genial | Equity Research

Tenda

Tenda (TEND3) | Initiation of Coverage: The Winning Mold

Real Estate

Main takeaways:

- **Industrialization as the core of the thesis:** the construction model based on aluminum forms shortens the construction cycle, improves cost predictability, and accelerates capital turnover, creating competitive advantages in a sector marked by labor pressure.
- **Successful operational turnaround:** the company moved from material losses and high leverage to a net cash position, with strong revenue expansion and profitability above guidance.
- **Leadership in Bracket 1 of MCMV:** the largest player in the most subsidized and resilient segment of the housing program, directly benefiting from the expansion of resources allocated to the sector.
- **Land-acquisition model preserves capital:** land purchases via permuta (land swap), reducing cash outlay and strengthening return on invested capital.
- **Geographic diversification reduces idiosyncratic risk:** a presence across nine metropolitan regions lowers dependence on any single real-estate market and reduces exposure to localized regulatory shocks.
- **Alea as long-term optionality:** the industrialized-homes operation continues to improve in productivity and to reduce cash burn and could become an important additional driver of growth and profitability in the coming years.
- We rate the company **Buy**, with a **target price of R$ 49.00**.

Analysts

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Company

TEND3 BZ Equity
Buy

Price: R$ 29.09 (29-June-2026)
Target Price 12M: R$ 49.00

Investment Summary:

We are assuming coverage of Tenda with a **Buy** rating, and we also make it our **top pick in the low-income homebuilder sector**, with a target price of **R$ 49.00**, based on our FCFE analysis. We see Tenda as one of the main beneficiaries of the current affordable-housing cycle, combining leadership in Bracket 1 of Minha Casa Minha Vida (MCMV), an industrialized construction model, and an operational recovery that has transformed the company from a turnaround story into a homebuilder with high returns and a strengthened balance sheet. The combination of shorter construction cycles, high operational discipline, and a more efficient growth model supports value creation even in a still-pressured cost environment.

Tenda's main differentiator lies in its ability to **industrialize construction at scale**, reducing labor dependence and accelerating capital turnover. The use of aluminum forms has reduced the average construction period from roughly 20 to approximately 11 months, contributing to a **consolidated ROE of 49.4% over the last twelve months through 1Q26** and an adjusted gross margin of 35.5% at the consolidated level.

In addition, the operational recovery of recent years has resulted in a net cash position, with annualized ex-SWAP EBITDA for 1Q26 above the top of guidance, evidencing a company that is structurally more efficient than in the previous cycle. In our view, upcoming results should continue to reinforce the sustainability of this new operational phase, while Alea remains a relevant source of long-term value-creation optionality.

Exhibit 1. Income Statement Projections: for TEND3 - Adjusted metrics (company definition)[1]

R$ Millions	2023A	2024A	2025A	2026E	2027E	2028E	2029E
Net Revenue	**2,903**	**3,284**	**4,173**	**5,281**	**6,412**	**7,581**	**7,679**
(+/-) % Change Net Revenue		*13.1%*	*27.1%*	*26.5%*	*21.4%*	*18.2%*	*1.3%*
(-) COGS	(2,220)	(2,300)	(2,835)	(3,398)	(3,970)	(4,866)	(4,774)
Adjusted Gross Profit	**683**	**984**	**1,338**	**1,883**	**2,442**	**2,715**	**2,906**
(-) Operating Costs	(465)	(503)	(652)	(846)	(1,096)	(1,186)	(1,259)
Adjusted EBITDA	**217**	**481**	**686**	**1,037**	**1,346**	**1,529**	**1,646**
(-) D&A	(40)	(41)	(46)	(48)	(58)	(73)	(89)
Adjusted EBIT	**178**	**440**	**640**	**982**	**1,287**	**1,455**	**1,558**
(+/-) % Change EBIT		*147.3%*	*45.6%*	*53.5%*	*31.0%*	*13.0%*	*7.0%*
(+/-) Interest, net	(131)	(171)	4	(151)	(224)	(249)	(276)
(-) Income Taxes	(44)	(24)	(39)	(61)	(78)	(88)	(92)
(-) Minority Interest	(7)	(6)	(21)	(24)	(35)	(40)	(42)
Net Income	**(96)**	**106**	**506**	**601**	**775**	**879**	**925**
(+/-) % Change Net Income		*-211.0%*	*375.3%*	*18.9%*	*28.9%*	*13.3%*	*5.3%*
Adjusted Net Income	**(20)**	**200**	**589**	**722**	**931**	**1,049**	**1,106**
(+/-) % Change Adjusted Net Income		*-1087.3%*	*194.4%*	*22.7%*	*29.0%*	*12.7%*	*5.5%*

Source: Tenda, Genial Investimentos

1. Adjusted EBITDA, Adjusted EBIT, and Adjusted Net Income follow the company's own methodology (excluding SWAP and non-recurring effects) and are not intended to reconcile line-by-line with reported net income. Reported figures shown for reference.

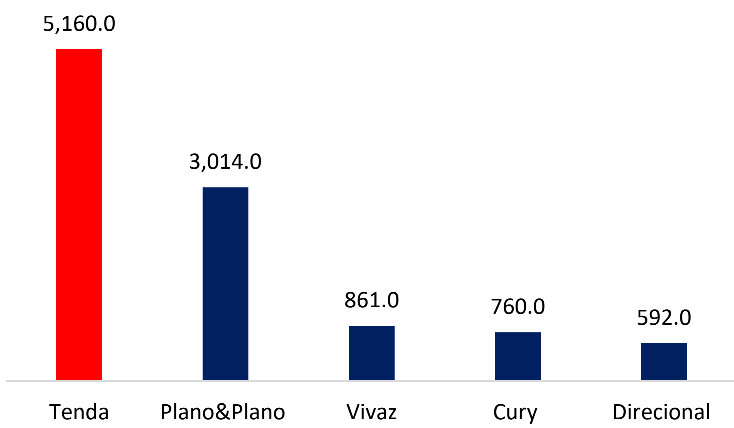
Company Overview:

With more than 57 years of history, Tenda is today the **third-largest residential developer in Brazil and the largest in Bracket 1 of Minha Casa Minha Vida**, with operations concentrated in the affordable-housing segment and a presence across nine metropolitan regions. The company is highly specialized in Brackets 1 and 2 of the Minha Casa Minha Vida (MCMV) program, a market characterized by large scale and strong cost sensitivity, in which operational efficiency is decisive for value creation.

Tenda mitigates these challenges through its industrialized construction model, based on the use of aluminum forms, which allows for high project standardization, a shorter construction cycle, and greater cost predictability. This system helps to **mitigate execution risk and limits labor dependence**, a relevant factor in a sector marked by a **structural shortage of workers and rising inflationary pressure.**

As a complementary strategy, the company developed the Alea segment, focused on the industrial production of wood-frame homes, aiming to expand its geographic footprint and structurally address the labor challenge in civil construction. Alea currently operates in 3 clusters in the interior of São Paulo, under a strategy geared toward efficiency and sustainable growth.

Exhibit 2. MCMV Bracket 1 launches, LTM 1Q26: Largest player in Bracket 1



Source: Tenda, Plano&Plano, Vivaz, Cury, Direcional, Genial

Management – TEND3:

- **Co-CEO:** Rodrigo Osmo holds a degree in Chemical Engineering from the Polytechnic School of the University of São Paulo (USP) and an MBA from Harvard Business School. He is a member of the company's Executive Investment Committee and Chairman of the Ethics Committee. He previously served as Director of Business Development and CFO of Gafisa S.A., and as Managing Director of Alphaville Urbanismo S.A. He worked at GP Investimentos, Bain & Company, and Ysoquim Representações Internacionais. He also served as a teaching assistant in the Finance department at Harvard Business School.

