

## Q2 2021 Earnings Call

### Company Participants

- Caio Goncalves de Moraes, Vice President of Finance and IR
- Helio Bruck Rotenberg, Chief Executive Officer
- Unidentified Speaker

### Presentation

#### Helio Bruck Rotenberg {BIO 15342060 <GO>}

Good morning, everyone. We are here very happy to announce the results of the second quarter -- the fourth quarter of very good results, and this one especially with a few records broken, both in terms of revenues and EBITDA. I think this is the culmination of a strategy of the company in terms of reinforcing our core business and having some options. We have been able this quarter to have \$1.7 billion in record revenues in the quarter, \$940 million, 87% above last year. The EBITDA of \$102 million in the quarter, this is a record ever, so \$327 million in the last 12 months, \$163 million in the six month period. And in comparison to the first half of last year, these numbers are of way, way above. We are continuing to expand our margins, so adding our business with core businesses. So 26% gross margin in 2Q '21, 13% adjusted EBITDA margin, net income were BRL51 million, BRL107 million in year against net loss in the same periods of the previous year.

So recently we have been publishing or disclosing the numbers in our three business units in terms of consumers what we've sold to individuals and customers. Gross revenue in excess of BRL1 billion in the first half of the year, growth of 131% year-on-year. Last year, we had a weak quarter, it was of the pandemic. Corporate business unit, we have BRL279 million revenues, and this revenue, it's a little bit of this new vision that we have for the corporate market with a new executive officer that we have hired with 36% growth year-on-year. And for public organizations, we have never had so many RFPs, we have 54% growth year-on-year and we delivered BRL425 million.

So, advances in our growth revenues, the payment solution, with a strong pipeline we are soon to announce very good news with other carriers than just -- other than just CLO for the smart home. Once again, it's the best-selling product for Amazon Prime Day, so we have had many new customers. We have grown 137% as compared to last year. We have launched an education echo system, and may even changed the name of this department. So educational and echo system of technology and innovation. This ecosystem aims to be the major integrator of the educational solutions in Brazil.

We can see this movement in the emergence of many companies and many good products. And we cannot -- we don't have enough power to sell. So, we are launching -- we are going to have maths -- through our math product and we sell by use. So, this is a major project and we are launching and we are very optimistic about this project. We have

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grown 80% in HaaS, so there is a major demand for HaaS in schools. We have launched a specific products for this sector with some demand of hardware-as-a-service.

So, the growth and the sale of computers has been significant, 52% year-on-year growth, added to the volume and increase in average prices because of a higher average dollar and higher price of components, very high demand. And retail is not yet fully supplied, and so the complete brand portfolio, so the first time we have a little bit of compact. So today, we have Positivo, Vaio and Compaq. This is part of our strategy of reaching all different layers of society in terms of computer sales.

We are really honored to be on the board of an DMTF. We are the only ones from Latin America among many other companies from all over the world, defining the future for hardware companies. We structured our area, now we have a Corporate VP in IR area, so we think that there is a great opportunity for growth because of our wide-ranging product portfolio going from service storage to desktops, notebooks going through network equipment. So, we have a wide-ranging variety of products to be sold, hardware service provision. So there are many things that we needed to structure more aggressively, and that's why we have hired Rodrigo for this area and likewise we were not so strong in IR, so we have really reinforced IR to -- for the interaction with the stakeholders in the market.

Now, next slide. So here, you can have an idea of the evolution of gross revenue. There is a seasonality, so it's clear -- so in the first half of the year, the second half of the year is always usually stronger than the first half, there has been a major growth as compared. So I mean, as compared to the first half last year, we have had a growth. By business, we have had a more growth in consumer, 16% in corporate and 24% in government organizations. This is what we have won through public RFPs.

