



To our shareholders:

As we have seen in the past, competitor campaigns generate a lot of noise, but we remain focused on delivering a differentiated value proposition to our clients through our proprietary and disruptive business model. However, given some recent inquiries we have received and the lack of information in the market we wanted to share some of our thoughts and perspectives to put some of this noise into context.

Aggressive Initiatives to Recover Lost Share from Legacy Providers is Nothing New

We have seen numerous aggressive initiatives from competitors in the past, including discounts, promotions and “zero rate” offers, in an attempt to lure customers to legacy bank offerings that have been losing market share and to force clients to use additional bank services. For example, we have seen legacy providers announce high double digits discounts to our clients, which turned out to be closer to 5% or 10% in reality. We have also seen competitors offer 0% MDR rates to our clients, which turned into much higher rates after 3 months. Despite these efforts in the past, we have seen limited impact to our business, which has continued to produce growth and market share gains.

Anti-Competitive Actions from Banks are Not Uncommon in Brazil

We have seen banks in Brazil fined for anti-competitive actions as a result of their attempts to gain market share through untransparent pricing strategies. That’s how some large players in the country have been doing business for years. For example, Itaú paid fines in the recent past for anti-competitive measures that tied offerings together in an attempt to win new business. As noted in our prospectus, it was in 2010 that the Central Bank of Brazil and Brazilian antitrust authorities implemented a series of initiatives to create a regulatory framework aimed at fostering a more open and competitive environment. We designed Stone to disrupt the incumbents model and their practices by providing differentiated offerings to our clients through a strong client-centric culture as well as fair and transparent rates.

At This Moment, The Latest Incentive Offers from Competitors Don’t Change Our Strategy

We are always monitoring our competitive landscape and taking note of various marketing programs, competitor initiatives and potential anti-competitive actions. For example, Rede (an affiliate of Itaú) recently announced a new pricing offer for part of its prepayment solution, offering zero prepayment rates in some cases. Our initial thoughts on this are the following.

First, as total take rates paid by clients include other components such as MDRs and subscription revenue, it is still unclear what will be the benefit to clients on a take rate basis. Given discrepancies between how take rate is distributed among revenue streams from different players in the market, we do not believe that all clients being offered such zero prepayment rates will have lower take rates when compared to Stone’s current offering.

Second, we do not believe that clients choose Stone only based on price, but rather because of the value proposition it offers, that includes integrated solutions, unique customer service and level of support, reconciliation features, as well as transparency in all rates. That’s one of the reasons why Stone has been able to accelerate its net addition of clients, keeping healthy growth and take rate levels despite a very competitive market.

At this time, it is still very early to discuss how such new offerings from competition could impact our business. As always, we will continue to listen to our clients to find new ways to serve them better and disrupt existing incumbent offerings.

Stone will always advocate in the market and with authorities for transparency in the rates in Brazil to make it simpler for clients to understand and make their choice.

The relationship we have with our clients and shareholders is very important for us. If and when we see any material changes in our operations because of competition, we will be the first ones to communicate to you. We remain very confident in our strategy, the strength of our business model and our profitability going forward.

Kind Regards,

Thiago Piau, CEO