

Results

**1Q20**

**Telefônica Brasil S.A.  
Investor Relations**

May 6<sup>th</sup> 2020

*Telefônica*

**vivo**





# DISCLAIMER



**This presentation may contain forward-looking statements** concerning future prospects and objectives regarding growth of the subscriber base, a breakdown of the various services to be offered and their respective results



**Our actual results may differ materially from those contained in such forward-looking statements**, due to a variety of factors, including Brazilian political and economic factors, the development of competitive technologies, access to the capital required to achieve those results, and the emergence of strong competition in the markets in which we operate



**The exclusive purpose of such statements is to indicate how we intend to expand our business** and they should therefore not be regarded as guarantees of future performance



**We are presenting reported numbers for 2020 and 2019**, considering impacts from the adoption of IFRS 16, unless stated otherwise. Nonetheless, for a better understanding, YoY variations of 2019 results disregards impacts from the adoption of IFRS 16 in that given year, unless stated otherwise

**At Vivo, our purpose is “digitalize to bring closer”** and we are committed to helping Brazil navigate through the Covid-19 crisis

**We have reinforced our network capacity and quality** to be able to cope with the higher traffic perceived over the last weeks with no harm to our unrivaled customer experience, **based on the best telecom network in Brazil**, combining the largest mobile data coverage and FTTH footprint

To help our B2C customers remain connected and entertained, **we are offering mobile data bonuses, opening 100 TV channels and giving free access to selected apps**. For our B2B customers, we are **zero-rating the usage of collaboration tools**

**We are offering our B2C customers the possibility to negotiate their debts with Vivo** by paying in up to 10 installments, free of interest and charges, so they can continue to rely on our services during this challenging period

We managed to have **almost 100% of employees**, excluding stores and field services, **in home office**, strengthened our **healthcare assistance with telemedicine platforms** and **joined the Não Demita (Do Not Fire) movement**, guaranteeing jobs will be maintained during the next months

**We are leveraging on Big Data to support governments’ actions against Covid-19** by offering **mobility heatmaps** based on consolidated data and respecting data privacy laws and policies. Additionally the Company is using the resources of **Fundação Telefônica Vivo** to invest in **expanding the capacity and content of our distance learning platforms** and provide basic food baskets to the families of the most vulnerable students



# Improved customer base mix leading to higher profitability and strong cash generation in this quarter

**+6.6%**

Postpaid Customers YoY

43.7 mn

Postpaid Customers

**+30.4%**

FTTH Customers YoY

2.7 mn

FTTH Customers



Key  
Segments



Revenues

**75%**

of Total Revenues

Coming from  
Recurring  
Subscriber Fees

**+38.9%**

YoY

Fiber<sup>1</sup> Revenues  
(24% of fixed revenues)

**-3.3%**

YoY

Recurring Costs

**+1.6%**

Recurring EBITDA YoY

40.9% Margin



Profitability



Cash

**2.1bn**

R\$

Free Cash Flow  
(+81.9% YoY)

**25.7%**

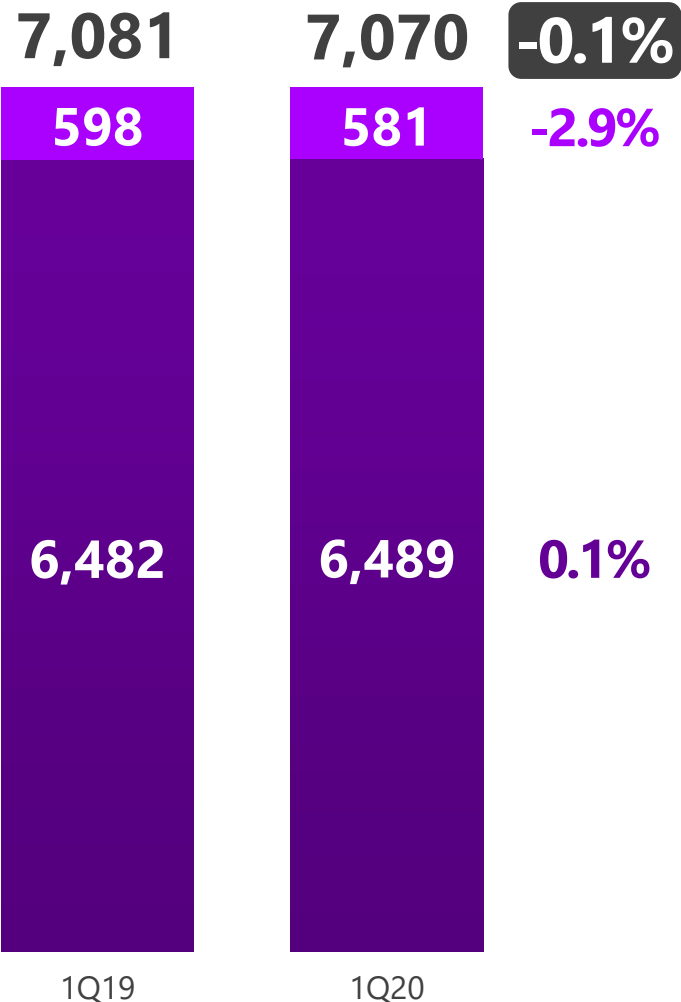
Margin

Operating Cash Flow  
(+1.4 p.p. YoY)

