



**November 5th,  
2015**

**3Q15 and  
9M15 Results**

## ❖ Scenario and Strategy

# Agenda

## ❖ Asset Management:

Accounts Receivable

Cancellations

Sales

Inventory

Asset Sales

## ❖ Liabilities Management:

Debt Restructuring

G&A

Ongoing Projects and Cost to be Incurred



Corcovado  
Rio de Janeiro/RJ

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**Sublime**  
Rio de Janeiro/RJ

# Scenario and Strategy

## Previous and Current



### Previous Scenario

- Market liquidity (funding);
- Stable macroeconomic scenario: interest rates, unemployment, income, and inflation;
- Stable demand for Real Estate.



### Current Scenario

- Demand shock - CEF effect;
- Deterioration of the macroeconomic scenario;
- Drop in consumer confidence;
- Increase in cost of funding.

### Previous Strategy

- Focus on the delivery of projects for transfer and short term cash flow generation;
- Debt rollover to the short and medium term.



### Current Strategy

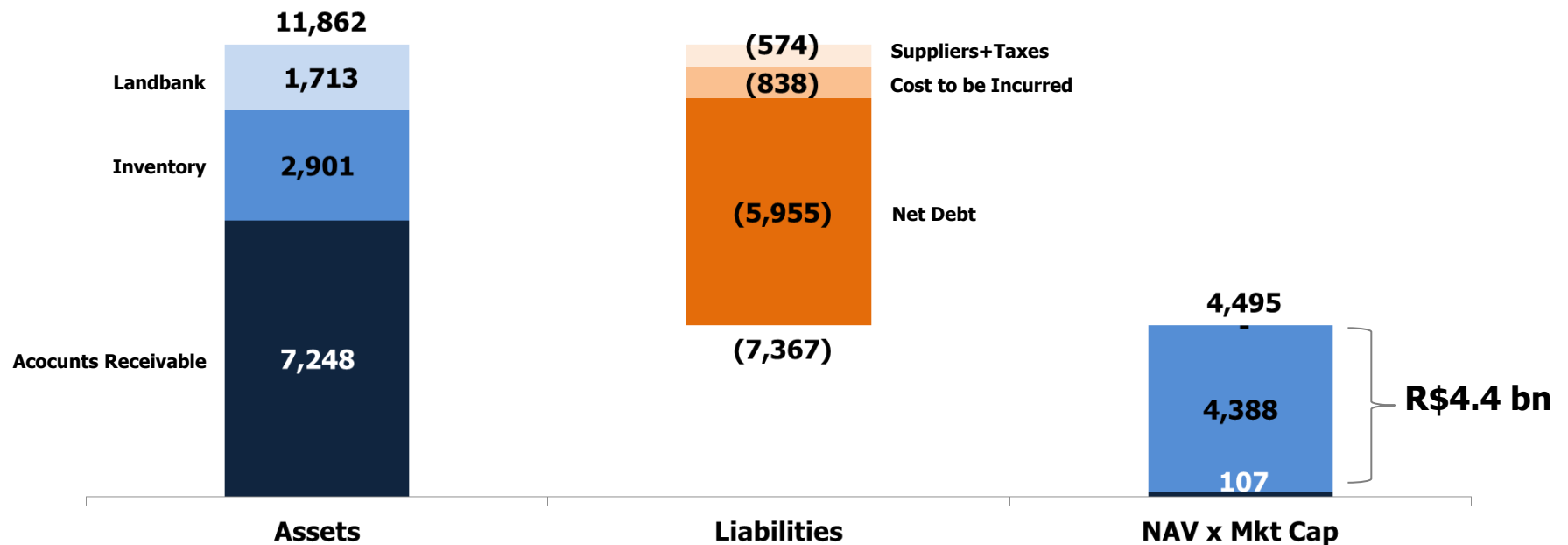
- Broad debt restructuring`;
- Focus on the acceleration of transfers;
- Accelerating the sale of assets;
- Completion of ongoing projects.

# Scenario and Strategy

## NAV vs. Market Cap



### Net Assets (NAV) – R\$ million



Note: Inventory at market value (% PDG); landbank net of obligations with land plot sellers.

❖ **Net Assets of R\$4.5 billion and market value of R\$100 million;**

❖ The market prices the inventory carrying cost, litigation expenses, SG&A, debt service, and discounts during the monetization period of the assets and debt amortization at **R\$4.4 billion.**

