stone co.

NOV / 2019

3Q19 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 core operating 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) one-off gains 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

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Strong Growth with High Profitability in 3Q19

- Active Client base of **+428,900 clients**, +82.8% y/y
- Net Addition accelerated to **68,700 clients** q/q
- Total Revenue and Income growth of **62.1%** y/y
- Take Rate of **1.88%**[1] comparable to previous quarters, with client lifetime upward revision taking actual take rate to 1.91%[1]
- Adjusted Net Income of **R$ 201.9MM**[2], +126.0% y/y
- Adjusted Net Margin of **30.1%**[2]

Advancement of New Solutions Beyond Payments

- **Credit** with ~**13,400 clients** and over **R$185 million** in total disbursements up to Oct/19
- **Digital Banking Solution** with approximately **29,000 open accounts** in Oct/19
- Strong **organic ramp-up in software**: from ~70,000 in July to **over 100,000 clients** as of 3Q19
- **Integrated Financial Platform** (ABC) to be **launched in 1Q20**

Continued Expansion in Payments

- **Acceleration** of addition of SMB clients and TPV **in the hubs**
- Despite fluctuations, continued **solid growth** in **digital clients and integrated partners**
- **Partnership with Globo** expected to be operational in **1Q20**

People and Clients

- **Almost 110 thousand** applications to *Recruta*[5] in 2019
- Logistic operation (Green Angels) with **99%** service level agreement[3] and delivery time[3] of **less than one day**
- Customer Service with **95%** of calls rated as "excellent" by our clients[3], First Call Resolution[3] of **82%**, and clients answered on average in **4.9 seconds**[4]

(1) According to IFRS 15, subscription revenue is accounted over the expected life of merchants on a linear basis. As part of the Company's annual assessment of assumptions for linearization of subscription revenue, life of merchants was revised upwards, contributing positively 3 bps to 3Q19 take rate compared to 2Q19.
(2) 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.
(3) As of sep/19, according to internal surveys.
(4) As of 3Q19, according to internal surveys.
(5) Recruta is Stone's semiannual recruitment process, one of the largest in Brazil in terms of number of applications.

What we have achieved since the IPO (1/2)

One year after, we see our business bigger and better

	At IPO (3Q18)	3Q19	Δ
Active client base	**234,700**	**428,900**	***83%***
LTM TPV (R$bn)	**R$72bn**	**R$115bn**	***60%***
LTM revenue (R$mm)	**R$1,298mm**	**R$2,322mm**	***79%***
LTM adj. net income[1] (R$mm)	**R$208mm**	**R$738mm**	***255%***
LTM adj. net income margin[1] (%)	**16.0%**	**31.8%**	***+15.8 p.p.***
LTM take rate (%)	**1.76%**	**1.87%**	***+11 bps***

We have…

…scaled our business

…improved profitability

(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 measure.

What we have achieved since the IPO (2/2)

One year after, we see our business bigger and better

	At IPO (3Q18)	3Q19	Δ
Amount disbursed in credit (R$mm)	-	+R$185mm[1]	*+R$185mm*
# of clients subscribed in software	~9,000	+100,000	*~91,000*
# of Stone accounts opened	-	~29,000[1]	*~29,000*
Total applications to Recruta in the year[2]	~29,000	~109,000	*~80,000*
Calls rated as "excellent" – Customer Support[3]	93%	95%	*+2 p.p.*
First call resolution[3]	81%	82%	*+1 p.p.*

We have…

…evolved our new solutions

…attracted even more great talents

…improved even more our relationship with our clients

(1) As of Oct/19.
(2) Recruta is Stone's semianual recruitment process, one of the largest in Brazil in terms of number of applications.
(3) As of Sep/18 and Sep/19, according to internal surveys.

Payments Update

Highest TPV growth being the only player in the industry with an increasing take rate[1]

Adding even more clients...

- **Acceleration** in **net addition** of clients
- **Stone Mais**[2] net addition was **4,600 clients** (total base of 15,600 clients in 3Q19), a small contribution in the quarter
- **Active Client** base is **growing**
  - (i) in **all channels** (hubs, digital and integrated partners)
  - (ii) in **all Brazilian regions**

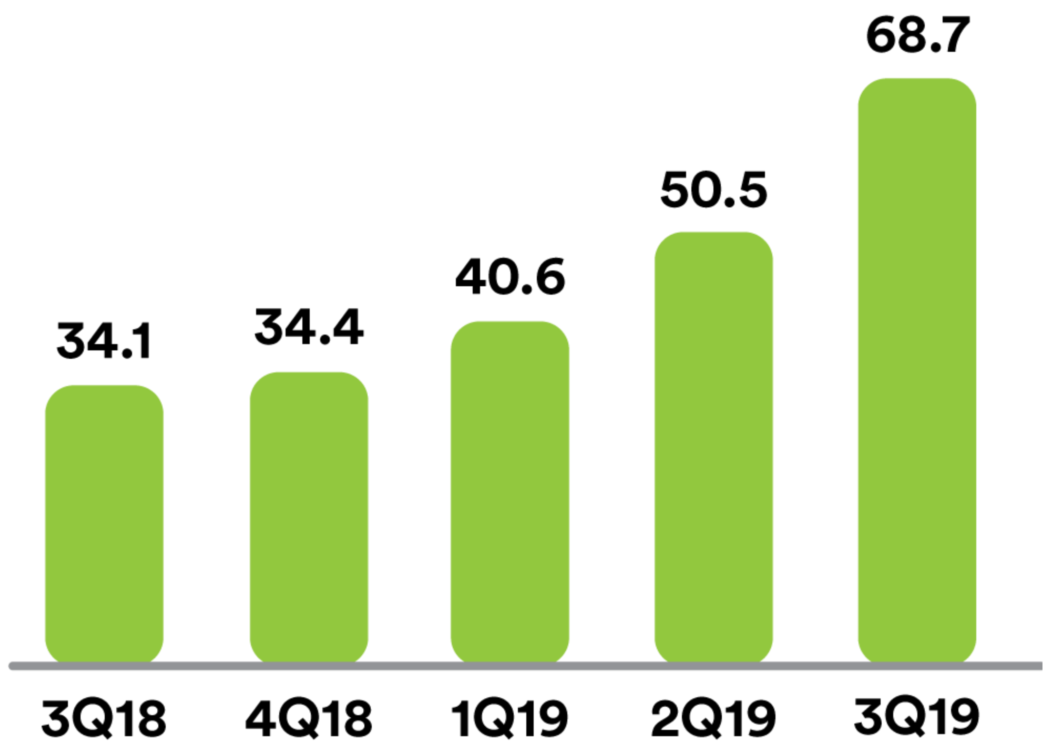
...with strong TPV growth

- **50% TPV growth** despite tough 3Q18 comps (+84%)
- **TPV growth** in **all Brazilian regions**
- **Accelerated q/q TPV growth in the hubs** in 3Q19 compared to 2Q19
- **Fluctuations in TPV from Digital and Integrated Partners** responsible for slightly lower overall quarterly TPV addition

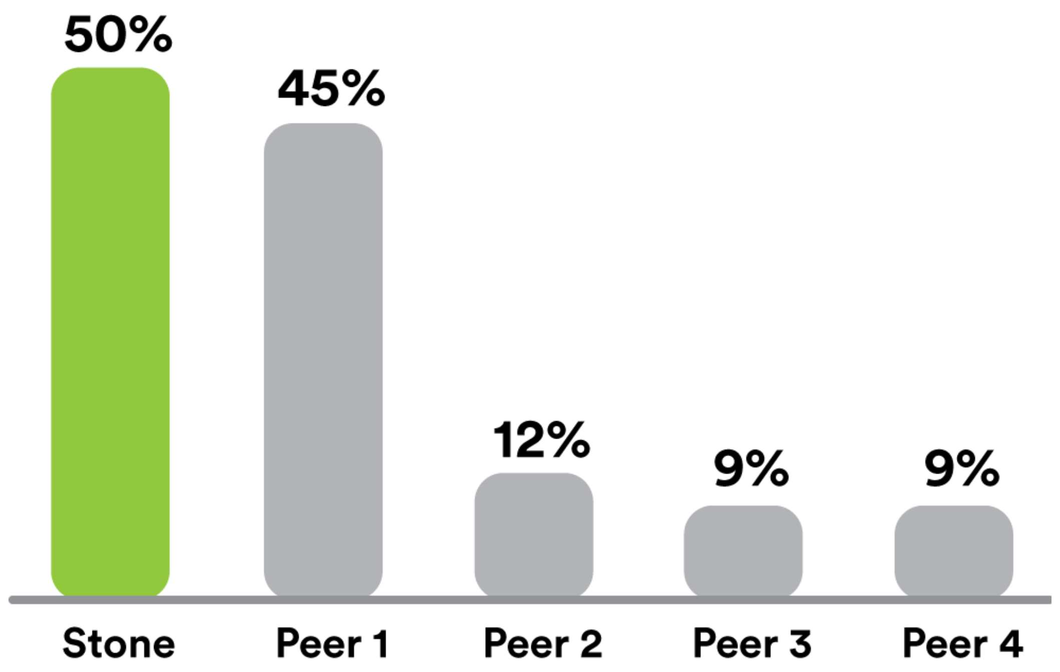
...and roughly stable take rates

- Continued focus on **value proposition**
- Positive **mix** from **SMB clients' growth**

