

Q4 2013 Earnings Call

Company Participants

- Clovis Poggetti Junior, CFO and IR Officer
- Roberta Noronha, IR Director
- Romulo de Mello Dias, CEO

Other Participants

- Alexandre Spada, Analyst
- Carlos Macedo, Analyst
- Craig Maurer, Analyst
- Gerardus Vos, Analyst
- Mariel Santiago, Analyst
- Mario Pierry, Analyst

Presentation

Operator

Good afternoon, everyone, and thank you for waiting. Welcome to Cielo's Fourth Quarter 2013 results conference call. This event is being recorded and all participants will be in a listen-only mode during the Company's presentation. After Cielo's remarks there will be a question-and-answer session. At that time further instruction will be given. (Operator Instructions)

This event is also being broadcast live via webcast and may be accessed through Cielo's website at www.cielo.com.br/ir, where the presentation is also available. Participants may view the slides in any order they wish. The replay will be available shortly after this event is concluded. Those following the presentation via webcast may pose their questions on our website.

Before proceeding, let me mention that forward statements are based on the beliefs and assumptions of Cielo's management and on information currently available to the Company. They involve risks and uncertainties because they relate to future events, and therefore, depend on circumstances that may or may not occur.

Investors and analysts should understand that conditions related to macroeconomic conditions, industry and other factors could also cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Ms. Roberta Noronha. Ms. Roberta, you may begin your presentation.

Roberta Noronha {BIO 20488075 <GO>}

Good morning, everyone. I would like to thank you all for joining us as we present our results for the Fourth Quarter in year of 2013. With me today are Romulo de Mello Dias, our CEO; Clovis Poggetti Junior, CFO and IR Officer; other members of the management team, as well as the finance and IR teams.

Now, I'd like to hand it over to Romulo. Please?

Romulo de Mello Dias {BIO 2054119 <GO>}

Good morning. Thank you for joining us for another earnings conference call. On page three we can see the highlights of the quarter compared to the same period last year. As highlighted, announced in the notice to the market from December 13, Cielo has changed the methodology used to account for revenues from commissions from credit card installment sales. We believe that this change will bring greater adherence to market practice from acquirers and issuers, and consequently, greater ease in understanding the results by investors and market players.

The change was made in accordance with the provisions of technical pronouncement CPC 30(R1). Therefore now in addition to the total revenue from sale recognition is transaction capture date and no longer in the release of each installment. The cost relating to installment transactions will also receive the same treatment, namely, processing service cost, brand fees, incentive to partner banks and direct/indirect tax.

With the change in the accounting criteria, which has already been implementing in Q4, we find interesting to restate the net income from recent quarters to create a market reference.

As you can see in the table, assuming that both 2013 and 2012 are already in the line with this new policy, we present new variations. In Q4, Cielo's net income totaled BRL721 million, up 16.2% year-on-year and almost 15% for the full-year of 2012.

For information only the unaudited information in accordance with the new accounting policy is available from the First Quarter of 2012 on our website www.cielo.com.br/ri, in the financial information in interactive spread sheets item.

In November we have also announced the evolution of Cielo Mobile, the most complete and safest solution, becoming the first in the market to offer (browser) and debit cards payment options or with the Crediario product in up to 48 installments in addition to spot credit card transactions or in up to 6 installments for the chip card reader and passwords, which ensures greater sales conversion.

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Noting that we remain focused on the same public of the first version of Cielo Mobile 2010 launch, i.e., independent professionals, small entrepreneurs and merchants.

Another highlight and reason of pride for us was the inclusion in the ISE, Corporate Sustainability Index maintained by BM&FBOVESPA. The ISE portfolio that we are now part of will be effective from January 6th to June -- to January 2, 2015.

That index is just like a performance assessment tool among public companies with regard to corporate sustainability. Cielo now joins a select group of public companies recognized by the liquidity of its shares in the good management practice and corporate governance.

In Q4, voted the 11 most valuable brand in Brazil according to the Brazilian most valuable brands 2013 ranking published by Interbrand consulting. In the same quarter, Voce RH Magazine recognized the Deputy Vice President of Organization Development as the best IR professional in the banking and services industry, and Cielo was considered by the same magazine as the company with the best CEO as HR Partner in 2013.

