2Q19 CONFERENCE CALL – Aug. 15, 2019

Good morning everyone! I'm José Leoni, Sinqia's Head of Investor Relations. Thank you for listening our 2019 2nd quarter results conference call.

Beginning the presentation on **slide 2** where I highlight the important event that marked this Q2, a period full of records: the Softpar acquisition announced in May. This acquisition was important for several reasons:

First, because it adds new suites to our Sinqia Banks platform, the only full banking platform available in Brazil. Second, because it brings as customers medium and small financial institutions, a complementary profile to our portfolio, then dominated by large financial institutions. Third, because it will make a huge contribution to our consolidated results. And last and most importantly: Softpar's acquisition was the fourth in a seven-month period, and I highlight a very relevant message. We are prepared to run further our consolidation strategy!

Moving on to **slide 3**, the chart on the left shows that in the 2Q19 we had record net revenues of R$ 42.2 million, a growth of 23.6% over the same quarter of the previous year. The excellent number arises from an organic addition of R$ 1.5 million, and an inorganic addition of R$ 6.5 million. It's important to remark that this inorganic addition has only 1 month of Softpar's revenues: that company was acquired in May, and only the results of June was consolidated in our financial statements. In the last 12 months we record net revenue of R$ 156.1 million, with growth of 14.1%.

The right chart we show that in the 2Q19 we achieved recurring revenues of R$ 35.3 million, a new quarterly record, and growth of 25.9% over the same period of the previous year. This growth also reflects evolution in recurrence, which reached 83.8%, 1.5 p.p. increase. This recurrence level reinforces that our business continues to be predictable and resilient. In the last 12 months we report recurring revenues of R$ 128.3 million, with 21.9% growth and recurrence of 82.2%.

Now, on **slide 4**, the left chart shows that in the 2Q19 we recorded a gross profit of R$ 12.4 million, practically in line with the same period of previous year, and the gross margin was 29.4%, less 7.9 p.p. In the last 12 months, we recorded a gross profit of R$ 52.6 million, also in line with the same period last year, and the gross margin was 33.7%, fall of 5.7 p.p.

It's important to emphasize that, since the beginning of 2019, our gross margin has been compressed by the higher costs aiming to convert the sales backlog into revenues, as I will explain next.

In the center chart, we see that in the 2Q19 general and administrative expenses (SG&A) reached R$ 9.0 million, growing 16.9%, representing 21.5% of net revenues, reduction of 1.2 p.p. That's to say, even if it has grown in absolute value, it has been reduced as a proportion of the revenue due to dilution with recent acquisitions. In the last 12 months, SG&A expenses totaled R$ 40.1 million, growing 22.5%, representing 25.7% of net revenues, growth of 1.8 p.p.

And the right chart on the illustrates that adjusted EBITDA, excluding extraordinary items related to the acquisitions, was R$ 5.1 million, a 2.1% growth over the same period of the previous year, with an EBITDA margin of 12.1%, 2.5 p.p. fall. This temporary reduction in profitability reflects the effects of recent acquisitions and the large number of ongoing implementations. The last 12 months, adjusted EBITDA was R$ 18.4 million, 13.1% reduction, with 11.8% adjusted EBITDA margin, falling 3.7 p.p. We are safe with the strategy of accelerating our organic and inorganic growth and confident with the outlook of expressive gains of scale and profitability.

About our business units, on **slide 5**, and for everyone to understand the extremely positive context of this 2Q19, it is worth to talk again about our contracts portfolio, which reflects the value of all active subscription contracts – software already implemented and generating revenue, and those who still have not been implemented and will generate revenues in the future.

The gross value of our contract portfolio reached R$ 137.3 million in this 2Q19, a huge 67.9% growth over the same year previous period. that growth was for two reasons: we added R$ 13.9 million organically – considering new contracts less lost contracts. Such addition was possible because after attps's acquisition in late 2016, we changed our business model, charging less for setup and more in monthly fees, reducing the switching cost of our potential customers, and increasing much more our commercial possibilities. On the other side, we add R$ 41.6 million inorganically - this is the value of contracts from the acquisitions of ConsultBrasil, Atena, ADSPrev and Softpar.

