

Q1 2019 Earnings Call Portuguese

Company Participants

- Gustavo Henrique Santos de Sousa, Chief Financial Officer
- Paulo Rogerio Caffarelli, Chief Executive Officer
- Victor Schabbel, Investor Relations Director

Other Participants

- Craig Maurer, Analyst
- Eduardo Rosman, Analyst
- Felipe Gaspar Salomao, Analyst
- Jeff Cantwell, Analyst
- Mario Pierry, Analyst
- Neha Agarwala, Analyst

Presentation

Operator

Good morning, everyone, and thank you for waiting. Welcome to Cielo First Quarter of 2019 Results Conference Call. With us here today, we have Mr. Paulo Caffarelli, Gustavo Sousa and Victor Schabbel. This event is being recorded. (Operator Instructions) This event is also being broadcast live via webcast and may be accessed through Cielo website at ir.cielo.com.br/en, where the presentation is also available.

Participants may view the slides in the order they wish. The replay will be available shortly after the event is concluded. Those following the presentation via webcast may post their questions on our website. They will be answered by the IR team after the conference is finished.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Cielo management and on information currently available to the company. They involve risks and uncertainties because they relate to future events, and therefore, depend on circumstances that may or may not occur.

Investors and analysts should also understand that conditions related to macroeconomic conditions, industry and other factors could also force results to differ materially from those expressed in such forward-looking statements.

Now I would like to turn the conference over to Mr. Paulo Caffarelli. Mr. Paulo you may begin your presentation.

Paulo Rogerio Caffarelli {BIO 7429811 <GO>}

Good morning, and thank you for participating in this conference call. Today, we are going to share some specific points of our performance and strategy.

As a quick recap, I'd like to start by addressing items we discussed in our last earnings call when I in fact, I emphasized that we were going to reorganize Cielo's structure and change the commercial model in order to better position the company to face the new competitive environment. Also, I made it very clear that Cielo was back to the game, ready to compete in prices in order to regain market share.

In the first quarter, we finalized the reorganization of the company which are driver to put the clients as the focus of our decision-making process, we created 3 business units fully dedicated to its specific client segments: Corporate, retail and entrepreneurs. We also redesigned the logistics and client services areas in order to improve customer satisfaction to reach better customer experience.

Additionally, we promoted a substantial change in the company's top level management. The new commercial approach changed from a single title of sales representative to 2 types. The first one is the hunters, completely dedicated to seek new clients. Our target in this situation is to reach 2,000 new customers a day. Nowadays, we add 1,600. And farmers focused on client relationship management. In addition to this conceptual change, we added 1,000 people to boost our sales force. As a result of these changes, Cielo is already more competitive and closer to its customers with a strong presence across all segments of our industry from micro merchants to big sided ones.

As previously anticipated, the combination of sales force increased with an aggressive pricing strategy, create short-term pressure on net income. This is, however, has already generated early indicators of a trend reversal, namely in clients base, volume and POS sales.

Lastly, would like to assure you that Cielo is the most prepared company to face the current fierce competitive moment in the Brazilian card acquiring industry. It is a medium and long-term challenge. Now I want to hand over to Gustavo, who will discuss the numbers of the quarter in more details. Gustavo, please? Thank you, all.

Gustavo Henrique Santos de Sousa {BIO 17683157 <GO>}

Thank you, Caffarelli. Good morning, everyone. Let's start our presentation on Slide 3. On this slide, we present a summarized view of Cielo's performance in the first quarter. So starting with financial volume.

We totaled BRL 155.8 billion in volume, and that is a 3% growth versus the first quarter of last year. This is the strongest growth over the last 12 months. Actually, we saw a decline in this metric over the last 2 quarters. This growth may indicate the beginning of a trend reversal.

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In terms of sales of equipment, we sold 102,000 POSes in the first quarter of this year. This number is 88,000 higher than what we saw in the first quarter of the last year, which was when we acquired Stelo. Since we began with the equipment sales strategy, we sold over 600,000 POSes.

