



stone<sup>co.</sup>



MAY / 2019

1Q19 EARNINGS  
PRESENTATION



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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 1Q19

## Strong Growth and Profitability

- ✓ Active Client base of nearly **310k clients**, +93% y/y
- ✓ Net Addition of **40.6k<sup>1</sup> clients** in 1Q19 vs 4Q18
- ✓ Total Revenue and Income growth of **86% y/y**
- ✓ Adjusted Net Income of **R\$ 186MM<sup>2</sup>**, +603% y/y
- ✓ Adjusted Net Margin of **35%<sup>2</sup>**

## Progress in New Solutions Beyond Payments

- ✓ **New Software Offerings:** Collact, Tablet Cloud and VHSYS
- ✓ **Credit** pilot
- ✓ **Banking Platform** with open banking API

## Payments and Expansion

- ✓ Strong hub economics, with a **LTV/CAC of approximately 10x**
- ✓ **Growing presence in digital:** new solutions and Stone Partners Program

## Our People

- ✓ Recruta Stone with record **~39k applicants**
- ✓ Sales convention

(1) Based on 267.9 thousand active clients plus 1.28 thousand clients in pilot offer of Stone Mais subscription plan in 4Q18.

(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.

# Software Strategy: New Investments in 1Q19



## collact

**CRM/loyalty software for customer engagement**

Collact is a multisided customer engagement and loyalty platform that enables small and medium sized businesses to acquire, engage and grow their client base by offering customized loyalty and marketing programs and providing consumer insights and analytics.



## vhsys

**POS/ERP for more sophisticated SMBs**

VHSYS is an omni-channel, cloud based, API driven, POS and ERP platform built to serve an array of service and retail businesses for more sophisticated SMBs. The self-service platform consists of over 40 applications, accessible a la carte, such as order and sales management, inventory management, CRM, marketplace and e-commerce integration, among others.

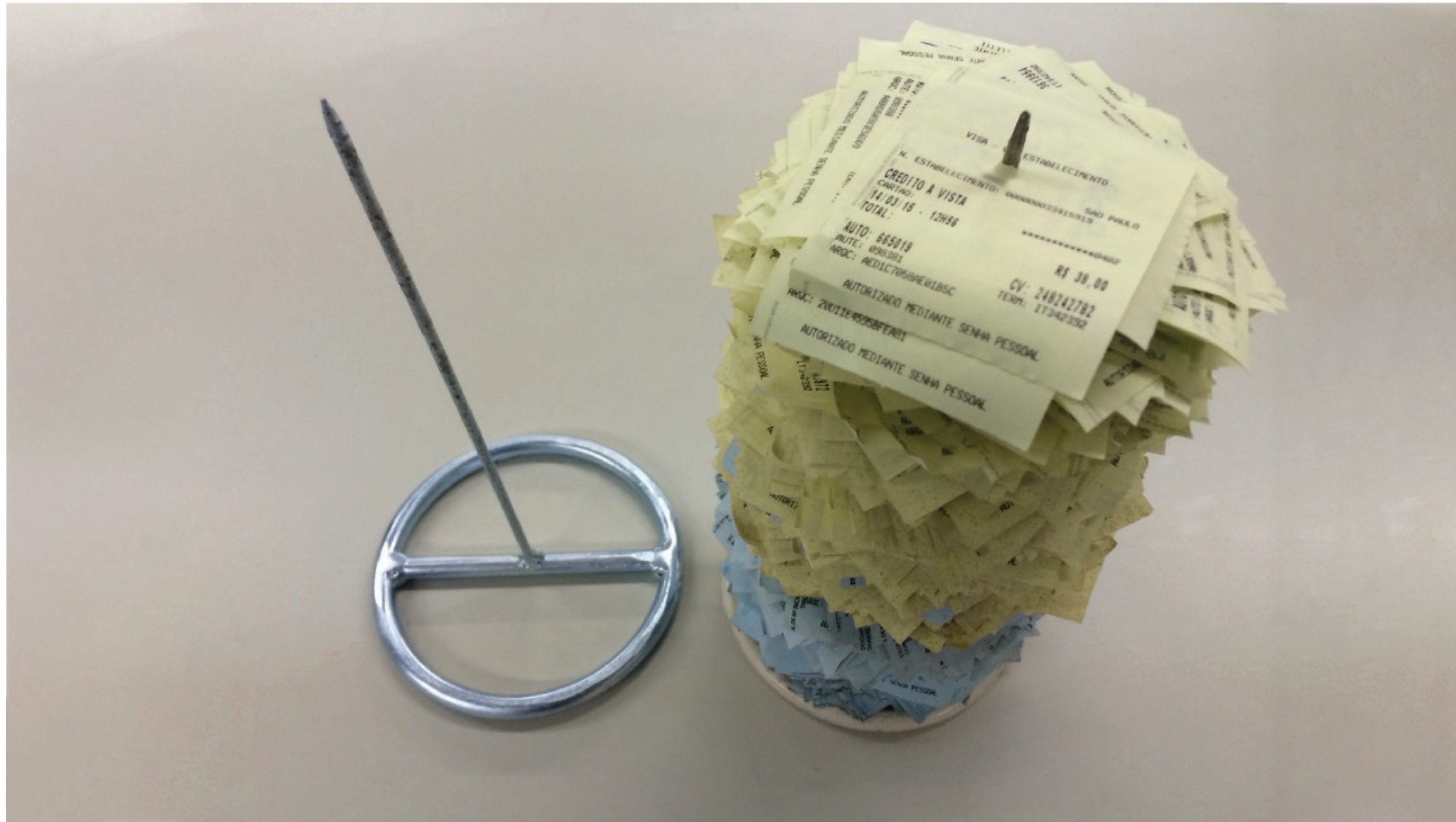


## Tablet Cloud

**Mobile POS/ERP for less complex operations**

Tablet Cloud is a white-label POS and simple ERP application focused on less sophisticated SMBs which runs on smart POS and tablet solutions, giving business owners complete control over their cash register and inventory in a fully mobile device.

# ● Archaic Management Tools



**Brazilian merchants are evolving, but some management tools have remained the same for generations.**

# Examples of how we have been helping Clients



Equals identified over **R\$ 40 million** in incorrect fees being charged to merchants in 2018.