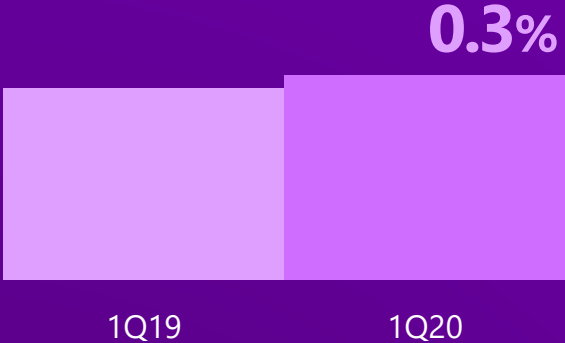
Lower commercial activity in March led to softer mobile revenue evolution, despite initial prepaid recovery

Mobile Revenues  
R\$ million

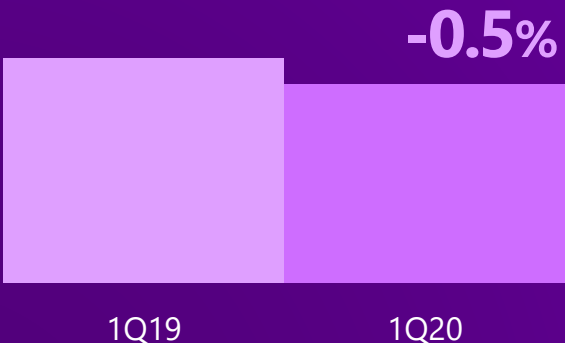
- Handsets
- Mobile Services



Postpaid<sup>1</sup> Revenue  
R\$ million



Prepaid Revenue  
R\$ million



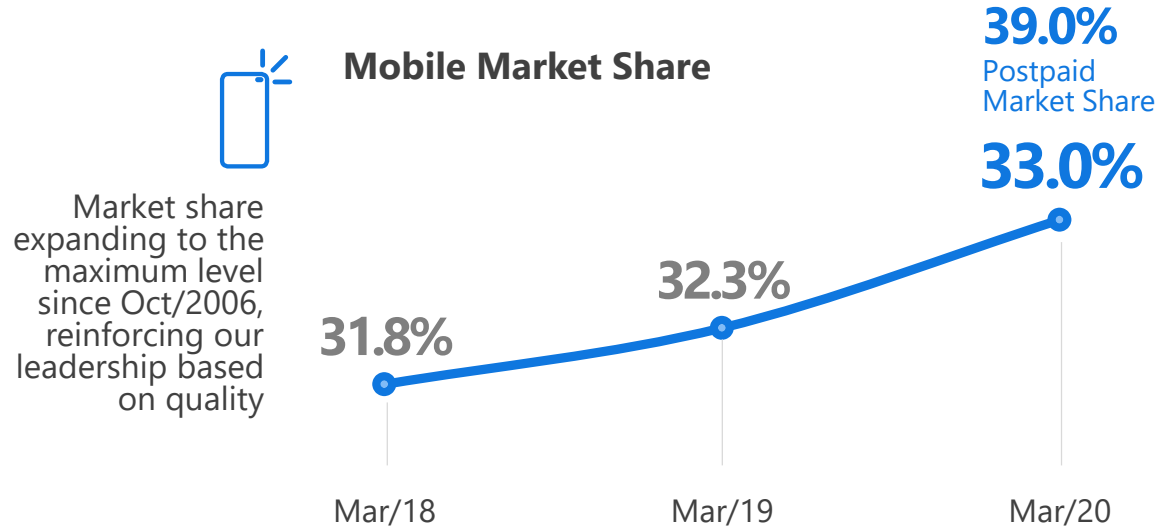
**Mobile revenues contraction** driven by reduced postpaid gross adds and sudden drop of handset sales during the last two weeks of March

**Postpaid suffering from quarterly volatility** due to anticipation of hybrid price increases in 1Q19 and initial Covid-19 effects

**Best prepaid performance since 1Q15** driven by rationalization of offers, active management of customer base and improved value proposition

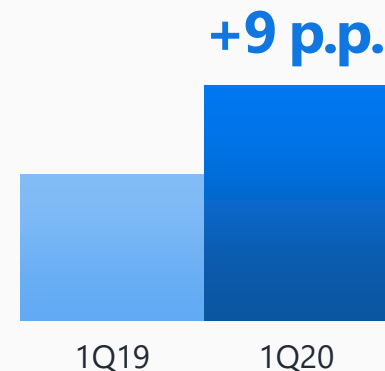
1- Postpaid revenue includes M2M and wholesale.

