stone co.

MAR / 2020

4Q19 EARNINGS PRESENTATION

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To supplement the financial measures presented in this press release and related conference call, presentation, or webcast in accordance with IFRS, Stone also presents the following non-IFRS measures of financial performance: Adjusted Net Income, Adjusted Net Cash Provided by / (Used in) Operating Activities, Adjusted Free Cash Flow and Adjusted Net Cash. A "non-IFRS financial measure" refers to a numerical measure of Stone's historical or future financial performance or financial position that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with IFRS in Stone's financial statements. Stone provides certain non-IFRS measures as additional information relating to its operating results as a complement to results provided in accordance with IFRS. The non-IFRS financial information presented herein should be considered in conjunction with, and not as a substitute for or superior to, the financial information presented in accordance with IFRS. There are significant limitations associated with the use of non-IFRS financial measures. Further, these measures may differ from the non-IFRS information, even where similarly titled, used by other companies and therefore should not be used to compare Stone's performance to that of other companies. Stone has presented Adjusted Net Income to eliminate the effect of items from Net Income that it does not consider indicative of its continuing business performance within the period presented. Stone defines Adjusted Net Income as Net Income (Loss) for the Period, adjusted for (1) non-cash expenses related to the grant of share-based compensation and the fair value (mark-to-market) adjustment for share-based compensation classified as a liability, (2) amortization of intangibles related to acquisitions, (3) one-time impairment charges, (4) unusual income and expenses and (5) tax expense relating to the foregoing adjustments. Stone has presented Adjusted Free Cash Flow metric, which has limitations as it omits certain components of the overall Cash Flow Statement and does not represent the residual cash flow available for discretionary expenditures. For example, this metric does not incorporate the portion of payments representing principal reductions of debt or cash payments for business acquisitions. Therefore, we believe it is important to view Free Cash Flows measures only as a complement to our entire consolidated Statements of Cash Flows. Stone has presented Adjusted Net Cash metric in order to adjust its Net Cash / (Debt) by the balances of Accounts Receivable from Card Issuers and Accounts Payable to Clients, since these lines vary according to the Company's funding source together with the lines of (i) Cash and Cash Equivalents, (ii) Short-term Investments, and (iii) Debt balances, due to the nature of Stone's business and prepayment operation.

As certain of these measures are estimates of, or objectives targeting, future financial performance ("Estimates"), they are unable to be reconciled to their most directly comparable financial measures calculated in accordance with IFRS. There can be no assurance that the Estimates or the underlying assumptions will be realized and that actual results of operations or future events will not be materially different from the Estimates. Under no circumstances should the inclusion of the Estimates be regarded as a representation, undertaking, warranty or prediction by the Company, or any other person with respect to the accuracy thereof or the accuracy of the underlying assumptions, or that the Company will achieve or is likely to achieve any particular results.

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Main Highlights

Strong Growth with High Profitability

- Active Client base of **+495,100 clients**, **+84.0%** y/y
- **Acceleration** in **Net Additions** ex-micro merchants, from **64,100** to **67,300** q/q[1]
- Total **TPV growth accelerated** to **51.4%** y/y in 4Q19, reaching **R$40.2 billion**
- Adjusted Net Margin of **35.1%**[2] in 4Q19, **+5.7 p.p.** y/y
- Adjusted Net Margin of **33.3%**[2] in 2019, **+11.6 p.p.** y/y
- Adjusted Net Income of **R$275.0 million**[2] in 4Q19, **+76.4%** y/y
- Adjusted Net Income of **R$857.1 million**[2] in 2019, **+150.0%** y/y
- Take Rate in 4Q19 at **1.80%**, **-8 bps** y/y
- Take Rate in 2019 at **1.85%**, **+2 bps** y/y

Integrated Financial Platform (ABC) and Software Update

- Company is **evolving fast** from a merchant acquirer to a **provider of a complete financial platform**
- Financial platform in pilot mode, with over **10,000 clients** as of Jan/20
- **Digital banking solution** with ~**79,000 open accounts** as of Jan/20
- Credit balance outstanding of almost **R$200 million**, with over **28,000** clients and consistent **mid single digit delinquency** rate as of Jan/20
- Software client base of ~**135,000** in Dec/19, adding ~**35,000** clients in the quarter

Continued Expansion in Payments

- Continued **market share gains** in payments, estimated at **~8%**[3] in 4Q19, expansion of **2 p.p.** y/y
- **26 out of 27 Brazilian States,** including São Paulo and Rio de Janeiro, presenting at least **60%** y/y growth in number of SMB clients
- **Strong growth in digital**: continued **market share gains** in 2019 and Black Friday total revenue grew **98% y/y**

Launched Micro Merchant Business

- **Successfully launched** in 1Q20 under the brand ton
- Partnership with Globo with strong focus on **CAC efficiency**
- **Differentiated service** level for the segment with **human connection** in the **customer support** and efficient **POS delivery**
- **Complete ecosystem** including cash-in/cash-out solutions, digital account and financial products

(1) Total reported net additions of 66,200 clients in 4Q19, compared with 68,700 in 3Q19. Stone Mais product for micro merchants had a slightly negative contribution as the Company discontinued investments in Stone Mais ahead of the launch of the new micro merchant solution with the Globo partnership.
(2) Adjusted Net Income and Adjusted Net Margin are a non-IFRS financial measures. See the appendix for the reconciliation of this non-IFRS financial measure to the most directly comparable IFRS financial measure.
(3) Estimated based on publicly available information from acquirers, ABECS data and management estimates.

Accomplishments in 2019

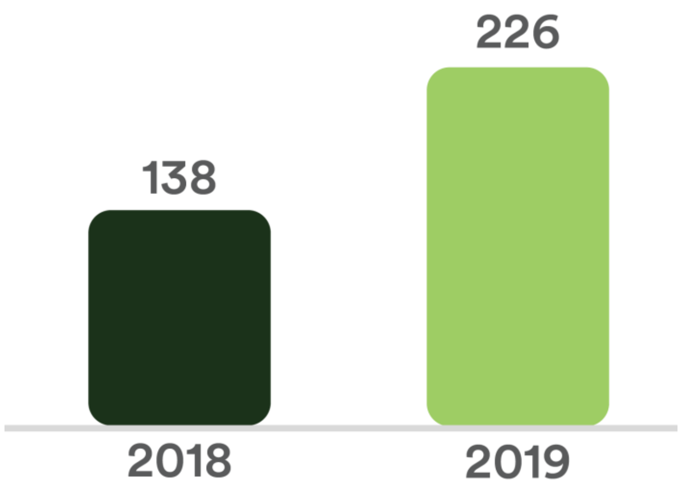
We Invested Heavily in Our Operations...

- More than **100 hubs** opened
- **R$143 million** in total new hires and promotions
- **R$ 84 million** in internal new software development and investment in software businesses
- Building of **banking and credit** businesses
- **R$15 million** in extensive **training and recruiting**

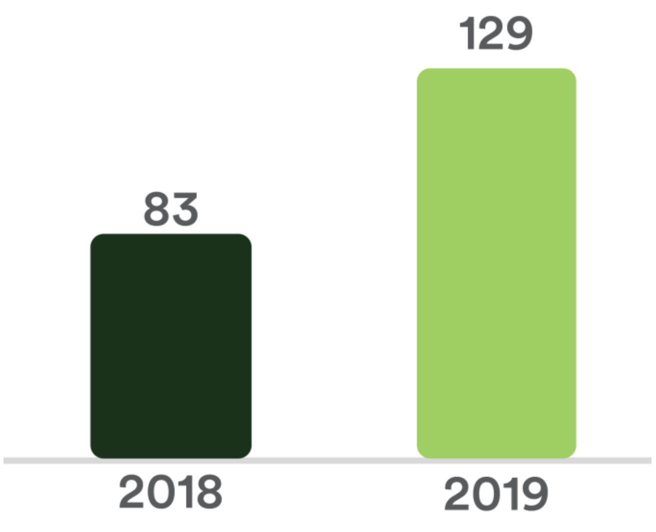
In 2019, despite strong investments reflected in the P&L, Stone presented **R$857.1 million** of Adjusted Net Income and **33.3%** of Adjusted Net Margin[3]

...And Our Business Has Evolved Significantly

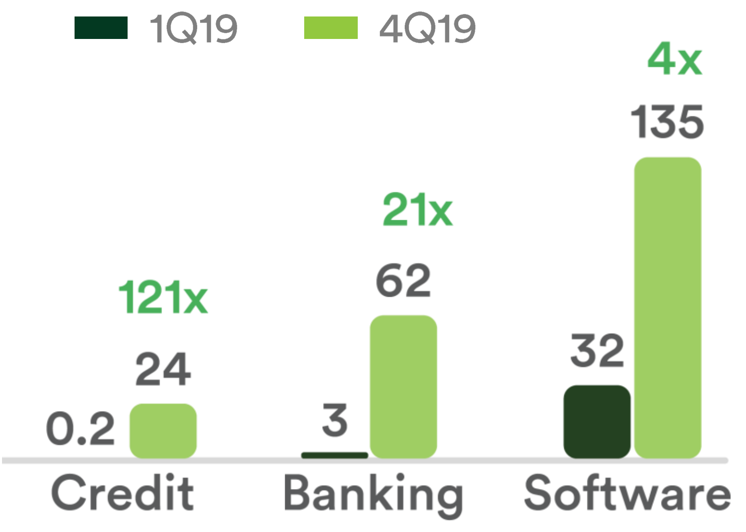
Accelerated Net Addition of Active Clients (thousands)



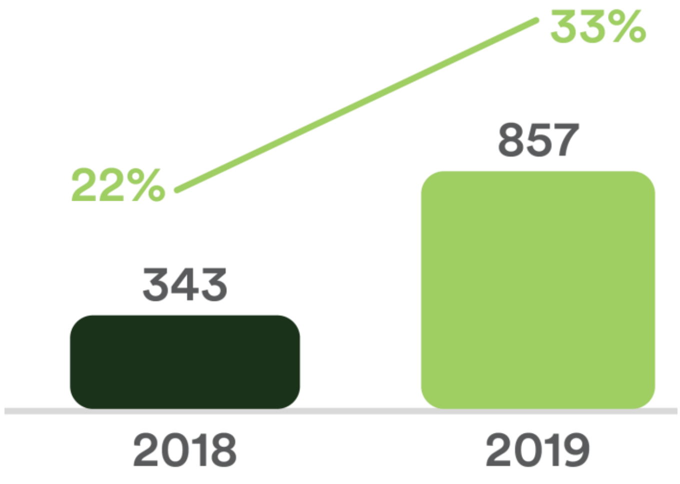
Strong TPV Growth (R$bn)



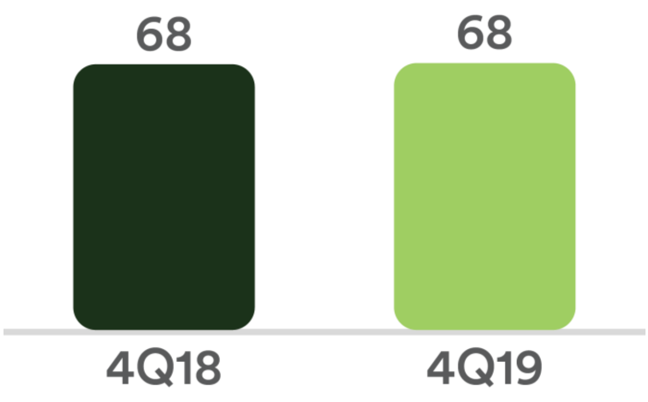
Increased Penetration of New Solutions (thousands clients)



Profitable Growth – Adj. Net Income (R$ million) and Adj. Net Margin (%)

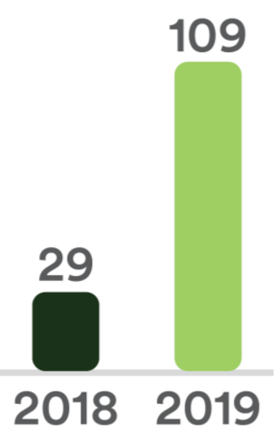


Consistent Client Satisfaction (NPS[1])



Improved Talent Attraction

Recruta[2] Applications (thousands)



Notes:
(1) Average NPS, according to internal surveys.
(2) *Recruta* is our largest recruitment program, usually held semiannually and focused on recruiting the best talents in Brazil to work in different areas of the Company.
(3) Adjusted Net Income and Adjusted Net Margin are non-IFRS financial measures. See the appendix for the reconciliation of this non-IFRS financial measure to the most directly comparable IFRS measure.