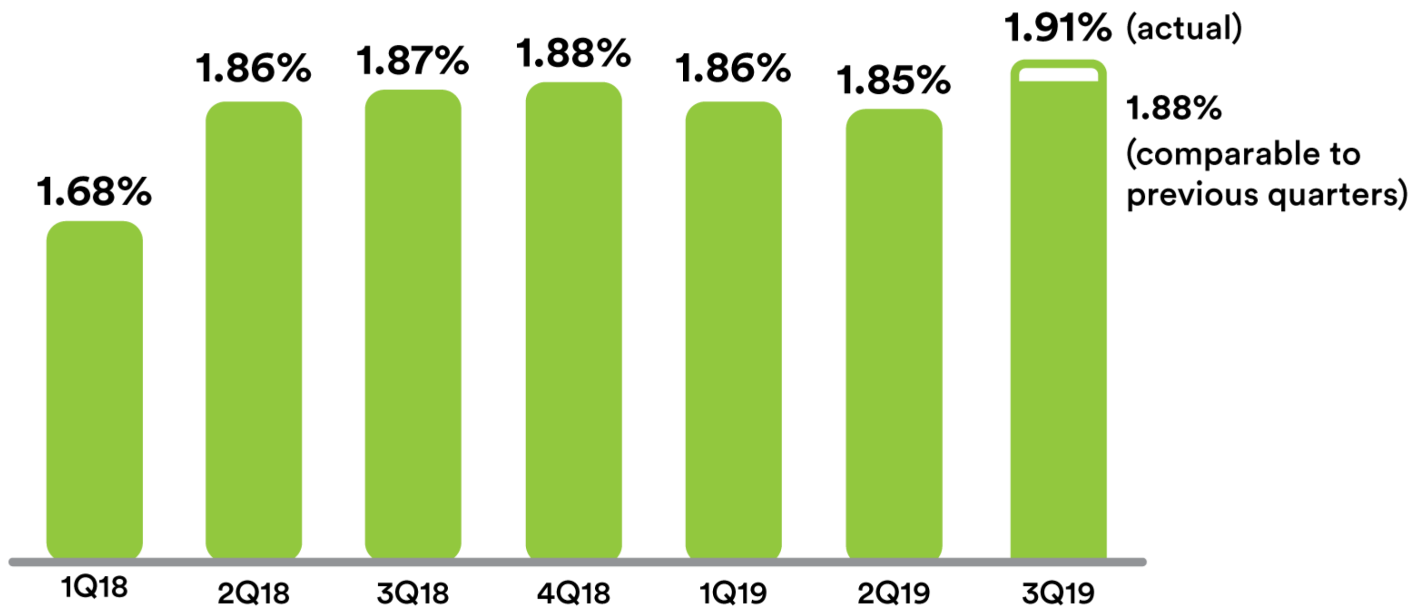
Net Adds (Thousand)



TPV year over year growth (%)



Take Rate (%)

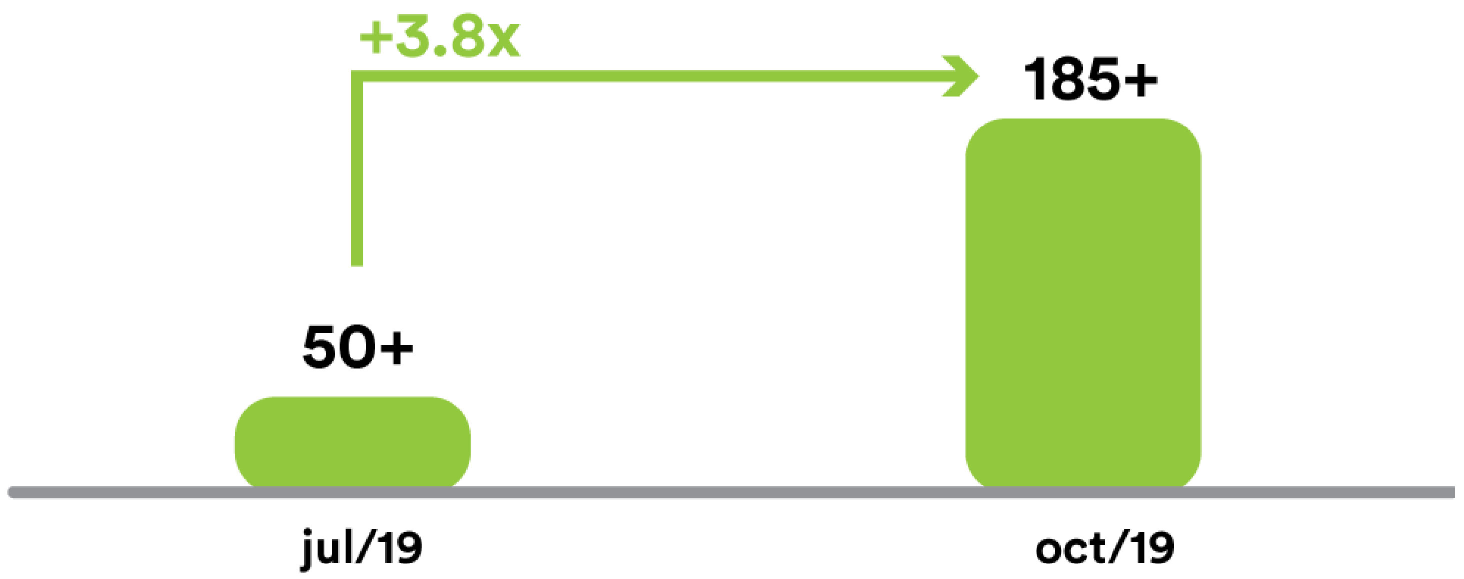


(1) Based on publicly available information.
(2) Stone Mais, our solution to micromerchants, will be replaced and offered through the partnership with Grupo Globo, expected to be operational in 1Q20.

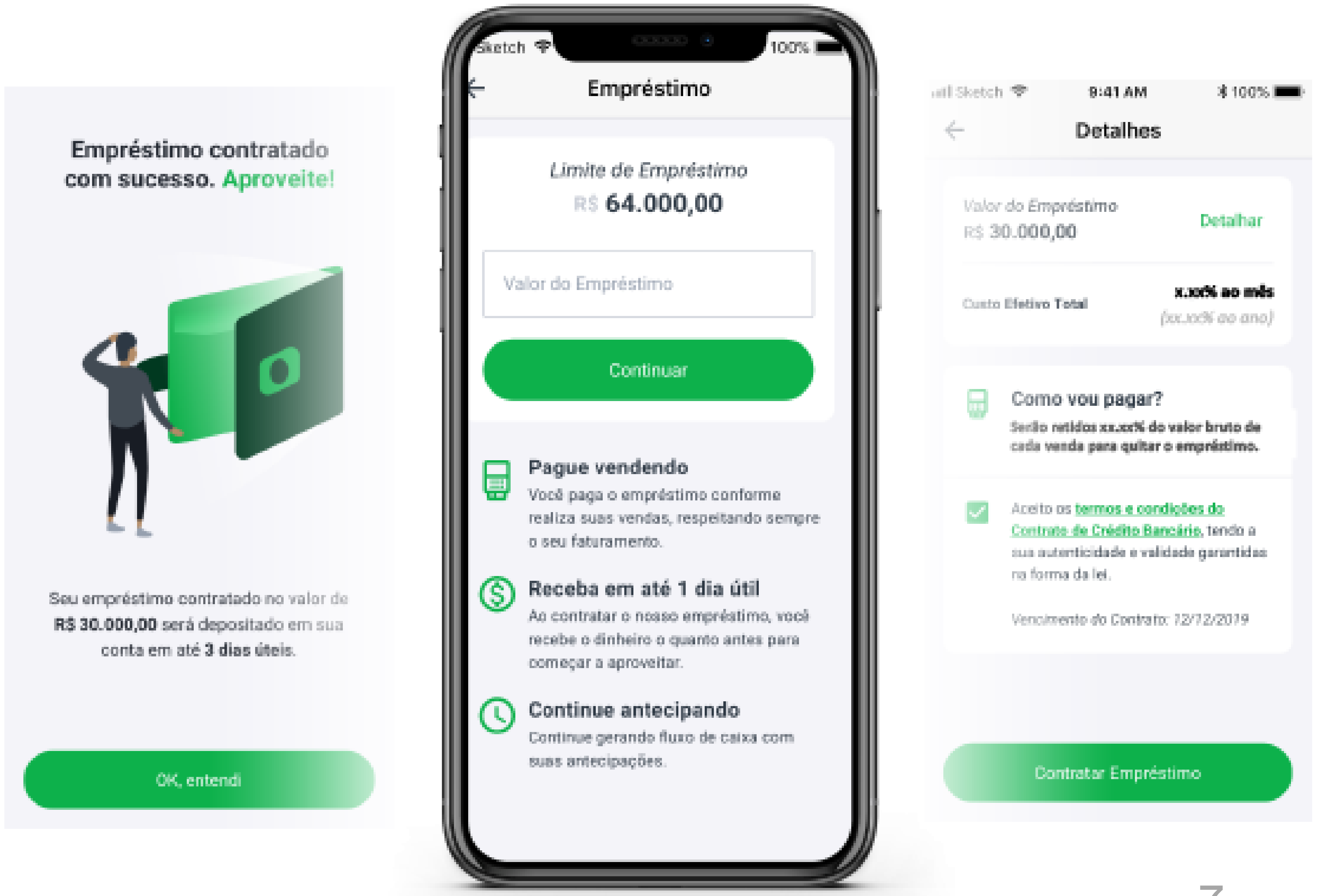
Credit Strategy Update

Number of clients using credit solution (thousands)