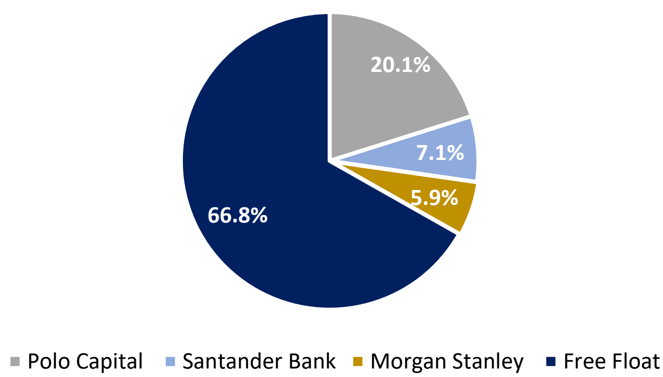
- **Co-CEO**: Marcos Cruz has solid executive and management experience, having served as CEO of Nitro Química for approximately 10 years. Previously, he was a partner at McKinsey & Company for 14 years and served as Municipal Finance Secretary of the City of São Paulo. His professional track record spans broad experience across the private and public sectors, with an emphasis on strategic management, operational efficiency, and organizational development.

- **CFO and Investor Relations Officer**: Luiz Mauricio de Garcia Paula holds a degree from IBMEC and a master's in Business Administration from IAG/PUC-RJ, in addition to executive programs at institutions such as Wharton, MIT, and Harvard. He is a member of the company's Investment and Ethics committees and has a strong track record in financial markets, having worked as a partner and lead construction-sector analyst at asset managers such as Velt, Apex Capital, and Bradesco BBI. He was recognized for five consecutive years as one of the best real-estate analysts in Brazil and has prior experience at companies such as Ipiranga, Claro, Suzano (formerly Aracruz), and Gafisa.

- **Chief Operating Officer (COO):** Renan Barbosa Sanches holds a degree in Economics from Mackenzie and an MBA in Finance from FGV, in addition to executive programs at institutions such as INSEAD, Chicago Booth, and Harvard. He has been with the company since 2010, having held several leadership positions in finance and IR.

- **Chairman of the Board of Directors**: Cláudio Andrade, an executive with a degree in Business Administration from FGV (EAESP), serves as Chairman of the Board of Directors and coordinator of the Audit Committee. He is a partner at Polo Capital and other companies focused on asset and real-estate management, and also sits on the Board of Casa & Vídeo, in the retail sector.

Exhibit 3. TEND3 Shareholder Structure



Source: Tenda, Genial Investimentos

Industrialization in the DNA:

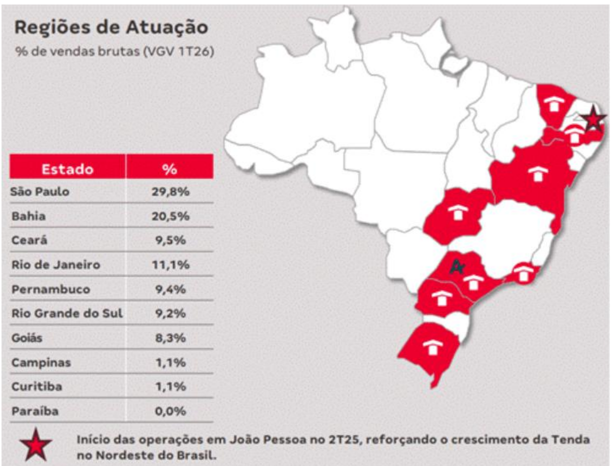
Faced with cost pressure and a labor shortage in the sector, industrialization has been consolidated as one of the pillars of Tenda's operating model since 2013. The company uses **cast-in-place concrete walls with aluminum forms**, a more standardized system relative to traditional structural masonry, which reduces project complexity and **increases productivity on site**.

The evolution of this model has allowed Tenda to reduce the construction cycle from roughly 20 months to approximately 11 months, with a direct impact on operational efficiency and capital structure, by accelerating asset turnover and reducing capital tied up per project. These gains are already visible in recent indicators: in 1Q26, the **Tenda segment posted an adjusted gross margin of 38.5% and an ROE of 51.5% over the last twelve months, while at the consolidated level the adjusted gross margin was 35.5%**. The difference between the consolidated figure and the Tenda segment essentially reflects Alea, which still operates with depressed margins and consumes cash, diluting aggregate profitability while it gains scale. In this sense, the current consolidated figure understates the structural profitability of the core operation.

Looking ahead, we project a consolidated adjusted gross margin averaging **36.5% over the next three years**, above the current level of 35.5%. The main driver is mix: the greater weight of the higher MCMV Brackets, which carry higher margins, should lift average profitability as these projects advance through PoC revenue recognition. The path is not linear: after the 2027 peak, we project a slight easing in consolidated adjusted gross margin in 2028, reflecting Alea's growing weight.

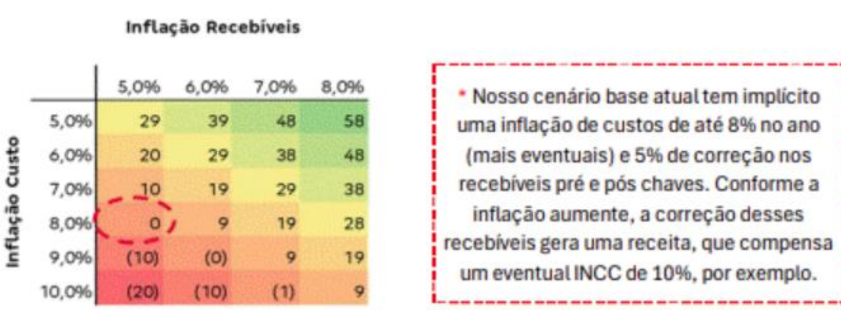
On a complementary basis, Alea should cease to consume cash and move from occasionally negative quarterly margins into positive territory. Even at higher output, however, it is likely to operate structurally below the Tenda segment, so its greater share dilutes the consolidated margin even as it improves in absolute terms, without contradicting the profitability thesis of the core operation. Both movements remain conditioned on input-cost volatility, sales success in the higher Brackets, and the maintenance of operational discipline and project standardization.

