

Q1 2017 Earnings Call

Company Participants

- Clovis Poggetti, Chief Financial Officer and Investor Relations Officer
- Eduardo Campozana Gouveia, Chief Executive Officer & Director
- Victor Schabbel, Investor Relations Director

Other Participants

- Craig Jared Maurer, Analyst
- Domingos Falavina, Analyst
- Eduardo Nishio, Analyst
- Felipe Gaspar Salomão, Analyst
- Lucas Lopes, Analyst
- Marcelo Cintra, Analyst
- Rafael Frade, Analyst
- Thiago Kapulskis, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, and thank you for waiting. Welcome to Cielo's First Quarter of 2017 Results Conference Call. We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company's presentation. Afterwards, we will have a question-and-answer session when further instructions will be given.

This event is being broadcast simultaneously on the Internet via webcast and you may access it at www.cielo.br/investorrelations where the presentation is also available. The slide selection will be managed by you. The replay of this event will be available soon after it ends. We would like to remind you that the webcast participants will be able to post questions via webcast to Cielo.

Before proceeding, we would like to mention that forward-looking statements that might be made during this call related to the business perspectives of Cielo, projections, operating and financial targets are beliefs and assumptions of Cielo's management as well as information currently available to Cielo.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions as they relate to future events and therefore they depend on circumstances that may or may not occur. Investors and analysts should understand

that general conditions, factor conditions and other operating factors may affect the future results of Cielo and may lead to results that differ materially from those expressed in such forward-looking statements.

Now, we would like to turn the conference over Mr. Eduardo Campoza Gouveia, who will start the presentation. Mr. Gouveia, you may proceed.

Eduardo Campoza Gouveia {BIO 16447861 <GO>}

Good morning, everyone. I would like to thank you all for your presence during this presentation for the first quarter of 2017 results. Today, we have Clovis Poggetti, CFO; and Victor Schabbel, Investor Relations Officer, as well as other officers of other areas of the company. Before turning the floor over to Clovis, I would like to mention some initiatives that we adopted in the last few months, in the first months in order to prepare the company for the future, making it more agile, modern and even more efficient.

Among the highlights, I would like to start by mentioning the growing effort in terms of obtaining a higher efficiency. We already see in the first quarter a very positive result in terms of efficiency, and we have formed (03:00) twice a month in order to check the cost of the company, and this has been happening twice a month with the areas of the company. And the second point that has to do with people is the implementation of the new staggered structure for all our associates, in which net income is a variable which may be common to everybody in the company regardless of the hierarchy of the company and who's in the bottom line of the company.

And the third important point is a higher commercial proximity, that is to say being closer to clients contributing to the development of our commercial strategy, with positive results bringing clients to the core of our business. And in all our meetings, we listen to our center (03:54) to know the experience of the client and the problems that have to be addressed, and we see very positive results in the key accounts and initiatives of retention and loyalty in the small retail segment and reform our strategy to bring the client to the center, to the core of the company.

And the last point, but not less important than the others, that focus on the future is the digital transformation of the company. We have been working very hard in order to have more agile processes and deliveries as well, and we call it MDP (04:30). We have been using the expression, instead of running towards the delivery of car, then first we have to deliver a bicycle, then a motorcycle, et cetera. This is the analogy that we make. So we have been doing quite a lot of work to transform the company digitally, and we already see the effects of that in the first three, four months.

And now I would like to give the floor to Clovis, CFO of the company.

Clovis Poggetti {BIO 16529642 <GO>}

Thank you, Gouveia. Good morning, everyone. On slide number 3, we present the operating highlights of the company. During the first quarter of this year, we had a 4.3%

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growth in the volume captured and acquired excluding the Agro product. And I'd like to mention that this figure represents a slight acceleration vis-à-vis the 3.6% that we delivered in the previous quarter. Once again, the debit volume accounted for most of this growth, having expanded by 10.3% a year, an acceleration also in relation to the 9.4% growth that we saw in the fourth quarter of last year.

I would like to mention in the credit volume, well, the credit volume was practically stable in the comparison with the first quarter of last year, and that improved by 0.1% in the quarter vis-à-vis a 0.6% drop that we had in the previous quarter. In relation to our equipment base, the number of POS dropped faster, impacted also by a less favorable seasonality among the factors that justified the 11.4% drop that we had. Again, we have client mortality and the consequences generated by the market opening.

