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IBMEC São Paulo

Investment Research Challenge





IBMEC São Paulo Team

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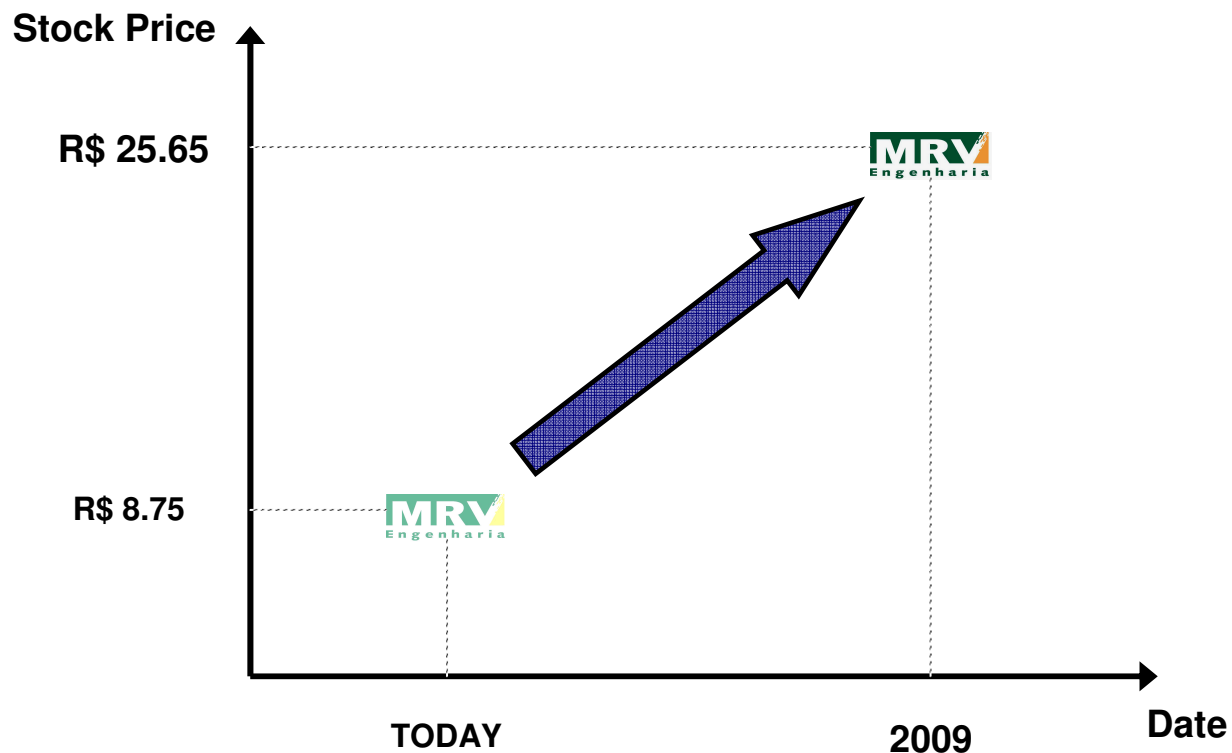
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Agenda

1. **Executive Summary**
2. **Company Overview**
3. **Competitive Advantages**
4. **The Markets**
5. **Valuation**
6. **Risks**
7. **Conclusion**