Exhibit 4. Gross Sales 1Q26 in Brazil (%): 39.4% concentration in the Northeast



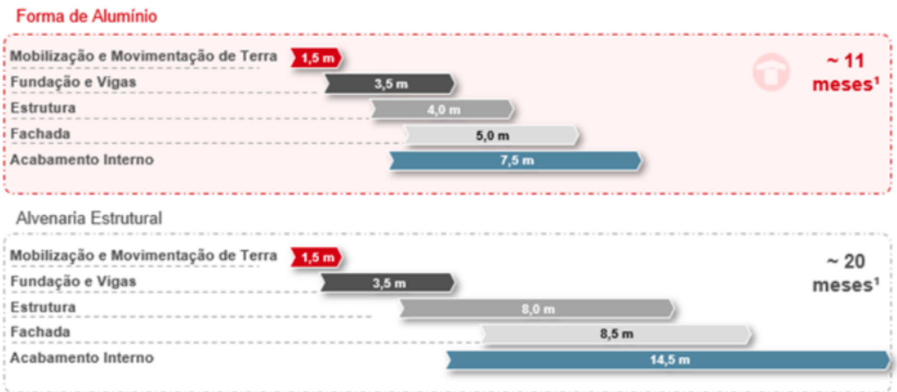
Source: Tenda

Exhibit 5. Inflation sensitivity: Tenda well positioned to limit 2026 impact



Source: Tenda

Exhibit 6. Construction time by form type: Aluminum forms speed up the build



Source: Tenda

Operational Recovery:

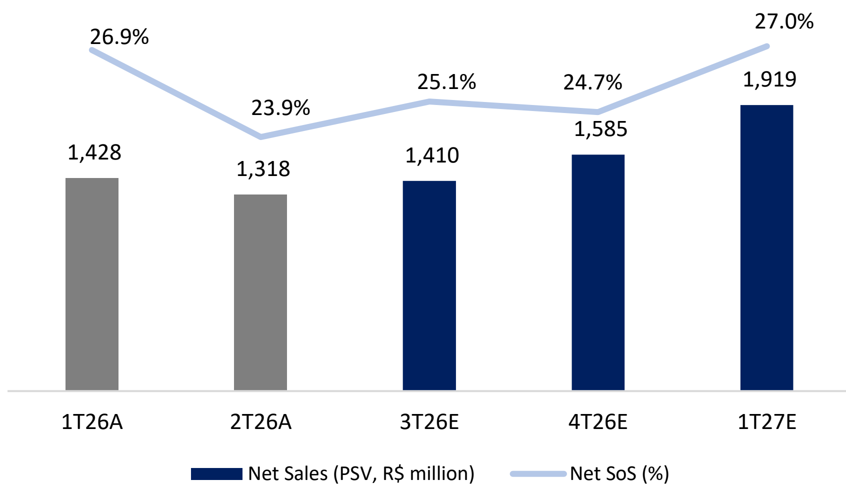
The post-pandemic period was challenging for the real-estate sector, and Tenda stood out as a notable turnaround story, after posting a **net loss of R$ 661.0 million** in 3Q22 and high leverage, with **net debt/equity of 67.0% in 1Q23**, reflecting operational deterioration and cost pressure.

Since then, the company has undergone a consistent process of operational and financial adjustment, today evidenced by a stronger capital structure, with **net debt/equity of -4.6% in 1Q26**, a return to profitability, and a record quarterly net revenue of **R$ 1,184.8 million in 1Q26 (+36.9% YoY)**. Part of this improvement stems from a more conservative approach to cost management, with anticipated provisioning and greater alignment with expected inflation, which reduces the risk of negative surprises over the cycle.

Operationally, execution has kept pace with this improvement. Tenda's adjusted 1Q26 EBITDA, annualized, would stand above the top of the company's guidance (R$ 950 to R$ 1,050 million), signaling a **new level of profitability that we consider sustainable**, rather than an isolated peak. Tenda today brings together the structural elements to maintain this level, with a shorter construction cycle, higher asset turnover, and cost discipline consolidated over the course of the turnaround.

For 2026, **we project adjusted EBITDA of R$ 1,037.0 million, at the top of the range indicated by the company, with an adjusted EBITDA margin of around 19.6%**. We have deliberately adopted a conservative stance, anchoring our projection to current guidance rather than extrapolating the 1Q26 pace. Given delivery already above the top of the range in the first quarter, we believe there is room for the company to revise guidance over the course of the year, which would open the way for an upward revision to our estimates. On the commercial side, we expect continued improvement in sales speed to keep contributing to the quality of results, with the Tenda segment's SoS (sales-over-supply) at around 52.6% in 2026E.

Exhibit 7. Tenda Segment Projection: We expect higher sales and sales speed



Source: Tenda, Genial Investimentos

Exhibit 8. Comps Table - Consensus

	Market Data			Financial Data				Valuation			
	Price	Market Cap	TEV	26E Revenue	26E EBITDA	26E EBIT	26E Earnings	26E EV/Sales	26E EV/EBITDA	26E EV/EBIT	26E P/E
Company Name	*(R$/share)*	*(R$M)*	*(R$M)*	*(R$M)*	*(R$M)*	*(R$M)*	*(R$M)*	*x*	*x*	*x*	*x*
Cury	28.85	9,220	8,813	6,820	1,639	1,604	1,249	1.3x	5.4x	5.5x	7.4x
Direcional	11.09	5,897	6,639	5,432	1,434	1,332	976	1.2x	4.6x	5.0x	6.0x
MRV	4.59	2,684	10,616	11,635	1,743	1,327	368	0.9x	6.1x	8.0x	7.3x
Plano&Plano	7.22	1,525	1,614	3,879	595	568	407	0.4x	2.7x	2.8x	3.8x
Tenda	29.09	3,626	3,951	5,192	928	820	646	0.8x	4.3x	4.8x	5.6x
Average								**0.9x**	**4.6x**	**5.2x**	**6.0x**
Median								**0.9x**	**4.6x**	**5.0x**	**6.0x**

Source: Bloomberg, Genial Investimentos

Key Strengths and Opportunities:

- **Leadership in Bracket 1 of MCMV, the most resilient segment of the program:** Tenda is the third-largest residential homebuilder in Brazil and the largest in the Bracket 1 segment, with operations across nine metropolitan regions;
- **Industrialized construction model reduces cost and execution risk:** the use of concrete walls with aluminum forms, in development since 2013, has shortened the construction cycle, with a direct impact on capital turnover and cost predictability. These factors are crucial in supporting a consolidated adjusted gross margin of 35.5% and an ROE of 49.4% (LTM) in 1Q26;
- **A complete financial turnaround rebuilt the balance sheet:** the company moved from net debt/equity of 67.0% in 1Q23 to a net cash position, with record quarterly net revenue of R$ 1,184.8 million in 1Q26 (+36.9% YoY) and annualized EBITDA of ~R$ 1.1 billion, above the top of guidance (R$ 950–1,050 million). The stronger balance sheet creates room for a more generous dividend policy and growth without immediate funding pressure;
- **Capital-light landbank via permuta preserves cash:** with a landbank acquired via permuta (land swap), the structure reduces the need for incremental funding to replenish land inventory and reinforces the capital-recycling model already favored by the short construction cycle;
- **Geographic diversification reduces exposure to local shocks:** the presence across nine metropolitan regions makes Tenda less dependent on a single market than more concentrated peers and reduces sensitivity to regulatory or demand shocks localized in each market;
- **Structural exposure to an MCMV in a cycle of budget expansion:** the program entered 2026 with a record FGTS budget of R$ 144.5bn, of which R$ 125.5bn is earmarked for affordable housing, plus R$ 5.5bn from the federal budget (OGU) for Bracket 1 urban subsidies. We see the government tailwind behind the program as a crucial factor for the thesis;
- **Alea preserves long-term optionality with declining cash burn:** the off-site wood-frame construction unit still consumes cash (-R$ 14.9 million in 1Q26), but the burn has already fallen 72% from the prior peak, with productivity improving from ~2.2 toward a target of 4.0 homes/day and a deliberate rationalization of scale (from 33 projects underway in 3Q25 to 13 in 1Q26). The business retains optionality for geographic expansion and for structurally mitigating the labor shortage, without requiring material capital in the base case.

