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EZTEC S.A.
ON (Bovespa: EZTC3)
Closing Price: R$21.94
shares: 165.001.783
Market Cap: R$3.620MN
Date: 17/01/2018

Preliminary Operational Results

4Q17

EZTEC

Construindo qualidade de vida

EZTEC reaches R$ 863 million in net sales in 2017

Net sales exhibit 1,041% growth relative to 2016

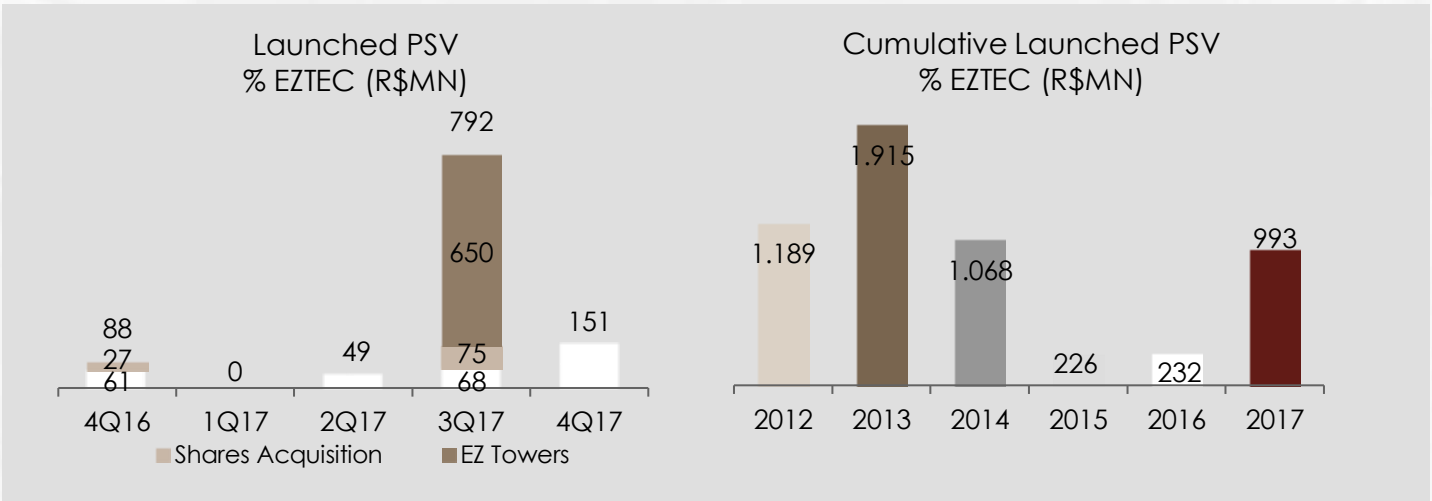
São Paulo, January 17th, 2018 - EZTEC SA (BOVESPA: EZTC3; Bloomberg: EZTC3: BZ), announces its preliminary operating results for the fourth quarter of 2017 (4Q17). Note that the results presented here are managerial results and are subject to revision following the external audit. The complete and audited results for 4Q17 are scheduled to be disclosed on March 15th, 2018, after market closure.

Launches

In the fourth quarter, EZTEC carried out the third and fourth launches of the year, adding **R$ 151.0 million** to the PSV launched in 2017. They are: [i] Verace Brooklin, a residential project directed towards the high income segment, located in the South Zone of the City of São Paulo, with 48 units and a PSV of **R$ 82.3 million**; and [ii] Clima São Francisco, a residential projected directed towards the mid-high income segment, located in the West Zone of the City of São Paulo, counting with 1066 units and a PSV of **R$ 68.7 million**.

Previously in the year, EZTEC had also launched another two residential projects, the Legittimo Vila Romana and In Design Liberdade. As it has been the case for the Company's launches since 2015, such four projects fit into the following project profile: [i] projects directed towards the mid-high and high income segments, as these are the ones with the most resilience in a period marked by restricted income and access to credit; [ii] projects that are well located within the City of São Paulo, aiming at each neighborhood's organic, regional demand, as opposed to stimulating migratory fluxes; and [iii] projects with fewer units, such that the risk associated to the launches gets diluted.

