

## Q2 2021 Earnings Call

### Company Participants

- Alfredo Egydio Setubal, Chief Executive Officer, Executive Vice Chairman of the Board, Director of Investor Relations
- Priscila Grecco Toledo, Chief Financial Officer

### Other Participants

- Tito Labarta

### Presentation

#### Operator

Good morning, ladies and gentlemen. Thank you for standing by, and welcome to Itausa's Conference Call to discuss the first half of 2021 results. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at the time. (Operator Instructions).

As a reminder, this conference is being recorded. The file will be available at the company's website at [www.itausa.com.br/en](http://www.itausa.com.br/en) at the Investors Relations section. This conference call and the slide presentation are being transmitted via internet as well. You can access the webcast by logging on to the company's website [www.itausa.com.br/en](http://www.itausa.com.br/en).

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors. I inform that during the presentation, the questions can be sent by webcast and will be answered at the section of questions and answers.

With us today, we have Mr. Alfredo Egydio Setubal, CEO and Investor Relations Officer at Itausa; Mrs. Priscila Grecco Toledo, CFO at Itausa; Mr. Renato Lulia Jacob, Head of IR and Market Intelligence at Itau Unibanco; Mrs. Mariana Espirito Santo, Investor Relations Director at Alpargatas; Ms. Natasha Utescher, Investor Relations Manager at Dexco.

It's now my pleasure to turn the call over to Mrs. Priscila. Mrs. Priscila, you may now begin.

### Priscila Grecco Toledo {BIO 21249015 <GO>}

Hello. Good morning. It's a pleasure to receive all of you in our conference call to discuss our results of the first semester of '20 of the year. Now beginning on Page 5. Regarding

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the pandemic scenario. Itausa and lower investment companies continue to adopt all the security measures regarding our employees and operations. (inaudible) the home working is came since the beginning of the pandemic in all -- and many well being programs. Also, in order to help the this aside, surpasses difficult moments, Itausa and the companies in our portfolio made donations of more than 1.5 billion last year. And this year, the components of our portfolio has also all the relevant initiatives, such as the creation of the institute of Todos pela Saude. We find initial contribution of BRL200 million in donations of food staples, Havaianas sandals and many other initiatives.

On Page 6, we show some from relevant address [ph] that we had in our governance with the election of three investment members and also the creation of four advisory committees reporting to the Board of Directors, which are coordinated by independent and external members of the board.

On page 7, we showed some important improvements in the company to increase our transparency and to bring forward the dialogue with our stakeholders. We launched our report -- integrated report in the first quarter of the year with a new format more user-friendly with new content and also a new identity. We also planted this semester, our new corporate website and our Instagram profile bringing some top content and more interactivity with our stakeholders. And coming soon we will have a new -- new newsletter with a modern simple and objective language bringing some important topics regarding Itausa and our portfolio.

On Page 8, some important recognition we had recently. Itausa received the great place to work certification recognizing the work we have -- being done in terms of people management. We had an overall 21% satisfaction rate from our employees, which is a big number and made us very happy with this result. Also, we appeared for the second time in the FTSE4Good index. This is along the stock sustainability index and recognizes our ESG practice.

Going to page 10. We see some important (inaudible) in our invested company Copa Energia. The company launched the new brand with the proposal should be a benchmark in sustainable energy solutions. It is also make an advanced [ph] in the synergy integration and capture process. Copa already concluded the system integration implemented the new corporate governance, finalized some commitments to meet with CADE, renegotiated agreement targeting costs reduction and SG&A rationalization and also is a starting the logistics flow rationalization process.

On Page 11, we comment about some recent advance regarding Itau Unibanco's interest in XP Inc On May 21, -- 31st Itau got FED's approval for the spin-off, resulting the creation of XPart, which is now a new company in our portfolio and the second biggest investment in terms of market value. As around -- already announced in terms of next steps, we will have the shareholders meeting in the second semester to approve the merger of XPart into XP Inc And if approved, Itausa, XPart and also the roll holders will receive class A shares. The ratio of exchange of shares may be around 43 shares of XPart to one share of class A of XP. After the merge Itausa will have a stake of around 15% of XP Inc, and these represent a market value of BRL18 billion in total as of today.

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Going to the next page, Page 12. We comment about our new investment Aegea. This investment resulted in amount -- in the investment amount of 2.5 billion in July and here, - we now have almost 13% of the total capital of the company. And we understand that the infrastructure sector has high growth potential and the attractive return rates and the companies is very well positioned to benefit from the sector growth. And also, we have a skilled operator and as our partner with a long-term vision that is common with Itausa. Aegea is also the leading private company of the basic sanitation sector in Brazil, and serve around 21 million inhabitants in Brazil.

