



stone^{co.}



AUG / 2019

2Q19 EARNINGS
PRESENTATION



Disclaimer

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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 / (Debt) 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

Accelerating Growth with High Profitability in 2Q19

- ✓ Active Client base of **+360k clients**, +79.5% y/y
- ✓ Net Addition of **50.5k clients** q/q
- ✓ Total Revenue and Income growth of **68.6%** y/y
- ✓ Adjusted Net Income of **R\$ 194.0MM¹**, +172.8% y/y
- ✓ Adjusted Net Margin of **33.1%¹**

Advancement of New Solutions Beyond Payments

- ✓ Strong **organic ramp-up in software**: from 32,000 in 1Q19 to **~70,000 clients** as of Jul/19
- ✓ **Credit** pilot with more than **3,000 clients** and more than **R\$50 million** in total disbursements as of Jul/19
- ✓ **Digital Account** with more than **10,000 accounts open** as of Jul/19, despite not yet officially launched

Continued Expansion in Payments

- ✓ **Hub ramp-up** remains **strong** both in mature cities and in locations we have entered recently
- ✓ **Digital strategy**: new solutions and use of technology to enhance efficiency

Entering the Micro-Merchant Space

- ✓ **Joint Venture** with **Grupo Globo**, Brazil's largest media conglomerate, creating a **heavyweight contender** in the **micro-merchant space**
- ✓ Expected **to launch** in **4Q19²**

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

(2) Pending regulatory approvals.

Stone's Approach to Serving Merchants

Traditional way

Suppliers



Merchant

Stone way

Technology + Customer Service



ABC PLATFORM

ACQUIRING
BANKING
CREDIT



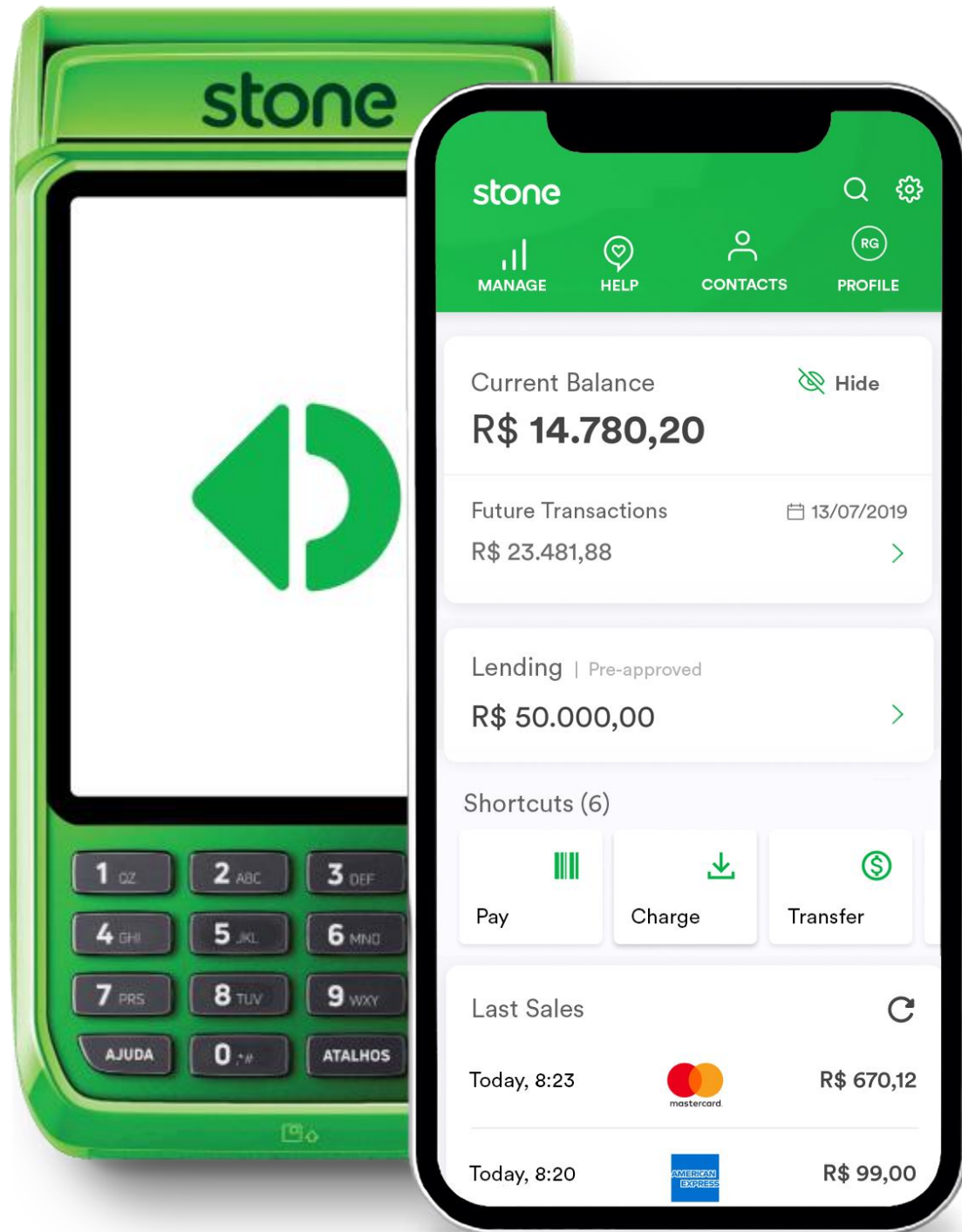
SOFTWARE

STONE FOR RESTAURANTS
STONE FOR RETAIL
STONE FOR BEAUTY

We believe that our merchants deserve to fill their needs with one single touchpoint within seconds