Considering the four projects launched in the year, the cumulative PSV launched in the year reaches an aggregate figure of **R$ 268.3 million**. Nonetheless, one must also take into account the **R$ 74.5 million** impact associated to the shares acquired in the projects that EZTEC was already a part of – the 13.75% increment in the project Jardins do Brasil, and a 15% one in Ares da Praça --, as well as the **R$ 540.3 million** sale of EZ Towers' Tower B, both of which reported on the 3Q17. Thus, in the final aggregate, the **Company launched a PSV of R$ 993.2 million in 2017**.



Sales and Cancellations

Regarding the Company's operational performance, by the end of 2017, it is clear that there has already been a reversal of the negative trend that had been installed since 2014, marked by atrophying gross sales and escalating cancellations; EZTEC concluded the year with net sales of **R$ 863.4 million**, including EZ Towers' Tower B, a figure 1,041% greater than that of 2016. Considering solely apartment and commercial office sales, net sales reached **R$ 213.0 million**, which, still is 182% superior to the previous year's. Even focusing exclusively on the most recent quarter, with net sales of **R$ 99.0 million** in the 4Q17, there is still a positive trend to be seen, as it is a result 52% greater than that of the 3Q17 – as well as representing the Company's best net sales figure in ten quarters.

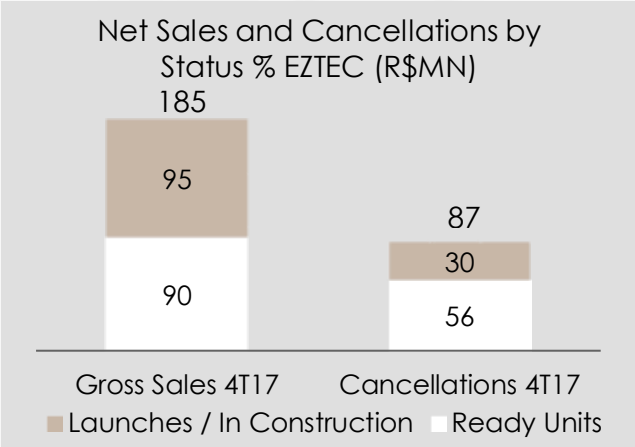
Some aspects are brought to light by breaking down net sales into its components. Firstly, on 2017's gross sales, which reached **R$ 1264.2 million** (or **R$ 613.8 million** ex-EZ Towers) and, in the quarter, **R$185.5 million**: [i] the year's most relevant event was unequivocally the sale of Tower B from the EZ Towers, the greatest project in the Company's history, and an icon for the Chácara Santo Antônio region. Beyond the tower's sale, [ii] the main focus of the year has been that of monetizing ready inventory, which accounted for 66% of the year's gross sales. Currently, the Company still deals with the legacy that it inherited from the record-breaking launches of 2013 and 2014 – as it is the case for projects Jardins do Brasil, EZ Mark, and Cidade Maia –, which have already been fully constructed and, due to the crisis, partly in inventory. Due to its historically positive net cash position, [iii] EZTEC has been able to apply discounts for its products in a punctual and prudent manner, such that it carries out sales without a significant impact on margins. Given a context in which access to credit remains an issue and, again, making use of its comfortable cash position, [iv] EZTEC has resourced to financing its clients directly in over half of the ready inventory sales – with rates starting at 10% plus inflation (IGP-DI), lasting for as long as twenty years under the SAC amortization schedule.

