

São Paulo, March 25, 2020: LocaWeb Serviços de Internet S.A. (B3: LWSA3) announces to its shareholders and the market in general its results for 4Q19 and 2019

## Highlights

Net Revenue of **R\$385.7** million in 2019, **22.5%** higher than in 2018

In 4Q19, Net Revenue increased by **25.8%** versus 4Q18

In 2019, Net Revenue of the Commerce segment increased by **46.5%** compared to 2018 (GMV growth of 57.1% in 2019 – Brazilian market estimated<sup>1</sup> to growth 12%)

Adjusted EBITDA<sup>2</sup> increased by **40.3%**, reaching **R\$110.9** million in 2019 (Considering KingHost FY, Adjusted EBITDA totaled **R\$114.7** million in 2019)

EBITDA Margin expanded by **3.7 p.p.**, reaching **28.7%** in 2019

In 4Q19, Adjusted EBITDA increased by **33.4%** versus 4Q18, totaling **R\$30.2** million

Operating Cash Generation<sup>3</sup> reached **R\$63.2** million, **69.0%** higher than in 2018

Adjusted Net Income of **R\$ 28.2** million, **48.4%** higher than in 2018

- //** Net Revenue totaled **R\$105.2** million in 4Q19, **25.8%** higher than in 4Q18. In 2019, Net Revenue increased by **22.5%**, totaling **R\$385.7** million. The Commerce segment increased by **45.4%** and **46.5%** in 4Q19 and 2019, respectively. The BeOnline / SaaS segment increased by **21.4%** and **17.4%** in 4Q19 and 2019, respectively
- //** Adjusted EBITDA totaled **R\$30.2** million in 4Q19, **33.4%** higher than in 4Q18. In 2019, Adjusted EBITDA increased by **40.3%**, reaching **R\$110.9** million, with a **3.7 p.p.** expansion in Adjusted EBITDA Margin, reaching **28.7%** in 2019. Considering the 2019 results of KingHost (acquired in May/19), Adjusted EBITDA totaled **R\$114.7** million in 2019
- //** In 4Q19, Adjusted Net Income reached **R\$10.4** million, **22.6%** higher than in 4Q18. In 2019, Adjusted Net Income increased by **48.4%**, totaling **R\$28.2** million
- //** The total Gross Merchandise Volume (GMV) of the Commerce segment reached **R\$3.8** billion in 2019, increasing by **57.1%** versus 2018, compared to an estimated Brazilian market growth (Ebit) of 12%. Our operation's total GMV accounted for **6.3%** of the total estimated Ebit volume traded on the internet during the same period (this percentage was 4.5% in 2018)

**Conference Call in English: March 27, 2020 (Friday)**

3:15 p.m. (Brazil time): +55 (11) 3181-8565

2:15 p.m. EUA (EST): +1 (412) 717-9627

Access Code: LOCAWEB

**Investor Relations**

+55 11 3544-0479

ri.locaweb.com.br

ri@locaweb.com.br



<sup>1</sup> Source: Webshoppers 2019 - 40th edition

<sup>2</sup> Considers the adoption of IFRS 16 in 2019

<sup>3</sup> Calculated as Adjusted EBITDA minus Capex

## // CEO's message

It is with great pleasure that we initiate Locaweb's earnings release cycles with this 4Q19 report. After the IPO and listing of our shares on the Novo Mercado segment of B3, we would like to take the opportunity to thank everyone who participated in the offering, in particular Locaweb's professional team and the investors who supported the Company in the construction of this new phase.

Before commenting on the results for the quarter and the fiscal year, we believe it is important to reinforce Locaweb's positioning to its current and potential new shareholders.

Locaweb, established in 1997, is one of the pioneer internet players in Brazil and was founded with the purpose of helping its client's businesses to grow and thrive through the use of technology. Over the years, we expanded our operations, made successful acquisitions and began to support thousands of companies in different sectors, focusing mainly on offering technology solutions to accelerate the growth of Small and Medium Business (SMBs).

What started as a website hosting company, in 1997, turned into a large corporate ecosystem that offers several different services. We operate in two segments: (i) BeOnline and Software as a Service (SaaS), which offers services through the Locaweb, Locaweb Corp, All iN, KingHost, Cluster2Go and Delivery Direto brands; and (ii) Commerce, which offers services through the Tray, Tray Corp and Yapay brands.

The traditional BeOnline segment is an important tool that generates new customers for the Company's other segments (SaaS and Commerce), which are currently Locaweb's key growth drivers. In 2019, the SaaS and Commerce segments recorded double-digit growth, thus contributing to the improvement in operating margins. As they require low capex needs, they also strongly contributed to the high increase in our cash generation and net income. This can be seen in the 2019 results, in which the 22.5% growth in our net revenue was converted into a 40.3% in EBITDA and a 69.0% growth in cash generation.

Through our Commerce segment, in addition to platform, we also offer payment solutions and an entire network consisting of over 100 system integrations that help our customers increase their sales and improve the way they manage their businesses.

Our business model consists of digital subscriptions by customers, which are automatically renewed when they expire. Of our more than 350,000 customers, 98% of Be Online / SaaS segment revenue and 94% of the Commerce segment are recurring, thus allowing the Company predictability in terms of cash flow and high lifetime value (LTV).

Additionally, our strong brand, the efficiency in which we attract new clients, our network of over 19,000 developers and partners, and our cross-sell and up-sell abilities allows us to have low customer acquisition costs (CAC).

Regarding the funds raised through the IPO, they will be used essentially towards new acquisitions, as described in the Offering documents. We are currently analyzing several companies in segments where we already operate, in addition to companies in complementary sectors. We continue using the same principles that guided us in past acquisitions, that is, we seek companies with recurring revenues, a

consolidated product portfolio, a high-quality professional team and high cross-selling potential with LocaWeb's products.

## **Operating Highlights in 2019**

### **// Commerce**

*"Tray has the most complete ecosystem in its category, with more than 112 integrations. We are integrated with the key Brazilian marketplaces, ERPs, logistics and sales solutions, among others. This allows our clients to sell their products in a state-of-the-art platform, in addition to helping them increase sales in a unique way, as witnessed in the 57.1% growth in their GMV."*

Fernando Cirne, CEO of LocaWeb

- We reinforce the strategy of offering the largest number of sales channels to all customers in a native and totally transparent manner. In 2019, Tray increased the number of integrated marketplaces and began to publish offers in 6 additional marketplaces: Dafiti, Kanui, Cissa Magazine, Olist, Carrefour and Webcontinental. Great integration advances have also been done with Amazon, creating new categories and representing one of the most complete integrations in this specific marketplace. In total, Tray has a marketplace hub consisting of 18 native and transparent interactions.
- We made important investments in the logistics area, integrating Jadlog and Gollog as new certified logistics operators through APIs, creating highly convenient services for our customers, such as online price simulations and delivery tracking.
- Aiming to offer a more complete system, we launched an electronic invoice issuer (NFe) directly on the platform as a native application. This solution was made in partnership with an experienced ERP firm specialized in SMEs and allows customers to issue up to 50 invoices per month, free of cost.
- We launched a new module on the platform, focused on issuing real time store performance reports thorough the use of big-data and data analytics technologies. With these new features, all customers are able to track data such as sales volumes, product performance, location and sales trends in real time, comparing data with previous periods and allowing strategic decisions to be made with real time and updated information.
- We launched a new Customer Center, which is available to all virtual stores on the platform. This new module brings a new evolution in client experience as buyers can now track their orders. The module is fully responsive, user friendly and can be accessed from desktops or mobile devices.
- We continue to enhance our Design Partner Ecosystem and certified 70 new partners, reaching a total of 448 approved and qualified partners in our programs. With this, we were able to launch 25 additional themes in our Theme Shop, expanding the total amount to 104 and making it increasingly easy for new customers to set up their stores quickly and completely.
- With the strategy of continuing to grow outside of the Tray store base, Yapay signed partnerships with companies Bis2Bis, BizCommerce, FastCommerce, MageShop, Yampi and Irroba, which have e-

commerce platforms serving clients across Brazil, thus expanding the Company's integrated partners ecosystem, in addition to modules with key opensource solutions in the market.