In terms of active merchants, we reached 1.2 million active merchants at the end of March, which is a 6% increase year-over-year and this growth was mainly due to the expansion in the micro entrepreneurs segment. Our net revenue totaled nearly BRL 2.8 billion, which is a relative stability versus the first quarter of last year, and that is due to the 3% growth in volume with aggressive pricing because of the competitive landscape.

Our net income reached BRL 548.5 million, a 40% decrease. This decrease is explained by relatively flat revenues -- and a reduction in flat net revenue, I'm sorry, and the reduction in prepayment revenues with increase in personnel expenses because of the commercial team expansion that Caffarelli mentioned and that I will detail in further slides.

Moving on to Slide 4 of the presentation where we see the main financial metrics. Our EBITDA totaled BRL 820.7 million, that's a 34% decrease versus the first quarter of the last year, and our EBITDA margin was at 29.6% versus 44.6% in the first quarter of last year. So the comments related to the EBITDA performance are very much in line with the comments that I made in net income, which is relatively stable revenues in Cielo consolidated with increases in costs related to personnel costs because of the commercial team expansion, also higher card brand fees because of higher volume and also negotiation with the card brands and also, an increasing losses on doubtful accounts.

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On Slide 5, we see our revenue yield evolution. The decrease in yield reflect a more aggressive strategy that Cielo has declared, has clearly stated over the last months, being very aggressive in terms of price. So starting on the first graph here on our left where we have the comparison of the revenue yield of the first quarter of this year versus the first quarter of 2018, we see positive drivers, which were related to an increase in the enrollment for automatic T+2 settlement and also an increasing volume as true acquirer of the brands Amex and Eper. However, this is more than offset by the pricing effect. So in this comparison, we see a 15 bps decrease in net revenue yield where the contribution of the price decrease was at 18 bps. The same is true when we make the quarter-over-quarter comparison. We saw a 5 bps decrease in net revenue yield where the price effect was responsible on -- by 7 bps on that variation.

Moving to Slide 6. As previously discussed, Cielo made structural changes in its sales force. We went from 500 sales representatives to now 1,500 sales representatives and also with a conceptual change. We changed from a more generic sales representative to 2 classes of professionals. The first class is farmers, and this team is dedicated to work on maintaining the client relationship.

And the second type of sales representative is the hunter, and that's a person in charge of seeking new clients. So this increase in sales force with a change in model is starting to show the early stages of trend reversal in some metrics. So when we look at the graph at

our right, where we see the net adds in the retail segment, we see that this has returned to positive territory.

In this graph, we have numbers starting early last year. And we see that for the first time in this time series, we have a performance of positive net adds and that is due to aggressive prices, the changes in the commercial model and also the increase in the sales force.

Moving to Slide 7. We also see other metrics that indicates early recovery in terms of client base and volume. So in terms of active merchants, we present a 6% growth year-on-year. Our financial volume represents a 3% growth year-on-year, and our credit volume paid in 2 days represent a 16% growth. I also highlight that this BRL 19.2 billion in credit volume paid in 2 days is a penetration of 21% of total volume, and that is the highest metric that we see in this time series on this material.

Moving on to Slide 8 now. We touch on some items related to our strategy that Caffarelli has mentioned in the beginning of the presentation. So we are building a Cielo that is ready to compete and is committed to customer satisfaction and that will look at the overall cost of its solution to clients as the true metric of what add value to the client. So Cielo had already announced a reorganization of its corporate structure and we have completed that in this first quarter. We also talked about the change in the sales team. We just saw that over the previous slides. We also saw numbers on net revenue yields that demonstrate how Cielo is being more competitive in terms of prices. And we saw some early indicators of volume and client base showing that this strategy is starting to gain traction. Caffarelli also mentioned in his opening of this presentation that we saw also a recovery in terms of the client satisfaction metrics.