1. Executive Summary



UPSIDE 193%

2. Company Overview

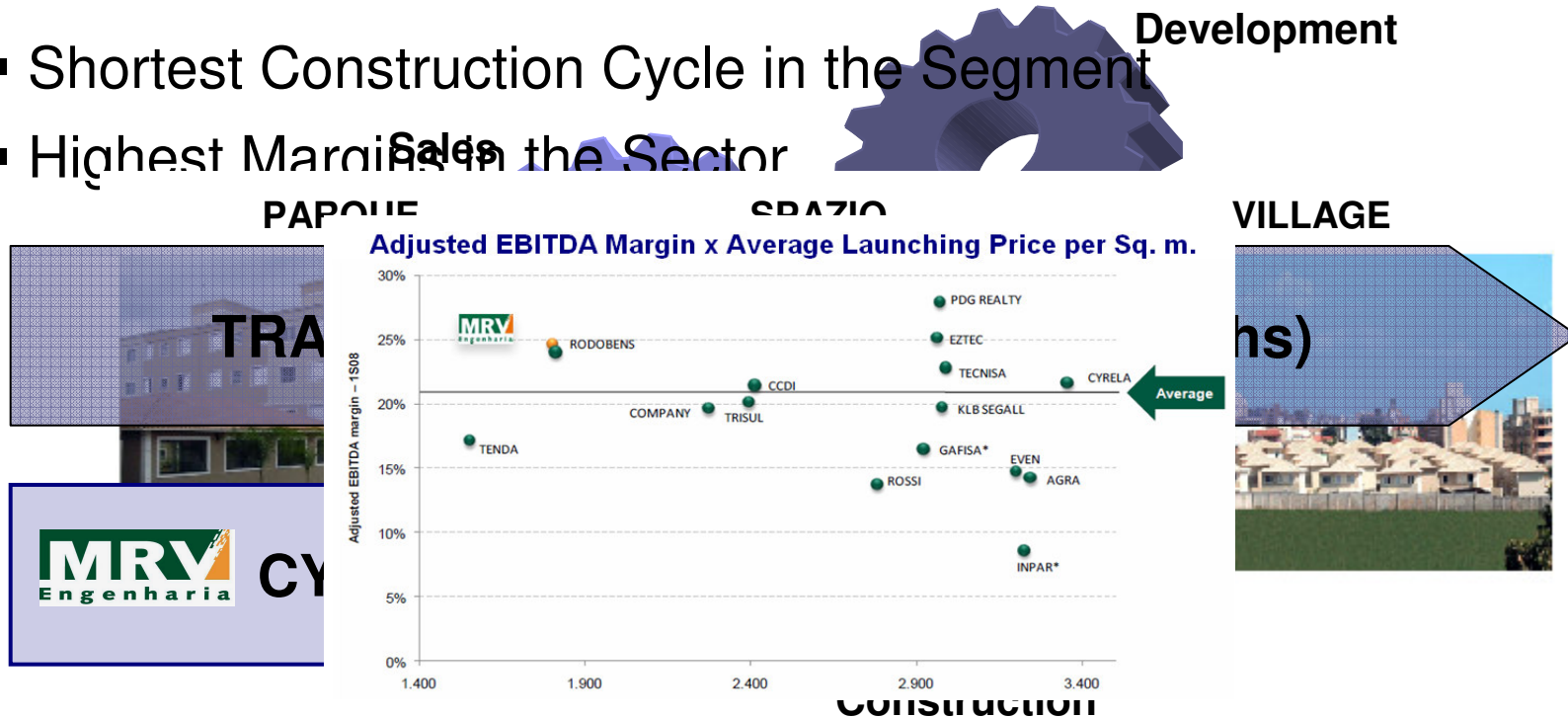
Largest Real-State builder focused on the low-income Segment

Almost 30 years of Experience



3. Competitive Advantages

- Integrated Business Model
- Standardized Products
- Shortest Construction Cycle in the Segment
- Highest Margins in the Sector



Source: Company Data

4. The Market

■ BRAZIL

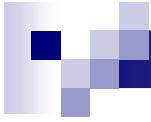
- Economic Growth
- People Migrating from classes “D/E” to class “C”

2005 15%	2006 18%	2007 15% 28 million of people
34%	36%	46% 86,2 million of people
54%	46%	39% 72,9 million of people