Key Risks:

- **The end of the 6x1 schedule raises the sector's labor cost:** PEC 221/19 was approved by the Chamber of Deputies in two rounds in late May 2026, by a wide margin, and now moves to the Senate; the text reduces the weekly workweek from 44 to 40 hours with no loss of pay, with a transition of around 14 months. The text also guarantees two days off per week, one preferably on Sundays. The construction sector should see rising costs without an immediate productivity offset, given its labor-intensive nature. In our view, Tenda is less exposed than peers with more artisanal models, but is not immune, given its use of labor in factories and on site;
- **Inflation in input costs and skilled labor:** industrialization reduces direct-labor intensity on site, but it does not eliminate exposure to steel, cement, and aluminum (forms), nor the dependence on skilled labor in the factories;

- **MCMV rules are frequently revised:** between November 2025 and April 2026, the CCFGTS and the Ministry of Cities made at least three relevant adjustments to the program's parameters, including raising the price caps for Brackets 3 and 4, from R$ 350.0k to R$ 400.0k and from R$ 500.0k to R$ 600.0k, respectively. Although the recent changes have been positive for demand and have expanded homebuilders' potential market, the recurrence of these revisions adds uncertainty to launch planning, especially in a sector where decision-making occurs two to three years in advance. As the strength of the investment thesis is strongly tied to the continuity and support of MCMV, any sharper changes to the program's rules could significantly affect the pace of sales, project profitability, and, consequently, the attractiveness of the thesis;
- **Tax reform introduces multi-year transition uncertainty:** MCMV retains favored treatment within the new system, with CBS currently estimated at around 0.53% during the transition phase for social-interest properties, and a social reducer of R$ 100k per housing unit that can zero out the tax base in low-income developments. Even so, the gradual migration from RET to IBS/CBS between 2026 and 2033 — with possible fragmentation of the single rate for developments registered after a certain milestone, currently projected between 2028 and 2029 — creates compliance complexity (CIB registration, tax-credit management) and uncertainty about the magnitude of the tax advantage over the long term. Tenda's greater vertical integration may mitigate part of the credit erosion associated with the intensive use of outsourced individual labor, but the net effect is still uncertain;
- **Competition for land, brokers, and subsidies in Bracket 1:** Tenda competes with Cury, MRV, Direcional, and Plano&Plano for the same land eligible for Bracket 1/2 and for broker networks that serve multiple homebuilders. The current MCMV expansion cycle draws additional peer capacity into the segment, which could pressure land costs even with a high share of permuta and compress relative SoS;
- **Alea's execution not yet proven at scale**: the reduction in projects underway from 33 (3Q25) to 13 (1Q26) reflects discipline, but also a recent history of execution below plan. The breakeven target depends on productivity rising from ~2.2 to 4.0 homes/day;
- **Diversification beyond the already-validated core operation could weaken the main pillars of the current thesis:** although the higher caps for Brackets 3 and 4 expand the addressable market, an eventual move into these segments would require a sales process and credit analysis different from those used in Bracket 1, and would place the company in more direct competition with Cury and Plano&Plano, without Tenda yet having a proven execution track record with that customer base. Likewise, the presence across nine metropolitan regions reduces geographic-concentration risk but may limit the depth of local knowledge in some markets, in contrast with competitors that operate in a more concentrated manner. In addition, Tenda's commercial strategy currently relies heavily on price competitiveness, whereas relevant players in the higher MCMV Brackets tend to depend on a more sophisticated commercial approach. In this context, should the company move toward a higher-income audience within the program, a revision of its sales strategy may be necessary to adapt to that consumer's profile and requirements.

Valuation:

Exhibit 9. FCFE projection

R$ Millions	2026E	2027E	2028E	2029E
Net Income	**601**	**775**	**879**	**925**
(+) D&A	48	58	73	89
(-) CAPEX	(132)	(156)	(186)	(189)
(+/-) Changes in WK	(590)	(702)	(409)	(340)
(+/-) Net Borrowing	430	(4)	260	166
FCFE	**357**	**(27)**	**618**	**651**

Source: Genial Investimentos

Exhibit 10. Model and Valuation Summary

		Terminal Growth Rate								
		2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%
Cost of Equity	12.6%	57	59	61	63	66	69	72	76	80
	13.1%	54	55	57	59	62	64	67	71	74
	13.6%	51	53	54	56	58	60	63	66	69
	14.1%	49	50	51	53	55	57	59	62	64
	14.6%	46	48	49	50	52	54	56	58	60
	15.1%	44	45	47	48	49	51	53	55	57
	15.6%	42	43	44	46	47	48	50	51	53
	16.1%	41	41	42	43	45	46	47	49	50
	16.6%	39	40	41	42	43	44	45	46	48
	17.1%	37	38	39	40	41	42	43	44	45
	17.6%	36	37	37	38	39	40	41	42	43

Source: Genial Investimentos

Exhibit 11. Sensitivity Analysis

Tenda Model and Valuation Summary	
	29-Jun-26
TEND3 Share Price (R$)	29.09
Target price	49.00
Upside	**+68.4%**
Ke Build Up	
Risk-Free Rate	4.4%
Country Risk	2.4%
Market Premium	5.0%
Beta	1.16
Inflation Dif US/BZ	2.5%
Cost of Equity	**15.1%**
Perpetuity Growth	4.0%
Company Summary	
Current Price	R$ 29.09
# of shares	123
Current Mkt Cap	3,565
Target Mkt Cap	6,005
# of shares	123
Target Price	**R$ 49.00**
Upside	68.4%

Source: Genial Investimentos

Sector Analysis

Brazilian Homebuilders: Different Funding Structures, Different Economics

The economics of Brazil's homebuilding sector vary significantly depending on how the end buyer is financed. All homebuilders recognize revenue on a percentage of completion (PoC) basis; what differs across segments is the **timing of cash generation relative to that accounting revenue**. In the **MCMV segment**, which operates under an associative lending model, Caixa Econômica Federal disburses **funds to the homebuilder as construction progresses, with the mortgage already formalized in the homebuyer's name.**

In the **traditional model**, by contrast, **PoC revenue accrues during construction while most of the cash arrives only after delivery**, at the mortgage transfer stage (repasse). This mismatch is at the **heart of the sector's J-Curve**, and the **associative model largely eliminates it**, allowing homebuilders to recover capital earlier, reducing capital intensity and dependence on corporate debt.

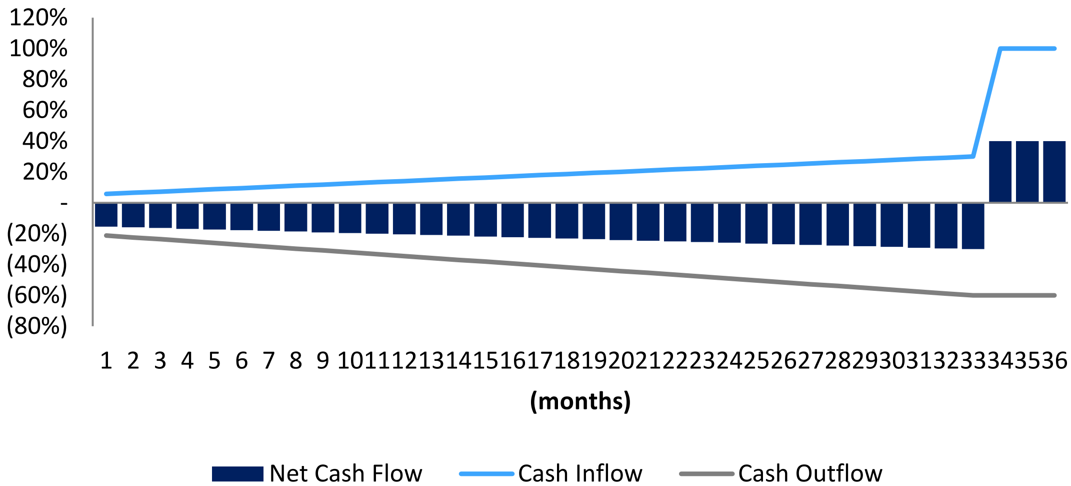
The **MCMV segment therefore combines higher earnings quality, with revenue backed by near concurrent cash, lower cash flow volatility, and stronger capital efficiency**, making it one of the most resilient segments in Brazilian homebuilding and **underpinning its countercyclical profile.**