Moving on to Slide 9 of this presentation. We explain what this change in corporate structure was. So putting the clients as the center of our decision-making process, we reorganized the company mainly in 3 business units.

One dedicated to large accounts. The other to retail and the other to entrepreneurs. That is all naturally supported, but other areas of the company, marketing, operations and product and the traditional corporate functions of IT, finance, HR and risk management. So with that, we have these 3 business units looking at every type solution and service, every type of products, solution and service that Cielo has from the perspective of the client. Hence, being able to offer what is most competitive and attractive for that given client.

With that, we finalize the presentation and open for the Q&A session. Thank you very much.

Questions And Answers

Operator

Thank you. (Operator Instructions) And our first questioner today will be Craig Maurer with Autonomous Research. Please go ahead.

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Q - Craig Maurer {BIO 4162139 <GO>}

Good morning. Thanks. So Two questions. First, if you can comment on the topic de jure, which is Rede's pricing change regarding prepayments. It seems when digging that it isn't -- it won't be as valuable to all merchants as it would seem. And second, we're seeing obviously the increased losses on doubtful accounts. As I understand, that's due to the turnover in the middle market and merchants that move on, but don't let you know so you bill them continuously for rental. Should we expect that loss rate to remain high? How should we think about actions you can take to bring that down or get better communication with these merchants?

A - Gustavo Henrique Santos de Sousa {BIO 17683157 <GO>}

Well, first of all, thank you, Craig. This is Gustavo here. So I'll start with your second question and then Victor will answer the first question. So on the increase that we saw on losses related to doubtful accounts. Yes, you are correct. What we're seeing in terms of those losses is an increase that is completely related to an increase in clients turnover, and that's related to clients that had higher POS Rental solution from Cielo and for whatever reason, they stopped to use that but did not cancel that contract. What happened is that from the first, let's say, delinquency of this payment, we start the collection efforts to recover that.

And after 3 months, we stopped recognizing that revenue. So we do have some internal projects to make this more efficient and to have some early detections of this type of behavior that would stop that. But for now, it's reasonable to say that because of the high the turnover, we're likely to see numbers around the ones that we saw in this first quarter. As soon as we start to see some changes, that we will communicate that to you guys and is a clear point of interpretation for us and we're trying to see how best to address this.

A - Victor Schabbel {BIO 17149929 <GO>}

Well, Craig, in regards to your first question. You are right. Depending on the segment, you have the clients more sensitive to certain prices that we charge. For example, micro entrepreneurs, they care a lot about how expensive the device is for them to buy, right? In the mid-sized merchant segment, the overall take rate is what is more important, right? How much they are spending with an acquire. And when you move further up, you will be discussing basically MDRs and certain services with large account clients.

So in that sense, our positioning is about not having one single measure that could be applied because it wouldn't be effective, right, given the differences among the clients. The idea here is to provide customers with the best value proposition for the niches that they are operating at. So there is no, let's say, silver bullet in the market. So it's needed to have a very good value proposition depending on the size of the client, the segment that the client is operating, that's it.

A - Paulo Rogerio Caffarelli {BIO 7429811 <GO>}

Craig, if you don't mind. It's Caffarelli here. Just to add one thing relating to Victor's answers because in terms of that -- we are focused nowadays here, just focus on total costs for the customers. This is our standard. We will defend this because it's more -- it's

easy for us to establish comparison among the competitors. In this case, we will reinforce and emphasizing that it's very important to see MDR, rental, even prepayment in total of the costs, okay? Thank you.

Q - Craig Maurer {BIO 4162139 <GO>}

Thank you.

Operator

And our next questioner today will be Mario Pierry with Bank of America Merrill Lynch. Please go ahead.