Our Core Solution is Evolving to a Financial Platform Combined with Software

ABC Platform



Concept



Software Solutions

KEY VERTICALS



stone
FOR RESTAURANTS



stone
FOR RETAIL



stone
FOR BEAUTY

— CRM / LOYALTY AND MORE —



Our Vision

Enable Merchants to Sell Through Multiple Channels

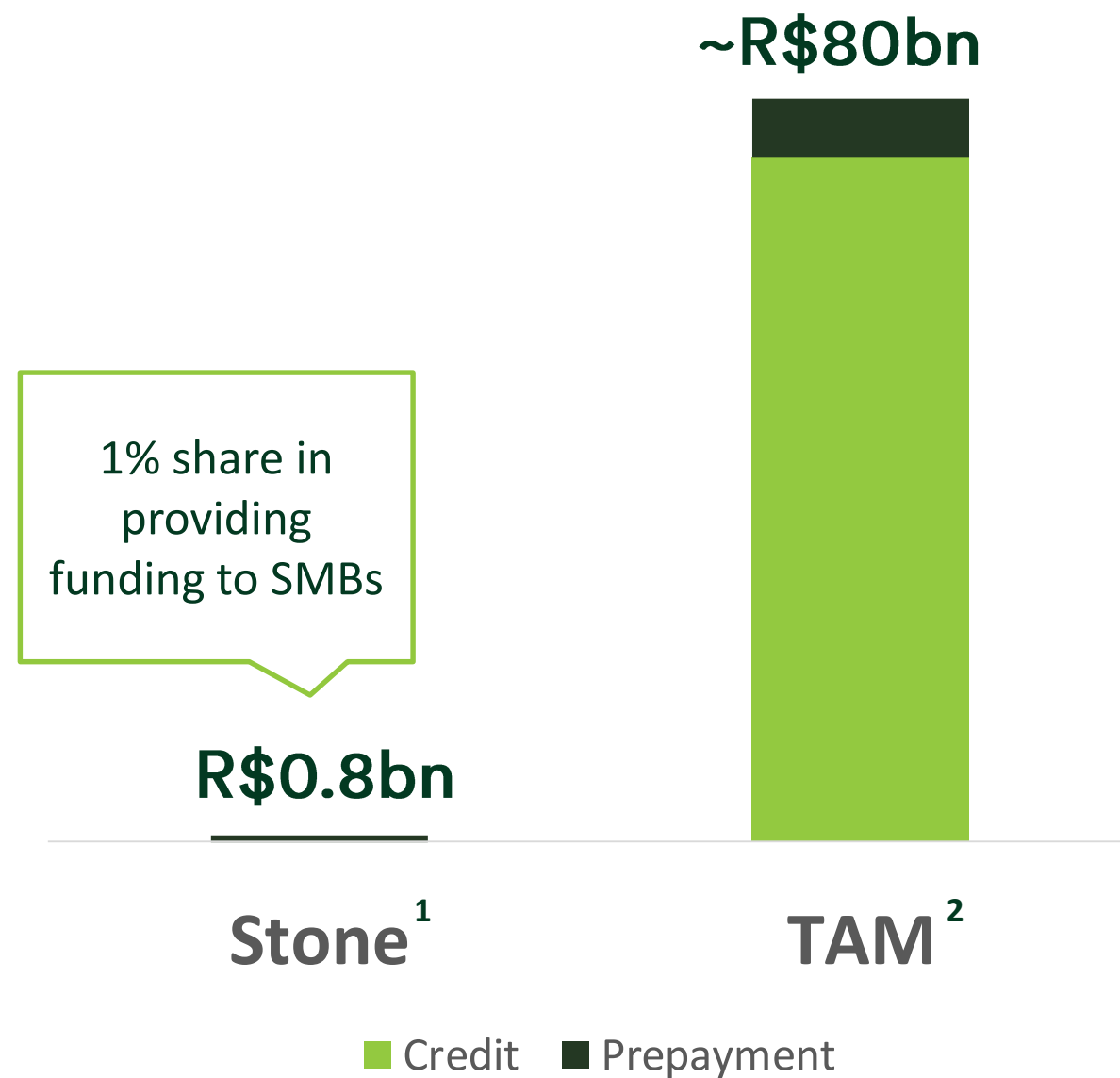


Providing Working Capital Funding for SMBs

+3,000 Clients and +R\$50 Million in Total Credit Disbursement

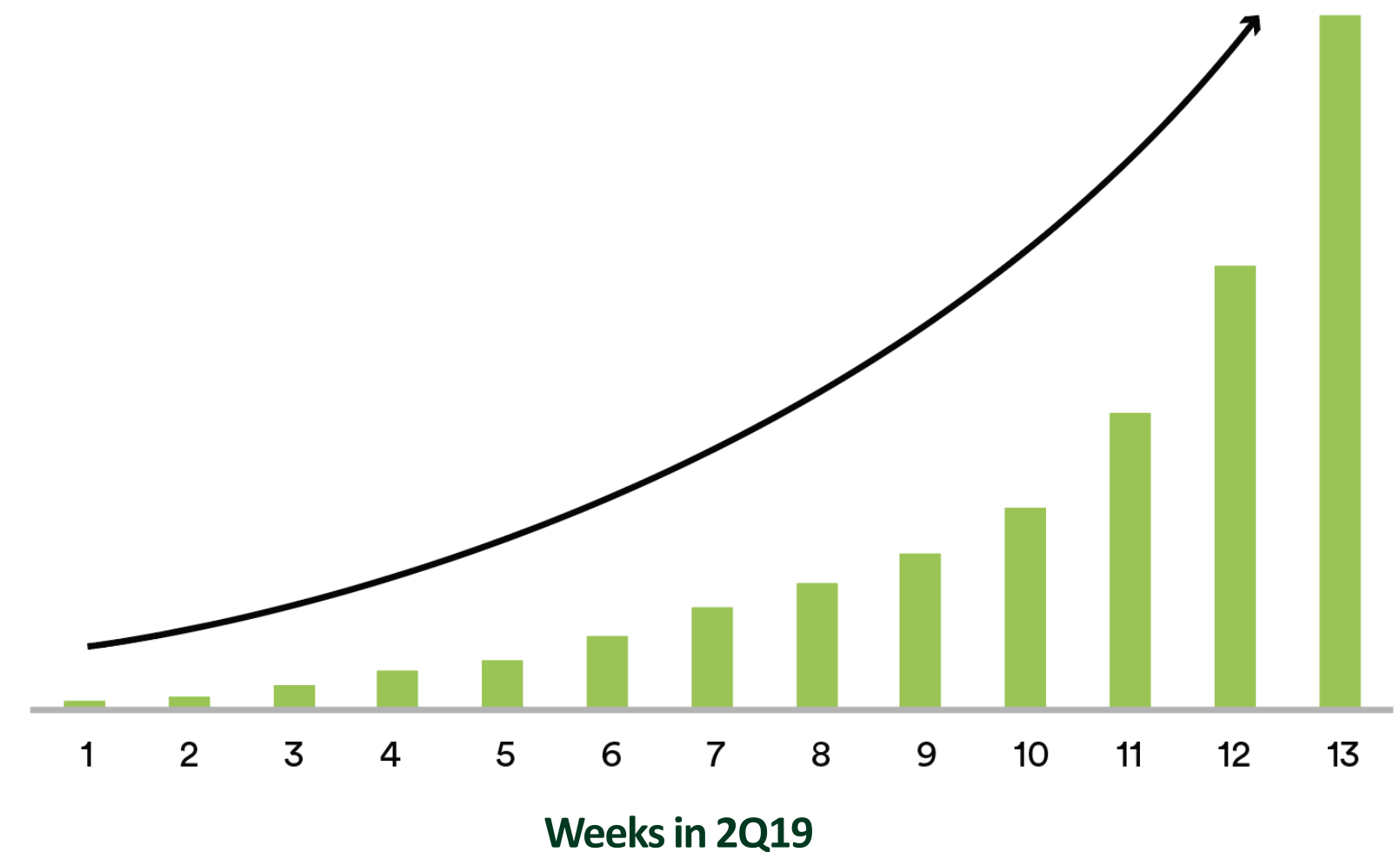
Credit and Prepayment Market in Brazil

Total revenue in 2018



Addressing the Credit Opportunity

Number of clients with credit within 2Q19



(1) Stone total prepayment revenue in 2018.