## Case 1

Apparel Store in the Countryside of MS

### Saving Money

An audit showed that the merchant was paying over R\$500 more than what was agreed upon with his previous payment provider every month. Now, client uses Equals Raio-X and Stone payments, saving money with better control and full transparency.

### Saving Time

Client used to spend a lot of time reconciling multiple payment methods without a proper tool. Raio-X helps the merchant to save time streamlining all sales in a fast and easy way.

## Case 2

Restaurant in the Countryside of SP

### Fixing Mistakes

By installing Equals Raio-X, the client found out that a food voucher was depositing his money in the wrong bank account.

By fixing this mistake, the client recovered 30 thousand reais, corresponding to 18 months of incorrectly routed deposits. In addition, the client realized he was using automatic prepayment from another payment provider, paying higher rates than he originally thought.





# Examples of how we have been helping Clients



Case 3  
Restaurant in Countryside of SP



## Integrated experience and increase in productivity

Client changed his former ERP/POS software for the combined solution of Linked Gourmet, Equals Raio-X and Stone, also saving time and money. Now, he counts on an integrated platform to manage both the back and the front of the house, deliveries, as well as manage individual productivity metrics of employees.

## 24/7 customer support

With Linked Gourmet, the client can rely on unlimited free training and 24/7 customer support, avoiding disruption in his operation.



Case 4  
Bakery in São Paulo, SP



## Increasing traffic

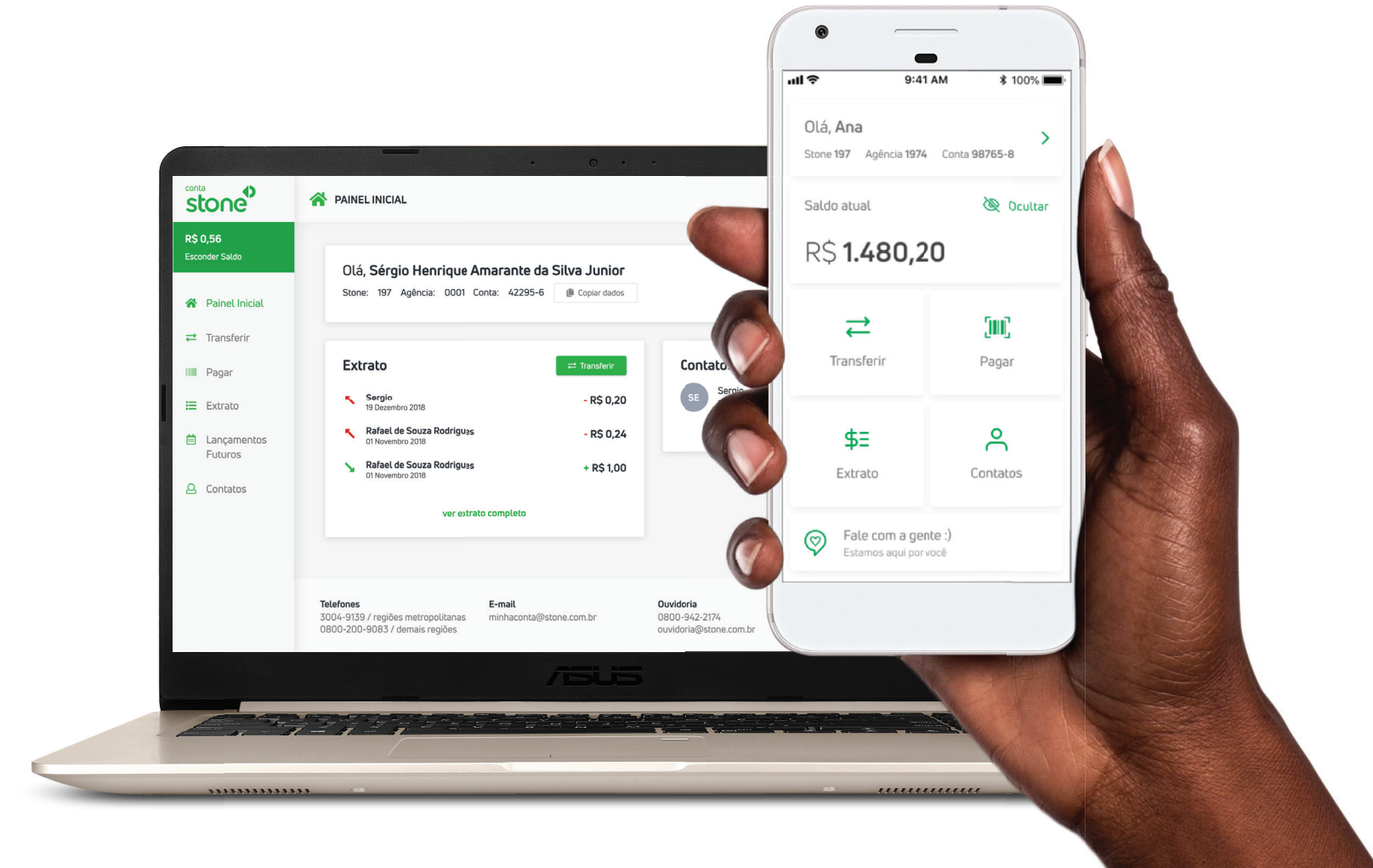
Merchant created a loyalty program with Collact and saw that the traffic of members of the program was over 30% higher than non-members. Overall traffic at the bakery increased nearly 8% over a four month period.

## Knowing better your customer

Collact enabled the merchant to have more data about his customers, allowing them to create targeted marketing campaigns and track revenue generated by them.

# ● New Solutions: Banking and Credit

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**Credit**



## Transparent pricing

Simple and easy to understand

## Non-bureaucratic process of taking Credit

Easy to access on Client's Portal, App or even POS.

## Easy to pay back

Clients pay back their loans with a percentage of their sales, a model which is aligned with their business.