Total disbursement[1] (R$MM)



- Average credit ticket[1] of ~**R$14,000**
- **Mid single digit** delinquency rates
- **SCD license[2] and FIDC structure** allows us to give credit with our own capital
- Developed Proprietary **credit scoring**

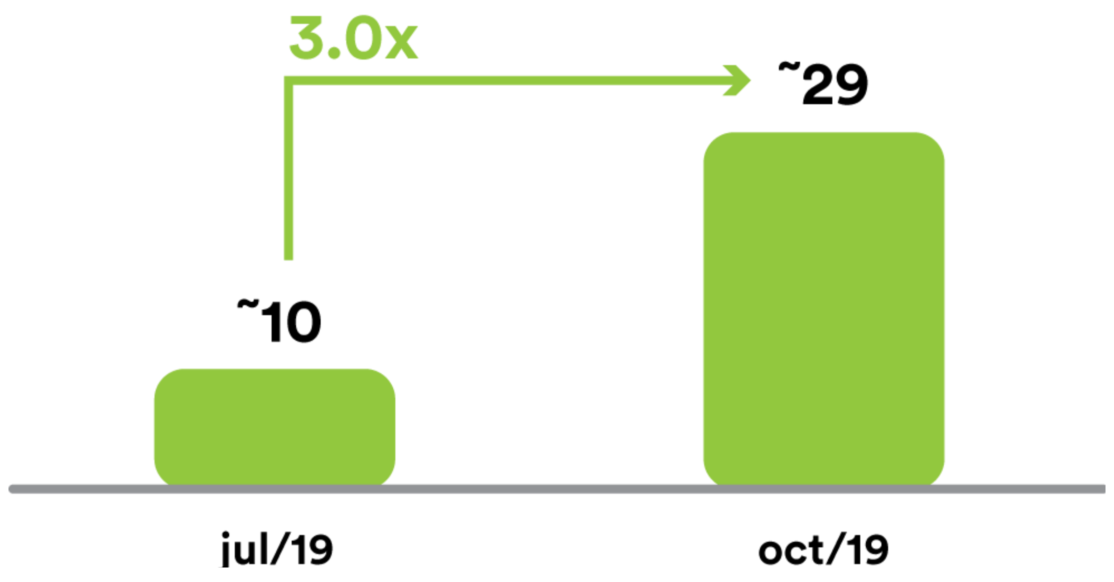


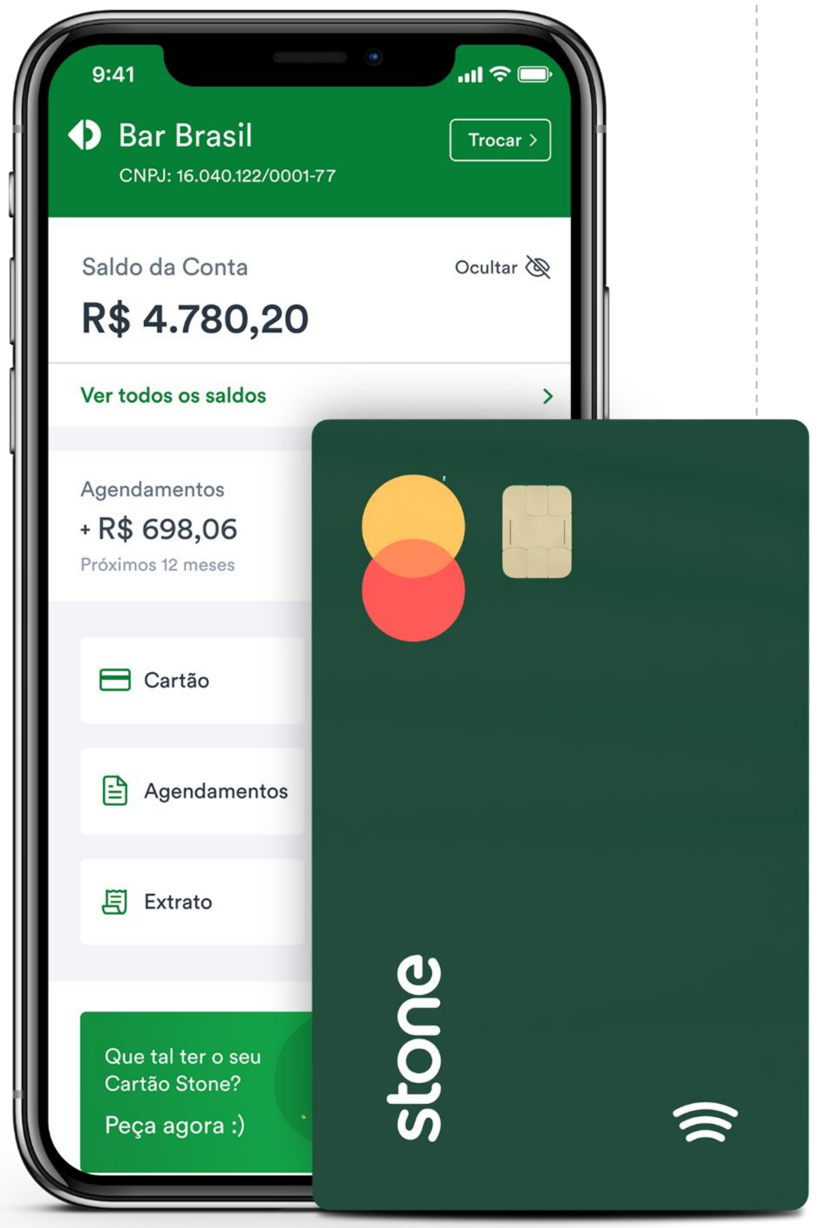
(1) Since inception
(2) “Sociedade de Crédito Direto” (a license from the Central Bank to offer credit).

Banking Strategy Update

We Are Scaling Our Number of Banking Accounts…

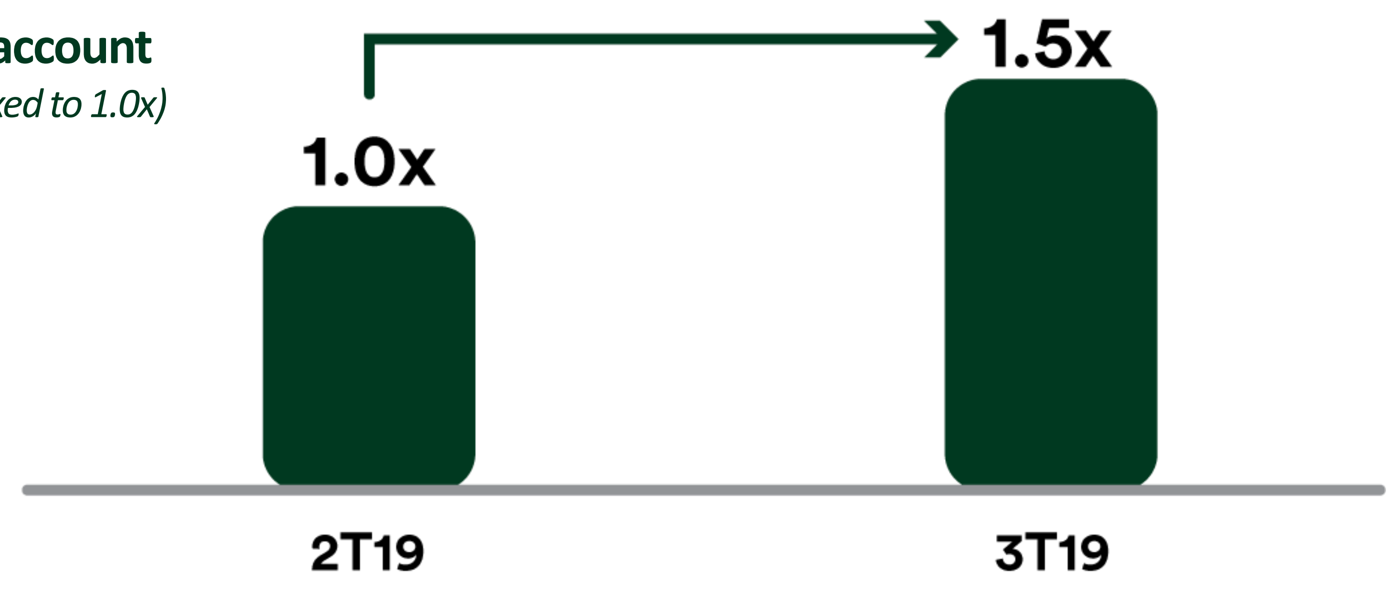
Number of banking accounts (thousands)



