Transcription – 2Q24 Conference – 08/12/2024 – 11 am (Brasília) – 10 am (NY)

Renato Barboza: Good morning, everyone. Thank you for waiting. Welcome to PDG Realty S.A.'s conference, regarding the results of the second quarter and the first half of 2024. With us today is Mr. Augusto Reis, Chief Executive Officer, Vice President of Finance, and Investor Relations Director. We inform you that all participants will be listening to the company's presentation, after which we will begin the Q&A session. Before proceeding, we would like to clarify that any statements made during this conference, related to PDG Group's business prospects, operational and financial projections, and goals, are beliefs and assumptions of the company's management based on currently available information. Forward-looking statements are not guarantees of performance, as they involve risks, uncertainties, and assumptions, and depend on events and circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions, and other operational and financial factors may affect the company's future performance and lead to results that differ materially from those expressed in projections. I now turn the floor over to Mr. Augusto Reis, who will give today's presentation. Please, Mr. Augusto, go ahead.

Augusto Reis: Thank you, Renato. Good morning, everyone. It's a pleasure to have you with us at this conference. Today, we will discuss the details of our second-quarter results and our cumulative performance for the first half of 2024.

Before starting the formal presentation, I'd like to highlight the key strategic focuses that have guided PDG's actions in the first half of the year. We have remained focused on strengthening and growing the company, with particular attention to our two most recent launches: ix.Tatuapé and ix.Santana.

Regarding ix.Tatuapé, construction is progressing as scheduled. Currently, 20% of the superstructure is complete. It is worth noting that the project is being executed within the quality, cost, and schedule standards initially set, ensuring the release of financing installments as per the contract. In line with our strategy to exceed customer expectations, we have moved the project ahead by two months compared to the timeline set in the sales contract.

As for ix.Santana, launched in the last quarter of 2023, the project is still in the preparation phase, with construction expected to begin in the coming months. At present, we are focused on commercial and sales activities.

To sustain growth, we are actively working on the prospecting and development of new launches. In April, aiming to offer an even more personalized experience to our clients, we launched the Personal.ix program. It allows clients to choose from different finishing kits, customizing their apartments to their preferences and lifestyle. The program exceeded expectations, with a 47% conversion rate – hitting 100% of the planned target! With this success, we plan to extend Personal.ix to future PDG launches.

We saw a 72% reduction in financial loss and a 60% reduction in net loss compared to the first half of the previous year. Net sales increased by 114% in the first half of 2024 compared to the same period in 2023, and cancellations decreased by 38%. General, administrative, and commercial expenses were reduced by 10%. In 2Q24, we sold two plots of land that did not align with our future launch strategy. In July, the Board of Directors approved a capital increase of R$416 million, within the authorized capital limit. A legal period of 30 days was granted for current shareholders to exercise their preemptive rights in subscribing to new shares. The capital increase, aimed at converting judicial debts into shares, will be completed in the second half. This is an important step in continuing the company's deleveraging process, reducing risks, and improving our financial indicators. Additionally, in an extraordinary general meeting held on August 10, a reverse stock split in the ratio of 10 to 1 was approved, without altering the share capital, to comply with B3 regulations. The shares will start trading in their grouped form from 10/21/2024. On July 31, we released our second Sustainability Report, reflecting our principles and commitment to people and the environment. The report includes economic, operational, and socio-environmental performance indicators and highlights our sustainability policies and practices. We are very proud of this report, as it embodies our principles and commitment to sustainability.

In 2Q24, gross sales totaled R$20.9 million, up 14% compared to 2Q23. In the first half, gross sales reached R$36 million, up 4% compared to the first six months of 2023. Sales from our launches accounted for 38% of sales results for the semester. Cancellations fell by 53% in 2Q24 compared to the same period last year. Cancellations totaled R$17.8 million in the first half, 38% below the same period in 2023. Net sales reached R$14.1 million in 2Q24 and R$18.2 million in 1H24, representing increases of 281% and 114%, respectively, compared to the same periods in 2023. In 2Q24, we transferred 32 units, equivalent to a PSV of R$1.7 million. In the first half, we transferred

79 units, equivalent to a PSV of R$4 million. This represents a 25% reduction in the number of units compared to the first half of last year. We continue to process transfers through a fast process, with a thorough credit analysis, aligned with our commercial strategy focused on cash generation.

The inventory available for sale amounted to R$370 million at the end of the quarter, down 3% compared to 1Q24 and up 27% compared to 2Q23. This increase was mainly due to the launch of ix.Santana. Our inventory consists of 37% launches, with 52% located in São Paulo, our main operating area.

General and administrative expenses were reduced by 1% quarter-over-quarter and 15% year-over-year, due to lower advisory service expenses. Commercial expenses fell by 27% quarter-over-quarter and 3% year-over-year, driven by lower carrying costs for stock units. General, administrative, and commercial expenses combined fell by 14% quarter-over-quarter and 10% year-over-year. We continue to assess our structure and processes to keep them aligned with our strategy.