Talking a little bit about the consumer market, this major growth to BRL1 billion. So this is because of major sales volume and also higher prices. The two things combined provided this growth of 130%. Yes, we are -- with everything, so you have computers, there are very many people working from home, and it sounds like this movement is something very specific. So, they all think that this is a secular movement. So, we have a growth in the global market of computers, the peak was 365 million in 2011. So this year, we are going to beat that number. So, computers are personal again, and this looks -- seems to be a sustained movement and hybrid work is here to stay. So, the number of class is the that will be taught remotely will increase permanently and hybrid work is here to stay. So and with likes of technology, so online consultations and this is all going to call for the use of computers at a level that we have today.

We are at a new level, research institutes things at this level or 370, 380 computers that we had this year, is the new level that is going to sustain over the next few years. And in Brazil, we have not yet reached our peak of 2011 which was \$16 million, we're going to have \$8 million this year because we had a very intense economic crisis. And this is very much related to the GDP. We are really excited with the computer market. So, there has there has been a significant growth in Vaio. The first few sales of Compaq, the small retail channel has grown to 232% as compared to last year. We have always been stronger with the 100 top retailers and we weren't strong from 101 to 3,000. Now, we have designed a

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project to go into positions 101 to 3,000, we have had a 44% increase in the average price of computers or computer tickets, both because of higher dollar prices.

So, we are still in smart home with 155 users, so we have major component and we are more connected launching more products in this area. And once again we were top in Amazon Prime Day. We have had a significant growth from 205 to 279 in the corporate sector. So service grew only 5% this year as compared to last year, but this is a thriving market, but overall \$279 million revenues. And we had these 36% as a reversal from desktop to the notebook. We're still selling desktops but now we are selling more notebooks as compared to desktops. And we have more than 50% in notebooks. 50% increase in the number of contracts signed, a greater demand for HaaS, which accounts for a relevant share of the revenue of the period. And we are going to have a boost in that area, because schools will open again, that's why our area of technology didn't grow, but once schools open again, and they will start -- and then they need the technology.

Now for a means of payment, as I said, there is a major pipeline with other players other than Cielo, many others actually. And we're having contact with all of them. And now, as there is no more exclusive rights for the machines -- the credit card machines as to government organizations, we have had a growth from 227 to 425. We have more than \$1 billion pipeline already contracted to be delivered this year and a little bit last year against \$552 million in the same period of 2020. So, for this number, we had 1550 in the pipeline in July last year, and this year we have \$1 billion.

In addition to the amount of the ballots, the electronic ballots or the ballot boxes, and we are going to deliver about 20% of the ballot boxes, about 45,000 ballot boxes this year. So, the bidding market is still very, very busy with educational, non-educational project right now. There is a major bid in the state of Minas Gerais with 85,000 desktops and with three different lots with thousands and thousands of laptops and desktops. We won 120,000 tablets in the government of Siera, we had already 120,000. And just to give you an idea, that this market is really buying, and we have an increased demand for equipment rental model. We have a recurrence of additives attesting the market's confidence in our products and solutions offered, especially HaaS.

Caio, would you like to talk about numbers and financial performance? I think you're the best person to do that.

### **Caio Goncalves de Moraes** {BIO 18682110 <GO>}

Yes, thank you very much for the opportunity for the conference call. Starting with a gross margin, you can see a quite significant expansion, both in the quarter and in the first half of the year going -- and this is due to three main factors; the strong activity, also a better mix and a growth in notebooks instead of desktops. We are selling more tablets for the same reasons that we mentioned before, with strong presence of these products in education departments in the state. In addition, advances in half and smart home revenues. We -- there has been an increase in the average ticket of products, both because of the effects variation and higher prices of parts.

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In terms of adjusted EBITDA, we went from 2% to 13% in the second half of the second quarter of '21. And in the half year, we went from a negative number to 11.2%, and the reasons are precisely the same as for the gross margin. So strong expansion of activities, a better mix and also appropriate control of costs and expenses that we started last year. During the pandemic, we took measures to have a better control of costs and expenses, and this is providing good results in the company's performance. Now, we should highlight that this is the fourth the fourth quarter in a row of expansion of EBITDA. And so, as we said before, we have historical record with this number for the company.