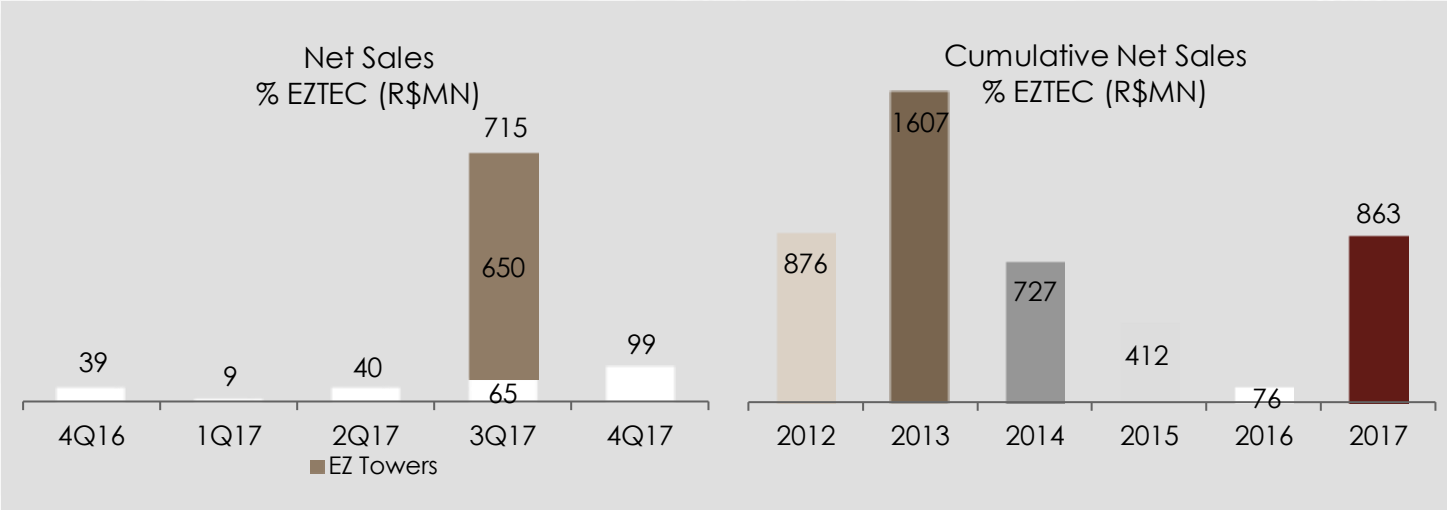
Regarding the sales for the year's four launches, [v] their sales performance has been largely satisfactory, as one can see by the fact that, weighting for their respective PSVs, they are currently 51.2% sold (while two of the launches happened in the 4Q17 and are still to be liquid in the short term), granting confidence into the prospect of meeting the 2018 launching guidance, which, depending on the country's circumstances, shall reach within R$ 500 million and R$ 1 billion in PSV (in accordance with the Material Fact published by the Company on December the 6th, 2017). When it comes to the fourth quarter's sales specifically, it is worth mentioning that [vi] sales efforts were channeled into the quarter's launches, representing 39% of the period's gross sales, or R$72.2 million. Although the focus on launches caused a slight retraction in ready inventory sales, there are synergies to be had between sales efforts for the different products: as it is the case for the Massimo Vila Mascote project, which, due to its geographical proximity to the launching stands, as well as to the central store recently inaugurated in the Santo Amaro avenue, it had 91 of its 162 units sold over the year. Lastly, it is worth remarking that, [vii] despite the substantial net sales increase over the course of the year, the volume of gross sales for 2017 remains in line with that of 2016 – a datum that indicates that, at the height of the sector's turbulence, the central challenge was not that of selling, but that of resisting cancellations.

Taking the Company's history as a benchmark, the volume cancelled in 2017 was excessively high, at **R$ 404.1 million** in the year, of which **R$ 86.5** were incurred in the fourth quarter (a 13% drop if compared to 3Q17 figures). The persistence in cancellations can be attributed, again, to the largest ever launches of 2013-2014, made fragile by the crisis. The cancellations impact was concentrated on 2016 and 2017, since cancellations tend to erupt around the moment of the project's delivery (usually three years after its launch), lingering for approximately six months thereafter – the period when clients, already bearing their unit's documents, seek forms to finance their outstanding debt, at times in vain. At the face of such umbilical correlation between deliveries and cancellations, one can comprehend that weight that it had in 2017, given that the Company delivered R$1,421 million in PSV. One can also think of a year of 2018 that is much better insulated from cancellations, considering that the base of deliveries will retract to mere R$ 233 million for the year that has just started.

