Transcription – 1Q25 Conference – 19/05/2025 – 11 am (local)

Renato Barboza: Good morning ladies and gentlemen, thank you for waiting.

Welcome to PDG's conference call regarding the results for the first quarter of 2025.

We inform you that all participants will be on listen-only mode during the company's presentation, and after that, we will start the Q&A session.

Questions can be submitted during the presentation by clicking the Q&A icon located at the bottom of the platform. We have with us Mr. Mauricio Tiso, CEO and Investor Relations Officer.

Before proceeding, we would like to clarify that any statements made during this conference regarding PDG Group’s business outlook, projections, and operational and financial 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 factors may affect the Company’s future performance and lead to results that differ materially from those expressed in projections. I will now hand over to Mr. Mauricio Tiso, who will make the presentation. Please proceed, Mauricio.

Maurício Tiso: Good morning everyone.

I hope you are well. I want to thank you for participating in PDG Realty's Results Conference.

Before moving on to today's agenda, I would like to comment on the Company's main strategic focuses in 2024.

Throughout 2024, the Company maintained its focus on consolidation and increasing operational efficiency, with special attention to the launches (ix.Tatuapé and ix.Santana).

Before moving on to today's presentation agenda, I would like to highlight the main strategic focuses of this first quarter.

We remain attentive to the execution and progress of the Company's launches.

The construction of the ix.Tatuapé development was 67% physically completed by the end of April, according to the construction schedule and within budget, allowing the release of financing installments as contractually planned.

The ix.Santana development is still in the phase of technical, commercial, and financial alignment, preceding the start of construction.

We also continue focusing on deleveraging, strengthening cash, and reducing operational costs of the Company.

In this regard, as disclosed in April, PDG is conducting a capital increase process to convert extrajudicial debts into PDGR3 shares.

It is worth noting that these debts were incurred after the PDG Group's judicial recovery filing.

This operation aims to enable the settlement of debts, as agreed with the respective creditors, preserving the Company's cash.

Furthermore, the capital increase contributes to reducing indebtedness, adjusting the capital structure, and consequently to the Company's recovery.

Speaking now about the share grouping, as informed last quarter, the Company's shares started trading grouped in a 125:1 ratio since February 28, as approved at an Extraordinary General Meeting.

However, since the share price fell below B3's minimum required value, the Company is evaluating alternatives to regularize this non-compliance with B3's Issuers Regulation.

Starting with today's presentation agenda, I will begin with slide 3, where we present the main highlights for 1Q25, which I will comment on in more detail throughout this presentation.

We registered a 48% increase in gross sales compared to 1Q24.

We achieved a total VSO (Sales Velocity) of 9.1% and a launch VSO of 14.2%. We registered a 51% reduction in cancellations compared to 1Q24. We achieved a 325% increase in net sales compared to 1Q24.

General and administrative expenses were reduced by 12% compared to 1Q24. Commercial expenses were reduced by 58% compared to 1Q24. We recorded a gross profit of R$10.7 million, with a margin of 42.7%. The cost to be incurred decreased by 4%.

Moving to slide 5, we present the Company's sales performance.

In 1Q25, gross sales including asset transfers totaled R$22.4 million, 48% above 1Q24 and 45% above 4Q24. Excluding asset transfers, gross sales totaled R$20.1 million in 1Q25, 33% above 1Q24.

79% of sales were for products located in São Paulo, the Company's main operating market. Additionally, launches accounted for 70% of sales in this period.

Thus, the launch VSO totaled 14.2% in the quarter, an increase of 11 percentage points compared to 1Q24. During 1Q25, cancellations totaled R$5.4 million, 51% below 1Q24 and 32% below 4Q24; 50% of canceled units were from finished projects and are ready for resale and immediate cash generation.

Net sales totaled R$17.0 million in 1Q25, 325% above 1Q24, as a result of increased gross sales and reduced cancellations. In 1Q25, transferred PSV (Potential Sales Value) was R$1.2 million, a 48% reduction compared to 1Q24.

This result is aligned with the sales made.

We continue to execute transfers through a fast process, using strict credit analysis and fully aligned with our commercial strategy, focused on free cash flow generation.

Regarding the Company's inventory, in slide 6, we present the composition of inventory available for sale (ready stock and launches).

At the end of 1Q25, inventory available for sale totaled R$227.2 million, 40% below 1Q24 and 8% below 4Q24. This reduction resulted from sales during the period.

About our inventory composition, 43% refers to launches, 62% is located in São Paulo, the Company's main market, and 81% are residential products.

On slide 8, we present general, administrative, and commercial expenses.

General and administrative expenses were reduced by 12% when comparing 1Q25 and 1Q24, mainly due to supplier renegotiations and workforce reduction.

Commercial expenses decreased by 58% when comparing 1Q25 and 1Q24, due to lower expenses with units in stock, which vary with sales and cancellations.

As mentioned last quarter, a Company structure review was completed in January, aiming to adjust headcount to the Company's current stage.

We maintain rigorous expense management and cash control, aiming to improve operational efficiency and reduce costs.

On the next slide, number 9, we present the variation in extrajudicial debt.

Extrajudicial debt increased by R$17 million (4%) in 1Q25, due to funds raised for the Company's working capital and release of financing installments for the ix.Tatuapé project.