On the next slide, and we have financial results and net income. This is important to emphasize in financial results that there has been a loss of BRL49 million in a Q2, which is explained by to financial expenses and which is very much in line with our growth strategy, and this is a result of the strong growth that the company is having. So we need more funding for working capital and also to fund future expenses.

The second element it is the FX variation, 36% of FX variation in Q2 fully explained by the drop in the prices of dollar which one's from BRL55.5 billion in the end of June, and this is because of FX protection. But if we look at first half of the year numbers, this is translated to a gain of BRL4.7 billion, which demonstrates the efficacy of our FX protection strategy in a context of high volatility.

So, looking from this end, this all translates in strong net income of BRL55.5 million in Q2, and in the first half BRL107.3 million. And so the strong generation of EBITDA, and strong net income, and with the net debt of BRL323 million under control have led our leverage net debt over EBITDA to be 1x in contrast to 1.7x in Q2 '20, which is very good.

On the second slide, on this other slide, we talk about the capitalist market. So these are very important numbers for the company. There have been more corporate investors, 55% approximately of our share base in the free float. But overall, the company is making -- the market is very much interested in the company. In order to do that, as Helio said, we have restructured the company and restructured Investor Relations department to be more available, to explain the company's strategies. And this has translated into good performance of our stock.

And so we are having much more for -- a much better performance evaluation of 80% almost versus 1Q '21. And it's also important to say that we are no longer alone. Now, we have peers in our market and we will also like to emphasize that there is a trend that our number is slightly below the comparable numbers. We think that the market is going to equalize these issues a long time, so we continue to deliver good results and good market communication. And this is going to be well balanced. I would also like to emphasize the strong liquidity of our bonds. If you get the averages traded by day about \$92 million, so it's a quite strong number too.

Now, we go to our final considerations and outlook and I give the floor back to Helio.

**Helio Bruck Rotenberg** {BIO 15342060 <GO>}

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I would just like to summarize something to try and understand. Well, yes, we have four very good quarters, what about the future? So, on these slides we try to show you a little bit summary of what happened in the first half of this year and what we think is going to happen in the second half of the year in each one of our main business units.

So consumer business unit still has strong demand. So the retail is not yet fully supplied and there is even a question about retail, no. Some retailers are better supplied, but on average, retailers have about 60 days of inventory, when usually they have 90 to 120, depending on the retailer. So there is still some room to selling regardless of sellouts, and sellouts is still very good. To give you an idea, in Google charts of notebook procurement, it's still higher and very much strong and higher than before the pandemic.

So, what happened in this? This business unit accounts for about 45% of our annual revenues. So, on the segment of cheaper computers that need computers for online work, they buy these cheaper computers, which is what they can afford. And we have Compaq. We also have the issue of home schooling that accelerates raised to see a lot of tablets and computers, higher presence at home also influences in the smart home. So, I want a little bit more comfort and convenient when I'm at home, they can go out, they can party. So, the growth of light bulbs has grown, we had many LED strips in the market that portfolio has expanded. And cell phones are growing again, but it's more our own growth than the market. The market is stable, but we have grown specially because LG has left the market, as everybody knows. So this provides some room and mobility for us to grow and small retailers have grown more than 200% over one -- the first half of 2020.

Now, talking about subsequent periods, this quarter and the quarter after this one, quarter three and four, they usually account for 55% of our annual revenues. There is a secularization of hybrid work and home schooling. There is a maintenance of strong demand for computers, tablets and home automation items, as I explained before. And Positivo, boosted consumer PC, penetration in cell phones, we have also explained in our portfolio trying to have a strategy as Vaio's. Average price are nearly 40% higher than in 2021 as compared to 2020 due to appreciation of the FX rate and higher input cost. And retail is still below pre-pandemic average supply level, as we explained to you before.