SOURCE: PESQUISA CETELEM – IPSOS 2005/2006/2007



Source: IBGE, 2005, Students Estimates



5. VALUATION

5. Valuation

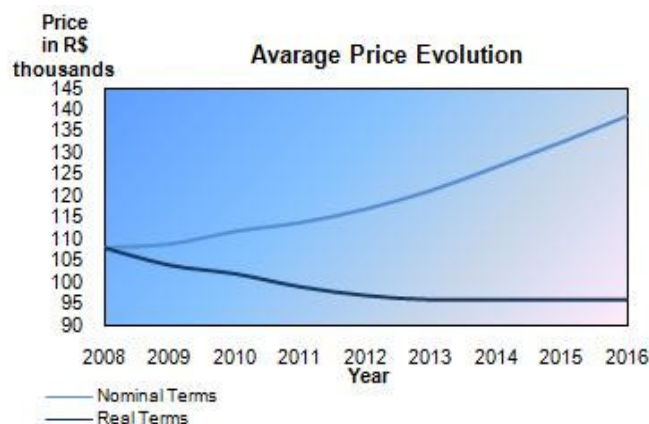
WACC Calculation	14.64%
Cost of Equity	16.45%
Beta	1.20
Risk Free Rate	3.9%
Country Risk	5.5%
Equity Risk Premium	5.9%
Cost of Debt	10.1%
Before Tax Cost of Debt	15.3%
Marginal Tax Rate	34.0%

5. Valuation

Key Assumptions

	2008 E	2009 E	2010 E	2011 E	2012 E	2013 E	2014 E	2015 E	2016 E
LAUNCHES (R\$ million)	2,700	3,375	4,470	4,552	4,793	5,210	5,571	5,954	6,499
Units (thousands)	25	31	40	40	41	43	44	45	47
Real Average Price (R\$ thousands)	108	104	102	99	97	96	96	96	96
Nominal Average (R\$ thousands)	108	109	112	114	117	121	127	132	138
Growth	102%	25%	32%	2%	5%	9%	7%	7%	9%

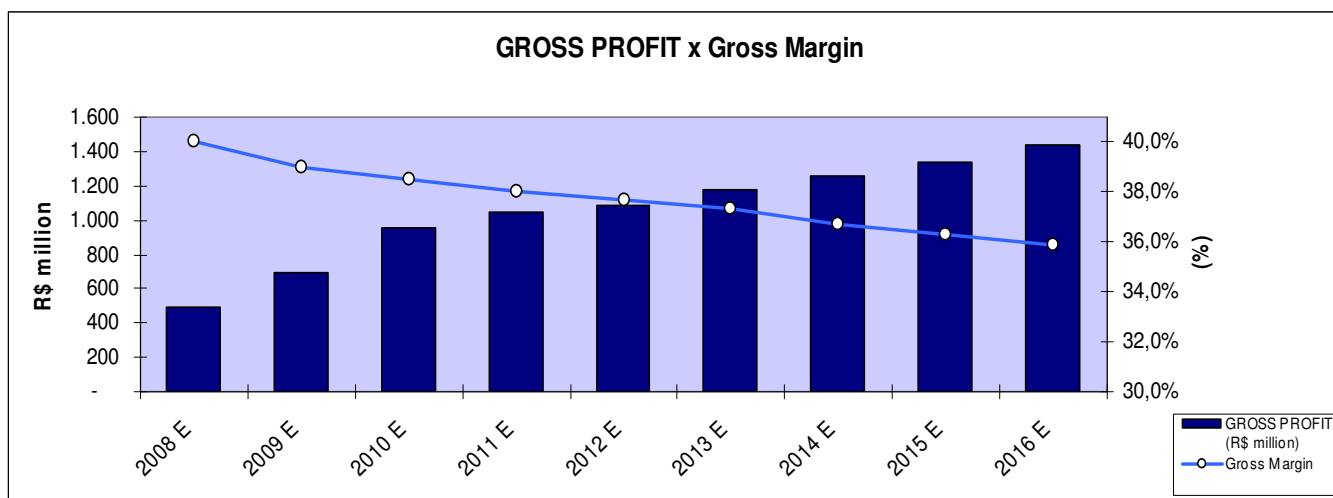
CONTRACTED SALES (R\$ million)	3,595	3,899	4,168	4,549
Growth	10%	8%	7%	9%
Ratio CS/Launches	0.69	0.70	0.70	0.70