It was important to note, however, that the drop continues to be more influenced by lower added value terminals, those that we call dial terminals. And that represented 55% of the number of terminals lost in the quarter. Once the entrants of the market opening loses force with the growth of the volume captured in the multivan modality, we understand that the pressure on our POS base should decrease in the next few quarters.

On the next slide, we have some of our main financial highlights. As Gouveia mentioned, we continue steadfast in our commitment to obtain a higher operating efficiency with the reduction of our total expenditures being a consequence of our endeavors. In this quarter, total expenditures of Cielo Brazil and Cateno dropped by 3.2% due to this cost control in Cielo Brazil and also process optimization in Cateno. And due to the current situation, and here it's important to highlight unfortunately a whole series of negative factors occurring at the same time such as the macro scenario, economy that's really only going sideways, causing impacts on our product mix with debit bringing more than credit, and also impact on our client mix. Well, client mortality happens mainly in small retail. And besides, we have the multivan process that together with mortality due to the macro situation ultimately puts pressure on our various business.

And lastly but not less important, the competitive dynamics, we believe that they will continue to be slightly more aggressive, and when I say continue, I just want to make it clear that this is how we have been seeing the market in the last few quarters. So, due to all these factors coming into play together, we had weaker revenues and our EBITDA dropped by 6.1%. The endeavors to extract efficiency gains both in Cielo Brazil and Cateno, however, allows us to have an expansion in our EBITDA margin when percentage margin comparing to the first quarter of last year, and 2.5 percentage points on a quarter-on-quarter comparison. In the relation to the net income, we had a slight increase of 0.6%, impacted positively by our financial deleveraging process.

Now, I would like to give the floor back to Gouveia.

Eduardo Camposana Gouveia {BIO 16447861 <GO>}

Clovis, thank you. On the next slide, we will talk about the guidance that we published for the year. And I would like to highlight the growth in our client volume, 3.7% a year or 4.3%

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net of the Agro product, which is seasonal, and that is different from one quarter to the other, and this in line with our expectation for the year.

And we would like to say that the baseline is unfavorable because we grew more than the first half of last year than in the second half of 2016. So, as a consequence, the comparison is not so good because here we have a bigger strength last year in this quarter and especially because of multivan in June, July last year. And as a consequence, we established our guidance for growth based on these factors that I have described. And we are very comfortable and we are seeking to get the remainder of that.

In terms of total expenditures, we are pleased with the 3.2% that we had in the quarter. This could flatten (11:28). And although we are making a bigger effort to have more efficiency in Cateno and control expenditures then, we would like you to be a little bit careful because of seasonality of our expenditures. And we believe - and it's a little premature to state this that we believe that we should be in the bottom of this range. But anyway, we will be working to surprise you positively. As I said before, our expense control has been working very well in relation to investments. Although they are far from what we disclosed, we expect an acceleration in the second half because of the rollout of LIO, a more intense rollout of LIO, and that will be in the beginning of the second quarter and we do with pressures, et cetera, and there are many innovations in LIO with the integrated ecosystem, and we believe that it will further boost this investment product.

And before opening for your questions, we would like to highlight two relevant points for the company. The first one has to do with obtaining our license with the Central Bank regarding our payment instruction and this is really a milestone for the company as it reinforces our commitment with the market and with the best practices. Additionally, it also reinforces the way we operate, bringing comfort to the market in relation to our many revenue lines.

And I would like to say and this has to do with the quick perception on my part that we're working in order to generate a lot of value to our shareholders or more value to our shareholders by means of consistent results. And I think it's valid to say that we perceive - that this is a perception, we are not stating that, but we're very confident with the improvement in the behavior of our volumes over March and April. And this is a small sign but it's a good sign for the company in spite of the overall economic situation that we see around us.

So, once again, I would like to reiterate our commitment in terms of obtaining the best possible results and consistent results in the company, and we continue to place our trust in our work. We are working very hard to deliver a good year, a different year.

And now we would like to open for questions. Thank you.