Q - Mario Pierry {BIO 1505554 <GO>}

Good morning, everybody. Let me ask you a couple of questions as well. The first one is related to the call in Portuguese. You talked about giving the POS terminal for free based on certain volume by the merchants in the first 3 months. This seems to me to be very directed to the micro merchant segment. So I was wondering if you also are going to change your strategy in the SME segment, which is where your competitors are becoming more aggressive.

Also, when you show on your Slide 5 your take rate, you show that your prices are down roughly 17% on a year-over-year basis. In the last conference call, I think I recall you mentioning that you are going to reduce your prices 30% to 40%. So I wanted to understand, like, this drop in price is 17% that we have seen, does it mean that we are halfway down the pricing scale or should we continue to see prices coming off? Or are you satisfied where your prices are today? Second question is related to your net adds, right?

Your net adds -- you had net adds of 22,000 merchants this quarter. But this is a deceleration from 77,000 last quarter. So I wanted to get a perspective from you how you're seeing your gross adds behaving in your churn. So because when we do see, your sales are going up, your POS terminal sales are going up, but the net adds are not keeping the pace. So I would imagine your churn is still elevated. If you could give us any color on that, that'll be great.

A - Gustavo Henrique Santos de Sousa {BIO 17683157 <GO>}

Mario, Gustavo here. Good to talk to you. Long time no see. So let's start with the item that you raised related to what we talked about in the call in Portuguese. So just to share that information with everyone here on this call. What we announced is a specific offer where Cielo will give the equipment to the merchant as long as this merchant for 3 months does BRL 1,600 in credit sales per month or BRL 4,000 embedded sales per month. After that, he receive the equipment.

The target for that is the micro entrepreneur, and that's the strategy so far. You also said given that this is more the target of that strategy is micro entrepreneur, how are we looking at other offers for SME? I go back to what Caffarelli mentioned in terms of the

total cost, in terms of the client's view from Cielo. We believe we have a broad suite of products and that we are very competitive. So even though we are not making any specific announcements more targeted to SMEs. Today, we do believe we have a competitive product offering. In terms of your question related to pricing.

I'll hand it over to Victor here, Mario, just a second.

A - Victor Schabbel {BIO 17149929 <GO>}

Mario, back to your question about the performance of the revenue yields. We really mentioned that our prices were basically lowered by 30% to 40% back then in late August compared to the prices that we had in the market. So we were basically lowering our price back then to become finally more competitive. We are basically not there yet in terms of the impacts of these lower prices. Why is that? Since we started to be more aggressive only in late August.

We have a process, a gradual process of renewing our client base, right? So we have the gross adds. We have the natural churn in our industry. And once we are replacing the existing clients with the new ones that are paying less, then you are going to see that impact to the revenue yields. So it's a process. It will continue. So probably, you will keep seeing the pressure on the revenue yields going forward in regards to this factor that it is basically price, right? So we are not there yet answering your question.

A - Gustavo Henrique Santos de Sousa {BIO 17683157 <GO>}

And Mario, on your last question related to net adds, you are correct in terms of the macro effects of the 2 variables there. Yes, we are starting to see an increase in terms of clients. So a gross increase, as you mentioned. And as a function of these changes that we have promoted in commercial team and pricing strategy. However, we still have a quite high churn number. What I can share with you in terms of how we are looking at the churn number is based on the most recent poll that we have, which is from data of churn from the fourth quarter of last year.

So the 1 reason for a client loss at Cielo in the fourth quarter was price. So this is why Cielo has prioritized this more aggressive strategy. And the #2 reason for losing clients is client service or client -- or quality of the service, really translating what is said there on that poll. This is why, as Caffarelli has mentioned here, we changed our client service structure, we enhanced our logistics structure so that the clients will have a better perception of service at Cielo.

So we still have an item to address is to improve churn. But we do know what the reasons are. The first of that is already addressed, which is competitive prices. And I do believe that over the next months, we will have better client service number, so that's the second reason for losing clients will be properly addressed.