5. Valuation

Key Assumptions

	2008 E	2009 E	2010 E	2011 E	2012 E	2013 E	2014 E	2015 E	2016 E
Net Revenue (R\$ million)	1,226	1,787	2,473	2,759	2,891	3,149	3,432	3,682	3,997
Gross Profit (R\$ million)	490	696	952	1,049	1,090	1,175	1,259	1,337	1,435
Gross Margin	40.0%	39.0%	38.5%	38.0%	37.7%	37.3%	36.7%	36.3%	35.9%



6. Risks

1. Unemployment higher than expected
2. Significant increase in the interest rate
3. Execution Risks

Worst Scenario

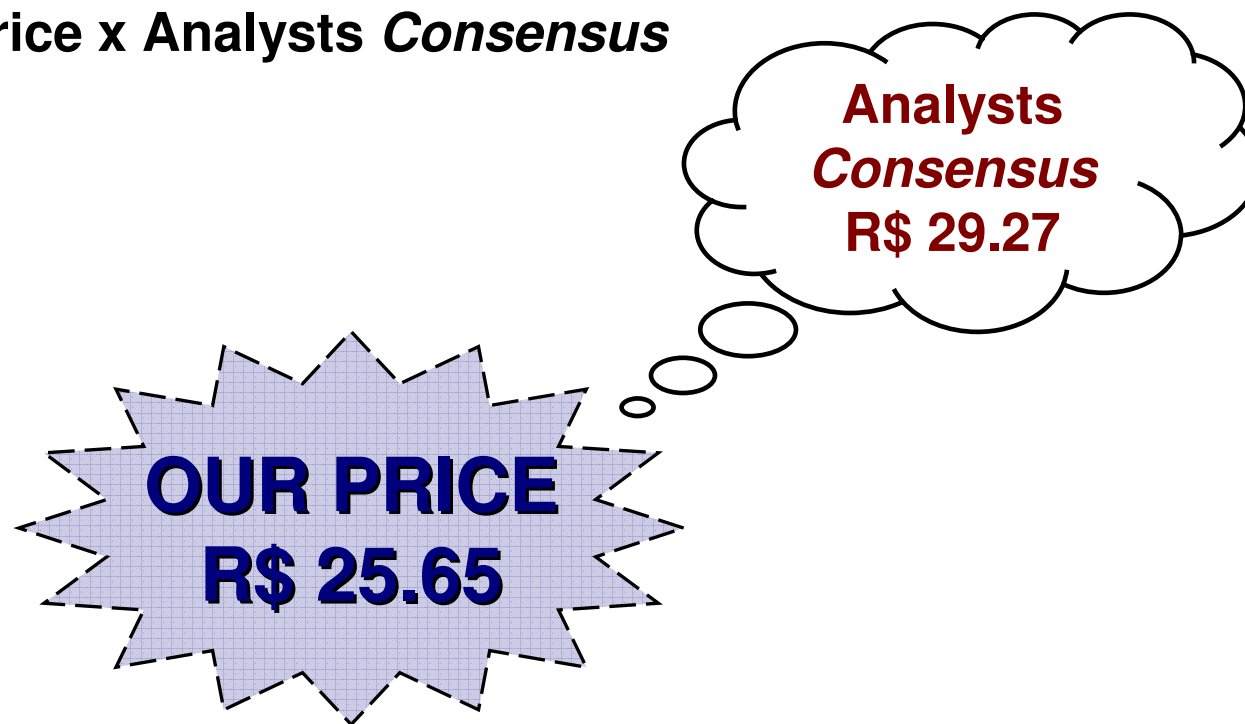
Constant Launches – 25,000 units
Constant CS/Launches – 0.6

	<u>2009 E</u>
Economic Value (R\$ thousand)	2,270,402
Debt (R\$ thousand)	404,274
Equity Value (R\$ thousand)	1,866,128
Shares (thousand)	135,994
Fair Value per Share	R\$ 13,72