✓ Thousands of accounts opened

✓ Wire transfers

✓ Payment of *Boletos*

✓ Payment of Taxes

✓ Open Banking API

account  
**stone**



# ● People and Culture



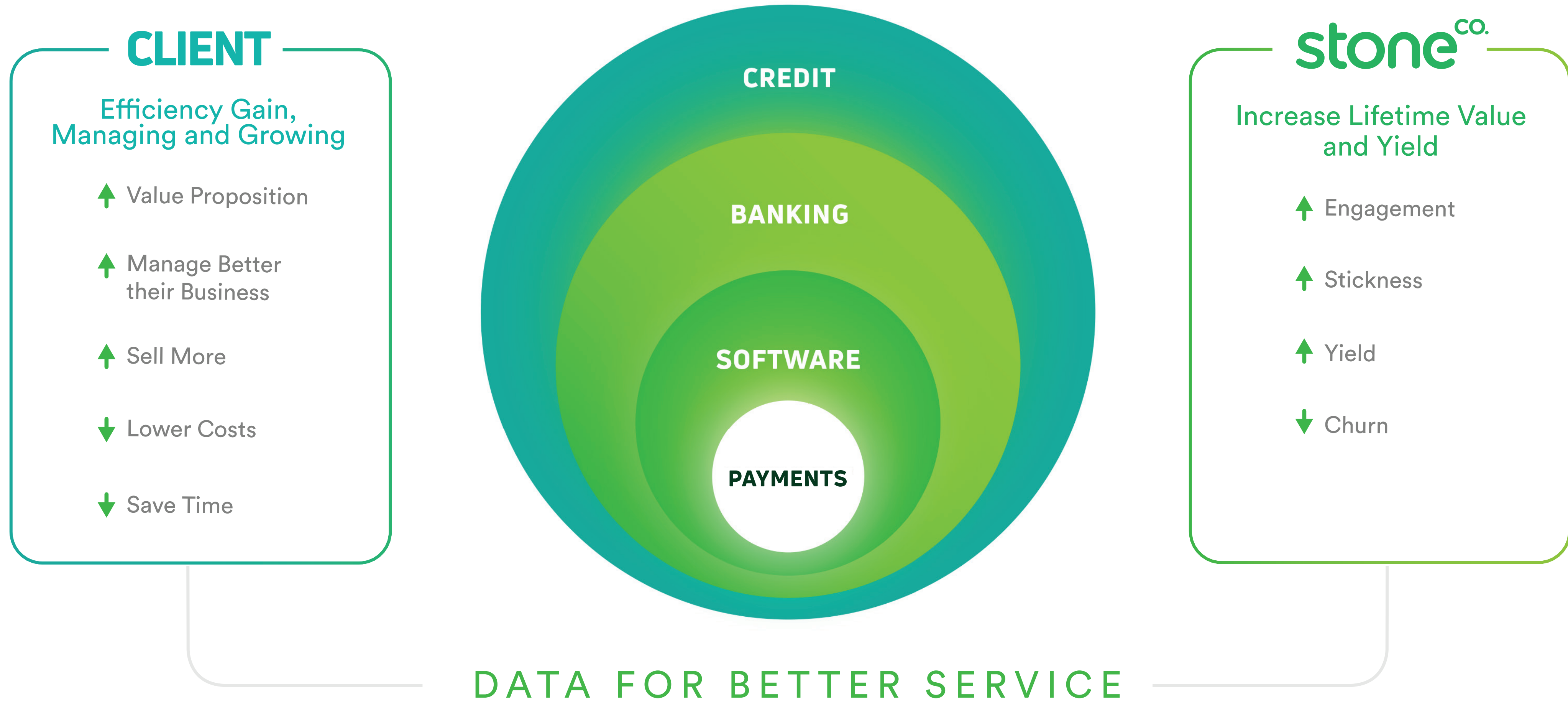
100% in-house, deep cultural immersion, training for our leaders nearly 39,000 enrolled



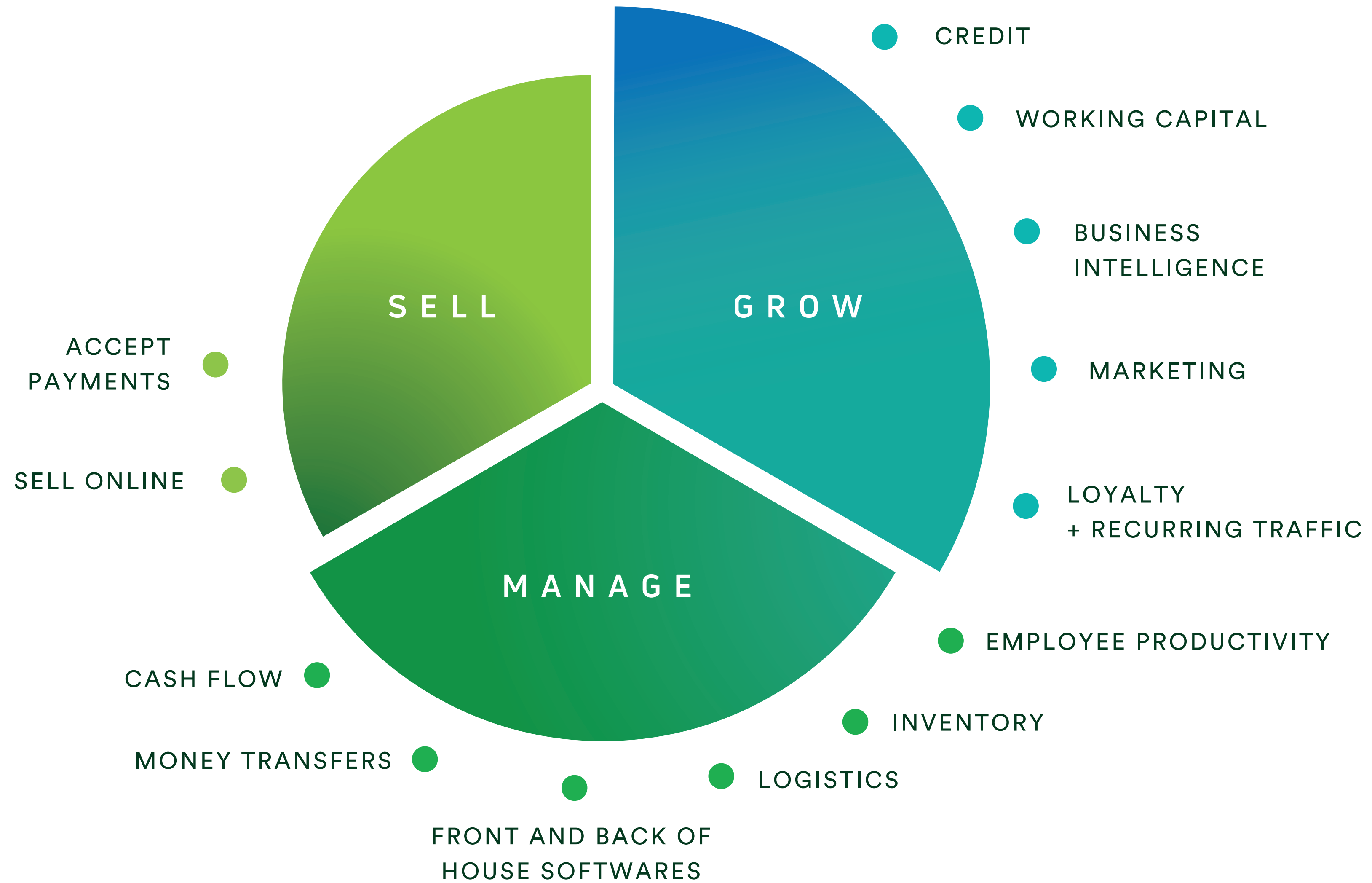
More than 2,500 employees  
Focused on Culture and Client-Centricity