Moving to slide 10, I present the variation in judicial debt.

Judicial debt increased by R$96 million (8%) during 1Q25, due to the projected IPCA inflation rate increase, which impacted the fair value adjustment of debts.

In total, considering capital increases already made, creditor payments, and asset transfers, the Company has amortized R$1.9 billion in judicial debts.

Moving to slide 11, we present the Company's deleveraging.

Summing extrajudicial debt, judicial debt, and cost to be incurred, at the end of 1Q25, the Company's extended leverage totaled R$1.8 billion, a 7% increase over the quarter.

Regarding leverage amount, I highlight that Judicial debts mature until 2042 and may be amortized by asset transfers or share conversion; Extrajudicial debts are still being renegotiated and may eventually be included in the judicial reorganization process.

On slide 12, we present the income statement, where I will highlight the main variations and impacts of the period.

We recorded a significant increase in the line "other operating income" due to the reversal of the provision for cancellations in the period. As a result, we recorded a gross profit of R$10.7 million in 1Q25, with a margin of 42.7%.

In 1Q25, a financial loss of R$136 million was recorded, mainly due to the recalculation of the fair value adjustment of judicial debts, impacted by the increase in projected IPCA. In 1Q25, a net loss of R$101 million was recorded, with the main negative impact being the financial result.

Renato Barboza: A reminder: to ask questions, click the icon in the bottom-right corner of the screen. The first question is from Rogério Bento. His first question is: with the advance of launches, what should we expect for the company's G&A for this year, 2025?

Rogério, this is Renato speaking. Good morning, thank you for your question. Regarding G&A, it should still follow the same line as what we have today, okay? Perhaps a very small adjustment for the next quarter, very small, okay? But keeping the current structure which still supports some upcoming launches.

Rogério's second question is: what is the strategy for launches, right? Are we thinking about partnerships? Regarding financing, what financing model should the company keep adopting in this more challenging sector and economic moment?

The company has been analyzing efficiency very well, right? The viability of future launches. And models such as partnerships or financing models proposed by the financial market are also being studied, right? As long as it brings value to the company, right? In terms of viability, consequently for the shareholder. And that obviously also brings an experience for the client, which is the company's proposal, right? For some time now, the company adopted the client experience model.

So the company has studied several different launch models, whether partnership or own launch without a partner. And the financing question too, whether bank financing or models that the financial market makes available today. As I said, always maintaining our internal profitability here as a minimum, and return for the company, for the shareholder, and experience for the client. Okay? Thank you, Rogério, for your question.

The next question comes from Bruno Campos. Bruno, thank you for your question here. Bruno asks about other operating expenses in the income statement (DRE), which was positive, right, this quarter, at R$13.8 million. He asked what was the impact to generate a positive result in this line of other operating expenses.

Other operating expenses was an objection, okay, Bruno, of a lawsuit that the company partially won. So there was a reduction around R$40 million and then added to the actual expenses, right, which were indeed negative, we got a positive result of R$13.8 million in the other operating expenses line. So this was an objection to litigation, right? To a lawsuit the company had here and which it had a partial favorable decision. So, a positive result in other operating expenses should not be expected moving forward. Since this is an expense line, right? Having some non-recurring event like this may happen, obviously, but in this sense, it is not expected for this line to be positive throughout the company's results this year.

Next question from Carla Machado. Carla, good morning, thank you for your question. Carla brings two questions for us here. The first question she asks is: what to expect from sales in the second quarter of 2025, considering the positive sales result in the first quarter, as mentioned by us here? So this is the first question. Carla has a second question, but I will pass it to Maurício to answer, and then we will move to the second one at the end. Maurício, please.

Maurício Tiso: Good morning, Carla, thank you very much for the question. Our expectation is indeed very positive for the continuation here in the second quarter of 2025, exactly due to the fit between product experience and price fitting the profile of our segment's public. Okay? So the expectation is indeed quite positive for the next quarter.

Renato Barboza: Thank you, Maurício. A second question from Carla, she asks the following: is PDG seeing any pressure on price or costs on current launches?

Maurício Tiso: Still in line with the first answer, Carla, each real estate segment has a different behavior, right? So, if you look at "Minha Casa Minha Vida" (Brazil's social housing program), you will have one behavior, luxury another, and mid-range, which is our segment, has its respective public response. What we need to do here, and with this we cannot give a general market analysis, but with the company's focus, which is the mid-range segment. Despite the challenges of each neighborhood, each sector, we managed to very well match both the experience that the product provides and the price fitted to serve this public. So, with that, we expect to maintain the current situation within our developments' structure.

As for costs, the INCC (National Construction Cost Index) has shown a more inflationary performance in recent months, but given the efficiency of the purchasing team, supply engineering, and the company's strategic partnerships, we managed to keep the Tatuapé development well aligned with our budget. And the same we expect for Santana. Thank you very much, Carla.

Renato Barboza: Thank you, Maurício. We are closing the Q&A session of the conference. If you still have any questions, please send them to our Investor Relations channel: ri@pdg.com.br.

With that, we conclude PDG's earnings conference. We appreciate everyone's participation and wish you a great day and an excellent week.