The J-Curve Dynamic:

The homebuilding **industry typically exhibits a J-Curve** dynamic in cash generation: **construction costs are incurred well before the bulk of cash inflows** arrive, even though revenue accrues throughout the build under the PoC method. The depth and duration of this cash flow trough is what truly separates the MCMV segment from the broader residential market.

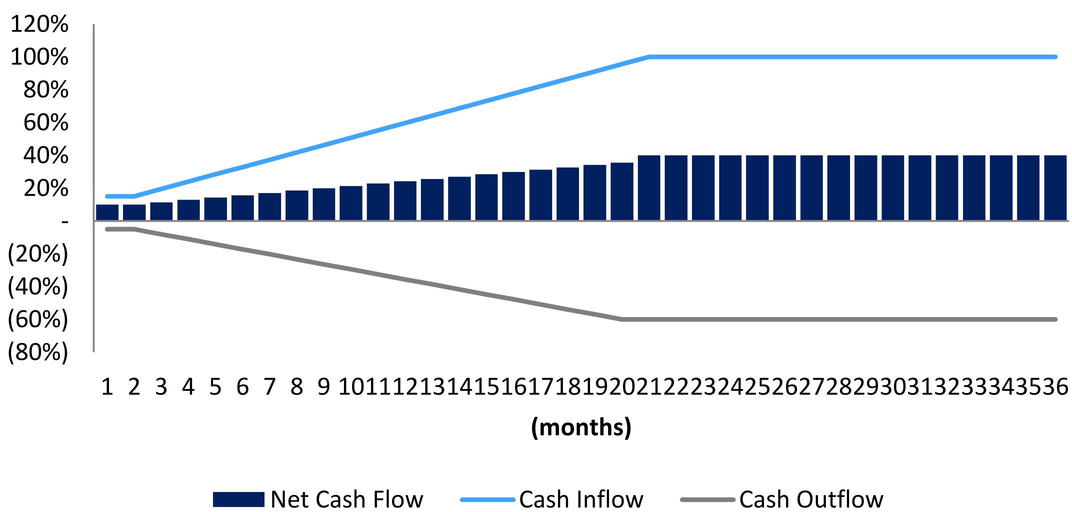
Outside MCMV, particularly in the middle- and high-income segments, **homebuilders typically fund construction through development loans provided by banks** (plano empresário, or corporate construction financing). Under this structure, the developer incurs debt and pays interest throughout the construction period. During this phase, the primary sources of cash inflows are customer down payments and installments paid during construction, which typically represent between 20.0% and 35.0% of the property's value. **Most of the purchase price is received only upon project completion**, when the buyer secures an individual mortgage or settles the balance with personal funds, and the proceeds are generally used to repay the developer's construction loan. As a result, **net cash flow tends to remain negative for most of the development cycle, turning positive only near completion, the classic deep and prolonged J-Curve trough.**

Exhibit 12. "The J-Curve": illustrative cash flow profile of a MCMV development (% of total, cumulative) – Cury



Source: Cury, Genial Investimentos

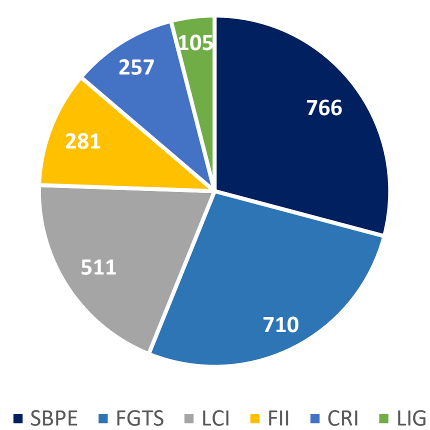
Exhibit 13. The J-Curve: illustrative cash flow profile of a traditional development (% of total, cumulative) - Cury



Source: Cury, Genial Investimentos

Under the **MCMV associative lending model, this trough is largely eliminated. The lending bank, predominantly Caixa, disburses funds to the developer based on measured construction progress, allowing cash inflows to build consistently from the outset of the project and closely match construction expenditures over time.** The result is a net cash flow profile that remains near breakeven throughout most of the construction cycle, with a substantial portion of the home value received before completion. In other words, **the model creates an efficient cash flow matching mechanism, rather than requiring developers to bridge a significant cash deficit during construction.**
This structural difference underpins the segment's lower working capital requirements, reduced funding needs, and greater financial predictability, which we discuss in greater detail in the following section on the mortgage transfer process.

Exhibit 14. Real estate funding stock in 2025 (R$ billion): Savings and FGTS represent over 50% of the mix



Source: Caixa, Genial Investimentos

Mortgage Transfer Process:

Mortgage transfer (repasse) marks the conversion of contracted sales into cash receipts and the transfer of credit risk from the homebuilder to the financial institution. This stage is a key **driver of earnings visibility and working capital efficiency, particularly within the MCMV segment.** After the transfer, a buyer **default becomes the lender's problem rather than the developer's,** which directly **mitigates cancellation (Mortgage Transfer) risk.**

At the same time**, mortgage transfers introduce a different type of risk. Because the amount to be received is fixed when the transfer is executed and is not subsequently adjusted, construction delays effectively reduce a project's IRR:** the developer receives the same nominal amount over a longer period, without compensation for inflation or the opportunity cost of capital.

The process involves three parties: **the financial institution, which holds the property as collateral through a fiduciary lien; the homebuilder, which transfers the receivable and is released from credit risk; and the buyer, who assumes the mortgage obligation.** The timing of the transfer, and therefore of the risk handoff, is what distinguishes the financing structures below:

- **Associative Lending (typical of MCMV): Caixa Econômica Federal approves and finances the homebuyer at the time of sale, before project completion, in partnership with the developer.** The transfer effectively occurs at origination: with the mortgage already formalized in the buyer's name, the bank **releases funds to the developer based on measured construction progress,** while the buyer pays only a small down payment and construction-period installments. This early risk handoff and the close match between cash inflows and construction expenditures are the primary reasons why the MCMV segment exhibits a smoother J-Curve and minimal distrato risk;
- **Traditional Mortgage Financing:** The developer funds construction through its **own capital or third-party financing**, collecting only **down payments and installments during the build.** The **transfer occurs at project completion,** often years after the initial sale, when the buyer secures an individual mortgage and the developer receives the bulk of the sale proceeds at once. **Until then, the receivable and the associated cancellation risk remain on the developer's side**;
- **Direct Financing:** The developer finances the buyer directly, without a financial institution, retaining credit exposure until the receivable is fully amortized, with **repayment schedules that can extend for many years.** Direct financing is more common outside the MCMV segment, particularly when buyers do not qualify for SFH financing or prefer to avoid the bank approval process.