UPSIDE 56.7%

7. Conclusion

- Quality of the Board
- Target Price x Analysts *Consensus*





Q&A

WACC x Perpetuity

In R\$

		WACC				
LT gr	13%	14%	14,64%	15,00%	16%	
2%	27.45	24.54	22.94	22.09	20.01	
3%	29.28	25.97	24.18	23.23	20.93	
4%	31.52	27.69	25.65	24.58	22.01	
5%	34.31	29.79	27.42	26.20	23.27	
6%	37.90	32.42	29.61	28.17	24.80	

Source: Students Estimates

Scenario 1

➤ 2012 E – MRV 40,000

	Projected								
	2008 E	2009 E	2010 E	2011 E	2012 E	2013 E	2014 E	2015 E	2016 E
Expected Launches (units)	25.000	31.000	40.000	40.000	41.000	43.000	44.000	45.000	47.000
% Reduction	0%	-19%	-25%	-13%	-2%	0%	0%	0%	0%
Adjusted Launches (units)	25.000	25.000	30.000	35.000	40.000	43.000	44.000	45.000	47.000
Growth (%)		0%	20%	17%	14%	8%	2%	2%	4%
Net Revenue (R\$ million)	1.226	1.510	1.882	2.329	2.733	3.124	3.432	3.682	3.997
TARGET PRICE R\$ 22.18									

Scenario 2

➤ **Constant Ratio CS/Launches (0.6)**

	<u>2009 E</u>
Economic Value (R\$ thousand)	3,147,140
Debt (R\$ thousand)	404,274
Equity Value (R\$ thousand)	2,742,866
Shares (thousands)	135,994
Fair Value per Share	R\$ 20,17

Scenario 3

➤ Perpetuity x Gross Revenue

In R\$

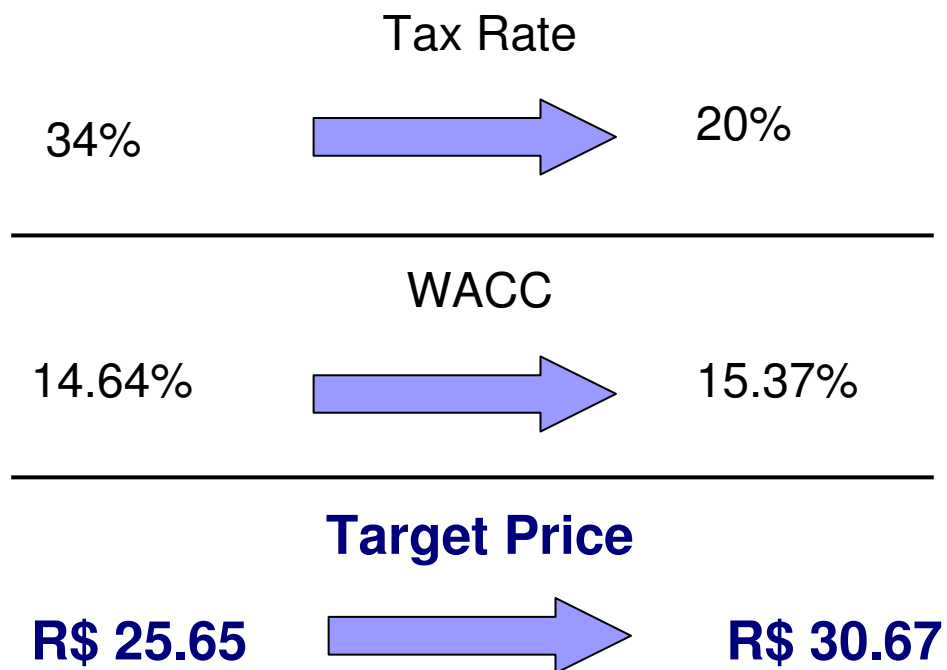
	Gross Revenue		
LT gr	-15%	-20%	-25%
1%	13.03	10.08	7.13
2%	13.83	10.79	7.75
3%	14.76	11.62	8.48
4%	15.86	12.6	9.34

