



Operator:

Good morning, and welcome to PDG's audio conference to discuss results relative to the 1Q19. Here with us today, we have Mr. Vladimir Ranevsky, CEO, CFO, and also IRO.

We would like to inform you that this presentation is being recorded, and all participants will be connected in listen-only mode during the Company's remarks. After that, we will start the Q&A session for analysts, when further instructions will be provided. Should you need assistance during the call, please, request the assistance of an operator by pressing *0. (Operator Instructions)

We would like to inform that questions can be sent directly to the Company's IR team at www.pdg.com.br.

The audio and the slide deck are also being broadcast simultaneously over the Internet at the following address, www.pdg.com.br/ri, where you can also find the respective slide deck.

Possible forward-looking statements made during the call concerning the Company's business outlook, projections and operating financial targets are based on the Company's beliefs and assumptions as well as information currently available. They involve risks, uncertainties and assumptions as they refer to future events, and therefore depends on circumstances that may or may not materialize. Investors should understand that general economic conditions, industry conditions and other operating factors might affect the Company's future performance and thus lead to results that might differ considerably from those expressed in these forward-looking statements.

I would now like to turn the conference over to Mr. Vladimir Ranevsky, CEO, who will start the presentation. Please, Mr. Ranevsky, you may proceed.

Vladimir Ranevsky:

Good morning, everyone, and welcome to our earnings call relative to the 1Q19. We will start on slide number four, where we have the executive summary and we will present the main highlights of the quarter.

Until now, we have paid R\$256 million to our creditors as a continuity of our recovery plan, and that amount will increase throughout the year.

For another quarter, we managed to reduce the Company's losses, moving from a loss of R\$260 million in the 4Q18 to a loss of R\$240 million in the 1Q19. In other words, a drop of R\$20 million.

We also saw an increase of 76% in gross sales when compared to the 1Q18, amounting to R\$86 million in the 1Q19. Cancellations fell by 44%, from R\$52 million in the 1Q18 to R\$29 million in the 1Q19.

Net sales improved considerably when compared quarter-on-quarter, reaching R\$57 million in the 1Q19, in comparison to a -R\$3 million net sales in the 1Q18. In the 1Q19, the number of units which were transferred increased by 50% when compared to the 1Q18. In PSV, this increase was 8%.



In March, we delivered another project, the Mais Viver Campinas project, with 444 units and a PSV of R\$63.3 million, and we are at the 97% sales level.

On slide number six, we have our court-supervised reorganization program. The Company's debt saw an increase of R\$15 million due to interest in monetary correction in the amount of R\$21 million, and payments added to R\$6 million during the 1Q.

As I mentioned, we will continue to repay throughout the year, and it contributed to the amortization of those court-supervised debt. So, until the end of the 1Q, considering the increase in capital, payment to debt creditors of classes 1, 2 and 4, and already the payments in assets, we have already amortized, as it was said, R\$256 million in debt subjected to the recovery plan.

Moving on to our Company's financial and operating results on slide number eight, we see the Company's financial performance. In terms of sales, gross sales in the period amounted to R\$86 million in the 1Q, or 76% above the number posted in the 1Q18.

Of the total sold, R\$12 million have to do with sales of unencumbered units, in other words, units which generate free cash for the Company. Throughout the quarter, cancellations amounted to R\$29 million in PSV, an amount 44% below what we posted in the 1Q18.

Considering the improvement in gross sales and the reduction in the volume of cancellations, net sales saw a good performance reaching R\$57 million in the 1Q, whereas net sales in the 1Q18 were -R\$3 million due to a lower level of gross sales and a higher level of cancellations.

We will maintain the strategy to prioritize cancellations of unencumbered units and those with better market liquidity, which, therefore, generates immediate cash at the time of resale.

On slide number nine, we see a G&A breakdown. The reduction in costs and the readaptation of the Company's structure remain among our main priorities, as we tried to increase the Company's efficiency. When we compare the 1Q19 with the 1Q18, G&A saw an increase of 17% due to higher expenses with third-party expenses, and also to lower recovery of tax credits in this quarter.

An increase in expenses with services has to do with payments with personnel and other support structures, which are necessary and are demanded by our recovery plan. Even if when we saw a slight increase in the period, G&A expenses should continue in a downtrend, as observed in the past quarters.

If on the one hand G&A increased, commercial expenses saw a decrease by 52% when compared 1Q18 and 1Q19. In the aggregate, in other words, there was a reduction in 8% this quarter in SG&A when compared to the 1Q18.

Moving on to slide number ten, we will now talk about the Company's inventory, which, at the end of the 1Q19 totaled R\$1.8 billion in market value.

The number of total units in inventory moved from 4,853 in the 4Q18 to 4,570 in the 1Q19, a drop of 6%. As for the 1Q18, there was a decrease of 16% in the number of units in the inventory.



At the end of the 1Q19, the states of São Paulo and Rio concentrated 60% of the Company's inventory, excluding commercial products. Of the total of the residential available inventory, 47% is concentrated in the bracket of sales above 60%; in other words, with good liquidity levels.

Currently, the Company's inventory presents the following characteristics: 37% of the total inventory are concentrated in projects above 60%; 55% of the total inventory are concentrated in residential products, excluding Minha Casa Minha Vida.

Of the total of the concluded inventory, R\$523 million, 73% are located in São Paulo and Rio; and 97% correspond to projects with more than 60% of the units sold.

On slide 11 now, the Court-supervised reorganization debt increased by R\$43 million, 2% above between quarters, 4Q and 1Q, which is due to interest accrued and monetary correction in the amount of R\$76 million.

Cash and cash equivalents remained at R\$138 million between 4Q and this 1Q19. Debt for the financial housing system dropped by R\$7 million, or 1%. And even during the 1Q19, we amortized debt in the amount of R\$76 million.

In conclusion, on slide 12, we have our income statement for the quarter, and the highlights are sales, which amounted to R\$142 million, an increase of 97% of the operating net revenue, and a drop in 8% in SG&A. Because of great volume of fixed assets, the line of depreciation and amortization also had a positive impact in the final result for the quarter that we are talking about.

Before closing, I would like to emphasize that, after reviewing all processes, controls and Company's structures, we are now finalizing the strategic planning for the mid to the short run. This was started at the end of last year.

This effort will include resuming past budgets, and we are trying to identify opportunities for the Company to generate recurring revenue with new projects and services, and the idea is to strengthen the Company's revenue stream. Soon, we will have more detailed information about that strategic plan.

With that, I close my presentation and I remain available for questions. Thank you.

Operator:

Thank you. The Q&A session is now over. I would like to turn the conference back over to Mr. Ranevsky for his final remarks.

Vladimir Ranevsky:

Thank you all for participating in our conference call. If you have any questions or comments, please get in touch with our IR team. We are always available.

Have a nice day, everyone. Have a nice weekend as well.



**Conference Call Transcription
1Q19 Results
PDG Realty (PDGR3 BZ)
May 16, 2019**

Operator:

Thank you. PDG's earnings calls for the 1Q19 is now over. Please, you may disconnect your lines now.

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