Exhibit 15. 2026–2029 Multi-Year Budget: Consistent funding expected ahead (R$ thousand)

BREAKDOWN	2026	2027	2028	2029
1. Housing	**144,500,000**	**144,500,000**	**139,500,000**	**139,500,000**
1.1. Affordable Housing	**125,500,000**	**125,500,000**	**125,500,000**	**125,500,000**
1.1.1. Housing Production Financing	87,000,000	87,000,000	87,000,000	87,000,000
1.1.2. Individual Housing Loans	36,000,000	36,000,000	36,000,000	36,000,000
1.1.3. Associative Housing Loans (crédito associativo)	100,000	100,000	100,000	100,000
1.1.4. Pró-Moradia	2,400,000	2,400,000	2,400,000	2,400,000
1.2. Pró-Cotista	4,000,000	4,000,000	4,000,000	4,000,000
1.3. Middle-Income Segment	15,000,000	15,000,000	10,000,000	10,000,000
2. Basic Sanitation	**8,000,000**	**8,000,000**	**8,000,000**	**8,000,000**
2.1. Sanitation for All	**8,000,000**	**8,000,000**	**8,000,000**	**8,000,000**
2.2. Sanitation Market-Based Operations	-	-	-	-
3. Urban Infrastructure	**8,000,000**	**8,000,000**	**8,000,000**	**8,000,000**
3.1. Pró-Transporte	6,400,000	6,400,000	6,400,000	6,400,000
3.2. Pró-Cidades	1,600,000	1,600,000	1,600,000	1,600,000
3.3. Infrastructure Market-Based Operations	-	-	-	-
Total	**160,500,000**	**160,500,000**	**155,500,000**	**155,500,000**
Additional (Pre-Salt Royalties)	**12,500,000**	**12,500,000**	**12,500,000**	**12,500,000**
Likely Additional Resources	**50,000,000**	**-**	**-**	**-**
Total Including Likely Additional Resources	**223,000,000**	**173,000,000**	**168,000,000**	**168,000,000**

Source: FGTS/Conselho Curador, ADEMI/BRAIN, Cury, Genial Investimentos

Because purchase agreements under the associative model are executed only after financing approval, **the bank effectively pre-screens every buyer at the point of sale.** This filter, rather than any post-sale collection effort, is one of the main reasons why well-executed MCMV homebuilders report structurally lower cancellation rates.

Mortgage transfer rates and transfer velocity therefore serve as important indicators of sales quality and credit discipline. Developers with faster, more efficient transfer processes carry receivables for less time, shortening the window in which cancellations can occur and reducing working capital requirements and funding costs, with greater cash flow visibility as a result. Within the MCMV segment, this dynamic is even more relevant, **as buyer eligibility for financing is a prerequisite for the sale to be effectively monetized.**

This mechanism is particularly **important for companies whose investment thesis is built on rapid capital turnover, high sales velocity, limited completed inventory, and fast cash recycling.** The more efficient the mortgage transfer process, the lower the funding requirement and the greater the company's ability to grow while preserving capital efficiency and cash generation.

Minha Casa Minha Vida: Structure and Scale

The **Minha Casa Minha Vida (MCMV)** program, created in 2009, is the cornerstone of Brazil's federal housing policy, offering **subsidized mortgage rates and home price ceilings tailored to different income Brackets**. The program is organized into **four income Brackets**, each with its own financing conditions and subsidy framework.

Under the **Lula 3 administration**, MCMV had already contracted **more than 2 million housing units through 2025**, with a target of reaching **3 million units by the end of 2026**. Beginning in 2026, the government further expanded the program by increasing both **income eligibility thresholds and maximum eligible home prices**, broadening its addressable market. MCMV already represented 49.0% of **Brazilian homebuilding sales in 1Q26** (54,510 units across 221 cities monitored by CBIC). Penetration varies significantly across regions, reaching **52.0% of total housing supply in the North** compared to **17.0% in the South**, reflecting the greater relevance of affordable housing in lower-income regions. In absolute terms, however, the **Southeast remains the largest market, accounting for more than half of nationwide sales** (the region where **Cury, Tenda, and Direcional concentrate their operations). In São Paulo, for example, MCMV already accounts for approximately 65% of the residential market**.

The **FGTS serves as the program's funding backbone**. In addition to financing majority of the mortgage originations under the program, it also supports the subsidies directed to lower-income households. The fund currently represents approximately **27.0% of total mortgage funding in Brazil**, with a budget of roughly **R$ 223.0 billion**, of which ~R$ 50.0 billion refers to likely additional, non-recurring resources. Without this source of funding, the program would lose both scale and its ability to offer credit conditions below prevailing market rates.

From an operational standpoint, MCMV is distinguished by a financing structure centered around **Caixa Econômica Federal**, which disburses funds to homebuilders according to **construction progress**, while the mortgage is already contracted in the homebuyer's name. This alignment between **revenue recognition, cash generation, and construction execution** significantly reduces working capital requirements and the leverage needed to finance projects.

As a result, **MCMV-focused homebuilders tend to exhibit greater operational and financial predictability, lower cancellation (distrato) risk, and faster sales velocity.** These characteristics make the segment more resilient to macroeconomic volatility and reinforce its role as a relatively countercyclical component of Brazil's residential real estate market.

Players' Positioning within MCMV:

It is worth noting that "MCMV exposure" is not a homogeneous category and the bracket mix within the program varies significantly across the main players and helps explain differences in cost sensitivity and pricing power:

- **Tenda** is the largest homebuilder in Bracket 1 (Faixa 1), the most sensitive to subsidies and credit availability. Notably, Tenda also operates in the other Brackets and has been growing in Brackets 2 and 3;
- **Cury** concentrates its exposure in Brackets 2–4, with greater pricing power relative to Tenda;
- **Direcional** operates with a mix across all Brackets through its two brands (Direcional and Riva).

Exhibit 16. New MCMV regulation: Higher income and home-price limits expand program eligibility

Bracket	Income Before (R$)	Mar/26 (R$)	Change	Interest Rate (%)	Price Cap Before (R$)	New Price Cap (R$)	Change
Bracket 1	2,850.00	3,200.00	12.28%	4.0–4.5%	275,000.00		
Bracket 2	4,700.00	5,000.00	6.38%	4.75–6.5%	275,000.00		
Bracket 3	8,600.00	9,600.00	11.63%	7.66%	350,000.00	400,000.00	14.29%
Bracket 4	12,000.00	13,000.00	8.33%	10%	500,000.00	600,000.00	20.00%

Source: Brazilian Federal Government, Genial Investimentos

Labor Costs: From Cyclical Headwind to Structural Challenge

Labor scarcity and rising wage costs have evolved from cyclical pressures into a **structural challenge for the Brazilian homebuilding industry**. The labor component of the INCC-M (National Construction Cost Index) increased by **40.8% between 2022 and 2025**, significantly outpacing both headline inflation (**21.0%** cumulative IPCA) and construction material costs (**17.6%**) over the same period.

This divergence highlights the growing importance of labor as the primary source of cost pressure across the sector.