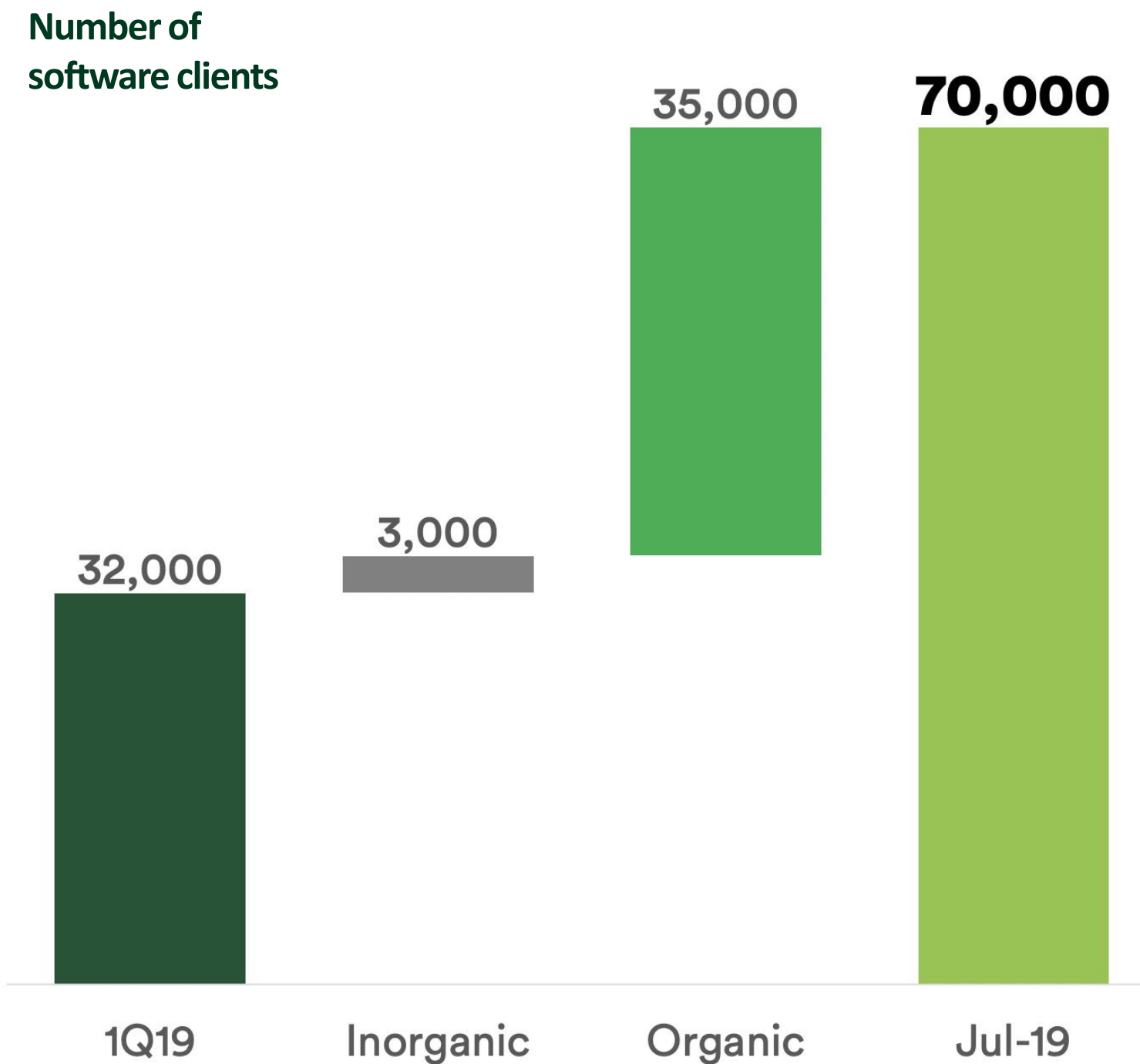
(2) Credit addressable market based on Stone internal estimate using total non-earmarked loans for SMB in Brazil multiplied by the average spread discounted by the default rate. Data from Brazilian Central Bank as of December 2018. The % of non-earmarked loans for SMBs and average spread was calculated based on management's assumptions using market data. Prepayment addressable market based on Stone internal estimate of prepayment revenue of the top 5 largest Brazilian acquirers.