# Solid operating figures in Q1 strengthening our leadership in mobile

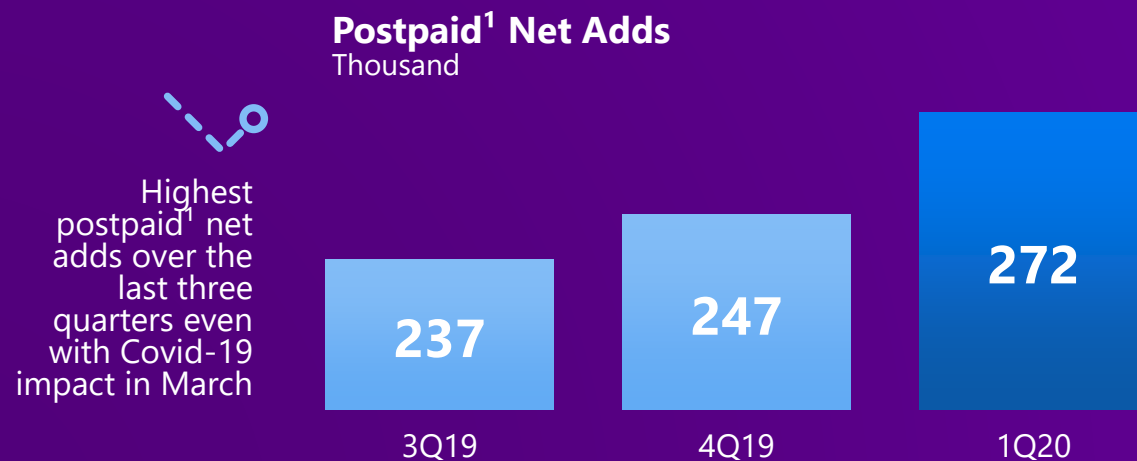
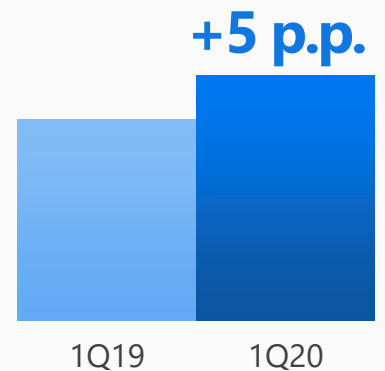


 Greater use of online channels accelerating migrations to hybrid and digital top-ups

## Digital Migrations to Hybrid % over Total



## Digital Top-Ups % over Total



 Lowest postpaid ex-M2M churn in many years attesting the strength of our customer base

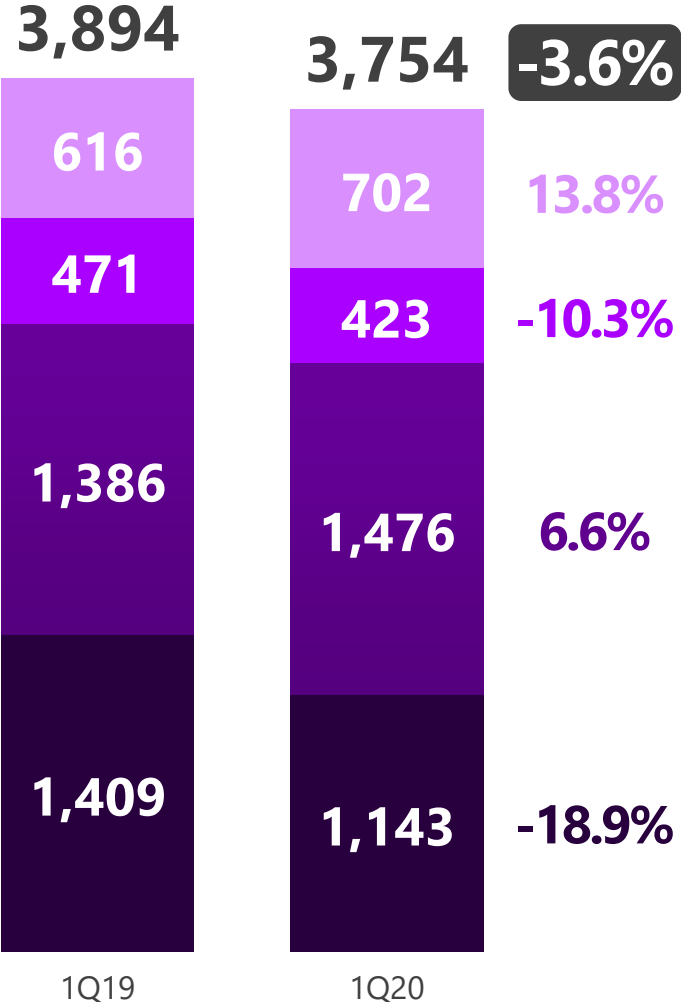
## Postpaid Churn ex-M2M



# Strong increase of fiber services revenues accelerating growing businesses expansion

Fixed Revenues<sup>1</sup>  
R\$ million

- Corporate Data and ICT
- Pay TV
- Broadband
- Voice and Accesses

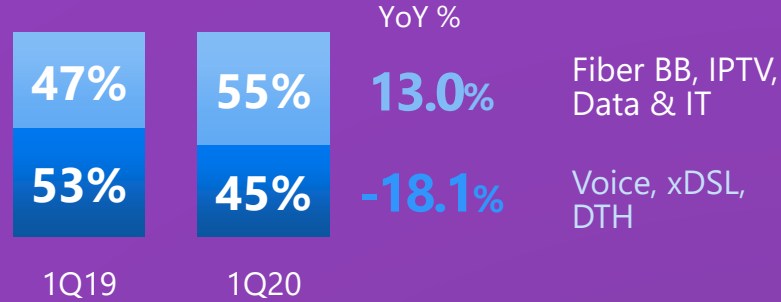


Growing businesses gaining proportion, building a solid foundation for future fixed revenues growth

FTTH + IPTV revenues already representing 24% of fixed revenues, with a combined growth of 38.9% YoY

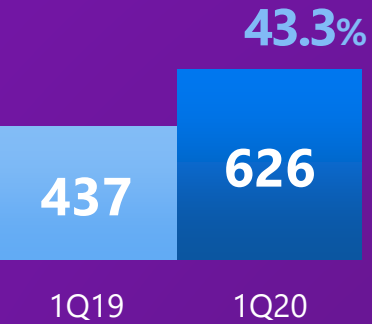
Decision to discontinue the sales of DTH pay TV still weighing on YoY evolution of fixed revenues