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**Meridian**  
São Paulo/SP

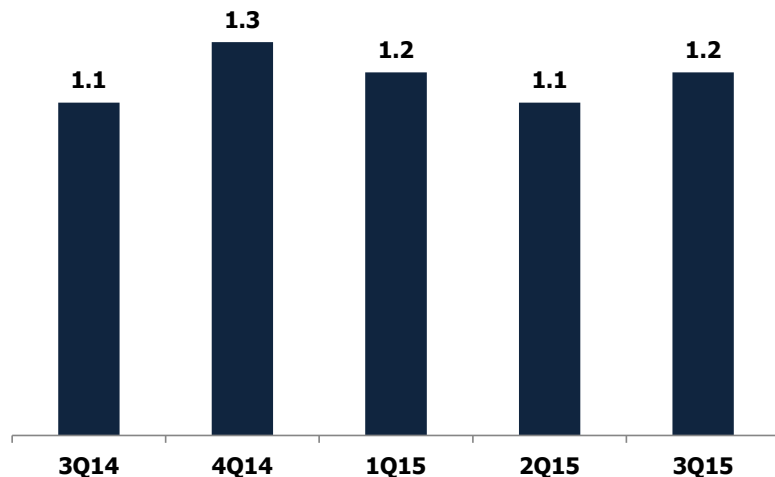


# Asset Management

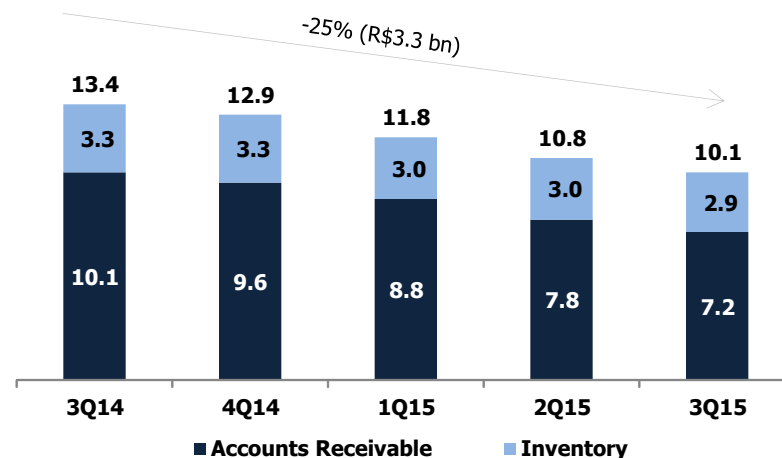
## Accounts Receivable



Quarterly Inflow – R\$ billion



Accounts Receivable + Inventory – R\$ billion



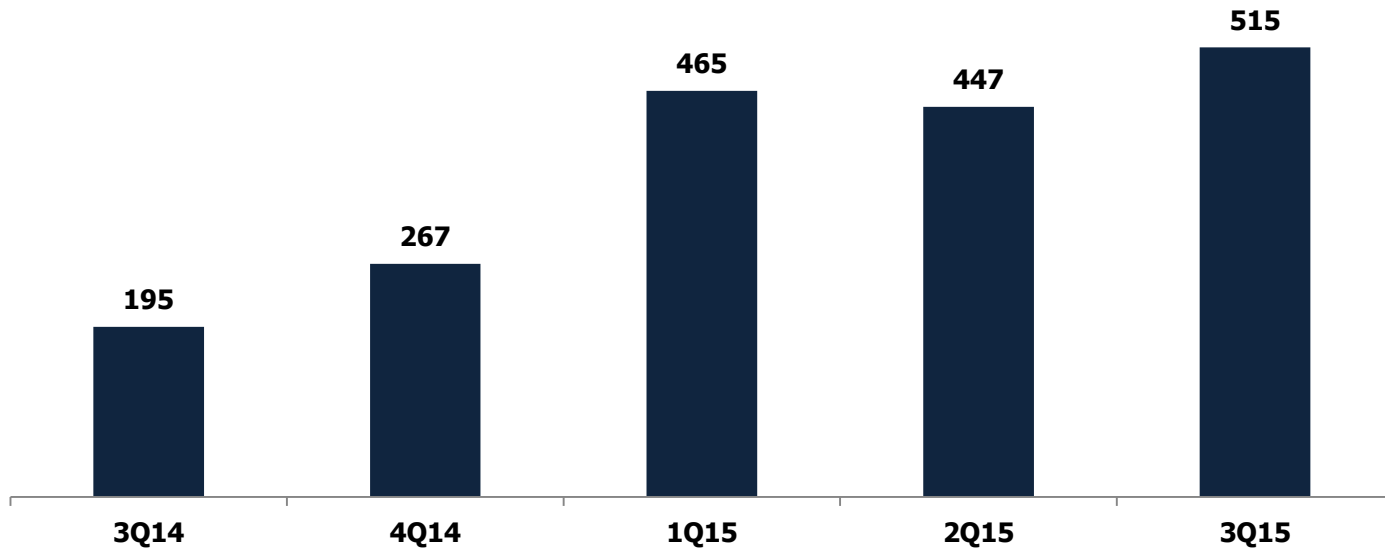
- ❖ **Average inflow from accounts receivable of R\$1.2 billion per quarter and reduction of R\$2.4 billion in accounts receivable in the year, from R\$9.6 billion at the end of 2014 to R\$7.2 billion at the end of 3Q15;**
- ❖ Summing accounts receivable and inventory, it is possible to observe that the company has been monetizing its assets over time. We will continue to focus on sales and mortgage transfers to accelerate the sale of inventory and the inflow of receivables (transfers).

# Asset Management

## Evolution of Cancellations



### Quarterly Cancellations — R\$ million



- ❖ Growing volume of cancellations in the past quarters;
- ❖ The increase in cancellations is occurring during the convergence period between the peak of deliveries, the deceleration of the main financing agent of the sector (CEF), and the deterioration of the macroeconomic scenario (employment/income, interest rates increase, etc.).

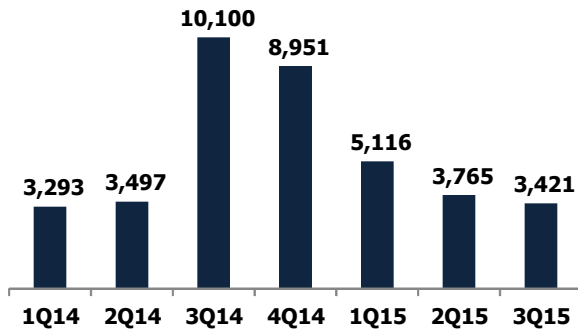


# Asset Management

## Main Reasons of Cancellations



Deliveries - Occupancy Permits – units



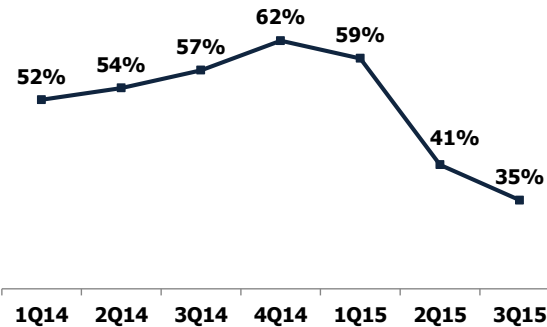
### Causes

- High volume of deliveries.

### Actions

- N/A.

CEF's Share - % of total mortgage transferred



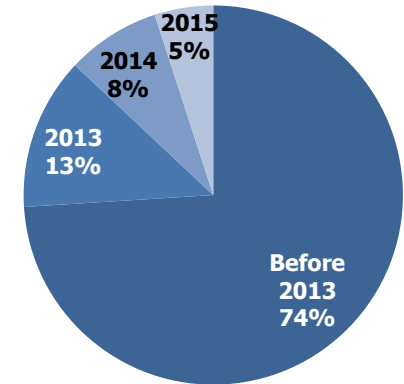
### Causes

- Funding restriction in the financial system, especially CEF.

