

Construtora Tenda S.A.

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Notice to the Market

2019 and 4Q19 PREVIEW OF OPERATIONAL RESULTS

R\$ 2.58 billion in launches in 2019 (+34.6% YoY) after record-high 4Q19 (R\$ 835.8 million, +57.5% YoY). Net pre-sales totaled R\$ 2.04 billion in the year (+10.0% YoY), close to the midpoint of the guidance for the year. In 4Q19, net pre-sales of R\$ 615.9 million (+34.0% YoY) maintained the net SoS at 28.0%.

FOR IMMEDIATE RELEASE – São Paulo, January 21, 2019 – Construtora Tenda S.A. (“Company”, “Tenda”), a leading Brazilian homebuilder and real estate developer focused on low-income residential projects operating within the brackets 1.5 and 2 of the “Minha Casa, Minha Vida” (“MCMV”) federal government housing program, today announced a preview of its operational results (launches, gross sales, cancellations, net pre-sales, transferred units, delivered units, construction sites and landbank) for the fourth quarter and 2019. These results are preliminary, subject to audit review.

HIGHLIGHTS

- **PSV launched** reached R\$ 835.8 million in 4Q19 (+57.5% YoY). In 2019, PSV launched was R\$ 2.58 billion (+34.6% YoY)
- **Net pre-sales** of R\$ 615.9 million in 4Q19, (+34.0% YoY), with net SoS of 28.0%. In 2019, net pre-sales reached R\$ 2.04 billion (+10.0% YoY), close to the midpoint of the guidance for the year
- **Landbank** reached R\$ 10.62 billion in PSV in 2019 (+19.4% YoY)
- **Land acquisition** in 4Q19 totaled R\$ 1.59 billion (+40.1% QoQ), ensuring stability for the Company's landbank policy (landbank equivalent to 3 years of launches)
- **67 construction sites at the end of 2019**, up 52.3% YoY (44 sites in 2018)

GUIDANCE

Aiming at generating useful comparative information and providing predictability to the market on our figures, Tenda opted to disclose guidance for 2019 based on scenarios identified with defined variables and assumptions.

- In 2019, the Company estimates that the **Adjusted Gross Margin**, which is the ratio of consolidated gross profit for the year less financial charges, as stated in Note 12 to the financial statements and consolidated net revenue for the year, will range between 34.0% and 36.0%
- In 2019, the Company estimates that the **Net Pre-Sales**, defined as the product of gross sales for the year (in R\$ million) minus cancellations for the year (in R\$ million), adjusting all amounts to Tenda's equity interest, will range between R\$1,950.0 million and R\$2,150.0 million. According to the preview of operational results, Net Pre-Sales totaled R\$ 2,039.6 in 2019, close to the midpoint of the guidance for the year.

<i>Guidance 2019</i>	Minimum	Maximum	1Q19	2Q19	3Q19	4Q19	2019
Adjusted Gross Margin (%)	34.0%	36.0%	35.8%	36.1%	34.9%	-	-
Net Pre-Sales (R\$ million)	1,950.0	2,150.0	406.9	479.9	536.9	615.9	2,039.6

LAUNCHES

In 4Q19, Tenda launched 22 projects, totaling R\$ 835.8 million in PSV, up 57.5% YoY and 9.8% QoQ. The PSV launched in 2019 reached R\$ 2.58 billion, up 34.6% YoY. Average price per unit decreased due to a lower share of São Paulo metro area in the 4Q19 launches mix (25.6% of the total launches in 4Q19 versus 32.5% in 3Q19 and 55.0% in 4Q18) and to discounts granted in 2019 given the more restrictive scenario for sales within the MCMV.

In 2019, Tenda launched in São Paulo metro area the first projects with buildings with more than 10 floors (2 ou more elevators). Therefore, the São Paulo metro area grew 51.8% YoY in 2019, which is 35.7% of the Company's PSV launched in 2019 (versus 31.7% in 2018). The Rio de Janeiro metro area grew 46.3% YoY in 2019 and reached 24.0% of the total PSV launched in the year. The Salvador metro area, which represents 15.7% of the PSV launched by Tenda in 2019, was the first region outside São Paulo where Tenda launched projects with elevator (3 projects in 2019).