Moving to **slide 6**, the chart on the left shows that in the 2Q19 the Software Unit recorded net revenues of R$ 29.2 million, a new quarterly record, with growth of 33.5% over the same period last year. The expressive number mainly reflects an inorganic addition of R$ 6.5 million, since the largest part of the software backlog still was not converted into revenues. In the last 12 months this unit has recorded net revenues of R$ 100.4 million, an 11.0% growth.

And the right chart, the 2Q19 the Software Unit gross profit achieved R$ 10.0 million, in line with the same period of the previous year, and the gross margin was 34.3%, a reduction of 11.4 p.p. In the last 12 months, the unit recorded a gross profit of R$ 39.9 million, below the same quarter previous year, and the gross margin was 39.7%, fall of 8.8. p.p. As said before, it’s very important to emphasize that, since the beginning of 2019, our gross margin has been compressed by the higher costs with development and implantation aiming to convert sales into revenues, this is exactly what helps understand the results of this unit.

Moving to **slide 7**, in the left chart, we notice that in the first half of the year, since the beginning of 2019, the Software Unit had a total cost of R$ 34.9 million, with an inorganic component of R$ 5.2 million (representing the 2019 acquisitions), and an organic component of R$ 29.6 million.

In the right chart, we decompose that organic component in its main lines. development and implementation projects were almost zero in the same period last year, because at that time Sinqia was gradually expanding sales. But now these cost lines totaled R$ 6.1 million per semester, equivalent 7.5% of the company's net revenues. This explains why margins are temporarily compressed: as implementations advance, this cost will be diluted by a larger revenues volume, and margins compression will be softer.

Now on **slide 8**, the left chart shows that in the 2Q19, the Services Unit has recorded net revenues of R$ 12.9 million, growing 5.7% from the good performance of outsourcing. In the last 12 months this unit has recorded net revenues of R$ 55.7 million, growth of 20.0%.

The right chart shows that in the 2Q19 the Services Unit achieved gross profit of R$ 2.4 million, a reduction of 13.2% over the same period of the previous year, and gross margin was 18.2%, 4.0 p.p. lower. In the last 12 months, this unit recorded a gross profit of R$ 12.7 million, 26.7% above the same period last year, and the gross margin was 22.8%, up 1.2 p.p. All these variations are within the usual dynamic of services business.

Now, I leave the word with Mr. Daniel Fecci, our Financial Manager.

Thank you, Leoni. Recently, we had important movements in our financial position represented on **slide 9**.

In the left chart, we recorded a gross cash balance of R$ 25.3 million at the end of the 2Q19, a positive change of R$ 0.7 million over March 2019. Over the quarter, this balance was influenced by three main events. First, the receipt of the final installment of the company's 1st debentures issuance, which added R$ 16.5 million in the cash position; second, the sale of treasury shares, adding R$ 9.1 million to cash position; and third, the cash payment for the acquisition of Softpar, that subtracted R$ 18.0 million from our cash position. Therefore, we were able to make another important purchase, and still maintain the gross cash balance in a reasonable level for daily activities.

In the center chart, we had gross debt of R$ 103.9 million at the end of June, an increase of R$ 34.0 million. That result is due to two factors. The receipt of the final installment of the 1st debentures issuance, in the amount of R$ 16.5 million to financial debt and the acquisition of Softpar, whose deferred installment added R$ 16.5 million to our liabilities, including an earnout estimate.

In the right chart, net debt ended 2Q19 at R$ 78.6 million, positive variation of R$ 33.3 million. This net debt represents 4.3x adjusted EBITDA for the last 12 months. We have a 3.0x covenant for the end of the year, but considering, in addition to the company's adjusted EBITDA, the 12-month EBITDA of the acquired companies. Therefore, this debt level does not worry us, and we should easily fulfill it.

On **slide 10**, to finish the results presentation, of by strengthening the message I was getting at the beginning of this conference call: Sinqia is prepared to run even faster our consolidation strategy.

After performing the last 4 acquisitions in 7 months we are confident and prepared to start the next consolidation cycle, which will be more successful and intense than the cycle starting on 2013 after our IPO.

Thank you all, myself and the Investors Relations team are available for clarification at: ri@sinqia.com.br