### Actions

- Preparation of multiple client portfolios to increase the acceptance probability;
- "PDG Facilita";
- Discounts to fit the client's income to the value of the unit.

Credit – cancellations in 3Q15 by year of sale



### Causes

- 74% of the 3Q15 cancellations were from units sold prior to 2013, when the credit criteria were worse;
- 71% of the presented cases are connected to income insufficiency.

### Actions

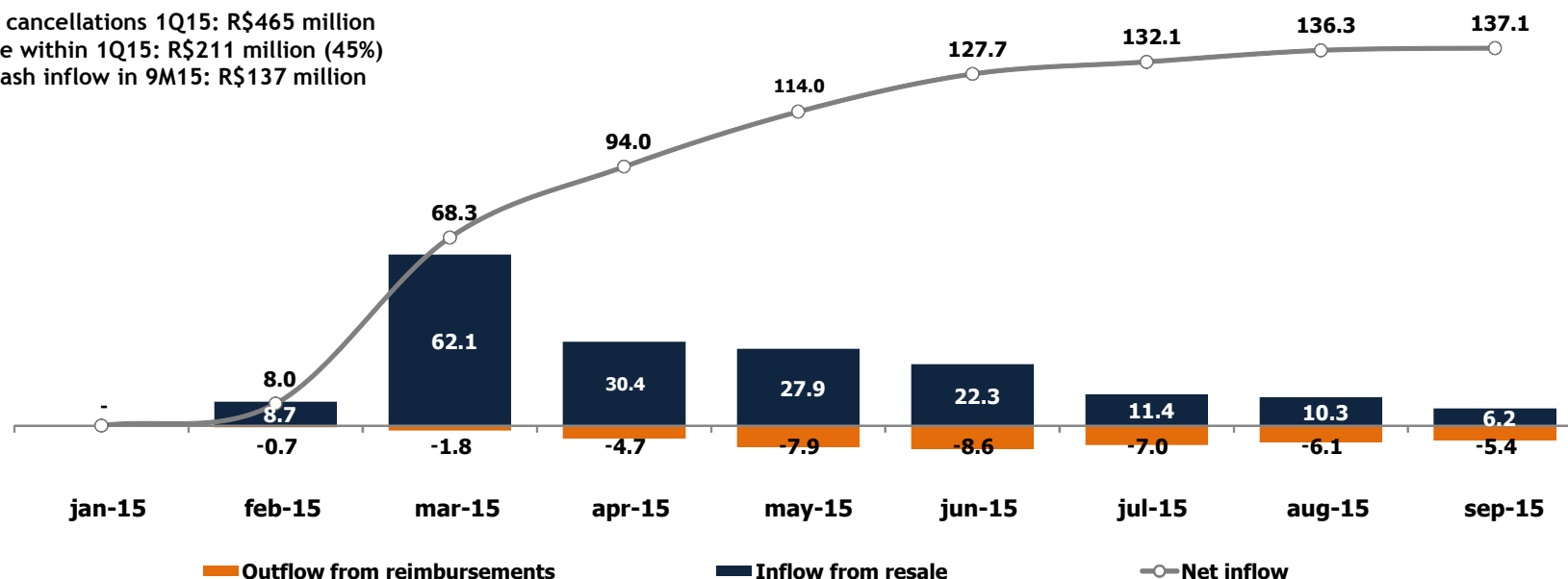
- Cancellation and Resale.

# Asset Management

## Effect of Cancellations

### Cash Effect of Cancellations and Resale in 1Q15 – R\$ milhões

Total cancellations 1Q15: R\$465 million  
 Resale within 1Q15: R\$211 million (45%)  
 Net cash inflow in 9M15: R\$137 million

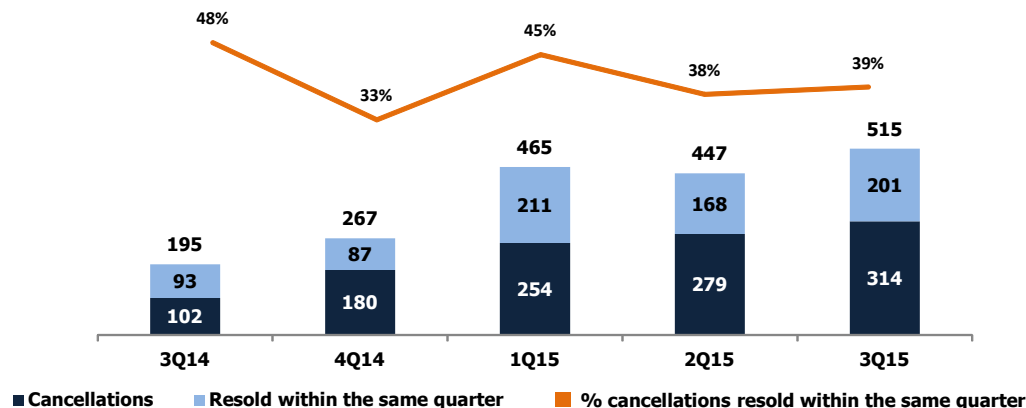


- ❖ **The dynamics of resold cancellations benefit short-term cash inflow** due to the mismatch between reimbursement of the cancelled client, which takes place in installments, and the down payment and mortgage transfer of the new buyer, which is virtually immediate, given that the unit is concluded;
- ❖ To ensure that the company maintains a good rate of cancellation resale, several actions have been taken, including: sales campaign, special discounts on cash sales, direct financing of up to 20% of the transfer, among others.