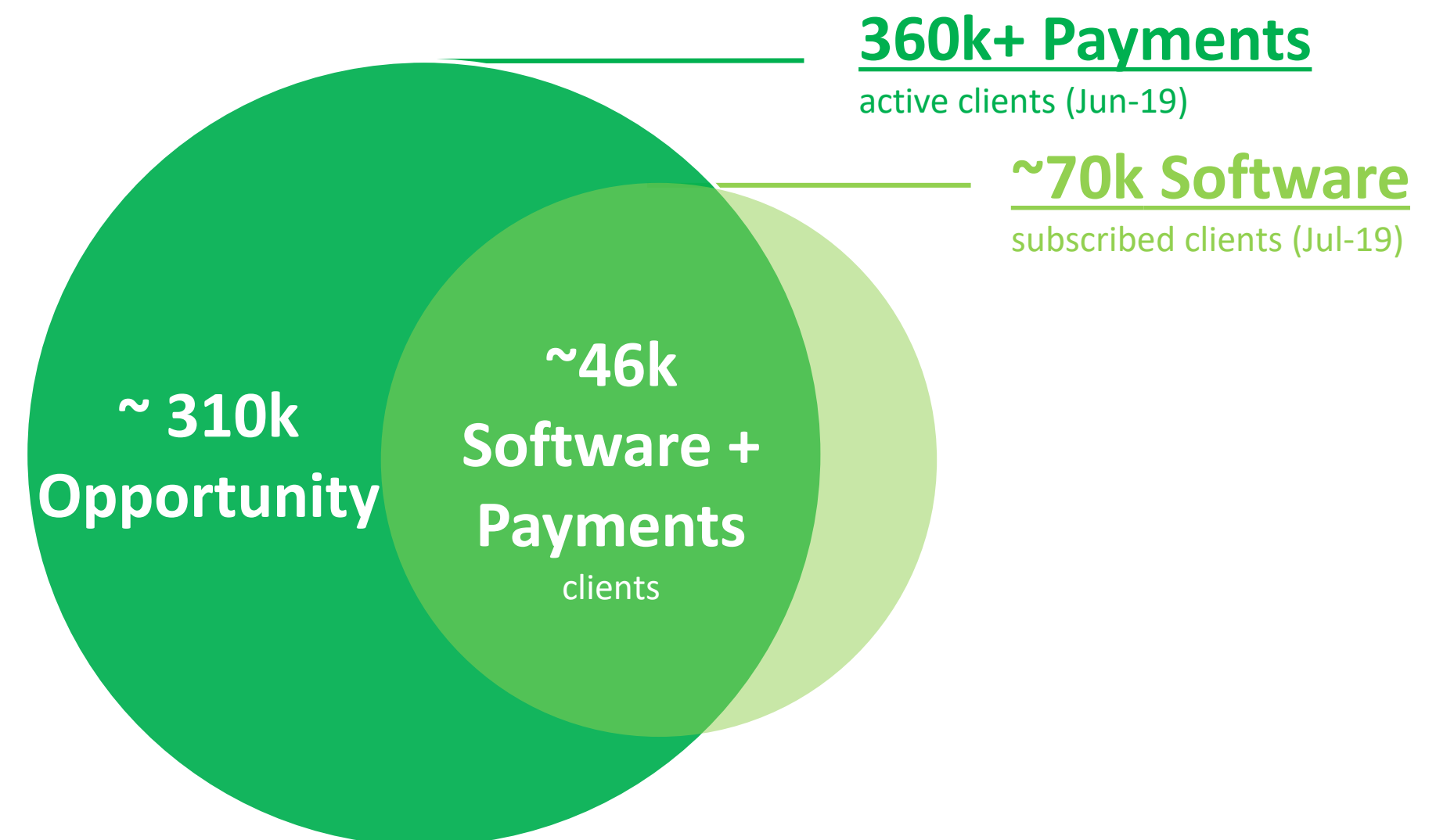
Software Strategy Update

Roll-out Started in 2Q19

Organic Growth Driving Software Client Base



Great Opportunity to Cross-Sell Software



Continued Strong Ramp-up in Hubs

More Mature Cities are Still Gaining Market Share

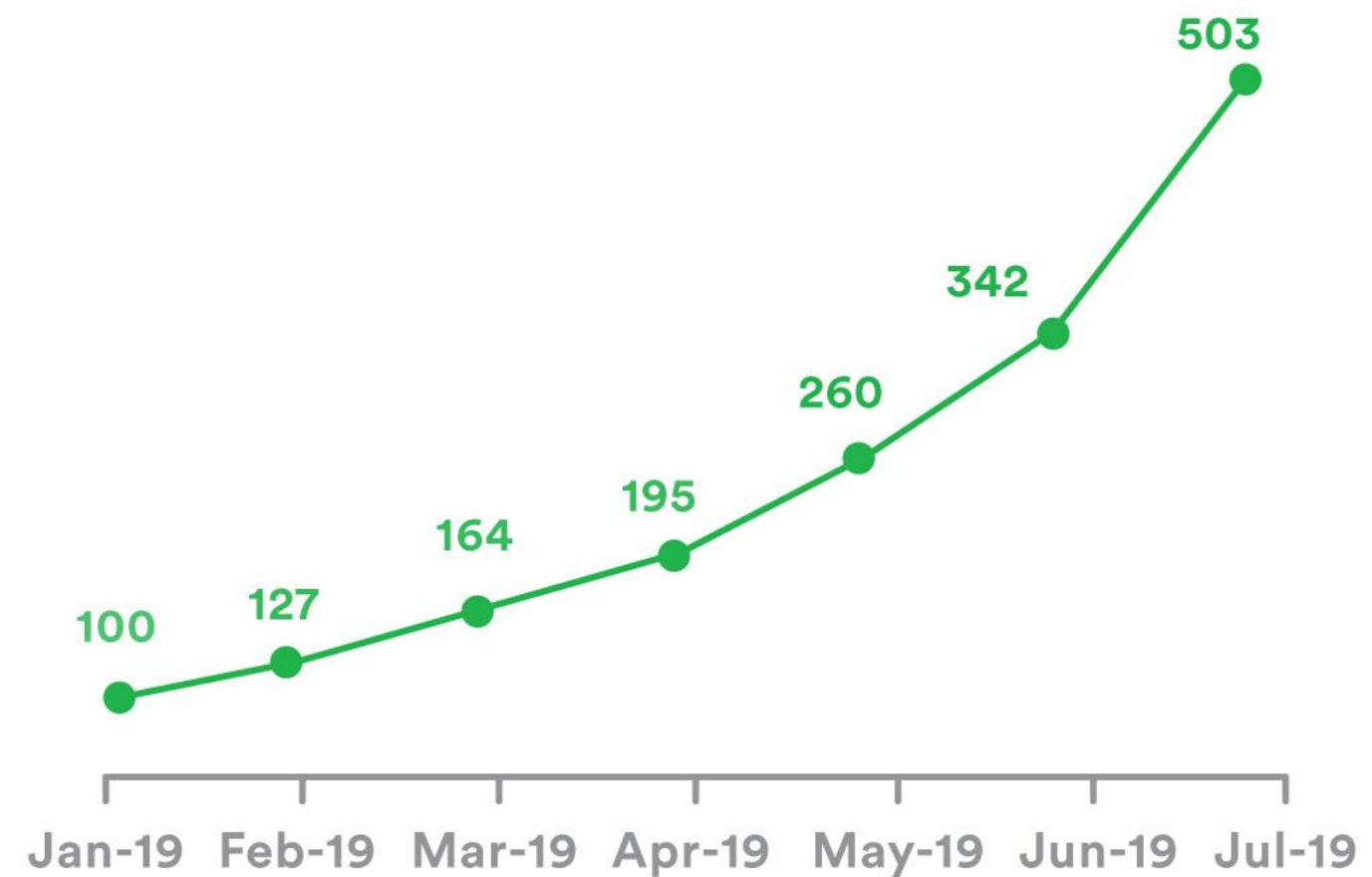
- Our active client base continues to grow both in cities we have a longstanding presence and less mature cities
- Market share in our 30 more mature cities increased by over 20% YTD, while market share in our 30 less mature cities has increased by 5 times

Market Share Growth in Cities Where Stone is Present (# of merchants, indexed to 100)¹

More Mature Cities



Less Mature Cities



(1) More mature cities are the 30 largest market shares Stone had in Jan/17. Less mature cities are the 30 lowest market shares in Dec/18. Market share based on Neoway estimate for total merchants in each city.

Joint Venture with Grupo Globo

Creating a Heavyweight Contender in the Micro-Merchant Space



Largest

broadcast television network, reaching **98%** of Brazilian cities, the market leader for decades

> 90 years

of expertise in Media

Reaches more than

100 million

unique Brazilians daily

The Group's internet business is the

top source

for local and international news, sports and entertainment content in Brazil



Management with over **20 years** of expertise in payments

Strong

track-record disrupting the industry

End-to-end

technology platform and diverse set of products for merchants

Best-in-class

NPS

Joint Venture

- ✓ Expected to **launch in 4Q19¹**
- ✓ Tap a **fast-growing market** with over **21 million potential clients**
- ✓ **Combine** Grupo Globo's know-how in **media and marketing** with Stone's **fintech capabilities**
- ✓ Provide **enhanced** self-onboarding **experience**
- ✓ Deliver **best-in-class service** level for the segment
- ✓ Offer **complete solution**, aggregating payments, banking and financial services into **one unique platform**

(1) Pending regulatory approvals.

