

# Y 2021 Earnings Call

## Company Participants

- Caio Goncalves de Moraes, Vice President of Finance and Investor Relation
- Helio Bruck Rotenberg, Chief Executive Officer

## Other Participants

- Analyst
- Bernardo Guttman
- Flavio Jose Bica

## Presentation

### Operator

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Now I'd like to turn it over to Helio. He will start the presentation.

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

Good morning, everyone. We are very happy with 2021 results. We had a spectacular growth and record EBITDA, more than 50% growth in gross revenue. We are very happy. I'd like to highlight some facts that happened in 2021 and 2022 in these first two pages. I'd like to share our strategy based on diversification is really consolidating the growth levels. We are also sharing the forecast of growth for 2022, we expect to have revenues growing by 25% to 50%. We are very confident in the strategy we have adopted over the last year in diversifying the company.

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Right now, Retails and Consumer sectors are not that strong but we also operate on government and also corporate sectors, which offset this reduction in retail. That allows us to really consolidate good results by increasing our revenue and reaching new growth levels. So what happened in 2021? We started by issuing debentures, we also extended our debt. We are a company that depends on working capital and an investment increases working capital. And by extending that, we feel reassured of our business, and we -- no, we can't control that. We have also launched Compaq brand, and with that, we also really presented the comprehensive presence.

So via mid-high, we are present in the different price segments in retail now that we have added Compaq. We have hired a new corporate VP. We have strengthened our team. We really count on distinguished professionals in the market. We can see already the fruits coming from that. We have Renata and I and many other professionals so that we can adjust the company. I think we were too silent in the past.

The pandemic proves that education technology is very important, and we have also changed our brand in education. We have also launched the switches, a set of products, so that Positivo is a one-stop shop. So schools can just talk to us to get everything they need. We are very happy also to be part of IBrX-100 then joining IBOVESPA at the end of 2021. And that reflects our strong position and all the activities that we have carried out and increase the volume of transactions. That related to the increased volume, but also based on the history of our company and we know that we have been studied by many, many people. We have also started our operations with Smart Homes. And in the Consumer segment, we have also started working with new construction companies, and we see new buildings already being delivered with automation. We have also launched Infinix in order to also enhance smartphones.

Infinix is one of the largest producers worldwide and it was really a huge success in September, October. New products, new volumes will start to be delivered now at the end of March, beginning of April. That also allows us to increase the presence and our market share. Electronic ballot boxes, we will deliver the first 225,000 in January. We are already delivering large amounts, last year we delivered the smaller amount. But last year, we also won another bid for 2024 elections, 176,000 electronic ballot boxes.

I have also signed an agreement with Stone. We are still -- we still have a partnership with Cielo, but not on an exclusivity basis. So now we can sell to other acquirers and sub-acquirers. So we closed this deal with Stone. And with that, we also expanded our portfolio. Today we can say, we have a full portfolio for acquirers and sub-acquirers. And the partnership with Nexgo brings also the low-cost machines or the non-smart payment machines. But we want to be smart. As we also carried out our first Investor Day 2021, it was welcomed by the market. And we also had a third issuance of the debentures. So we are extending our debt. And we are very happy to work from the largest providers. We won a bid at Petrobras together with Atos in order to provide a very large server for the oil industry. So these are just some of the few highlights of what happened in 2021.

Next slide, please. I just forgot to mention Positivo Tech Services. We just launched Positivo Tech Services based on our footprint on providing technical services. We cover the entire nation. We have carried out testing different cities. We also provide great

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services. That's why we decided to focus on support -- specialized support, multi-brand support. In the past, it was just a cost center, but now it will become a revenue cost. We already had good results last year, but now considering servers, computers and payment machines, we are now adding Positivo Tech Services, thus enhancing what we offer.

This is the pizza chart. We can see there was a decrease in consumer, but a growth in Corporate, Corporate and also public institutions. With a decrease in Consumer segment, we believe that this is what we are going to see in 2022 as well with this increase in corporate and public institutions. With a substantial decrease in growth coming from Consumer segment. And that comes from payment solutions and new mix HaaS, hardware-as-a-service, which is a segment that is increasing substantially. So we are ready for this new challenge.