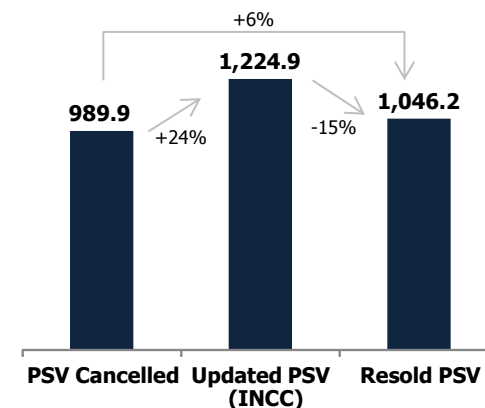
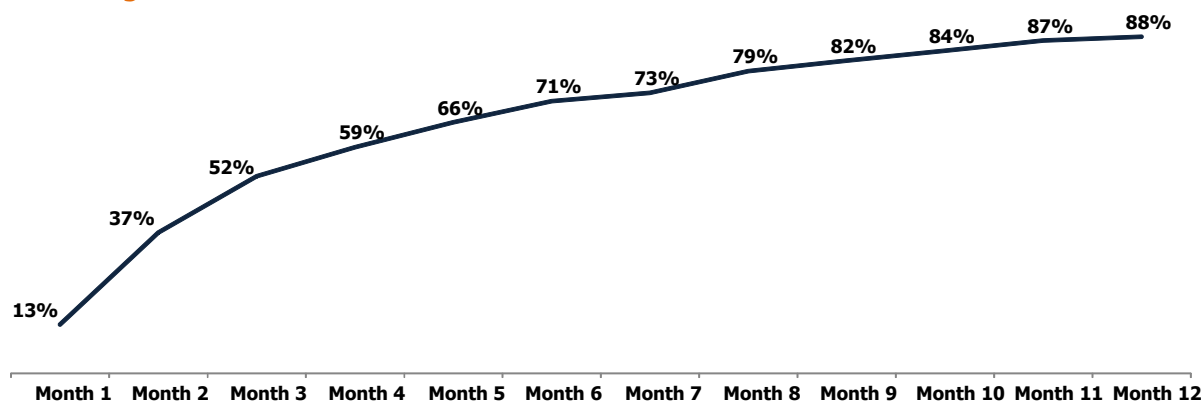
# Asset Management

## Resale of Cancellations

Evolution of Cancellations and Resale – R\$ million



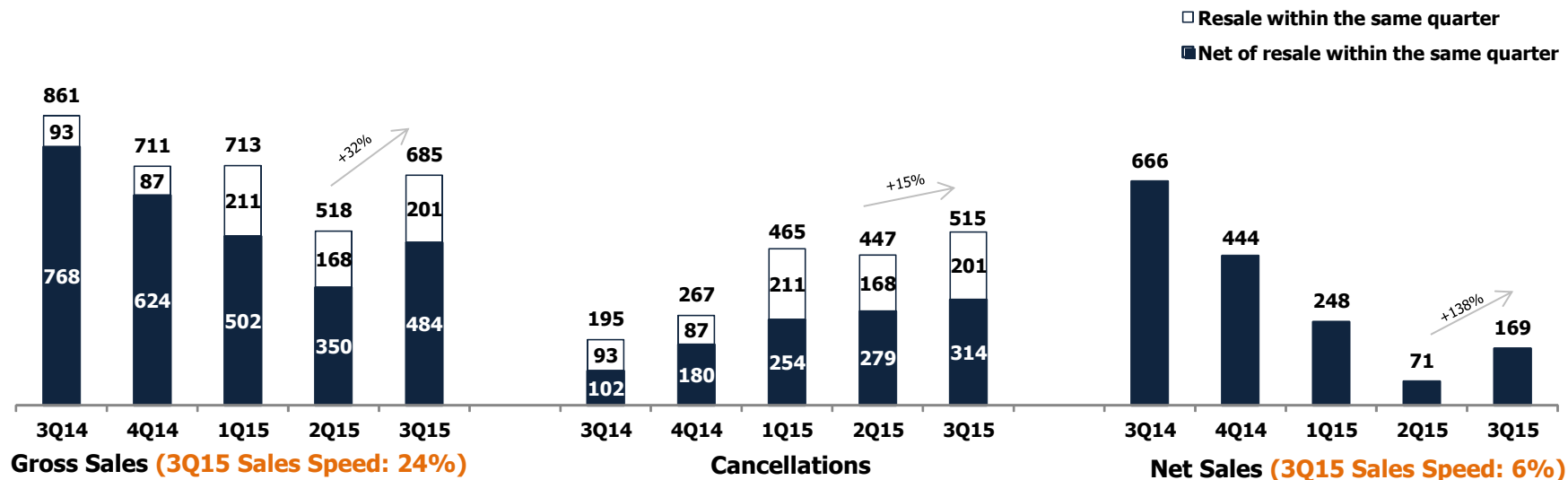
Average Resale Curve and Resale Values – 12 months accumulated



- Although the volume of cancellations has risen over the quarters, **the average rate of resale within the same quarter of cancellation has remained at around 40%**;
- The average resale curve remained high, reaching around 90% in 12 months;**
- The resales have an average price gain of 6% in relation to the previous cancellation prices;**
- Virtually all resales are definitive, given that **less than 4% of such resales lead to new cancellations.**

