Menin: Okay, this is Rafael speaking, Alex. First, as for Caixa, I'm going to go back to the opening remarks. What is going on is that we have been talking to Caixa, to the Ministry of Regional Developmental, with the Worker Compensation Fund and very good conversations to have a healthier program for the bank, for companies, for clients, and so this is the objective.

What is going on (and I'm going to give you a concrete example) is the analysis of each product took place at a regional level, at the municipal agency, and today Caixa concentrated these analysis, so it is a lot more judicious, a lot more uniform and companies that provide good works, that have a good history, good financial capacity, good products, low default levels, low complaints levels are going to have few adjustments I would say further on.

More informal companies with more technical problems, more quality problems, they will have to adapt to this model. So, what the government wants is to have a more perennial program with qualification that is good for companies, clients and banks. If it is a good product that is built with good quality, with good after sales, then you have low default levels, and Caixa understands that. The level of default of more structured companies is a lot lower than non-structured companies.

So there is a pursuit for quality because then you have a healthier and more perennial system.

Have I answered your first question?

Mr. Ferraz: Yes, sure.

Mr. Menin: Okay. As for SBPE, we launched in the month of February and March a small product in Curitiba, excellent location, sales are doing well, transfers are going start probably as of next month if I'm not mistaken and we have several products in the pipeline, not only with Santander, the month of June we are going to launch a something with Bradesco. So another effort we had to qualify the product, the landbank, technology, modernity enabled us to go back to the segment with an excellent product and very cost-effective.

So this is a segment that we believe in a lot, it is going to be important for MRV, we want to have from 20 to 25% of our value of units in SBPE. This will take about 3 years, but we believe that is going to be a successful initiative.

Mr. Ferraz: Okay, thank you very much.

Operator: Our next question comes from André Mazzini, from Citibank.

Mr. Mazzini: Well, thanks for your call. My first question is about the units, about 35,000 units that were resumed by Caixa. How many were produced by you and are you contacting Caixa to resell those units? Do they compete with units that you have in production?

And the second question about SG&A, you talk about the potential nominal reduction for further on. What should we expect and in what timeframe? Thank you.

Mr. Fischer: Hi, this is Fisher speaking. Well, Caixa we know publicly they have 70,000 units that they recovered and the survey that we have is that very few of these units belong to more organized, larger, more formal companies. In MRV, you're talking about minimum share. So, again, more structured, more organized companies have better products, analyze the customer better because they have responsibility in the granting of credit, which is our case, with that you have healthier clients and therefore less defaults.

So I don't have the number, but the number that we have of ABRAINC is very, very, very low percentage. So again, what Rafael mentioned in the beginning is true: When you have Caixa, the ministry and the Worker Compensation Fund seeking rationality, we benefit more because we focus

on quality, we focus on the client, post-delivery and that reflects in delinquency, units returned and etc.

We have a discussion with Caixa to add even more benefits to be responsible for reselling the units that belong to us, but this is just an embryonic project, we may help Caixa to do that quite effectively, we believe that for us and for the system as a whole if we can do that it is going to be beneficial. And I don't believe we are going to be competing because again the percentage is very, very low, so I don't think it will be a problem.

As for SG&A, I do know if you remember, in December about 3-4 months ago we had given you a number that was our expectation to reach in 19, and we reached this number in the first quarter, so as revenues remain as they are, which I believe is the new reality of MRV, and as we recovered sales that we didn't have in the fourth and first quarters, the trend of dilution of SG&A will continue, first because we are going to have higher revenues and we were already calibrated to work at this new level, and second because we already have a project to reduce absolute amounts of the company.

We had a restructuring project, it continues to go on, especially with commercial expenses which is the heavier line but also administrative expenses, and these 2 movements tend to lower this number even further on in the next quarters. We are working for that. Thank you.

Mr. Mazzini: Thank you.

Operator: Our next question comes from Luiz Maurício, from Bradesco.

Mr. Maurício: Good morning everyone. I also have 2 questions. First is the equivalence line. You talked about LOG leaving and naturally then you reduce the benefit of this line, but we saw in the first quarter and the third quarter the loss of other SPEs. So I would like to understand what you have been doing for this line.