As for consumer, we saw an increase last year. Although the last quarter of 2021 really had this decrease, and that happened to the entire market. We also had an increase in inflation, and we can see that retail stores also present this numbers going down. But overall, we had good results and also an increase in the main ticket. We launched the Infinix, as I mentioned. And in 2022, Infinix should help us offset that decrease in retail. Analysts foresee a decrease by 10% in computers and smartphones compared to last year. And we will now have Infinix to support us. It will be launched or delivered at the end of this month.

We also enhanced our presence in small retailers, T3. We see that this operation is increasing, so we are working with sales reps talking to small retailers vis-a-vis teaching what we work with 90 to 100 large retailers. As for corporate, we see a strong growth in volume of computers, up 25%, slight decrease in servers. We had a project signed with Petrobras, and that was to be delivered last year, but we will see a decrease, but we'll see an increase in 2022. As for HaaS, we actually had an increase, up 104%. Most of sales to mid-sized and large companies encompass HaaS. And as for Payment Solutions, we also saw this substantial growth. And first Services, up more than 200% year-over-year. And we also see healthier margins. And this year we will also have Tech Services supporting us. As for Public Institutions, we see an increase in the purchase of laptops and notebooks because of work-from-home setting, and also municipalities and state governments buy notebooks to place them at schools.

And that also -- with that we also see an increase in the number of tablets sold also to be used at schools, mostly. And last year and at the beginning of this year, we expect to deliver more than BRL2 billion for public institutions excluding the electronic ballot box. We are also participating in many bids and we know that public institutions do need now to renew their technology parks. And the secretaries are aware of the importance of having notebooks and tablets.

Now I'd like to turn it over to Caio, our CFO and also our Director, to address our financial results.

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

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Thank you, Helio. So let me now go over the financial highlights. With regard to revenue, be it gross or net, we see the same level of growth, constant growth. In 2020, which was marked by the pandemic, the company grew, but most are in the second half of the year. And that certainly took us to another level. When you can see in the slide here, the growth both in gross and net revenue and in all business units, be it in Consumer, Corporate or Public Institutions. I'd like to highlight computers an increase of 56%; tablets and cell phones, 75%; payment solutions, 423%; and services including HaaS, we see -- we also saw 50% growth with BRL640 million. So when we add this, we will see how important they are. And in the fourth quarter, also a 20% growth. Next slide, please.

This is a breakdown of our revenue. So you can see the three business units. Consumer increasing by 35%, Corporate 24.9% and Public Institutions 133.7%. And as shown before, Consumer accounted for 46%, Corporate 21% and Public Institutions 33%. As for EBITDA, obviously, this represents a very sound growth. When we go over the history from 2017 to 2021, what we find or what we identify very quickly is that we -- the company has certainly adopted the right strategies that started to be embraced in 2017. So this improved EBITDA compared to the previous years, they stem from the better product mix, particularly Payment Solutions and HaaS also the selling of tablets and laptops. And also, you can see that we had the cost dilution.

Next slide. Net income. Obviously, net income is a consequence of all the actions that were taken. We then see this improvement from a negative base in 2017, basically zero in 2018, and we can see profits starting in 2019. I'd like to point out that this is recurring net income. In 2020, the accounting income was higher. But when we exclude some fiscal adjustments including some taxes, you can see that we are at the level of up 255%, the same when we compare Q4 of 2022 to Q4 of 2021, a very strong performance.

As for the balance sheet, as for ROIC and net indebtedness, as for return on investment, very similar. As for the numerator, the EBIT, it's better in 2021. As for denominator, a little bit worse, particularly because of the working capital, but that reflects the strong growth of the company and continuous investments. So there's slight retraction on ROI relates to inventory levels at the end of 2021, which is necessary for growing in 2022, particularly for Public Institutions namely electronic ballot box. We see an increase in net indebtedness, but this is something we need in order to support the growth that we foresee in the coming months. And Helio has already mentioned, we will issue new debentures that happened in February of 2022. With that, we extended our debt, and half of our debt is also from capital -- the capital market.

Next slide. Our final considerations and outlook. Helio?

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

So we project growth in our revenue for 2022 and we know that there are uncertainties but we expect growth ranging from minimum of BRL5 billion to BRL6 billion considered last year. As for Public Institutions, we have already BRL2 billion in revenue forecast for 2021, also BRL900 million coming from electronic ballot boxes. Just to give an idea of where this is coming from. As for Payment Solutions, we also expect to grow particularly

with Cielo, Stone and future agreements. But just to already support us, also strong presence in HaaS, also in Corporate and Public Markets.