Q - Mario Pierry {BIO 1505554 <GO>}

Guys, this is very clear. Just a follow-up on what you just said, Gustavo. The -- when you polled clients, the reasons for them leaving. First, prices. Second, service. Can you share

with us, like, what percentage was each one? Like, is it like 90% due to prices and 10% because of service? Or is it more balanced?

A - Gustavo Henrique Santos de Sousa {BIO 17683157 <GO>}

I'm going to give you a rough average because the they're both segmented across the business client segments, okay? But roughly, 40% because of prices, 30% because of client service and the remaining balance is miscellaneous.

Q - Mario Pierry {BIO 1505554 <GO>}

Thank you very much.

Operator

And our next questioner today will be Felipe Salomao with Citi. Please go ahead.

Q - Felipe Gaspar Salomao {BIO 19237023 <GO>}

Hi. Gustavo, good morning and thank you for the put to ask question. I have a strategic question to ask. The last time Cielo announced a strategic acquisition, that was roughly 6 years ago when you acquired Merchant e-Solutions. You also acquired Cateno back in 2014. But that was a complementary -- that was not a complementary business to Cielo's core activity, that was something different, right? So it's been a while since the last strategic M&A.

We have seen the new players acquiring complementary business frequently, especially related to software companies, ERP solutions and so on and so forth. And we know that ERP companies are willing to enter in the merchant acquiring business on the same way that your competitors, the smaller ones are also willing to enter in the ERP business. So we also know that Cielo LIO is not performing as expected. So all that said, I would like to ask if Cielo is currently considering to resume strategic M&A than perhaps start to look at ERP providers or software house in order to enhance your product offering. That's my question.

A - Gustavo Henrique Santos de Sousa {BIO 17683157 <GO>}

Thank you very much for your question. I'm sorry, but I'm going to give you a more conceptual answer, which is yes, in our M&A area, we do look at possible targets, but those are more conceptual than tangible. We're not engaged in any preliminary analysis with any strategic player. But we are looking at possibilities in the segments that you mentioned, IT, software, ERP companies. But at this point, none of them have evolved to a more serious step. We are not in any type of engagement of a more serious commitment in any companies even though we are looking at those possible factors as areas that would complement Cielo.

Q - Felipe Gaspar Salomao {BIO 19237023 <GO>}

Okay. Gustavo, thank you for the answer.

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Operator

And our next questioner today will be Eduardo Rosman with BTG. Please go ahead.

Q - Eduardo Rosman {BIO 16314825 <GO>}

Hi, everyone. I have one question here regarding Caixa. I think CEO Caffarelli mentioned to the press that they have all the interest, the company has all the interest to look to potentially become an even stronger partner of Caixa. So I just wanted to know how relevant this partner is today, right, in terms of total clients? And what could change, what's being discussed? Is it -- if you are buying, let's say, a stake in the company or if you are going to become a preferential partner of Caixa in the future? If you can give a little bit more details of the relevance of that to the company.

A - Paulo Rogerio Caffarelli {BIO 7429811 <GO>}

Edu, it's Caffarelli going to talk to you. Relating to Caixa bid, I'd like to emphasize our interest to take part of this. Caixa represents a small share in terms of volume of customers in ECL. But we can see here the opportunity to increase this base of the customers relating to the -- to use the credit card in that base. In this case, we will be very aggressive in this opportunity and we are waiting for the RFP to take part of this, okay? Thank you.

Q - Eduardo Rosman {BIO 16314825 <GO>}

Okay, thank you very much.

Operator

And our next questioner today will be Neha Agarwala with HSBC. Please go ahead.

Q - Neha Agarwala {BIO 17722501 <GO>}

Hi, thank you for taking my question. I have Three questions. First on your offer to give away POS for free, what percentage of your active merchant base do you think would likely qualify or up for that offer? I understand that even today about 80%, 85% of your total active merchant base as well as POS base are merchants who rent the POS from you.