[Click here to see a short video](#)

# The Ecosystem we are Building



# ● Focus on Clients' Needs



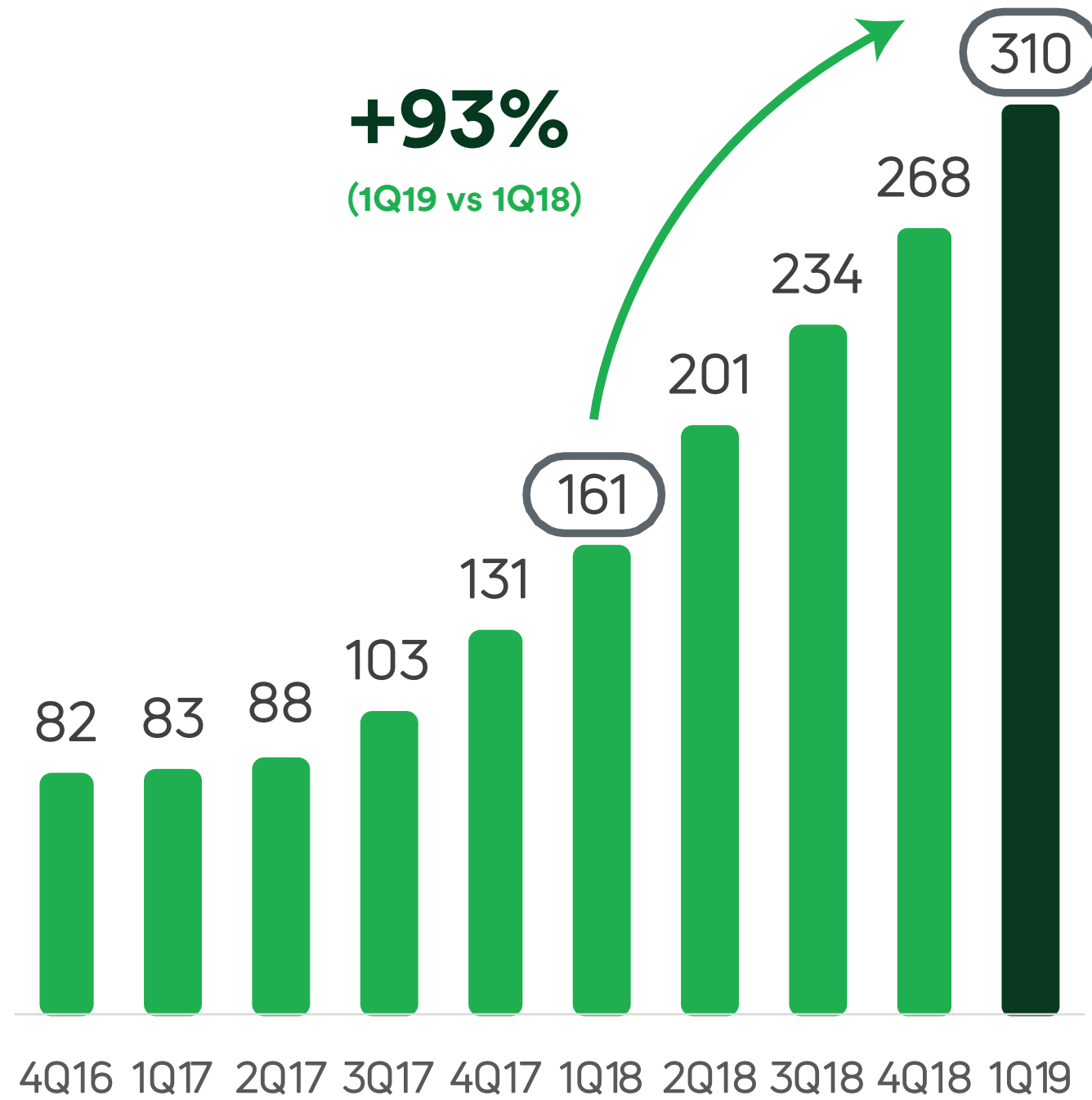


# Rapidly Scaling the Business

Rapid growth across financial and operating metrics

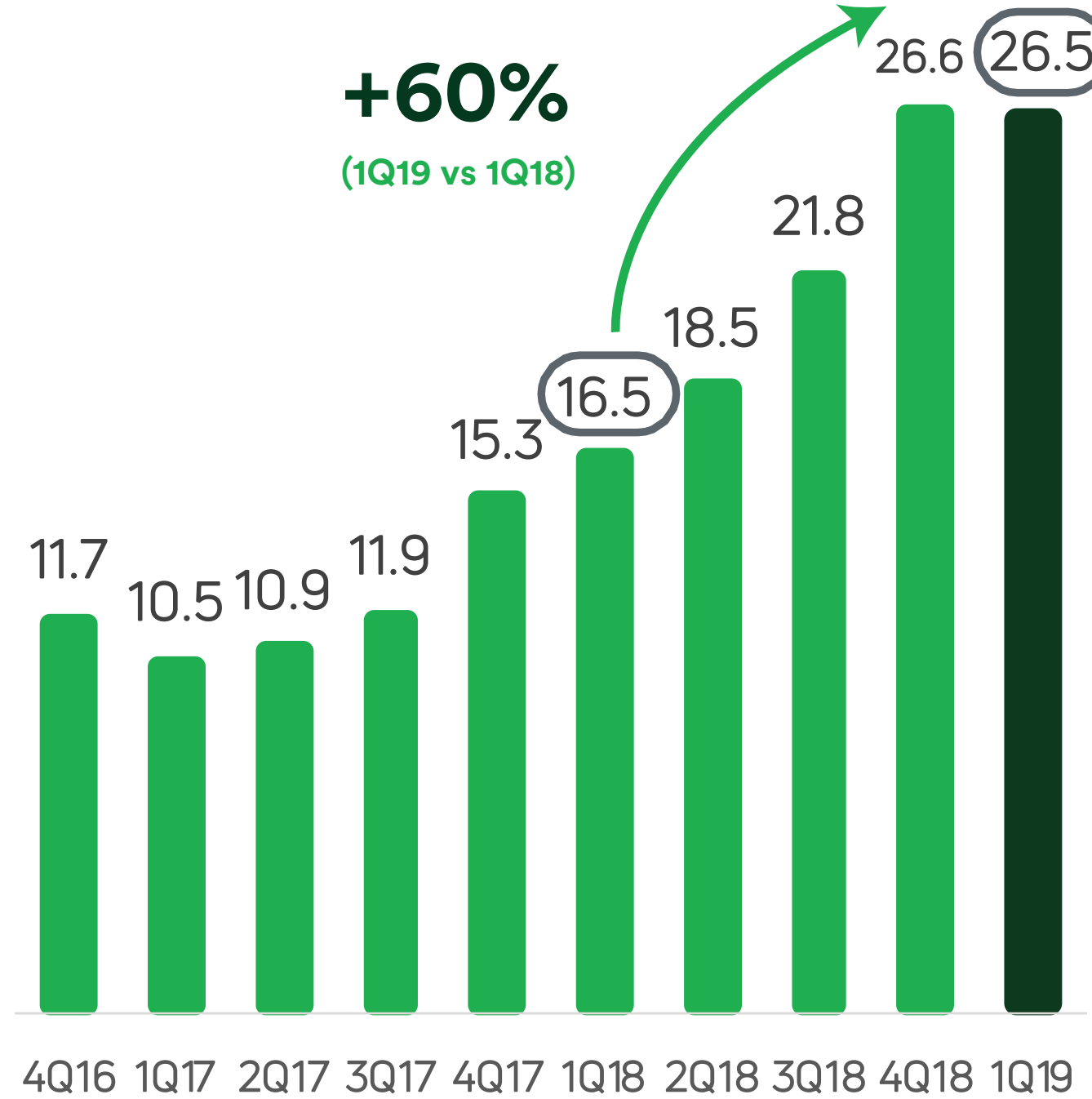
## Active Clients<sup>1</sup>

(Thousands)