As for Services, although this revenue is not significant in the overall growth, we believe that this is also present vigorous growth in 2022. As for Consumers, we expect to see that down both for notebooks and smartphones. So what we see is that research companies expect to see a decrease by 10% to 20%. We know that the numbers in January were really low, then we had the recovery in February, but we know that we will see this decrease in consumer. But we expect really to offset that decrease by launching Infinix. And Infinix, we also allows us to gain our share in a category that we were not present, so Positivo up to BRL900. And now we will offer products that go -- which -- whose price go up to BRL3,000. So we have this guidance, we are very optimistic for 2022. We are very excited. The company is very sound, very healthy.

We have really very good group of executives, senior management. We have a VP for public organizations. Mary, we have Guercio who is leading Corporate, Norberto for Consumer. We really have a dream team. We have a Caio in finance; Maurice in operations, Danny in procurement; and Eduardo Navarro for new businesses in order to follow new projects, new businesses and also to study potential new businesses, potential new M&A. Eduardo Navarro joined us at the beginning of this year. So we have a comprehensive team. We are very excited, an excellent Board of Directors with four independent Board members. So I'd say that this is the best moment of our 33 years of history. Thank you very much for joining us.

Caio, would you like to talk about repurchases?

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

Yes. This is very important. This is the consequence of what Helio already mentioned. When we consider the strong position of our company and expectations to carry on with the strong growth. We believe that the current share price does not reflect the position of our company. As for cash generation, it will also fund our working capital so that the company can keep on growing. So we have established the total return equity swap in order to have the repurchase program. This is a new tool, by using a financial institution so that we do not compete with cash for investments. So this is something new. This is what we'd like to also share. We released a material fact yesterday after the market closed. This is an indication that the company will pursue repurchase, but now working with a specialized financial institution that's very renowned.

With that, we close this first part of the presentation. Now we are going to open for the Q&A session.

**Operator**

Thank you, Caio. Thank you, Helio for the presentation. Now, we will open for the Q&A.

**Questions And Answers**

## Operator

(Question And Answer)

Thank you, Caio, thank you, Helio, for the presentation. Now we are going to open for the Q&A. We kindly ask you to send us all the questions you have at once and please wait for the company's answers. (Operator Instructions) First question, Carlos Ehuerra, [ph] he is analyst outside from Combo.

## Q - Analyst

Hello, everyone. I have two questions. Following the guidance of the company, what to expect for retail in 2022. What do you expect to be this -- what to expect that to account for during the considering bid processes. What we saw is that the price of products have really increased. What about the margin regarding electronic ballot boxes?

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

I think, we have already answered his first question talking about what to expect for the consumer market. We already shared what to expect regarding that pizza chart. With regard to the second question costs. It's true. We are trying to manage that, and we expect to see margins that are closed from that we had at the pricing period. Obviously, we had also some adjustments in our contracts, but we expect to see the margins close to those represented at the pricing. I think I have answered the second question, right?

## Q - Analyst

Thank you, Helio.

## Operator

Next question from Bernardo Guttmann analyst from XP. Bernardo, if you -- can you please unmute your microphone.

## Q - Bernardo Guttmann {BIO 22426541 <GO>}

Good morning, everyone. Can you hear me?

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

Yes, we can.

## Q - Bernardo Guttmann {BIO 22426541 <GO>}

Thank you, Helio, Caio and the entire team. I have two questions. I think you have already addressed my first question regarding performance in retail. We see this macroeconomic deterioration downturn that seems to be stronger than what we expected, but I believe that your diversification and your presence is different price layers in notebook, cell phones that certainly supports you. But what can we think regarding segments considering also the new lines with Infinix and HaaS. And the second question is about

public institution. Was there any delay regarding payment for electronic ballot boxes? These are my questions.

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

Hi, Bernardo. Good morning. So let me add some color regarding retail. We are very well positioned with the different computers, laptops and smartphones. That certainly protects us. As for computer share, we believe that our share is already representative. We don't see how to grow. But growth regarding computer will depend on the market. We don't see any gain or losses or any significant loss or gain regarding computer. Now as for smartphone. We expect to see an increase with Infinix because we were not present.

