1Q20 CONFERENCE CALL – 13 MAY 2020

Hello, everyone. I am Jose Leoni, Sinqia's Investor Relations Senior Manager. Thank you for listening to our conference call for the 1Q20 results.

I would like to start the presentation on slide number two, where I highlight important records of net revs and recurring revenues:

In 1Q20, net revenues reached record-high of R$48.6 million, an increase of 26.2% over 1Q19. In the 12-month period, the growth was also significant, of 25.1%, attaining the amount of R$185.2 million.

Recurring net revenues have been also record-high, R$41.2 million in 1Q20, with a 27.5% growth over 1Q19 and represented 84.7% of the Company's total net revenues, the highest percentage ever seen in the Company's history.

In the 12-month period, recurring net revenues have been R$154.2 million, an increase of 27.5% and reached a total of 83.3% of total net revenues. The high volume of recurring revenues makes it easier to foreseen results, even in more uncertain scenarios.

Moving on to slide three, I would like to highlight the 1Q20 gross profit of R$15.8 million, a 29.2% increase over 1Q19, with a gross margin of 32.4%. In the 12-month period, gross profit grew 16.0%, reaching R$61.4 million with a slight reduction in the margin to 33.2%, mainly due to the increase in implementation coming from the higher volume of software sales.

In the chart at the center, we can see that expenses reached R$12.5 million in 1Q20, an increase of 3% comparing to 1Q19, representing 25.6% of net revenues, down 5.7 p.p., even with higher expenses with sales commission and IT Infrastructure.

In the 12-month period, G&A expenses were R$43.7 million, representing 23.6% of net revenues and a reduction of 2.6 p.p. in comparison to 1Q19, which already comprises synergies from the recent acquisitions.

The chart on the right shows that adjusted EBITDA, which disregards extraordinary items related to the acquisitions, was R$3.4 million, a 5.7% reduction over 1Q19, followed by adjusted EBITDA margin of 7%. The margin in this quarter was slightly pressured by the reduction in gross profit from services and the increase in costs with software implementation of R$2.9 million over 1Q19.

In the 12-month period, adjusted EBITDA was R$20.9 million, an increase of 14.2% and margin of 11.3%, slightly lower than in the previous period, but fully in line with the Company's strategy of stimulating the growth of recurring software revenues by subsidizing part of the costs of implementations.

On slide four, we begin by showing the gross value of our portfolio of recurring software contracts, which achieved R$146.9 million in the 1Q20, an increase of

R$33.4 million compared to 1Q19. The inorganic portfolio, arising from the acquisitions of Softpar and Stock & Info, totaled R$23.1 million, and the organic portfolio totaled R$123.8 million.

The growth in the consolidated contract portfolio was 29.5%, and the growth in the organic portfolio was 9.1%.

I would like to emphasize that, in the 1Q, we reclassified a Software for Services contract, affecting the comparability of the numbers, and without this reclassification, the growth of the organic portfolio would be 9.6%.

In comparison with results released in the past quarters, we note a slight slowdown in the growth of the organic portfolio. This was because some customers revised their strategic priorities, canceling developments that had not yet started, and a SaaS customer changed its contract pattern, reducing the monthly fee.

In addition, we observed a retraction in sales by the second half of March, due to the coronavirus. But the good news is that we already see signs of a gradual resumption. The latest sales indicators suggest that the downturn observed at the beginning of the quarantine has not been sustained for long. Therefore, we would like to convey a word of tranquility to our investors.

On slide five, we move forward to explain the result by business unit. On the left side above, the Software unit, which represents 72% of the total, reached record-high net revenues of R$35 million, an increase of 41.1%. This means a total addition of R$10.2 million, with an addition of R$5.2 million organic, and R$5 million inorganic.

I would like to emphasize the relevance of this: organic addition, mainly in Subscription, means that we have concluded important deployments in 1Q20, and converted backlog into revenues.

And on the left side below, the Software unit presented a gross profit of R$13 million, an increase of 42.8%. The gross margin was 37.2%, an increase of 0.4 p.p.