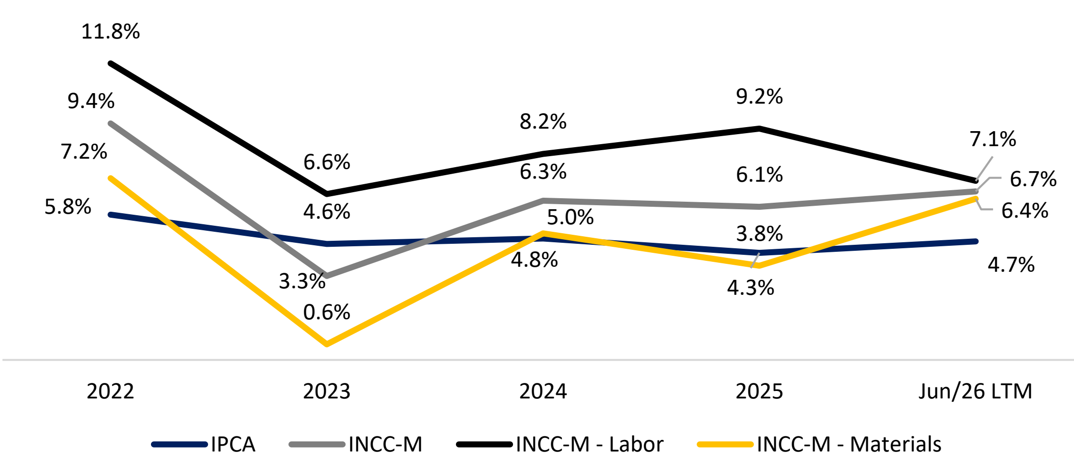
This dynamic is being reinforced by demographic trends. The average age of construction workers now exceeds **41 years**, reflecting the industry's increasing difficulty in attracting younger workers at a time when more flexible occupations compete for the same labor pool. The result is a persistent supply constraint that manifests itself through **wage inflation, lower operating predictability, and a higher risk of construction delays**.

Against this already challenging backdrop, the debate surrounding the potential elimination of Brazil's **6x1 work schedule** (six working days followed by one day off) introduces an additional source of uncertainty. According to estimates from **CBIC**, such a change could increase labor costs by **up to 15.0%**, either through additional hiring requirements or greater reliance on overtime payments, which are subject to a minimum **50.0% wage premium**. The impact could be particularly significant in a sector where labor represents a substantial share of total construction costs.

The effect is likely to be **asymmetric across residential segments. Affordable housing homebuilders**, particularly those focused on the **MCMV segment**, appear more exposed given their relatively tighter margins and more limited pricing flexibility. By contrast, developers operating in the middle- and high-income segments are generally better positioned to absorb part of the cost pressure through price increases, potentially mitigating the impact on profitability and sales velocity.

In our view, rising labor costs reinforce the notion that **construction efficiency and industrialized building methods are no longer simply competitive advantages but increasingly critical tools for preserving margins and sustaining returns**. As labor inflation becomes a structural feature of the operating environment, homebuilders with greater process standardization, productivity enhancements, and construction flexibility should be better positioned to protect profitability throughout the cycle.

Exhibit 17. Inflation indicators, 2022–2026: Labor costs rose substantially more



Source: Brazilian Federal Government, FGV

New Master Plans: Why They Matter, with a Focus on Rio and São Paulo

The recent revisions to the São Paulo Master Plan (Law 17,975/2023) and the Rio de Janeiro Master Plan (Complementary Law 270/2024) have improved the economics of affordable housing development in both markets. By linking **additional development rights along transportation corridors to the delivery of social interest and affordable housing units (HIS/HMP)**, the new frameworks have expanded the inventory of developable land, **reduced land costs on a per-unit basis, and improved project profitability, particularly within MCMV Brackets 2 and 3.**

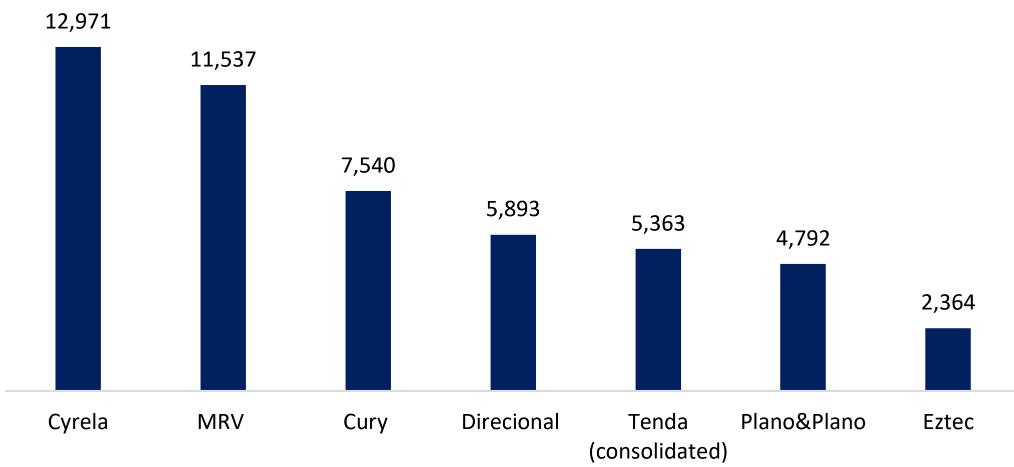
In São Paulo, the impact has already become visible. According to Secovi-SP, **MCMV launches reached a record 65.9 thousand units in 2024, up 63.0% YoY**, largely driven by density bonuses associated with social housing quotas along urban mobility corridors. These regulatory changes have effectively increased the number of units that can be developed on eligible land parcels, enhancing project economics and supporting a new cycle of affordable housing supply.

In Rio, more flexible height limits and the expansion of ZEIS (special zones of social interest) pave the way for a similar dynamic, although at an earlier stage of maturation than in São Paulo. The most emblematic case is the area surrounding Porto Maravilha: the **Praça Onze Maravilha plan** extends the downtown requalification effort and maps potential for **more than 37.0 thousand additional housing units over 25 years** across the Estácio, Cidade Nova, and Catumbi districts, with the city projecting roughly 100 thousand new residents in the area.

Who captures what:

- **Cury is the largest direct beneficiary of this movement**, with a landbank concentrated in the Arco Tietê and Arco Leste urban intervention projects (PIUs; ~82.0 km^2 of potential area) and direct exposure to density bonuses tied to social housing quotas in São Paulo;
- **Tenda**, with operations spread across nine metropolitan regions, captures the effect in a **more geographically diluted way**, but benefits from the overall expansion of the stock of land plots eligible for Bracket 1 across multiple markets;
- **Direcional** follows a pattern similar to Tenda's, with launched **PSV of R$5.9 billion in 2025 (+29.1% YoY)**, spread nationwide and without concentration in any single regulatory reform. It captures the unlocking in a more diluted way than Cury in these specific cities, **but is also less exposed should future changes move in the opposite direction**;
- **Riva** (Grupo Direcional's mid-income brand) has a different exposure profile: operating outside the most sensitive MCMV Brackets, it captures the HIS/HMP effect less directly, **depending more on income and demand dynamics than on density bonuses.**

Exhibit 18. Total launches, 2025 (PSV, R$ mn)



Source: Tenda, MRV, Cyrela, Cury, Direcional, Plano&Plano, Eztec

Why Land Swaps (Permuta) Matter:

Acquiring land through swap agreements (permuta) is common practice in the sector: **the homebuilder obtains the plot without a relevant upfront cash outlay**, delivering in exchange a share of the project's PSV, either in **finished units (physical swap)** or as a **financial participation in sales (financial swap)**.

