

## Brazilian retail has in 2019 the highest growth in five years

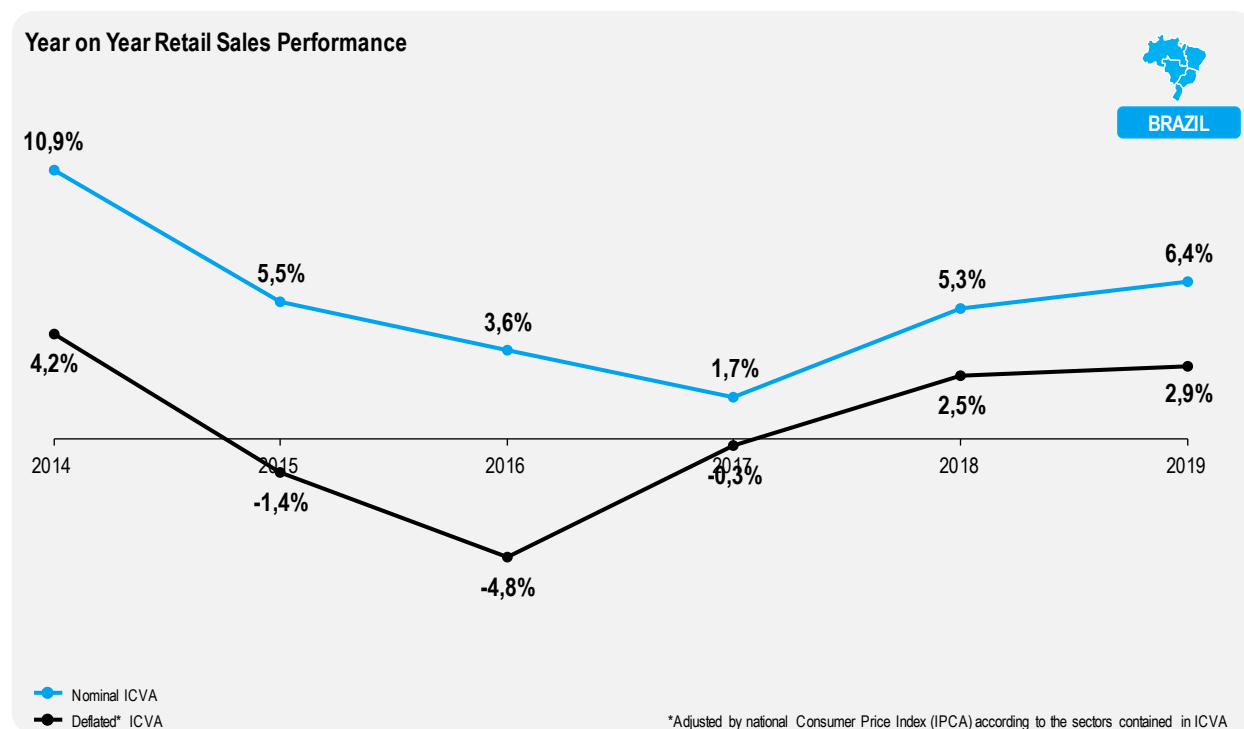
*Increased in sales reached 6.4%. The previous record of 10.9% was verified in 2014*

Brazil's retail sales grew 2.9% in 2019, deducting the inflation, when compared to 2018, according to Cielo Broad Retail Index (ICVA). This is the best result since 2014 when sales reached 4.2%. In nominal terms, which reflect the actual sales revenue observed by the retailer, 2019's Cielo Broad Retail Index (ICVA) increased by 6.4%.

Sales of the group of non-durable goods increased by 3.9% while the group of durable and semi-durable goods and the group of services increased by 2.9% and 1.1%, respectively.

The biggest increases in sales, deducting the inflation, happened in the North (6.3%), South (5.2%), Midwest (4.3%), Northeast (3.8%) and Southeast (1.2%).

"Retail in 2019 ended the year with the highest growth since 2014. The first half of the year had a slight slowdown when compared to the end of 2018; however, the second half of the year had some recovery of growth. The highlights were the Brazil Week in September and Black Friday in November. They positively helped resume this pace," says Cielo's Intelligence Officer, Gabriel Mariotto.

