April 10, 2015

Operator: The following is a recording for Melanie Carpenter from I-Advize on Friday, April 10, 2015, at 10:00AM Central, Javer conference call. Good day, ladies and gentlemen. Welcome to the Javer conference call. All lines have been placed on mute to prevent any background noise. This call is being recorded. After the speakers' remarks, there will be a question-and-answer session and instructions will be given at that time. For opening remarks and introductions, I will now turn the call over to Melanie Carpenter of I-Advize Corporate Communications.

Melanie Carpenter: Thank you. Hello, ladies and gentlemen. Welcome to Javer's First Quarter 2015 conference call on today, April 10, 2015, for our recording. Joining us from Monterey are Mr. Eugenio Garza, Chief Executive Officer; Mr. Felipe Loera, Chief Financial Officer; and Ms. Veronica Lozano, Investor Relations. There is a webcast presentation to accompany the discussion which we sent, along with the earnings yesterday. If you didn't receive it, please contact us in New York at 212-406-3693 and we'll send you a copy. Management's comments will be followed by a question-and-answer session for investors and analysts only; therefore, questions from the media will not be taken at this time. Any comments made today may include forward-looking statements, and those are subject to certain disclaimers that are included in the earnings release, if we please refer to that for guidance. The webcast is available. You can either go through the invitation we sent with the conference call information or you can go through the Company's website. And now without further ado, I'm very pleased to turn the call over to Mr. Eugenio Garza for his presentation, so please go ahead, Eugenio.

Eugenio Garza: Thanks very much, Melanie, and good morning, everyone. Thank you for being with us today. As you saw in our earnings report, Javer is off to a solid start for the year. In the first three months, we reported strong year-on-year growth in homes titled, EBITDA, free cash flow. I want to go over some of the key factors that will drive our performance for the rest of this year and then go over any questions you might have.

If you turn to slide 3, let's start by going through the progression of this year's housing subsidy program. As of March 23, the latest information published, the CONAVI had exercised 1.7 billion pesos, equivalent to 20 percent of its total subsidy program allocation, and 23 percent of the Infonavit allocation. CONAVI also stated on that date that another 1.2 billion pesos are in the process to be allocated, so the 1.7 plus the 1.2, or nearly 3 billion pesos, represents about 35 percent of CONAVI's total budget for the year. Of the amount disbursed, 1.4 billion pesos has been granted for new housing, equivalent to 82 percent of the total exercised and about 27 percent of the annual budget dedicated for new housing. Moreover, Javer continues to be the leader in the Infonavit system, with a 4.6 percent market share in the first quarter of 2015. I'll touch a bit more on how subsidies will play out for the rest of the year towards the end of my presentation.

Turning now to our financial performance on slide 4, you can see that we titled 4,719 homes in the first quarter, up 6.8 percent from the first quarter last year. Our sales mix shifted quite a bit within the middle income segment, growing 43 percent to 56 percent of the mix, while affordable entry level dropped from 53 to 39 percent. Revenues grew 14 percent to 1.6 billion pesos, with a nice bump in housing and commercial lot sales. During the first quarter, we successfully titled all of the 393 units that had been cancelled in the fourth quarter of 2014 after the inadvertent over-commitment of subsidy funds by CONAVI in December. Excluding these extra titlings, operational performance for the quarter was still strong considering that eight of the developments that were active in the first quarter of 2014 were no longer active in the first quarter of 2015, and eight more are titling homes at much lower rates because they are close to depletion. Moreover, out of the 17 new developments planned for 2015, only two of them produced titleable units in the first quarter of this year. We are thus quite in line with our plan for the year, both in units already titled, as well as on schedule with permits and construction for developments that are expected to produce units in the remainder of 2015 and beyond.
On slide 5, you can see the big bump in subsidies from 54 percent last year to about 77 percent this year, and 20 percent of these subsidized units were under the tight minimum wage program which are granted to consumers who can't afford a more expensive home, and that in our product mix represents middle income sales.

Moving to slide 6, we recorded EBITDA of 202 million pesos, up 16 percent versus last year. SG&A over sales dropped over a percentage point, thanks to better expense controls and a higher average price for the period. We achieved a higher average sales price at 324,000 pesos versus 304 last year, driven by an improved sales mix with a higher focus towards middle income and residential segments.

Moving to slide 7, we significantly improved our working capital cycle to 277 days from 316, thanks to strong sales levels, better collection periods and a greater velocity in moving our land reserves into work in process inventory upon depleting some of our developments. Our total net debt to EBITDA improved slightly, thanks to our strong operating performance; however, we did have a non-cash FX loss related to our U.S. dollar-denominated debt with the sharp depreciation of the peso during the quarter, which resulted ultimately in a net loss for the third quarter – for the first quarter, sorry, of 100 million pesos.

Moving to slide 8, we generated a record level of free cash flow at 350 million pesos, due in part to our continued efforts on improving our working capital cycle, specifically as it relates to receivables, and levering up partners with suppliers, in addition to a more normalized level of new land purchases as compared to last year. Moreover, there was a temporary effect on inventory, as shown in the drop in available finished goods inventory to around 1,100 units, as heavy rains in the northeastern region of Mexico during the first quarter affected our ability to complete homes at a pace that kept up with our sales. Nonetheless, we have the home starts and the work in process inventory in place to neutralize any effect on our titling pipeline for the second quarter of 2015 and for the remainder of the year. We expect that most of this effect will reverse over the course of the next one or two quarters.

Moving to our outlook on slide 9, as I mentioned in the earnings release, we believe this will be a tale of two halves. In the first half, we will have a very high concentration of subsidy-related prototypes, while in the second half, we expect a dramatic shift to non-subsidy prototypes and more middle income sales as the CONAVI subsidy budget becomes exhausted. We continue to believe that, barring a shift in policy, subsidies for our products will continue to be available until around June of 2015. So far during the year, subsidies have continued to flow on a first come, first serve basis across all of our geographic regions. During the month of March, CONAVI began to curtail subsidy availability for certain outside-of-contour developments under the exempt status, stating that they would give priority to within-contour developments as the subsidy budget depletes. In our case, only one development was affected by this lack of availability; nonetheless, the development met its targets for the month and quarter by implementing the pricing prototype and mix strategies that we had already anticipated for June and the remainder of the year.

Lastly, on slide 10, I want to mention that we recently lifted the confidentiality on documents we had filed with the Mexican Securities Authority necessary to be in a position to potentially raise equity capital in the public markets. Javer will become publicly-traded on the Mexican Stock Exchange in the event this process is completed, which still could take several weeks to determine. We will keep you posted on developments on this front. In closing, this looks to be a positive year for Javer and if everything goes in our favor, we can bring the Company to the next level in order to meet our objective of continuing to generate value for all of our stakeholders. This concludes my remarks.

Thank you very much and thank all of you for this time today. Please don't hesitate to contact either Felipe, Veronica or myself if you have any more questions, and look forward to talking to you again in three months.

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