Q&A

Operator

Ladies and gentlemen, now we would like to start the Q&A session. Our first question comes from Marcelo Cintra from Goldman Sachs.

Q - Marcelo Cintra {BIO 16463628 <GO>}

Good morning, everyone. Thank you for the call. I have two questions. My first out is the following. I would like to talk about revenue generation by Cielo Brazil. When we look at the trend this quarter, we see that the revenues in subsidiary dropped by 7% year-on-year, and I think it's one of the first annual drops that I see in Cielo. And I would like to understand the reason. What do you see internally that could change this trend?

When we consider then abrupt (15:04) U.S. dropping and a strong drop in average price, as you said in the release, also dropping in the first quarter in the number of POS, and a relatively aggressive competition. And that could lead to a pressure on MDR, correct me if I'm mistaken.

And in terms of volume, I'd like to understand one point. Although March and April are accelerating, in June, July we see the end of multivan and the Elo exclusivity. So maybe you could lose volume in your base because of that. I would like to know if this is correct. So I would like to understand the Cielo revenue, the Cielo Brazil revenue. And then afterwards, I will ask my second question.

A - Eduardo Campozana Gouveia {BIO 16447861 <GO>}

I had to jot down about 10 questions that you asked in one. Let's talk about what we see in terms of revenue in the company. We see a change in four major factors. First one is the mortality of small merchants. So the drop in POS continues to be strong in terms of mortality of the small retail. So we did not see yet a recovery. We have not seen a recovery yet in small merchants. And we're working very strong in all channels of affiliation so that we may improve the number of (16:45) the company. And the second change of mix in key accounts is the base is suffering more with the economic situation and key accounts suffer less. So, this mix changes.

And the third, as what we said, is the change in the mix of products. So, we see less level of credit and more debit at the base, and this has been happening over the last few quarters. And lastly, competition. In some segments, the base of the pyramid brings a more aggressive competition in the base of the pyramid. So this as a combination of these factors, and this is a consequence of the last two quarters as well. Well, one thing I would like to mention is that we see, when we talk about MDR - in fact MDR in the last five months has been steady. This is an important factor when we look at the last quarters. So if I say to you that it is fixed, it does not vary in the last quarter, it's a very important sign from now on.

And I would like to decipher your other question. You talk about volume and you said - you were talking about acquisition. And the higher volume of sale is debit with Agro included. And when it opens, it will be for all the brands, Hiper, Amex, et cetera. And that of the second half, we should see a process that will be a gradual process of opening. And Hiper and Amex brands are only credit and credit in installment with a high average ticket (18:52)

that comes with the MDR with the prepayment of receivables. So we believe that we could lose a little bit of volume, but on the revenue side, we will be offsetting this, and we are working on that.

Have I answered your questions? Because I jotted down. I don't know whether I have answered all your questions.

Q - Marcelo Cintra {BIO 16463628 <GO>}

No. No. You were very clear. Just to clarify, with the base scenario that you work with, there's growth in revenues in 2017 for Cielo Brazil?

A - Eduardo Camposana Gouveia {BIO 16447861 <GO>}

Well, we are not giving you our guidance for revenues. What I said is that we start to perceive a slight recovery mainly in the last month, but in terms of volume, this brings us comfort in terms of the macroeconomic situation.

A - Clovis Poggetti {BIO 16529642 <GO>}

This is Clovis. Just adding a point to what Gouveia said, we also have this point of baseline in relation to 2016. In the first half, it was very strong in 2016 and the second half was not so strong. In terms of baseline together, with what Gouveia said, we could project better figures for the next few quarters.

But you should not forget that when we have full acquirership in multivan, this should offset this figure. It continues to be good news, but I wanted to manage the expectation, and we have been saying this for some time already when we see multivan working.

We will see a volume maybe mainly in terms of Elo that would be leaving very quickly and things that will be captured by other acquirers. And the way things happen continue to be presented in our release.

A - Eduardo Camposana Gouveia {BIO 16447861 <GO>}

And I would like to add that we are very confident and that we are enthusiastic about what is happening with the company.