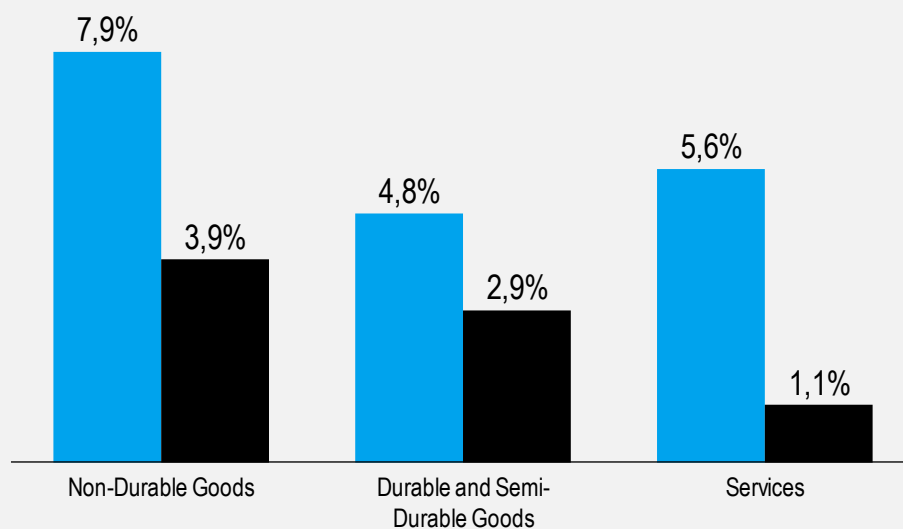


### Year on Year Retail Sales Performance by Macro Sector – 2019FY



BRAZIL

■ Nominal ■ Deflated\*



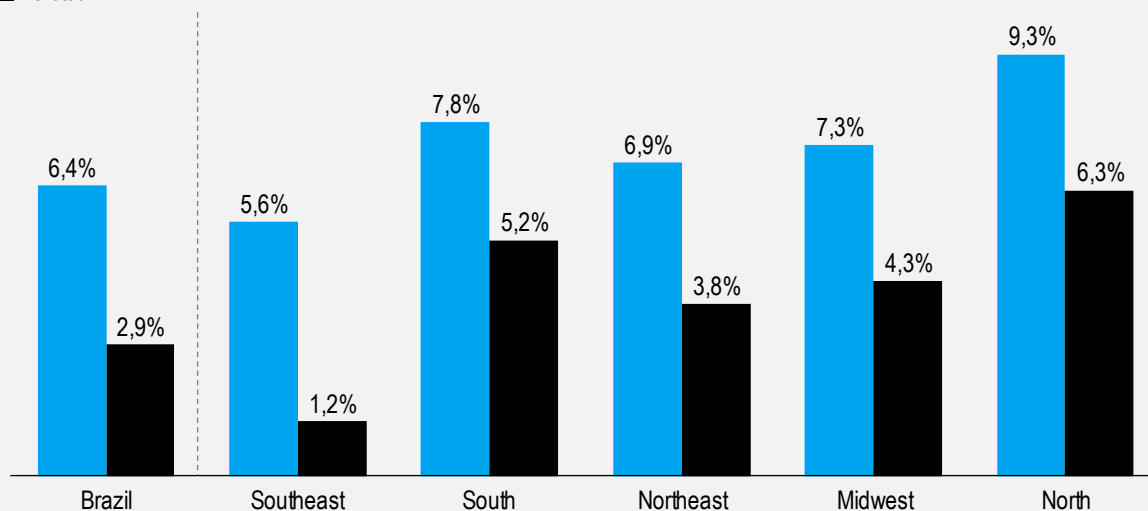
\*Adjusted by national Consumer Price Index (IPCA) according to the sectors contained in ICVA

Main Sectors:

- Non-Durable Goods: Supermarkets; Drugstores and Pharmacies; Gas Stations; and others.
- Durable and Semi-Durable Goods: Clothing; Furniture, Electronic, and Department Stores; Construction; and others.
- Services: Meal in Bars and Restaurant; Tourism and Transportation; Recreation; and others.