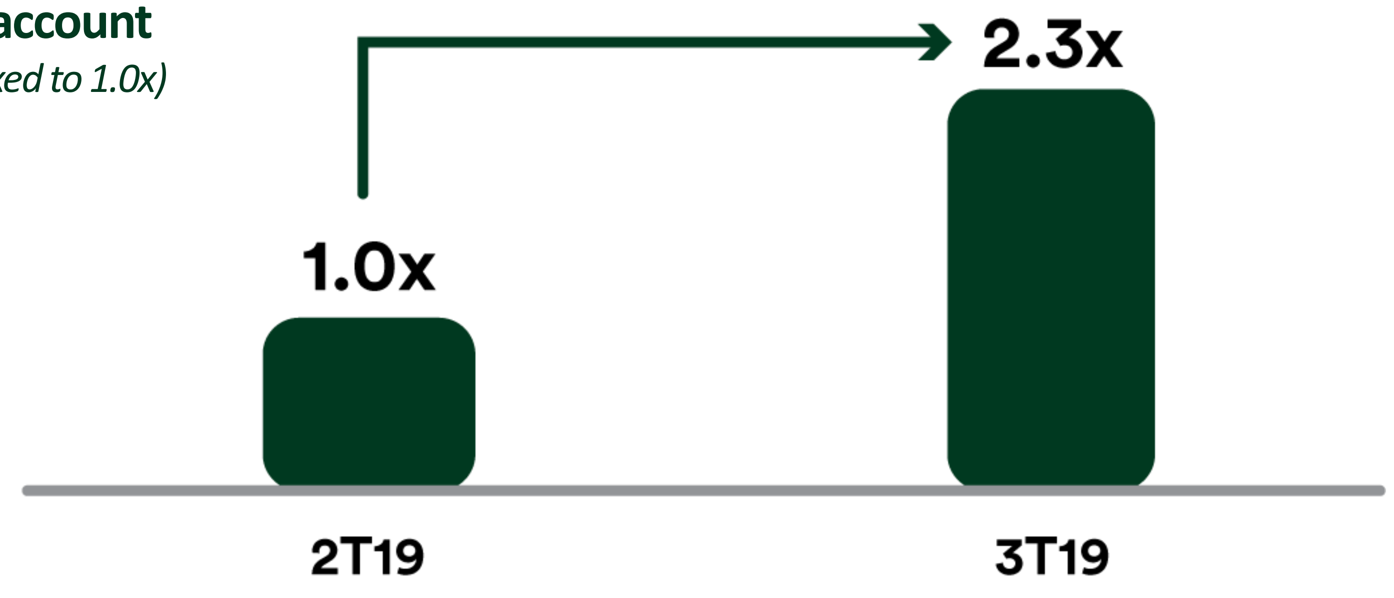


…With Increasing Engagement

Wire transfers per account
(Indexed to 1.0x)



Boletos paid per account
(Indexed to 1.0x)



Complete Financial Platform

Combined with Unparalleled Customer Service

EXPECTED LAUNCH IN 1Q20

- ✓ **Integrated financial platform** (acquiring + banking + credit) already on pilot
- ✓ Supported by **great service** and **support**

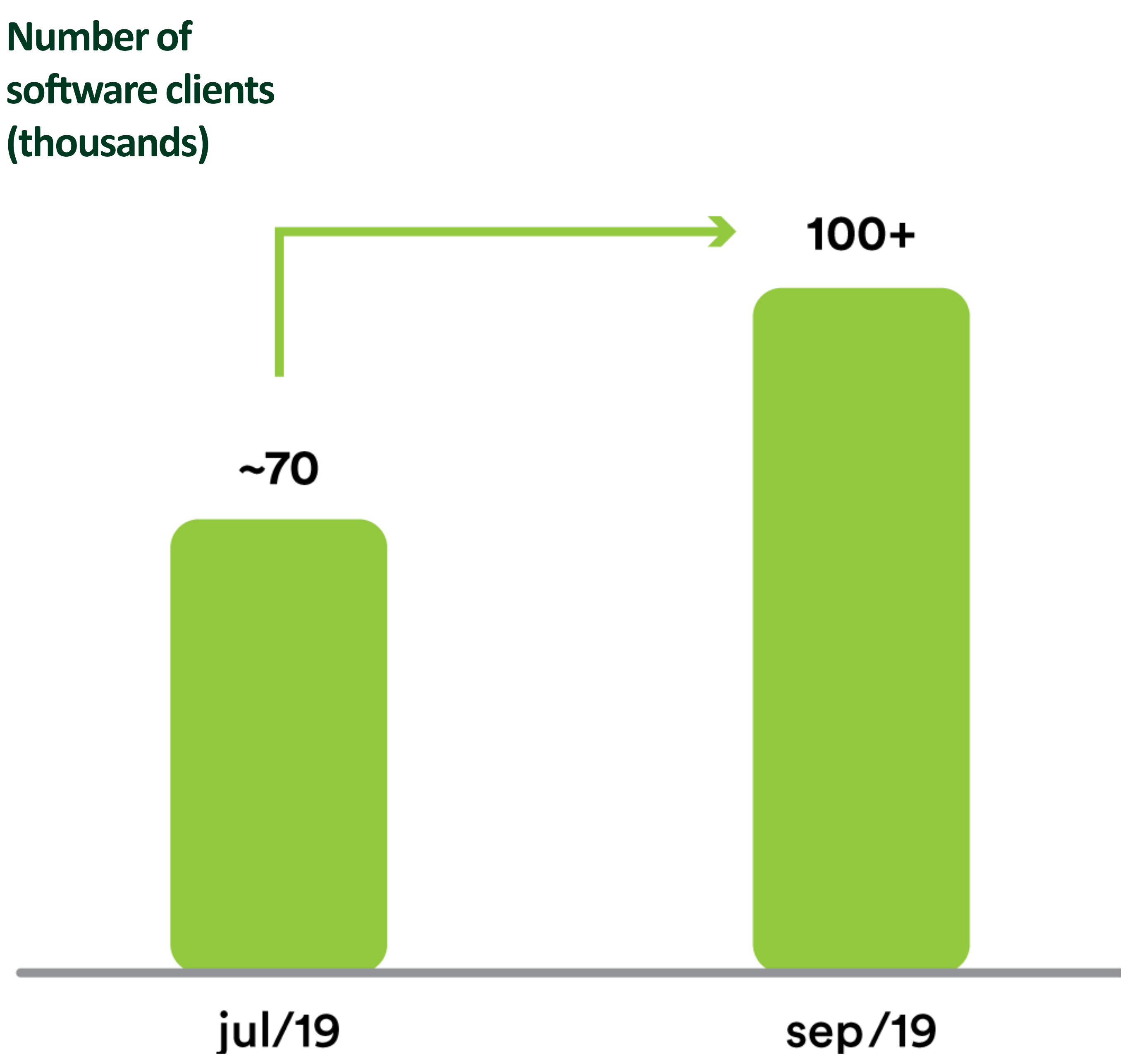
Acquiring	✓ 428,900 active clients	✓ R$115bn + TPV in 3Q19 LTM
Banking Services	✓ ~29,000[3] accounts	✓ Increasing engagement
Credit	✓ ~13,400[3] clients	✓ R$185mm+[3] in credit disbursement

66 NPS [1]	**4.9** secs average time to answer calls [2]	**In Hours** At our merchant's doorsteps	**Human Connection** Highly trained, in house, agents equipped to serve clients

(1) Average NPS in the 3Q19, according to internal surveys.
(2) As of 3Q19, according to internal surveys.
(3)As of Oct/19

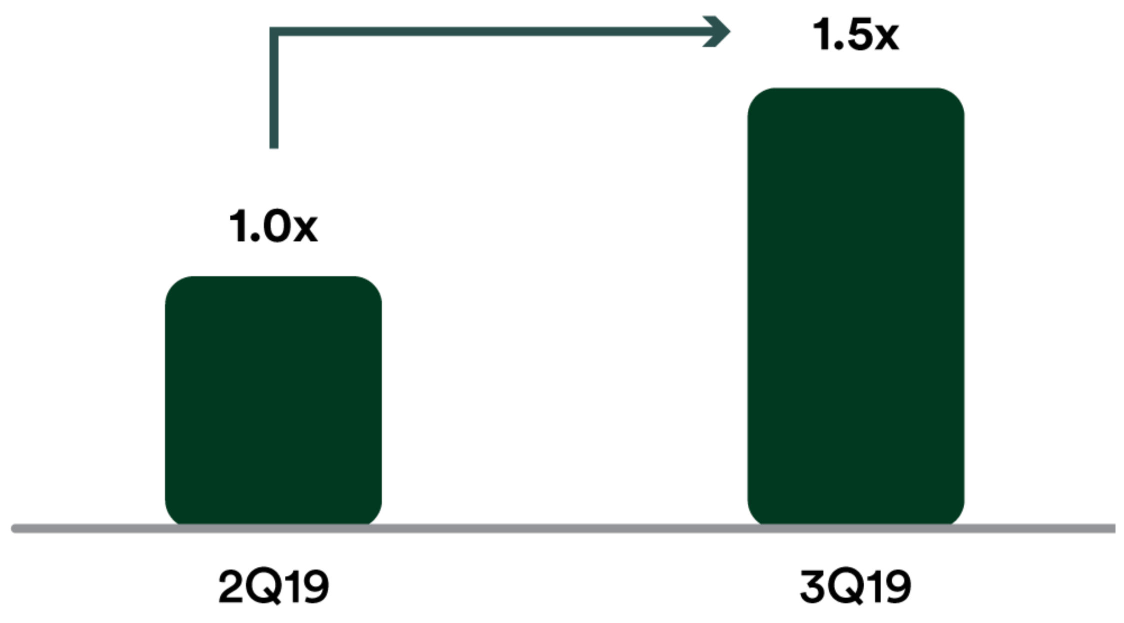
Software Strategy Update

We Are Scaling Fast our Software Client Base...