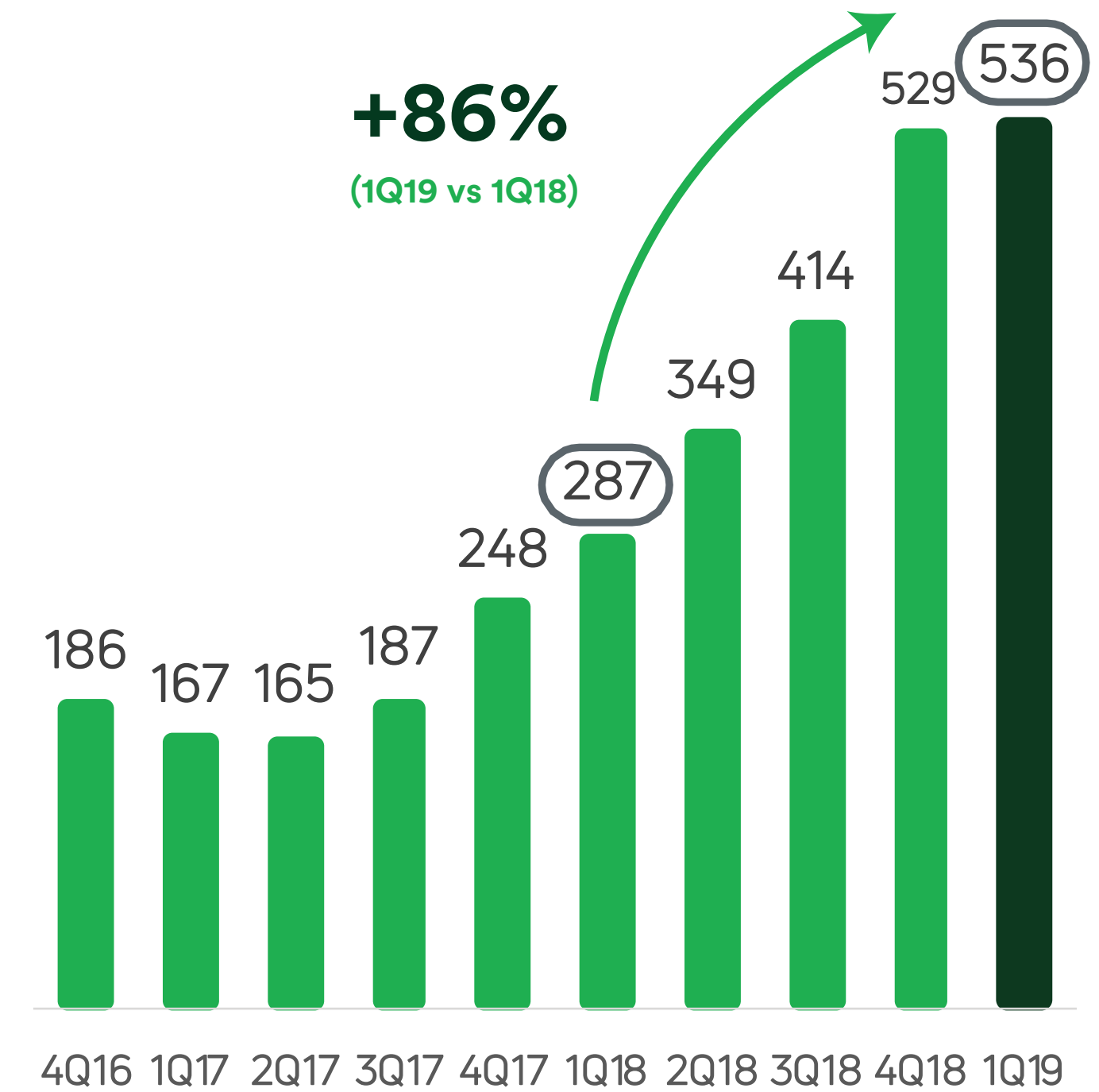
## Total Payment Volume

(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.