Now, on the next slide talking about the corporate market. Likewise, the revenues are approximately BRL45 million to BRL55 million constantly, over the last three years average prices are 25% higher than last year. There is a renewal of parks, there's a boom in small companies that we didn't believe in. So very strong small businesses. IDC maintains its forecast for significant growth of large companies too. And half is still going up, always supported by very strong funding structures. And we are really evolving a lot of that. And so, in terms of payment solutions, the market is very interesting for us, we had very good prospects we have been approaching for the smart machines, there is a major demand, we have expanded our portfolio. Today, we have smart and non-smart machines, but mainly through smart machines. And servers are still benefiting for the hybrid cloud and convergence. And with 5G this is due to grow, but it won't be this year yet. But yes, next year, 5G will be an important factor for our growth.

Now, explaining a little bit about our government in closing on then on Page 15. So, our gross revenue was BRL425 million with major bid such as Ministry of Finance, Caixa Banco

do Brasil, Petrobras as well as notebooks and tablets for public schools in the State of Sao Paulo, Tiara, in many cities all over Brazil, and many bids still open, lots, lots. So, this makes us have a pipeline of BRL1 billion in contrast of BRL550 million. To give you a more accurate number, just to emphasize, the BRL550 million of last year have turned into BRL290 million revenues in the second half not everything is building a second half. So proportionally, you can have an idea of how much we think we are going to build in a second half of this year. Plus, another 20% of the ballot boxes, we supply of 225 and we are going to deliver 45,000 units in November and December, and the rest will be in the first months of next year.

So in a nutshell, and the outlook is very optimistic right now for our company we are really excited, we're still working in home office and we're still working very intensely and we're working very hard, but we are very, very excited. Thank you all very much.

## Questions And Answers

### Operator

(Question And Answer)

### A - Unidentified Speaker

Thank you. Now we are going to start our Q&A session. We have many questions here, maybe it's a record here. So let's start with XP, Bernardo Guttmann. The first question from Bernardo is the following. The EBITDA margin has caught our attention in spite of a scenario of shortage of electronic parts. So what is the speed of normalization? And how do you see the recovery of supply to the industry, manufacturing industry? And can we expect the margin expansion, assuming everything that you had said?

### A - Helio Bruck Rotenberg {BIO 15342060 <GO>}

Good morning, Bernardo. Trying to explain, I am not too optimistic in terms of increase of EBITDA margin. So, we are likely to keep it but unlikely to increase it. It might go up by 0.5% in one quarter and down. But I think this EBITDA margin is normalized. In the midterm, once new businesses start to have a higher share of our revenues, then we are going to see an expansion in EBITDA margin, but not in these -- in the short future. And we are having -- our EBITDA margin is very good for our history and this is going to keep.

Next to the crisis. We are supplied for what we thought we were going to supply in a supply half of the year, and we were conservative. I don't know whether we would be able to supply more. If we had more, we would certainly have sold more. But there was shortage for everyone, so we don't know how much more we would have sold, but we have BRL1 billion in inventory today. And for the pipeline that we have until the end of the year, we are very well supplied. And the crisis, as a whole, demonstrates that maybe we have reached the peak over the past few weeks, because prices that were going up for electronic parts now stopped going up.

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Now, the escalation of prices has now slowed down. So we think, we are almost at the peak of the crisis. And from now on, the trend is of improvement. But we don't know how long it's going to take to go back to normal. It depends very much on the supplier type of component, some industries have grown more and others less. So, it will depend. Some industries are only going to go back to normal at the end of 2022, beginning of 2023, while this is in the beginning of 2022. But I would say, we are at the peak, and from now things are going to get better.

### **A - Unidentified Speaker**

There's a second question, very much related to the first one. I would like to understand your vision about the level of inventory on the front-end. Some players have you recently said that they are well stocked for the second half of the year, do you think there will be a lower sell out, any concerns?