Although cancellations have pressed 2017 revenues acutely, the cancellations figure already is 27% slimmer than the previous year's – even though 2016 had had a smaller base of deliveries. A retraction in the relative incidence of cancellations (cancellations over deliveries) can be measured more precisely through the following calculation: considering that, roughly, a project is subject to cancellations at the moment of its delivery as well as the six subsequent months, one must divide a given quarter's cancelled PSV by the sum of the PSV delivered (and sold) from that given quarter and the two preceding quarters. By that logic, one can see the relative incidence of cancellations retracting consistently over the course of 2017: 26% on 1Q17, 22% on 2Q17, 18% on

3Q17, and, finally, 15% on 4Q17. This reduction can be partially attributed to the lowering of the rates charged by private banks to finance the client's outstanding debt upon delivery – a reduction that was set just in time to be to be applied to the third and fourth phases of deliveries in the Cidade Maia mega-project (with a PSV of approximately R$ 1 billion) –, as well as attributed to the availability of direct financing from EZTEC.

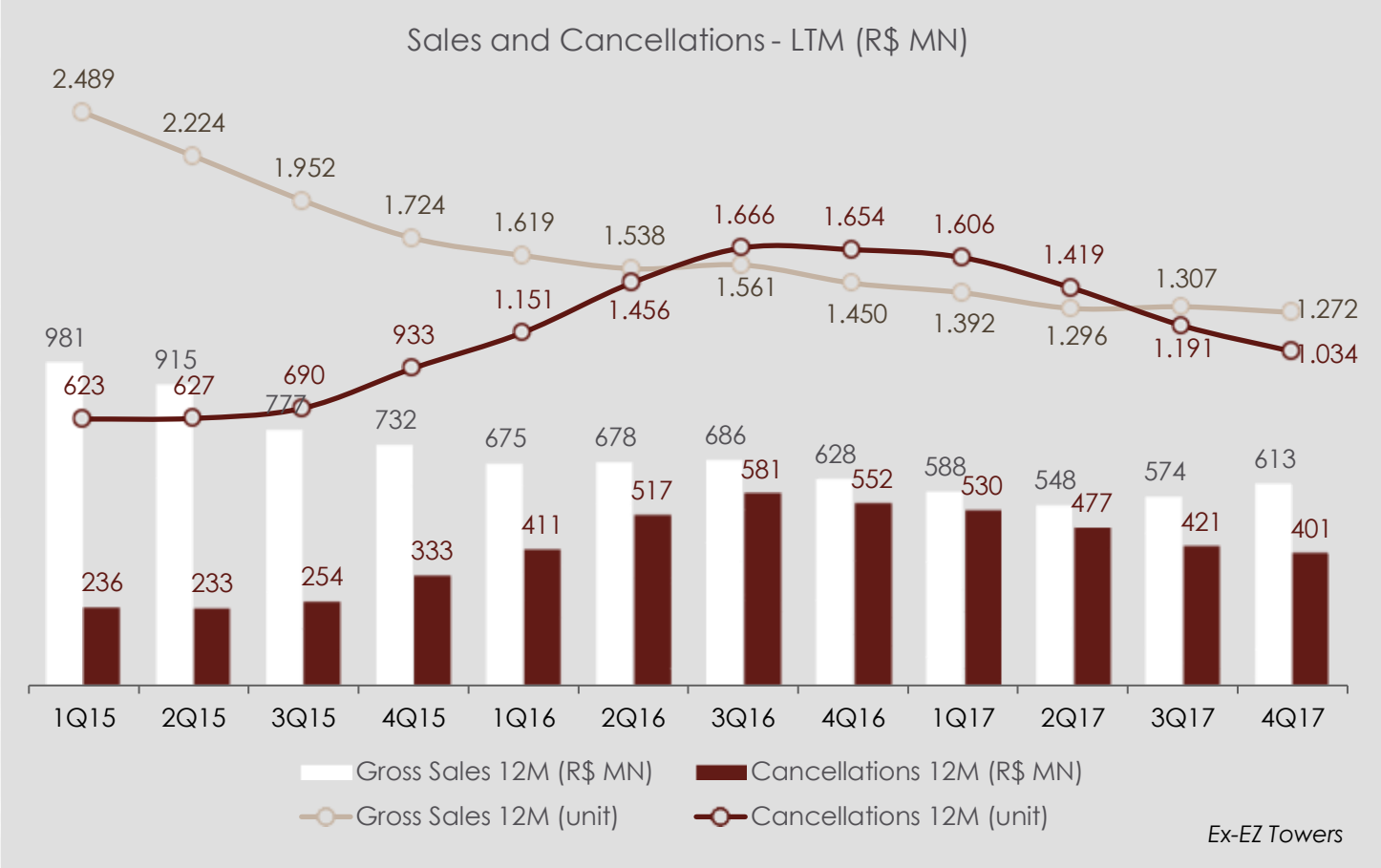