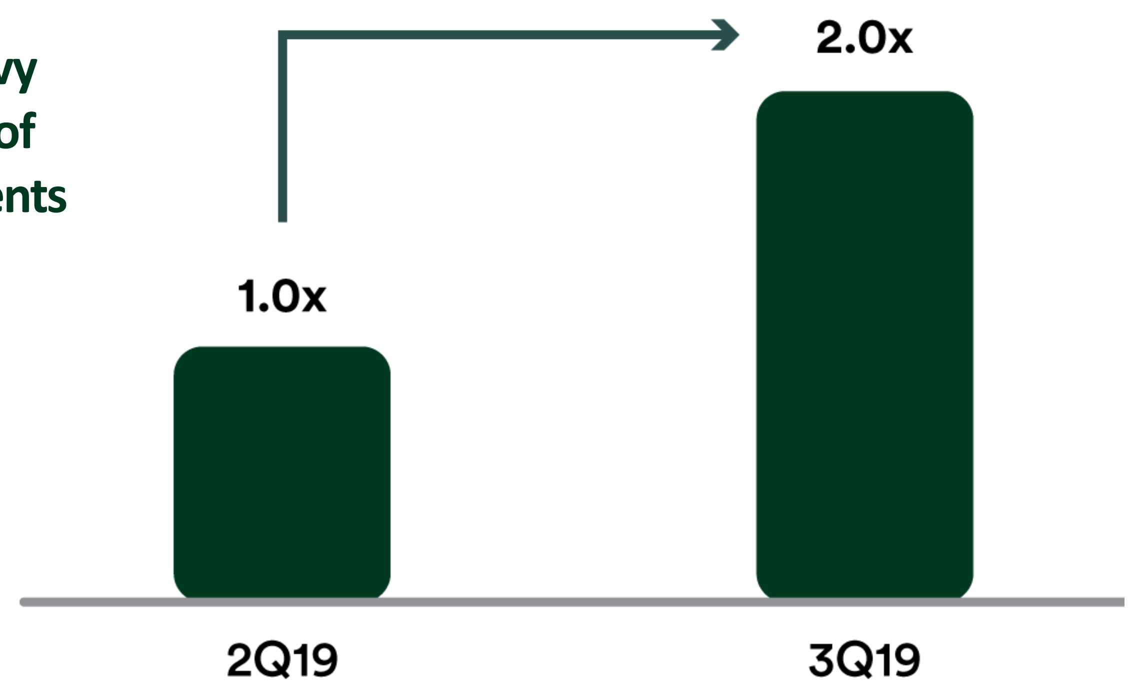


...With Increasing Engagement

Reconciliation[1] - Number of accesses per client
(Indexed to 1.0x)



CRM/Loyalty[1] - heavy user clients[2] as a % of total subscribed clients
(Indexed to 1.0x)



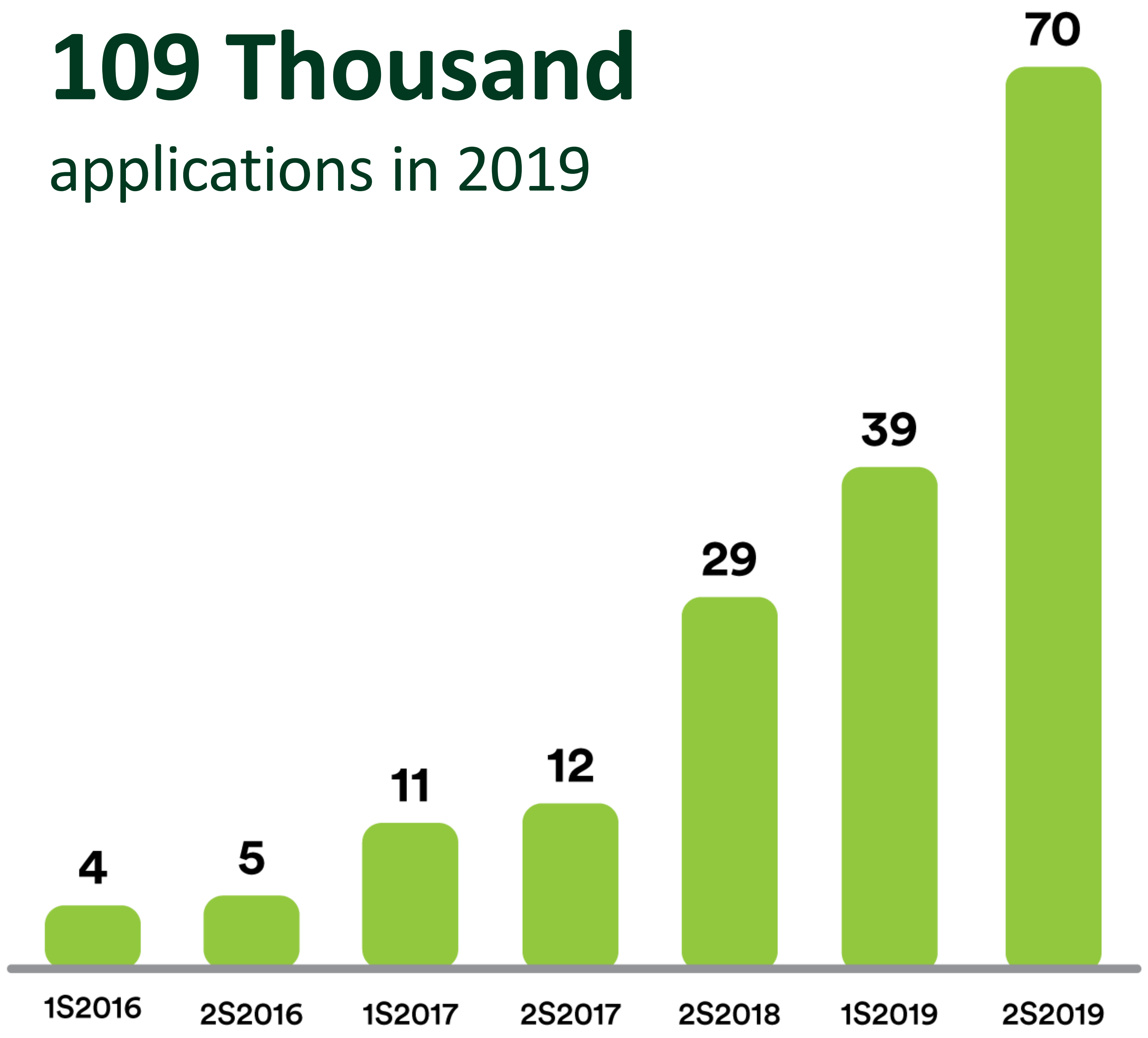
(1) Reconciliation refers to Raio-X and CRM/Loyalty refers to Collact
(2) Merchants with more than 300 unique end consumers transacting through Collact at its store in the last 30 days

Recruiting the Best Talents

Number of applications in each "Recruta"[1] program (thousands)