### **A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

Well, I mentioned that Bernardo. We don't see retailer stocked. So, some because they were afraid of shortage, they bought more. But on average, they have about 60 to 65 days of inventory of our production on average, when they usually work with 90 to 120. So, there is still some adjustment and they re-sellout. Sellout is not as good as it was in the first half of the year when people were still at home buying desperately computers, but it's still very good.

### **A - Unidentified Speaker**

Another question from Sergio (inaudible), he has two questions. The first one, are you negotiating partnerships with major smartphone brands?

### **A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

Yes, we are. Well, no announcements to make here, we are negotiating and we are very optimistic.

### **A - Unidentified Speaker**

Second question, in corporate venture capital with a with the participation of Oliva, where is the startup going to operate Oliva? What is Oliva? Please remind me of the startup.

### **A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

I would answer like this. This is the startup which is not core to our portfolio. We have a 40% stake in it. We invested quite some time ago it's a business model that we are monitoring, but this is not the same thing. It's not the company that we monitored so closely. The investment was in 2017 and we have 40% stack at the startup. They changed its name to Oliva, they make drones for agricultural spraying.

I was very optimistic with the startup. There are engineers from ITA that worked for Embraer, and they wanted to make an unmanned airplane, but we call it drone, but it's really an unmanned airplane. Those little airplanes that spray pesticides, what they should

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and what they shouldn't. But this company, the prototype which should have flown a year ago, has not flown yet. So I think this is one of the startups that we no longer believe that is going to perform very well.

## A - Unidentified Speaker

So a question from Carlos Zaheer [ph], so could you talk about the performance of HiLab in the quarter.

## A - Helio Bruck Rotenberg {BIO 15342060 <GO>}

We do not disclose intermediate numbers because HiLab doesn't disclose that. We've been monitoring HiLab, they did very well last year, and this year with a BRL2 million contract for tests signed with Boonton Institute, COVID tests. So HiLab, they have many labs all over the state of Sao Paulo real time results of the pandemic in each location in the state. There were 2 million tests that were higher that were delivered, part of them delivered last year, part of them this year. So they have very good performance in terms of revenue and its core, which is expansion in drug stores. They are still expanding all over Brazil and even a customer of ours that has drug stores in the mall, in North of the Brazil, they are based in Manaus. And the CEO was saying that he's very excited as Hi is going into all their drug stores, about 60 drug stores in the north region of the country. So Hi is doing very well. Thank you.

## A - Unidentified Speaker

Now, continuing with Carlos Herrera's questions. Are you suffering from the shortage of semiconductors and chips? Which products are the most affected?

## A - Helio Bruck Rotenberg {BIO 15342060 <GO>}

All products are affected almost equally, it is a widespread shortage. For example, one chip that we are missing is the sound chip, no one ever heard about it -- about that company Health Tech, so they design 80% of sound chips used all over the industry; computer, cellphones, smart home, cars. So, this company does that. So, everything bottled -- there's a bottleneck because everyone wants and they don't have their own designer, because they manufacture their chips in test and see that is responsible for 90% of integrated circuits. They are in Thailand. No one had ever paid attention of as Taiwan how important Taiwan is in terms of a house or manufacturing of computer parts.

So, we defined another layout for our boards so that they could accept a different kind of chip. So, I think we are at the peak of the crisis but this is likely to improve from now on. Into the future prices have gone way up, but the trends is that the slowly it's going to go back to normal. And for sales that we planned ourselves to do, we have been able to do, sometimes it's a little bit late, it's not in one month, over the last four weeks there has been a major crisis of containers in China. Chinese ports were very, very busy, there were no containers to board products into ships. And once they got to Brazil, there were COVID cases in the ships and they could not unload. So, there has been a minor delay in some of our parts.



So now, we could have had a better performance in Q2, but now we'll be delivering those in Q3. And I think that everything that we planned, we will be able to accomplish.

### A - Unidentified Speaker

One last question from Carlos Herrera. So, which of our consumer products have the highest margins?