- Yapay obtained the PCI-DSS certificate, valid for 2020, which proves that Yapay implements strong control and information security measures for all customer-related data, including sensitive credit card information.

## // BeOnline / SaaS

*"In 2019, we strengthen our BeOnline / SaaS operations through two acquisitions: KingHost and Delivery Direto. In addition, we intensified the development of new products and features in our existing solutions, thus consolidating LocaWeb as the largest digital platform for SME customers in Brazil."*

Fernando Cirne, CEO of LocaWeb

### // Acquisition – KingHost

- **Transaction rationale:** Consolidation of the leading position in the hosting market and the possibility of selling SaaS services through KingHost. In addition, the company had quality service indexes compatible with LocaWeb.
- **What we brought to KingHost:** A complete portfolio of SaaS solutions for hosting customers, cost synergy (data centers, links, back-office) and exchange of good management practices.
- **Expected impacts:** Increase in the sale of SaaS products and a partnership for the development of new products.

### // Acquisition – Delivery Direto

- **Transaction rationale:** Entry into the mobile solutions market, expanding solutions to other SMB segments and cross-selling with LocaWeb's customer base.
- **What we brought to Delivery Direto:** Management experience to enable accelerated growth, in addition to sales and marketing experiences.
- **Expected impacts:** Accelerated sales and cross-selling with the launch of new products.

### // Product Development

- We continue to invest heavily in the Criador de Site (website creator) product: we launched new features, such as a new image bank (with over 550,000 images), integration with Facebook (for transferring content between the website and Facebook) and integration with Google Analytics. The Criador de Sites store now offers inventory management, catalog management for images and prices, modules to calculate freight prices and an image bank with over 740,000 images.

- Launching of the new SaaS IP Communication product, with features such as a softphone for mobile extensions (a follow me feature option), voicemail, call history, expenses in real-time, and call center support with unique metrics for this customer profile, such as recording of phone calls, monitoring of waiting lines, Audible Response Unit (URA) service menus, among others.
- Launching of Hospedagem Wordpress (Hosting Wordpress), a new product that offers facilities for customers who needed to build their sites using Wordpress, with templates and plug-ins, but with more security and an excellent cost-benefit ratio.
- Reformulation of the entire VPS (Virtual Private Server) portfolio, maintaining all previous robustness, scalability, cost-effectiveness features, and now, in addition to Linux, it also offers the Windows operating system and very high-performance servers (16GB and 32GB plans and SSD drives for all plans).
- Launching of DBaaS (Database as a Service), a database product as a service for developers who need persistent data storage, with high scalability, performance and easy integration among applications.

## // Reinforcement of the Cyber Security structure

- We proactively reinforce our technology structure to protect against DDoS (denial of service attacks) cyber-attacks and compromise of environments, using artificial intelligence software for real-time analysis of virtual threat patterns with an exclusive cyber incident monitoring and response team.
- We hired additional IP traffic filtering capacity with national and international protection modules comparable with the largest global content and traffic providers.
- We implemented a new security process and technology architecture in order to have greater operational response to new threats discovered by the global security community.

## // People

*"Locaweb is a PEOPLE company. We have more than 500 highly requested technology professionals which are very sought after by the market. Thus, we need to carry out ongoing hiring programs in order to find the best professionals and develop them at the Company."*

Fernando Cirne, CEO of Locaweb

- We held the 4th edition of our Trainee program, which resulted in the hiring of 10 new talents who are now part of our team and allocated in strategic areas of the Company. Over the course of one year, trainees undergo an intense development process, accompanied by members of the executive board and the People & Management team.
- We continue to invest in the "Quero ser Dev" ("I want to be a Developer") program, which offers free training courses for those who want to evolve in the Developer career. In addition to providing training to over 1,500 participants, Locaweb benefits from hiring the ones who stand out.

- We enhanced the Leaders Program, with training that focuses on preparing current and future leaders to take on greater challenges and manage high performance teams. In 2019, six different training modules were given, with themes such as inspiring leadership, performance management and collaborative intelligence.
- We created the Inclusion and Diversity program aimed at improving our work environment and making it more inclusive. The program is divided into five fronts: Women, LGBTQI+, Disabled Individuals, Culture & Origins and Generations.

## // Covid-19

### // Corporate Actions

- We created a crisis committee, consisting of our CEO and directors, to assess the Covid-19 scenario on a daily basis. Our focus is on the safety of our employees and the continuity of our operations. The key decisions already implemented include:
  - Intensive guidance and information plan for employees, following WHO guidelines and other reliable sources.
  - We reinforce all hygiene measures. The cleaning team is doing an intense job in the areas of greatest risk and placing alcohol gel in dozens of points of greatest circulation and risk (i.e. biometrics).
  - We reassure our customers about the normality of our operation by notice on the website and individual reports.
  - We anticipate the flu vaccination campaign for March 20<sup>th</sup>.
  - We implemented a Home Office plan that reached 99% of the entire Company (as of March 24<sup>th</sup>). As we are already structured for remote work, this did not affect productivity or generate extra costs.

### // Business Impacts / Characteristics

- Our Business is resilient
  - **97% of our revenue is recurring** and with **automatic renewals**
  - Low revenue concentration: Our biggest client is responsible for **less than 1%** of the Company's **revenue**.
  - We are a **capitalized** and **cash-generating** company
  - More than **80% of our sales (in R\$) are made through digital channels**.

- Our services will be **needed most** in a scenario of **growing digitalization**.

## // Potential impacts on our Operation

- Products for small clients (which is Locaweb's focus) are suffering low impact (low ticket, essential service)
- Some products showed an increase in sales: Tray // VOIP telephony platform // Delivery Direto
- Circulation restriction might impact large client's operation: reduction in new sales, but it should freeze the migration to others platform
- Dollar appreciation may be an opportunity for products with competitors priced in US\$
- Deceleration of the economy may reduce the growth of GMV, however, the search for offline businesses for online solutions can be an opportunity