## Fixed Revenues Breakdown



## FTTH Revenue

R\$ million



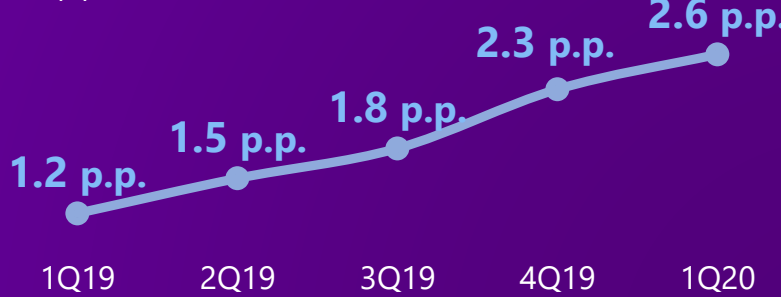
## IPTV Revenue

R\$ million



## DTH Drag on Fixed Growth

YoY p.p.



1- The chart's breakdown does not disclose other services revenues.

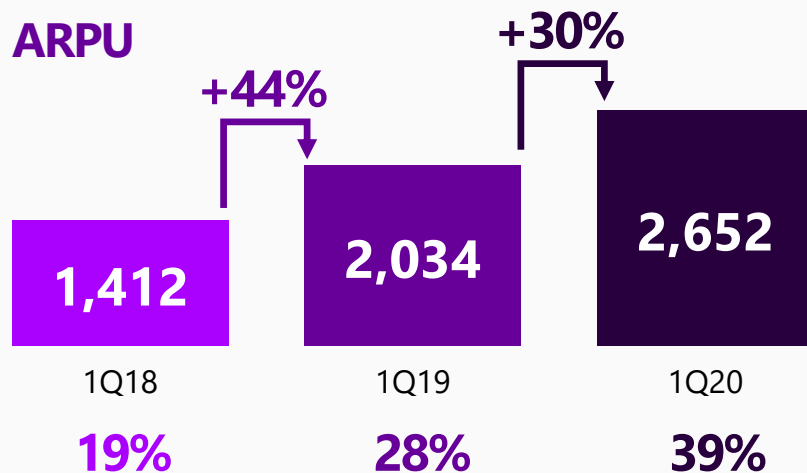
# Record FTTH net adds and accelerated IPTV adoption in the quarter leading to strong growth of Broadband and Pay TV ARPU