Scenario 4

➤ Adjusted Tax Rate and Adjusted Margins

	<u>2009 E</u>
Economic Value (R\$ thousand)	3,658,822
Debt (R\$ thousand)	404.274
Equity Value (R\$ thousand)	3,254,548
Shares (thousand)	135,994
Fair Value per Share	R\$ 23.93

Adjusting the Tax Rate

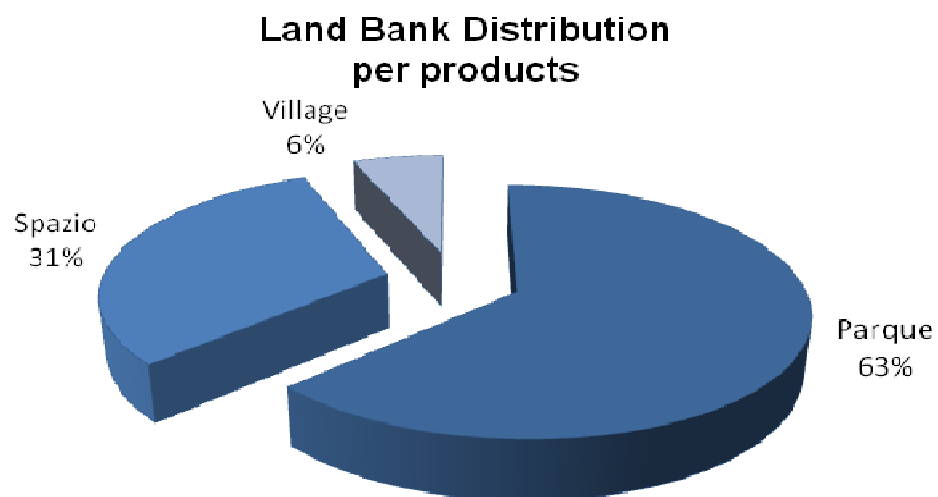


Interest Rate x Monthly Payments

		Pagamentos Mensais (prestações)		
		Prazo (anos)		
Taxa de Juros Real (% p.a.)		20	25	30
		9,0%	722	665
9,5%	740	684	650	
10,0%	759	703	670	
10,5%	777	722	689	
11,0%	796	741	709	
11,5%	814	760	728	