## // Summary

### // Consolidated

locaweb	4Q19	4Q18	vs 4Q18	2019	2018	vs 2018
Net Revenue	105.2	83.6	25.8%	385.7	315.0	22.5%
Gross Profit	45.5	38.2	19.0%	161.3	140.5	14.8%
EBITDA	29.5	21.5	37.3%	106.9	73.1	46.1%
EBITDA Margin (%)	28.1%	25.7%	2.4 p.p.	27.7%	23.2%	4.5 p.p.
Adjusted EBITDA <sup>1</sup>	30.2	22.6	33.4%	110.9	79.0	40.3%
Adjusted EBITDA Margin (%)	28.7%	27.1%	1.6 p.p.	28.7%	25.1%	3.7 p.p.
Net Income	6.9	5.3	29.8%	18.1	10.9	66.0%
Adjusted Net Income <sup>2</sup>	10.4	8.5	22.6%	28.2	19.0	48.4%
Adjusted Net Income Margin (%)	22.8%	22.2%	0.7 p.p.	17.5%	13.5%	4.0 p.p.
Cash Generation <sup>3</sup>	24.4	10.0	144.1%	63.2	37.4	69.0%
Cash Conversion (%) <sup>3</sup>	81%	44%	36.7 p.p.	57%	47%	9.7 p.p.
Leverage <sup>4</sup>	1.3x	0.7x	0.7x	1.3x	0.7x	0.7x

<sup>1</sup> Adjusted EBITDA refers to the net profit (loss) adjusted by the financial result, income tax and social contribution on profit, depreciation and amortization costs and expenses, expenses with stock option plans, expenses related to mergers and acquisitions, non-recurring bonus expenses considered by the Company's management, financial income related to derivatives used as a hedge instrument against exchange variation on operating liabilities, and write-off resulting from the sale of investments of subsidiary company Eventuals.

<sup>2</sup> Adjusted Net Income is calculated from net profit (loss), excluding: (i) stock option plan expenses; (ii) amortization expenses of intangibles resulting from the acquisitions of companies; (iii) adjustments related to CPC 06 (refers to the sum of financial expenses with interest due to updating of lease liabilities and the depreciation expense of right-of-use assets minus lease liability payments already made); and (iv) mark-to-market of derivative financial instruments.

<sup>3</sup> Cash Generation consists of "Adjusted EBITDA – Capex" and Cash Conversion consists of the dividing the "Adjusted EBITDA – Capex" by "Adjusted EBITDA".

<sup>4</sup> Net Debt divided by the Adjusted EBITDA



## // Commerce

Commerce	4Q19	4Q18	vs 4Q18	2019	2018	vs 2018
Gross revenue, net of rebate	25.2	17.3	45.7%	90.4	61.5	46.8%
Net Revenue	22.3	15.3	45.4%	80.1	54.7	46.5%
Gross Profit	14.3	11.3	26.4%	52.8	36.2	46.0%
Gross Margin (%)	64.0%	73.6%	-9.6 p.p.	65.9%	66.1%	-0.2 p.p.
EBITDA	7.7	6.7	14.0%	30.0	21.7	38.2%
EBITDA Margin (%)	34.3%	43.8%	-9.5 p.p.	37.4%	39.7%	-2.2 p.p.
Adjusted EBITDA <sup>1</sup> (ex back-office cost-sharing 2019)	8.9	6.7	32.6%	34.0	21.7	56.6%
Adjusted EBITDA Margin (%)	39.9%	43.8%	-3.9 p.p.	42.4%	39.7%	2.7 p.p.

<sup>1</sup> Disregarding the effects of the back-office cost sharing initiated in 2019.

Commerce	4Q19	4Q18	vs 4Q18	2019	2018	vs 2018
Total GMV <sup>1</sup>	1,153.8	745.5	54.8%	3,778.8	2,404.7	57.1%
TPV (Yapay)	238.7	133.2	79.2%	789.2	438.7	79.9%
Gross revenue, net of rebate	25.2	17.3	45.7%	90.4	61.5	46.8%
Net Revenue	22.3	15.3	45.4%	80.1	54.7	46.5%
Commerce Take-Rate <sup>2</sup>	2.2%	2.3%	-0.1 p.p.	2.4%	2.6%	-0.2 p.p.

<sup>1</sup> Total GMV includes GMV of stores plus GMV of other channels that we offer for integration to our customers.

<sup>2</sup> Take-rate: Gross revenue, net of rebate divided by the GMV

## // BeOnline / SaaS

BeOnline / SaaS	4Q19	4Q18	vs 4Q18	2019	2018	vs 2018
Gross revenue, net of rebate	92.7	76.6	20.9%	342.4	293.9	16.5%
Net Revenue	82.9	68.3	21.4%	305.6	260.3	17.4%
Gross Profit	31.2	26.9	15.9%	108.5	104.3	4.0%
Gross Margin (%)	37.6%	39.4%	-1.8 p.p.	35.5%	40.1%	-4.6 p.p.
EBITDA	21.9	14.8	47.9%	76.9	51.4	49.5%
EBITDA Margin (%)	26.4%	21.7%	4.7 p.p.	25.2%	19.8%	5.4 p.p.
Adjusted EBITDA <sup>1</sup>	22.5	15.9	41.6%	80.9	57.3	41.2%
Adjusted EBITDA Margin (%)	27.2%	23.3%	3.9 p.p.	26.5%	22.0%	4.5 p.p.
Adjusted EBITDA <sup>2</sup> (ex back-office cost-sharing 2019)	21.3	15.9	33.7%	76.9	57.3	34.2%
Adjusted EBITDA Margin (%)	25.7%	23.3%	2.4 p.p.	25.2%	22.0%	3.1 p.p.

<sup>1</sup> Adjusted EBITDA refers to the net profit (loss) adjusted by the financial result, income tax and social contribution on profit, depreciation and amortization costs and expenses, expenses with stock option plans, expenses related to mergers and acquisitions, non-recurring bonus expenses considered by the Company's management, financial income related to derivatives used as a hedge instrument against exchange variation on operating liabilities, and write-off resulting from the sale of investments of subsidiary company Eventials.

<sup>2</sup> Disregarding the effects of the back-office cost sharing initiated in 2019.



BeOnline / SaaS	4Q19	4Q18	vs 4Q18	2019	2018	vs 2018
Clients EoP - BeOnline / SaaS	364.9	291.4	25.2%	364.9	291.4	25.2%

## // Performance

### // Net Revenue

locaweb	4Q19	4Q18	vs 4Q18	2019	2018	vs 2018
Commerce	22.3	15.3	45.4%	80.1	54.7	46.5%
Segment share in the consolidated	21.2%	18.4%	2.9 p.p.	20.8%	17.4%	3.4 p.p.
BeOnline / SaaS	82.9	68.3	21.4%	305.6	260.3	17.4%
Segment share in the consolidated	78.8%	81.6%	-2.9 p.p.	79.2%	82.6%	-3.4 p.p.
<b>Net Revenue - Consolidated</b>	<b>105.2</b>	<b>83.6</b>	<b>25.8%</b>	<b>385.7</b>	<b>315.0</b>	<b>22.5%</b>

Locaweb's Net Revenue totaled R\$105.2 million in 4Q19, 25.8% higher than in 4Q18. In 2019, the increase was by 22.5%, totaling R\$385.7 million.

Commerce	4Q19	4Q18	vs 4Q18	2019	2018	vs 2018
Total GMV <sup>1</sup>	1,153.8	745.5	54.8%	3,778.8	2,404.7	57.1%
TPV (Yapay)	238.7	133.2	79.2%	789.2	438.7	79.9%
Gross revenue, net of rebate	25.2	17.3	45.7%	90.4	61.5	46.8%
Net Revenue	22.3	15.3	45.4%	80.1	54.7	46.5%
Commerce Take-Rate <sup>2</sup>	2.2%	2.3%	-0.1 p.p.	2.4%	2.6%	-0.2 p.p.

<sup>1</sup> Total GMV includes GMV of stores plus GMV of other channels that we offer for integration to our customers.