So any share is a gain. This is how we see retail. But we also need to see how the economy will be this year. Let's say that the market is now at a new level in consumer. That level was achieved in 2021, and we expect to see the same level. Maybe we may have a decrease in computers. So what we saw was an increase in sales of PC. PC are personal again.

As for public institutions, no we don't see any delay. Everything is moving as it should and the government is actually eager to receive the ballot. We cannot deliver faster because we need components. But what we see is that the government is very excited to receive that, both regarding computers and the ballot boxes. So I'd say that this is a very stable condition. And what we see is also this strong substantial purchase, both in education as well as corporate sector. But regarding education, very substantial growth. We see, for example, St. Paulo buying many notebooks, the state of Ceara, the State of Parana and many municipals, buying computers. That demonstrates the importance of having our students with devices.

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**Q - Bernardo Guttman** {BIO 22426541 <GO>}

Thank you, Helio.

**Operator**

Thank you, Bernardo. Next question comes from Victor Portillo for Small Caps. [ph]

**Q - Analyst**

Good morning. Congrats on the presentation. Two questions. Regarding your gross margin in 2021. Was that regarding the FX hedging or the mix of products sold? And what do you expect regarding working capital for 2022, consider the growth that you expect to have?

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

Caio, up to you.

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

The mix of products is certainly important just as shared by Helio. We saw the slowdown in consumers -- in the Consumer segment. That certainly had an impact on our margins. Margins were slightly less than what we had year over year or even quarter-over-quarter. But that had nothing to do with hedge. We have implemented hedging accounting. And those impact is now only marginal. So it's more related to the mix and to the retail environment.

## **Operator**

Next question (inaudible).

## **Q - Analyst**

With the decrease on IPI, how does that affect the competitiveness of Positivo vis-a-vis your competitors?

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

Great question. We were really taken aback with the changes in the tax environment. It's good that we have a very diverse footprint with manufacturing plants in Manaus and entry in the state of Parana and in one more site. And we really do the math in order to see where we can be more competitive. So the Manaus will have a decrease whereas Ilheus and Curitiba we will see an increase. But there are also some pending issues is on Franca de Manaus is now trying to come up with changes in order to offset this losing competitiveness. We expect something new in the next 30 days. But in general, that does not have much impact on us.

## **Q - Analyst**

Thank you, Helio.

## **Operator**

Next question from Max Traders Club.

## **Q - Analyst**

What affected the gross margin in the fourth quarter of 2021? What about to the price of raw material? What can expect of EBITDA for 2022? Do you expect to see 10% margin again?

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

I'd like to point out to the fact regarding the fourth quarter. It's true that we had a decrease in retail, not because of the price of components, but we saw this economic downturn. And everybody had prepared for better scenario. So competitiveness increased in the fourth quarter. So we had this downturn in the market and enhanced a very fierce competitiveness. That's what effected the margin without complicating the



explanation. With regards to this year's EBITDA, I'd like to turn it over to Caio. I don't know what we can disclose.

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

Given this new mix and also considering the business units and the very strong presence in corporate and public institutions with improved margins, the outlook is to achieve a similar number. We believe that we will see a decrease in retail, but we have Infinix that's been launched and we also see this increase in corporate. We see very strong margin in corporate. As for public institutions, we expect to see equivalent margin.

**Q - Analyst**

Thank you, Caio.

**Operator**

Max, asked another question.

**Q - Analyst**

What about the operations in Shenzhen after the lockdown in the city?

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

Well, I can tell you that my heartbeat really increased last year. We expect to see they're opening again, but we had really different issues regarding last year, we had issues regarding the shortage of components. This year, this is not the main problem. And certainly, that lockdown for a week certainly delays our operations, but we expect now to really be very agile and reach what the level we had expected.

**Q - Analyst**

Thank you for your answer.

**Operator**

Another question from Flavio Bica from Investimento Valor Futuro.

**Q - Flavio Jose Bica**

Congrats for your growth in 2021. Can you please elaborate on the increase on working capital and what was the rate paid for the debentures issued?

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

Caio, regarding working capital.

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

Obviously, that is related to inventory and the growth of our operations. We increased inventories, but we also increased suppliers. So that's certainly related to working capital and that relates to future growth, particularly regarding public institutions, the electronic ballot boxes, purchase of components. So that is certainly related to the company's growth. With regard to the rate of debentures, it's a very competitive rate, considering a company with our rating A were compared with the spread between 3% and 4%.