Launches ¹	4Q19	3Q19	QoQ (%)	4Q18	YoY (%)	2019	2018	YoY (%)
Number of Launches	22	18	22.2% ↑	12	83.3% ↑	63	49	28.6% ↑
PSV (R\$ million)	835.8	761.4	9.8% ↑	530.6	57.5% ↑	2,575.1	1,912.7	34.6% ↑
Number of units	5,972	5,219	14.4% ↑	3,572	67.2% ↑	17,894	13,636	31.2% ↑
Average price per unit (R\$ thousand)	140.0	145.9	(4.1%) ↓	148.5	(5.8%) ↓	143.9	140.3	2.6% ↑
Average size of launches (in units)	271	290	(6.4%) ↓	298	(8.8%) ↓	284	278	2.1% ↑

1. Tenda holds 100% equity interest in all projects launched since 2013 (when it launched its current business model).

GROSS SALES

Gross sales totaled R\$ 669.4 million in 4Q19, up 32.7% YoY. In 2019, gross sales totaled R\$ 2.24 billion, 9.4% higher YoY. In the year, while the number of units sold was 10.2% higher YoY, the average price per unit dropped 0.7% YoY. The increase in São Paulo's participation in the gross sales mix (from 28.6% in 2018 to 35.4% in 2019) mitigated the impact of the average price per unit reduction by region, even in a more restrictive scenario for the MCMV program in the year. Gross Sales over Supply ("Gross SoS") reached 30.5% in 4Q19, 0.3 p.p. lower than 3Q19.

Gross Sales	4Q19	3Q19	QoQ (%)	4Q18	YoY (%)	2019	2018	YoY (%)
PSV (R\$ million)	669.4	590.2	13.4% ↑	504.3	32.7% ↑	2,239.4	2,047.2	9.4% ↑
Number of units	4,831	4,185	15.4% ↑	3,685	31.1% ↑	16,397	14,881	10.2% ↑
Average price per unit (R\$ thousand)	138.6	141.0	(1.7%) ↓	136.9	1.2% ↑	136.6	137.6	(0.7%) ↓
Gross SoS	30.5%	30.8%	(0.3 p.p.) ↓	31.4%	(0.9 p.p.) ↓	61.8%	68.3%	(6.5 p.p.) ↓

CANCELLATIONS AND NET PRE-SALES

Net pre-sales totaled R\$ 615.9 million in 4Q19, up 14.7% QoQ and 34.0% YoY. In 2019, the Net pre-sales totaled R\$ 2.04 billion, near to the midpoint of the guidance for the year.

Net Sales over Supply ("Net SoS") reached 28.0% in 4Q19, remaining stable QoQ even after a record-high 4Q19 in terms of launches. The quarterly Net SoS reached 28.1% in 2019, down 2.6 p.p. YoY. Lower SoS reflects a more restrictive environment for customer credit approval at financial institutions and a lower participation in the bracket 1.5 of the MCMV program (26.3% of net sales in 2019 versus 55.9% of net sales in 2018).

Cancellations to gross sales ratio reached 8.0% in 4Q19, down 1.0 p.p. QoQ. Despite the positive result, part of the pending mortgage transfers from 3Q19 has not been addressed yet, which may lead to an increase in cancellations in 1Q20. In 2019, the cancellations to gross sales ratio reached 8.9%, 0.5 p.p. lower YoY.

(PSV, R\$ million)	4Q19	3Q19	QoQ (%)	4Q18	YoY (%)	2019	2018	YoY (%)
Gross Sales	669.4	590.2	13.4% ↑	504.3	32.7% ↑	2,239.4	2,047.2	9.4% ↑
Cancellations	53.5	53.3	0.4% ↑	44.9	19.2% ↑	199.8	192.4	3.9% ↑
Net Pre-Sales	615.9	536.9	14.7% ↑	459.5	34.0% ↑	2,039.6	1,854.8	10.0% ↑
% Launches ¹	83.3%	71.9%	11.4 p.p. ↑	66.2%	17.1 p.p. ↑	51.5%	46.2%	5.3 p.p. ↑
% Inventory	16.7%	28.1%	(11.4 p.p.) ↓	33.8%	(17.1 p.p.) ↓	48.5%	53.8%	(5.3 p.p.) ↓
Cancellations / Gross Sales	8.0%	9.0%	(1.0 p.p.) ↓	8.9%	(0.9 p.p.) ↓	8.9%	9.4%	(0.5 p.p.) ↓
Net SoS	28.0%	28.0%	0.0 p.p.	28.6%	(0.6 p.p.) ↓	56.3%	61.8%	(5.5 p.p.) ↓

(in units)	4Q19	3Q19	QoQ (%)	4Q18	YoY (%)	2019	2018	YoY (%)
Gross Units Sold	4,831	4,185	15.4% ↑	3,685	31.1% ↑	16,397	14,881	10.2% ↑
Cancelled Units	383	404	(5.2%) ↓	338	13.3% ↑	1,490	1,415	5.3% ↑
Net Units Sold	4,448	3,781	17.6% ↑	3,347	32.9% ↑	14,907	13,466	10.7% ↑
Cancellations / Gross Sales	7.9%	9.7%	(1.8 p.p.) ↓	9.2%	(1.3 p.p.) ↓	9.1%	9.5%	(0.4 p.p.) ↓