And second point, if I'm not mistaken, Rafael mentioned about the main changes of the program in ranges 1 and 1.5, but also that there were minor readjustments in 2 and 3. So I would like to understand what these changes are and what do you see as a potential for the company with these changes, do you have any initiative to improve sales even further down, are you comfortable with this level?

Mr. Paixão: Hi Luiz. First, cash equivalent, we have 5 million less of positive contribution of LOG in the first quarter 19 as compared to the first quarter 18, this is a line that you have some volatility as we mentioned before, but it tends to go down, so you cannot take the fourth quarter 18 or the first quarter 19 as a reference.

The results of these companies have been more and more consolidated inside the Holding. So, what you have down there is basically administrative and financial expenses. These companies are generating cash after the payment of taxes but deleveraging them will contribute for us to have better results for the future. But we expect continued volatility in this line, although it tends to be lower.

Mr. Menin: Hi Rafael. As for changes in ranges 2 and 3, we do not expect anything quite significant. Eventually, the government may change a bit of subsidies, but we don't have any signs about that, we have been saying that the money invested in ranges 2 and 3 is small compared to the return.

Just to give you an idea, last year the government invested R\$900 million in the program with ADTV of almost 90 billion. So I have no doubt this is the most efficient program of the government. And you cannot only think of the tax aspect, you have employment, you have the economy of the country, you have social aspect. In Brazil we have more than 30 million people working in poor conditions. In richer countries, in the US, several European countries, Asia, all these countries, even in Latin America, have a program to reduce the lack of housing.

We have wealthy cities, like San Francisco, New York, that face this serious problem; economic retraction is a very important problem for these capitals.

So I do not see any significant change to really erode the program. This is I think 0 chances. I think that this is something that has very little risk for the government, the market is trying to scrutinize the program, but if you look at the results in the last 10-12 years, the companies are delivering exceptional results, MRV has been delivering exceptional results in the last 12 years.

As for the speed of sales, we are quite comfortable; launches, sales, production, passing on, these 4 metrics are quite similar, so that shows that MRV is balanced. We are launching a bit more than 40,000 units a year, we sold a bit less than 40,000 last year, we produced 39,000 last year, so all these operating metrics are very well-balanced.

Of course, in one quarter you can launch a bit more, in the other you can sell a bit more, but looking year on year what happened on 17, 18 and what will probably happen in 19 is a balance of all these 4 metrics. So, while these 4 metrics are similar, it's natural that the company's going to have a balance sheet, a good position.

So this year we want to launch more than last year, the SOS because it's very similar, when you launch more you have more sales and then you can build more units and you transfer more clients. So once again, we expect for the year of 19 for the MRV clock of launching, selling, building and transferring these 4 metrics are going to be very well-balanced, but higher. And therefore, the consequence of this (and I mentioned that at some point in the call) because our expense is flat along the year, when you receive more, you dilute your revenues and then the bottom-line benefits.

So that is our expectation for the year of 19. I'm very comfortable with the balance of these 4 metrics.

Mr. Maurício: Okay. Ricardo just a follow-up. You mentioned that there is some seasonality. Could you talk about something that happened in the last quarter, did you have an event that you can highlight to share with us?

Mr. Paixão: No, there is really nothing. We don't have a specific project to mention that was guilty for any difference.

Mr. Maurício: Okay, thank you very much.

Operator: Our next question comes from Renan Manda, from Santander.

Mr. Manda: Good morning everyone, thanks for taking my call. My question is the project approval process. You mentioned that Caixa centralized the analysis and that is being more detailed. I would like to understand in detail what is the average time for a project to be approved now and what was that in the past? Does it have a possible impact in the pipeline this year, are you offsetting that with a larger number of projects? What is it like?

Mr. Fischer: This is Fisher speaking. So, what Caixa did in practice was to create a committee where they will analyze projects. And in our case, we have a project to be approved in about 10 days, and we believe that it is not a delay, it is better because if you have a greater filter in what is being approved, we benefit the most because we have the best product, the best project, the best assessment, so the net result was better to us than to the remaining of the market.