On the next slide, number 4, we have the evolution of our transaction financial volume with credit and debit cards. Remember that the figures presented consider all credit installment sales volume at the same time of transaction capture. Compared to the Fourth Quarter last year, our financial capture volume grew by 23% to almost BRL132 billion.

In the same period, credit volume was up 17.8% and debit volume 32.6%. The debit volume increased its stake from 36.6% to 39.6% year-on-year, contributing to a decrease in the MDR as a whole. Remember that about half of these additional volume refers to agro products, which have a specific pricing and average ticket.

Also, incentives paid to partner banks played an important role in lower revenue growth versus financial volume capture. Q-on-Q, the financial volume grew 16.3%, as can be seen in the graph. In this same period, credit volume was up 12.4% to BRL80 billion, while debit was up 22.8% to BRL52 billion. In other words, MDRs remained practically stable compared to Q3, even though in the year has shown a decrease.

Our total financial volume captured in 2013 grew by 17% and was BRL449 billion, accounting for approximately 9% of Brazilian GDP, assuming cumulative figures for the first nine months.

In the same period credit volume was up 13% to BRL208 billion. For its part, debit was up 22% to BRL169 billion. The growth in international volume does not include Merchant e-transactions, which means it represents the financial volume in the domestic market only.

On page 5, we present the number of transactions captured in Q4 and full-year of 2013. Year-over-year, we see a 20.7% increase, representing 1.4 billion transactions in the quarter. For the consolidated year of 2013, we had almost 5 billion transactions reaching

growth of 14%. Remember that the figures present consider only one transaction for each credit installment sales, which means at the time of the transaction capture.

Speaking of operational indicators on page 6, we present the number of active points of sales, which have recorded one transaction in the last six days and also in the past 30 days, and the number of installed POS. Because we look at present values Q4 figures are the same. We can see in the graphs that all indicators show growth in the period. Year-over-year, the base of installed POS grew 6%, wireless device reached almost 57%. The increase of the active points of sales in both 60 and 30 days in the same period was around 11%.

Now, I would like to hand the call to Clovis, who will continue our presentation.

Clovis Poggetti Junior

Thank you, Romulo. Good morning, everyone. On page 7, we present our net operating revenues, which total BRL1.9 billion, 14.7% higher than in Fourth Quarter 2012. As of this quarter, the impact of consolidation of Merchant e-Solutions is no longer the most important factor in the year-on-year variation in revenue since it is already part of the comparative base.

This revenue increase is chiefly related to the higher financial volume captured, partially offset by the product mix with greater participation in debit transactions, also impacted by the agro product, greater incentives paid to partner banks and by reduction in the merchant discount fee charge.

For 2013, net operating revenue totaled BRL6.7 billion, up 25% year-on-year. In the year, the consolidation of Merchant e is still relevant to revenue variation because in 2012 it has only impacted the Fourth Quarter.

On the next page, page 8, we have our expenses. Our expenses totaled around BRL1 billion in the Fourth Quarter of 2013, up 15% quarter-over-quarter and 19.2% year-over-year. The cost of services provided was BRL727 million in the quarter, growing 20% and 11% year-on-year and quarter-on-quarter respectively. It's worth mentioning that the variation was lower than the number of transactions variation in the same periods.

Detailing the items that most impacted costs in the period we have, the increase in logistics and processing services costs, specially related to equipment maintenance and activation; software upgrades; replacement of discontinued equipment for new ones; increase in the wireless technology equipment; acquisition of spare parts for terminals; and last but not the least increase in brand fees given the increased number of transactions.

Our operating expenses represented BRL313.5 million in the Fourth Quarter last year, up 18% compared to the Fourth Quarter 2012, and up 25.4% compared to the Third Quarter last year. Marketing and selling expenses accounted for the main increase over the two periods, which closed the year representing 3.8% of the net operating revenue but with a

strong concentration in the Fourth Quarter due to increased marketing campaigns. Worthy to mention that marketing expenses for 2013 were in line with the soft guidance provided earlier.

In the year, total expenses were up 36.4% to BRL3.6 billion. Of this total, costs were up 41.1% to BRL2.5 billion, and operating expenses accounted for the remaining at BRL1 billion for an increase of 25.8% in the period. Worthy to point out that consolidation of Merchant e-Solutions had the most significant impact on this line, especially in costs due to the interchange.