Swaps favor homebuilders by **reducing cash consumption in a capital-intensive business**, freeing up resources for construction and sales. The trade-off is an implicit economic cost: **swaps reduce the net PSV captured by the company, making operational efficiency and cost control essential for margin preservation.**

Construction Methods:

Although there is a wide variety of construction methods, few are economically relevant from an investor's standpoint. In practice, **homebuilders differentiate themselves less by the technical system itself and more by the consistency with which they can replicate construction solutions over time**.

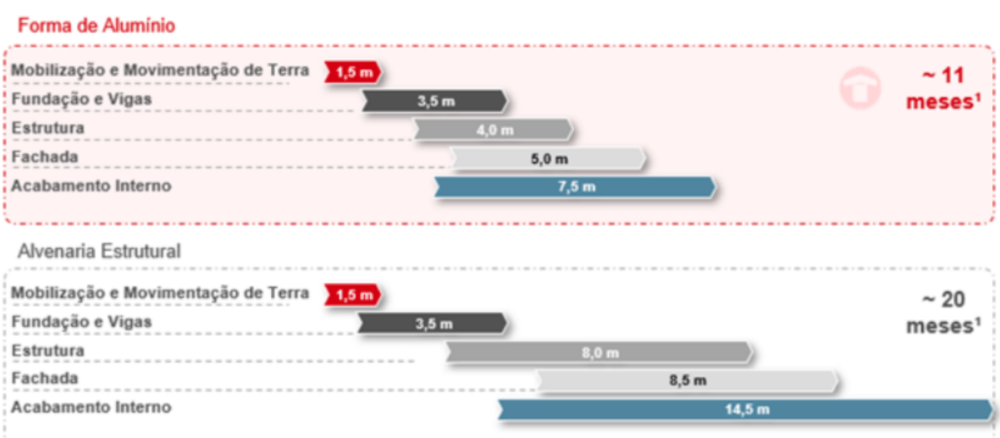
Standardized, industrialized methods, common in affordable housing, tend to shorten construction timelines and, above all, limit the use of labor (whose cost has been rising structurally above inflation, as discussed in the previous section). More complex methods, typical of higher-income segments, expand margin potential but **increase execution risk and lengthen the capital return cycle**.

How each player resolves this trade-off:

- Tenda is the most advanced case of industrialization: emphasis on aluminum formwork in its core operation, **cutting the construction cycle from ~20.0 to ~11.0 months versus conventional structural masonry**. Another key highlight is the group's **Alea brand, a bet on wood frame construction to further reduce labor dependence**;
- **Direcional reports delivering 40 apartments in 45 days**, underscoring its ability to **replicate at scale**, with aluminum formwork playing a relevant role;
- **Cury takes a different path: it bets on standardization and design repetition**, without the same degree of prefabrication/industrialization as its two peers. That said, **Cury will begin testing aluminum formwork gradually**, assessing its viability within its business model.

The two approaches (aggressive industrialization vs. replicable standardization) pursue the same goal, **margin protection through lower execution variability**, by different routes. **This difference should become an increasingly relevant thesis differentiator if labor cost pressure intensifies and persists**. It is also worth noting that **aluminum formwork requires less specialized labor and generates far less waste than masonry**, easing precisely the cost pressures described in the previous section and adding an ESG angle to the industrialization case.

Exhibit 19. Construction timeline: Aluminum formwork vs. structural masonry at Tenda



Source: Tenda

What About Interest Rates?

The sector carries an intrinsic **cash flow mismatch dynamic (the J-Curve effect)**, in which capital intensity at the start of construction requires robust, low-cost funding. As a result, **project viability is strongly correlated with the future path of interest rates**. Statistically, the stock performance of the largest homebuilders showed a **correlation of -0.44 with changes in the fixed-rate yield curve** (ETTJ; January 2016 to April 2025). The result illustrates a negative and relevant impact, but one that has **historically been smaller for MCMV-exposed companies, which operate shielded by regulated, low-cost credit lines**.

Exhibit 20. Interest rate movements vs. major homebuilders

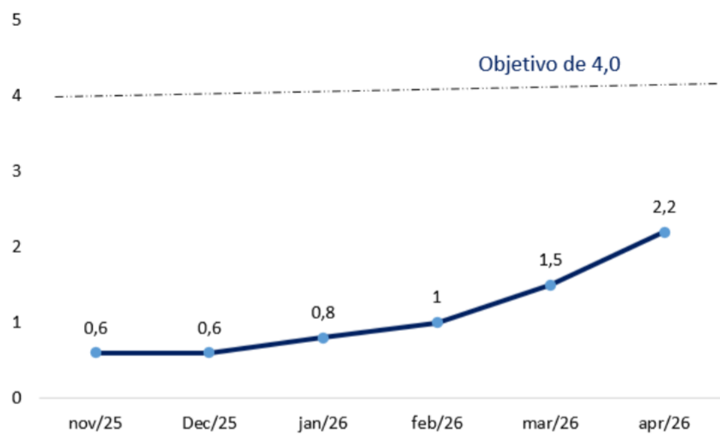
Source: B3/Anbima, Bloomberg, Economatica, Genial Investimentos

Sales Showrooms:

Sales showrooms remain central to selling real estate, as they **make tangible a product that, in many cases, does not yet physically exist**. Model apartments, scale models, and in-person service **reduce information asymmetry and increase buyer confidence in a high-value, long-term decision**, an effect that is especially relevant in segments such as MCMV and mid-income, where the physical experience reinforces perceptions of value, security, and credibility, **directly influencing sales speed and launch success**.

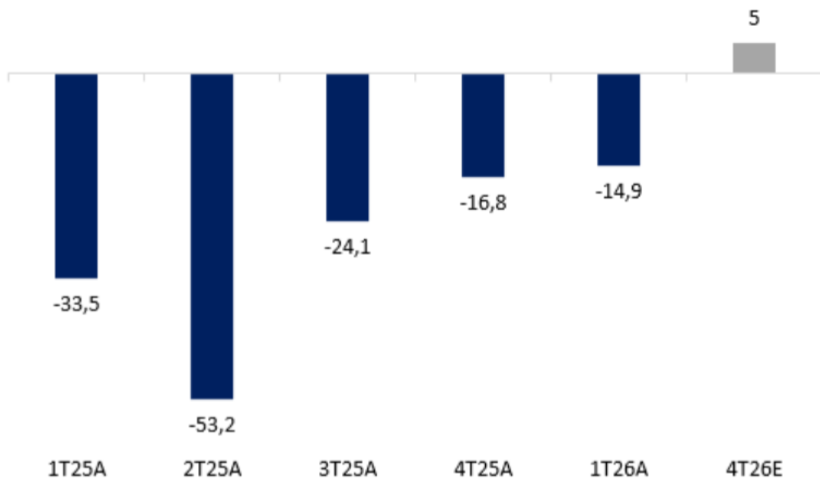
Cury and Direcional illustrate **opposite models for the same objective: Cury relies on an outsourced network of over 3,500 brokers, with credit analysis performed directly at the showroom. Direcional has verticalized the operation, with an in-house sales force responsible for 60.0% of sales**. Direcional also stands out for offering a **broader range of products, as it serves more income Brackets**, making it easier to match walk-in customers with a suitable product.

Exhibit 21. Alea homes delivered per day: Continued ramp-up



Source: Tenda

Exhibit 23. Alea operating cash consumption: We expect it to turn positive by the end of 2026 or early 2027



Source: Tenda, Genial Investimentos

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