### A - Helio Bruck Rotenberg {BIO 15342060 <GO>}

I think there is a trend to have a balance in margins. There's not one product that they have a higher margin than the other, it depends very much on the cycle. So, once you launch it, the margin is slightly higher, then it goes down as time goes by. But all consumer products that are sold in Brazilian retail, they are likely to have similar margins.

### A - Unidentified Speaker

There's a question from Julius Caesar Queen [ph]. It's about inventory. So, how much of this is price and products that were brought to form back log?

### A - Helio Bruck Rotenberg {BIO 15342060 <GO>}

So, it's a combination of price and volume for our future revenues. So, it means that we are optimistic with what we are going to build in the future. There is no obsolete inventory, we're not overstocked. What we have is inventory that is going to be sold in July -- August, September and so on and so forth. This clearly demonstrates the strength of future quarters.

### A - Unidentified Speaker

A question from Ronnie Oliver, what do you expect for considering the schools are reopening?

### A - Helio Bruck Rotenberg {BIO 15342060 <GO>}

School is a product that suffered a lot. So, with schools were closed they stopped buying that product that once schools reopen they're going to buy that product again. But this drop in revenue, because some types of products that educational technologies sells, so legal for education, micro-bids, so microplates to teach programming. And (inaudible) is no longer sold and I think this is going to be resumed one schools reopen. I don't think this is going to be immediate. They are much more worried with the going back of students rather than buying technology for in-person education right now, but it's just a matter of a few months for that to go back up again.

### A - Unidentified Speaker

We have a question from Marcos Nascimento. Good morning, everyone. Congratulations on your performance. The growth of sale innovation of some products just after inspection of export market or volume measurement.

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### **A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

We don't talk about our performance overseas. We operate through a JV in Argentina, we have a JV in Argentina, and we have 50% of a company in Argentina. Enter Argentina we now operate, in Argentina, Uruguay, now in Colombia. And in some countries in Africa, more specifically in Kenya, Rwanda, and now in Ghana. So, we do it through the subsidiary. So, we don't think of exporting, we export a little bit of educational table, something that we have technology -- education technologies, but it's about \$1 million a year, it's not much.

### **A - Unidentified Speaker**

A question from Philip Dick. Congratulation of performance, the evolution of the company's market share. How do you see small investors?

### **A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

Well, the market share has been keeping in retail. It's 16%, 17%, 18% depending on the month. With the growth of Compaq we are going to gain a little bit of share once Compaq starts gaining volume this quarter now. So we've been keeping up our share. We are neither gaining or losing, and everyone is very much heated up. If we had more supply we would have gained share, but there is a limitation in supply so the share has been limited by supply.

About investors, I can say a few things. Obviously, 45% of our basis is individuals, we hold them really dearly. They are a different audience, slightly different from the organizational, but very important, which accounts for a significant share of our basis of investors. So we want to be able to cater to the needs of both audiences, both corporate and individuals. So we want to enforce our services to individual investors.

### **A - Unidentified Speaker**

Now, we have a question from Henry. So, congratulations, could you talk about Venture Capital \$40 million will be for companies in which industries?

### **A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

We aren't still defining where to invest. We have a major pipeline of products of companies to be investigated. We have reinforced and we have spent a little bit of the companies that we have. And this pipeline today is formed by ed-tech, agri-tech, and log-tech. And the most -- we are most likely to invest in these three industries; logistics, agriculture and education. The pipeline is doing very well. Agro is doing very well. Agro smart and ad-tech and the flagship that XP called, so high technology is doing very well too. And I think investments are evolving well. We have 11 investments and 8 of the 11 are growing significantly.

### **A - Unidentified Speaker**

Another question from Christian (inaudible). With the peak of the crisis, will there be a slowdown in a home office? And how is that going to impact you?

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### **A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

I don't think that demand is going to go down. Hybrid work has been growing, and work is not going to be fully in person, as it was before, and this has an impact in the demand for computers. So, we have reached a new level, not that there will be a sharp growth next year but we are going to keep this high level.