On the same slide we can see total expense per transaction, which due to the consolidation of Merchant e-Solutions figures once again presented a sharp increase for the year at BRL0.72. This was already expected since the subsidiary only impacted the expense line and not the number of transactions, and as a result, which we can see on page 9, are mainly revenue from prepayment of receivables operation.

In the Fourth Quarter last year gross revenue was BRL393 million, an increase of 65.5% compared to the Fourth Quarter 2012 and 25.7% in relation to the Third Quarter last year.

Now, let's present the managerial analysis of net cost of funding. In this analysis every resource used to prepay receivables is applying the same cost of funding we have when we prepay our receivables with the issuer banks. According to the managerial analysis net revenue was BRL187 million for the quarter, an increase of 33% and 27.3% compared to the Fourth Quarter 2012.

Gross revenue totaled BRL1.2 billion in the year, up 41.7% as compared with the previous year. Net revenue totaled BRL592.8 million, up 13.1%. The difference in the growth rates of gross and net revenues in the Fourth Quarter in 2013 is chiefly explained by the customer mix of the prepayment products in the quarter. In 2013, the volume of transactions with large retailers has been significantly higher than in the past.

In the dynamics of the prepayment of receivables operation shown on slide 10, we can observe that prepaid volumes show an increase of 60.7% year-on-year and 17.4% quarter-on-quarter. The amount in the quarter totaled BRL13.7 billion or 17.3% of total credit volume. When comparing 2013 with 2012, the prepaid volume grew 67.7%, reaching BRL44.3 billion. The average term had a slight decrease.

On slide 11, we have our financial performance with EBITDA in both absolute amount and margin. EBITDA totaled BRL912.7 million in the Fourth Quarter last year, up 9% year-on-year. EBITDA margin was at 49.2%, down by 2.6percentage points over the Fourth Quarter 2012. Compared to the Third Quarter last year EBITDA declined by 1.9%, margin fell by 4.3percentage points. EBITDA for the year was BRL3.6 billion, an increase of 15.4%.

Considering the margin for the year 2013, which stood at 53.1%, the drop in relation to previous year was 4.4percentage points, chiefly due to the consolidation of Merchant e-Solutions.

Please remember that some acquirers in the United States record gross MDR or the gross discount rate as gross revenue, while the interchange fees are recorded as costs. So although the contribution of Merchant e to the result is small, when numbers are consolidated the contribution given as a revenue ends up being the main reason for the size of the impact.

On page 12, you can see our net income totaled BRL721 million, up 16.2% year-on-year, with a net income margin of 38.9%. Compared to the Third Quarter 2013, net income rose 4.5%, while margin had a slight decrease of 0.8percentage points. For the year 2013 net income was BRL2.7 billion, almost 15% greater than in 2012, with net income margin at 39.7%, falling 3.5% impacted again by the consolidation of Merchant e-Solutions as explained earlier.

Now, I will go back to Romulo.

Romulo de Mello Dias {BIO 2054119 <GO>}

To close our presentation I want to announce the payment of dividends and interest on equity, which was already approved by our Board of Directors for the second half of 2013 and subject to the approval at the shareholders meeting.

As you can see on slide 13, the total remuneration including dividends and interest on equity is BRL961 million or roughly BRL1.22 per share. According to our policy, the payment will be paid at the end of the March. The amount was equivalent to a 70% payout. Since Cielo's IPO, we paid BRL8.74 per share considering the interest on equity net of tax for a total amount of BRL7.3 billion.

It has also being approved for further approval at today's shareholders meeting, the increase in the Company capital of BRL1 billion, totalling now BRL2 billion. Such an increase will be carried out with the issue of new common shares with no par value distributed to shareholders free of charge as bonus shares in the proportion of one new share for each share owned.

The bonus shares will be attributed to shareholders on March 31. From such date, Cielo's shares count will be 1,572,230,938 shares. That is what I want to share with you. And thank you for your attention. Now, we are ready to take your questions. Operator, please.

Questions And Answers

Operator

Ladies and gentlemen. we will now begin the question-and-answer session. (Operator Instructions)

Mario Pierry, Deutsche Bank.

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Q - Mario Pierry {BIO 1505554 <GO>}

Let me ask you two questions, Romulo. The first one is related to your comments where you said that MDRs have been stable with 3Q. But my concern here is when I look at your revenues, excluding prepayments, they have been growing less than the growth in volumes. So I think part of that we can say is related to the change in mix, big increase in debit cards. But why then are your revenues growing less than volumes if you're saying that prices are stable?