Q - Marcelo Cintra {BIO 16463628 <GO>}

You talked about the opening of the Elo brand. And you have in your results the figure that is already 19.7% of the volume in multivan of Elo. I would like to understand that this 19.7% includes only POS or you have e-commerce or other things. And when you open for whom acquirer, you should see a quick change both in the volume of POS and also of its (21:55).

A - Victor Schabbel {BIO 17149929 <GO>}

Well, this is Victor from Investor Relations. 20% of the total volume of Elo transactions are already captured by our competitors, and this never has been increasing in the last two

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quarters. So with 8% in the third quarter, it went up close to 15%, 16% in the fourth quarter and now 20%. This volume is related to the retail segment in which multivan makes more sense because we're talking about capture by means of POS terminals and not ATR.

Whilst we are only talking only about part of the market, our competitors today are very close to fair share in relation to the retail segment vis-à-vis Elo as Elo migrates to full acquirer state. Then we should be the key account migrating as well. And as a consequence, we don't see our competitors also capturing their fair share in key accounts. But what Clovis said in the presentation that he made is that multivan – one of the main impacts generated by multivan is the POS base. As the multivan is close to its end, then we expect a reduction of pressure on the POS base.

Q - Marcelo Cintra {BIO 16463628 <GO>}

Very clear. Thank you.

Operator

Thiago Kapulskis, BTG Pactual.

Q - Thiago Kapulskis {BIO 19187926 <GO>}

Good morning, everyone, and thank you for the opportunity. I have two questions. The first one has to do with the approval by the Central Bank of Cielo as a payment institution. Does it bring any comfort regarding the (24:02) operations in prepayment? Could you give us an update or an additional detail about this from the legal viewpoint?

And also, I would like to ask a question about payout. Do you see a possibility of increasing payout? Of course, payout has been lower because of the deleveraging efforts of the company. But I would like to know if you could increase the payout and by how much. Thank you.

A - Eduardo Camposana Gouveia {BIO 16447861 <GO>}

Thiago, thank you for the question. I would like to start by the second one because it's easier. It's at the agenda of our discussion as the board of directors the allocation of the company's capital, and we are discussing, just to be very straightforward with you. And regarding the approval by the Central Bank, it's also the way where we do prepayment of receivables at the company. So it gives us an additional comfort and additional – as a consequence of authorization, we started to have meetings with the Central Bank to check the impacts on all the part of compliance and risks of the company. And, of course, we are only starting that. In the revenue line – as far as the revenue line, this consensus gives us an additional degree of comfort.

Q - Thiago Kapulskis {BIO 19187926 <GO>}

Very clear. Very clear. Thank you very much for the clarifications.

A - Eduardo Camposana Gouveia {BIO 16447861 <GO>}

Thank you, Thiago.

Q - Rafael Frade {BIO 16621076 <GO>}

Rafael Frade, Bradesco. Good morning. I have two questions. One has to do with POS. Could you give us some color about POS revenues and the behavior of these revenues mainly in relation to the base of POS because of the drop that you had all year? And could you translate this into revenues, the flatter revenue or closer to this 10% drop? So, maybe you could give us some color regarding that.

And the second question has to do with prepayment of receivables. Yeah, I see that you had a significant reduction in the average ticket of the operations, but the volume continues to be very high. So, could you give us some color as well because you had an important change in the mix in this quarter? Do you have a specific focus or action in terms of - because of the change in the mix and also regarding spreads? What kind of behavior could we expect in terms of prepayment of receivables?

A - Eduardo Camposana Gouveia {BIO 16447861 <GO>}

Thank you for the questions. I would like to talk about the POS revenue first. It dropped mid-single-digit, and the drop is much smaller than the drop in the base. And Clovis has already said that we continue to lose more dial than wireless terminals. And the drop is very slight. So there is a resilience there, very strong resilience there.

In terms of prepayment of receivables, we have been doing a very hard work in our companies and placing many data intelligence and information in the process. And because of that, we have good performance in small retail, and this is a point of attention. This is a very strong point of attention that the spreads continue to be steady, and we see more regular credits and a reduction in credit and installment, and the average ticket drops a little bit more. But this is due to consistent hard work on our part, and we hired somebody not from the market only to work in the prepayment of receivable debt. And this is good news, and we already have good results in the first quarter.