### **A - Unidentified Speaker**

Now, a question from (inaudible), very interesting. The market understood that Positivo's numbers are very good, why should I continue to believe in Positivo as an independent investor? And what should you improve in Positivo?

### **A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

Well, it's difficult to answer this question. I still believe very much in this company. And we are at a very good time. I think that we've built a winning strategy, combining core business and there avenues for growth. So we have a core business with computers, tablets and cell phones that is very good with a full ranging portfolio with few computer brands, may be more brands and cell phones, tablets doing very well too, on one hand. And we have the avenues of growth as an option. So we have payment machines, we have storage service, we have smart home, we have educational, we have half, we have services, we have ballot boxes. And so, everything we're going to have a new process of 176,000 ballot boxes very shortly. So, all these things make us believe that we have a very good future, and this is what we believe.

### **Operator**

Another question from Christine (inaudible). With a high inventory for next quarter, what should we expect from Positivo smartphones, do you want to go to the top, this year, next year?

### **A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

Well, we fight in the entry-level smartphones, smartphones up to BRL1,000, there we have a significant share. We are seeking that partnership to go to other segments. We want to have partnerships to operate in other levels.

### **A - Unidentified Speaker**

Now, a question from Gabrielle Casilla. Congratulations on your performance. Thank you very much. Once the leverage has gone down significantly, what are the company's prospects for new investments, CapEx and to increase leverage, maybe?

### **A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

Well, our company, in terms of production capacity, it's not very CapEx intensive. Even if we grow, we still have idle manufacturing capacity, but we might need to invest in some regions that might grow more than another. But they are low investments. So, investments in new plant is BRL10 million, BRL15 million, they are not very high investments. What we've seen in our avenues of growth in our core business, it makes sense to have some M&A.

We are looking and paying close attention. Nothing has been defined, we are just studying at the possibilities in trying to understand whether it would be interesting for us to have any more significant investment in M&A.

### **A - Unidentified Speaker**

Now, questions from Flavio Beaker. Good morning, congratulations on your performance. Thank you. How do we approve the ballot boxes with printing? Would it impact you?

### **A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

It wouldn't impact for us. Our ballot boxes are pre-prepared to have a printer, and then the election authorities would decide whether to connect the printer or not. Would we bid into a RFP for printers? Well, I don't know, it would depend on the terms. Does it delivery of our ballot boxes, no impact if we needed to print.

### **A - Unidentified Speaker**

A question from (inaudible). The smart home market is billion, so is it just product and services?

### **A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

Well, currently we are in a phase of do-it-yourself, so all the products that we sell are installed by the consumer. And this is a segment of the smart home that has been growing the most, wireless and cheap sensors have made it possible to do-it-yourself. So, now our first entry smart homes is in a do-it-yourself. It doesn't mean that we are not interested or studying going to do it for me, having more complex equipment that needs to be installed by a professional. For the smart home and small companies, medium-sized companies and large-sized companies. We are studying now, but now we want to increase the portfolio of do-it-yourself or whether electronic door locks, door bells, a network of routers, a new app that is very, very nice. And this is what we've been doing for the smart home today.

### **A - Unidentified Speaker**

Now, we have answered a 100% of our questions. The record number of questions as compared to past quarters. Now, I give the floor back to you, Helio, for your closing remarks.

### **A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

Well, for me, this is it. I think we have said everything. We are very happy with the results that we are announcing. We are at the very good timing at our company, and we are very happy because the strategy that we defined some time ago was successful. So, we are very, very happy with that. Caio, would you like to say something?

### **A - Caio Goncalves de Moraes** {BIO 18682110 <GO>}

No, I think this is it. We're having historical numbers. Very good outlook, record presence, we have had 97 people connected to our conference call and asking questions, and this is

very good. And we would like to reinforce a very good time for our company and we believe that we are going to deliver more and more. Thank you all very much.

**A - Helio Bruck Rotenberg** {BIO 15342060 <GO>}

Thank you, goodbye.

FINAL

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