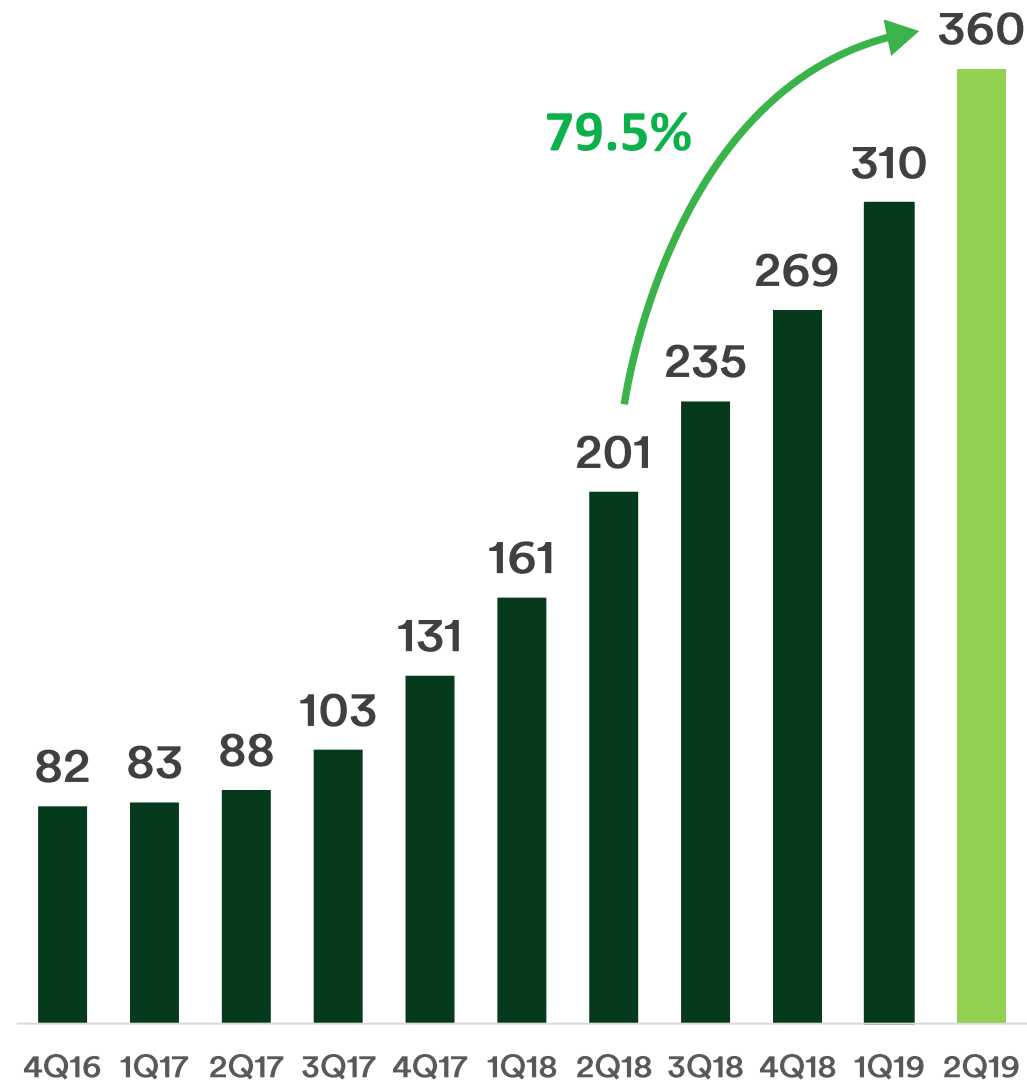


Rapidly Scaling the Business

Substantial Growth Across Financial and Operating Metrics

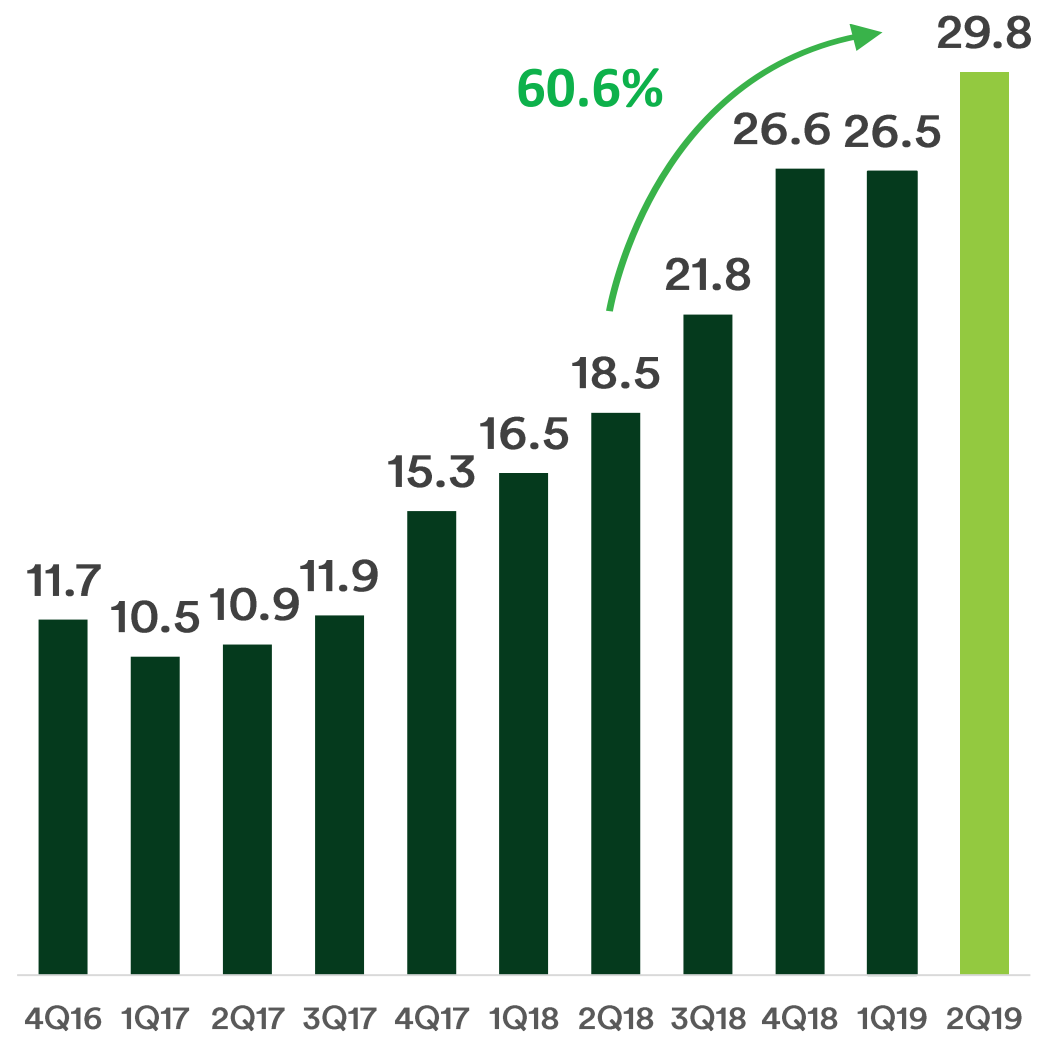
Active Clients¹

(Thousands)