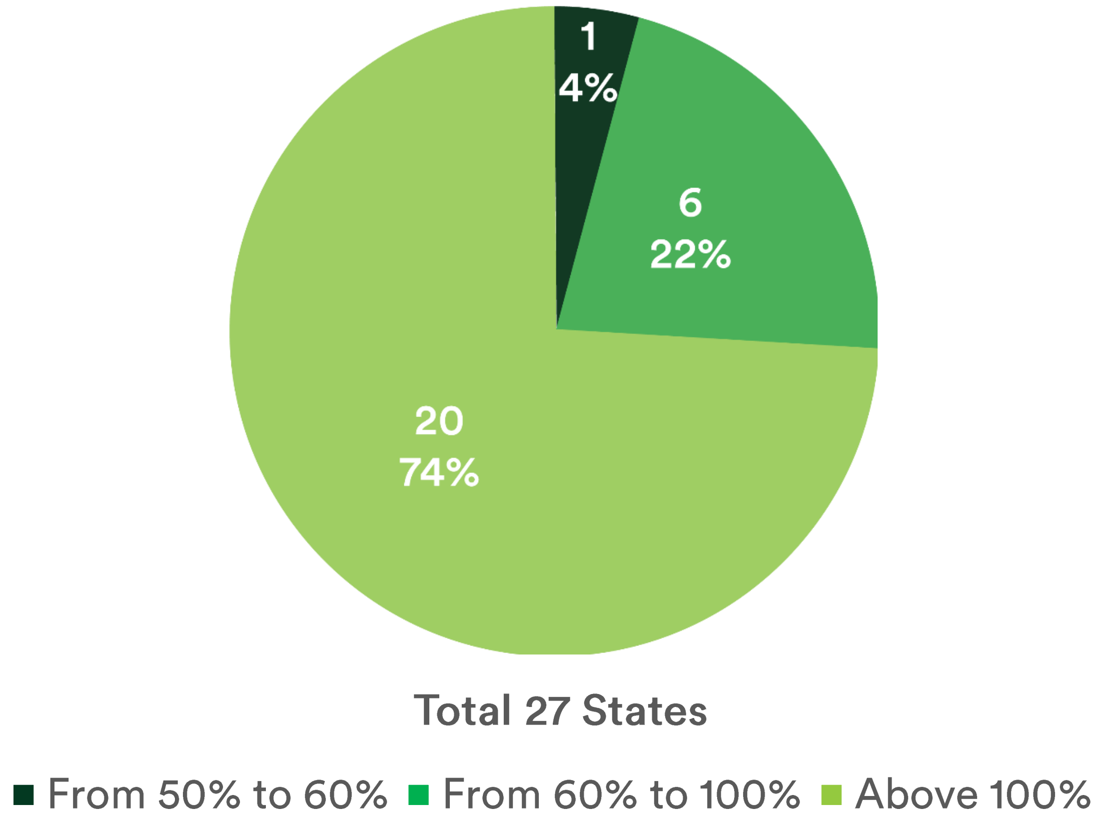
Payments Update

Strong and consistent growth combined with continued high level of service

- Client base in the hubs grew above 60% in 26 out of 27 Brazilian States[1]; we currently cover approximately 2,700 Brazilian cities with our hubs
- Record TPV addition year-over-year and quarter-over-quarter, both in the Hubs and in Digital + Integrated Partners channels
- First Call Resolution and Level of Service were kept at high levels during the whole year of 2019

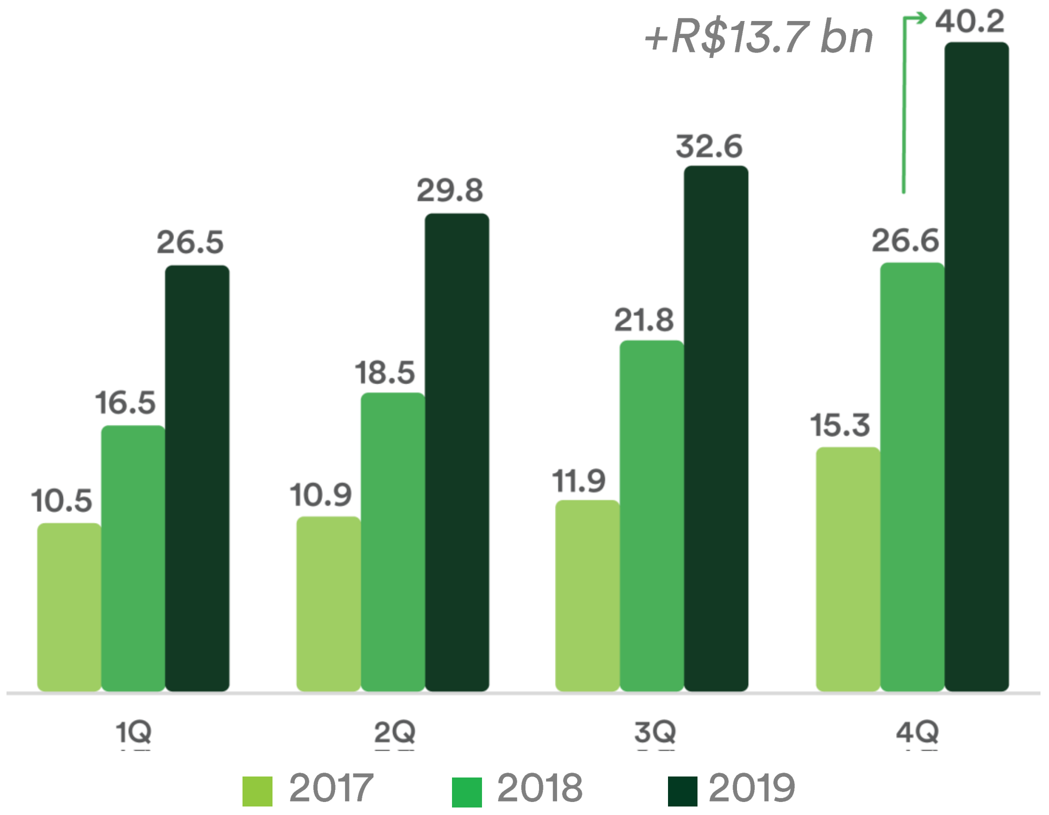
Consistent Growth in Hub Client Base Across all Brazilian States...

Growth[2] of Active Client Base in the Hubs Across Brazilian States



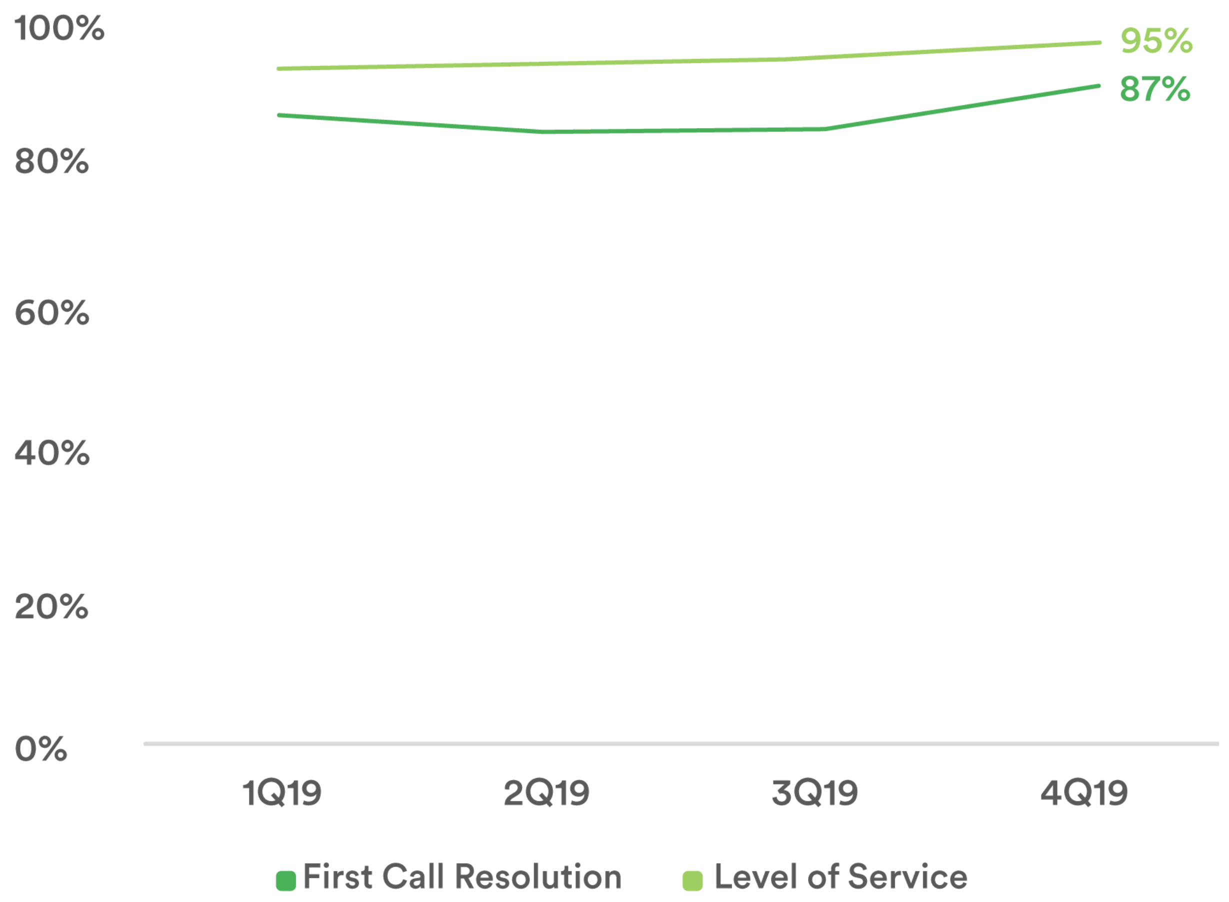
...Leading to Record TPV Growth...

StoneCo TPV Evolution (R$ billions)



...While Maintaining High Levels of Service[3]