### Year on Year Retail Sales Performance by Region – 2019

■ Nominal  
■ Deflated\*



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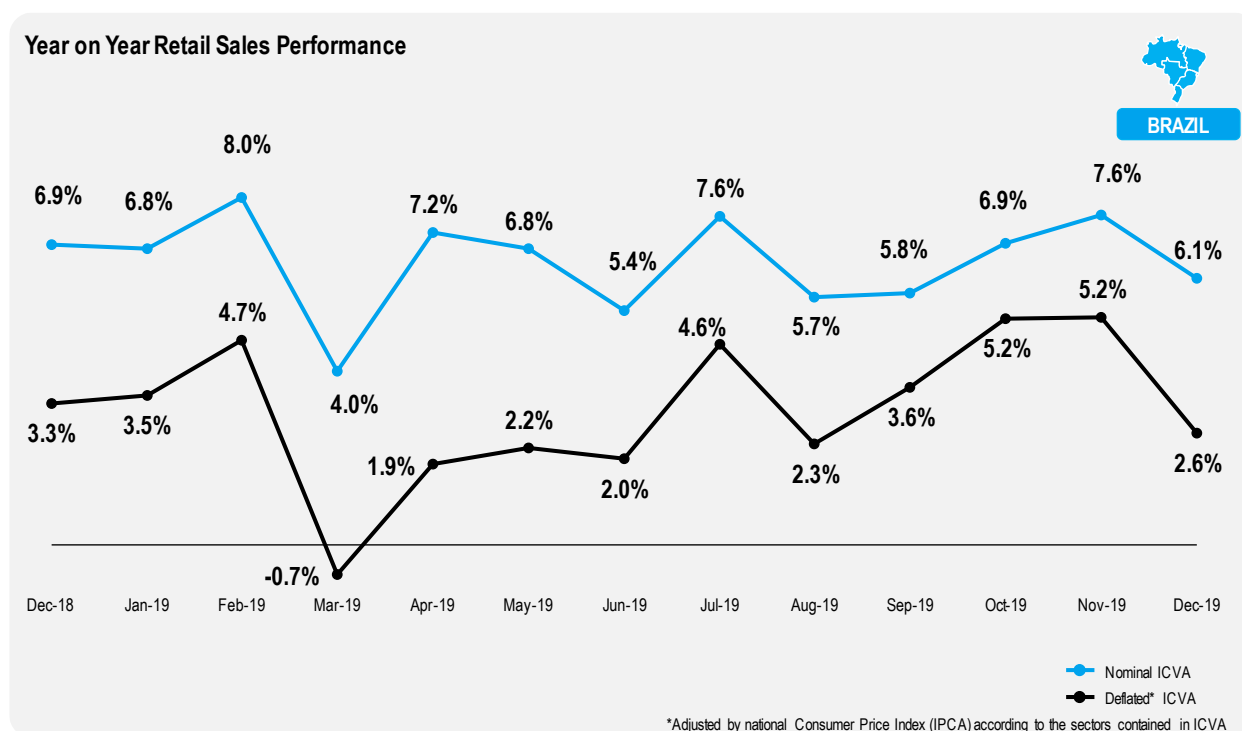
Phone: +55 11 2596 8453

## DECEMBER

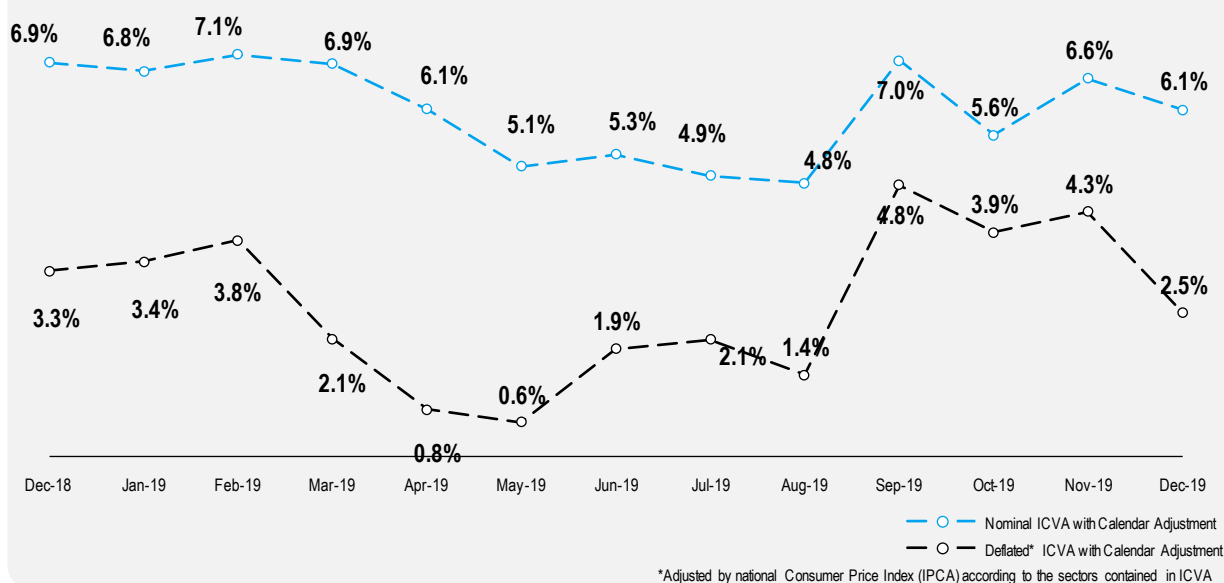
Year-on-year, sales grew 2.6% in December, deducting inflation. In nominal terms, which reflect the actual sales revenue observed by the retailer, Cielo Broad Retail Index (ICVA) increased by 6.1%.

