

## Y 2019 Earnings Call

### Company Participants

- Paulo Junqueira, Vice President of Finance and Investor Relations

### Presentation

#### Operator

Good morning, ladies and gentlemen. At this time, I would like to welcome everyone to Positivo Tecnologia's 4Q19 Earnings Conference Call. Today we have with us Paulo Junqueira, Vice President of Finance and Investor Relations.

We would like to inform you that you will be in a listen-only mode during the Company's presentation. After Positivo Tecnologia'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 [ir.positivotecnologia.com.br](http://ir.positivotecnologia.com.br) and MZiQ platform. 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 Tecnologia'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 Tecnologia and could cause results to differ materially from those expressed in such forward-looking statements.

Now I'll turn the call over to Mr. Paulo Junqueira, Positivo Tecnologia's Financial and Investor Relations Officer. Mr. Junqueira, you may begin the conference.

#### Paulo Junqueira

Thank you. Good morning. We are very happy to report net income of BRL20.8 million in 2019 and BRL5.3 million net income in the quarter and adjusted EBITDA of BRL144 million in the year and of BRL36 million in the quarter and also a growth on the EBITDA margin of 1.5 points, reaching 7.5% of EBITDA margin.

Our initiatives that started two years ago to transform the Company's future are starting to show results. Our HaaS Positivo As a Service unit that rents computers, recorded a growth of nearly 100% in 2019. Our unit of servers Accept that we acquired in late 2018 reached a revenue of BRL221 million, a growth of 36% compared to 2018.

Our Educational Technology business has growth in gross revenue 35%, reaching nearly BRL15 million and also we have launched our IoT solution Positivo CASA Inteligente very successfully in last year and market demand and response has been very, very good so far.

Also, we believe that the market will grow in our core business, due to a pent-up demand that is very clear to us and we will demonstrate that in the upcoming slides. Market of computers grew 9.1% in the fourth quarter and 2.8% in the year comparing to last year and the mobile phones grew 18% in the last quarter and 8.3% in the year.

Also, late this year, on January, we have successfully completed our follow-on operation funding BRL353 million and the proceeds will be used to finance the Company's growth, both in Public Institutions segment, which we have already good contracts to perform and also to support the organic and inorganic growth of our growth drivers, including the ones that I have just mentioned, Positivo As a Service, Servers, Educational Technology and IoT.

Moving to the next slide, PCs market, as I mentioned, grew 2.8% in 2019 and 9.1% in the fourth quarter, reaching 5.8 million units in 2019. The decrease in our market share is due to strong finance -- our strong financial discipline with the policy of minimum margins and conservative inventory planning, which led to an improving sales margins in 2019. And looking back to our market share, it's not far from a range that we consider normal. Also, we are optimistic towards the future, already capturing consistent contracts in Public Institutions in the last quarter of 2019. And also and finally here, we have maintained our dominant position on PCs under BRL1,200 with an 89% market share.

Moving to the next slide, this slide demonstrates what happened to the PC market in Brazil throughout the years. Brazilian PC market has a strong correlation with GDP. If you look at the figures in 2011 and 2016, the market has plummeted 72% with -- from 15.9 million units in 2011 to 4.5 million units in 2016. As the economy recovers, the sales of PCs has been recovering so far. On the (inaudible) scenario, the sales of PCs has been stable ever since 2016, in 216 million units and has grown a little last year. Public Institution and Corporate markets have already started to pick up demand, as we have predicted, with a strong 4Q and with good perspectives for 2020.

Moving to the next slide, the cell phone market grew 8.3% in 2019 and 18.6% in the fourth quarter. We have maintained -- we have our market share of 3.1% in the fourth quarter of 2019.

Moving to the next slide, this is the future of Positivo. This is something that we are investing ever since two years ago. And as I mentioned, the results have started to show Positivo As a Service, IoT, our Positivo Casa Inteligente line servers and educational technology.

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Moving to the next slide, Positivo As a Service, which is a business of computer and service providing to corporate customers, provides us higher margins and additional revenues with service and softwares. Its revenues grew 93% in 2019, reaching BRL33 million. It has a very good synergy with our corporate sales channel.

Moving to the next slide, our server business unit which is performed by a company that was acquired in December 2018, Accept, already integrated to Positivo. We spent the year integrating this unit, capturing scale gains and synergies with this company and it grew 36.5% this year, reaching BRL221 million with very important customers and partners. And has also posted a very, very strong last quarter, as it did in the previous year, so quarter grew 7.5%.

Moving to the next slide, our Educational Technology business posted net revenue of BRL40.9 million, gross revenue of BRL47 million, as I demonstrated in the highlights, with a growth of 30% in net revenue, very significant. We have launched a few products such as Schood with a very good perspectives for the upcoming years.

Moving to financial highlights. Volumes in thousands of units we have -- due to our minimum margin policy, we are presenting decrease in the retail in volumes. In Public Institutions also, in the quarter, despite the decrease, we have growth in -- we have growing revenue. On cell phone sales, we had on the quarter a larger -- a growth of 15.7% in feature phones and a growth year-on-year of 10% on smartphones and 2.1% on feature phones.

Moving to the next slide, as I mentioned, the net revenues of Public Institutions channel grew 3.3% and our total net revenue was higher of -- on 1.3% than in 2018, reaching BRL1.915 billion. And our sales margin also reached 11.2%, 2.5 basis points higher than the previous year.

Moving to Slide Number 13, I highlight here the performance of our Servers business unit that contributed to the share. It's demonstrated under others. As of the following earning calls we will demonstrate that separately since we will have a comparison base on a quarter basis. On average price, it has grew due to basically a higher proportion of sales to public biddings in desktops and also higher sales volume of intermediate configuration of devices on notebooks. On cell phones, the drop is mainly due to a larger participation of feature phones, which has a lower price point.

Moving to the next slide, our adjusted gross margin year-over-year reached 24.9%, a growth of 1.8 points. That's basically due to our policy of minimum margins and also the contribution of our growth avenues business more specifically and especially our Servers business unit. And G&A also captured the growth in G&A, also captured part of this integration.

Moving to the next slide, we reached net income of BRL5.3 million, as I mentioned, an EBITDA margin of 7.5%, and EBITDA of BRL144 million and net income of BRL20.8 million. Our net debt was of BRL271 million with a 1.9 net debt-EBITDA index.

That will be all. Thank you.

## Questions And Answers

### Operator

Ladies and gentlemen, at this time, we'll go to the question-and-the answer session. Actually, we will end today's conference call. We do thank you for joining today's conference. You may now disconnect your line.

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