<sup>2</sup> Take-rate is calculated by dividing Gross Revenue, net of rebates, by Total GMV.

In the Commerce segment, Net Operating Revenue in 4Q19 increased by 45.4%, from R\$15.3 million in 4Q18 to R\$22.3 million in 4Q19. In 2019, the segment increased by 46.5% versus 2018, totaling R\$80.1 million.

The strong growth presented is the result of an increase of our GMV by 54.8% in 4Q19 and 57.1% in 2019, which reflects the expansion of our customer base, as well as of its sales, compared to the same periods in the previous year.

In the Commerce operation, we have different take-rates for the business segments, which were stable in 2019. The variation of -0.1 p.p. in the take-rate in 4Q19 and -0.2 p.p. in 2019, is the result of the mix of the businesses within the Commerce operation, as penetration increased in the Tray Corp base, whose operation has larger clients and a lower take-rate.

Given the faster growth, the Commerce segment's participation in the Company's total revenue base increased from 17.4% in 2018 to 20.8% in 2019.

BeOnline / SaaS	4Q19	4Q18	vs 4Q18	2019	2018	vs 2018
Gross revenue, net of rebate	92.7	76.6	20.9%	342.4	293.9	16.5%
Net Revenue	82.9	68.3	21.4%	305.6	260.3	17.4%
Clients EoP - BeOnline / SaaS	364.9	291.4	25.2%	364.9	291.4	25.2%

The number of clients in the BeOnline / SaaS segment (end of period), increased by 25.2% from 2018 to 2019. The Net Revenue of the BeOnline / SaaS segment in 4Q19 increased by 21.4%, from R\$68.3 million in 4Q18 to R\$82.9 million in 4Q19. In 2019, the segment increased by 17.4% versus 2018, totaling R\$305.6 million.

The consistent growth in Net Operating Revenue in 4Q19 and 2019 was impacted by the good performance of SaaS products and by the results of KingHost, which was acquired in May 2019.

The SaaS segment recorded an organic growth of 5.5% in 2019, in number of customers, and the BeOnline segment was stable in the period, while both segments recorded a 6.0% organic growth in average monthly revenue per user (ARPU).

The drop in ARPU in December 2019 on an inorganic basis was mainly due to the change in product mix with the acquisition of KingHost, which has portfolio predominantly consisting of hosting services only (lower average ticket compared to SaaS products).

## // Operating Costs and Expenses

locaweb	4Q19	4Q18	vs 4Q18	2019	2018	vs 2018
Cost of Services	59.7	45.4	31.5%	224.4	174.5	28.6%
Selling Expenses	16.6	16.7	-0.8%	70.2	62.3	12.7%
General and Administrative Expenses	15.0	9.7	53.9%	44.4	41.3	7.4%
Other Operating (Revenues) Expenses	(0.4)	(0.2)	121.5%	(6.2)	0.5	-1318.2%
<b>Total Operating Cost and Expenses</b>	<b>90.8</b>	<b>71.7</b>	<b>26.7%</b>	<b>332.8</b>	<b>278.6</b>	<b>19.4%</b>
% Net Revenue	86.4%	85.7%	0.6 p.p.	86.3%	88.5%	-2.2 p.p.

Locaweb's total operating costs and expenses decreased as a percentage of the Company's net revenue by 2.2 p.p. in 2019 versus 2018, from 88.5% in 2018 to 86.3% in 2019.

## Cost of Services

Cost of Services in 4Q19 was R\$59.7 million and R\$45.4 million in 4Q18, increasing by 31.5% between both periods, accounting for 56.8% and 54.3% of net revenue in 4Q19 and 4Q18, respectively. In 2019, Cost of Services increased by 28.6%, reaching R\$224.4 million, or 58.2% of net revenue. The increase is mainly due to personnel costs resulting from the acquisition of KingHost, which proportionally has a larger structure than the BeOnline / SaaS segment, increase of depreciation and amortization costs due to IFRS 16, as well as the investments done by the Company and the proactive reinforcement of the Cyber Security structure.

## Selling Expenses

Selling Expenses, which comprise of marketing and sales teams, as well as third-party services of the same nature, was R\$16.6 million in 4Q19, slightly lower than in 4Q18, and its percentage in net revenue reduced by 4.2 p.p. versus 4Q19 and 4Q18. In 2019, selling expenses increased by 12.7% versus 2018.

## General and Administrative Expenses

General and Administrative Expenses, which comprise of finance, HR, accounting and tax teams, third-party services of the same nature, as well as assets depreciation and amortization of IFRS 16 and PPA, was R\$15.0 million in 4Q19 and R\$9.7 million in 4Q18, an increase of 53.9%. General and Administrative Expenses accounted for 14.2% and 11.6% of net operating revenue in 4Q19 and 4Q18, respectively. In 2019, these expenses increased by 7.4%, accounting for 11.5% of net revenue.

## // Gross Profit

<b>locaweb</b>	<b>4Q19</b>	<b>4Q18</b>	<b>vs 4Q18</b>	<b>2019</b>	<b>2018</b>	<b>vs 2018</b>
Commerce	14.3	11.3	26.4%	52.8	36.2	46.0%
Margin (%)	64.0%	73.6%	-9.6 p.p.	65.9%	66.1%	-0.2 p.p.
BeOnline / SaaS	31.2	26.9	15.9%	108.5	104.3	4.0%
Margin (%)	37.6%	39.4%	-1.8 p.p.	35.5%	40.1%	-4.6 p.p.
<b>Gross Profit</b>	<b>45.5</b>	<b>38.2</b>	<b>19.0%</b>	<b>161.3</b>	<b>140.5</b>	<b>14.8%</b>
Gross Margin (%)	43.2%	45.7%	-2.5 p.p.	41.8%	44.6%	-2.8 p.p.

Gross Profit increased by 19.0% in 4Q19 and by 14.8% in 2019 versus 4Q18 and 2018, respectively.

The 2.5 p.p. reduction in Gross Margin in 4Q19 and 2.8 p.p. in 2019 reflects the increase in costs with personnel due to the acquisition of KingHost, which proportionally has a larger costs structure than the BeOnline / SaaS segment.

## // EBITDA and Adjusted EBITDA

<b>locaweb</b>	<b>4Q19</b>	<b>4Q18</b>	<b>vs 4Q18</b>	<b>2019</b>	<b>2018</b>	<b>vs 2018</b>
<b>Net Income</b>	<b>6.9</b>	<b>5.3</b>	<b>29.8%</b>	<b>18.1</b>	<b>10.9</b>	<b>66.0%</b>
(+) Net Financial Income	7.4	5.1	43.9%	28.7	16.2	76.4%
(+) Current Income Tax and Social Contribution	0.0	1.5	-99.0%	6.2	9.2	-32.7%
(+) Depreciation and Amortization	15.2	9.6	58.7%	53.9	36.8	46.6%
<b>EBITDA</b>	<b>29.5</b>	<b>21.5</b>	<b>37.3%</b>	<b>106.9</b>	<b>73.1</b>	<b>46.1%</b>
(+) Stock Options Plan	0.4	0.0	n/a	2.1	1.5	43.1%
(+) M&A Expenses	0.1	0.5	-81%	1.0	0.8	30.8%
(+) Non-recurring Bonus Expenses	0.1	0.2	-52%	0.8	1.1	-29.7%
(+) Operational Hedge	0.0	0.4	-100%	0.1	1.2	-90.8%
(+) Divestment	0.0	0.0	n/a	0.0	1.3	-100.0%
<b>Adjusted EBITDA</b>	<b>30.2</b>	<b>22.6</b>	<b>33.4%</b>	<b>110.9</b>	<b>79.0</b>	<b>40.3%</b>
<i>Adjusted EBITDA Margin (%)</i>	<i>28.7%</i>	<i>27.1%</i>	<i>1.6 p.p.</i>	<i>28.7%</i>	<i>25.1%</i>	<i>3.7 p.p.</i>
<i>KingHost Adjustment <sup>1</sup></i>	<i>0.0</i>	<i>0.0</i>	<i>n/a</i>	<i>3.9</i>	<i>0.0</i>	<i>n/a</i>
<b>Adjusted EBITDA - Considering FY of KingHost</b>	<b>30.2</b>	<b>22.6</b>	<b>33.4%</b>	<b>114.7</b>	<b>79.0</b>	<b>45.2%</b>

<sup>1</sup> Considers the Adjusted EBITDA for KingHost from January to April 2019.