The second question is related to marketing expenses. As you noted there was a significant increase in marketing expenses. If you can give us some guidance at what level should we see marketing expenses in 2014 and why the need to increase marketing expenses so much? Thank you.

A - Romulo de Mello Dias {BIO 2054119 <GO>}

Thank you, Mario, for your questions. The first one regarding the MDR is stable that you mentioned, (I'm comparing) Q4 against Q3, okay. When you talk about Q4 against Q4 of 2012, we have four reasons why we had the decrease in terms of the MDR. The first one is related to the increase of 3 points in debit. As you know, the last quarter of the year usually is a biggest one for debit, and debit increased from 36.6% to 39.6%, three points more when compared to last year. Net MDR for debit is much lower when compared to credit, first reason.

Second, AgroCard, it was something completely unexpected, mainly in December. AgroCard had a strong performance in the last quarter. And as you know, AgroCard has big tickets with a small price, because it can have transactions which is around BRL50,000. I cannot charge the same net MDR for debit that I charge for a transaction of BRL70.

So it's the reason why we are changing, and we reached an agreement with Elo, network Elo, because the royalty that you pay to Elo is much lower to the other royalty that you are supposed to pay to VISA, Master and the others. Just to prove (inaudible) that for this product, the net MDR on a percentage wise is too small, and the royalty that we are supposed to pay to VISA and Master are really much higher when compared to Elo. But this also contributes to a reduction in terms of the MDR because in 2012 we didn't have the same performance of agro. Usually agro is strong in second and Third Quarter.

Third point, incentives, we paid more incentives to banks, not on Q4, not because we were -- we changed the contracts. And by the way, for 2014 we should expect the same agreement that you have in 2013. 2013 compared to 2012, we said that we are supposed to pay more incentives proportionally speaking, proportionally wise. What happened in Q4 is the following.

The performance of our bank partners were better and we paid more. This is the kind of things that we like to pay and this reduced the net revenues compared to the total financial volume. And last, but not least, price is part of MDR. If I compare Q4 to Q4, yes, it happened a reduction during the year in 2013, but between Q3 and Q4 what I mentioned that there was no reduction in terms of the MDR.

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Second question, about marketing expenses. We said also in the last conference call that Q3 was a point completely out of the box. It was too small and you should expect much higher expenses in Q4. But we also said that the -- informal guidance that you gave, that you provide to the market, 4% would be reached and we delivered 3.8% in the total year. What you should expect for 2014? The same percentage, 4%.

Q - Mario Pierry {BIO 1505554 <GO>}

Should we see some seasonality, Romulo, then, similarly to 2013 in your marketing expenses, a big increase in Fourth Quarter?

A - Romulo de Mello Dias {BIO 2054119 <GO>}

Probably. But for the whole year, you should consider 4%.

Q - Mario Pierry {BIO 1505554 <GO>}

Okay. And just to complement what you said on your first answer, which was very good. Just a quick question. How do you feel is the competitive environment today versus 12 months ago?

A - Clovis Poggetti Junior

Santander continues to be the same; aggressive, but it didn't have any kind of real change in the policy that they're trying to follow. For us continues to be the same policy they they're following. They are more aggressive. They tried to sell (Contengrada) together with bank, so on and so forth.

Rede, on the other hand, they had according to the information that we had in our hands, in the last quarter they provide us a small -- let's say, a good offer to the merchants. But this -- in the First Quarter, this offer was not the same. To some extent, it seems that came what they were offering before.

In big accounts, they're more aggressive in one accounts, in other account, but they're not so aggressive as it is Santander. And the remaining competitors -- and we do respect all of them, Rede, Santander, Global Payments, (Salagon) and others. They are too small compared to Redecard and Santander, and we don't see a big change in the environment considering the evolution so far that they deliver.

Q - Mario Pierry {BIO 1505554 <GO>}

Okay. Thank you very much.

Operator

Alexandre Spada, Itau BBA.

Q - Alexandre Spada {BIO 16687974 <GO>}

My first question related to POS rental fees. My understanding is that Cielo has been passing through inflation to the rental prices. Also, we know that the wireless terminals are gaining participation versus the regular terminals. My question is is it fair to assume that the average POS rental fees have improved in the Fourth Quarter due to the combination of inflation and the migration to wireless terminals?