1. Current year launches.

UNITS TRANSFERRED, DELIVERED, AND CONSTRUCTION SITES

Transferred PSV totaled R\$ 553.1 million in 4Q19, up 99.4% QoQ and 59.5% YoY. However, in the 3Q19 mortgage transfers were curtailed for 9 weeks and in the 4Q18 mortgage transfers were negatively impacted due to resources reallocation from the FGTS budget between cities and by the scarcity of resources for the bracket 1.5 of the MCMV. Most of the transferred units come from recently launched projects (83.3% of net sales in 4Q19 are related to units launched in 2019), therefore with limited cash effect given a low construction progress. The impact of the interruption of transfers in 3Q19 was not fully addressed in 4Q19, as shown by the 0.4% drop in PSV transferred in 2019 compared to 2018.

On the other hand, Tenda ended 2019 with 67 projects in progress, +52.3% YoY (44 sites), higher than the +28.6% YoY increase in the number of launches. With the resumption of the Brazilian real estate sector in 2019 and the consequent increase in construction costs, Tenda started some construction sites earlier than usual as a strategy to mitigate the impact of possible price increases expected to remain present throughout 2020.

The combination of a greater progress in construction sites and a lower PSV transferred may have an adverse effect on cash generation.

Transfers, Deliveries and Construction Sites	4Q19	3Q19	QoQ (%)	4Q18	YoY (%)	2019	2018	YoY (%)
PSV Transferred (in R\$ million)	553.1	277.3	99.4% ↑	346.8	59.5% ↑	1,641.1	1,648.3	(0.4%) ↓
Transferred Units	4,771	2,312	106.4% ↑	2,808	69.9% ↑	13,951	13,204	5.7% ↑
Delivered Units	1,752	3,844	(54.4%) ↓	2,488	(29.6%) ↓	10,368	10,244	1.2% ↑
Construction Sites	67	57	17.5% ↑	44	52.3% ↑	67	44	52.3% ↑

LANDBANK

In the end of 2019, landbank reached PSV of R\$ 10.62 billion, 19.4% higher YoY. In a strong year in launches, the landbank growth ensure stability for the Company's landbank policy (to keep landbank equivalent to 3 years of launches in each metro area). In the 4Q19, the acquisitions reached R\$ 1.59 billion, 40.1% higher QoQ.

Landbank ¹	4Q19	3Q19	QoQ (%)	4Q18	YoY (%)	2019	2018	YoY (%)
Number of projects	292	278	5.0% ↑	253	15.4% ↑	292	253	15.4% ↑
PSV (R\$ million)	10,619.4	9,869.7	7.6% ↑	8,893.6	19.4% ↑	10,619.4	8,893.6	19.4% ↑
Acquisitions / Adjustments (R\$ million)	1,585.5	1,131.7	40.1% ↑	1,580.8	0.3% ↑	4,300.9	4,111.2	4.6% ↑
Number of units	72,159	67,527	6.9% ↑	60,124	20.0% ↑	72,159	60,124	20.0% ↑
Average price per unit (R\$ thousands)	147.2	146.2	0.7% ↑	147.9	(0.5%) ↓	147.2	147.9	(0.5%) ↓
% Swap Total	34.6%	30.2%	4.4 p.p. ↑	24.2%	10.4 p.p. ↑	34.6%	24.2%	10.4 p.p. ↑
% Swap Units	8.4%	9.1%	(0.7 p.p.) ↓	11.1%	(2.7 p.p.) ↓	8.4%	11.1%	(2.7 p.p.) ↓
% Swap Financial	26.2%	21.1%	5.1 p.p. ↑	13.0%	13.2 p.p. ↑	26.2%	13.0%	13.2 p.p. ↑

1. Tenda holds 100% equity interest of its landbank.

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About Tenda

Construtora Tenda S.A. (B3:TEND3) is Brazil's second largest homebuilder focused on low-income residential projects listed at the Novo Mercado, B3's highest corporate governance level. The Company concentrates its activities in eight metropolitan regions of Brazil, uniquely operating within the brackets 1.5 and 2 of the "Minha Casa, Minha Vida" ("MCMV") federal government housing program. With a sustainable growth strategy, excellence in execution and strong business model, Tenda has been able to deliver solid cash generation and growing profits, sustaining its vision of offering to investors the highest returns in the low-income segment.