## Operator

Next question from (inaudible), an investor.

## Q - Analyst

Good morning. Congratulations for your results. Can you please elaborate the repurchase program that you shared in a very simplified way so that all of us can understand it?

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

Well, this is a program in which we work with a bank, in which the bank acquires, buys the shares and the company pays an interest rate. So it's a swap. It's a derivative available in the market and at the end of the contract of the swap, the company recovers the shares and then will have in our liability account. Basically, that's a swap. It's a very good mechanism for a company such as ours with a repurchase program. But we also have our working capital mostly earmarked for our company's growth.

## Operator

(inaudible) Investors.

## Q - Analyst

Besides the products that Positivo already markets, would you consider any new product?

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

We think about new products every single day. We're not saying that all of them will become feasible, but we have now new president for new businesses exactly for doing that. Right now, we are going over our HaaS. We have HaaS, which is the rent of new products and our HaaS is refurbished HaaS. And this is the continuation of HaaS. So when we have these products being returned, we need also to consider how we are going to use that considering circular economy, which is good.

You have a three-year old machine that can be used in the same company or in a different company. So you may replace a memory or a part of that machine and then it can be once again rented for another three years. So we do research all the time. This is the first decision we made for the first six months, but we are always studying. As for the Internet of things and Smart Homes every single day we launch a new product. We have locks, we have vacuum cleaners, the same for smartphones. We really study new products all the time. Obviously, based on our strategy, that's very well established.

## Operator

Mr.Yuzo from Trigonon [ph] Capital asks again..

## Q - Analyst

How does the company see the chips market for 2022?

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

I'd say that the worst is already over. That happened in July, August of last year and then we started to see an improvement. I'm not saying that that's perfect. And there are ups and downs. You see that some chips are in the normal levels, not all of them. But I'd say that we feel more reassured this year. We are also being able to deliver on the time line we had expected.

## Q - Analyst

Great.

## Operator

Mr.(inaudible).

## Q - Analyst

Can you please comment on investment of venture Hilab and the expectation for its growth? Any possibility to integrate products with this company?

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

As the Hilab is an independent operation, and we are the minority shareholder. What we offer is a support for certain operations, just as we did last year in supporting the manufacturing of COVID tests that were sold to Butantan Institute more than a million test kits. So we supported them for that operation.

Hilab is there. It seems that they are doing well. We're talking about a new round. We don't know whether or not that's going to happen, but that's it for that.

## Q - Analyst

Thank you, Helio.

## Operator

Next question from (inaudible) Invest.

## Q - Analyst

Good morning. The import tariffs were zeroed a while ago. How can that impact Positivo?

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

Actually they were not zeroed. There was a 10% decrease. And the impact of this 10% is really negligible considering our businesses. Certain things that we manufactured. Perhaps it will make more sense for us to import for lower cost products, but that does not have any impact on competitiveness of higher prices, laptops, computers and smartphones. Components also benefited from that reduction.

**Q - Analyst**

Thank you, Helio.

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

Although these are just here says, nothing has been officially published yet.

**Operator**

Next question from Mr.(inaudible).

**Q - Analyst**

Regarding corporate results in 2021, we saw an increase and a decrease in the fourth quarter of 2021. What can we expect for this segment?

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

Actually, the decrease was just in servers. What we saw was an increase in Payment Solutions and computers and servers decreased because of the project with Petrobras. So we expect a very substantial growth. HaaS is also very strong presence in larger corporations. So we expect growth also in Payment Solutions. So we expect really a substantial growth for this segment.

**Operator**

(Operator Instructions) We received many questions. Let me just see if there are any further questions. From Ricardo Veigal, [ph] he is an investor.

**Q - Analyst**

What motivates you to have that investment in venture capital?

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

Our investment on corporate venture relates to what is mandatory for us to invest in P&D. And we invest in startups. So whenever we see a growth in our revenue, we also have to increase what we invest in startups, and we really enjoy this kind of investment. And we expect also to see an increase in this kind of investment. We have many companies that are in our pipeline.

If there are no further questions, we will close this presentation. Well, thank you very, very much. We are very optimistic. We'd say that we are really going through very good times, and I invite you all to get to know us more. Thank you very much, everyone.

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