A - Romulo de Mello Dias {BIO 2054119 <GO>}

You are right.

Q - Alexandre Spada {BIO 16687974 <GO>}

Okay. And if you allow me a second question. In previous quarters Cielo recorded a few non-recurring expenses including the impairment of some investments and some extraordinary cost with fraud. Did the Company book any extraordinary expenses in the Fourth Quarter excluding the marketing, which was of course abnormally high, but reaching the guidance that you provided?

A - Romulo de Mello Dias {BIO 2054119 <GO>}

The answer is no.

Q - Alexandre Spada {BIO 16687974 <GO>}

Okay. So there is --

A - Clovis Poggetti Junior

Fourth quarter may be considered business as usual in this sense.

Q - Alexandre Spada {BIO 16687974 <GO>}

Okay. Great. Very clear. Thank you.

Operator

Carlos Macedo, Goldman Sachs.

Q - Carlos Macedo {BIO 15158925 <GO>}

I have a couple of questions here. The first just maybe a follow-up of the revenue question that Mario asked. Really just looking at your gross margin over the last few quarters, and I recognize that when you put Merchant e-Solutions in there is a difference there because of the way they account for the interchange. But if you exclude Merchant e, just look at the Cielo revenues, excluding other subsidiaries as well, just look at Cielo revenues and Cielo cost of goods sold, what you see is that the margin in the quarter was the lowest margin since basically the Third Quarter of 2011.

Now my question is -- we know -- Romulo, you just spoke of the benefits that the wireless terminals bring to the fee generation. What about the cost? How much of that

deterioration in gross margins has to do with the cost that -- the service and to replace these wireless terminals that they -- we know that they break three times more often than the wireline terminals, that you have to pay for the telecom costs. Could you give us a little bit of color of what these wireless terminals mean in terms of cost?

A - Romulo de Mello Dias {BIO 2054119 <GO>}

Percentage wise, Carlos Macedo, the margin percentage is lower than compared to the dial. But in terms of nominal EBITDA, we have a better number with wireless. The reason why we are in the market is one thing, the merchants are wanting to receive wireless and we continue to offer. So the reason why we are more concerned about the nominal EBITDA, the nominal net earnings than percentage per se. Even though that when you say that the lowest margin -- let's not forget that we are not comparing apples-to-apples.

First, we are now -- we now have Merchant e-Solutions, which comes with (inaudible) change, as you mentioned. Second, we are not doing adjusted EBITDA as we used to do in past. Third, in the last quarter we had an increase of 3 points, as I mentioned to Mario, in debit, and debit has a very low net MDR. Fourth, AgroCard -- that never, never happened, the performance in the last quarter, AgroCard had this strong performance that you had in the last quarter.

Five, incentives, we paid more incentives to banks to get extensions to our partners because of the performance. The volume that you pay was -- the volume that you reach, total financial volume was 23%. And some of the fees that you are supposed to pay come as a reduction of the revenue.

And last, but not least, the price, when you compare Q4 against Q4. But Q4 against Q3, it was almost the same. And so it was a combination. And so if you allow me to say, even though that's correct to say when you take a look about the number in Q4 that was around 50% margin EBITDA. There are some explanations that we are not comparing the same thing. We are not including (inaudible). We are not including prepaid. We are not -- we are including Merchant e. And there are also the other four points that I just repeat to you and I mention to Mario in my question -- in his question, sorry.

Q - Carlos Macedo {BIO 15158925 <GO>}

Thank you, Romulo. And just a follow-up. I mean I realize and that's why I was trying to just look at Cielo excluding subsidiaries including Merchant e-Solutions. When you look at those trends that you mentioned, most of them affect Cielo's business, the incentive payments, the change in mix, the debit and all that. Would it be fair to say that these trends are going to continue? Do you expect these trends to continue in 2014 with potentially the exception of the AgroCard?

A - Clovis Poggetti Junior

I would say it's difficult to say. Q4 usually has the highest penetration in terms of debit. Q1 for sure is going to be lower when compared to Q4, okay. But what happened in year 2013 that the debit card increased in a whole. In the past, we used to say that you had a one-third, one-fourth and one-third in debit, credit and credit installments. Now we have

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around between 38% to 39%, 40%, 37% in debit and the remaining 67% to 70% is split between credit and credit installments.