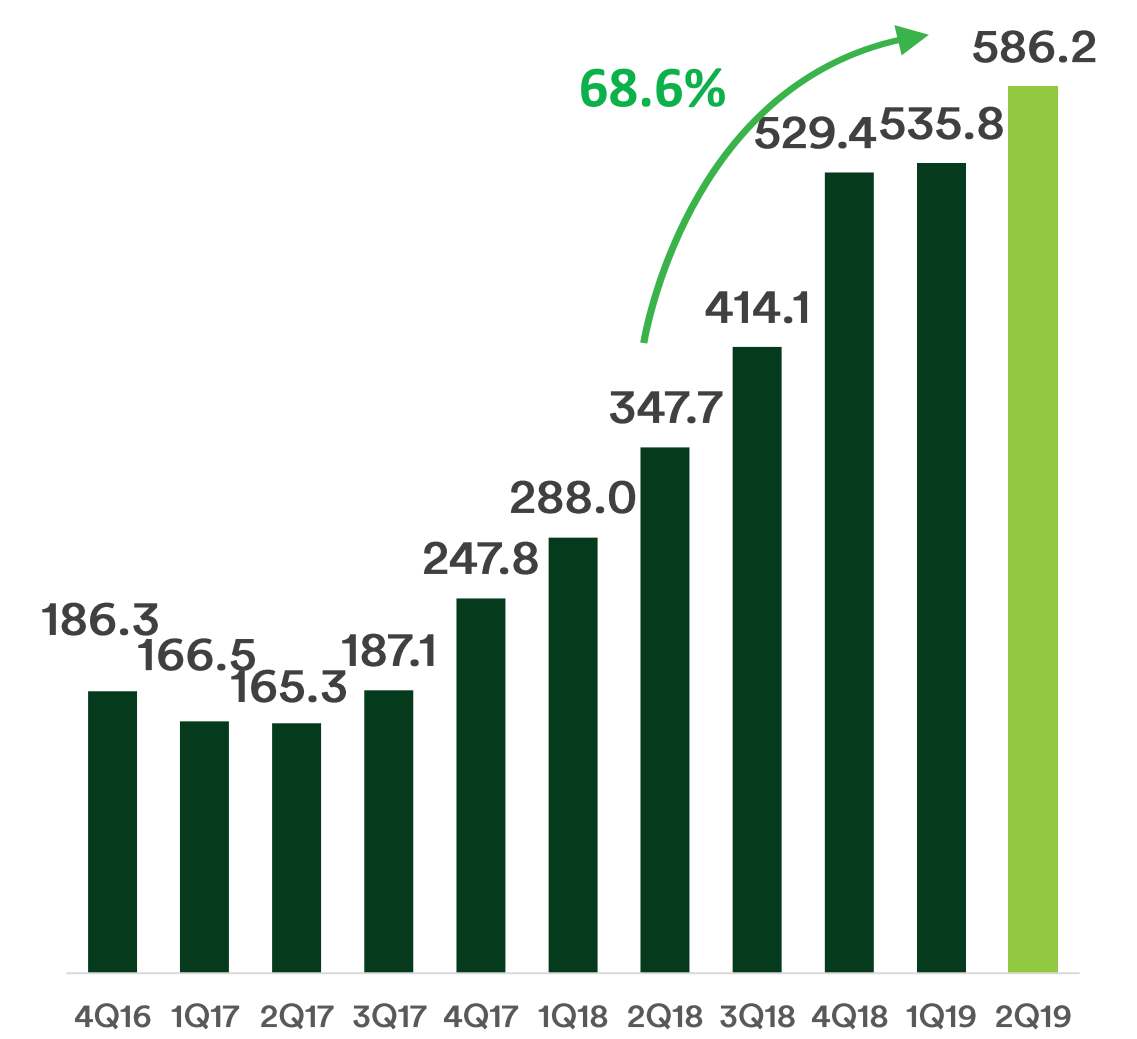
Total Payment Volume

(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.