109 Thousand

applications in 2019

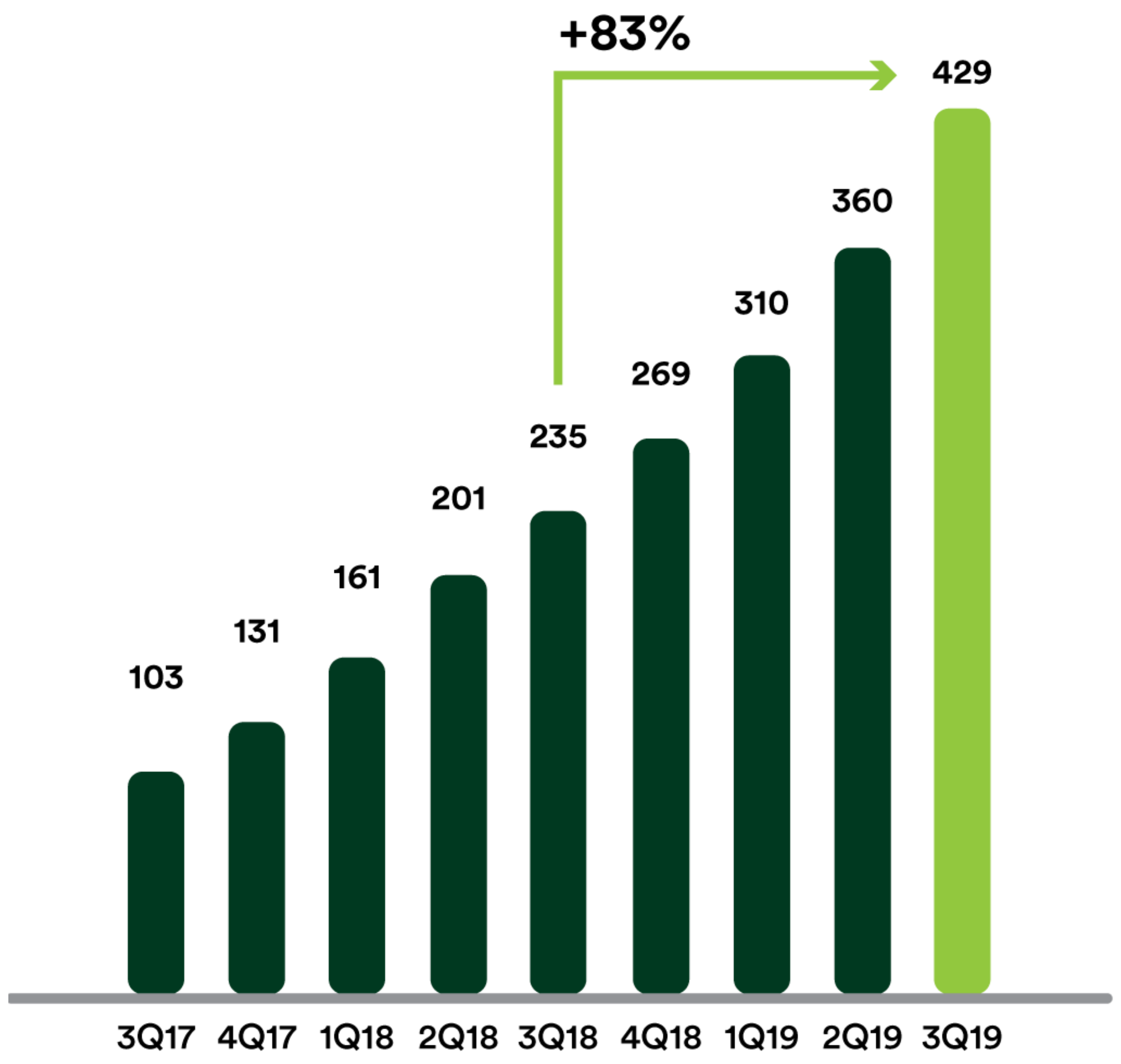


(1) Recruta is our largest recruitment program, usually held semiannually and focused on recruiting the best talents in Brazil to work in different areas of the Company.

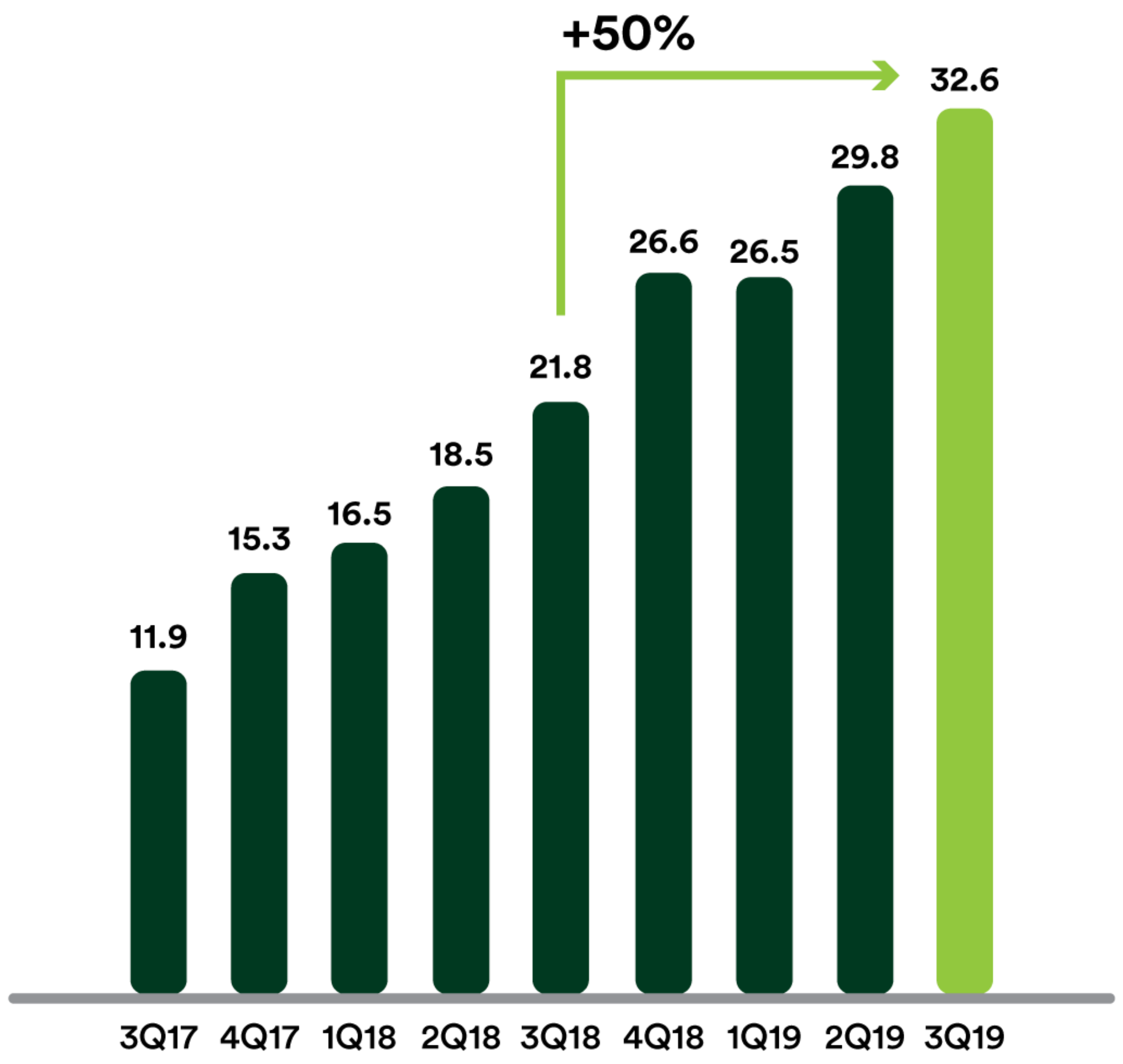
Rapidly Scaling the Business

Substantial Growth Across Financial and Operating Metrics

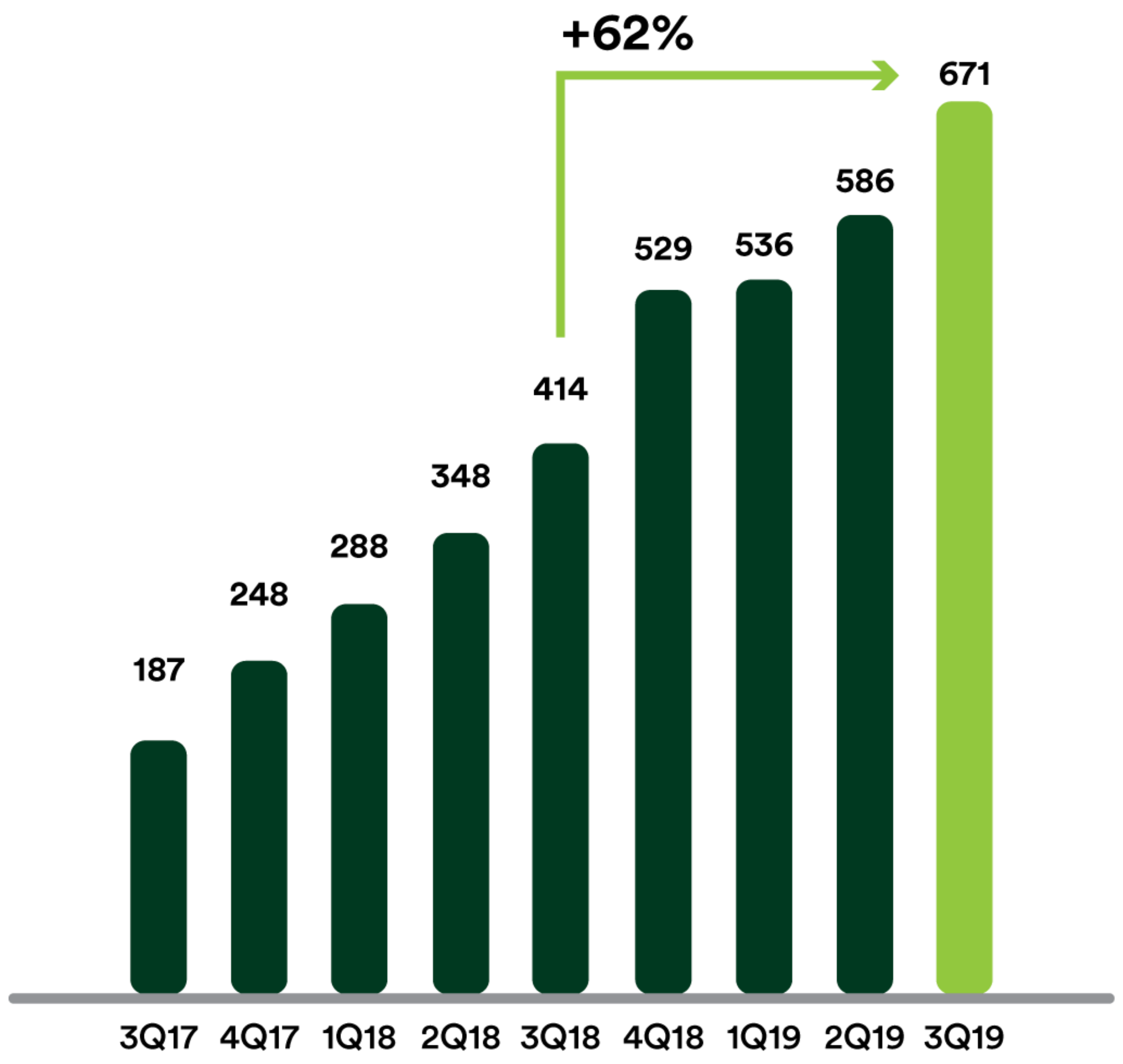
Active Clients[1]
(Thousands)