The impact of the calendar compared to December 2018 was of little relevance. On the one hand, in December 2019 there was an additional Tuesday and one less Saturday, which hurts sales when compared to 2018, but on New Year's Eve, the exchange of days had the opposite impact, offsetting this effect.

With this result, December decelerated when compared to November. Christmas, in particular, grew less than the pace of the beginning of the month. "Despite this slowdown, if we look at the period from the week before Black Friday to the end of December, the growth was of around 7%, slightly above the territory before this period," says Mariotto. "The main hypothesis is that the Black Friday, having been stronger, anticipated part of Christmas purchases," he adds.



### Year on Year Retail Sales Performance with Calendar Adjustment

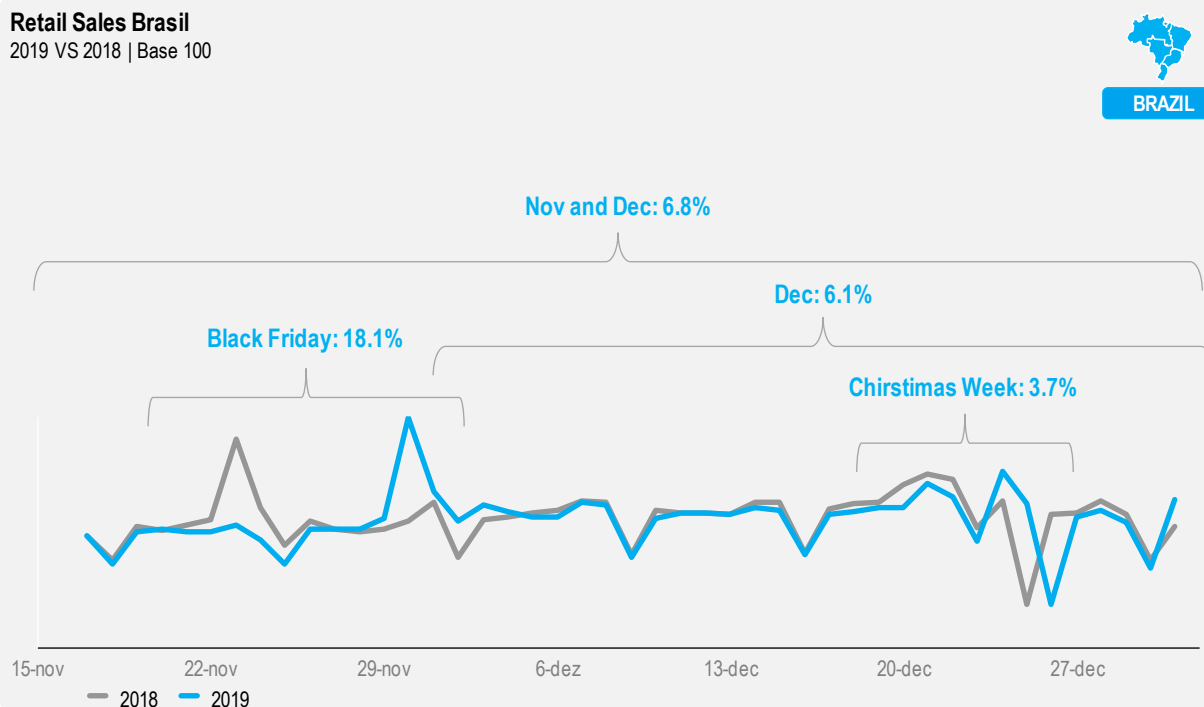


### CHRISTMAS

Year-on-year, Total Retail sales increased by 3.7% in the period from December 19<sup>th</sup> to December 25<sup>th</sup>. Growth in e-commerce reached 7.3% and physical sales reached 3.6%.

In 2018 vs. 2017, the sales growth during Christmas had been of 7.7%.

### Retail Sales Brasil 2019 VS 2018 | Base 100



## **INFLATION**

The Extended National Consumer Price Index (IPCA), calculated by the IBGE in November, grew 4.31% in the last 12 months, with a variation of 1.15% in the month, highest territory verified since 2002. The groups of Food and Beverage, particularly the high price of meat, Personal Expenses, and Transportation, were the main factors responsible for accelerating the price increase.

Weighting the IPCA by segments and weights of the Cielo Broad Retail Index (ICVA), the broad retail inflation stood at 3.5% vs. 2.3% in November.

## **SECTORS**

Deducting the inflation and the calendar adjustment, the group of Services had a ramp up and the groups of Non-Durable Goods and Durable & Semi-Durable Goods slowed down.

In the group of Services, the segment that contributed the most to this result was Tourism and Transportation.

In the group of Non-Durable Goods, the slowdown in sales was most noticeable in the segments of Supermarkets and Hypermarkets and Gas Stations.