## Broadband Accesses and ARPU

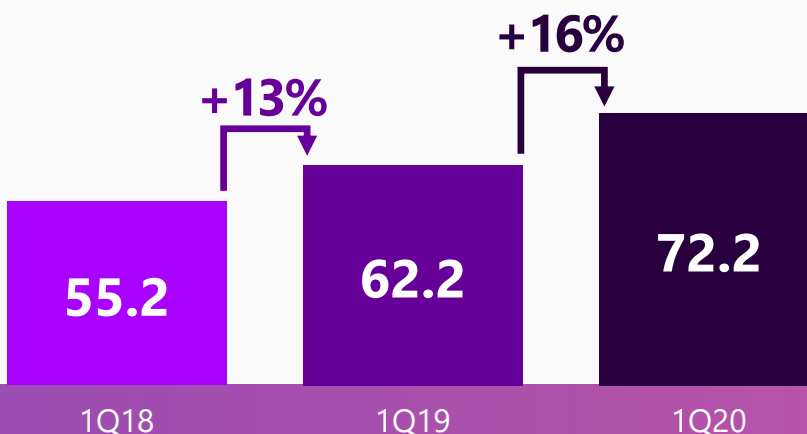


**FTTH  
Accesses**  
Thousand

% over  
BB base



**BB ARPU<sup>1</sup>**  
R\$ per month

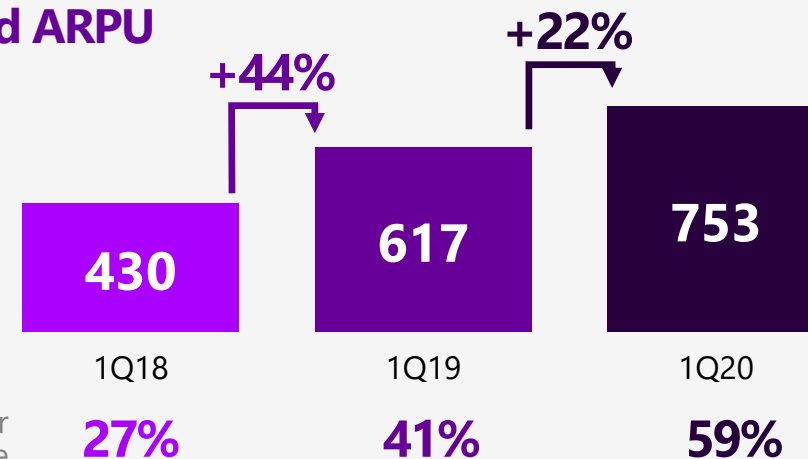


## Pay TV Accesses and ARPU

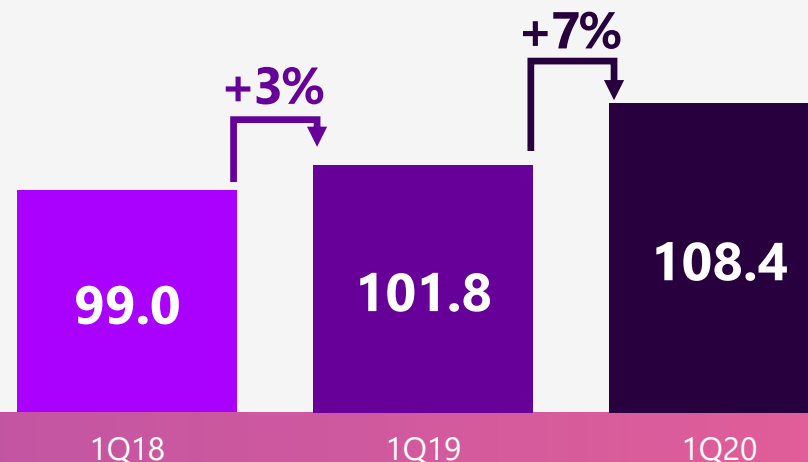


**IPTV  
Accesses**  
Thousand

% over  
TV base



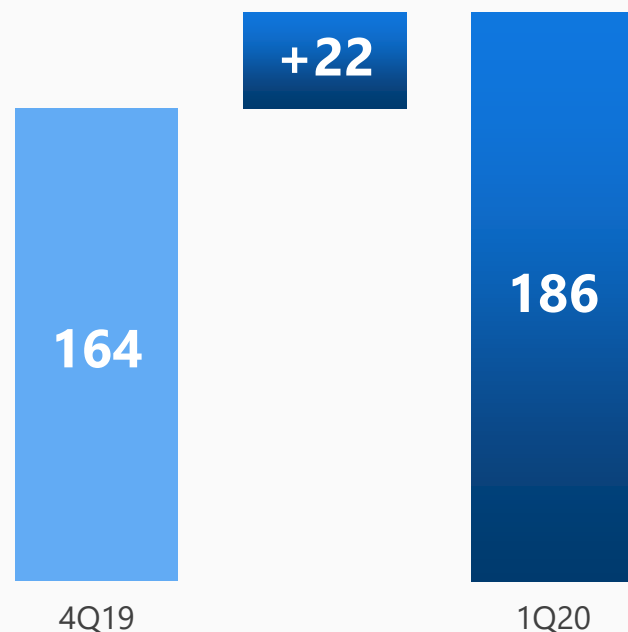
**Pay TV ARPU<sup>1</sup>**  
R\$ per month



# Expansion of our FTTH footprint to create a unique, future-proof asset



## FTTH Cities

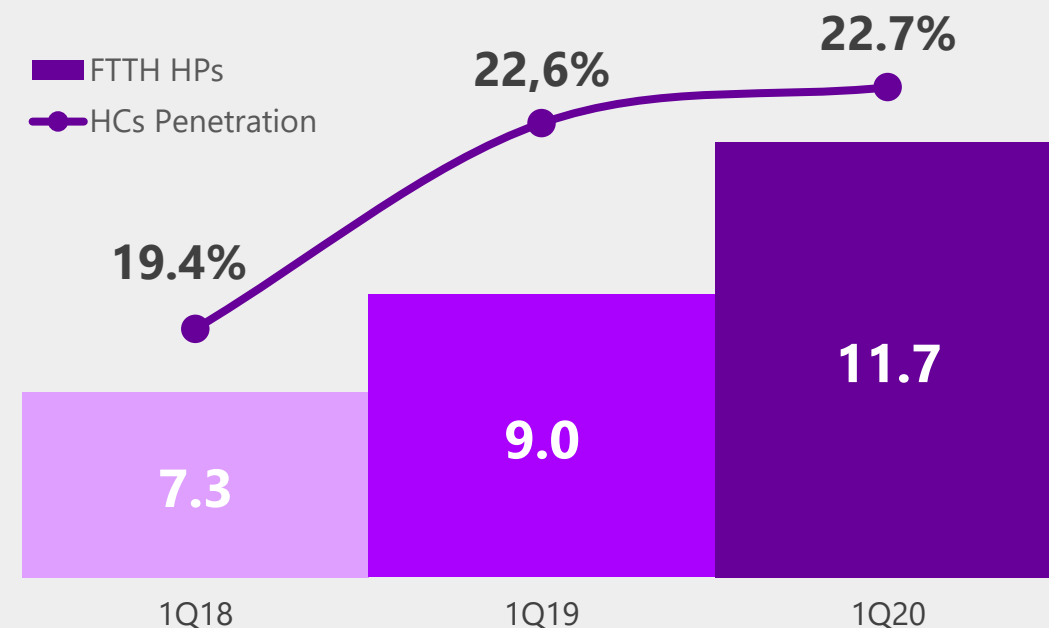


### Cities launched in 1Q20

Amparo/SP  
Caieiras/SP  
Campina Grande/PB  
Campos dos Goytacazes/RJ  
Criciúma/SC  
Dourados/MS  
Foz do Iguaçu/PR  
Governador Valadares/MG  
Itaquaquecetuba/SP  
Itumbiara/GO  
Louveira/SP  
Ourinhos/SP  
Pinhais/PR  
Ribeirão Pires/SP  
Rio Verde/GO  
Santa Rosa/RS  
Santo Angelo/RS  
São José/SC  
São Roque/SP  
Sinop/MT  
Três Pontas/MG  
Votorantim/SP



## FTTH HPs and HCs Penetration



- Expansion to fresh markets underway, allowing us to tap into new regions
- Accelerating the launch of new FTTH cities by **overlaying copper and FTTC networks**, reducing time-to-market