Source: Company Data

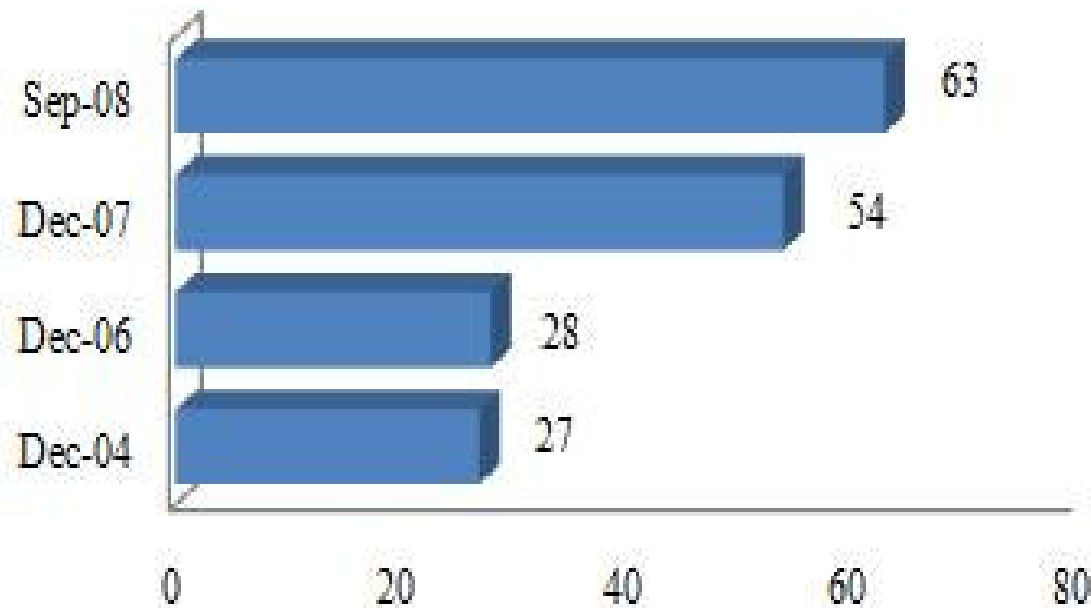
Land Bank Distribution



Source: Company Data

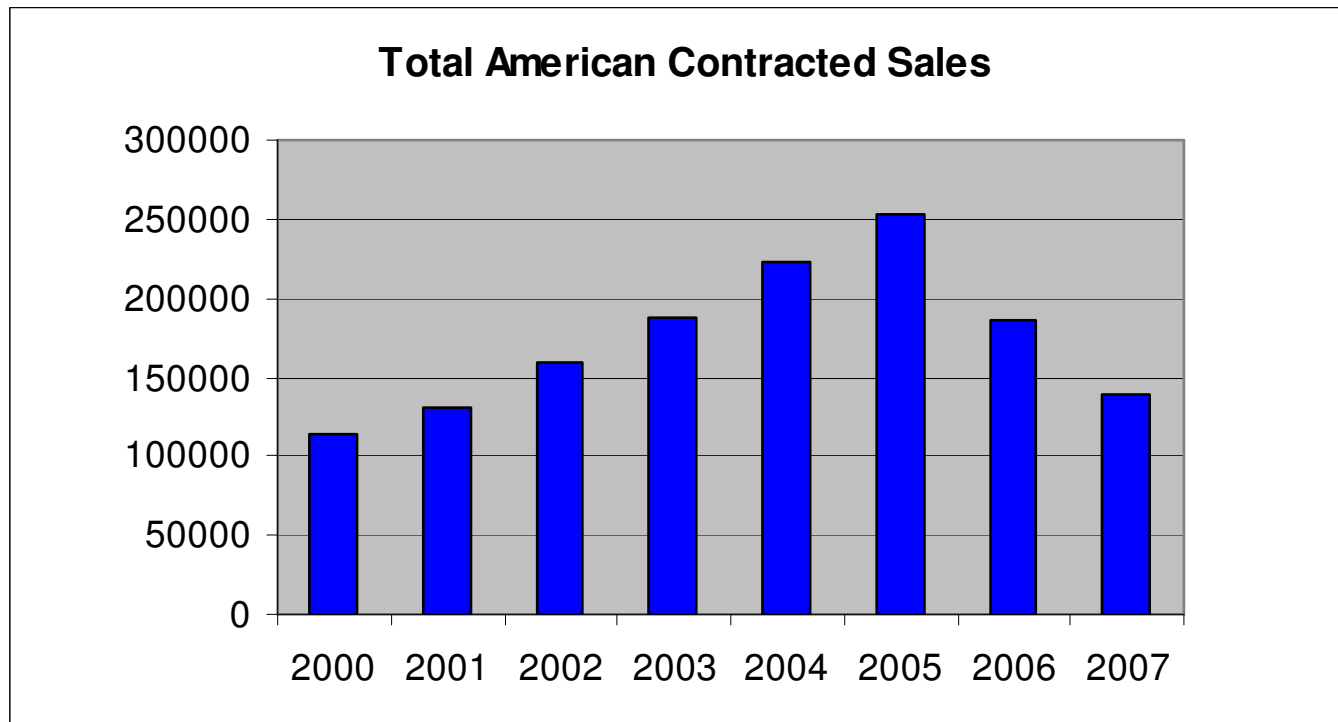
Geographic Diversification

Number of Active Cities



Source: Company Data

American Real State Market



American Real State Market