In the sectors of Durable & Semi-Durable Goods, the segments of Furniture, Electro and Department and Construction Materials had the biggest slowdowns.

## **REGIONS**

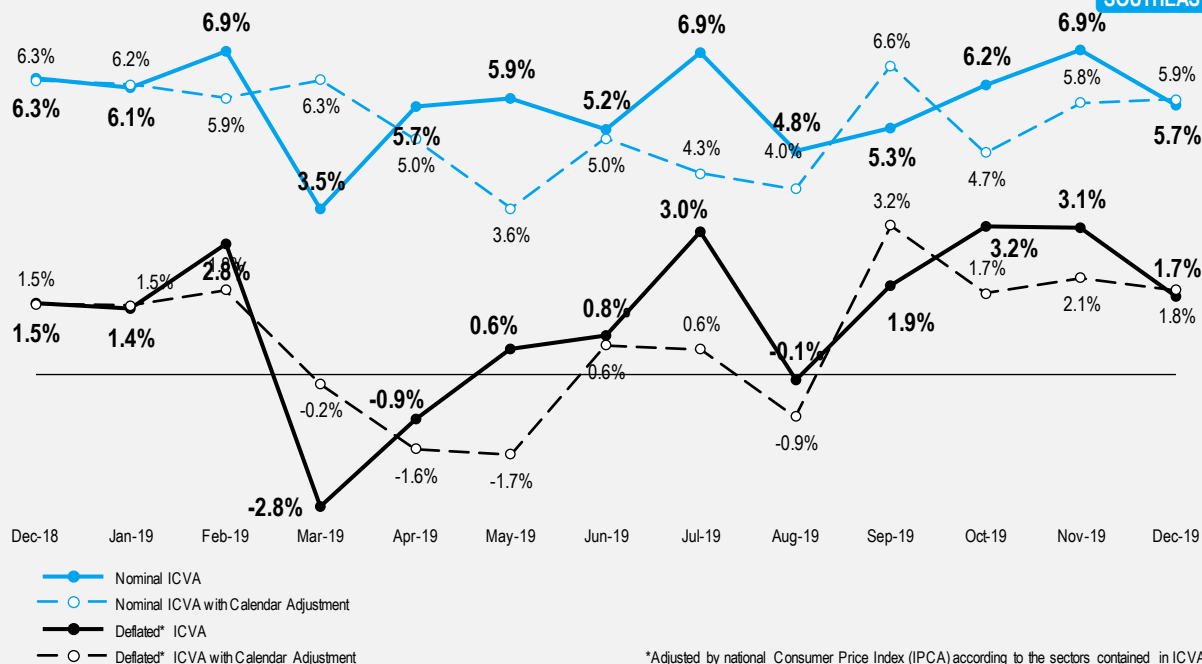
All regions of the country slowed down from one month to the other, according to the deflated Cielo Broad Retail Index (ICVA) with calendar adjustment. The North region increased by 4.5%, followed by the Northeast (3.0%), Midwest (2.7%), Southeast (1.8%) and South (1.8%).

Nominally, the Cielo Broad Retail Index (ICVA) - which excludes the deduction of inflation - the highlight was the North region, up by 8.8%. Followed by the Midwest (7.0%), Northeast (6.4%), South (6.1%) and Southeast (5.7%).