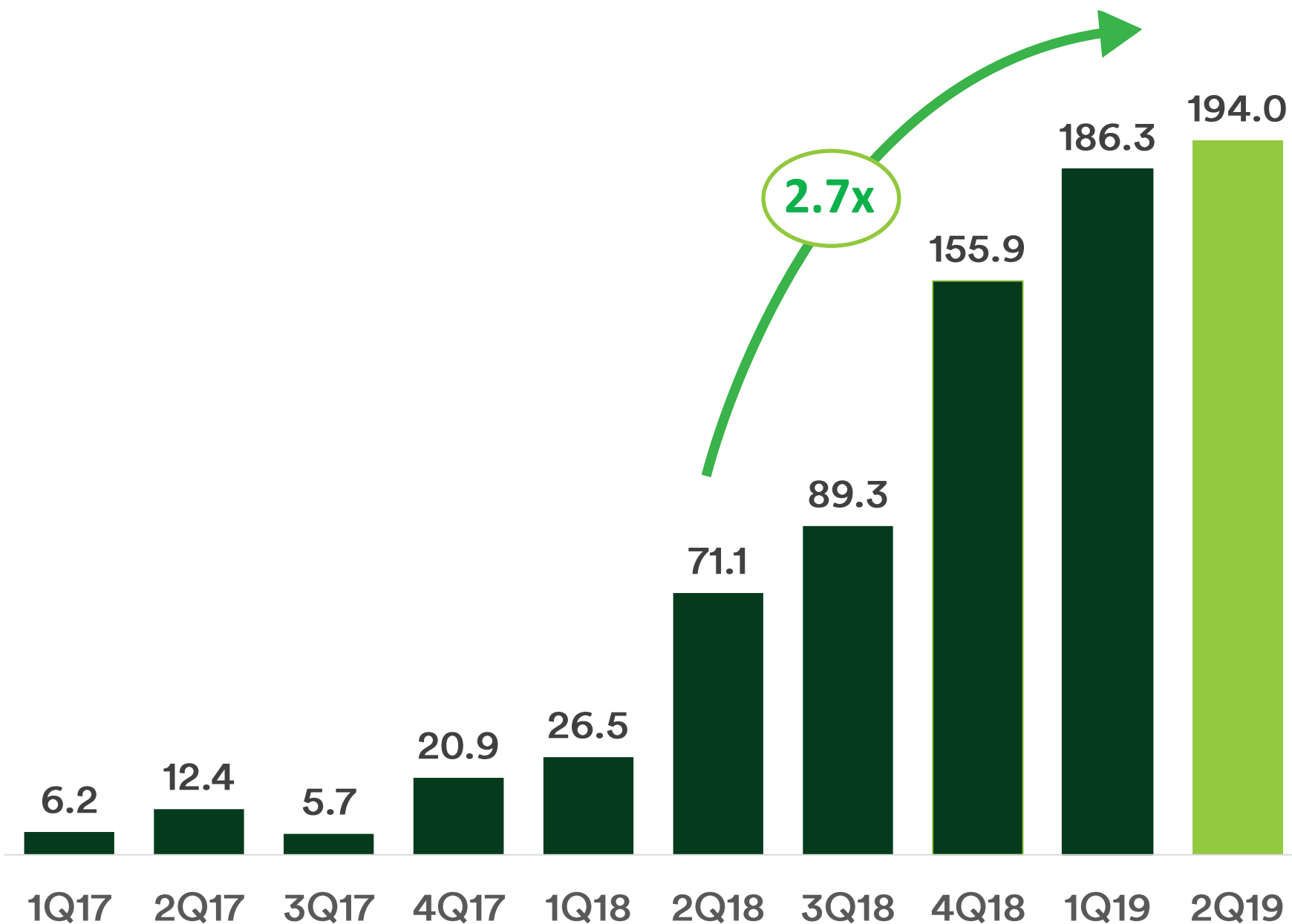
Summary Statement of Profit and Loss

Income Statement (R\$ in millions)	2Q18	% Rev.	2Q19	% Rev.	Δ %	Δ p.p.	1H18	% Rev.	1H19	% Rev.	Δ %	Δ p.p.
Transaction activities and other services	113.9	32.7%	177.3	30.2%	55.7%	(2.5 p.p.)	204.1	32.1%	346.0	30.8%	69.5%	(1.3 p.p.)
Subscription services and equipment rental	46.5	13.4%	74.6	12.7%	60.3%	(0.7 p.p.)	85.0	13.4%	145.8	13.0%	71.5%	(0.4 p.p.)
Financial income	183.5	52.8%	297.2	50.7%	62.0%	(2.1 p.p.)	333.1	52.4%	548.6	48.9%	64.7%	(3.5 p.p.)
Other financial income	3.8	1.1%	37.1	6.3%	879.0%	5.2 p.p.	13.6	2.1%	81.5	7.3%	500.6%	5.1 p.p.
Total revenue and income	347.7	100.0%	586.2	100.0%	68.6%	0.0 p.p.	635.7	100.0%	1,122.0	100.0%	76.5%	0.0 p.p.
Cost of services	(70.2)	(20.2%)	(100.8)	(17.2%)	43.5%	3.0 p.p.	(141.1)	(22.2%)	(186.2)	(16.6%)	32.0%	5.6 p.p.
Administrative expenses	(58.4)	(16.8%)	(77.4)	(13.2%)	32.4%	3.6 p.p.	(117.4)	(18.5%)	(142.1)	(12.7%)	21.1%	5.8 p.p.
Selling expenses	(43.7)	(12.6%)	(87.3)	(14.9%)	99.5%	(2.3 p.p.)	(81.4)	(12.8%)	(150.0)	(13.4%)	84.2%	(0.6 p.p.)
Financial expenses, net	(74.0)	(21.3%)	(78.8)	(13.4%)	6.4%	7.9 p.p.	(142.6)	(22.4%)	(145.4)	(13.0%)	2.0%	9.5 p.p.
Other operating income (expense), net	(15.7)	(4.5%)	(32.3)	(5.5%)	106.3%	(1.0 p.p.)	(20.8)	(3.3%)	(43.8)	(3.9%)	110.5%	(0.6 p.p.)
(Loss) income from investment in associates	(0.3)	(0.1%)	(0.5)	(0.1%)	107.5%	(0.0 p.p.)	(0.4)	(0.1%)	(0.5)	(0.0%)	39.9%	0.0 p.p.
Profit (loss) before income taxes	85.3	24.5%	209.1	35.7%	145.1%	11.1 p.p.	132.1	20.8%	454.0	40.5%	243.6%	19.7 p.p.
Income tax and social contribution	(22.3)	(6.4%)	(37.3)	(6.4%)	67.2%	0.1 p.p.	(44.4)	(7.0%)	(105.1)	(9.4%)	136.5%	(2.4 p.p.)
Net income (loss) for the period	63.0	18.1%	171.9	29.3%	172.7%	11.2 p.p.	87.7	13.8%	348.9	31.1%	297.8%	17.3 p.p.
Adjusted Net Income¹	71.1	20.5%	194.0	33.1%	172.8%	12.6 p.p.	97.6	15.4%	380.3	33.9%	289.5%	18.5 p.p.

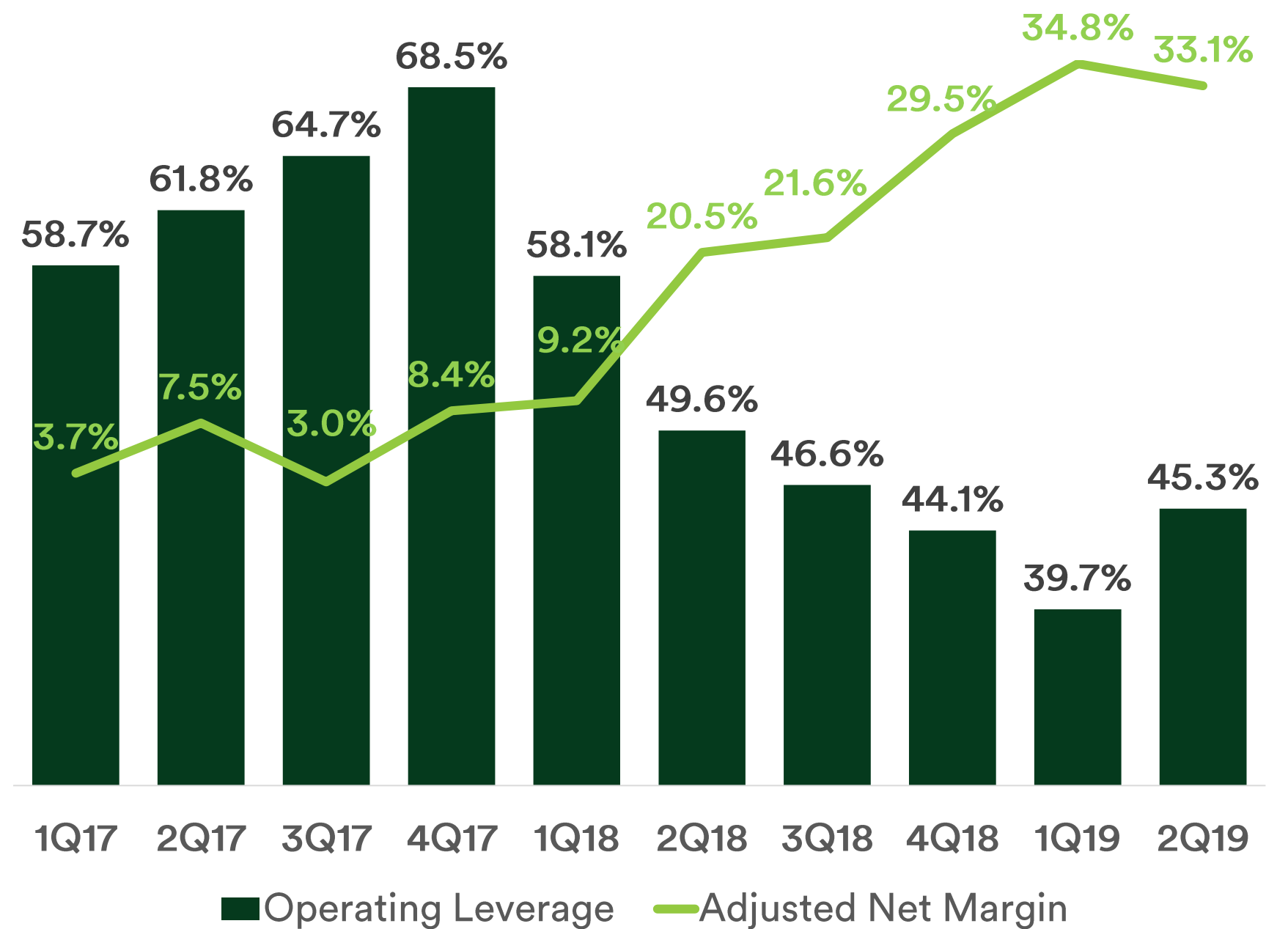
(1) Adjusted Net Income is a non-IFRS financial measure. Please see the appendix for the reconciliation of this non-IFRS financial measure to the most directly comparable IFRS financial measure.