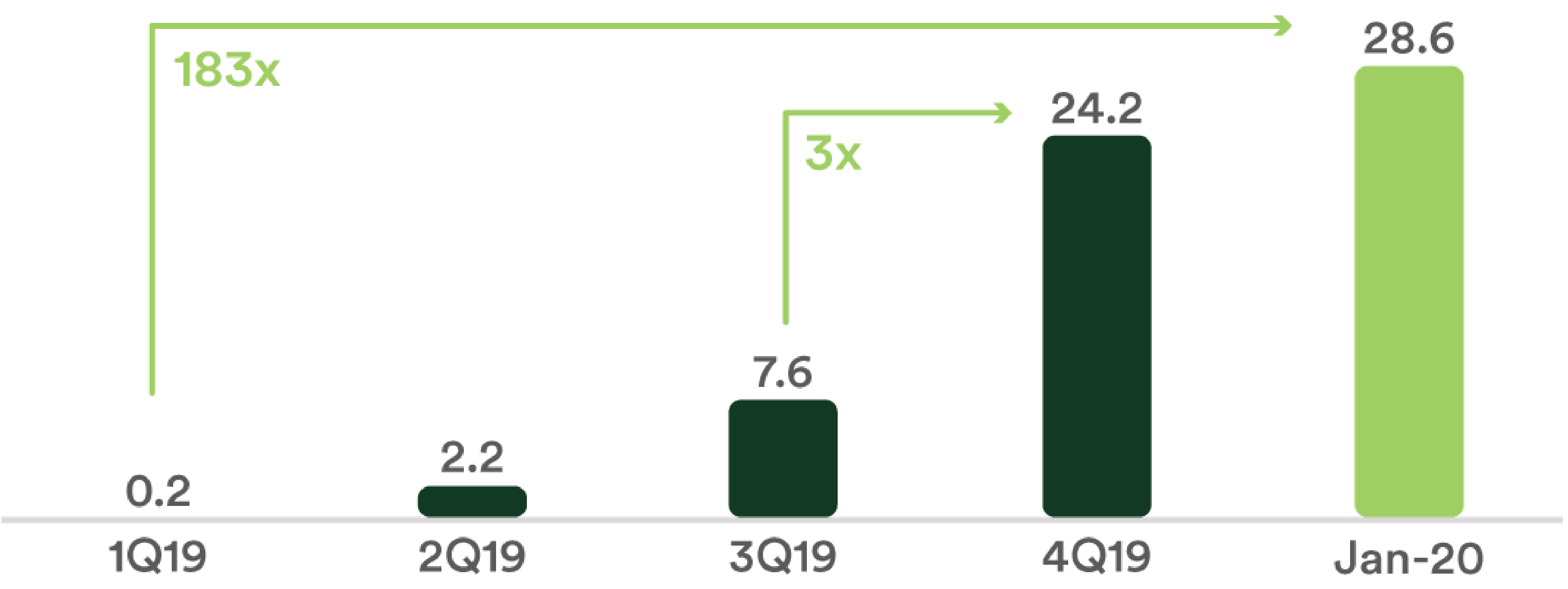
Quality of Service Evolution



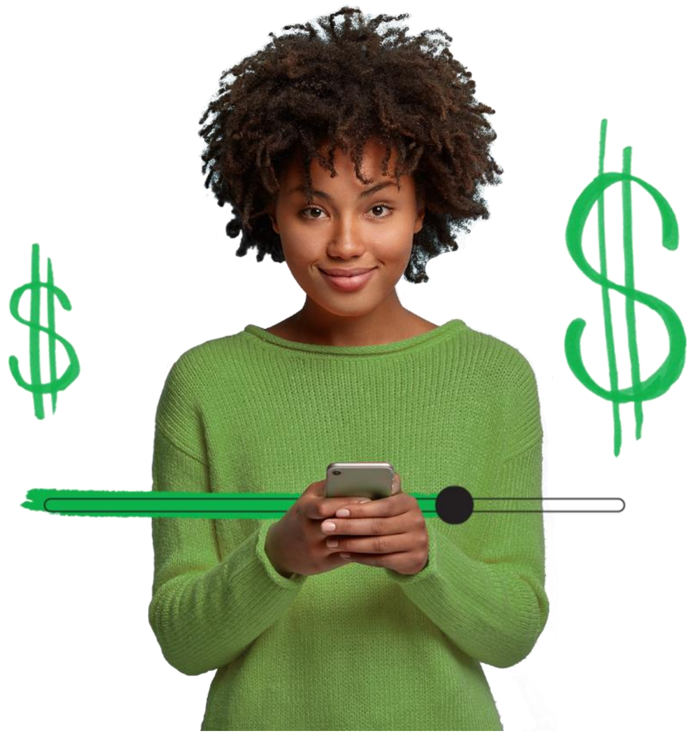
Notes:
(1) In one State in the North region of Brazil growth was between 50% and 60%.
(2) Growth of 4Q19 vs. 4Q18.
(3) Percentage of calls rated as “excellent” by our clients.

Credit Solution Update

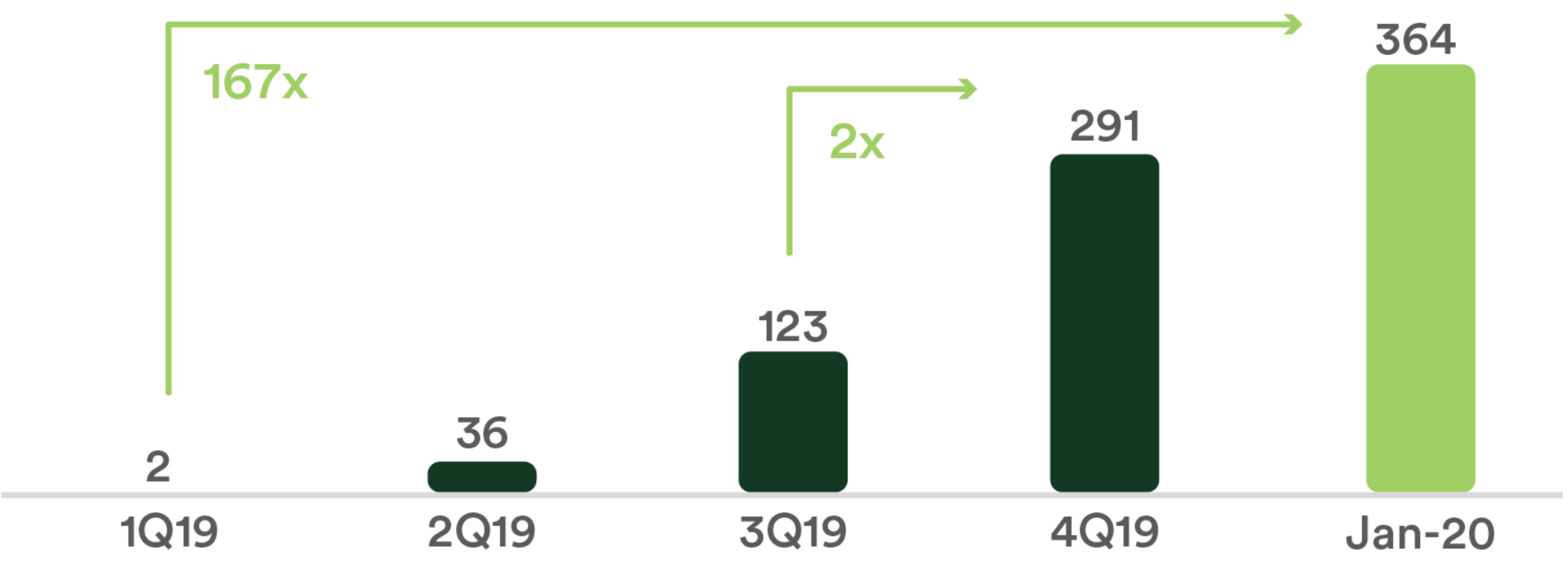
Number of Clients with Credit (in thousands)



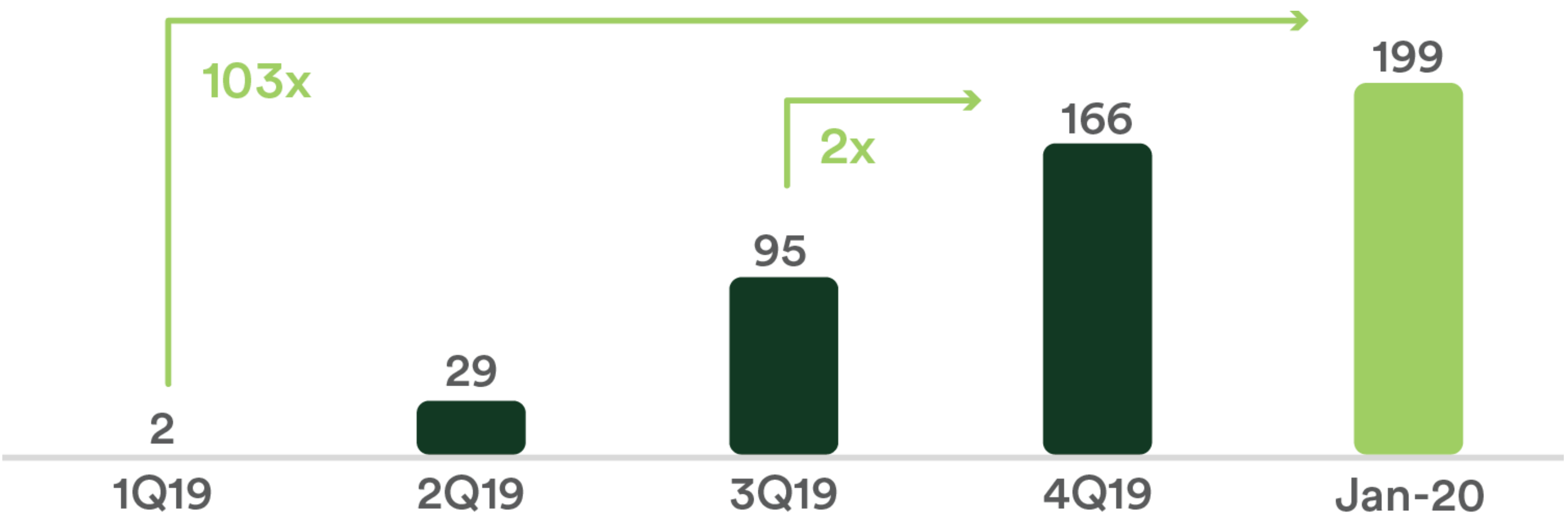
- **Consistent mid single digit** delinquency rates
- **FIDC structure in place,** allows us to fund with third parties and de-risk
- Average maturity between **6 to 9 months**



Total Disbursement[1] (in R$ millions)



Total Credit Portfolio (in R$ millions)