Q - Rafael Frade {BIO 16621076 <GO>}

Still talking about prepayment of receivables, you said that the spreads continue to be resilient, and our perception is that it even increased because of the mix effect. And how much have you been feeling in terms of pressure regarding rates? With the reduction of the interest rates, is there some pressure on the part of interest rates and how much right now this is true or not?

A - Eduardo Camposana Gouveia {BIO 16447861 <GO>}

Well, straight to the point, we feel no pressure whatsoever right now in relation to the prepayment of receivables rate. No pressure whatsoever.

Q - Rafael Frade {BIO 16621076 <GO>}

Thank you, Gouveia.

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A - Eduardo Campozana Gouveia {BIO 16447861 <GO>}

Thank you.

Operator

Lucas Lopes from Credit Suisse.

Q - Lucas Lopes {BIO 18956724 <GO>}

Good morning, everyone. Thank you for the question. I have two questions. The first one is the following. Could you talk about competition in retail? I think it's a little bit tougher because of the drop in the POS number because it's a product that you - is rated by small and medium-size retailers and you also recognized that the mix between small retail and key accounts had some negative impact on your revenues.

And what initiatives could you put in place in order to gain share or grow volume getting closer to the key accounts? You said that about - you talked about that in the opening remarks. But what about the smaller retailers? And Cateno lost a little bit share to other issuers mainly in credit, I believe. So, could you talk about the Cateno market share and if you see any loss of market share, and Cateno's competitive positioning?

A - Eduardo Campozana Gouveia {BIO 16447861 <GO>}

Thank you for the questions. I would like to start by the first one. We see rationality on the part of the key players, and nothing has changed in this regard in the last two quarters. Some segments that have recurring volumes and visibility, and I think that you see this when you go to a restaurant or a fuel station. You see the difference with these smaller ones. So these segments, by nature, have a relatively lower profitability. So we see more aggressiveness in the entrants in rationality and focus on profitability on the part of more traditional players or incumbents. So the dynamic don't change. This is consistent over the last few quarters. This is consistent over the last few quarters. And as we said, the multivan effect was felt basically in the second half of last year. When we compare this quarter-on-quarter, the baseline is very high, so this is not very favorable to the current analysis of the company.

So, what we have been doing is the following. We have been working very hard in terms of being closer to our players and increase the number of calls from our commercial area, and this is important for the company. We have been working very hard in order to place more and more intelligence and information in terms of pricing. So, this is the competition. This is the situation that we see. Would you like to talk about Cateno, Clovis?

A - Clovis Poggetti {BIO 16529642 <GO>}

This is Clovis. In terms of volume, we have two effects. The main one has to do with a specific product that was discontinued. And we are not going to mention the product for (32:54) reasons. And there is a second impact regarding the Agro product.

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As far as we can see in terms of seasonality, it is more similar, well, to what we saw in 2015 and also in 2016. In 2015, this will make it very clear to everybody, we had a very strong Agro product at the end of the second quarter and the third quarter as well. In 2016, we have the curve displaced more towards the end of the year than what we've seen today. Agro is not coming out strong and didn't come strong in this quarter. So it is more similar to the curve that we had in 2015.

A - Victor Schabbel {BIO 17149929 <GO>}

And adding to what Clovis said, this is Victor from Investor Relations, net of these two effects, the Agro products and the Ourocard that was discontinued, the Cateno would have volumes growing in line with the market between 5% and 6%. So, these products impacted the Cateno volumes.

Q - Lucas Lopes {BIO 18956724 <GO>}

Thank you. Very clear. Thank you.

Operator

The next question is in English. Craig Maurer, Autonomous Research.

Q - Craig Jared Maurer {BIO 4162139 <GO>}

Yeah. Hi. Thanks for taking my question. It's very well difficult to hear the translation, so excuse me if you've already been asked and answered. But it's my understanding that roughly 30% of the terminal decline was due to competitive loss as opposed to business bankruptcy. Can you address what we should expect in terms of that rate for the remainder of the year? Thanks.

A - Victor Schabbel {BIO 17149929 <GO>}

Thank you, Craig. This is Victor. I would like to translate his question into Portuguese. He was asking a question about a loss of POS in the terminal, mentioning that 30% are due to the competition, 70% mortality due to mortality, and what we expect from now on.