The second question is on Cateno. We saw a significant decline in the EBITDA margin from Cateno from 49% last quarter to 43% in this quarter. It was mostly also driven by cost as you explained in the press release. Should we expect this to be the new normal? Or do you see recovery in margins going forward and cost to come down?

My third question is on the prepayment business. Just to be clear, you're not following GetNet and Rede in terms of lowering the prices for your prepayment business in single installment -- on double -- multiple installment credit business?

A - Gustavo Henrique Santos de Sousa {BIO 17683157 <GO>}

FINAL

Neha, Gustavo here. Thank you for your question. I'm going to start with your third question. I agree with you that, yes, we are not following the recent announcements from our competitors here in Brazil. But not following by not releasing today a specific announcement related to prepayment. But the point we are making is that we already have competitive products for prepayment. We do have competitive products for the enrollment in automatic T+2 settlement. So what we will do in customizing offers for our different clients is to see what's the final cost of the relationship with Cielo for the clients.

So the answer is, yes, you are correct. We're not announcing anything today. However, we are confident that we have a broad product offering also in terms of the term for settlement that is already very competitive and very much used by our client base. On your first question related to POS, and I'm sorry, but the sound was cutting up a little bit. So if I answer it wrong, please feel free to ask your question again.

I believe you're asking of what's the targets of the offer that we made today on giving the POS equipment to the client and what's the target client base for that? So the way we look at that, we have a recent poll that shows that we have over 26 million entrepreneurs in the Brazilian market, and less than 1/3 of that full potential is served by the Brazilian acquirers today. So in that, the 2/3, they're not served by acquirers today is our potential market. Not only the 2/3, but the full potential as a whole. This is a market that grows at a pace of 40% per year, okay? And on your question related to Cateno. I'll hand it over here to Victor.

A - Victor Schabbel {BIO 17149929 <GO>}

Neha, thanks for the question. In regards to Cateno, we have been doing a very good job there. Margins have been improving since the JV was structured, right? It was basically as far in early 2015 and then the margin starts to go up mainly due to the efforts on efficiency that were put in place by the team there at Cateno. But unfortunately, last year, given the caps on the interchange fees for debit transactions, we had a negative impact on the revenue generation.

And as a result, this impacted the margins at the company. So going forward, the efforts continue in place for the margins to gradually recover. But for now, this is what we have on the table. But the outlook is it's still quite promising given what we can do there in terms of finding potential new partners and also finding ways to become more efficient in general.

Q - Neha Agarwala {BIO 17722501 <GO>}

If I could just follow up on the POS offer. So this is targeted only for new clients? Or could - I understand that the existing clients can also opt for the offer and you will pay back the POS amount, if they qualify.

A - Gustavo Henrique Santos de Sousa {BIO 17683157 <GO>}

This is -- to better -- let me better qualify that. This offer is valid for any one that wants to purchase new equipment starting tomorrow. So it can be a client base already, a Cielo

client or it can be client not served by any card acquirer or from the competition, but that is for new equipment sales...

Q - Neha Agarwala {BIO 17722501 <GO>}

For new equipment. Okay. Yes, that is very clear.

A - Gustavo Henrique Santos de Sousa {BIO 17683157 <GO>}

Yes.

A - Paulo Rogerio Caffarelli {BIO 7429811 <GO>}

Relating to the Cateno. I'd like just to add one thing because the kind of service that Cateno provide to Banco do Brazil, can be change for another kind of bank in Brazil. In this case, the management from Cateno nowadays is looking for another kind of partnership with other banks in Brazil just to improve the scale and to be more aggressive in this kind of segment, okay? Thank you.

Q - Neha Agarwala {BIO 17722501 <GO>}

My question was primarily because according to my numbers, I did not -- the pressure on revenues was already there in the fourth quarter, which continued in the first quarter as well that I saw an increase in the cost of goods sold. And that is why I was wondering if the costs are going to remain this high should come down in the coming quarters.