### Year on Year Retail Sales Performance by Region



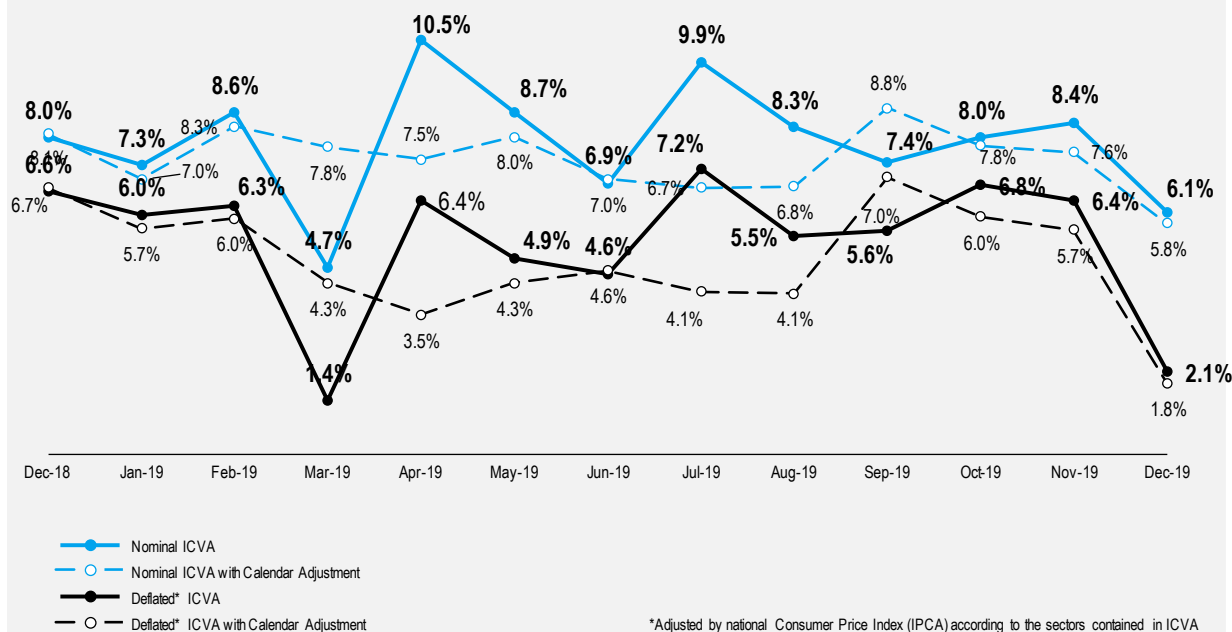
SOUTHEAST



### Year on Year Retail Sales Performance by Region



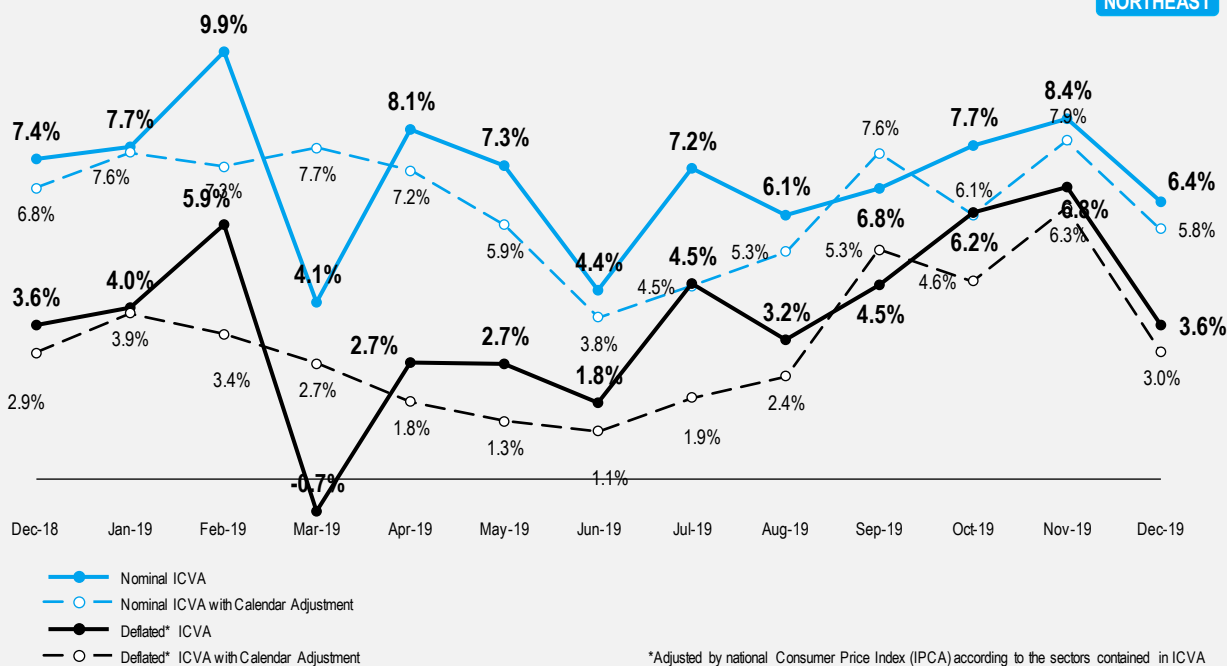