A - Eduardo Camposana Gouveia {BIO 16447861 <GO>}

Craig, thank you very much for your question. We believe that the business will improve. We are preparing the company for the future and we believe that the macroeconomic situation could rebound. And as I've said in the presentation, we saw in the last couple of months positive signs in the volume. So we expect the mortality process to start decreasing. So this is our expectation, and we are confident regarding this.

Now, talking about competition. This is due to the Multivan process. And I believe that the whole process or most of the process has already - is already in the past. So we feel less pressure from now on. So the expectation of improvement with the end of multivan together will give us some comfort from now on.

Q - Craig Jared Maurer {BIO 4162139 <GO>}

Okay. Thank you.

Operator

Eduardo Nishio from Banco Plural.

Q - Eduardo Nishio {BIO 15333200 <GO>}

Good morning, everyone. Thank you for the opportunity. My question has to do with yield. I understand there were many factors coming into play, competition, mortality, mix. And I would like to know if you believe the yield will continue to drop this year or we expect a rebound in the next few quarters in relation to competition. If you could give us some more color about the multivan process that has been impacting your POS situation. So, could you give us some color about when you believe the process will come to an end? Will it be in this quarter or will it continue to the next quarters?

A - Eduardo Camposana Gouveia {BIO 16447861 <GO>}

Thank you, Eduardo. I will try to recap the huge process. Once again, we see a combination of four factors, product mix, credit and debit, regular and installment versus debit. There is a mix of key accounts vis-à-vis small retail mortality and the more competition in the base of the pyramid. So these factors all together, while the consequence of these factors together were the results of the first quarter. And just to give you some more comfort, we perceive in the last four to five months that our MDR is stable, and this gives us comfort regarding the pricing of the company.

So, once again, reinforcing this point that combination of four factors, and we expect this to improve in relation to competition. We have already talked about this multivan, the process of the POS. Most of it is already in the past, that is to say the other acquirers are almost reaching their fair share. And the opening of full acquirer should offset this regarding the change in mix, the debit of Elo to credit and credit in installment in Hiper and Amex. And this should happen as of the second half of the year. This is what we expect.

Q - Eduardo Nishio {BIO 15333200 <GO>}

Thank you.

Operator

Domingos Falavina, JPMorgan.

Q - Domingos Falavina {BIO 16313407 <GO>}

Good morning. Thank you for the opportunity. I have two doubts. There is always a little bit of anxiety when the time comes to renegotiate contracts with the banks. So could you tell us when this is going to happen and the other one has to be the merchant solution. We see a low profit. So, what is the expectation for this company?

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A - Eduardo Campozana Gouveia {BIO 16447861 <GO>}

I would like to go straight to the point in terms of incentive and rebate of banks. As the payout is in the agenda, there is no pressure regarding that. So, nothing changes, nothing has changed in the four months. Clovis?

A - Clovis Poggetti {BIO 16529642 <GO>}

About merchant, it is more of the same. We saw a change in the company last year from the West Coast to Atlanta. So this change this change impacted our figures over last year, mainly in the first half of the year. And with this change, we had some aspects of our operation that were affected, negatively affected. And what do we expect? We expect, having stabilized the company with the new headquarters and so on and so forth, we expect that the operating aspect will go back to the months that we had before. There is nothing I can add to what I'm saying.

One important point, Domingos, is that I participate in the monthly board meeting. The COO of the merchant e-company comes every month to discuss the results of the projects. And we also have a video conference between two meets (42:02) in order to evaluate initiatives and project. So, we're working very close to them.

Q - Domingos Falavina {BIO 16313407 <GO>}

Okay. So it's more due to a transition. Thank you very much.

Operator

Felipe Salomão, Morgan Stanley.

Q - Felipe Gaspar Salomão

Good morning, Gouveia, Clovis, Schabbel. I have a question about (42:35). Could give you give us an update about the merchant solutions process, percentage completed or when you expect it to be 100% operational and ready to replace the legacy systems? And also regarding how much you believe you will be saving. Do you have estimate of the savings achieved when you replace the legacy systems for (43:15)? So these are my questions.

