

## Q3 2018 Earnings Call

### Company Participants

- Lincon Ferraz, Financial and Investor Relations Officer

### Presentation

#### Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Positivo Tecnologia's 3Q18 Earnings Conference Call. Today, with us -- today we have with us, Lincon Ferraz, Financial and Investor Relations Officer.

We would like to inform you that this will be in 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 Lincon Ferraz, Positivo Tecnologia's Financial and Investor Relations Officer. Mr. Lincon, you may begin your conference.

#### Lincon Ferraz {BIO 18660463 <GO>}

Thank you. Good morning, everyone. We are here to present the results for the third quarter, 2018, When the company posted a net income of BRL11 million. Also Positivo recorded a market share of 15%, out of which 21% in retail, 8% in corporate and 20% in government. Net revenue from mobile phones increased by 55%, totaling BRL115 million, including the market share of 1.6 percentage points reaching 4%. Our sales profitability recovery in the period due to the transfer of the US dollar appreciation to the prices. Also, our adjusted EBITDA registered BRL36 million, 18% up year-on-year with a margin of 7.4%.

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In the first nine months the company posted a net income of BRL2 million, reversing the loss recorded in the same period of the previous year. Finally, we enter in the PC gamer market and launched a new brand offering high performance notebooks and desktops through a growing audience.

Moving to page 4, here we have some color on PC market. The market shows a slight increase of 1% year-on-year in the third quarter, mainly covered by the price increase adopted by their manufactures. The sales channels aimed to limit the purchase in the period and work with tighter inventory. In the corporate market, the elections in Brazil causes a lot of uncertainties in the company. So it inhibited the investments. In the government, we have in Brazil some regulations regarding the leverage in this period. So the volumes were very low. As I mentioned, our market share, which is at 15% worth of our market, flat year-on-year and a small reduction when compared to the second quarters due to the low delivered to the government. In the retail, we closed the quarter with 21%, flat year-on-year.

On page 5, mobile phones. Here we can see the market concentration among the three major manufacturers. They hold 81% of the total market, leaving only 19% for the other company. Our market share, reached 4% in this quarter, it is much more than one year ago when Positivo recorded only 2.4%.

In page six, here you can see our profitability. It was a big recovery in the third quarter, reaching 10%. In the second quarter it was only 4.6% because of the beginning of the US dollar appreciation which we didn't pass to the (inaudible) and also, the increase in delivery cost, which impacted the government project.

On the right side of this page, you can see the G&A expense, we reduced them by 13%. The company in September, made a big restructure in the administrative staff and we could reduce it by 14% and we expect in the coming quarters to keep this new level, and let's see if we can do that, but we are very confident. The reduction took place in September, so we should expect a little bit more gains in the coming quarters.

On page seven. Here is 2A.M., the new brand for gaming -- PC gaming. We have two examples here. One is the cheapest model is core i3 processor with GeForce MX150, also we have a better configuration in the right side, it is a notebook with GeForce GTX 1060, with 6 GB, build with the core i7 processor. This one, the price starts from BRL7,000. The PC gaming in Brazil is growing a lot. We have been seen a very growing audience in the country and this market turnover in the country is over BRL5 billion.

On page 9, this is our sales. In Brazil, it's important to highlight that we grew by 1% (inaudible) than the total market, so we gained a small portion of market share. And also in Brazil, we grew a lot in mobile phones. It's 5% in smartphones and 61% in the feature phones. Out of Brazil, Positivo BGH sales were reduced by 66%, mainly because in the first part of 2018 we had a big project in Argentina related to the government.

Moving to page 10. Net revenue totaled BRL490 million, which is 12% up year-on-year. It's very interesting to highlight that mobile phones contributed a lot in this quarter, growing

more than 50% year-on-year. In the first nine months, our net revenue reduced BRL1.4 billion, 6% up year-on-year. On the right side, you can see the average price they all went up, reflecting best of the prices of the dollar appreciation with the exception of desktops, which reduced by 7% reflecting the reduced sales to the government in this period, it's important to bare in mind that the government sales, the equipment are really high, very high (inaudible) and extended period of guarantee.

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Page 11, here we can see COGS and also SG&A. Our cost represented 73% of the net revenue. It's back to normal level. It was very high cost in the second quarter because we didn't pass on the prices, US dollar appreciation by that time. Sales expenses also reduces back to 17% and the G&A you can see the reduction, the important growth is the personal expenses which went down by 15% in the period.

Page 12, here you can see the results. Our EBITDA closed the quarter with BRL36 million, with a margin of 7.4% both growing a lot when compared to the second quarter and a little bit higher when compared year-on-year.

Our financial result closed the period, with a net expense of 7 million helped by the exchange rate evaluation, which was positive 11 million. Our net income in the quarter was a positive 11 million, twice of the year-on-year and in the first nine months because of the - with our net income of BRL2 million, we are reversing the net loss of the same period in 2017, when we close the first nine months, with net loss of BRL2 million. Net debt closed this quarter at BRL265 million, with multiple net debt over EBITDA below three times.

That's it, thank you very much. And see you in the next conference call.

## Questions And Answers

### Operator

Thank you. The floor is now open for questions. (Operator Instructions) I'll turn the call over to Positivo Tecnologia for any final considerations.

### A - Lincon Ferraz {BIO 18660463 <GO>}

Thank you. See you again guys in the next conference call, which will take place next year. So thank you so much, see you.

### Operator

And thank you, sir. This concludes today's Positivo Tecnologia's earnings conference call. You may disconnect your lines at this time and have a wonderful day.

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