- 739 thousand HPs added in 1Q20**, as expansion continues at full speed even amidst Covid-19 crisis
- Penetration of homes connected over homes passed remains on the rise**, with increased investment in verticalizations and connections

# Vivo is incentivizing the use of e-care platforms to improve customer experience and increase efficiency



## e-commerce

**24%** % of digital FTTH sales  
1Q20

% of digital mobile sales  
1Q20 **17%**

We are constantly improving our e-commerce aiming for it to become our **main distribution channel in the coming years**



## Meu Vivo

**16.7M** Meu Vivo  
unique users

Meu Vivo (Fixed)  
unique users | MoM **+34%**

**Meu Vivo became our main customer care platform**, with over 70 million accesses per month



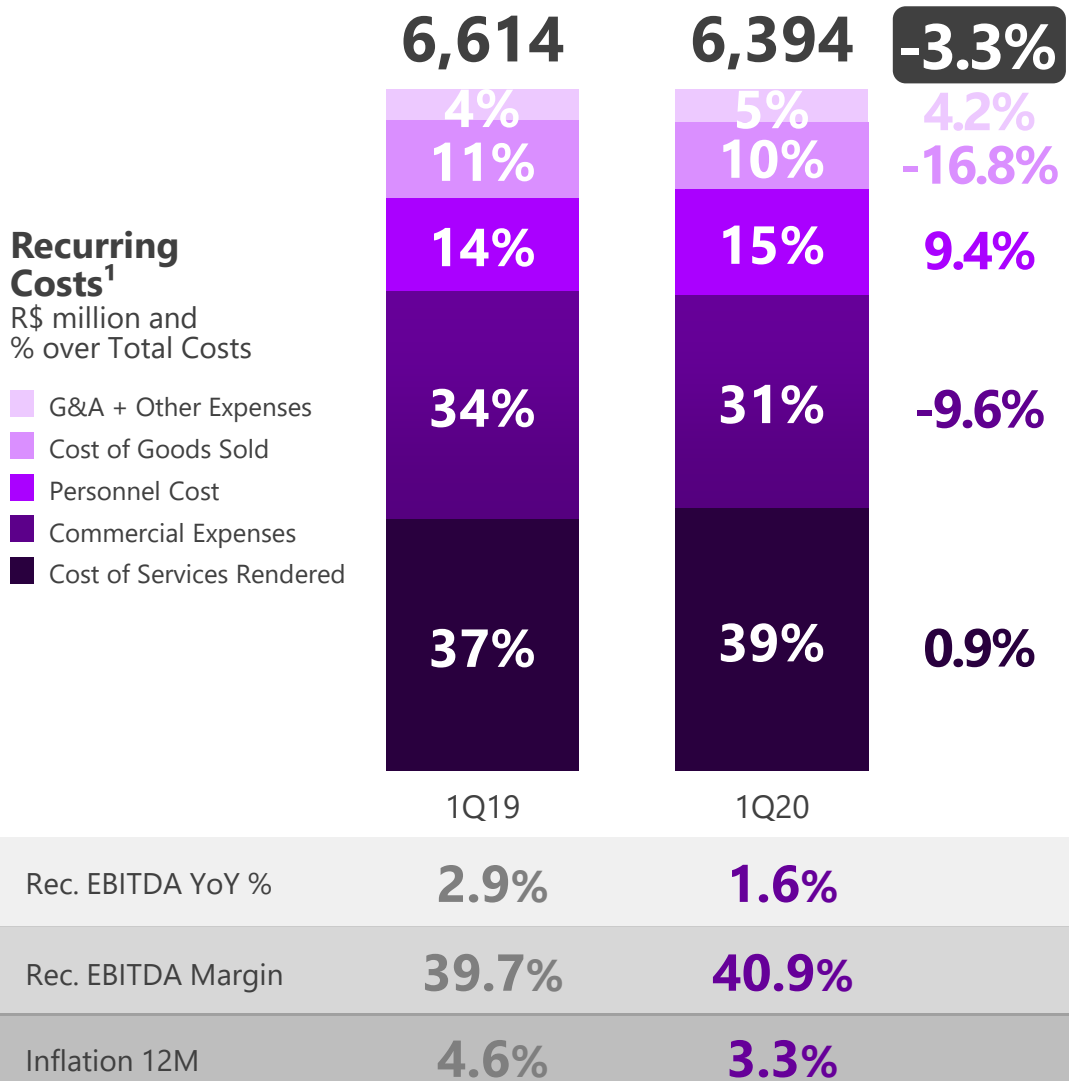
## AURA (AI)