# Asset Management Sales Performance

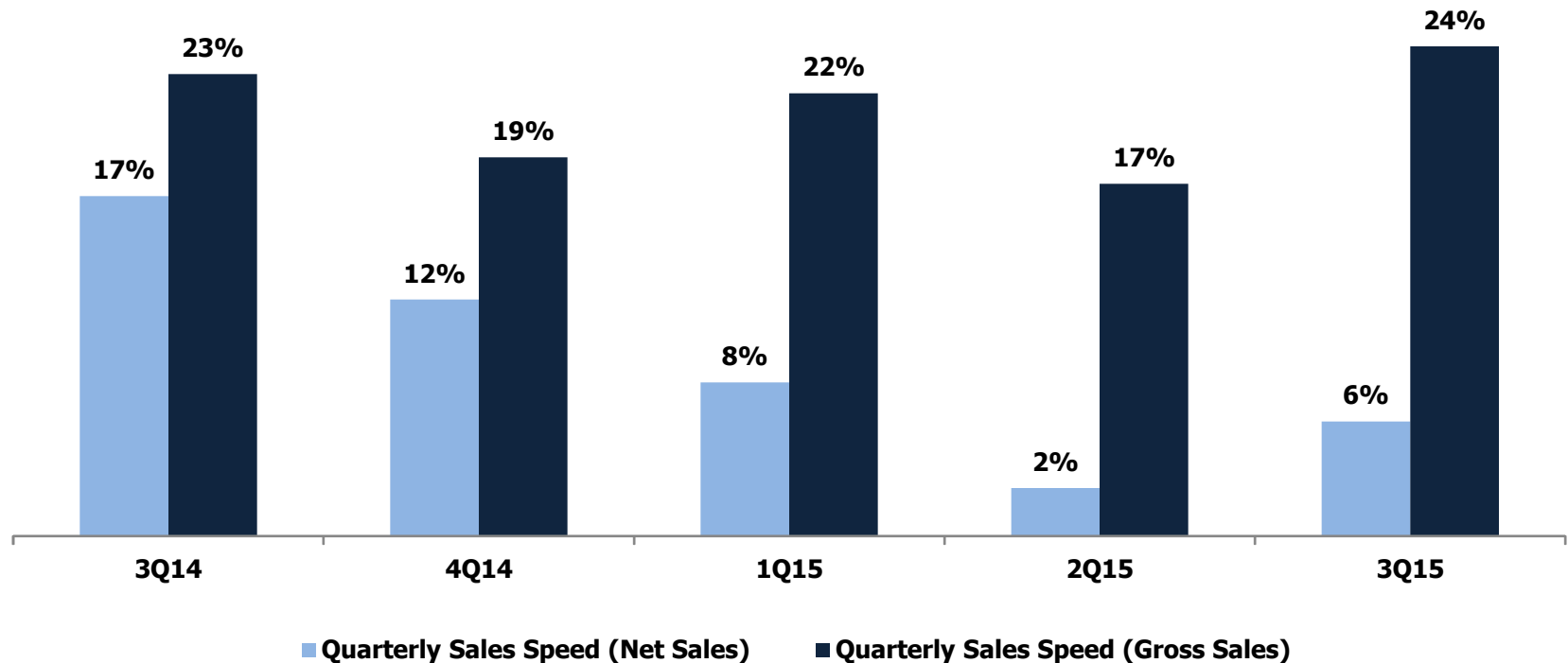
Sales — R\$ million



- ❖ **32% increase in gross sales in comparison to 2Q15;**
- ❖ **Increase of 15% in cancellations against 2Q15, as well as a 20% increase in resales within the same quarter of cancellation;**
- ❖ **138% increase in net sales in comparison to 2Q15.**



### Sales Speed (VSO)



Gross Sales and Total Cancellations (does not exclude resale within the same quarter)

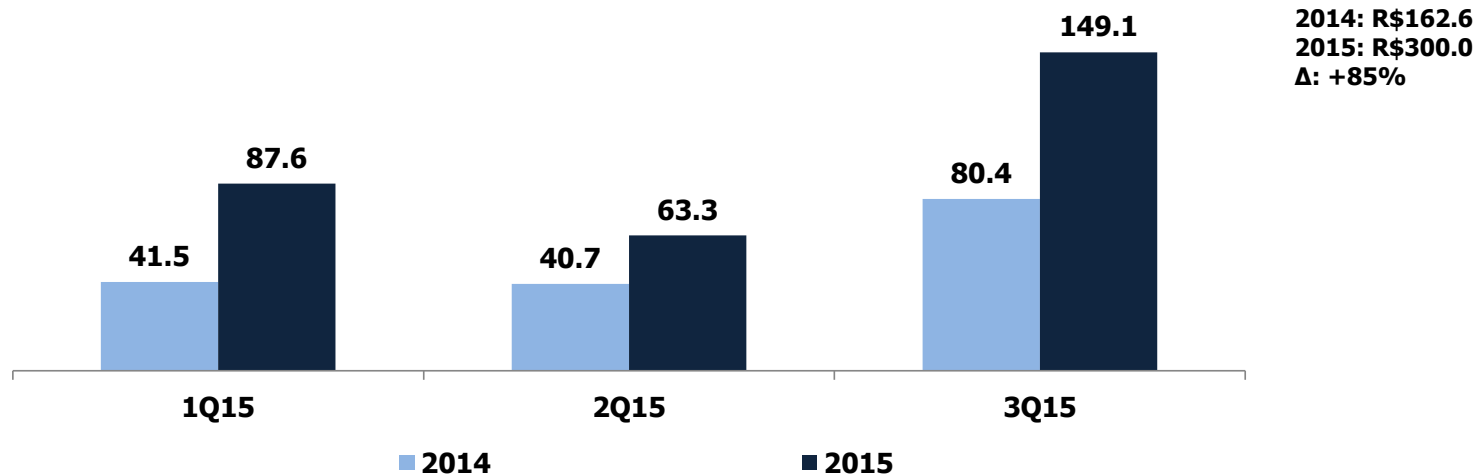
- ❖ Despite the current scenario of higher volume of deliveries and demand shock (funding), **sales speed over the effectively available inventory (sales speed of gross sales) has remained around 20%;**
- ❖ **The PDG salesforce has achieved good performance, and is currently responsible for over 65% of sales;**
- ❖ We understand that, in a Company with a big slowdown in launches, the volume of cancellations is proportional to the inventory of previous launches, and not to the quarterly sales.

# Asset Management

## Cash Sales and Sales Campaign



Cash Sales– R\$ million



### "Na Ponta do Lápis" Sales Campaign – August/15

- ❖ R\$319 million in sales;
- ❖ R\$72 million in cash sales;

- ❖ 1.087 units sold;
- ❖ 2,954 visits (conversion rate: 37%).