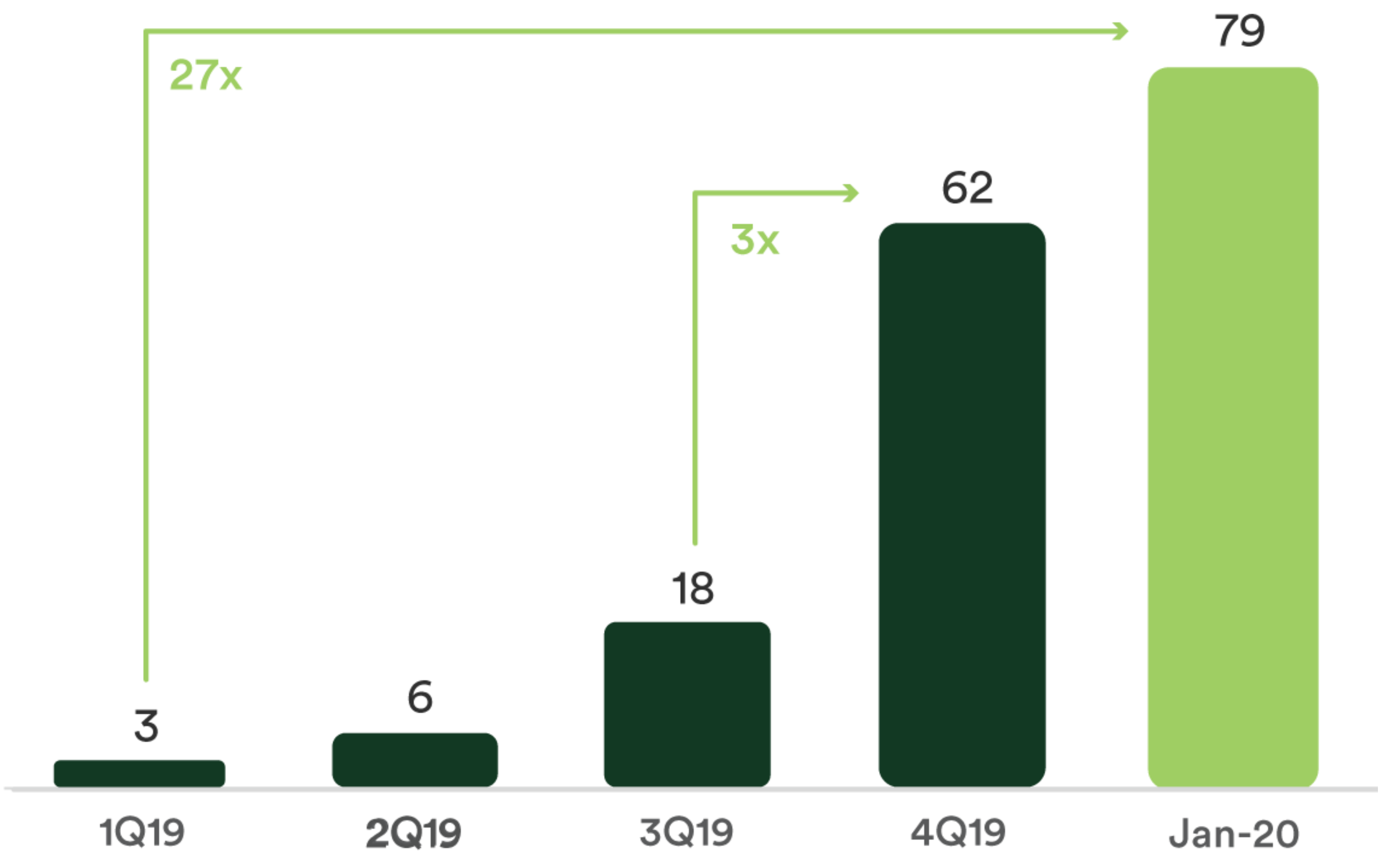


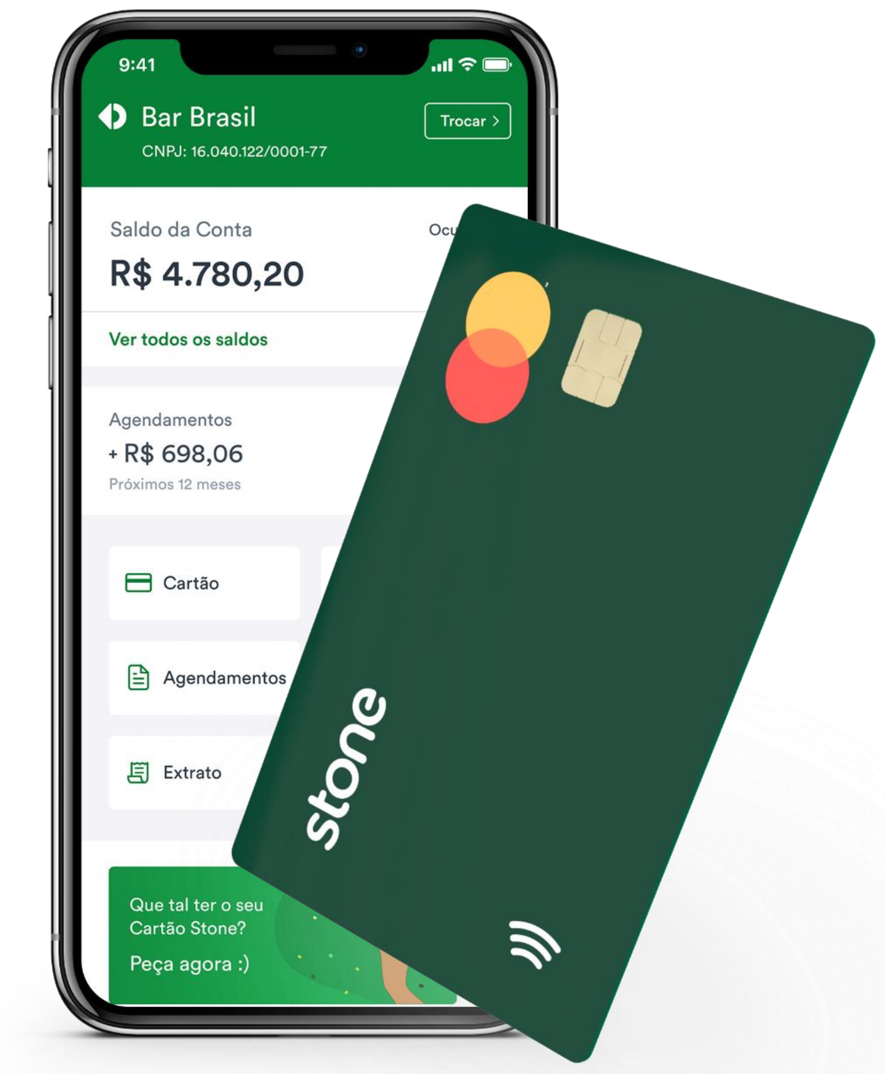
(1) Since inception; As reported last quarter, we had disbursed R$185 million as of Oct/19.

Banking Solution Update

Number of Accounts Continues to Ramp-up Fast…

Number of banking accounts[1]
(in thousands)





…With Growth in Transactions and Engagement

Wire Transfers **+3.5x** Q/Q

***Boletos* Paid** **+3.2x** Q/Q

Average Balance per Account **+17%** Q/Q

(1) As reported last quarter, we had 29,000 accounts by Oct/19.

Becoming an Integrated Financial Platform

ABC platform will allow Stone to replace our clients' traditional banking relationship

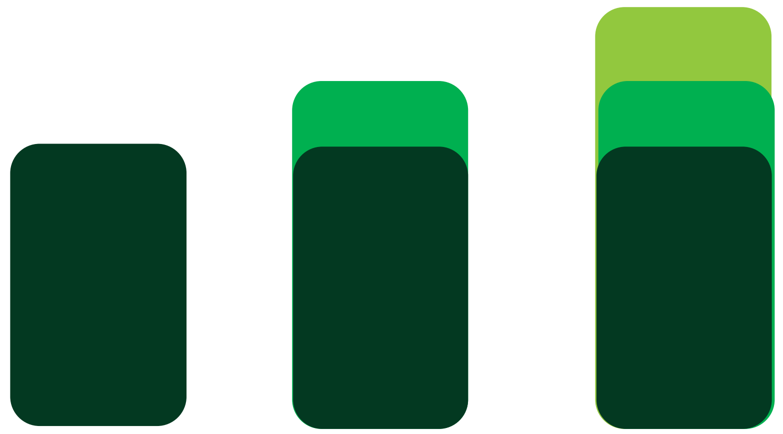
Clients

10,000+

as of Jan-20

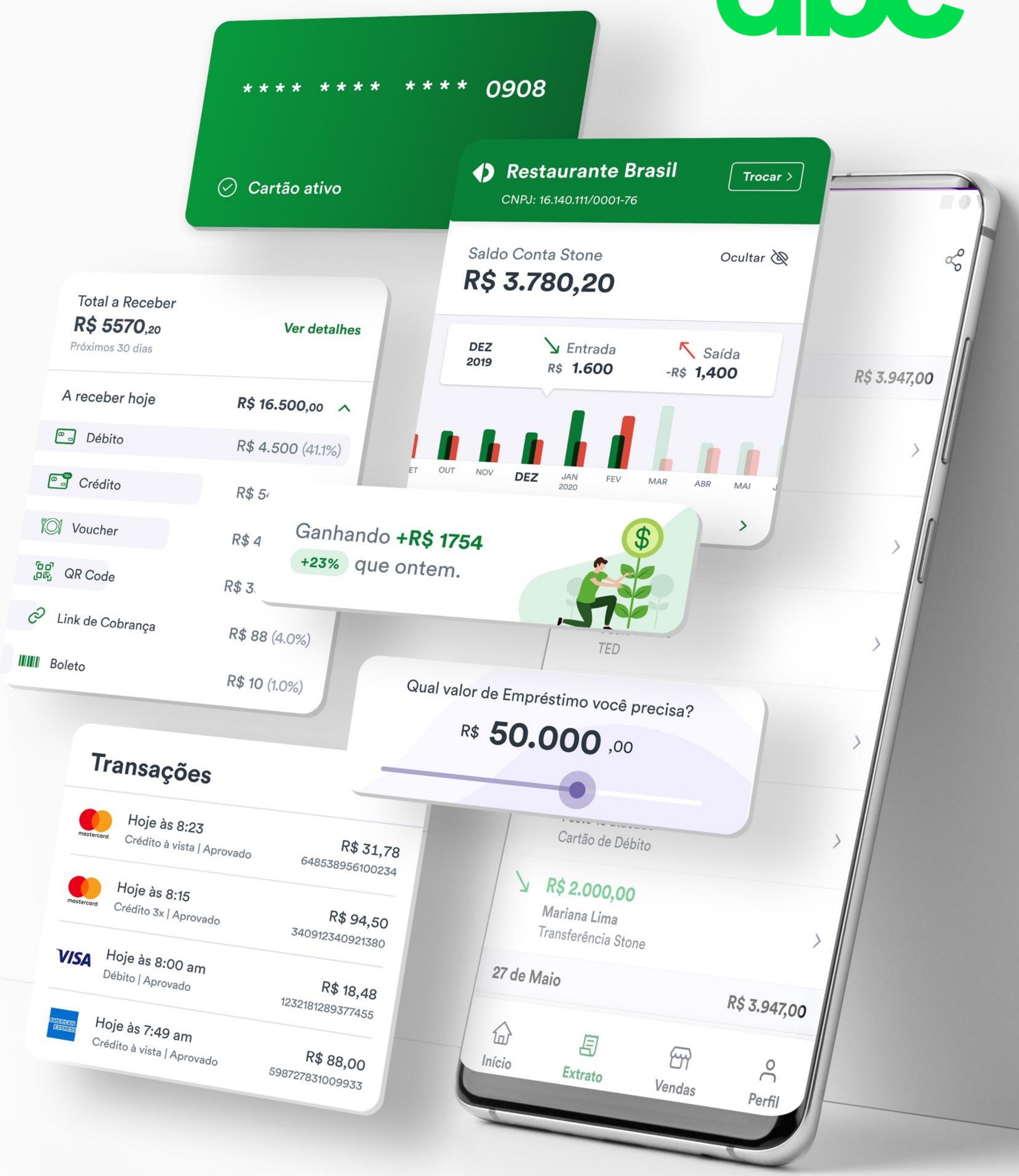
We expect to offer the integrated financial platform to all new clients by mid-2020

NPS



Features launched and key features roadmap

- ✓ Statement
- ✓ Wire transfers
- ✓ Card
- ✓ Bill Payments
- ✓ Embedded Credit
- ✓ Payment Link
- Boleto Issuance
- QR Code
- Tax Collection

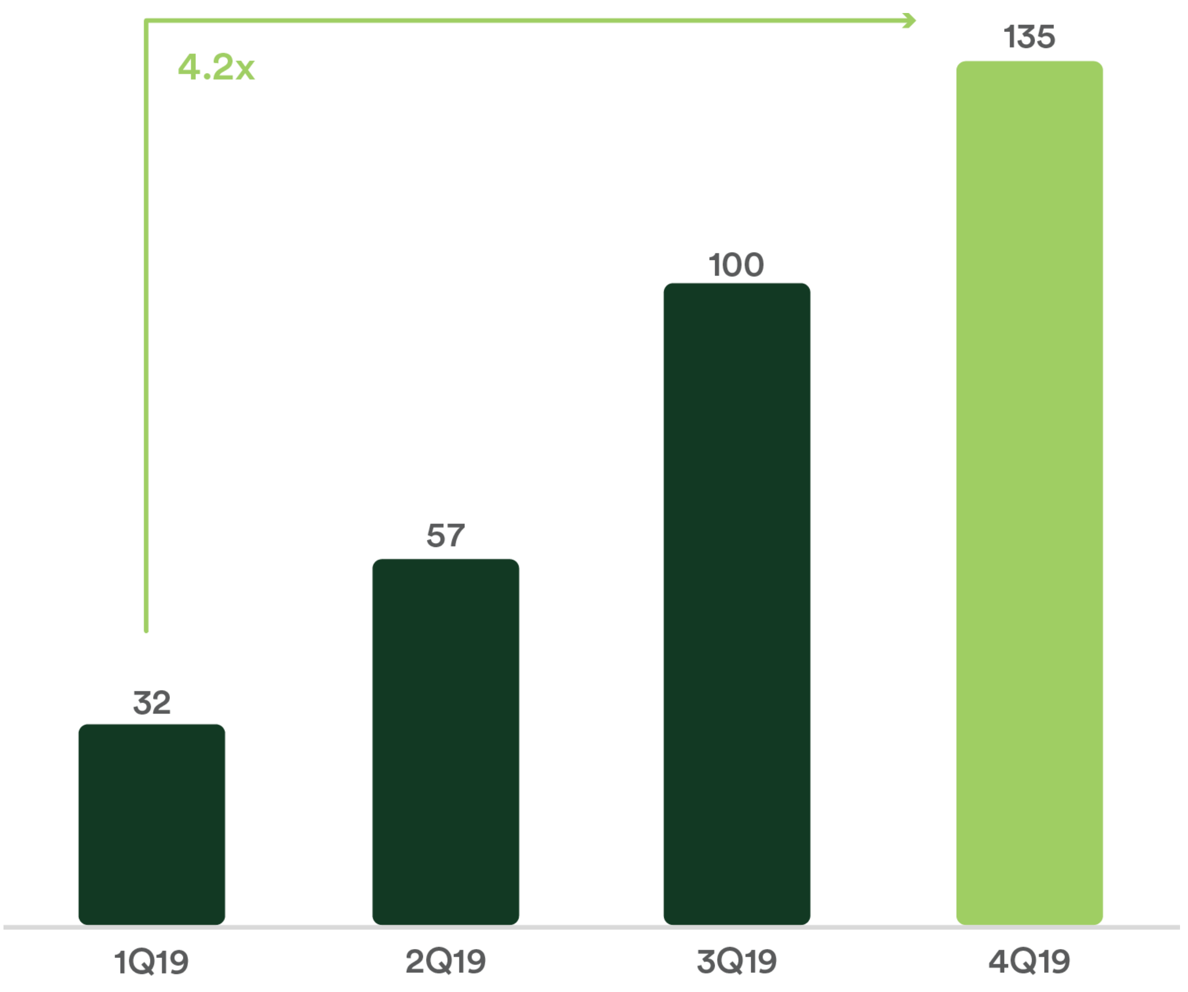


(1) Illustrative NPS increase. Preliminary surveys already indicate NPS increase from clients using the ABC platform.