So this period really does not have an impact on us, and the benefit is greater. So for MRV we believe it has been a very positive.

Mr. Manda: Okay, thank you very much.

Operator: Our next question comes from Marcelo Motta, from JP Morgan.

Mr. Motta: Good morning, I have a quick question on financial results. Financial revenues coming from clients is a bit lower than what you had before. So, was it a one-off event, is it a new level? So I would just like to talk about this line of financial results.

Mr. Paixão: Hi Motta. What happened with this line is that we had more terminations that affect that, and you also have seasonality with the correction of INCC quarter on quarter. So probably in the second quarter you are going to have a higher number here.

Mr. Motta: Okay, thank you very much.

Operator: Our next question comes from Jorel Guilloty, from Morgan Stanley.

Mr. Guilloty: Good morning everyone, have 2 questions. First, if the funding of *Minha Casa Minha Vida* is to decrease would you expand your credit line? Could you replace the credits from *Minha Casa Minha Vida*?

And along the same line, are you going to offer funds of MRV portfolio for people that buy apartments inside the SBPE?

Mr. Menin: Hi Jorel, this is Rafael speaking. About your first question of fundings, most comes from the Workers Compensation Fund, and the percentage of the VGV that comes from OGU is only 0.7% of the VGV, so it is very small.

But let's suppose the government says that as of tomorrow they will not have any subsidies from OGU, the impact for MRV is minimum. In range 3 we have no subsidized funds. So, again we are very comfortable even if we have a small change, a small adjustment because we work more at the ceiling of ranges 2 and 3, the impact is very little.

Now, if there is no funding from the Workers Compensation Fund, imagine the Workers Compensation Fund will no longer fund units, well, the company and the market will have to readapt, the numbers are going to be lower. I said that before, I think the chances of this to happen are close to 0. If you think of the framework of ranges 2 and 3, quota holders of the Workers Compensation Funds have had returns of 5.5% a year, this is above the savings account and very close to the CDI. If you get a CDI investor, that is taxed at 15%, you cannot get 100% of the CDI.

So perhaps the best source of savings for our Brazilian workers is the Workers Compensation Fund that yields 5.5% a year, more than the savings account for more than a regular investment in CDB. So this is very important, quota holders have to be well compensated and today they are with an inflation of 3.5, they are getting a spread of 2% a year, which is excellent.

The second aspect; employment, the social aspect, the size of the market almost 1 million workers depend on the program, and finally the social aspect. In a country more than 30 million people live in unsuitable conditions and the deficit increases by 1 million a year, if the government does not have the structured products, this is a time bomb; Brazilian cities will explode.

So when you don't have good housing you know you bring along a lot of problems, like: Sewage, water, health, education, leisure to the population. So the government is fully aware that Brazil at our per capita income of US\$10,000 and huge inequality needs a social housing program.

What you cannot have is like the range 1; it was just donating homes. You have people paying in a shanty town for R\$450 among and in the *Minha Casa Minha Vida* R\$50 and people would pay if they wanted or not. This is a program that never interested MRV.

But ranges 2 and 3, I mean, they are very well structured, they generate tax surplus. And a government now, an administration that is the rationale, looks into the future has a reason for it not to have a program like *Minha Casa Minha Vida*. It may change names, you can have readjustments, but Pedro from Caixa, the minister have already said that *Minha Casa Minha Vida* is a Brazilian program; not party A, B or C program, and it will continue its investments. You have to improve your oil and gas; you have to bid your airports. This is a government program. If we want to change Brazil, we have to have a suitable, balanced policy that is directed to housing.

And so, we are very comfortable. And Jorel, what is important to say is that this is the only program in the government that takes investments to everywhere in the country, small, medium-sized, large companies, labor is 100% Brazilian, inputs 95% built in Brazil you. So I have no questions this is the most successful program, economic housing for the government. It is the most balanced, the one that brings the most benefits to the country, so there is no reason to end it.