For the -- sorry, this is the evolution that you see. You've asked me about MDR, I would say that we probably are going to experiment a reduction in the MDR because of our main competitors. We have to -- we want to be -- we try to position ourselves as a premium company. If you go to -- and if you make a survey you are going to -- it appears in the numbers. Then the last numbers provided by the market, you would be able to see if you just have Cielo against our main competitor, that our net MDR even including the incentives were higher. So this is how we see the evolution.

But I wouldn't do so, if you allow me to say, so -- just so negative. Don't pay attention so much to Q4 in terms of margin because Q4 was affected by marketing, was affected by debit, was affected by Agro, was affected by more incentives, was affected by more institutional campaigns. And the First Quarter is going to be better, even though that we should take a look for the whole year. In marketing, repeating myself, we are expecting to have 4%.

Q - Carlos Macedo {BIO 15158925 <GO>}

Okay. One follow-up question, Romulo, if you allow me just on the back of that, we were talking about MDRs potentially being pressured. Have you felt any pressure on rental price? I know the mix affects positively, but is -- has there been any pressure from some of the newcomers and giving terminals away for free and have you changed how you looked at these -- at the rental fees for your clients?

A - Romulo de Mello Dias {BIO 2054119 <GO>}

Yes. There are some competitors that are more aggressive than us. Some of them they give for free for a certain period of time that's much higher than that we used to do. We do -- we continue to do the same. When you try to affiliate more merchants or when you have a special campaign with the banks we can provide, let's say, three months free for the rental fee -- for the rental fee of the terminal, so on and so forth. But our competitors are more aggressive, yes, in terms of the price that they charge from the POS or for the wireless.

Q - Carlos Macedo {BIO 15158925 <GO>}

And have these -- have these campaigns that you run, have they intensified of late or are they the same ones you are running, the three months since the beginning of the year -- since the beginning of 2013?

A - Romulo de Mello Dias {BIO 2054119 <GO>}

I would say that it didn't change so much. As I said, Santander continues to have the same approach. And Rede in the last quarter was more aggressive, Q4, and at the beginning of this year, it seems that it was a special campaign for some clients that they decided to deliver.

And as you -- Cielo does the same. It depends on the strategy each company has. What I can tell you that -- I'll repeat myself, we will try to keep the premium price policy because of the products that you have and the technology and people and service, so on and so forth.

Q - Carlos Macedo {BIO 15158925 <GO>}

Okay, Thank you, Romulo. Thank you for your explanation. Very clear.

Operator

Gerardus Vos, Barclays.

Q - Gerardus Vos {BIO 3301062 <GO>}

Two if I may, first of all just on 2014 if you could provide some guidance there? At the moment, consensus is looking for a net income around BRL3 billion, which is up 14%. I am just wondering if you guys feel comfortable with that number?

Then secondly, just coming back on debit. If you look globally there has been a shift to debit for the last couple of years. That has continued in 2013 and is expected to continue in 2014 and 2015. What do you expect will happen in kind of Brazil? Do you think this trend will follow and where do you think that percentage will end up in, let's say, 2-3 years? Thank you.

A - Clovis Poggetti Junior

Thank you, Gerardus, for your questions. In terms of earnings, we are not providing any kind of soft guidance. But I can provide you some other soft guidance in order to help, let's say, your math. We are expecting for the market -- the growth of the market in terms of total financial volume between 16% and 18%.

The total expenses, consolidated, between BRL0.72 to BRL0.75 per transaction. Remember that we are assuming the actual FX around BRL2.4 per dollar and we are also assuming Merchant e as a part in a whole. So interchange appears here as a cost.

In terms of CapEx, mainly in POS, between BRL300 million and BRL400 million. In terms of prepaid we would expect mid-teens, even though in this year we are more focused in profitability. In other words, I am saying to you that mid-teens is something that we'll try to pursue, but the main goal that commercially we have for 2013 is to deliver revenues and not necessarily percentage. Because percentage is very important, but I can have some transaction such as one that I had -- BRL1 billion and the margin was not so good. And I understand it's very important, but I will try to balance more between volume and price.

Q - Gerardus Vos {BIO 3301062 <GO>}

Okay, sure.