Software Solution Update

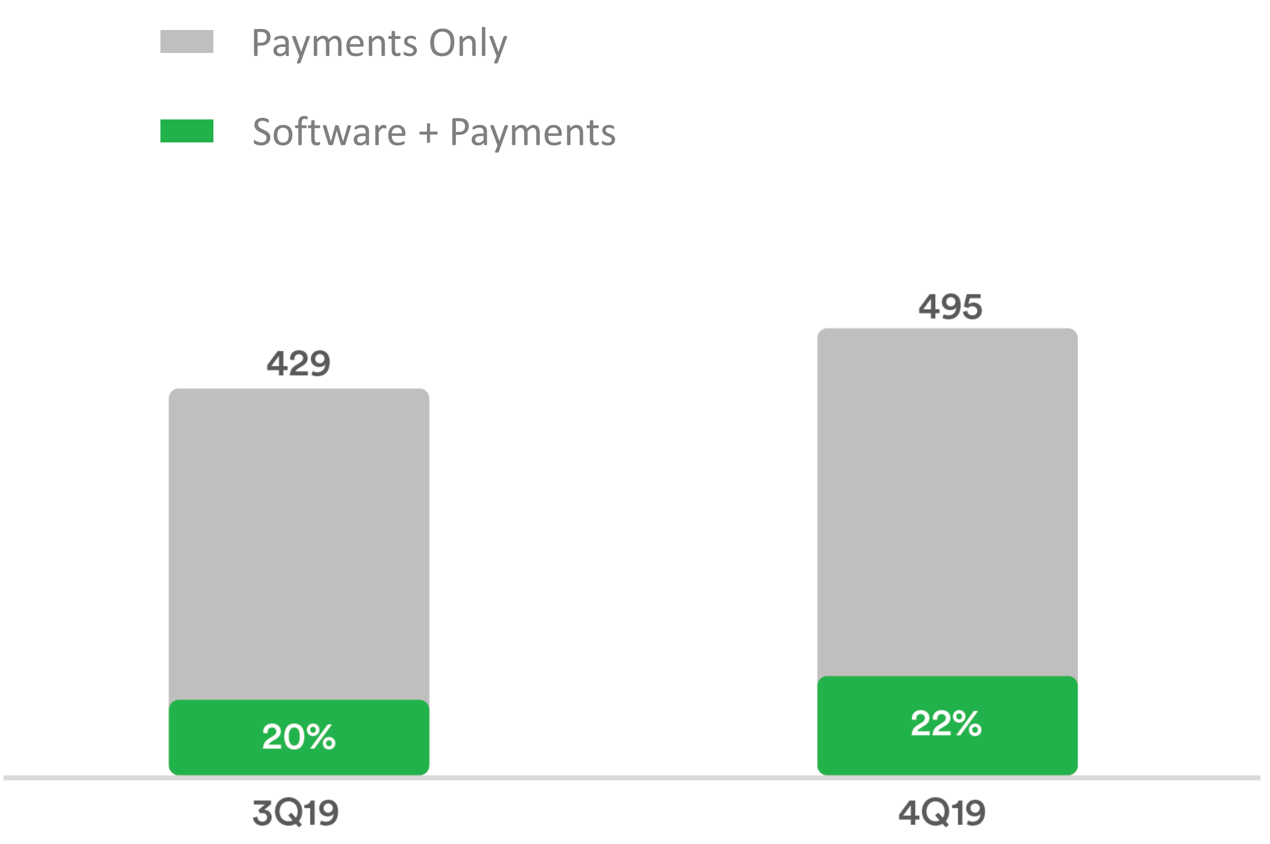
Strong Addition of Software Clients

Number of software clients
(in thousands)



Taking Advantage of Cross-sell Opportunity

Total Payments Clients
(In thousands)



Launched TON, Our Partnership with Globo for Micro Merchants

Focus on CAC efficiency and differentiated service

TON Launch

- ✔ Transaction cleared by the anti-trust authority in Jan/20
- ✔ **Launched in Mar/20** with regional marketing campaigns
- ✔ Focus on **CAC efficiency**

Value Proposition

- ✔ TON provides **differentiated service level for micro merchants**, as done by Stone in the SMB segment
- ✔ Customer support with **human connection**
- ✔ Efficient **POS delivery**
- ✔ **Smart SIM Card**

Ecosystem of Solutions

Banking Services

- ✔ Wire-transfers, bill/taxes payments, deposits, integrated with acquiring

Cash-in

- ✔ Pin Bluetooth, mPOS, POS, payment link, deposits

Cash-out

- ✔ Prepaid card, withdrawals, wiretransfer

ROADMAP

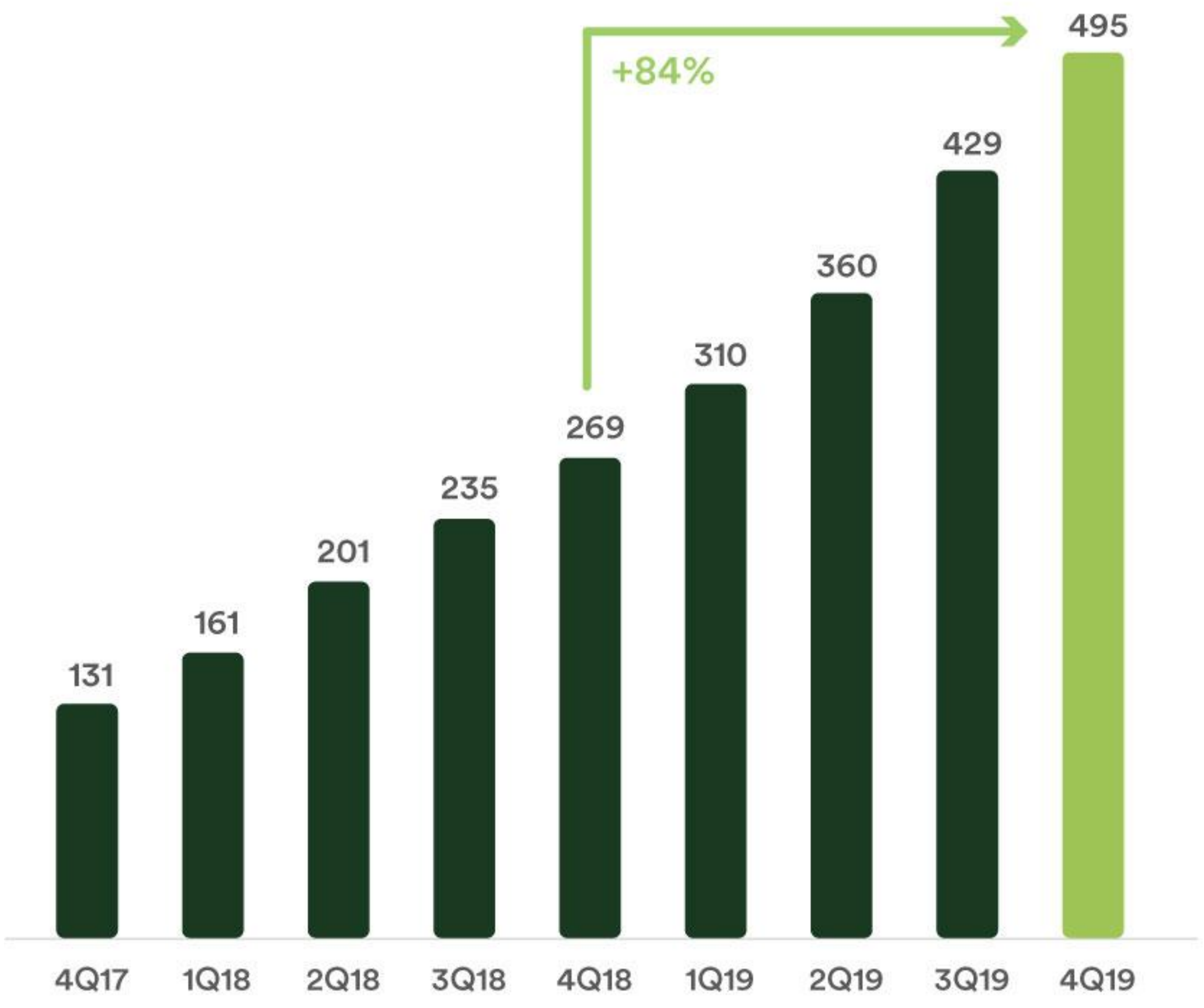
Financial Products

- ✔ Credit, insurance, mobile top-up

Rapidly Scaling the Business – Quarterly Data

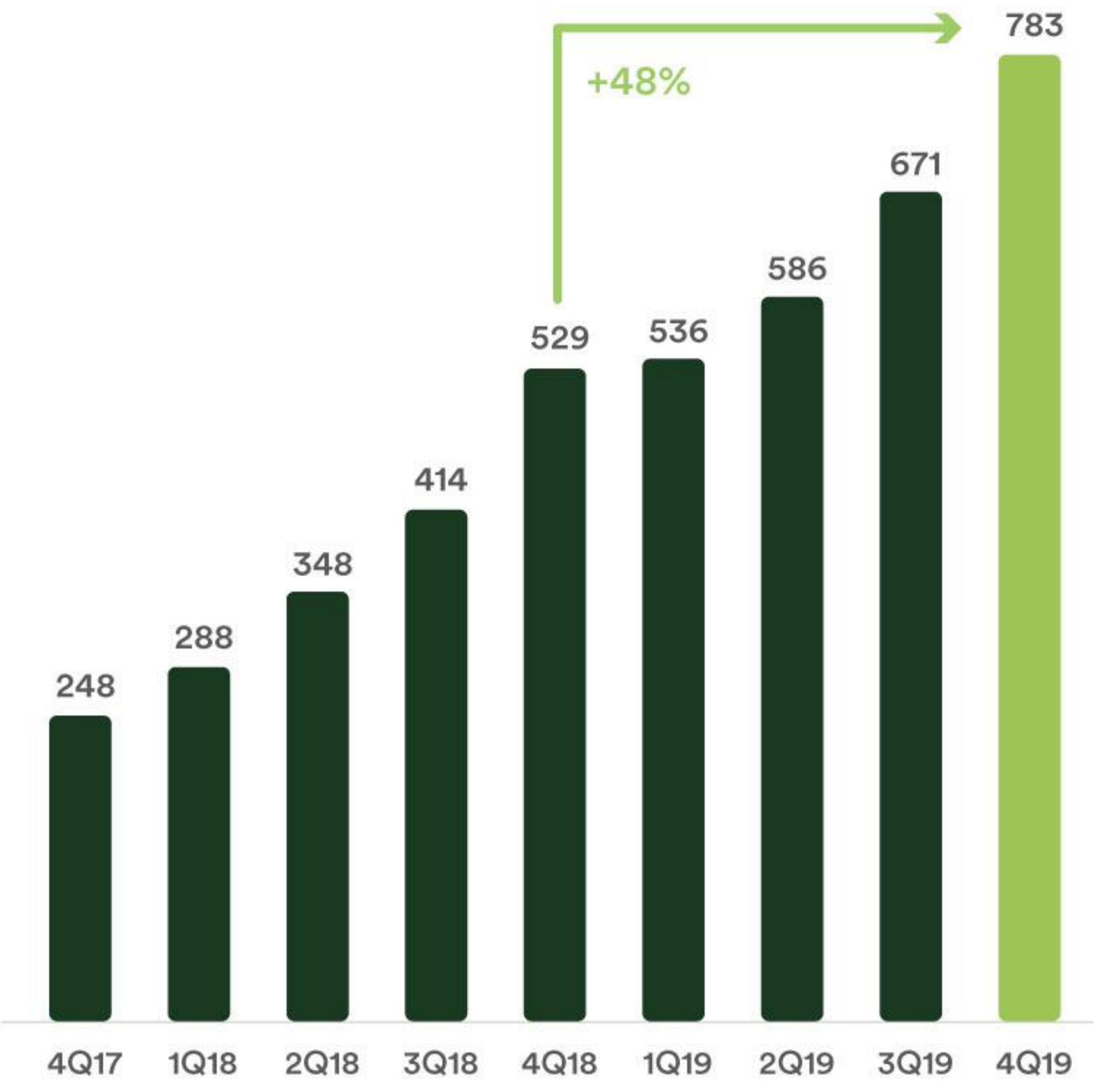
Substantial growth across financial and operating metrics

Active Clients[1]
(Thousands)



Total Payment Volume
(R$ in billions)

Total Revenue and Income
(R$ in millions)