I would like to recall that the comparison basis is low because we made two acquisitions in early 2019 that harm profitability. But even so, I would like to highlight this slight increase in margin. As mentioned, the implementation costs were R$5.6 million in the 1Q20, versus R$2.7 million in 1Q19, an increase of R$2.9 million.

In early 2020, we made the decision to increase the team, and, for that reason too, we have completed major deployments as I said previously. This continues to squeeze profitability in the short-term, since the increase in staff costs was R$2.9 million more that I said above, which represents 8.2 p.p. of Software gross margin.

On the right side above, the Services unit, which represents 28% of the total, recorded net revenues of R$13.6 million, stable compared to the same period last year. Despite the R$0.8 million growth in Outsourcing, there has been a reduction of R$0.9 million in Projects.

We started 2020 with a very favorable outlook for this unit, with the signing of significant Outsourcing contract. We had already started assembling the team when the coronavirus interruption took place in mid-March. After a few weeks of complete disruption, assembly has resumed, at a slower speed, and new commercial opportunities began to emerge.

As there were only two specific cases of contract reduction, we still do not see any concrete reasons for concern. Although this business has theoretically less resilience, it is doing very well in the crisis.

And on the right side below, the Services unit posted a gross profit of R$2.8 million, down 10.9%. In Projects, the reduction of cost was R$0.5 million, not enough to offset the revenues' reduction of R$0.9 million. Consequently, the gross margin was 20.2%, a decrease of 2.3 p.p.

Moving to slide number six, the chart on the left shows gross cash position, which was R$340.9 million in 1Q20. There was a reduction of R$24.1 million compared to 4Q19, a reduction mainly related to the shares' buyback program of R$8.3 million, an increase in accounts receivable of R$8.1 million, which is due to operational causes not related to the effects of coronavirus, and finally, the amortization of acquisitions and financial debt of R$6.1 million.

The chart in the center illustrates gross debt, which was R$94.9 million in 1Q20. There was a reduction of R$6 million compared to the 4Q19, due to the amortization of acquisitions of R$4.1 million and the financial debt of R$1.9 million.

And the chart on the right shows the cash position, which was R$246 million in the 1Q20, down R$18.1 million compared to 4Q19 for the reasons already explained. We can see that the Company is quite capitalized, but given the new economic reality, in the short-term, we will adopt a more conservative approach, without jeopardizing the long-term consolidation plan. For now, we will follow our M&A plan without relying on relevant short-term leverage, awaiting a scenario of less uncertainty to reassess this decision.

To conclude, on slide seven, we would like to leave three important final messages: regarding the commercial challenges, the coronavirus crisis caused a retraction in sales at the end of 1Q20, with an effect on the growth rate of the contract portfolio, but we have noticed signs of a gradual recovery.

We recognize that, in this scenario, it will be more difficult to sell than it was in the past two years, but commercial opportunities continue to appear, and we will extract as much of them as possible.

Regarding the operational challenges, we have made significant progress in the software implementations, allowing for an organic addition of R$4 million to Subscription revenues. This progress has a less obvious but important impact for the Company: we are reducing the number of implementations, getting more space for new commercial opportunities to come, and preparing Sinqia to come out first in the post-crisis.

Finally, on the M&A strategy, we will adopt a more conservative approach, with slower execution in the short-term, without jeopardizing the long-term plan.

We still expect some acquisitions in 2020, and we are comfortable to go for transactions that present a structure compatible with the current moment, but we will not take unnecessary risks at this time.

Thank you for attending our conference call. The IR team and I are available at ri@sinqia.com.br. Take care. Bye-bye.

Q&A from the conference call in Portuguese:

1. Regarding the acquisition strategy, M&A. We know that, in this moment of coronavirus, the opportunities appear in a much more increasing way. Many companies that were in the pipeline, were in the mapping of Sinqia, probably have more critical situations, which enables a better strategy for consolidating acquisitions.
   The question is whether this scenario, this progress in the acquisition process has occurred, and, how is the protection, the hedge of the money obtained with the follow-on from last year?