SOUTH



### Year on Year Retail Sales Performance by Region



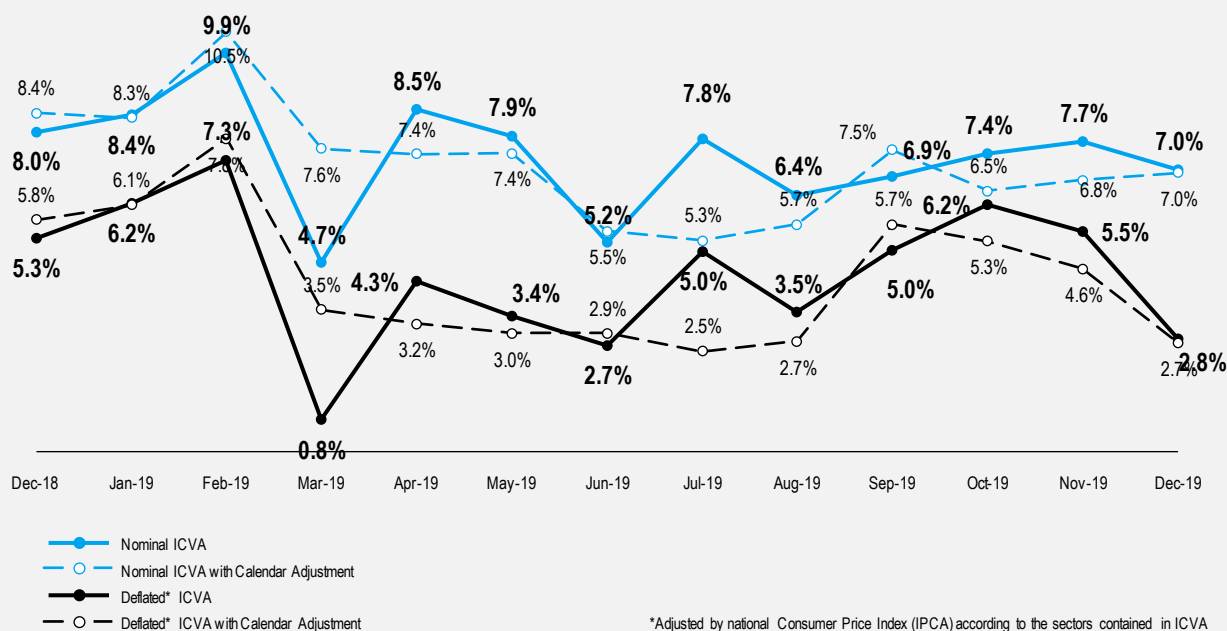
NORTHEAST



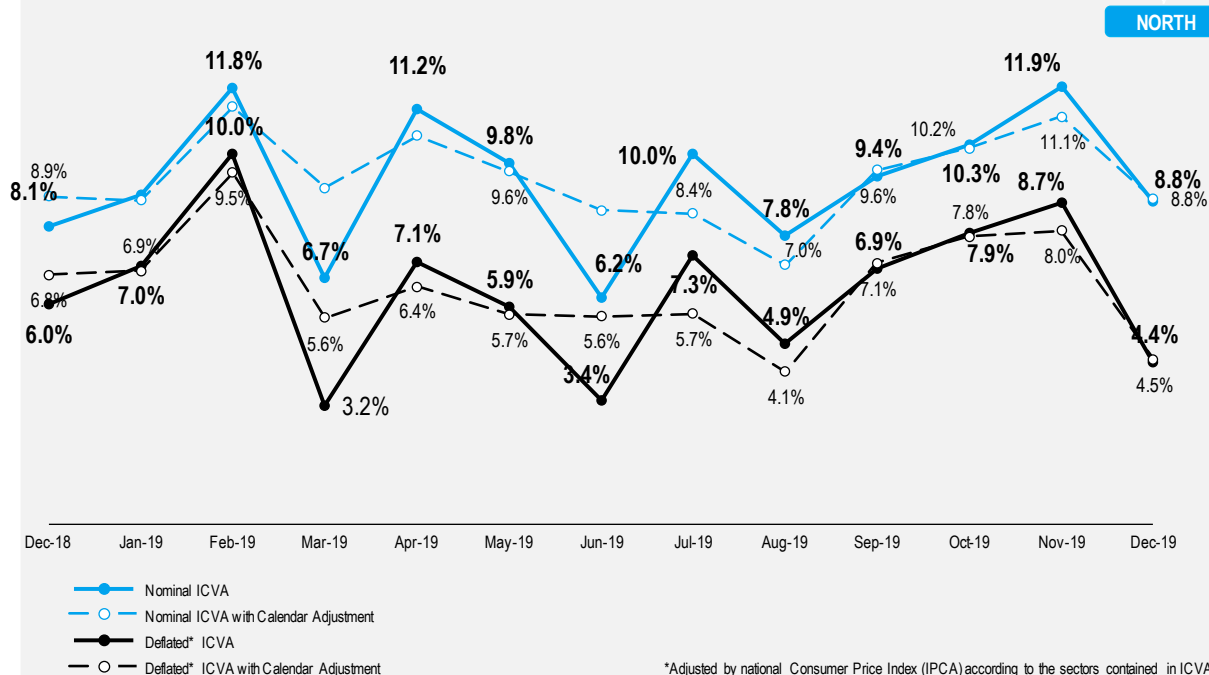
### Year on Year Retail Sales Performance by Region