On Page 14. We see some highlights of Itau Unibanco in the semester. The loan portfolio increase around 12% in the periods, mainly in the very small and middle market companies and also individuals. We also saw a relevant decrease of more than 25% in the expected loss when compared with last year related to the credit portfolio. In the semester, Itausa -- Itau Unibanco showed solid results, increasing the recurring net income of 7.6 billion to 13.8 billion achieving ROE of 19% in the period.

On Page 15, we see some highlights of XP Inc That we now have in our portfolio since the beginning of June (inaudible). -- the results of this company at Itausa. The company showed 54% increase in its net revenues in the period driven by the retail business. The net income achieved at around 1.7 billion in the first semester against 0.9 billion last year, reporting ROE of almost 25% -- 29% in the period.

On page 16, we have some highlights of Alpargatas. The company has a net revenue increase in operations, mainly due to the RGM program, higher volume and also better price mix for all the divisions. In some -- very important advance in also in the global expansion and growth of the online channels. The company reported a recurring net income of BRL246 million an increase of more than 120% when compared with last year and reported ROE of 16.7% in the first semester.

On Page 17, we see some highlights of Dexco that is the new name of Duratex. And the net revenues of the company increased almost 70%, in the first half of this year driven by the maintenance of high level of demand and higher average price and mix -- and the better mix of products and revenue. The recurring net income was also almost BRL900 million of high and then increase of more than 506% achieving the ROE of almost 18% in this semester. This was the best result in the semester and the best ROE of the company in its history.

Going to the next page, Page 18. We see some highlights of Copa Energia. The company has an increase of 20% in its revenues in the period when compared to the last year and reported the loss in the period of R\$19 million. This loss caused by the relevant increase in the cost of raw materials occurred in the semester with successive price increases made by Petrobras, which was not fully compensated by the company.

On page 19, we have some highlights of NTS, that reported an increase of more than 20% in its revenues as a result of contractual adjustment by inflation. The company reported a net income of BRL1.5 billion in the semester, an increase of 26% when compared with last year.

Going to Page 21. We have the financial highlights of Itausa. Itausa reported a recurring net income of BRL5.3 billion, recurring ROE of almost 18%, which represented the relevant increase in comparison to the last year. We also reported a net debt of BRL3.9 billion and the net assets of BRL61 billion.

On Page 22, we see our capital structure. After the debentures we issued in the semester and in the last year, at the end of the last year to fund Copagaz and also the Aegea investment we now have a 5.6% leverage showing our high leverage capacity in the prudent financial management of the company.

On Page 23, we have the payment schedule of the principal amount of our financial debt. As you see, the average term of our debt is six years and the cost is around CDI plus 1.6%.

On page 24, we see the dividends and interest on capital that we received in the first half of the year from NTS and Itau Unibanco. And the amount we paid or will pay to our shareholders regarding the first semester of the results of the company. In this semester, the amount paid or payable totaled BRL1.4 billion with a 25% payout which represent 2.7% dividend yield in the period. We also acquired 4 million preferred shares under our buyback program in this semester.

On next page, Page 25, we show the current level of discount Itausa, there is almost 24% discount. And if we include the market value of our stake in XP's, which is BRL18 billion without changing the market value of Itau and Itausa in this exercise. The discount level Itausa go to almost 24%.

And in the next page to conclude my presentation. I would like to invite all of you to our live event the Panorama Itausa that will take place on September 28th at 10 P.M. -- 10 A.M Brazilian time. In this live you will have the opportunity to discuss the perspectives and strategies of Itausa and the investment content.

So we now open for the Q&A session. Thank you.

## Questions And Answers

### Operator

(Question And Answer)

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instructions) Our first question comes from Mr.Tito Labarta with Goldman Sachs.

### Q - Tito Labarta {BIO 20837559 <GO>}

Hi, good morning. Thank you for the call and for taking my question. Couple of questions. I guess, first on the stake in XP, you mentioned here, that you'll be limited to six block

trades over 12 months. Any indication you can give in terms of the timing to exit. I think you said in the past that you don't see it as strategic but you may not sell immediately. And is there any limitation on the size of those blocks that you could sell?

And then my second question more on the pending tax reform, any color you can provide on -- given the current iteration that's growing to Congress. So what would be your expectations for the impact that that would have on you? Thank you.