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

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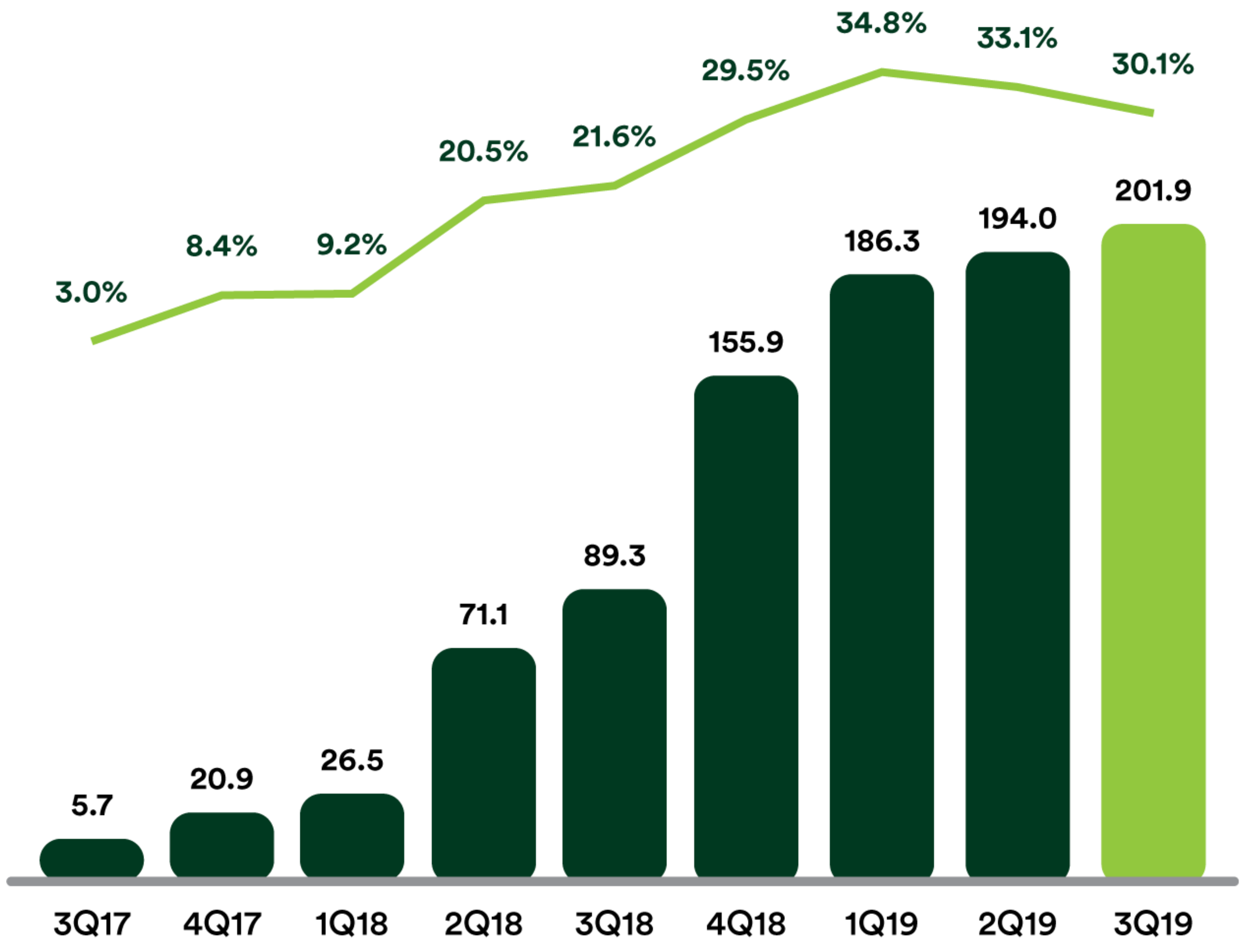
R$ in millions	3Q18	% Rev.	3Q19	% Rev.	Δ %	Δ p.p.	9M18	% Rev.	9M19	% Rev.	Δ %	Δ p.p.
Transaction activities and other services	136.1	*32.9%*	193.9	*28.9%*	42.5%	(4.0 p.p.)	340.2	*32.4%*	539.9	*30.1%*	58.7%	(2.3 p.p.)
Subscription services and equipment rental	59.2	*14.3%*	94.2	*14.0%*	59.2%	(0.3 p.p.)	144.2	*13.7%*	239.9	*13.4%*	66.4%	(0.4 p.p.)
Financial income	212.4	*51.3%*	335.1	*49.9%*	57.7%	(1.4 p.p.)	545.5	*52.0%*	883.7	*49.3%*	62.0%	(2.7 p.p.)
Other financial income	6.4	*1.5%*	48.0	*7.1%*	652.6%	5.6 p.p.	20.0	*1.9%*	129.5	*7.2%*	549.2%	5.3 p.p.
Total revenue and income	**414.1**	*100.0%*	**671.1**	*100.0%*	**62.1%**	**0.0 p.p.**	**1,049.8**	*100.0%*	**1,793.1**	*100.0%*	**70.8%**	**0.0 p.p.**
Cost of services	(80.7)	*(19.5%)*	(112.5)	*(16.8%)*	39.4%	2.7 p.p.	(221.8)	*(21.1%)*	(298.7)	*(16.7%)*	34.7%	4.5 p.p.
Administrative expenses	(62.1)	*(15.0%)*	(71.2)	*(10.6%)*	14.6%	4.4 p.p.	(179.5)	*(17.1%)*	(213.3)	*(11.9%)*	18.9%	5.2 p.p.
Selling expenses	(50.0)	*(12.1%)*	(101.7)	*(15.1%)*	103.1%	(3.1 p.p.)	(131.5)	*(12.5%)*	(251.6)	*(14.0%)*	91.4%	(1.5 p.p.)
Financial expenses, net	(83.4)	*(20.1%)*	(101.2)	*(15.1%)*	21.3%	5.1 p.p.	(226.0)	*(21.5%)*	(246.6)	*(13.8%)*	9.1%	7.8 p.p.
Other operating income (expense), net	(6.9)	*(1.7%)*	(11.4)	*(1.7%)*	65.6%	(0.0 p.p.)	(27.7)	*(2.6%)*	(55.2)	*(3.1%)*	99.3%	(0.4 p.p.)
(Loss) income from investment in associates	0.1	*0.0%*	0.9	*0.1%*	1287.1%	0.1 p.p.	(0.3)	*(0.0%)*	0.3	*0.0%*	n.m	0.0 p.p.
Profit (loss) before income taxes	**130.9**	*31.6%*	**274.0**	*40.8%*	**109.3%**	**9.2 p.p.**	**263.1**	*25.1%*	**728.0**	*40.6%*	**176.8%**	**15.5 p.p.**
Income tax and social contribution	(40.5)	*(9.8%)*	(82.7)	*(12.3%)*	104.3%	(2.5 p.p.)	(84.9)	*(8.1%)*	(187.8)	*(10.5%)*	121.2%	(2.4 p.p.)
Net income (loss) for the period	**90.4**	*21.8%*	**191.3**	*28.5%*	**111.6%**	**6.7 p.p.**	**178.2**	*17.0%*	**540.2**	*30.1%*	**203.2%**	**13.2 p.p.**
Adjusted Net Income[1]	**89.3**	*21.6%*	**201.9**	*30.1%*	**126.0%**	**8.5 p.p.**	**186.9**	*17.8%*	**582.1**	*32.5%*	**211.4%**	**14.7 p.p.**