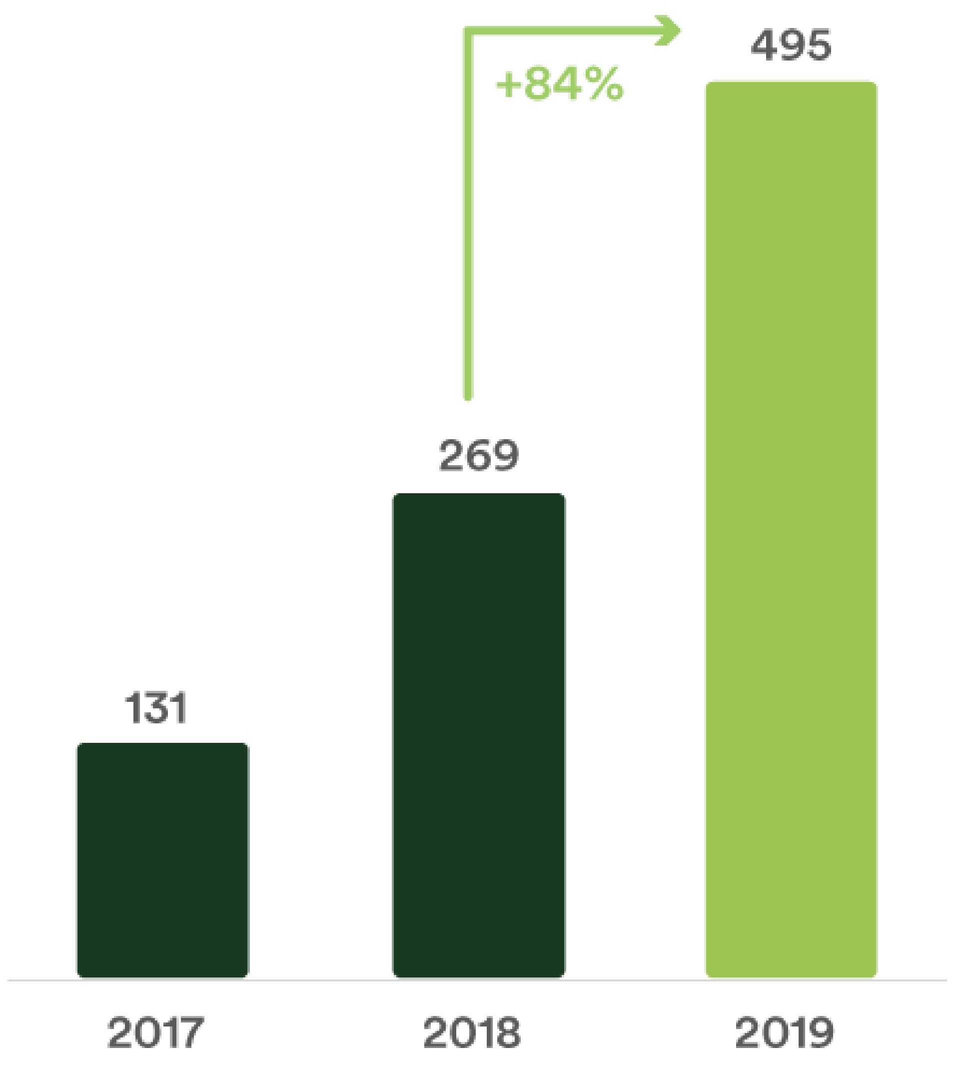


Notes:
(1) "Active Clients" are merchants that have completed at least one electronic payment transaction with Stone within the preceding 90 days.

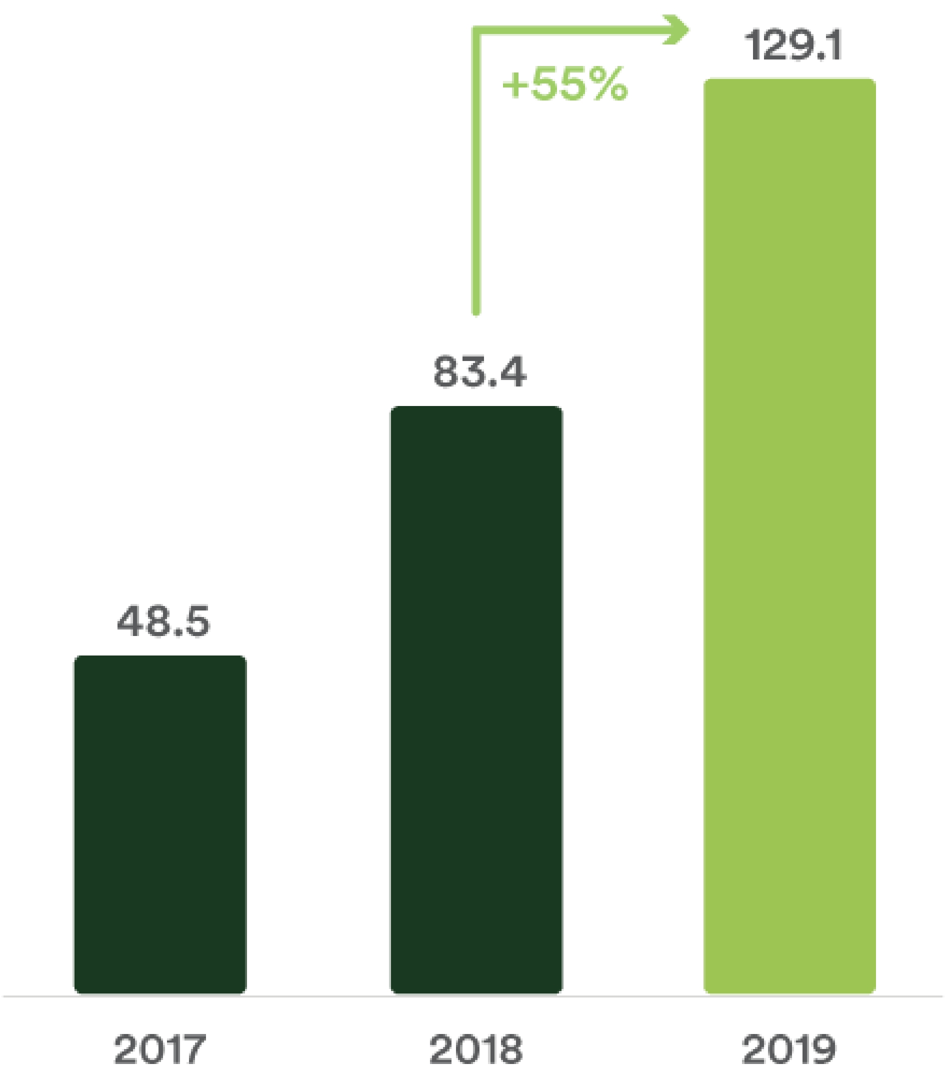
Rapidly Scaling the Business – Annual Data

Substantial growth across financial and operating metrics

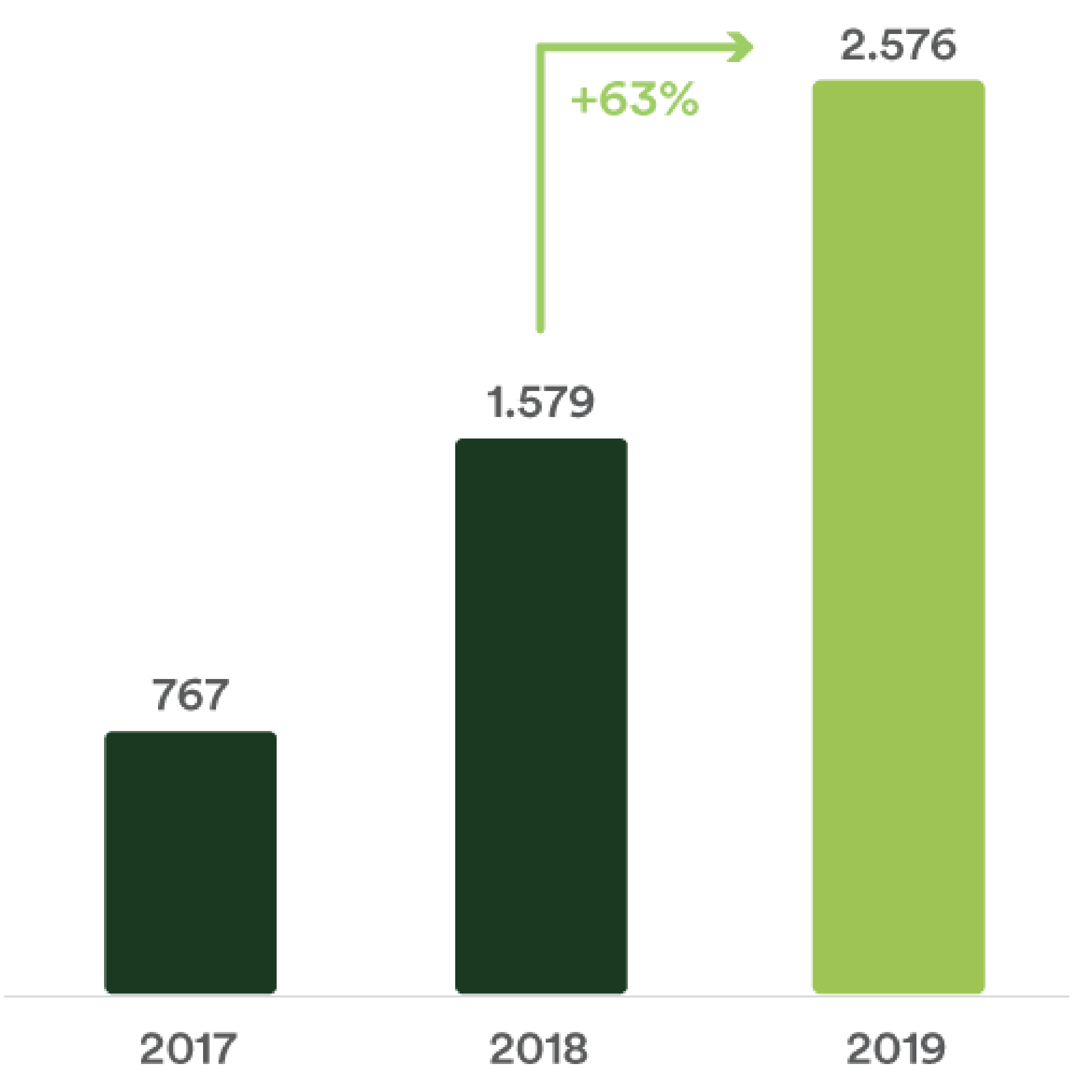
Active Clients[1]
(Thousands)



Total Payment Volume
(R$ in billions)



Total Revenue and Income
(R$ in millions)



Notes:
(1) "Active Clients" are merchants that have completed at least one electronic payment transaction with Stone within the preceding 90 days.