   Answer
   Regarding the acquisition strategy, in fact, when the coronavirus crisis intensified, we started to receive some calls from entrepreneurs in our sector, a little more anxious to resume, or to progress in the discussions on M&A with Sinqia.
   In general, companies in our sector are quite healthy, have a high recurring revenue volume, relatively controlled costs. So, I do not believe that there should be any relevant pressure, in the sense that these companies are in a delicate financial situation; but I do believe that our context will motivate some entrepreneurs to seek this type of conversation, under conditions, in my opinion, that are more favorable at the moment to the buyer than to the seller, not only in the case of Sinqia, but also in the market in general. In fact, this has been happening.
   Regarding our M&A strategy, we started the year with three opportunities at more advanced stages. One has quit conversations in the past few months, and another has moved into place. It was an exchange of a relatively large transaction for a smaller one, but quite charming.
   So, we have, at this moment, three conversations in progress.
   Therefore, we strongly believe in the continuity of the plan.
   Obviously, things are not as they were. Our perception of risk has changed, the type of transaction structure we pursue has changed. We will seek to follow our long-term strategic plan.
   Regarding the final part of your question, about cash, our cash today is invested in top-tier banks, in the main banks in the country, in low-risk and high-liquidity applications. Therefore, I would say that we are quite comfortable with the cash application. It is not a time to seek profitability, it is a time to leave risk.

That said, I don't think this is an issue that could have any kind of future implications for Sinqia.

2. Is there a specific case of improvement in the M&A opportunity for the short term?

   Answer
   The scenario is more favorable for buyers. We received new opportunities, and the pace has changed in the past two months.
   We do not believe that this will radically change Sinqia's M&A landscape, but, repeating what was said earlier, it is certainly a scenario more favorable to the buyer than to the seller, and we are ready to take advantage of the opportunities that appear in this period.

3. About software implantations at the moment, how are you doing?

   Answer
   The implantation proceeds normally. When we passed the second half of March, some clients, still adapting to the reality of remote work, asked to suspend; were occasional cases. Most of these customers who suspended in the second half of March have already resumed.
   Life goes on normally. We were able to conduct the implantations working remotely. Our teams continue to work from home, and the software is being installed through connection with the customer environment or the cloud, depending on the case, normally.
   The first challenge was more related to the ability of our customers to carry out the operation than effectively the capacity of Sinqia, and these issues were overcome. So, the pace of implementation is very similar to the normal pace.
   Of course, at a time like this, if any of the customers ‘downgrade’, or are unable to move forward, what we’ll do is change the order of the implant queue. So, our team remains 100% focused on this, in full capacity, and life goes on normally.

4. Can't acquisitions become more attractive in the face of the difficulties imposed by the recession with the pandemic? Couldn't that be a reason to speed up the process in the coming months?

   Answer
   In fact, in some cases, acquisitions may be more attractive. In cases where there is a clearly motivated seller, this may be true.
   Our concern at this point is more the transaction structure to ensure that the allocation of risk is correct. That is, at this moment, there is certainty about the past, and some uncertainty about what 2020, 2021 and 2022 will be like.
   As long as we have the right structure to pay the price that makes sense to Sinqia, distributing this risk of future results in a correct way with the seller, we can win very attractive deals, which we will be motivated to take forward.

We would not go so far as to say that it is time to put your foot on the accelerator, both because we want to respect the lower leverage limit, and this, consequently, reduces the size of the total check we can make at this time, and requires an increase in selectivity.
On the other hand, not every salesperson will feel comfortable sharing this risk of future results with us. Those who are not comfortable sharing with us will be left with the risk alone. Therefore, we will have to wait for this transaction to mature.
That's the way we go. It is to adjust the transaction model to the moment we are living in, so that we can make deals the right way.

5. The project portion had a reduction in revenue. I would like to understand how you are seeing this going forward. You commented that, commercially, you saw an improvement in April. How do you see this? And, consequently, how do you see the margin trend in this line?

   Answer

   Regarding to the Services unit, what happens is, in the project unit, a reduction in demand, and in the outsourcing unit, a growth in demand.
   In the 1Q, we had some projects suspended, and commercial activities are more difficult, too. On the other hand, in outsourcing, we had a very strong demand, as I had commented. The new contracts signed earlier this year were very relevant, and we were in the process of assembling the team.
   All of this added up shows a more positive than negative outlook for the Services unit as a whole, which means that we continue to believe in revenue growth and maintaining margins. At the moment, there is no evidence to imagine that a deterioration in margins could happen.