As illustrated in the numbers above, Locaweb's Adjusted EBITDA was R\$30.2 million in 4Q19, increasing by 33.4% over 4Q18, with EBITDA Margin going from 27.1% in 4Q18 to 28.7% in 4Q19. In 2019, the growth was by 40.3%, reaching R\$110.9 million with a 3.7 p.p. expansion in Adjusted EBITDA Margin, which reached 28.7% in 2019.

Considering the 2019 results of KingHost (acquired in May/19), Adjusted EBITDA for the year was R\$114.7 million.

The 2019 EBITDA was positively impacted by R\$10.1 million due to the adoption of IFRS 16. Excluding this effect, the Company nonetheless showed a significant EBITDA growth of 27.5% compared to 2018.

## // EBITDA and Adjusted EBITDA by segment

Since January 2019, the Company has apportioned the costs of its shared back-office structures among all segments. The apportionment is determined by the percentage of the segment's net revenue in the Company's total net revenue.

For a better analysis of the performance evolution of the segments, we will present EBITDA by accounting segment, as well as the EBITDA without the increase in apportionment of back-office structures, thus allowing a better analysis of the evolution in EBITDA margins of each segment.

As the Commerce segment accounts for 20.8% of the Company's total net revenue, the apportionment for this segment was R\$1.2 million in 4Q19 and R\$4.0 million in 2019.

<b>locaweb</b>	<b>4Q19</b>	<b>4Q18</b>	<b>vs 4Q18</b>	<b>2019</b>	<b>2018</b>	<b>vs 2018</b>
<b>Commerce</b>						
EBITDA	7.7	6.7	14.0%	30.0	21.7	38.2%
EBITDA Margin (%)	34.3%	43.8%	-9.5 p.p.	37.4%	39.7%	-2.2 p.p.
EBITDA (ex back-office cost-sharing 2019) <sup>1</sup>	8.9	6.7	32.6%	34.0	21.7	56.6%
EBITDA Margin (%)	39.9%	43.8%	-3.9 p.p.	42.4%	39.7%	2.7 p.p.
<b>BeOnline / SaaS</b>						
Adjusted EBITDA	22.5	15.9	41.6%	80.9	57.3	41.2%
Adjusted EBITDA Margin (%)	27.2%	23.3%	3.9 p.p.	26.5%	22.0%	4.5 p.p.
Adjusted EBITDA (ex back-office cost-sharing 2019) <sup>1</sup>	21.3	15.9	33.7%	76.9	57.3	34.2%
Adjusted EBITDA margin (%) <sup>1</sup>	25.7%	23.3%	2.4 p.p.	25.2%	22.0%	3.1 p.p.
<b>Adjusted EBITDA - Consolidated</b>	<b>30.2</b>	<b>22.6</b>	<b>33.4%</b>	<b>110.9</b>	<b>79.0</b>	<b>40.3%</b>
Adjusted EBITDA margin (%)	28.7%	27.1%	1.6 p.p.	28.7%	25.1%	3.7 p.p.

<sup>1</sup> Excludes the effects back-office cost sharing initiated in 2019.

The EBITDA of the Commerce segment increased by 14.0% in 4Q19 and by 38.2% in 2019, reaching R\$7.7 million and R\$30.0 million, respectively. EBITDA Margins in 4Q19 and 2019 were 34.3% and 37.4%, respectively.

Excluding the effects of back-office cost-sharing in 2019, the Adjusted EBITDA of the Commerce segment grew 32.6% in 4Q19 and 56.6% in 2019, with 2.7 p.p. growth in the margin in 2019. The reduction in the 4Q19 is due to the increase in provision for bonuses payable to the Company's teams, who exceeded the goals set in early 2019.

The Adjusted EBITDA of the BeOnline / SaaS segment increased by 41.6% in 4Q19 and 41.2% in 2019, while the EBITDA Margin increased by 3.9 p.p. and 4.5 p.p. in 4Q19 and 2019, respectively. Excluding the positive effects of back-office cost-sharing in 2019 of the BeOnline / SaaS segment, the Adjusted EBITDA of the segment was 33.7% in 4Q19 and 34.2% in 2019, respectively, with a 2.4 p.p. growth in margin in 4Q19 and a 3.1 p.p. growth in margin in 2019.

## // Financial Result

<b>locaweb</b>	<b>4Q19</b>	<b>4Q18</b>	<b>vs 4Q18</b>	<b>2019</b>	<b>2018</b>	<b>vs 2018</b>
<b>Financial expenses</b>	<b>(4.1)</b>	<b>(3.9)</b>	<b>3.5%</b>	<b>(35.4)</b>	<b>(25.1)</b>	<b>40.9%</b>
<b>Financial revenues</b>	<b>(3.3)</b>	<b>(1.2)</b>	<b>179.3%</b>	<b>6.8</b>	<b>8.9</b>	<b>-23.9%</b>
<b>Net financial income (expenses)</b>	<b>(7.4)</b>	<b>(5.1)</b>	<b>43.9%</b>	<b>(28.7)</b>	<b>(16.2)</b>	<b>76.4%</b>

The net financial result in 4Q19 came in as a net expense of R\$7.4 million, increasing by 43.9% versus 4Q18. Excluding the effects of interest on lease liabilities due to the adoption of CPC 06(R2)/IFRS 16, net expenses in 4Q19 would have increased by 17.5%.

In 2019, the growth was 76.4% over 2018. This increase in 2019 is mainly due to the recognition of R\$5.4 million in interest on lease liabilities due to the adoption of CPC 06(R2)/IFRS 16 and the increase in interest expenses due to the Company's higher debt level.

In addition, financial expenses increased by R\$1.1 million due to discounts on receivables used to finance the working capital of the payment operation. The discounted balance of receivables as of December 31, 2019 was R\$47.3 million.