A - Victor Schabbel {BIO 17149929 <GO>}

Neha, Victor again. It should normalize at slightly lower levels. We had some extra costs and expenses there at Cateno with some, let's say, chargebacks and an issue regarding some transactions that were revisited. But now, it should normalize at lower levels as seen in previous quarters. So there should be, let's say, some gains should be captured there in that sense.

Q - Neha Agarwala {BIO 17722501 <GO>}

Very clear. Thank you so much, Mr. Caffarelli, Gustavo, Victor.

Operator

And the next questioner today will be from Jeff Cantwell with Guggenheim Securities. Please go ahead.

Q - Jeff Cantwell {BIO 18876343 <GO>}

Hi, thanks very much for taking my questions. First, apologies if I missed this earlier. But can you talk about Software Express at all? Are there any potential impacts from their deal with First Data on your business? Can you just help us understand a little better both in medium term and longer term? And then my second question, in many ways, you're calling out several positive signs that we can see with sales force hires and also directionally with your net adds figures.

So can you just give us a sense of when a similar inflection point may occur in your financial statements because we can all see the 40% decline in your profitability. So if you can give us any sense of when that will inflect or maybe what factors you're maybe seeing internally that leads you to believe you're getting closer to an inflection point there. Any color you might have for us there would be much appreciated.

A - Gustavo Henrique Santos de Sousa {BIO 17683157 <GO>}

Jeff, thank you for your question. Gustavo here. In terms of the inflection point on financial metrics, that's very hard to say. So I'm to try to illustrate the point that you're clearly addressing with some of the -- I think there are in our material, right? So what we are starting to see are early indicators of an inflection in terms of client base, volume, net adds and so on. But because of the competitors environment and as we have seen, everyday, a different client is announcing a new offer. It's hard to say when this increase in client base will translate into a recovery in the bottom line. So it's hard for me to position to you when we'll see an indefinite inflection there. And I apologize, but I didn't quite fully understand your first question. Could you state that again, please?

Q - Jeff Cantwell {BIO 18876343 <GO>}

Yes, sure. Apologies. Curious as to whether you have any relationship with Software Express that you can comment on. We're getting some color on First Data acquiring them in Brazil, and that will have some impacts potentially for larger accounts. And therefore, I'm just curious if there's any potential impacts as it relates to your company.

A - Victor Schabbel {BIO 17149929 <GO>}

Thanks, Jeff. Here it's Victor now talking. So no direct implication coming from these specific transactions. Cielo here, we have been working for many years now on delivering not just payment solutions through the -- through our customers, but also any sort of IT solution or IT integration that would be valuable for them, right? So we have been working with over 100 partners to provide IT, ERP integration with our payment solutions. So this is a trend in our industry. So more and more payment solution providers like us would become a sort of an ecosystem for the clients to access not only IT systems, but also financial solutions that they might need.

So it's a trend. It's natural. And as I mentioned, Cielo has been working here for a few years now on delivering this sort of integrated solutions with many different partners, right? We don't believe that we can, let's say, address all the different kinds of demand that we have in our market with just specific partners for them to work with, right? We believe more in an open ecosystem with many partners coming to us and offering their solutions to our customers through our ecosystem.

Q - Jeff Cantwell {BIO 18876343 <GO>}

Thanks very much, much appreciated.

Operator

And this will conclude today's question-and-answer session. I would now like to invite Mr. Paulo Caffarelli to proceed with his closing remarks. Please go ahead, sir.

A - Paulo Rogerio Caffarelli {BIO 7429811 <GO>}

If you have some questions do not hesitate to contact us, to contact our IR department, and we'll be here to provide all the question -- all the answers. Thank you so much. I hope to see you in our next meeting. Thank you.

Operator

And this will conclude the Cielo conference call for today. Thank you very much for your participation and have a nice day.

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