6. In this new growth cycle, when do we expect to see less pressure on margins and profitability?

   Answer
   The 1Q result shows this pressure quite sharply. For us it is not so clear what will happen. The pace of margin evolution will depend on what happens to sales from now on.
   In a scenario A, we have a return to normality and, consequently, a return to sales at the previous level. This will cause this margin pressure to continue, probably until 3Q, maybe 4Q20.
   There is a scenario B, more pessimistic, in which sales do not return as quickly to the previous level. The consequence of this is that we have reduced the deployment queue at a faster speed and, at some point, it may be necessary to demobilize part of the deployment teams, which would make the margins no longer compressed and allow an expansion of the margins in a longer period.
   We believe that this pressure, therefore, should continue in the 2Q, possibly in the 3Q, but, at the end of 2020, it no longer has the intensity that it has at the moment.

7. Which segments are more or less attractive at the moment?

Answer
Of all the segments in which we operate, we believe that two of them move at transatlantic speed, so they are not as impacted by the crisis. These are the pension and consortium segments. In these two segments, we think that little changes because of what is happening at the moment.
The asset segment is very interesting, we have a lot of growth potential there. On the other hand, it is a segment that may suffer more from a reduction in AuM and, consequently, perhaps a short-term reduction in the number of managers in the market. We saw this happen in the last crisis. It is a market that remains attractive, but we have to be careful to enter correctly and not expose ourselves to a possible reduction in the size of the market at this time.
Banks, at the moment, are very attractive, mainly due to the trend we have towards the new payment system. We believe that there are new institutions coming in, which will be relevant to form a more relevant revenue pool. Therefore, we will try to position ourselves and, potentially, of the four markets in which we operate today, this is the most relevant to seek M&A opportunities.
Even with regard to banks, we had a very positive evolution in our payment platform. We were able to successfully complete the first connectivity test with one of our customers. This client of ours, a medium-sized bank, placed a payment order in real time with the Central Bank. For this reason, this client of ours has already opted for Sinqia's payment platform, over the platform of another competitor who, at the moment, was unable to present a test, was able to present a PowerPoint.
So, we are very excited about the prospect for banks, especially when it comes to payment.

8. Como as alterações feitas em contratos influenciarão as receitas futuras? É algo pontual para o período de crise, ou foram renegociações que afeitariam as receitas a longo prazo?

   Answer
   Regarding the impact of the coronavirus itself, until now, we have not had contractual reviews. There are claims from some customers to obtain a discount, or to obtain the non-application of the inflationary adjustment, but, in our view, these requests have more the characteristic of an opportunistic request than of a reasoned request, so they have been denied. And, until this moment, we have not had any contractual reduction due to the coronavirus.
   So, it is not exactly a problem for us, and it is a one-off case.

9. Is the partnership with Darwin Startups an idea to follow with investments? Could you talk more about this?

   Answer
   Yes, the partnership with Darwin is very important to us. Our conventional M&A strategy continues as it always has, but we now see some opportunities to seek new businesses, with a more innovative, more

disruptive characteristic, and the way we chose to bring these businesses to Sinqia was through an accelerator.

So, we joined Darwin and, consequently, some very renowned investors, such as B3, TransUnion and Banco Safra. And, with this first contribution, we started to observe the investment opportunities that Darwin should bring to this group, and those that make sense for Sinqia's business, we intend to become partners and, eventually, in the future, turn into an opportunity to M&A.

10. Is there any chance that Sinqia will look at other markets besides finance?

    Answer

    Our strategy, at this moment, is to consolidate the market for solutions for the financial sector, which means a very broad sector, which includes banks, brokers, distributors, assets, consortium administrators, social security entities, insurance companies, financial institutions, equity institutions payment etc.

    This is the market that most consumes software in Brazil. It consumes approximately 26% of all software purchased in Brazil. It is the largest vertical market in Brazil.

    That said, we believe that we have a lot of opportunity to grow within the financial sector. Therefore, at this moment, Sinqia is not justified in leaving the financial sector, in the sense, for example, of industry, government or retail.