**+1.6x** Aura on WhatsApp  
# of accesses | QoQ

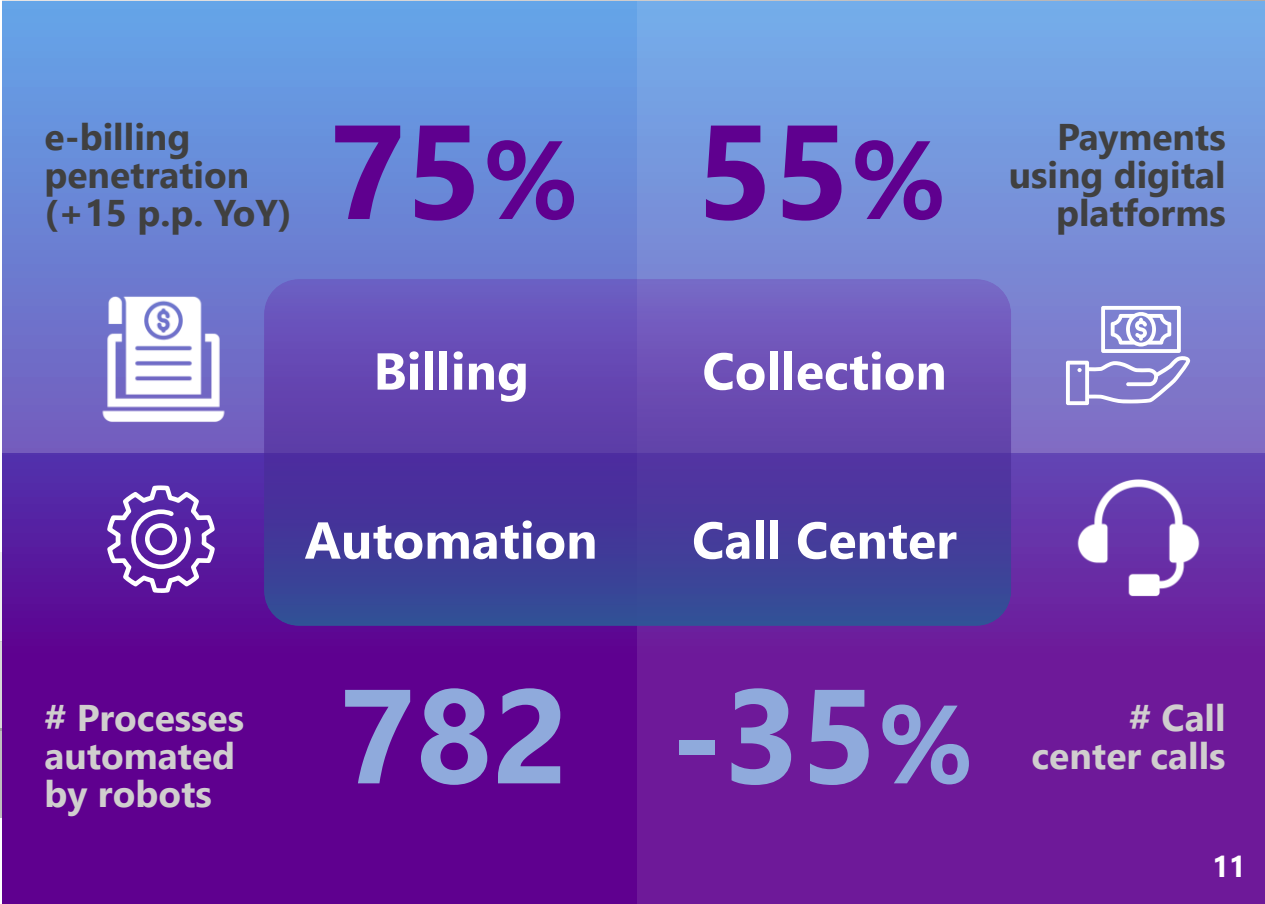
AURA retention  
of calls to call centers **>20%**

Aura is evolving to be our **most advanced, relevant and simpler channel for customer interactions**, being used in platforms such as Meu Vivo, call center and WhatsApp

# Strong cost reduction leading to significant EBITDA Margin expansion



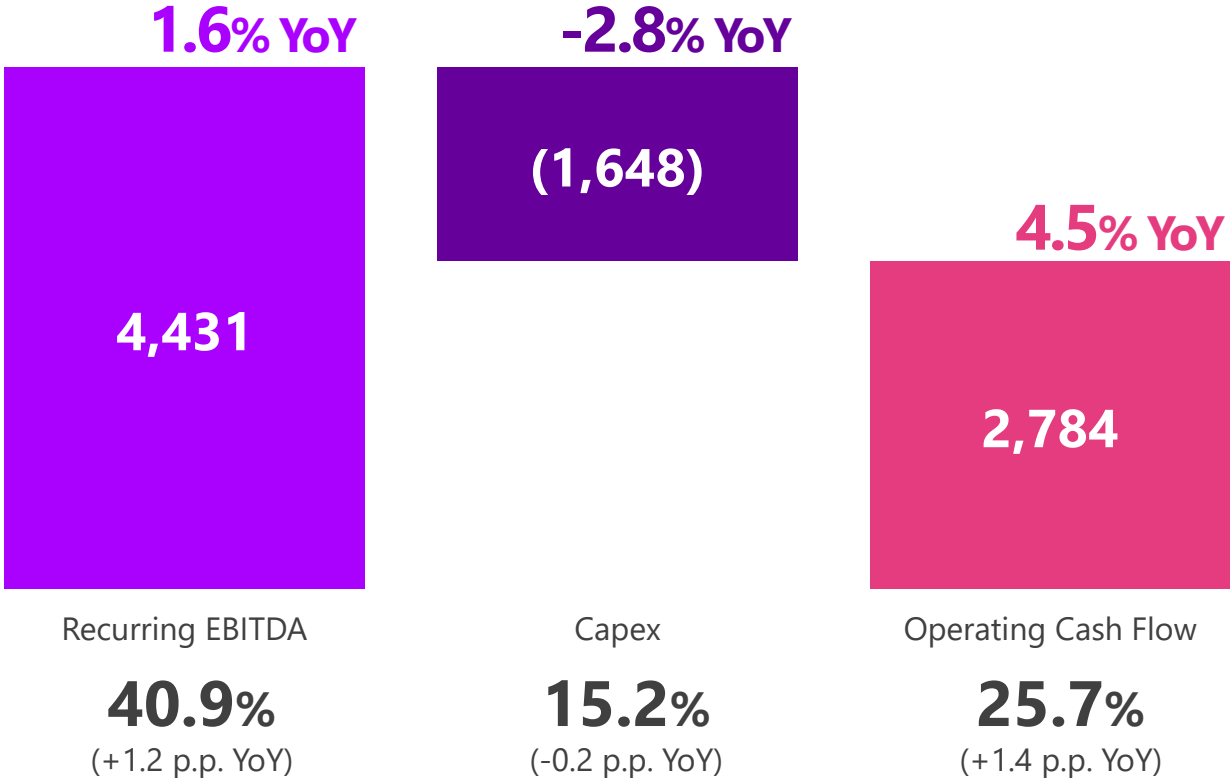
- Personnel costs growth impacted by **the insourcing of IT and Security third-party services in 4Q19**, that were previously registered as Cost of Services Rendered
- **Significant reduction in COGS** as a result of lower handset sales in the period
- Strong decrease in Commercial Expenses driven by **lower spend with commissioning, call centers, billing and advertising**, benefited by digitalization initiatives