## // Income Tax and Social Contribution

<b>locaweb</b>	<b>2019</b>	<b>2018</b>
<b>Income (loss) before income taxes</b>	<b>24.3</b>	<b>20.1</b>
Combined statutory rate of 34%	34%	34%
<b>Income taxes at a combined statutory rate of 34%</b>	<b>(8.3)</b>	<b>(6.8)</b>
Adjustments to the effective rate		
Interest on shareholders' equity	1.2	1.9
Effect of presumed profit method	(0.4)	(1.0)
Effect of stock options plan expenses	(0.7)	(0.5)
Tax losses carryforward not recognized (tax loss)	(1.0)	(0.9)
Tax benefit from Lei do Bem	2.6	1.0
Others	0.4	(2.8)
<b>Income taxes in the statements of operations</b>	<b>(6.2)</b>	<b>(9.2)</b>
<b>Effective rate</b>	<b>25.6%</b>	<b>45.9%</b>

The effective expense for income tax and social contribution in 2019 was R\$6.2 million, with a effective rate of 25.6%. The reduction in the IR and CS rate in relation to its nominal value of 34% results from the tax advantage of the payment of interest on own capital, as well as from the tax benefit arising from the "Lei do Bem" (Law No. 11,196/05), which encourages companies to dedicate themselves to research, development and technological innovation.

## // Net Income and Adjusted Net Income

<b>locaweb</b>	<b>4Q19</b>	<b>4Q18</b>	<b>vs 4Q18</b>	<b>2019</b>	<b>2018</b>	<b>vs 2018</b>
<b>Net income</b>	<b>6.9</b>	<b>5.3</b>	<b>29.8%</b>	<b>18.1</b>	<b>10.9</b>	<b>66.0%</b>
(+) Stock option plan	0.4	0.0	n/a	2.1	1.5	43.1%
(+) Intangible amortization	2.9	0.3	958.3%	3.7	1.2	196.7%
(+) Deferred income tax and social contribution	(0.5)	2.3	-122.0%	0.2	4.4	-95.9%
(+) CPC 06 adjustment	0.6	-	n/a	2.4	-	n/a
(+) MtM	0.0	0.5	-90.7%	1.7	1.0	75.8%
<b>Adjusted net income</b>	<b>10.4</b>	<b>8.5</b>	<b>22.6%</b>	<b>28.2</b>	<b>19.0</b>	<b>48.4%</b>
Adjusted net income margin (%)	9.9%	10.1%	-0.3 p.p.	7.3%	6.0%	1.3 p.p.

As illustrated in the amounts presented above, Locaweb's Adjusted Net Income was R\$10.4 million in 4Q19, 22.6% higher than in 4Q18, with a net margin of 9.9%.

In 2019, Adjusted Net Income increased by 48.4%, reaching R\$28.2 million and representing a 1.3 p.p. expansion in net margin, which was 7.3% for the period.

## // Indebtedness

<b>locaweb</b>	<b>2019</b>	<b>2018</b>	<b>vs 2018</b>
(+) Loan and financing	116.5	82.5	41.2%
(+) Lease liability <sup>1</sup>	70.2	0.0	n/a
(-) Cash and cash equivalents <sup>2</sup>	(40.2)	(31.0)	29.7%
<b>Net debt</b>	<b>146.5</b>	<b>51.5</b>	<b>184.5%</b>
Adjusted EBITDA	110.9	79.0	40.3%
<b>Leverage<sup>3</sup></b>	<b>1.3x</b>	<b>0.7x</b>	<b>0.7x</b>
<b>Net debt (ex lease liability)</b>	<b>76.3</b>	<b>51.5</b>	<b>48.2%</b>
<b>Leverage (ex lease liability)<sup>4</sup></b>	<b>0.8x</b>	<b>0.7x</b>	<b>0.1x</b>

<sup>1</sup> Interest on lease liabilities refers to the adoption of CPC 06(R2)/IFRS 16 as of January 1, 2019.

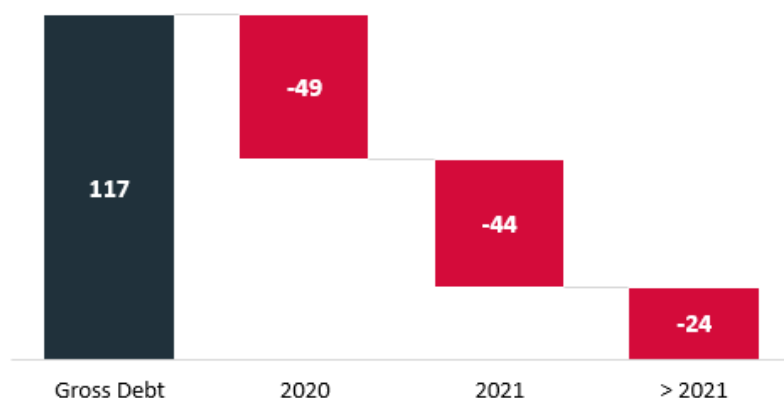
<sup>2</sup> Considers restricted short and long-term cash used as guarantee in financial funding.

<sup>3</sup> Leverage consists of Net Debt divided by "Adjusted EBITDA".

<sup>4</sup> Considers the 2019 EBITDA without IFRS 16 effects

In 2019, the Company's gross debt (loans and financings) increased by 41.2%, while cash and cash equivalents increased by 29.7%. The graph below illustrates the amortization schedule for the Company's gross debt:





The Company's leverage ratio, measured by Net Debt divided by Adjusted EBITDA, was 0.7x in 2018 and 1.3x in 2019. Excluding lease liability from the calculation, the leverage ratio would have remained stable in both periods.

## // Cash Flow

<b>locaweb</b>	<b>4Q19</b>	<b>4Q18</b>	<b>vs 4Q18</b>	<b>2019</b>	<b>2018</b>	<b>vs 2018</b>
<b>Income (loss) before income taxes</b>	<b>7.0</b>	<b>6.8</b>	<b>2.2%</b>	<b>24.3</b>	<b>20.1</b>	<b>20.8%</b>
Items that do not affect cash	22.4	17.5	28.3%	74.1	54.9	34.9%
Variations in working capital	(9.2)	(7.0)	31.7%	(15.6)	(16.4)	-5.3%
<b>Net cash provided by operating activities</b>	<b>20.2</b>	<b>17.3</b>	<b>16.7%</b>	<b>82.8</b>	<b>58.6</b>	<b>41.4%</b>
Capex for permanent assets	(2.6)	(8.0)	-66.8%	(34.6)	(29.6)	17.0%
Capex for development	(3.1)	(4.7)	-32.7%	(13.1)	(12.0)	8.6%
<b>Free Cash Flow - After Capex</b>	<b>14.4</b>	<b>4.7</b>	<b>209.1%</b>	<b>35.2</b>	<b>17.0</b>	<b>106.9%</b>
Acquisition	(1.0)	0.0	n/a	(27.1)	(27.3)	-1.0%
<b>Net cash provided by investment activities</b>	<b>(6.8)</b>	<b>(12.6)</b>	<b>-46.3%</b>	<b>(74.7)</b>	<b>(69.0)</b>	<b>8.4%</b>
Loan and financing	(7.5)	(2.6)	185.8%	15.8	(3.4)	-567.2%
Commercial lease	(2.6)	-	n/a	(10.1)	-	n/a
Dividends and interest on equity	(2.4)	(1.7)	44.9%	(8.5)	(7.9)	7.8%
Others	(0.5)	1.2	-139.6%	2.3	1.7	30.9%
<b>Net cash provided by financing activities</b>	<b>(12.9)</b>	<b>(3.1)</b>	<b>314.1%</b>	<b>(0.6)</b>	<b>(9.6)</b>	<b>-93.6%</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>0.4</b>	<b>1.5</b>	<b>-70.8%</b>	<b>7.5</b>	<b>(19.9)</b>	<b>137.6%</b>

Net cash from operating activities totaled R\$20.2 million and R\$82.8 million in 4Q19 and 2019, respectively, versus R\$17.3 million in 4Q18 and R\$58.6 million in 2018. The R\$24.2 million increase in 2019 was mainly due to the improvement of the Company's operating result in the period, as illustrated in the table above.