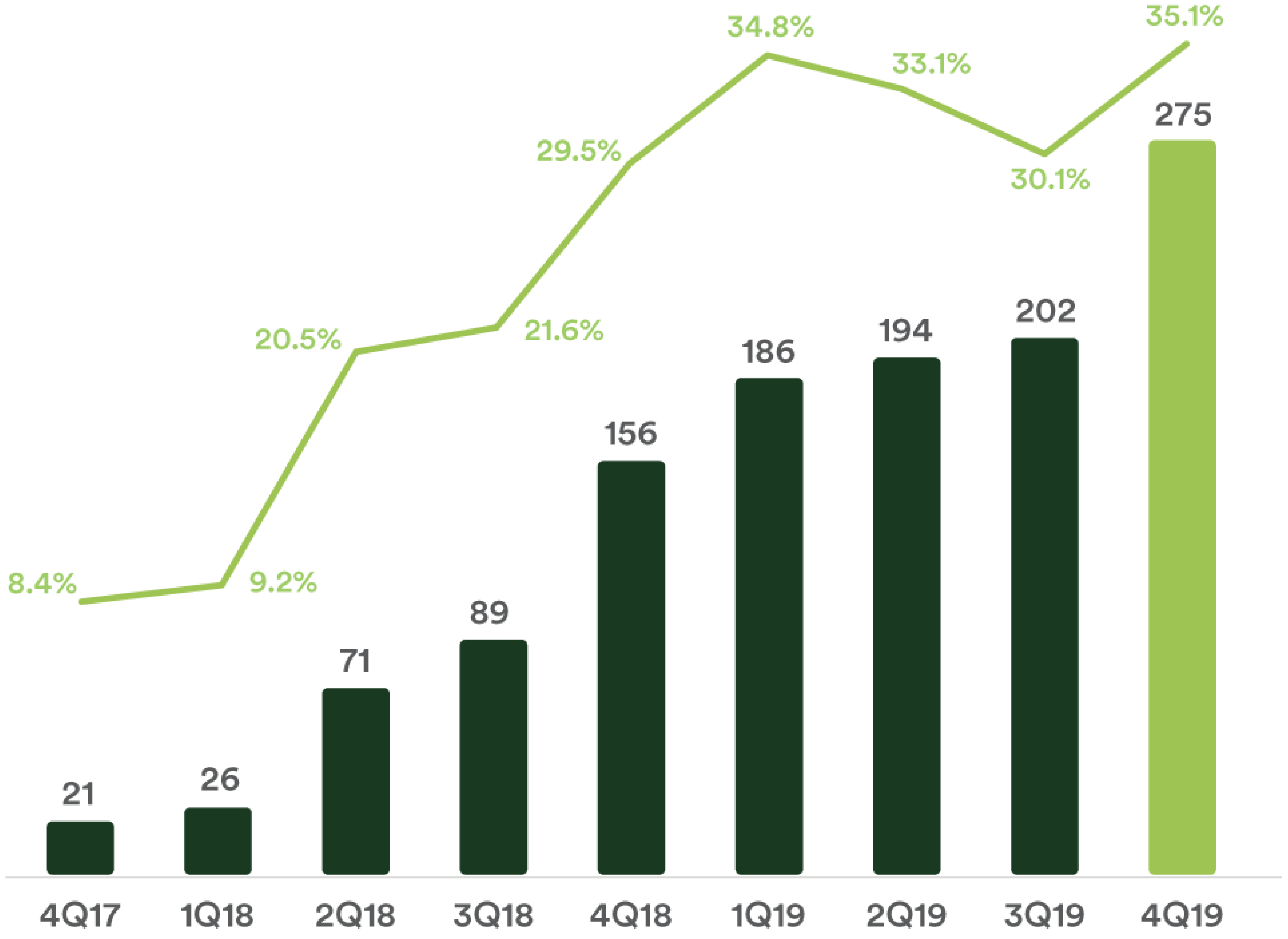
Summary Statement of Profit and Loss

R$ in millions	4Q18	% Rev.	4Q19	% Rev.	Δ %	Δ p.p.	2018	% Rev.	2019	% Rev.	Δ %	Δ p.p.
Transaction activities and other services	174.4	*32.9%*	230.3	*29.4%*	32.1%	(3.5 p.p.)	514.6	*32.6%*	770.3	*29.9%*	49.7%	(2.7 p.p.)
Subscription services and equipment rental	69.5	*13.1%*	91.6	*11.7%*	31.8%	(1.4 p.p.)	213.7	*13.5%*	331.6	*12.9%*	55.2%	(0.7 p.p.)
Financial income	255.8	*48.3%*	404.1	*51.6%*	57.9%	3.3 p.p.	801.3	*50.7%*	1,287.8	*50.0%*	60.7%	(0.8 p.p.)
Other financial income	29.6	*5.6%*	56.9	*7.3%*	91.9%	1.7 p.p.	49.6	*3.1%*	186.4	*7.2%*	275.9%	4.1 p.p.
Total revenue and income	**529.4**	*100.0%*	**782.9**	*100.0%*	**47.9%**	**0.0 p.p.**	**1,579.2**	*100.0%*	**2,576.0**	*100.0%*	**63.1%**	**0.0 p.p.**
Cost of services	(101.3)	*(19.1%)*	(128.3)	*(16.4%)*	26.7%	2.7 p.p.	(323.0)	*(20.5%)*	(427.0)	*(16.6%)*	32.2%	3.9 p.p.
Administrative expenses	(73.4)	*(13.9%)*	(72.4)	*(9.3%)*	(1.2%)	4.6 p.p.	(252.9)	*(16.0%)*	(285.8)	*(11.1%)*	13.0%	4.9 p.p.
Selling expenses	(58.7)	*(11.1%)*	(109.0)	*(13.9%)*	85.6%	(2.8 p.p.)	(190.2)	*(12.0%)*	(360.6)	*(14.0%)*	89.6%	(2.0 p.p.)
Financial expenses, net	(75.1)	*(14.2%)*	(106.9)	*(13.7%)*	42.4%	0.5 p.p.	(301.1)	*(19.1%)*	(353.5)	*(13.7%)*	17.4%	5.3 p.p.
Other operating income (expense), net	(41.6)	*(7.9%)*	(2.5)	*(0.3%)*	(94.1%)	7.5 p.p.	(69.3)	*(4.4%)*	(57.7)	*(2.2%)*	(16.7%)	2.1 p.p.
(Loss) income from investment in associates	(0.1)	*(0.0%)*	(1.1)	*(0.1%)*	784.5%	(0.1 p.p.)	(0.4)	*(0.0%)*	(0.8)	*(0.0%)*	82.0%	-
Profit (loss) before income taxes	**179.3**	*33.9%*	**362.6**	*46.3%*	**102.3%**	**12.5 p.p.**	**442.3**	*28.0%*	**1,090.7**	*42.3%*	**146.6%**	**14.3 p.p.**
Income tax and social contribution	(52.2)	*(9.9%)*	(98.7)	*(12.6%)*	89.0%	(2.7 p.p.)	(137.1)	*(8.7%)*	(286.5)	*(11.1%)*	108.9%	(2.4 p.p.)
Net income (loss) for the period	**127.1**	*24.0%*	**264.0**	*33.7%*	**107.7%**	**9.7 p.p.**	**305.2**	*19.3%*	**804.2**	*31.2%*	**163.5%**	**11.9 p.p.**
Adjusted Net Income[1]	**155.9**	*29.5%*	**275.0**	*35.1%*	**76.4%**	**5.7 p.p.**	**342.8**	*21.7%*	**857.1**	*33.3%*	**150.0%**	**11.6 p.p.**

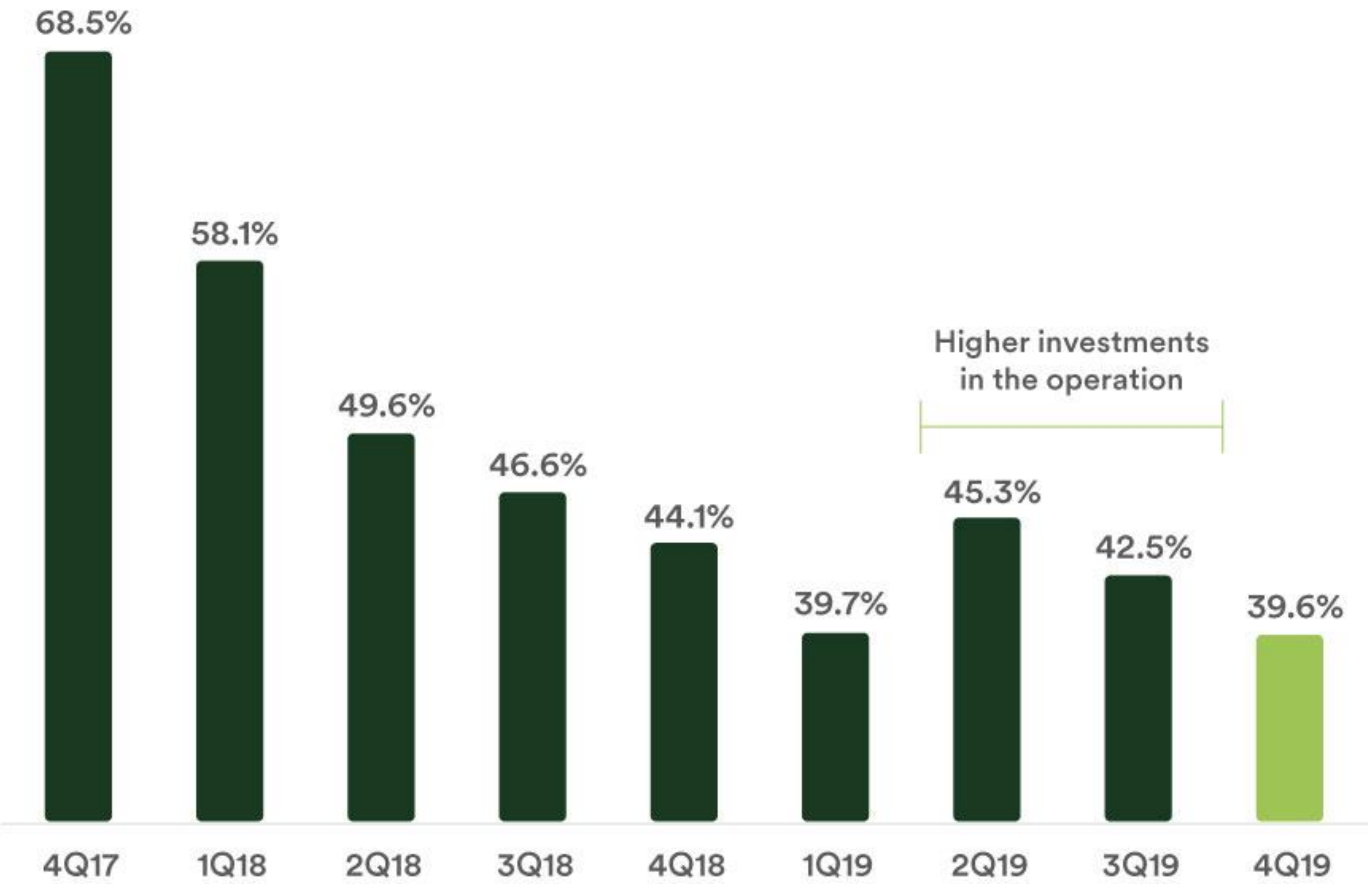
(1) Adjusted Net Income is a non-IFRS financial measure. Please see the appendix for the reconciliation of this non-IFRS financial measure to the most directly comparable IFRS financial measure.

Operating Leverage and Profitability - Quarterly Data

Adjusted Net Income and Margin (R$ in millions)[1]



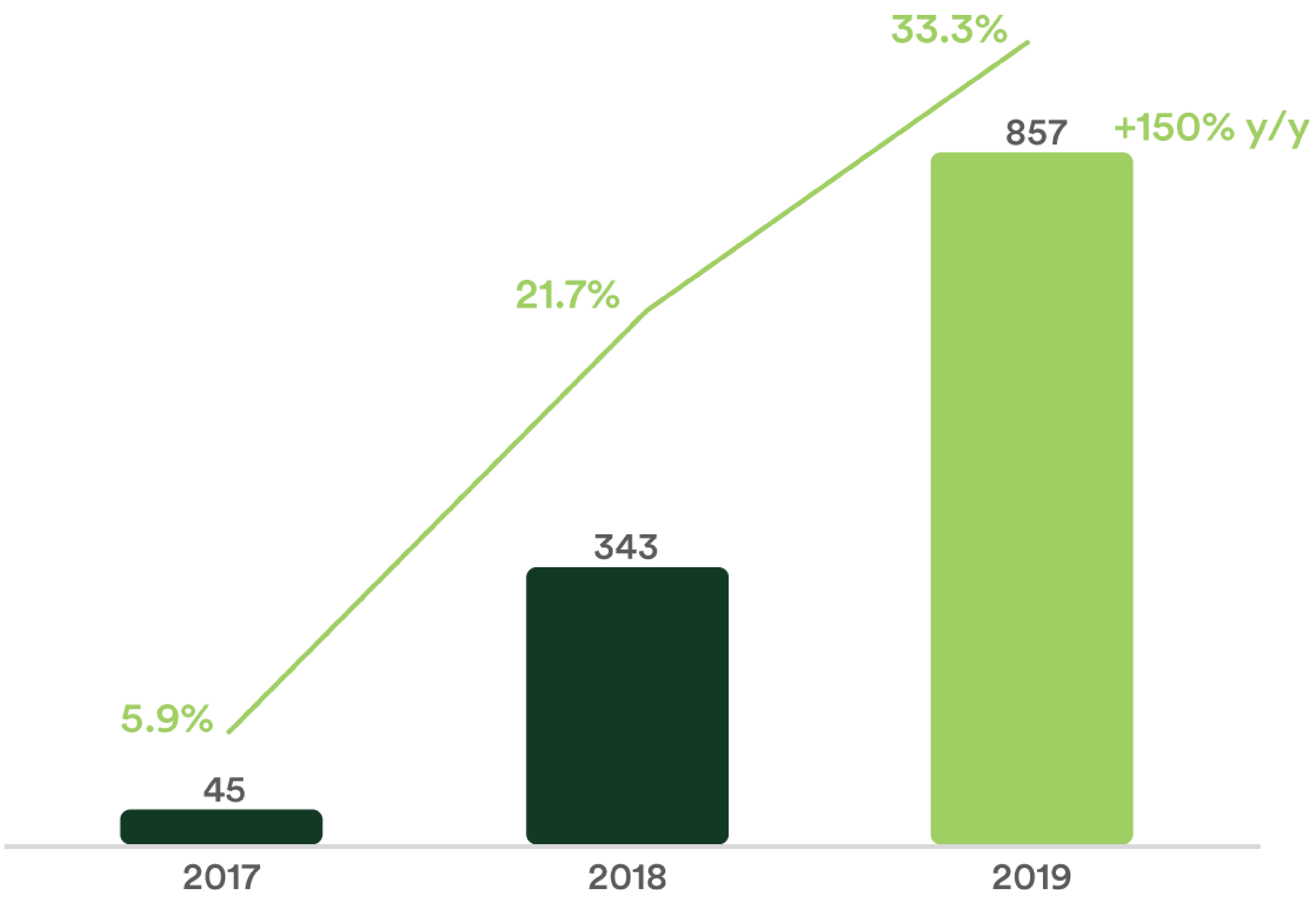
Total Costs and Expenses (as % of Total Revenue and Income) [2]