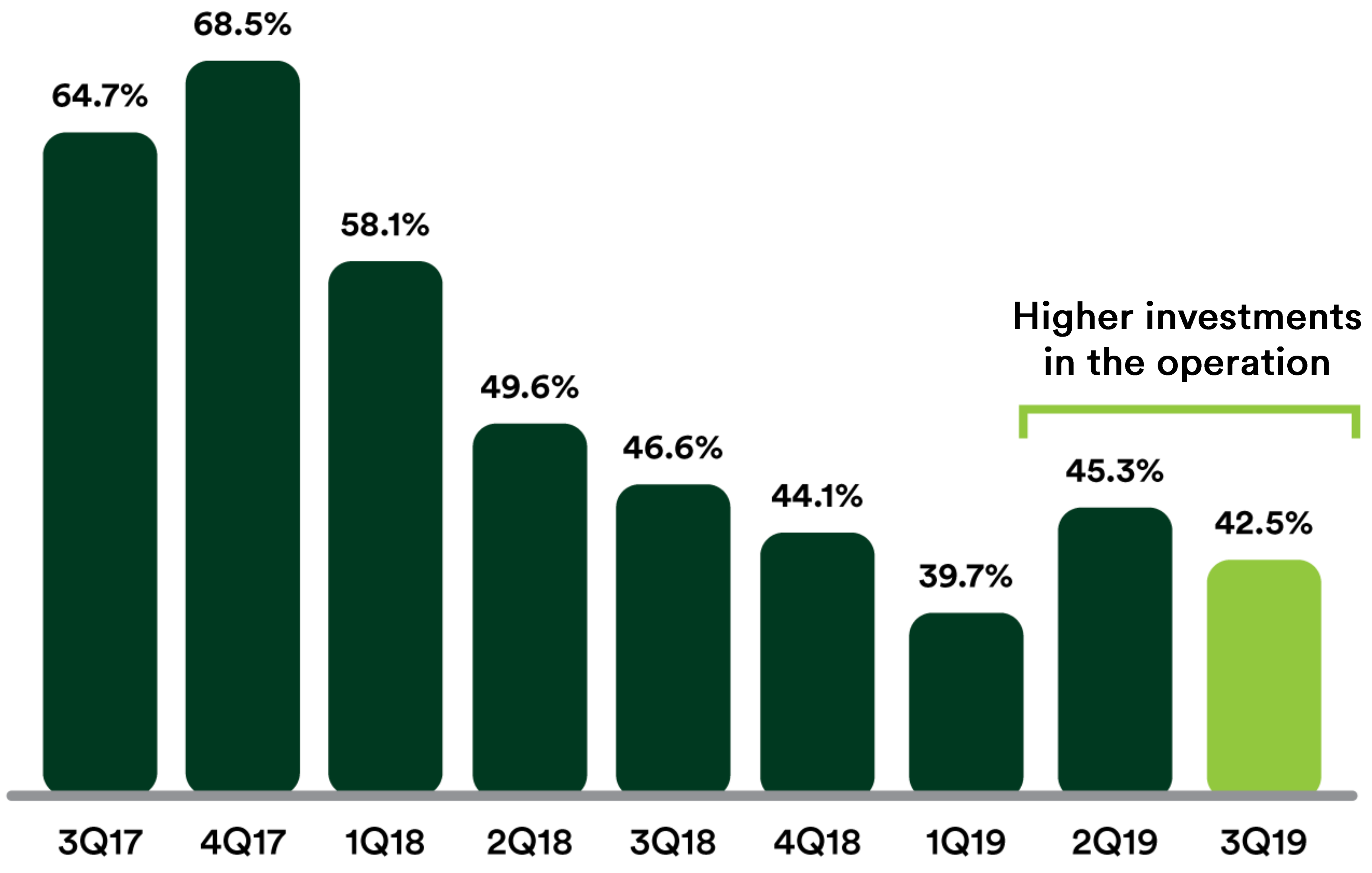
(1) Adjusted Net Income is a non-IFRS financial measure. Please see the appendix for the reconciliation of this non-IFRS financial measure to the most directly comparable IFRS financial measure.

Operating Leverage and Profitability

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



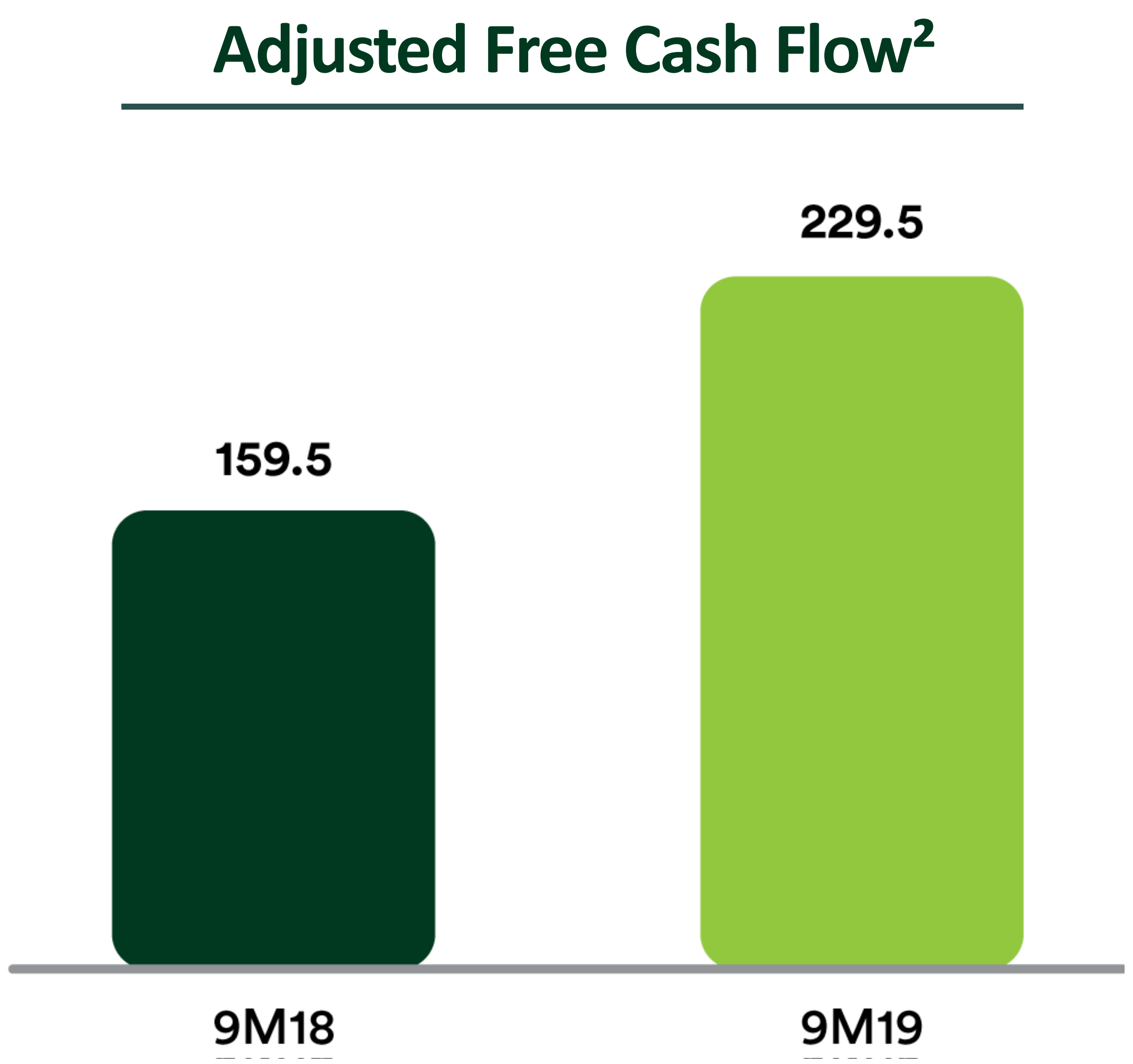
Total Costs and Expenses (as % of Total Revenue and Income)[2]



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



Reconciliation of Adjusted Free Cash Flow	3Q18	3Q19	9M18	9M19
Net cash used in operating activities	83.0	190.2	(290.0)	(1,988.3)
(-) Adjustments in operating activities:				
Accounts receivable from card issuers	677.7	(34.9)	1,361.1	3,267.9
Accounts payable to clients	(427.9)	405.3	(395.9)	163.9
Interest income received, net of costs[1]	(139.1)	(304.3)	(356.4)	(852.2)
Purchases of property and equipment	(32.8)	(197.2)*	(125.3)	(314.2)
Purchases and development of intangible assets	(9.8)	(18.0)	(34.1)	(47.7)
Adjusted free cash flow[2]	**151.1**	**41.1**	**159.5**	**229.5**

** Advanced payment of POS devices of R$102.4mm due to more favorable commercial terms*

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

APPENDIX

Adjusted Net Income Reconciliation (Non-IFRS)

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(R$ in millions)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Net income (loss) 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**
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
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
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
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
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)
Adjusted net income (loss)	**6.2**	**12.4**	**5.7**	**20.9**	**26.5**	**71.1**	**89.3**	**155.9**	**186.3**	**194.0**	**201.9**

(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.

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