MIDWEST



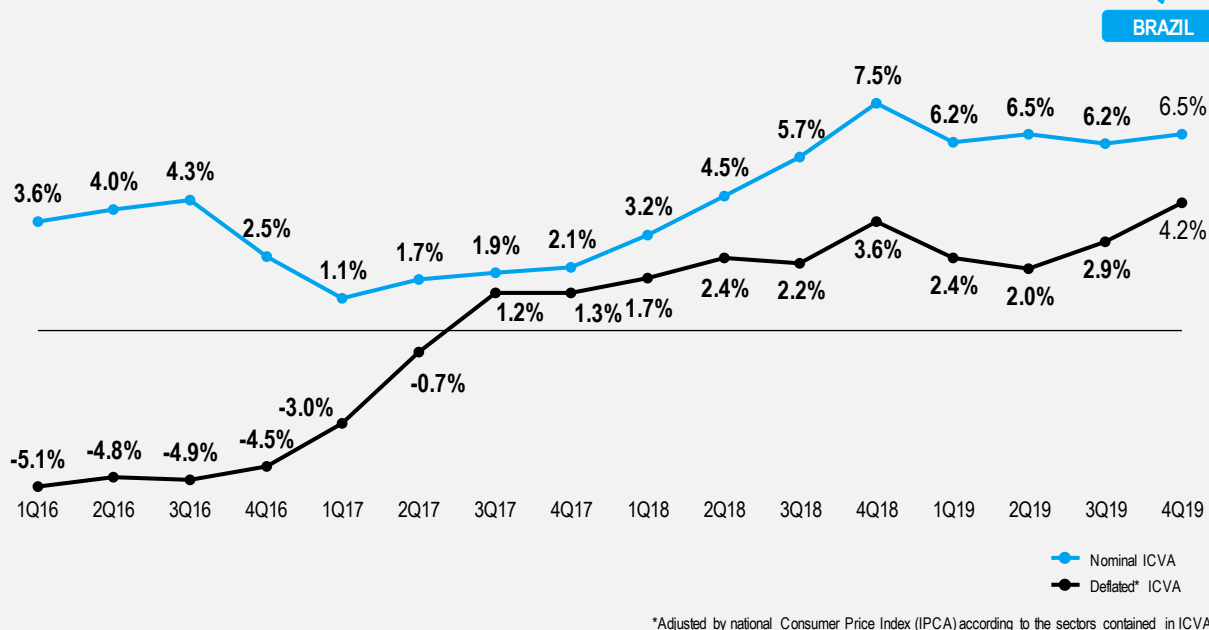
### Year on Year Retail Sales Performance by Region



### FOURTH QUARTER

The increase in sales was 4.2%, discounting inflation. Nominally, the index grew 6.5%, slightly up when compared to 3Q19.

### Year on Year Retail Sales Performance – QUARTERLY



## ABOUT THE ICVA

Cielo Broad Retail Index (ICVA) monitors the evolution of Brazil's retail on a monthly basis, according to sales in 18 segments mapped by Cielo, from small shopkeepers to large retailers. They account for 1.4 million retailers accredited by the Company. The weight of each sector in the index's general result is defined by its performance in the current month.

Cielo Broad Retail Index (ICVA) was developed by Cielo's Intelligence area and had the purpose to present a monthly picture of Brazil's retail performance from actual information.

## HOW IT IS CALCULATED

Cielo's Intelligence unit developed mathematical and statistical models which were applied to the company's database with the purpose to isolate the effects of the competitive behavior of the acquiring market, such as market share variation, as well as to exclude the effects of check and cash replacement for debit cards. Therefore, the index represents not only retail consumption with cards but actual consumption at the point-of-sale.

This index is in no way a preview of Cielo's financial results, which are impacted by several other factors related to both revenues and cost and expenses.

## UNDERSTAND THE INDEX

**Nominal ICVA** – Indicates the growth of nominal sales revenue at broad retail in the period, compared to the same period of the previous year. It reflects what retailers see in their sales.

**Deflated ICVA** – Nominal Cielo Broad Retail Index less inflation. Therefore, a deflator is adopted, which is calculated from the Extended National Consumer Price Index (IPCA) calculated by IBGE, adjusted to the mix and weights of sectors comprised in the Cielo Broad Retail Index (ICVA). It reflects retail's actual growth, excepting inflation.

**Nominal/deflated ICVA with calendar adjustment** - ICVA with calendar adjustment – Cielo Broad Retail Index excluding the calendar effects which impact a certain month/period when compared to the same month/period of the previous year. It reflects the pace of growth, measuring the index's rises and falls.

Barueri, January 16, 2020.

**Gustavo Henrique Santos de Sousa**  
Chief Financial and Investor Relations Officer