Extrajudicial debt was reduced by R$4 million during the quarter due to the migration to judicial debt. Despite interest of R$79 million in the period, we managed to amortize R$4 million. Judicial debt increased by R$65 million in 2Q24 due to new creditors being recognized. Considering the capital increase, payments, and payments in kind, we have already amortized R$1.5 billion in judicial debts. At the end of the second quarter, extended leverage totaled R$1.9 billion, an increase of 3% compared to 1Q24 and a 61% reduction compared to 2Q23. Judicial debts have maturities until 2042 and can be amortized through payments in kind or conversion into shares. Extrajudicial debts continue to be renegotiated.

We recorded a financial loss of R$42 million in 2Q24, a 70% reduction compared to 2Q23. In the first half, financial loss was R$83.6 million, 72% below the same period in 2023. This reduction resulted from the decrease in the extrajudicial debt balance and the conversion of debt into shares. Net loss was reduced by 48% quarter-over-quarter and 60% year-over-year. Finally, I would like to reaffirm our commitment to the company's recovery, focusing on deleveraging and improving operational efficiency. We continue to work on our launch strategy, seeking the right moments to launch and monitoring market conditions to maximize results. I will now conclude the presentation and open the floor for questions.

Renato Barboza: Thank you, Augusto. We have the first question from Sérgio Brito, from Investform: "Good morning! Congratulations on the presentation and results! I would like a summary of how PDG's judicial recovery process is progressing, given the importance of the company's recovery for the market."

Augusto Reis: Good morning, Sérgio! Thank you for your question. In summary, we are focusing on two main agendas: the deleveraging process, fulfilling our obligations under the judicial recovery plan, and the new launches agenda. It is a process that takes time, and in addition to the two developments already launched, we are working on the upcoming ones, all while maintaining a focus on cash flow, which is the main indicator of the company's operations and continuity. I believe we have already overcome much tougher times, and today, PDG is able to look forward to growth opportunities.

Renato Barboza: Sérgio's second question is about the impact of debt reduction.

Augusto Reis: Sérgio, PDG has a significant amount of debt. We believe that most of it will be resolved through the judicial recovery plan and the capital increase via new shares, which is positive because it doesn't strain our cash flow. As this process progresses, our balance sheet improves, which limits PDG's ability to access capital at market costs. We are quite optimistic about the ongoing debt negotiations and repayments. With this, we resolve our balance sheet and gain access to new credit lines, but we need to maintain an appropriate operational agenda, with launches moving forward. We must work on both fronts.

Renato Barboza: The next question from Roberto, from Greenvest, is about the expectations for sales and the challenges of the quarter.

Augusto Reis: Good morning, Roberto! Thank you for the question. This year has been challenging. However, we are confident that the second half will be commercially stronger than the first. Despite uncertainties, we are hopeful that the economic scenario will continue its improving trend. The expectation is that the second half of the year will outperform the first.

Renato Barboza: Roberto's next question: "Does PDG have a land bank?"

Augusto Reis: Yes! We have managed to retain some important land plots within our land bank, aligned with our strategy of focusing on well-located areas in São Paulo. In 2023, we successfully acquired a strategically located plot of land. We continue to follow our operational agenda in parallel with this strategy. The prospecting of new areas is ongoing, as it is crucial for PDG's recovery and growth.

Renato Barboza: The next question is from Álvaro, from BBI, regarding the expectations for the sector's outlook.

Augusto Reis: Álvaro, I believe you're referring to expectations for the upcoming quarter. The outlook is positive. The third quarter might be a little more sensitive, but overall, it's still favorable. We are seeing more positive indicators, especially in the affordable housing sector, but we believe that the market as a whole will improve in the next two quarters.

Renato Barboza: Álvaro also asks how PDG plans to differentiate itself in the market.

Augusto Reis: Excellent question! We believe that the creation of ix addresses this well. We are betting on our products. In the two products we launched recently, we paid close attention to designing differentiated products. When we approach development with care, we can bring well-resolved products to the market, which already creates differentiation. As for pricing, the market defines the price. Lowering prices means sacrificing margin, which we cannot focus on. A keyway to differentiate ourselves is by developing well-crafted products and focusing on customer service, which is the strategic pillar of ix: providing better experiences. We believe that with a focus on product and service, we will regain the trust of both customers and the market.

Renato Barboza: We have a question from Cléber, from Green Companhia, about PDG's leadership and reputation.

Augusto Reis: Cléber, the Great Place to Work certification is more of a confirmation than a goal in itself. When we sought this certification, we were confident that we would achieve it. Obtaining the certification was a way to communicate this to the market. It highlights PDG's effort. Keeping the team motivated is a challenge during a company's restructuring phase. We believe that this is the right path, not for the sake of the certification, but because committed people deliver better results, strengthening the company's culture and engagement. This is fundamental for PDG's recovery.

Renato Barboza: Thank you very much. We will now close the Q&A session for PDG's earnings conference. Before handing it back to Augusto, I'd like to remind you that for additional questions, you can email ri@pdg.com.br. Augusto, over to you for final remarks before we conclude.

Augusto Reis: Thank you, Renato! Thank you to everyone who participated! It's always valuable to hear the market's perception of the company's efforts. We remain focused on the recovery process and motivated to keep overcoming challenges. We strongly believe in our team's capability and in the sector. We are confident that better times are ahead. Thank you all!

Renato Barboza: PDG's earnings conference is now concluded. Thank you all for your participation and have a great day.