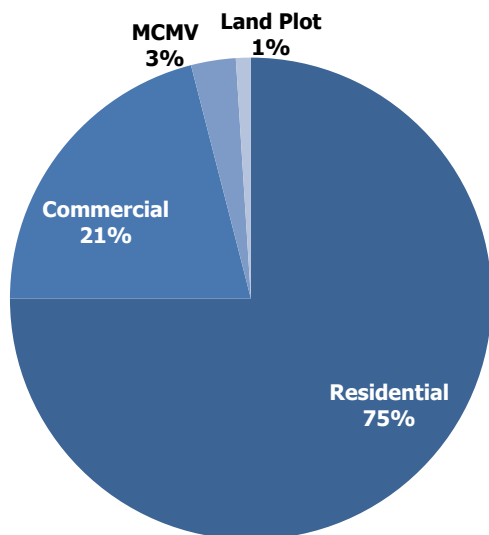
- ❖ In the first nine months, **cash sales increased 85% year-on-year**, from R\$163 million in 9M14, to **R\$300 million in 9M15**;
- ❖ Once again, the "*Na Ponta do Lápis*" campaign was successful, achieving a **37% conversion rate**, i.e., **over 1/3 of the visitors purchased their unit**.

# Asset Management

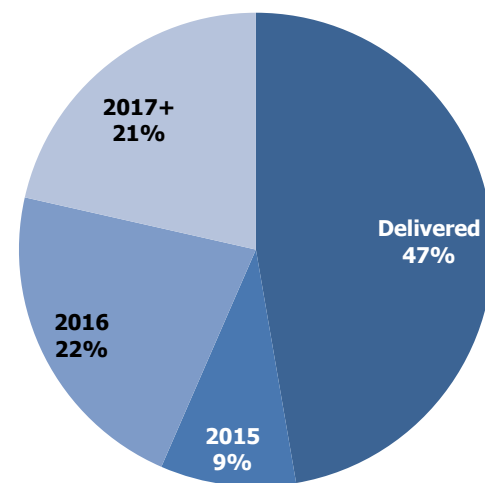
## Quality of the Inventory



Inventory by Product



Inventory by Delivery Schedule



### ❖ Quality of available inventory:

- **75% in residential products** (excluding MCMV, Land Plot, and Commercial);
- **47% is concluded inventory (immediate cash generator)** of which 66% are in São Paulo and Rio de Janeiro.



# Asset Management

## Inventory Quality

### Inventory - Distribution

Region	Up to 60%		From 60 to 80%		From 80 to 99%		Total		
	Unit	PSV	Unit	PSV	Unit	PSV	Unit	PSV	%
SÃO PAULO	-	-	682	265,9	1.437	468,2	3.142	1.100,4	38%
RIO DE JANEIRO	-	-	107	35,4	305	109,6	600	299,1	10%
MG/ES	-	-	24	8,6	30	6,1	54	14,7	1%
NORTH	54	14,7	195	97,0	622	223,1	817	320,1	11%
NORTHEAST	817	320,1	-	-	392	229,4	811	344,0	12%
SOUTH	811	344,0	134	43,4	255	90,4	389	133,8	4%
MIDWEST	389	133,8	296	55,0	136	25,9	432	80,8	3%
<b>TOTAL (Ex-Commercial)</b>	<b>2.071</b>	<b>813</b>	<b>1.438</b>	<b>505</b>	<b>3.177</b>	<b>1.153</b>	<b>6.686</b>	<b>2.470,6</b>	<b>79%</b>
<b>% Total (Ex- Commercial)</b>		<b>229295%</b>		<b>22%</b>		<b>50%</b>			<b>100%</b>
COMMERCIAL	-	1,0	88	31,4	329	147,2	1.613	607,7	21%
<b>TOTAL</b>	<b>1.613</b>	<b>607,7</b>	<b>1.526</b>	<b>536,6</b>	<b>3.506</b>	<b>1.299,8</b>	<b>7.858</b>	<b>2.900,7</b>	<b>100%</b>
<b>% Total</b>		<b>21%</b>		<b>19%</b>		<b>45%</b>			<b>100%</b>

### Sales Speed (VSO) by Region

Region (ex-Commercial)	Sales Speed - Gross Sales			
	1T15	2T15	3T15	
SÃO PAULO	26%	17%	24%	VSO SP and RJ 26%
RIO DE JANEIRO	18%	19%	33%	
MG/ES	29%	71%	25%	
NORTH	22%	30%	31%	VSO (ex-SP and RJ) 34%
NORTHEAST	27%	22%	34%	
SOUTH	34%	24%	43%	
MIDWEST	44%	25%	25%	
<b>TOTAL (EX-COMMERCIAL)</b>	<b>26%</b>	<b>21%</b>	<b>29%</b>	
COMMERCIAL	4%	3%	2%	
<b>TOTAL</b>	<b>22%</b>	<b>17%</b>	<b>24%</b>	

#### ❖ Quality of available inventory:

- **48% of total inventory** , excluding commercial units, **is in São Paulo and Rio de Janeiro**;
- **72% of inventory**, excluding commercial units, is concentrated in projects with **over 60% of its units sold**;
- The residential inventory **outside Rio and São Paulo** has good liquidity, recording **an average Sales Speed (VSO) of 34% in 3Q15**.



### Asset Sales

- ❖ Continuous valuation of non-core assets (shareholding interests, projects, land plots);
- ❖ Pursuit of strategic partners for ongoing projects;
- ❖ Price stability for real assets.

### Asset Sold:

- ❖ Sale of the 25% stake in the Jardim das Perdizes project, in São Paulo, totaling R\$160 million, in October 2015. Proceeds used to deleverage the Company.

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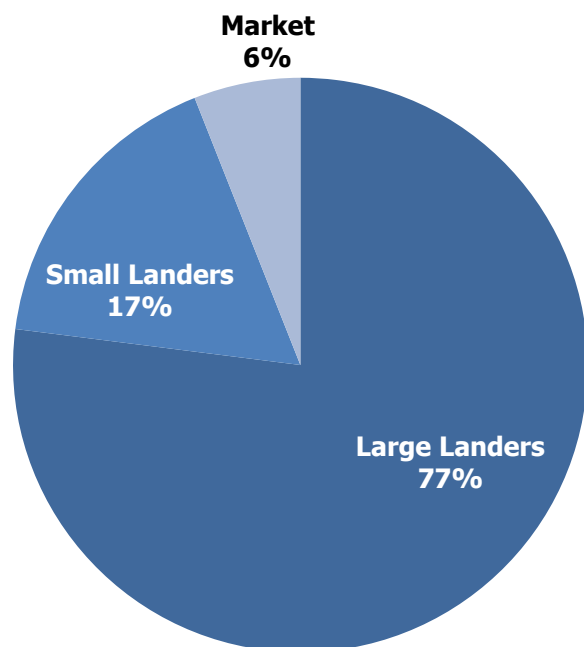