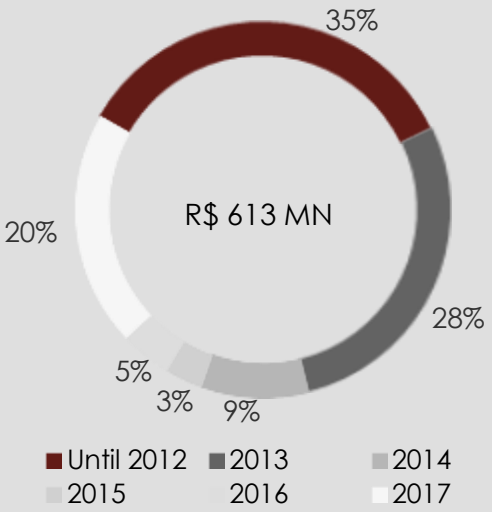
The following chart shows the sales over supply calculations, weighted by EZTEC's participation, highlighting the liquidity of the projects originated by the Company (ex-EZ Towers):

SALES OVER SUPPLY	4Q17	4Q16	2017	2016
+ Initial inventory (m²)	191.839	177.664	182.583	164.547
+ Launches in the period (m²)	17.515	10.695	41.069	23.043
= Inventory + Launches (m²)	**209.354**	**188.360**	**223.652**	**187.590**
- Net Sales in the period (m²)	11.371	5.777	25.668	5.007
Gross Sales in the period (m²)	25.679	23.508	91.847	94.968
Cancellations in the period (m²)	-14.309	-17.732	-66.179	-89.960
= Final inventory (m²)	**197.983**	**182.583**	**197.983**	**182.583**
Gross Sales Over Supply (%)	*5,4%*	*3,1%*	*11,5%*	*2,7%*
Net Sales Over Supply (%)	*12,3%*	*12,5%*	*41,1%*	*50,6%*

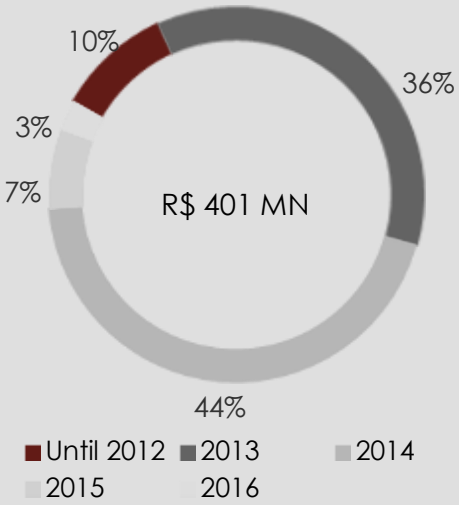
Guided by transparency and continuity, the graph below discloses gross sales and cancellation figures, accumulated over 12 months, where one can **observe cancellations showing a consistent downward tendency since 3Q17, against a recent push in gross sales, signaling to gradually improving net sales**, which is associated with the upcoming conclusion of the cycle of deliveries:



Gross Sales by Period of Launch

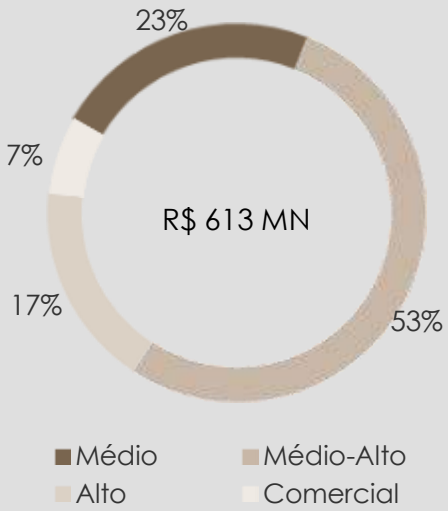


Cancellations by Period of Launch

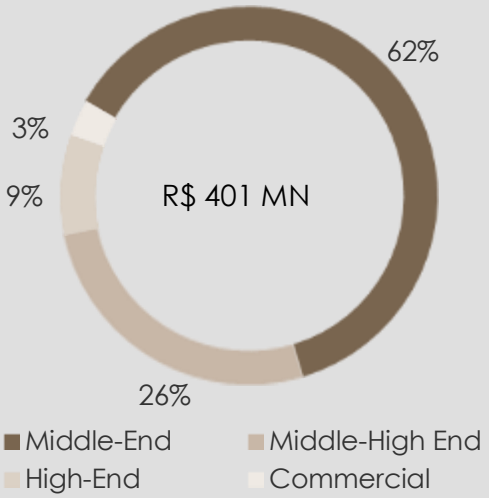


Ex-EZ Towers

Gross Sales by Segment



Distratos por Segmento



Ex-EZ Towers

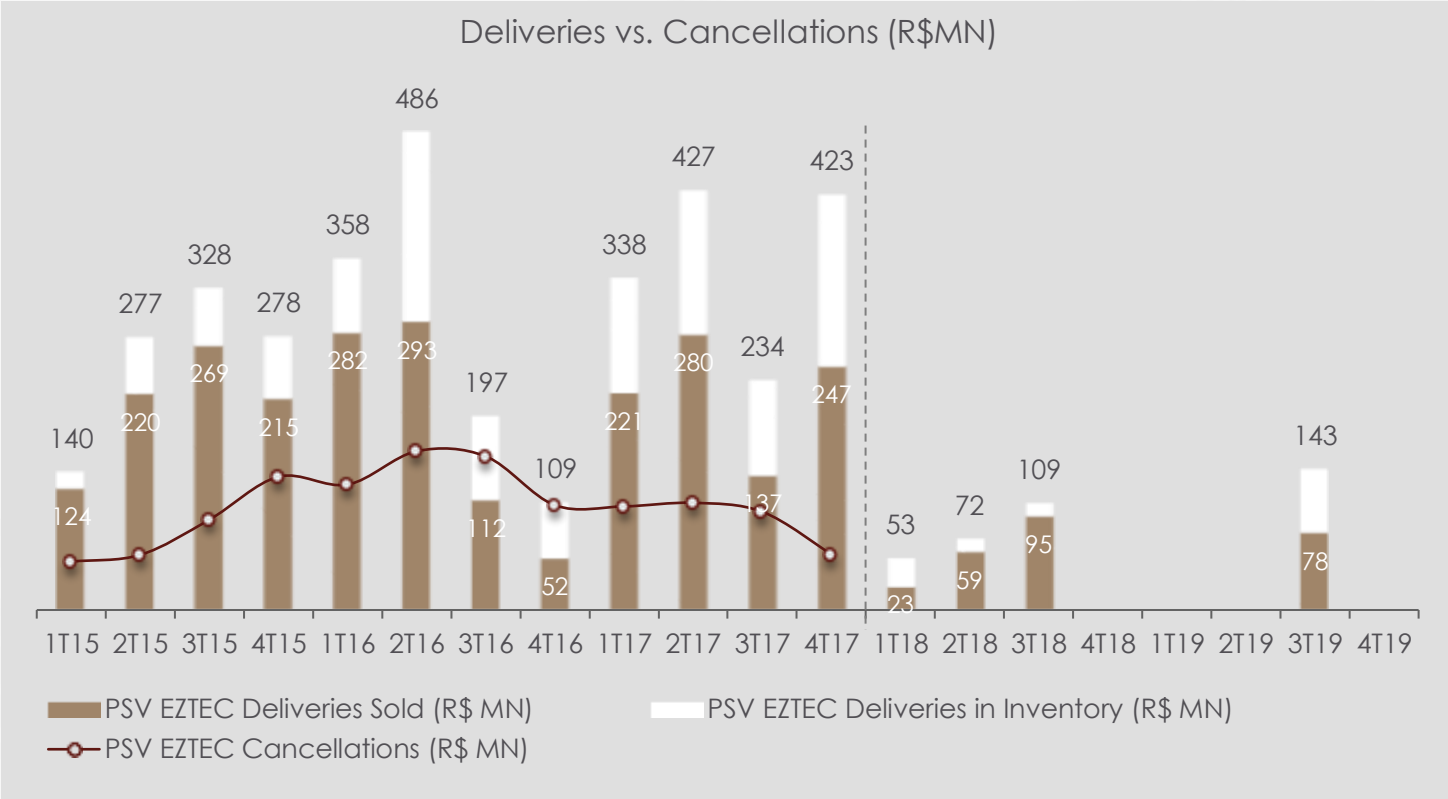
Deliveries

In the fourth quarter of 2017, EZTEC carried out the delivery of three projects: the Reserva phase of the Cidade Maia project, the Le Premier Flat Campos do Jordão, and the Prime House Parque Bussocaba. These projects consist, respectively, of 224, 108, and 568 units (with a launched PSV of R$ 183.5 million, R$ 119.4 million, and R$184.4 million, the latter being 65% owned by EZTEC). In a PSV-weighted average, the three projects are 59% sold

Considering the year as a whole, deliveries corresponded to a PSV of R$ 1.421 million (part EZTEC), or 3,029 units. Among them, R$ 948 million in PSV, or 1,969 units, come exclusively from the mega-project Cidade Maia, in Guarulhos, whose delivery was phased into 5 stages (two of them in 1Q17, another two in 2Q17, and a last one in 4Q17). Beyond the Guarulhos deliveries in the first half of the year and the already mentioned 4Q17 deliveries, there are also the pulverized 3Q17 deliveries in the West and North zones of São Paulo. They are the two phases of the San Felipe project, with a PSV of R$136 million, or 152 units; the Magnífico Mooca project, with a PSV of R$ 96 million (50% EZTEC) and 162 units; and, lastly, the Legítimo Santana project, with a PSV of R$ 50 million, or 70 units. For the year of 2018, there are three deliveries scheduled, totaling a PSV of R$ 233 million – a volume 86% lower than that of 2017, a reflection of the sharp retraction on launches in 2015 and 2016.