It also contributed to the growth, the change resulting from IFRS 16, which started to treat disbursements with leasing as a financing activity.

The Company's Free Cash Flow (after Capex) increased by 209.1% in 4Q19 and 106.9% in 2019, when compared to 4Q18 and 2018, respectively. Considering spending on leasing as an operating activity, the growth in Free Cash Flow (after Capex) in 2019 was 47.2%.

It is worth mentioning that, of the amounts spent on fixed assets in 2019, R\$5.1 million were used to settle outstanding balances of assets incorporated into the park in the previous year. It is thus possible to adjust the investment with fixed assets made exclusively with assets accounted for in 2019 to R\$29.5 million, lower than the previous year even with the acquisition of new operations. In contrast, investments in the development of new features and products grew by R\$1.1 million, compared to the previous 12 months. Both effects are in line with the Company's strategy of replacing investments in equipment with software development.

The amounts spent on acquisitions in 2019 refer to the payment of FBits Earnout and acquisitions of KingHost and Delivery Direto.

## // Cash Generation (Adjusted EBITDA – Capex)

<b>locaweb</b>	<b>4Q19</b>	<b>4Q18</b>	<b>vs 4Q18</b>	<b>2019</b>	<b>2018</b>	<b>vs 2018</b>
Adjusted EBITDA	30.2	22.6	33.4%	110.9	79.0	40.3%
Capex	5.8	12.6	-54.2%	47.7	41.6	14.6%
<b>Cash Generation (R\$ M)</b>	<b>24.4</b>	<b>10.0</b>	<b>144.1%</b>	<b>63.2</b>	<b>37.4</b>	<b>69.0%</b>
Cash conversion (%)	81%	44%	36.7 p.p.	57%	47%	9.7 p.p.

The Company's operating cash generation, measured by Adjusted EBITDA minus Capex, leaped by 144.1% in 4Q19 and by 69.0% in 2019 versus 4Q18 and 2018, respectively. This growth is explained by the Company's operational improvement in both periods.

## // ATTACHMENT I – Consolidated Income Statement

Income Statement (in R\$ million)	2018	2019	4Q18	4Q19
<b>NET REVENUE</b>	<b>315.0</b>	<b>385.7</b>	<b>83.6</b>	<b>105.2</b>
Cost of Services	(174.5)	(224.4)	(45.4)	(59.7)
<b>GROSS PROFIT</b>	<b>140.5</b>	<b>161.3</b>	<b>38.2</b>	<b>45.5</b>
<b>Operating income (expenses)</b>	<b>(104.1)</b>	<b>(108.4)</b>	<b>(26.3)</b>	<b>(31.1)</b>
Selling expenses	(62.3)	(70.2)	(16.7)	(16.6)
General and administrative expenses	(41.3)	(44.4)	(9.7)	(15.0)
Other operating income (expenses), net	(0.5)	6.2	0.2	0.4
<b>Income before financial results and income taxes</b>	<b>36.4</b>	<b>52.9</b>	<b>11.9</b>	<b>14.3</b>
<b>FINANCIAL RESULT</b>	<b>(16.2)</b>	<b>(28.7)</b>	<b>(5.1)</b>	<b>(7.4)</b>
Financial income	8.9	6.8	(1.2)	(3.3)
Financial expenses	(25.1)	(35.4)	(3.9)	(4.1)
<b>Income (loss) before income taxes</b>	<b>20.1</b>	<b>24.3</b>	<b>6.8</b>	<b>7.0</b>
<b>Income Taxes</b>	<b>(9.2)</b>	<b>(6.2)</b>	<b>(1.5)</b>	<b>(0.0)</b>
Current income taxes	(4.8)	(6.0)	0.9	(0.5)
Deferred income taxes	(4.4)	(0.2)	(2.3)	0.5
<b>Net income (loss)</b>	<b>10.9</b>	<b>18.1</b>	<b>5.3</b>	<b>6.9</b>

## // ATTACHMENT III – Income Statement ex IFRS 16

Income Statement (in R\$ million)	2018	2019	IFRS 16 - Impacts	2019 ex IFRS 16
<b>NET REVENUE</b>	<b>315.0</b>	<b>385.7</b>		<b>385.7</b>
Cost of Services	(174.5)	(224.4)	(2.4)	(226.8)
<b>GROSS PROFIT</b>	<b>140.5</b>	<b>161.3</b>	<b>(2.4)</b>	<b>158.9</b>
<b>Operating income (expenses)</b>	<b>(104.1)</b>	<b>(108.4)</b>	<b>(0.6)</b>	<b>(109.0)</b>
Selling expenses	(62.3)	(70.2)		(70.2)
General and administrative expenses	(41.3)	(44.4)	(0.6)	(45.0)
Other operating income (expenses), net	(0.5)	6.2		6.2
<b>Income before financial results and income taxes</b>	<b>36.4</b>	<b>52.9</b>	<b>(3.0)</b>	<b>49.9</b>
<b>FINANCIAL RESULT</b>	<b>(16.2)</b>	<b>(28.7)</b>	<b>5.4</b>	<b>(23.3)</b>
Financial income	8.9	6.8		6.8
Financial expenses	(25.1)	(35.4)	5.4	(30.0)
<b>Income (loss) before income taxes</b>	<b>20.1</b>	<b>24.3</b>	<b>2.4</b>	<b>26.7</b>
<b>Income Taxes</b>	<b>(9.2)</b>	<b>(6.2)</b>	<b>(0.8)</b>	<b>(7.0)</b>
Current income taxes	(4.8)	(6.0)		(6.0)
Deferred income taxes	(4.4)	(0.2)	(0.8)	(1.0)
<b>Net income (loss)</b>	<b>10.9</b>	<b>18.1</b>	<b>1.6</b>	<b>19.7</b>
Depreciation and amortization	36.8	53.9	(7.1)	46.8
<b>EBITDA</b>	<b>73.1</b>	<b>106.9</b>	<b>(10.1)</b>	<b>96.7</b>

## // ATTACHMENT III – Income Statement for BeOnline / SaaS

Income Statement (in R\$ million)	2018	2019	4Q18	4Q19
<b>GROSS REVENUE, net of rebate</b>	<b>293.9</b>	<b>342.4</b>	<b>76.6</b>	<b>92.7</b>
Taxes and rebates	(33.6)	(36.8)	(8.4)	(9.8)
<b>NET REVENUE</b>	<b>260.3</b>	<b>305.6</b>	<b>68.3</b>	<b>82.9</b>
Cost of Services	(156.0)	(197.1)	(41.4)	(51.7)
<b>GROSS PROFIT</b>	<b>104.3</b>	<b>108.5</b>	<b>26.9</b>	<b>31.2</b>
<b>Operating income (expenses)</b>	<b>(87.0)</b>	<b>(82.0)</b>	<b>(21.0)</b>	<b>(23.7)</b>
Selling expenses	(50.5)	(53.3)	(12.7)	(12.4)
General and administrative expenses	(36.1)	(33.4)	(8.5)	(11.8)
Other operating income (expenses), net	(0.5)	4.7	0.2	0.4
<b>Income before financial results and income taxes</b>	<b>17.3</b>	<b>26.5</b>	<b>5.9</b>	<b>7.5</b>
<b>FINANCIAL RESULT</b>	<b>(11.1)</b>	<b>(22.1)</b>	<b>(3.7)</b>	<b>(5.6)</b>
Financial income	23.3	6.6	5.7	(16.4)
Financial expenses	(34.4)	(28.7)	(9.3)	10.8
<b>Income (loss) before income taxes</b>	<b>6.2</b>	<b>4.4</b>	<b>2.3</b>	<b>1.9</b>
<b>Income Taxes</b>	<b>(5.5)</b>	<b>(1.4)</b>	<b>(0.9)</b>	<b>0.4</b>
Current income taxes	(2.3)	(1.7)	0.0	(0.6)
Deferred income taxes	(3.2)	0.3	(0.9)	1.0
<b>Net income (loss)</b>	<b>0.7</b>	<b>3.0</b>	<b>1.4</b>	<b>2.2</b>