### **A - Alfredo Egydio Setubal** {BIO 1528623 <GO>}

Hello, Tito, it's Alfredo. Thank you for the participation and for the questions. In the case of XP, we see XP as a very good investment in our portfolio. We believe in the future of the company, we believe the company will continue to grow. I think the diverging decision of the bank was too fast to the shareholders, the value creation that was done during the period that the bank hold this stake.

Saying that, we are not in a hurry to sell the participation that we have at XP. We announced that there is not a strategic investment. That's why -- that's only why we are in a portfolio management activity that is out of the financial services investment that we are doing. So, XP is part of our financial service company -- is a financial service company. So, in a long-term, we don't see this investment as strategic for Itausa SA.

Itausa wants to continue the creation of the new portfolio in the -- in other sectors instead of the financial services. We are not intending to sell XP participation tasks, we have many years to do that, we are not in a hurry to do that. When we mentioned that we need, with XP Inc some way out through block trades and other kind of operations, is just to have the chance and the opportunity to design, if you -- we want or not to participate or do these kinds of block trades or sales depending on the transaction that are being done -- going through XP, through other investors, through Itausa.

So we have the opportunity to decide if we want to do or not, it doesn't mean that we are going to do. Our intention is to keep this investment for some periods and use the money from the sales that we will occur over the years to pay debt or to pay dividends or to invest in other companies or to buy back shares. So, we -- at the level of the board member, we will discuss which one of these alternatives will be the best use of (inaudible) always looking to the return for our shareholders. So it's a long -- it's a medium to long time investments in our portfolio, but we believe at the end of some many years, we are not being shareholders of XP anymore.

In the case of the tax reform that are under discussion in the Congress. As it is too early to say, because there are many discussions of what will be approved or not, what will be approved in the lower half, what will be approved in the latter half of the SME. So I think the -- it's a little bit early to say. But what we can say is, if the law is approved, as it is today, it's not bad for Itausa specifically. Because we are not going to have the fiscal expenses of the (inaudible) over the capital that we received. So this is -- it range depends on the year of the big pay out of the companies that we invest in the last years.

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The range was BRL300 million to BRL500 million in expenses, so this was the most important expense of the holding that it may be can disappear with the hands of (inaudible). In general, we see for Itausa, probably the results of the companies that we invest will increase due to the level of profitability of them and also because of the reduction of the taxes paid by the companies. But at the end, of course, we will have taxes over the divided to be paid to the shareholders. But if we look only for the company before distribution of divided, the results of Itausa probably will grow.

**Q - Tito Labarta** {BIO 20837559 <GO>}

Thanks, Alfredo. That's very helpful. So just one follow-up on the XP. So my sense is you're not selling for now, but was there any limitation on the size of any block trade or if you wanted to sell in one block trade, I mean, given the size may be difficult, but just to get a sense, any limitation on that or that will be completely up to you? And then the board to decide on how quickly you get out once you decide to do that, and I understand, it's not in the short term?

**A - Alfredo Egydio Setubal** {BIO 1528623 <GO>}

Yes. As I said, we intend to -- we intend let's put it the other way. We intend to keep the shareholders of XP for a long time. But we are going to reduce over the years -- the coming years according to the price to the perspectives of the company, to the liquidity of the market, many factors will influence our decision to sell or not to sell any stake in XP in the coming years.

So it's difficult to give you a precise answer, but anyway we -- as I said, we are happy and confident with the future of the XP and we will reduce the participation. Because it's not a strategic for Itausa that wants to create a portfolio of non-financial companies. The only financial that we see in our portfolio in the future is the shares of the Itau Unibanco Holding. So XP will be reduced our stake over the years according to the liquidity and perspectives of the company.

**Q - Tito Labarta** {BIO 20837559 <GO>}

Perfect. Very helpful. Thank you, Alfredo.

**Operator**

(Operator Instructions) This concludes today's question-and-answer session. Mrs. Priscila, at this time, you may proceed with your closing statements.

**A - Priscila Grecco Toledo** {BIO 21249015 <GO>}

Okay. We'd like to thank you all for the participation in this call. As you saw, Itausa reported solid results, showing an important increase against last year. And I would like to invite you once more for our (inaudible) that will take place on September 28, where we will share with all our investors the strategy and perspectives of Itausa in the companies of our portfolio. Thank you and have a good day.

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## Operator

That does conclude our Itausa's 2021 results conference for today. Thank you very much for your participation.

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