

## Y 2013 Earnings Call

### Company Participants

- Lincon Lopes Ferraz, Investor Relations Officer

### Presentation

#### Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Positivo Informatica's Fourth Quarter 2013 Earnings Conference Call. Today we have with us Mr. Lincon Lopes Ferraz, Investor Relations Officer. We would like to inform you that you will be in listen-only mode during the company's presentation. After Positivo Informatica's remarks are completed, there will be a question-and-answer session. At that time, further instructions will be given. (Operator Instructions).

We have simultaneous webcast that may be accessed through the company's website [www.positivoinformatica.com.br/ir](http://www.positivoinformatica.com.br/ir). The slide presentation may be downloaded from this website. Please feel free to flip through the slides during the conference call.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Positivo Informatica's management, and on information currently available to the company. They involve risks, uncertainties and assumptions because they relate to future events, and therefore, depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Positivo Informatica and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the call over to Mr. Lincon Lopes Ferraz. You may begin your conference.

#### Lincon Lopes Ferraz {BIO 18660463 <GO>}

Thank you. Good morning, everyone. We are here to present the results for the fourth quarter 2013, and recorded net income of R\$31 million.

Moving to page five, you can see that the hardware markets continue to grow. The company is dedicated towards diversification strategy. The Brazilian PC market recorded moderate volumes in 2013 due to the rising prices of the computer and the high demand for tablets. Tablets has been preferred by many users who use the product only to consume content. If we consider PC's and tablets together, the hardware market grew 19% in volume and 11% in revenue over 2012. It's worth noting that the Brazilian PC market grew in terms of revenue in 2012, totaling R\$22 billion.

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In the last months of the year, the market (inaudible) consolidation of the pass-through to prices in the PC market, it happened because of the exhaustion of the inventories of components purchased at a lower dollar by manufacturers. The purchase values remain attractive due to lower pricing of certain components such as touch screens, following their scale gains of it in the mobile industry.

Positivo Informatica's efforts to achieve greater diversification in terms of products and distribution channels. That means short time growth in tablet and mobile phone segment and in the corporate and government markets. Also, the company expects to keep it's (inaudible) in the pass-through to improve prices and austerity in managing cost and investment.

As I speak in terms of the market share, in 2013, Positivo recorded its highest in Brazil in 2009 with 50% considering fourth quarter alone, the (inaudible) share leads to 60%, 3 percentage points more than the previous quarter. In the retail channel, the company recovered 5 percentage points in the first quarter closing the period with 21%. In 2013, (inaudible) 20%, year-on-year.

Positivo BGH computers recorded a market share of 10% in Argentina in 2013, 2 percentage points up year-on-year. The biggest improvement occurring in the public markets which has (inaudible) recorded in 2013 with a 6% share in Brazil to assets build in the present year. We have strong sales to the government in the first half of the year, and the good improvement in retail sales in the second half, reflecting the good acceptance of the new product line.

In page seven, we can see the sales. Positivo sold 800,000 computers and tablets in the fourth quarter, 19% up year-on-year. The good performance allowed the company to record the highest quarterly revenue in its history and to exceed the mark of 3 million units sold in the year, 28% increase over 2012.

Tablets recorded a strong sales twice as big as the first quarter in 2012 with a higher share of retail shares. In the retail, sales comes to almost 500,000 units in the first quarter, 7% down year-on-year. The decrease in the number of PCs sold was influenced by the fierce competition, as well as the company's average price increase. In addition, the lower volume of computers was partially offset by the increase in tablet sales.

Sales to the government totaled 250,000 Brazilian tablets a 100% more in the first quarter 2012. The sales refer chiefly to educational projects involving computer labs, convertible netbooks and tablets. In addition, the company delivered a larger volume of desktop computers to government-owned companies and banks. For 2014, the company is beginning the year with an estimated delivery portfolio of more than 50,000 tablets and 6,000 [ph] PCs. Corporate-market sales performed well once again, totaling 72,000 Pcs and tablets a 100% up year-on-year. The company increased its direct sales to large companies in the quarter it performed well in its indirect sales platform.

In page nine, we can analyze the financial results, the company recorded a net revenues of almost R\$800 million in the first quarter, any quarter this is a record, 18% up year-on

year. In 2013, net revenue came to R\$2.6 billion, 21% increase year-on-year, both by strong sales in the corporate and government market and also tablet.