## // ATTACHMENT IV – Income Statement for Commerce

Income Statement (in R\$ million)	2018	2019	4Q18	4Q19
<b>GROSS REVENUE, net of rebate</b>	<b>61.5</b>	<b>90.4</b>	<b>17.3</b>	<b>25.2</b>
Taxes and rebates	(6.8)	(10.2)	(1.9)	(2.8)
<b>NET REVENUE</b>	<b>54.7</b>	<b>80.1</b>	<b>15.3</b>	<b>22.3</b>
Cost of Services	(18.5)	(27.3)	(4.1)	(8.0)
<b>GROSS PROFIT</b>	<b>36.2</b>	<b>52.8</b>	<b>11.3</b>	<b>14.3</b>
<b>Operating income (expenses)</b>	<b>(17.1)</b>	<b>(26.3)</b>	<b>(5.3)</b>	<b>(7.4)</b>
Selling expenses	(11.9)	(16.9)	(4.1)	(4.2)
General and administrative expenses	(5.2)	(10.9)	(1.2)	(3.2)
Other operating income (expenses), net	(0.0)	1.5	(0.0)	0.0
<b>Income before financial results and income taxes</b>	<b>19.1</b>	<b>26.5</b>	<b>6.0</b>	<b>6.9</b>
<b>FINANCIAL RESULT</b>	<b>(5.2)</b>	<b>(6.6)</b>	<b>(1.5)</b>	<b>(1.7)</b>
Financial income	0.2	0.1	0.0	(0.0)
Financial expenses	(5.4)	(6.7)	(1.5)	(1.7)
<b>Income (loss) before income taxes</b>	<b>13.9</b>	<b>19.9</b>	<b>4.5</b>	<b>5.1</b>
<b>Income Taxes</b>	<b>(3.7)</b>	<b>(4.8)</b>	<b>(0.6)</b>	<b>(0.4)</b>
Current income taxes	(2.5)	(4.4)	0.8	0.1
Deferred income taxes	(1.2)	(0.4)	(1.4)	(0.5)
<b>Net income (loss)</b>	<b>10.2</b>	<b>15.1</b>	<b>3.9</b>	<b>4.7</b>

## // ATTACHMENT V – Balance Sheet

Assets (R\$ million)	Dec, 2019	Dec, 2018	Liabilities and Equity (R\$ mln)	Dec, 2019	Dec, 2018
<b>Current Assets</b>			<b>Current liabilities</b>		
Cash and cash equivalents	25.3	17.8	Suppliers	12.8	12.3
Restricted cash	2.7	4.6	Loans and financing	48.7	43.7
Accounts receivable	125.3	61.3	Lease liability	5.4	-
Taxes recoverable	8.1	6.4	Salaries and related charges	28.8	24.3
Derivatives	4.9	5.5	Other taxes payable	4.0	4.0
Other assets	10.0	6.5	Deferred revenue	37.1	30.4
<b>Total current assets</b>	<b>176.2</b>	<b>102.0</b>	Payables to clients	82.2	30.1
<b>Non-current assets</b>			Interest on shareholders' equity and dividends payable	0.0	2.6
Restricted cash	7.4	3.1	Taxes in installments	2.8	0.7
Judicial deposits	0.8	1.1	Accounts payable to former shareholders	14.7	5.5
Other assets	1.3	0.9	Other liabilities	1.4	2.1
Deferred income taxes	3.7	3.8	<b>Total current liabilities</b>	<b>237.9</b>	<b>155.8</b>
Investments	74.6	77.3	<b>Non-current liabilities</b>		
Property and equipment	67.8	-	Loans and financing	67.8	38.8
Intangible assets	182.3	88.0	Provision for legal proceedings	1.0	1.3
<b>Total non-current assets</b>	<b>337.8</b>	<b>174.3</b>	Accounts payable to former shareholders	30.1	13.7
			Lease liability	64.8	-
			Provision for losses on investments	-	-
			Taxes in installments	21.9	3.4
			Other liabilities	2.1	2.2
			<b>Total non-current liabilities</b>	<b>187.7</b>	<b>59.5</b>
			<b>EQUITY</b>		
			Capital Stock	53.6	53.5
			Capital reserves	18.3	3.3
			Earning reserves	16.4	4.3
			<b>Total EQUITY</b>	<b>88.3</b>	<b>61.1</b>
<b>Total assets</b>	<b>514.0</b>	<b>276.3</b>	<b>Total liabilities and equity</b>	<b>514.0</b>	<b>276.3</b>



## // ATTACHMENT VI – Cash Flow Statement

Cash Flow	Consolidated		Consolidated	
	2018	2019	4Q18	4Q19
<b>Net cash provided by operating activities</b>				
Income (loss) before income taxes	20,1	24,3	6,8	7,0
Items that do not affect cash	54,9	74,1	17,5	22,4
Variations in working capital	(16,4)	(15,6)	(7,0)	(9,2)
<b>Net cash provided by operating activities</b>	<b>58,6</b>	<b>82,8</b>	<b>17,3</b>	<b>20,2</b>
<b>Net cash provided by investment activities</b>				
Purchase of property and equipment	(29,6)	(34,6)	(8,0)	(2,6)
Accounts payable for acquisition of equity interest	(23,9)	(4,1)	0,0	(0,0)
Cash from merged companies	0,4	-	0,0	-
Acquisition of subsidiaries, net of cash acquired	(3,8)	(22,9)	-	(1,0)
Acquisition and development of intangible assets	(12,0)	(13,1)	(4,7)	(3,1)
<b>Net cash provided by investment activities</b>	<b>(69,0)</b>	<b>(74,7)</b>	<b>(12,6)</b>	<b>(6,8)</b>
<b>Net cash provided by financing activities</b>	<b>(9,6)</b>	<b>(0,6)</b>	<b>(3,1)</b>	<b>(12,9)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(19,9)</b>	<b>7,5</b>	<b>1,5</b>	<b>0,4</b>
Cash and cash equivalents at beginning of the year	37,7	17,8	16,3	24,8
Cash and cash equivalents at end of the year	17,8	25,3	17,8	25,3
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(19,9)</b>	<b>7,5</b>	<b>1,5</b>	<b>0,4</b>

## // INVESTOR RELATIONS

- **Rafael Chamas**  
Chief Financial and Investor Relations Officer
- **Henrique Marquezi Filho**  
Investor Relations Manager

**Email:** [ri@locaweb.com.br](mailto:ri@locaweb.com.br)

**Phone:** +55 11 3544-0479