A - Eduardo Campozana Gouveia {BIO 16447861 <GO>}

Salomão, thank you for the question. Very important question. We have already started to switch over some clients in order to test some functionalities. So, the project is already in production, and we are already publishing releases, and we expect to have the evolution of the switchover as of the second half of this year. So we to start switch over clients over this quarter, and then we start to dry up the core system of the company, the legacy system that has been running for the last 10 or 15 years. So we expect to start to obtain results and the positive consequence of the implementation of steps (44:09). The system is much more modern and low-cost because the platform is low with open APIs. And just to give you an idea of how much this changes, in the (44:25) you already have 450 APIs opened and published and that we will be making available to the market, and its facility, the whole development and the new deliveries of the company.

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So, in a nutshell, we start to leverage it as of the second half and then you start running after sec - and we reduce the processing of mainframe in the sec, and we expect to start reaping the results at the end of this year or beginning of this year beginning of 2018.

Q - Felipe Gaspar Salomão

Perfect. Thank you very much.

A - Eduardo Camposana Gouveia {BIO 16447861 <GO>}

Thank you, Salomão.

A - Victor Schabbel {BIO 17149929 <GO>}

Mohammed Emet (45:28), in English, SJP (45:18).

Q - Operator

Hi. Thank you very much for taking my question. I have two questions, one on terminals. Can you just comment on installed base share of the three top players Q1 2017 over Q1 2016? Because all of you would be facing similar headwinds, so I just want to know what the installed base share has done year-over-year. And the second one would be a similar question on financial volume, ex Elo, Hiper and Amex. How is that financial volume share done in Q1 year-over-year? Thank you.

A - Victor Schabbel {BIO 17149929 <GO>}

Mohammed (46:07), thank you. Just translating Mohammed's (46:09) question into Portuguese. The first question has to do with the behavior of the POS base year-on-year, ours and also in relation to what the market has been presenting. And the second question has to do with our volumes. If I'm not mistaken - Mohammed (46:32), if I'm mistaken, please correct me. Excluding the smaller brands, we will enter the first one - and, Mohammed (46:45), if you want, you may make a follow-up if you have any doubts.

A - Eduardo Camposana Gouveia {BIO 16447861 <GO>}

Thank you, Mohammed (46:52). As we said during the call, the multivan aspect combined with the macroeconomic aspect, has been affect has been bringing pressure on our POS base. Again, the stronger movement, we believe it's already past. It has come to an end already during the second half of last year, beginning of this year, when the bases were combined, the acquirer started to capture via multivan the Elo brand, then we started to capture other brands as well.

So this movement, combined with the weak economy and going sideways, we believe it caused reduction in the POS base. Again, we have to increase our turnover, increase affiliation, and this is what we have been doing in the last two, three, four, five months. The pricing of Cielo in the market, the MDR, has been stable in the last few months.

A - Victor Schabbel {BIO 17149929 <GO>}

FINAL

And the second question was about the behavior of volume in the main rents. This is Victor. Once again, Mohammed (48:29), if you have any doubts, so please ask afterwards. In relation to volume, adding the three main players in the market are centered to other ones that have already reported their results with the acceleration that we saw in the first quarter. We got close to the market growth and, of course, here we do not have our focus on volume growth or market share growth. Our focus is on profitability mainly now and also earnings generation. So this is our focus and this is the path that we are following.

Q - Operator

Okay. Thank you very much. It's a bit hard to follow through the translation. So, what I will do is I'll just follow up on a call after the conference call. Thank you.

The Q&A session is closed. We would like to give the floor back to Mr. Gouveia for his final remarks. Mr. Eduardo Gouveia, you have the floor.

A - Eduardo Camposana Gouveia {BIO 16447861 <GO>}

Thank you very much for participating, and I would like to reinforce our commitment with obtaining results, reinforcing our focus on profitability, bottom line with a high level of corporate governance. We are working very hard and we will continue to work very hard so that we may continue to be seen as a benchmark in this sector, both in performance and in profitability. Thank you very much and see you during the next call.

Operator

Cielo's conference call is closed. We thank you for participating. Wish you a good day, and thank you for using Chorus Call.

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