Operating Leverage and Profitability

Adjusted Net Income (R\$ in millions)¹



Total Costs and Expenses² and Adjusted Net Margin¹



Notes:

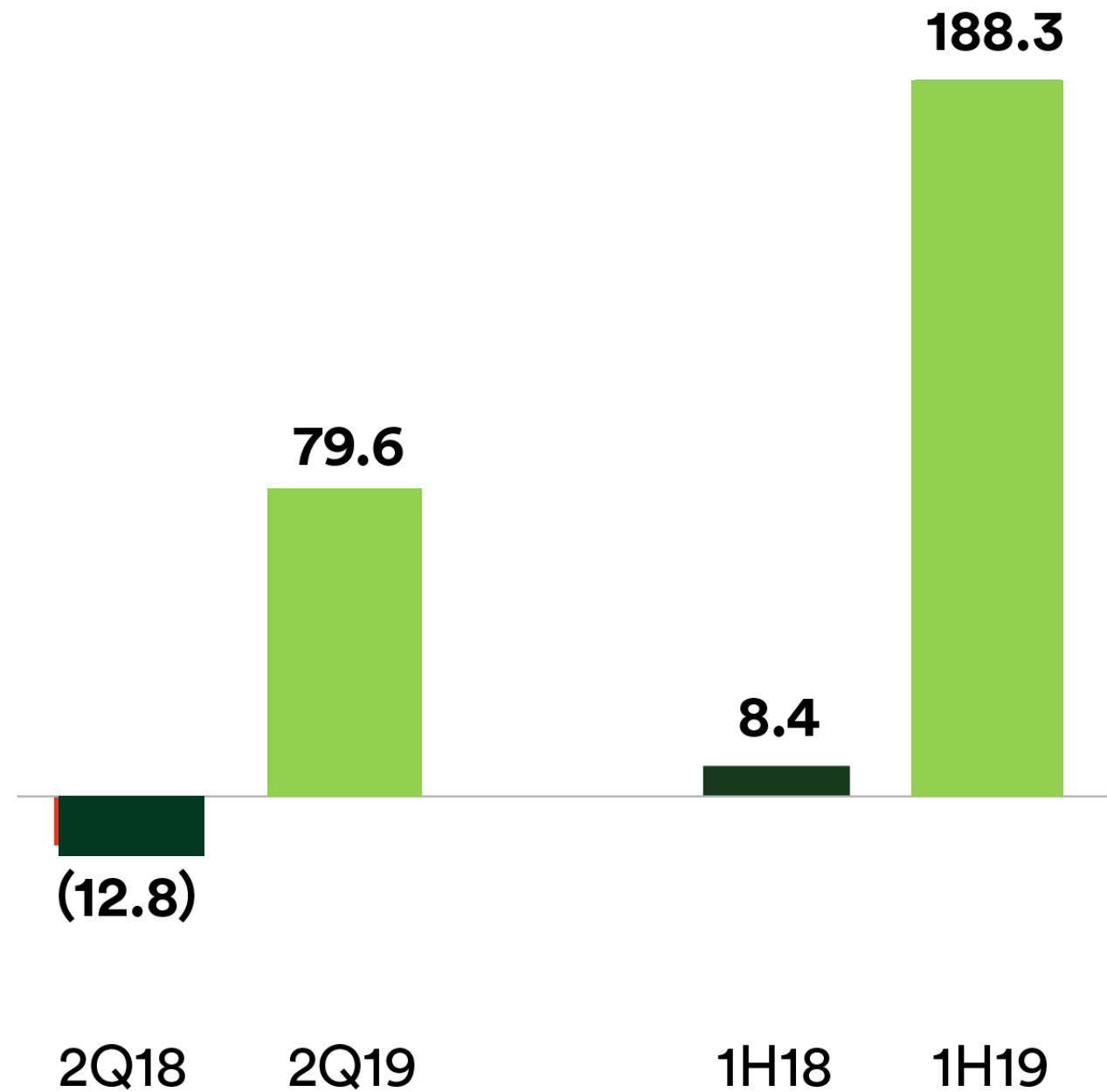
(1) Adjusted net income is a non-IFRS financial measure. Please see the appendix for a reconciliation of this non-IFRS financial measure to the most directly comparable IFRS financial measure.

(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	2Q18	2Q19	1H18	1H19
Net cash used in operating activities	(138.1)	(1,883.6)	(373.0)	(2,178.5)
(-) Adjustments in operating activities:				
<i>Accounts receivable from card issuers</i>	256.2	2,128.2	683.4	3,302.8
<i>Accounts payable to clients</i>	51.4	228.4	32.1	(241.4)
<i>Interest income received, net of costs¹</i>	(131.1)	(313.2)	(217.3)	(547.9)
Purchases of property and equipment	(37.6)	(62.4)	(92.5)	(117.0)
Purchases and development of intangible assets	(13.6)	(17.7)	(24.3)	(29.7)
Adjusted free cash flow	(12.8)	79.6	8.4	188.3

Note: Adjusted free cash flow is a non-IFRS financial measure.

(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.

APPENDIX

Adjusted Net Income Reconciliation (Non-IFRS)

(R\$ in millions)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
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
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
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
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
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
Tax effect on adjustments	0.0	0.0	0.0	(3.6)	(0.9)	(3.1)	(7.3)	(11.5)	(4.6)	(10.5)
Adjusted net income (loss)	6.2	12.4	5.7	20.9	26.5	71.1	89.3	155.9	186.3	194.0

Notes:

- (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 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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