Project Delivered	EZTEC Participation	Region	Segment	Launched Units	Launched PSV (R$MN)	EZTEC PSV (R$MN)
1Q17						
Cidade Maia - Alameda	100%	Guarulhos	Residential	448	127	127
Cidade Maia - Praça	100%	Guarulhos	Residential	451	211	211
Subtotal 1Q17				899	338	338
2Q17						
Cidade Maia - Jardim	100%	Guarulhos	Residential	280	166	166
Cidade Maia - Botânica	100%	Guarulhos	Residential	566	261	261
Subtotal 2Q17				846	427	427
3Q17						
San Felipe - Giardino	100%	West Zone	Residential	104	90	90
San Felipe - Palazzo	100%	West Zone	Residential	48	46	46
Magnífico Mooca	50%	West Zone	Residential	162	96	48
Legítimo Santana	100%	North Zone	Residential	70	50	50
Subtotal 3Q17				384	282	234
4Q17						
Cidade Maia - Reserva	100%	Guarulhos	Residential	224	184	184
Le Premier Flat Campos do Jordã	100%	Campos do Jordão	Residential	108	119	119
Prime House Parque Bussocaba	65%	Osasco	Residential	568	184	120
Subtotal 4Q17				900	487	423
Total 2017				3.029	1.533	1.421

The graph below exhibits the Company's schedule of deliveries. In it, the delivery date for a given project is determined by the acquisition of Construction Certificate (Habite-se), or, for the projects still in construction, by the delivery date foreseen contractually. It is worth pointing out that the sold/in inventory break up is based on the percentage sold of a given inventory at the quarter in which it is delivered:



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