And even in terms of competition, it is very well-balanced. Today we have São Paulo with 3, 4, 5 companies, a huge market and throughout Brazil you have a very well-balanced program what you see supply and demand, demand is even higher than supply even when the country gross little. If unemployment goes down, the income goes up and consumers trust goes up, we are going to have the opposite problem; demand is going to grow faster than supply, and then we will have to create new solutions.

So again, my view further program is super positive, it's very important for Brazil, the demand throughout Brazil is slightly higher than supply and it will be higher. So I'm very positive, what we're doing in the company of investing more and more in technology, in the quality of the products, get access to different funding, like SBPE, I am sure that the path that we chose is the best path to follow.

So we are very comfortable, and we are certain that MRV is going to be the best company and the best driver for you to invest in housing in Latin America. Okay?

Mr. Guilloty: Okay, but the question was more your target of FGTS, if it goes down from 400,000 units would you use your balance sheet to fund to reach your targets? That's the question.

Mr. Menin: Well Jorel, this is my opinion: The chances of the government to reduce the program by half is 0. They will have to have some adjustment from 400,000 to 350-320, it might happen, but I think it is not much possible.

We have mentioned throughout the call: Companies that have the best product, with the best balance, MRV being the best company in the industry, if there is a reduction (again, that I really don't believe much and if there is a reduction it is small) we are going to get to market share. We have the best brand, we are spread in 157 cities in Brazil, we have the best product, if Caixa is more judicious MRV is probably going to benefit the most from that.

So very confident that if we have a small reduction in the size of the program, we are going to get better, and we already said that before, for future plans we want to increase the size of the company very little in *Minha Casa Minha Vida*, last year we launched 45,000, we get perhaps to 50,000 / 60,000, and the 10,000 units will come from SBPE, which is new funding.

So we don't want to grow as much in the program, we want to go with the SBPE. And we are very comfortable with this long-term planning of ours.

Mr. Guilloty: And in SBPE, would offer credit as you were doing with *Minha Casa Minha Vida*?

Mr. Menin: The model is exactly the same. The difference is that SBPE has no subsidies, but customers have more Workers Compensation Fund and more savings, so they withdraw the fund and with that they have a down payment that is higher. So, the portfolio is about 12%, but the client has more equity for the business and the behavior of delinquency of the pro-salute of client is better than the client *Minha Casa Minha Vida*.

So once again, very comfortable, the granting of credit is similar 12 to 13%, but with lower

delinquency.

Mr. Guilloty: Okay, thank you very much.

Mr. Menin: Okay Jorel, thank you.

Operator: Ladies and gentlemen, as a reminder, if you have a question just press star 1.

MRV Engenharia conference call is now closed. For the final remarks we are going to turn the call to Eduardo Fisher, the company's CEO. Please Mr. Fisher.

Mr. Fischer: Well, it just like to thank you for attending this call, it was a very important quarter for us, it shows that MRV is at a new level.

And I would like to highlight 3 things: First, a very strong profit per share, this is a trend that we are going to see with MRV as this consolidates, this is a company of larger size, with larger results and a dilution of expenses. So the company is bigger, I think this is the message of MRV.

And then we mentioned, and I would like to highlight once again: We have been able to improve our cycle, especially in construction, but there is room for us to improve even further, so I see benefits to be captured along the year, which is important.

And to close, the most important issue to us is that our business has very long cycle; I buy land today, I launch in 2 years' time, I take 18 months to build, other 5 years for guarantees in portfolio. So it is a very long cycle. And when you have long cycle businesses, you have to have long term views. So our focus on quality, customer experience are things that I believe that are unarguable.

A company that thinks for the best of its clients in the long-term cannot be penalized. Sometimes people say that we do more than we need, but this is a wrong view. If you have long cycles you have to have long-term views, and this is what we want. We want MRV in 20-30-year-time to be even larger, more efficient, with a larger base of customers and that continues to deliver the dream of your own house for Brazilians. And we can only be here for the next 30 years If we do that.

So I believe MRV is a benchmark in the segment and it should be awarded by that. Our strategy is not going to change, this is our vision and we have to be recognized for that.

Well, that's it, thank you very much and we will see you in the next quarter. Best regards.

Operator: We thank you all for your attendance and we wish you a good day.