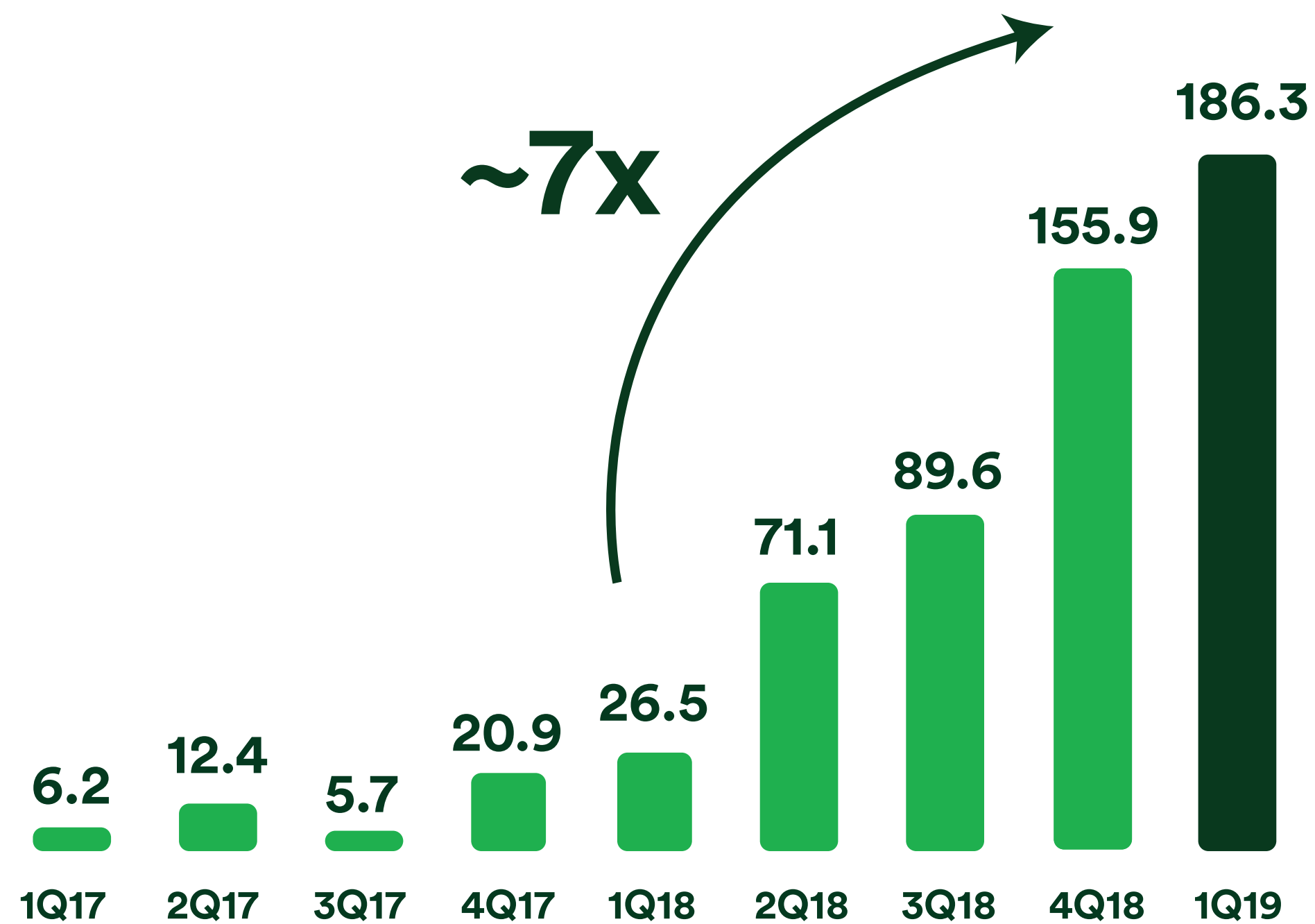
# Summary Statement of Profit or Loss

| Statement of Profit or Loss (R\$ in millions)               | 1Q19         | % Rev.        | 1Q18         | % Rev.        | Δ %           |
|---|--------------|---------------|--------------|---------------|---------------|
| Net revenue from transaction activities and other services  | 168.8        | 31.5%         | 90.2         | 31.3%         | 87.0%         |
| Net revenue from subscription services and equipment rental | 71.2         | 13.3%         | 38.5         | 13.4%         | 85.1%         |
| Financial income  | 251.4        | 46.9%         | 149.5        | 51.9%         | 68.1%         |
| Other financial income                                      | 44.4         | 8.3%          | 9.8          | 3.4%          | 354.1%        |
| <b>Total Revenue and Income</b>                             | <b>535.8</b> | <b>100.0%</b> | <b>288.0</b> | <b>100.0%</b> | <b>86.0%</b>  |
| Cost of services  | (85.4)       | (15.9%)       | (70.8)       | (24.6%)       | 20.5%         |
| Administrative expenses                                     | (64.8)       | (12.1%)       | (58.9)       | (20.5%)       | 9.9%          |
| Selling expenses  | (62.7)       | (11.7%)       | (37.7)       | (13.1%)       | 66.5%         |