**Domani Brooklin**  
São Paulo/SP

# Liabilities Management

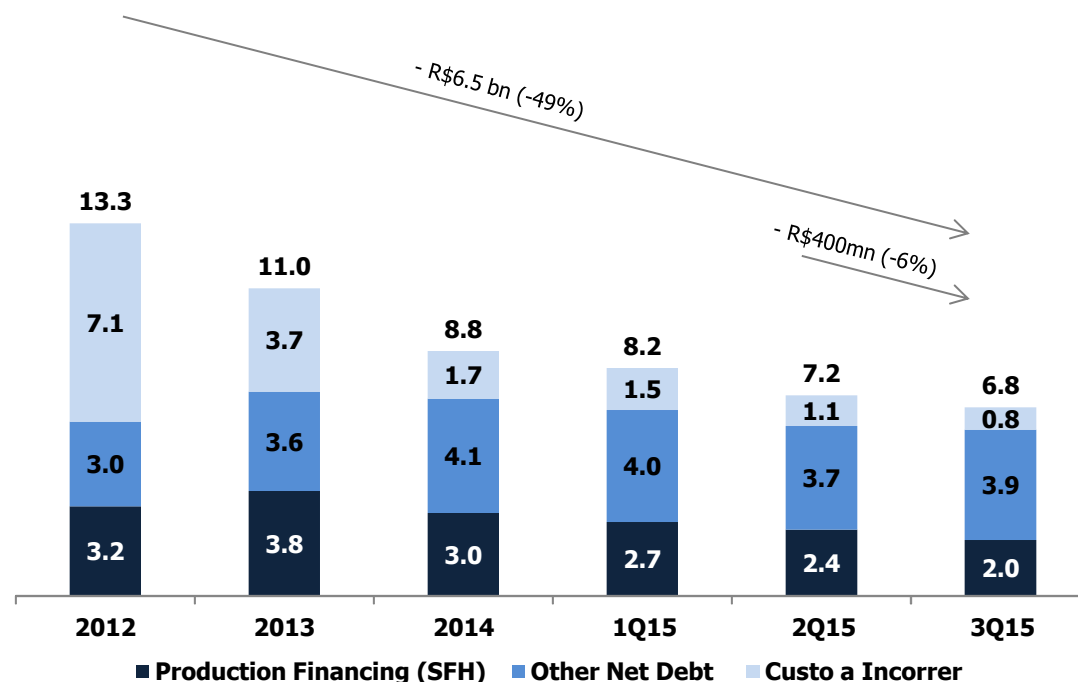
## Breakdown of the Debt and Deleveraging Cycle

Breakdown of Gross Debt



Total Gross Debt: R\$6.5 billion

Net Debt + Cost to be Incurred – R\$ billion



Obs.: Other Net Debt of 2012, 2013, 2014, 1Q15 and 2Q15 has been adjusted, including the Promisory Notes of R\$300 million (Redeemable Preferred Shares)

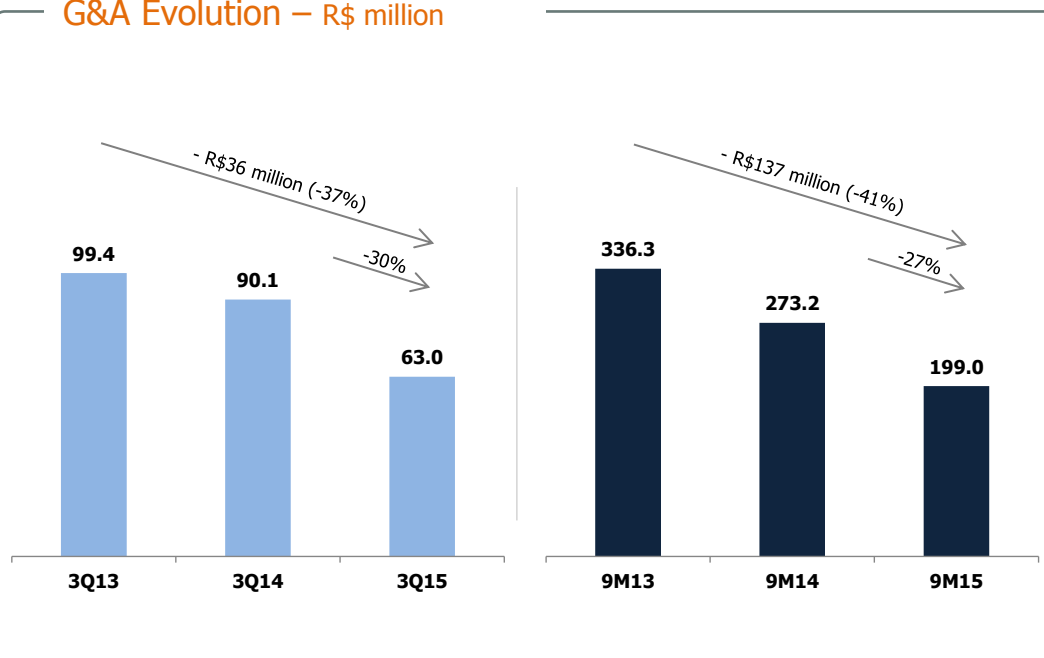
- ❖ **77% of the Company's gross debt is divided between 6 large banks**, 47% of which is for production financing and 53% is corporate debt;
- ❖ **Reduction of R\$400 million of Net Debt + Cost to be Incurred** in comparison to 2Q15, and of R\$2 billion since the beginning of the year.