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A - Clovis Poggetti Junior

About the evolution of debit, as I said, maybe it's hard to say the breakdown between debit and credit. But I would say that debit for sure will not come to 33% or 34% or 35% as used to be some years ago. Probably it's just a guess. And Q4 is not a good proxy for the whole year, as I said before, because December is really very strong in debit, probably between something 36%, 37%, 38%, and the remaining 67% and 70% in credit for this year.

Q - Gerardus Vos {BIO 3301062 <GO>}

Okay, that's very helpful. Thank you, so much.

Operator

Mariel Santiago, HSBC.

Q - Mariel Santiago {BIO 16478669 <GO>}

Most of my questions have been answered, but if I may make another one, and it's regarding regulations. Overall, what are your expectations in terms of measures or regulations for the coming months?

A - Clovis Poggetti Junior

I'll say that it's more related to the small networks and brands. I do think that this year, considering the conversations that are happening between the banks, the owner of the networks and as well the acquirers, this is going to be end. So AMEX, (inaudible) and the others will be captured by any -- all the acquirers. It's just a question of time.

Some negotiations are happening and we need to wait to see the evolution. But as I said in the previous conference calls, we do not expect a strong difference in our numbers, because with the exception of Elo that appears in our numbers in terms of total financial volume, AMEX and Visa Vale and Alelo, they don't appear in the total financial volume. It's just advance transaction, value added network. Did you get the point? Hello, Mariel?

Operator

Craig Maurer, CLSA.

Q - Craig Maurer {BIO 4162139 <GO>}

I just wanted to clarify a point you made earlier. Has AgroCard -- is AgroCard now no longer processing through Visa and exclusively through Elo or is that just a deal that Cielo entered into?

A - Clovis Poggetti Junior

No. We have more transactions coming from Elo because of the royalty that you pay to Elo in these transactions is much lower than you used to pay to Visa. And remember that

you're talking about a transaction that has on average BRL50,000 per transaction, BRL40,000 per transaction. If I pay more -- if I pay double digit in terms of fees, it's really a lot of money and it affects very much the profitability of the products, the reason why we reach an agreement with Elo. And the issuers are now issuing cards and doing products, AgroCard, using Elo and not more Visa. They are shifting the transaction to Elo.

Q - Craig Maurer {BIO 4162139 <GO>}

Okay, so that's in the process of happening. It wasn't fully completed in the Fourth Quarter?

A - Clovis Poggetti Junior

It was not fully completed, but it help a lot. If I am not mistaken, in -- Agro was responsible in the case of Elo for 50% of the transactions.

Q - Craig Maurer {BIO 4162139 <GO>}

Okay, so --

A - Clovis Poggetti Junior

In terms of total financial volume, okay, not in terms of number of transactions.

Q - Craig Maurer {BIO 4162139 <GO>}

Right. So you are saying that -- okay, in the Fourth Quarter --

A - Clovis Poggetti Junior

In Fourth Quarter.

Q - Craig Maurer {BIO 4162139 <GO>}

-- about half of the volume?

A - Clovis Poggetti Junior

Yes, yes about the debit, Elo, Elo debit, 50% came from AgroCard.

Q - Craig Maurer {BIO 4162139 <GO>}

Okay. And can you -- okay, understood. Thank you.

A - Clovis Poggetti Junior

Craig, the (inaudible) charge is really too small. It's the reason why the MDR as a whole to some extent suffer and that's why -- because AgroCard increased a lot. It's the reason why the difference between the total financial volume against revenues. I will not repeat myself, but what I can tell you that now AgroCard is a very good product because of the agreement that we reached about the fees that we pay to the brand, to the network.

Q - Craig Maurer {BIO 4162139 <GO>}

Have you ever disclosed the actual AgroCard volume, what the actual number is?

A - Clovis Poggetti Junior

No.

Q - Craig Maurer {BIO 4162139 <GO>}

Okay, fair enough. Thank you.

Operator

(Operator Instructions) This concludes today's question-and-answer session. I would like to invite Mr. Romulo de Mello Dias to proceed with his closing statements. Please go ahead, sir.

A - Romulo de Mello Dias {BIO 2054119 <GO>}

I would like to thank you all for your participation and we look forward to seeing you at our Q1 conference call. Thank you. And have a nice day.

Operator

That does conclude the Cielo's audio conference for today. Thank you very much for your participation. Have a good day and thank you for using Chorus Call.

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