| Financial expenses, net                                     | (66.6)       | (12.4%)       | (68.6)       | (23.8%)       | (2.8%)        |
| Other operating expenses, net                               | (11.5)       | (2.1%)        | (5.1)        | (1.8%)        | 123.7%        |
| (Loss) income from investment in associates                 | 0.0          | 0.0%          | (0.1)        | (0.0%)        | (100.0%)      |
| <b>Profit before income taxes</b>                           | <b>244.8</b> | <b>45.7%</b>  | <b>46.8</b>  | <b>16.3%</b>  | <b>423.0%</b> |
| Income tax and social contribution                          | (67.8)       | (12.7%)       | (22.1)       | (7.7%)        | 206.5%        |
| <b>Net income for the period</b>                            | <b>177.0</b> | <b>33.0%</b>  | <b>24.7</b>  | <b>8.6%</b>   | <b>617.0%</b> |
| <b>Adjusted Net Income<sup>1</sup></b>                      | <b>186.3</b> | <b>34.8%</b>  | <b>26.5</b>  | <b>9.2%</b>   | <b>603.0%</b> |

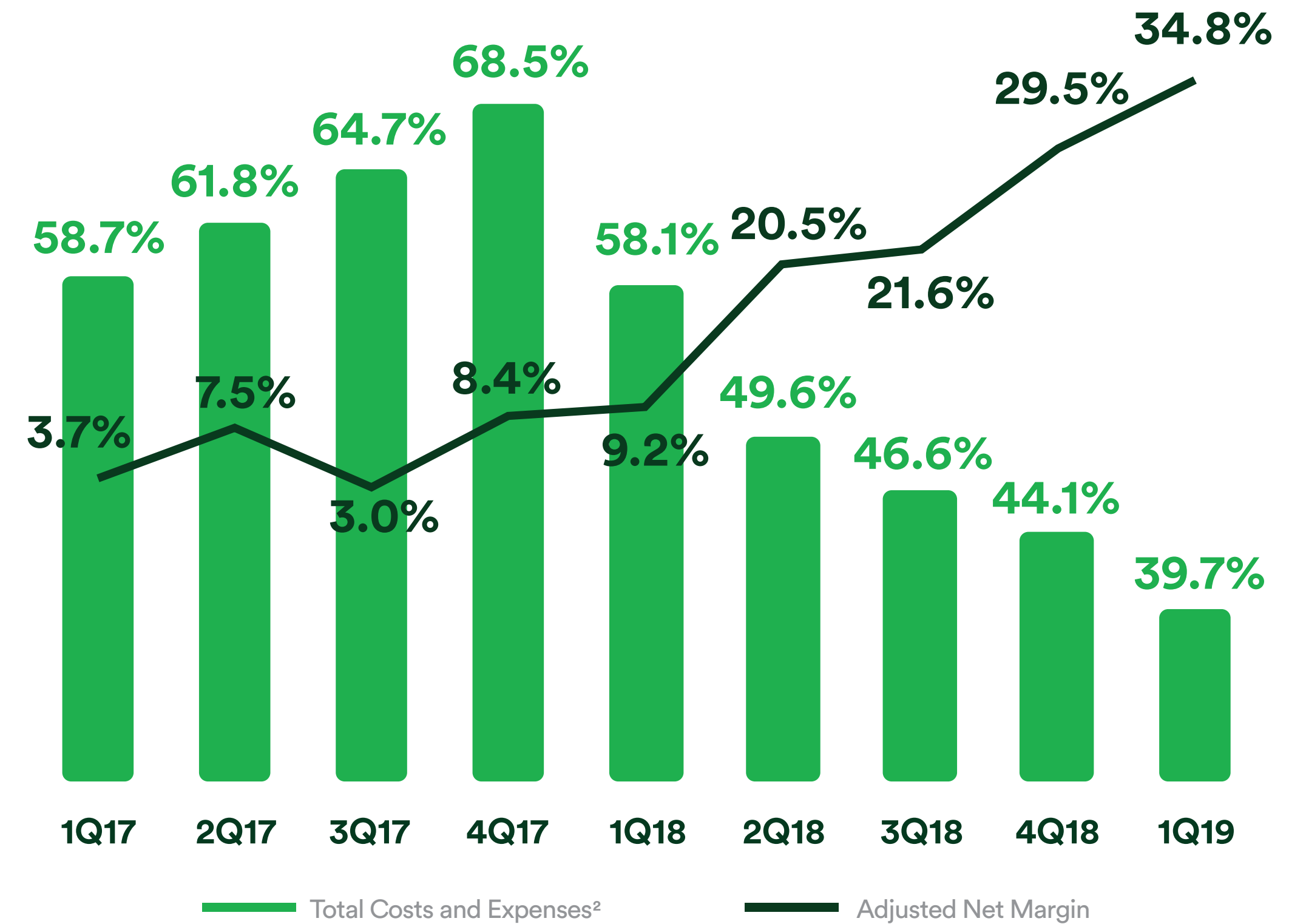
(1) Adjusted Net Income is a non-IFRS financial measure. Please see the appendix for the reconciliation of this non-IFRS financial measure to the most directly comparable IFRS financial measure.