# Liabilities Management

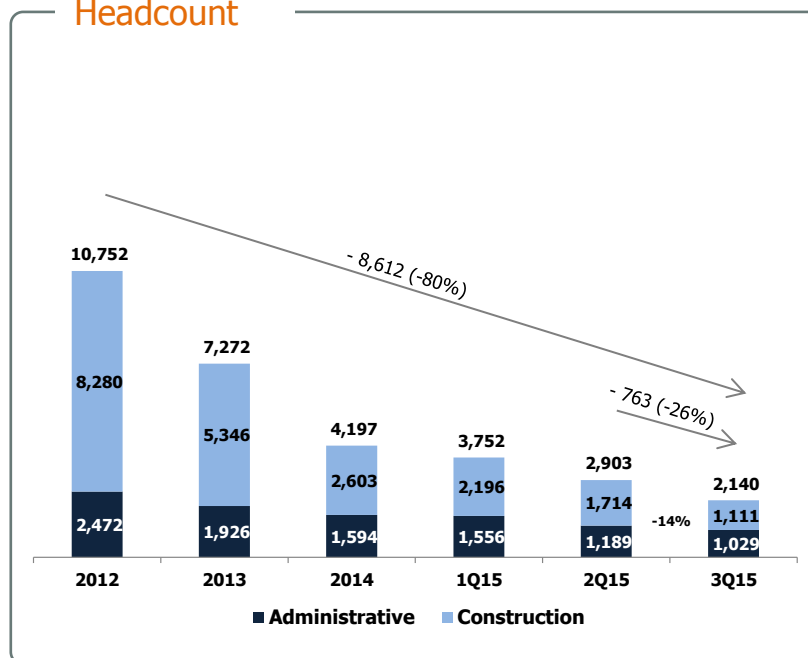
## G&A Reduction



### G&A Evolution – R\$ million



### Headcount

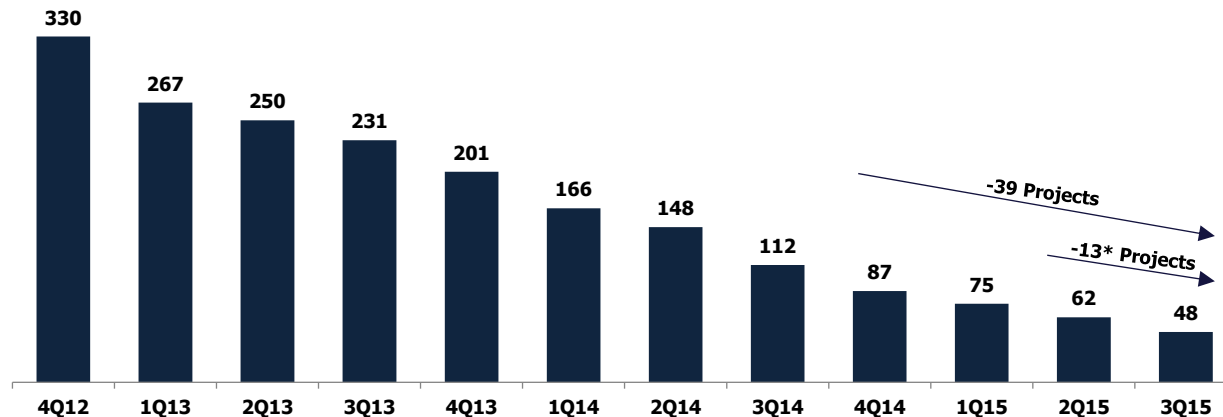


- ✦ **Reduction of 30% in G&A** from 3Q14 to 3Q15, and **27%** from 9M14 to 9M15;
- ✦ We continued to adjust our structure to our operational needs, with a **26% reduction in total headcount quarter-on-quarter**, and a **14%** reduction in the administrative headcount in the same period. Since the beginning of the year, **we reduced total headcount by 49%, and administrative headcount by 35%.**

# Liabilities Management

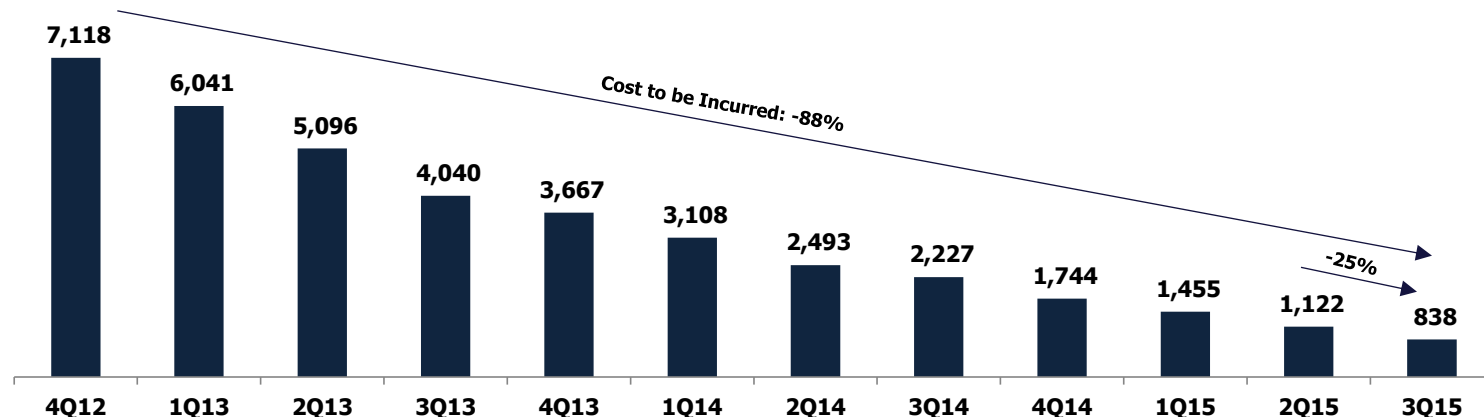
## Ongoing projects and Cost to be Incurred Reduction

### Ongoing Projects



\*13 occupancy permits and 1 cancelled project

### Cost to be Incurred



- Currently, the company has **48 ongoing projects**, of which 35 will be delivered by the end of 2016;
- Systematic reduction of total cost to be incurred, **accounting for less than R\$1 billion for the first time, with a decrease of 25% quarter-on-quarter, and of 88% since the end of 2012.**



**Novembro 5th, 2015**

**3Q15 and  
9M15 Results**