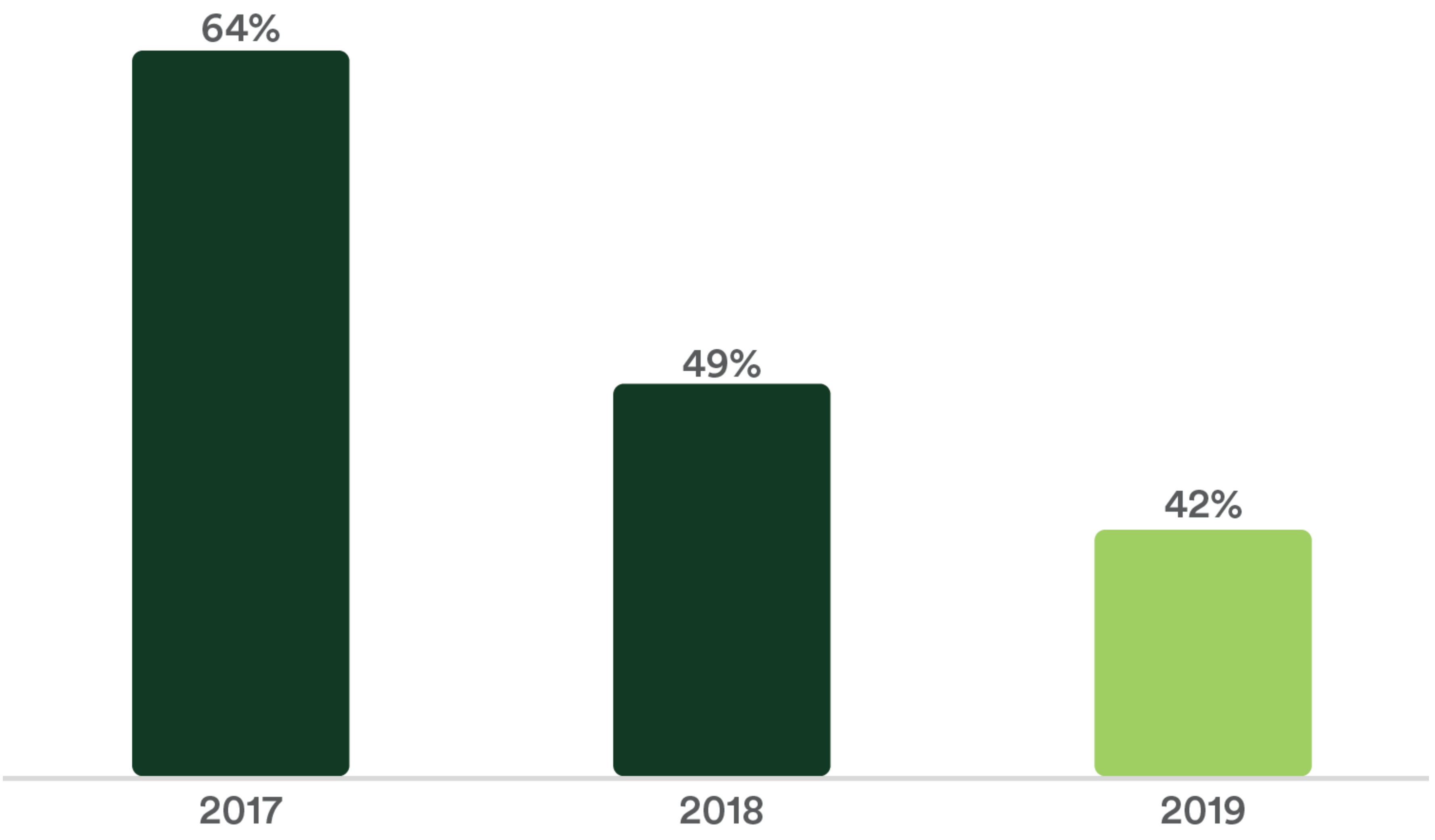
Notes:
(1) Adjusted Net Income and Adjusted Net Margin are non-IFRS financial measures. Please see the appendix for a reconciliation of this non-IFRS financial measure to the most directly comparable IFRS financial measures.
(2) Total Costs and Expenses as % of Total Revenue and Income. Includes Cost of Services, Administrative Expenses and Selling Expenses.

Operating Leverage and Profitability - Annual Data

Adjusted Net Income and Margin (R$ in millions)[1]



Total Costs and Expenses (as % of Total Revenue and Income) [2]

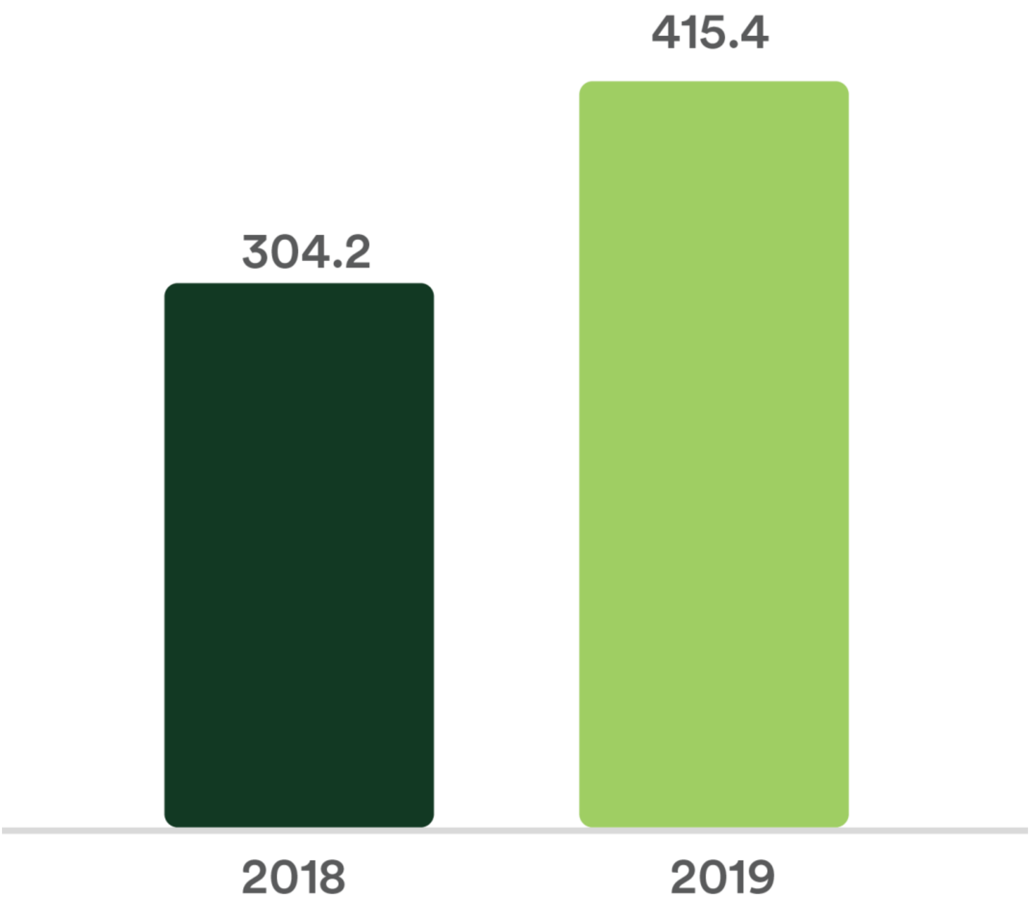


Notes:
(1) Adjusted net income and Adjusted Net Margin are non-IFRS financial measures. Please see the appendix for a reconciliation of this non-IFRS financial measure to the most directly comparable IFRS financial measures.
(2) Total Costs and Expenses as % of Total Revenue and Income. Includes Cost of Services, Administrative Expenses and Selling Expenses.

Adjusted Free Cash Flow and Reconciliation (non-IFRS)

(R$ in millions)

Adjusted Free Cash Flow[1]



Reconciliation of Adjusted Free Cash Flow	4Q18	4Q19	2018	2019
Net cash used in operating activities	**(2,125.6)**	**(663.5)**	**(2,415.6)**	**(2,651.8)**
(-) Adjustments in operating activities:				
Accounts receivable from card issuers[2]	*2,629.3*	*1,511.6*	*3,990.4*	*4,779.5*
Accounts payable to clients[2]	*(174.3)*	*(409.8)*	*(570.1)*	*(245.9)*
Interest income received, net of costs[3]	*(158.4)*	*(338.9)*	*(514.8)*	*(1,191.1)*
Loans held for sale[4]	*0.0*	*124.7*	*0.0*	*124.7*
Purchases of property and equipment	*(15.6)*	*(19.4)*	*(140.9)*	*(333.6)*
Purchases and development of intangible assets	*(10.7)*	*(18.7)*	*(44.8)*	*(66.4)*
Adjusted free cash flow[1]	**144.7**	**185.9**	**304.2**	**415.4**

(1) Adjusted free cash flow is a non-IFRS financial measure.

(2) Each "Accounts Payable to Clients" recognized as a liability on our balance sheet is directly linked to an "Accounts Receivable from Card Issuers" recognized as an asset in our balance sheet. Originally, the Company receives from issuing banks first, and only then paid its clients, thus having no working capital requirement. When a client opts to be paid early (prepayment), the Company has a working capital requirement. However, the Company has the option itself to sell the receivables from card issuers related to those payables in order to meet such working capital requirements. The combined effect to the cash flows is a positive operational cash flow equivalent to net fees earned by providing such prepayment service. Whenever management opts to fund its prepayment operation with sources other than the sale of its own receivables, Net Cash Provided by/ (Used in) Operating Activities may be affected, as discussed in "Note on the impact of different funding sources in operating and financing cash flows" in our Earnings Release at the beginning of the Cash Flow section. However, management does not view such decision as translating into higher or lower ability of our business to generate cash operationally.

(3) Financial income from our prepayment activity, less the financial expenses related to the sale of receivables to financial institutions. The first item directly influences the level of accounts payable to clients on our balance sheet; the second item directly influences the amount of receivables from card issuers in our balancesheet.

(4) Besides prepayment, the Company has started to offer credit solutions to clients. The company intends to fund its credit operation primarily through third parties (i.e. FIDC and debt), as well as with some own cash. Given the operational nature of our credit business, like in the case of prepayment mentioned above, management does not view related funding decision as translating into higher or lower ability of our business to generate cash operationally.

Positives and Negatives of 2019

Management Assessment

Positives

- Strong growth in payments with record profitability
- Scaling our digital banking and credit solutions and building of ABC platform
- Rolling-out horizontal software solutions (reconciliation and CRM/loyalty)
- Record talent attraction, having more than 100,000 applications in Recruta
- Maintaining the best service levels and strong culture while scaling our operations

Negatives

- Could have accelerated investments earlier in 1H19
- POS/ERP software solution still at small scale
- Could have been more active in software deals
- Could have invested more in social and sustainability
- TON launch pushed from 4Q19 to 1Q20

Adjusted Net Income Reconciliation (Non-IFRS)

(R$ in millions)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Net income for the period	**(75.8)**	**(0.1)**	**(14.8)**	**(14.3)**	**24.7**	**63.0**	**90.4**	**127.1**	**177.0**	**171.9**	**191.3**	**264.0**
Share-based compensation expenses [1]	76.2	9.0	17.7	36.0	0.0	0.0	24.8	36.0	10.1	28.4	11.2	14.6
Amortization of fair value adjustment [2]	5.8	3.5	2.7	2.8	2.7	2.8	2.8	4.3	3.8	4.3	4.6	4.6
Gain on previously held interest in associate [3]	0.0	0.0	0.0	0.0	0.0	0.0	(21.4)	0.0	0.0	0.0	0.0	0.0
One-time impairment charges [4]	0.0	0.0	0.0	0.0	0.0	8.4	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses [5]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.7)
Tax effect on adjustments	0.0	0.0	0.0	(3.6)	(0.9)	(3.1)	(7.3)	(11.5)	(4.6)	(10.5)	(5.3)	(6.4)
Adjusted net income	**6.2**	**12.4**	**5.7**	**20.9**	**26.5**	**71.1**	**89.3**	**155.9**	**186.3**	**194.0**	**201.9**	**275.0**

(1) Consists of expenses related to the grant of share-based compensation, as well as fair value (mark-to-market) adjustments for share-based compensation expense classified as a liability in our consolidated financial statements. For 4Q18 and 1Q19 represents a one-time share-based expense related to our IPO.
(2) On intangibles related to acquisitions. Consists of expenses resulting from the amortization of the fair value adjustment on intangible assets and property and equipment as a result of the application of the acquisition method, a significant portion of which relates to the Elavon do Brasil ("EdB") and Equals acquisitions.
(3) Consists of the gain on re-measurement of our previously held equity interest in Equals to fair value upon the date control was acquired.
(4) Consists of (i) impairment charges associated with certain processing system intangible assets acquired in the EdB acquisition that we no longer use, in an amount of R$6.4 million in 2Q18 and (ii) impairment associated with improvements made to certain leased office space upon the termination of the lease, in an amount of R$2.0 million for 2Q18.
(5) In 4Q19, consists of the fair value adjustment related to associates call option.

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