# Operating Leverage and Profitability

Adjusted Net Income (R\$ in millions)<sup>1</sup>



Total Costs and Expenses<sup>2</sup> and Adjusted Net Margin<sup>1</sup>



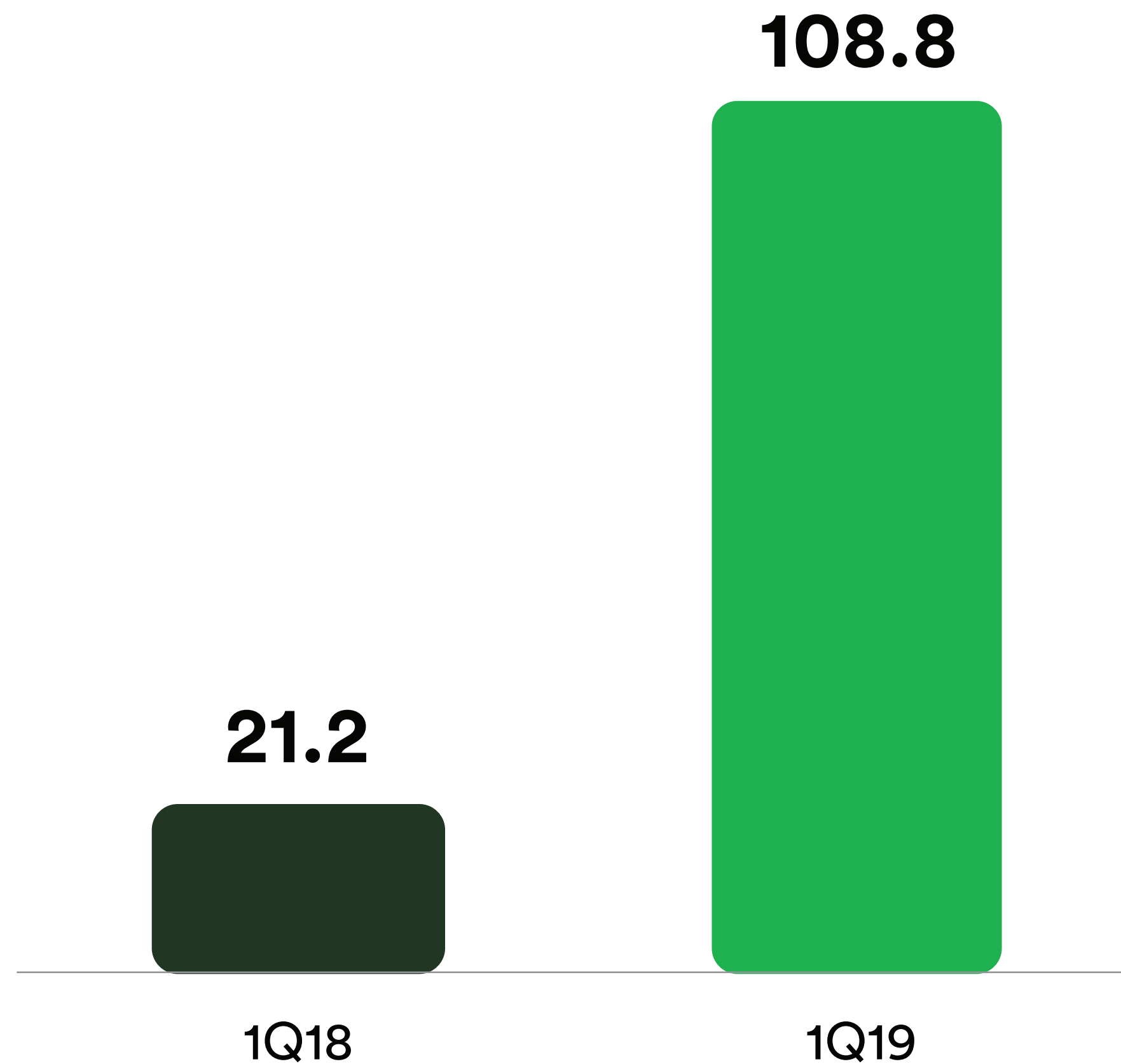
Notes:

(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<sup>(1)</sup>



| Reconciliation of Adjusted free cash flow (R\$m) <sup>(1)</sup> | 1Q19           | 1Q18           |
|---|----------------|----------------|
| <b>Net cash used in operating activities</b>                    | <b>(294.8)</b> | <b>(234.9)</b> |
| <b>(-) Adjustments in Operating Activities:</b>                 |                |                |
| <i>Accounts receivable from card issuers</i>                    | 1,174.6        | 427.2          |
| <i>Accounts payable to clients</i>                              | (469.8)        | (19.3)         |
| <i>Interest income received, net of costs<sup>(2)</sup></i>     | (234.6)        | (86.2)         |
| Purchases of property and equipment                             | (54.6)         | (54.8)         |
| Purchases and development of intangible assets                  | (12.0)         | (10.7)         |
| <b>Adjusted free cash flow (R\$m)</b>                           | <b>108.8</b>   | <b>21.2</b>    |

Notes:

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

(2) Financial income from our prepayment activity, less the financial expenses related to the sale of receivables to financial institutions. The first item has direct influence in the level of accounts payable to clients in our balance sheet; the second item has direct influence in the amount of receivables from card issuers in our balance sheet.

# APPENDIX





# Non-IFRS Adjusted Net Income Reconciliation

| (R\$ in millions)  | 1Q17          | 2Q17         | 3Q17          | 4Q17          | 1Q18        | 2Q18        | 3Q18        | 4Q18         | 1Q19         |
|--|---------------|--------------|---------------|---------------|-------------|-------------|-------------|--------------|--------------|
| <b>Net income (loss) for the period</b>                      | <b>(75.8)</b> | <b>(0.1)</b> | <b>(14.8)</b> | <b>(14.3)</b> | <b>24.7</b> | <b>63.0</b> | <b>90.4</b> | <b>127.1</b> | <b>177.0</b> |
| Share-based compensation expenses <sup>(1)</sup>             | 76.2          | 9.0          | 17.7          | 36.0          | 0.0         | 0.0         | 24.8        | 36.0         | 10.1         |
| Amortization of fair value adjustment <sup>(2)</sup>         | 5.8           | 3.5          | 2.7           | 2.8           | 2.7         | 2.8         | 2.8         | 4.3          | 3.8          |
| Gain on previously held interest in associate <sup>(3)</sup> | 0.0           | 0.0          | 0.0           | 0.0           | 0.0         | 0.0         | (21.4)      | 0.0          | 0.0          |
| One-time impairment charges <sup>(4)</sup>                   | 0.0           | 0.0          | 0.0           | 0.0           | 0.0         | 8.4         | 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)        |
| <b>Adjusted net income</b>                                   | <b>6.2</b>    | <b>12.4</b>  | <b>5.7</b>    | <b>20.9</b>   | <b>26.5</b> | <b>71.1</b> | <b>89.3</b> | <b>155.9</b> | <b>186.3</b> |

Notes:

(1) Consists of non-cash 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 relate to the Elavon do Brasil ("EdB") acquisition.

(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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