Average price increases again in the first quarter due to the pass-through of offset the appreciation of the dollar. Desktop increase to 6% of the third quarter due to the higher share of sales to the government and corporate markets. Notebooks increased 7%, which have the more advanced configuration, the growth of the Positivo brand, the higher share of the government and corporate market and a decrease in netbook sales. Tablets focus 8% quarter-on-quarter decline, due to the higher share of 7-inch screen devices in the period. The average price of mobile phones moved up by 27%, due to the higher share of smartphones.

In page 10, you can see the cost came to 77% in the fourth quarter, 2 percentage points down on the third quarter. Raw material and component costs represented 73% of net revenue, this improvement reflects the lower imported input dollar, which reduces by 1.5% combined with the company's higher average sales price.

Selling expense represented 50% of net revenue in the fourth quarter, the reduction was chiefly caused by the greater dilution of fixed costs and the greater proportion of sales in corporate and government markets, especially in terms of market share growth.

G&A expenses totaled 35 million, 7% up on the fourth quarter of 2012. It's worth mentioning that the company recognized 8 million in extraordinary expenses with contingencies and consulting services in the period, and excluding these items and the mandatory R&D expenses, this line came to 22 million, 2% down year-on-year.

Page 11, the operational results. Adjusted EBITDA which consider 50% of the result of the company. In Argentina, totaled 55 million in the fourth quarter, equivalent to an increase of 63%. The adjusted EBITDA margin grew to 7% this year. In 2013, adjusted EBITDA came to 139 million accompanied by an adjusted margin of 6.4%.[ph] The improvement in the operating results was fueled by the pass-through to prices, the improved sales profile and the control of costs and expenses throughout the year.

Net income comes to R\$31 million in the fourth quarter reverting the loss accumulated until September, as expected by the company. As a result, Positivo Informatica reported net income of 16 million in 2013. The financial results was a net expense of 5 million. We had an exchange variation gain of 500,000. This line is represented by the sum of the result from hedge instruments, which were positive by 15 million, and the effect from the FX variation of outstanding obligations denominated in foreign currency, which was negative by 14.5 million.[ph]

On page 12, cash flow. The cash flow in the first quarter was negative by 97 million, improved by the higher requirement of working capital, following the strong revenue in the period. In addition, we finished the year with higher than expected inventory with lower sales to the retail segment and purchase of components related to government projects and deliveries are concentrated in the opening months of 2012 -- '13. In 2013,

however, operating cash flow was positive by 16 million, reversing the net balance of 79 million recorded in 2012.

Moving forward on page 13, you can see in the working capital market, cash conversion cycle ended the year below 100 days influenced by the strong revenue in the fourth quarter. In terms of the analyzing net revenue, working capital represents 30%, an improvement of 6 percentage points on 2012. The growth of 2013 with the net debt of 295 million, 20 million more than a year ago. (inaudible) had the strong growth of the revenue in the period and only limited working capital needs.

Next page, page 14. You can see that, our investments as part of the austerity measures taken by the company, investments declined to 29 million in 2013, a reduction of 56%. Most of the funds were allocated to R&D activities focuses on the development of new products and services and educational technology solutions.

In 2014, the company expects to invest an 11 million in activities not related to R&D. Among IT investments, the most important are the update of the company's server infrastructure and improvements to the ERP system.

Thank you for your attention. You can now start the Q&A session.

## Questions And Answers

### Operator

Thank you. The floor is now open for questions. (Operator Instructions). As we have no questions, I'll turn over to Positivo Informatica for final considerations.

### A - Lincon Lopes Ferraz {BIO 18660463 <GO>}

Thank you. Well, we can see that the strategic focus for 2014 is protecting PC volumes to grow in the mobile device segment and to pursuit better returns on invested capital. We had consistent market share in the retail, it is probably good despite the pass-through to prices showing our brand is (inaudible).

In the beginning of 2014, we have already a government portfolio of over 50,000 tablets and 6,000 [ph] PCs, with higher average prices when compared to 2013. Those deliveries are concentrated in the opening months of 2014. We also have a good response from Brazilian consumers to the company's new tablet line, composed of competitive entry-level products and higher configuration devices, with a more sophisticated design.

We expect an upturn in mobile phone sales in 2014, particularly smartphones allows us to maintain the initiatives to boost cash generation, including control of costs and investments.

I'll see you in the next earnings call. Thank you.

## Operator

Thank you. This concludes today's Positivo Informatica's earnings conference call. You may disconnect your lines at this time.

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