Expansion of operating profitability with growth of 1.4 p.p. YoY while investing in opportunities to capture revenue growth

Operating Cash Flow<sup>1</sup>  
R\$ million

% over Net Revenues

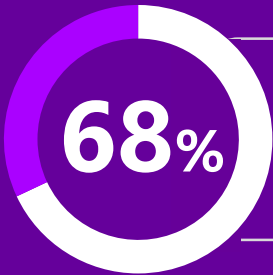


Higher investment in growth technologies to improve returns and positioning

Fiber<sup>2</sup> Capex  
YoY %



Fiber Capex is being deployed more efficiently, contributing to reduce time-to-market and optimize financials

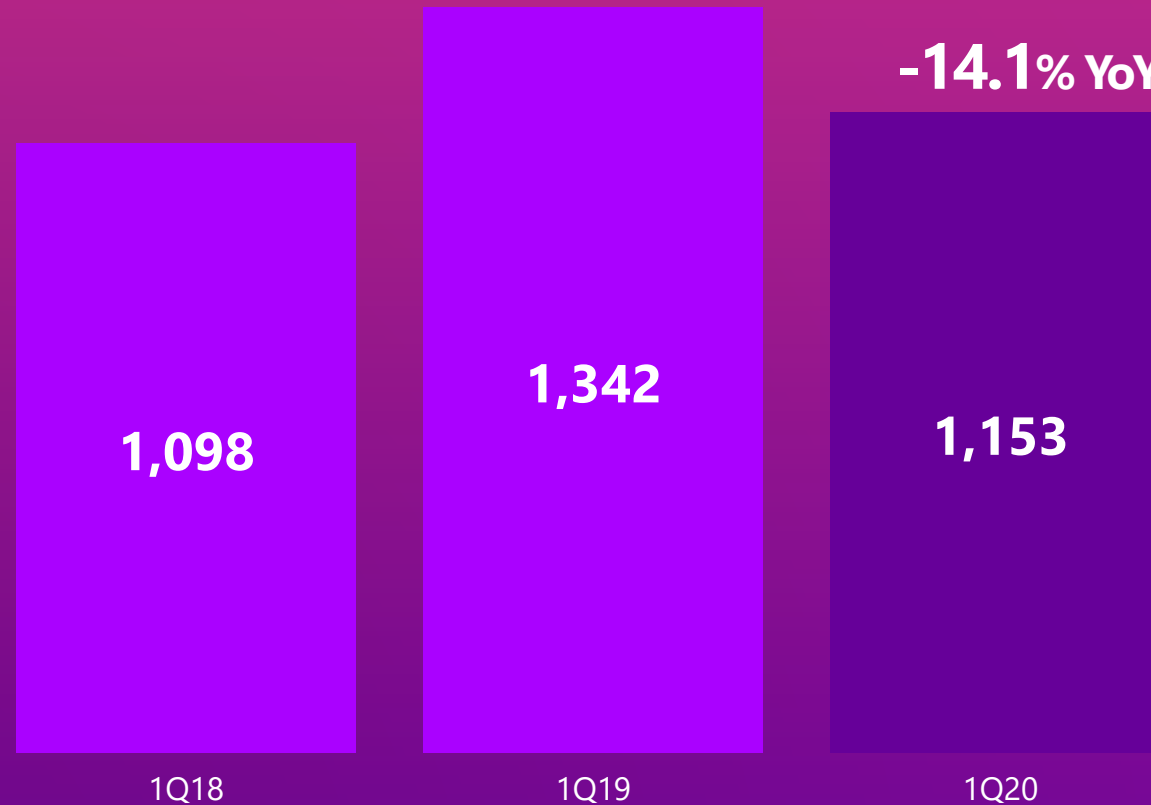


of Capex invested in **Growth**

1- Operating Cash Flow calculated by subtracting the Capex ex-IFRS 16 (Rights-of-Use) from the Recurring EBITDA, which considers IFRS 16 effects.  
2- Considers FTTH and IPTV investment.

# Superior shareholder remuneration backed by robust net profit generation

**Net  
Income<sup>1</sup>**  
R\$ million



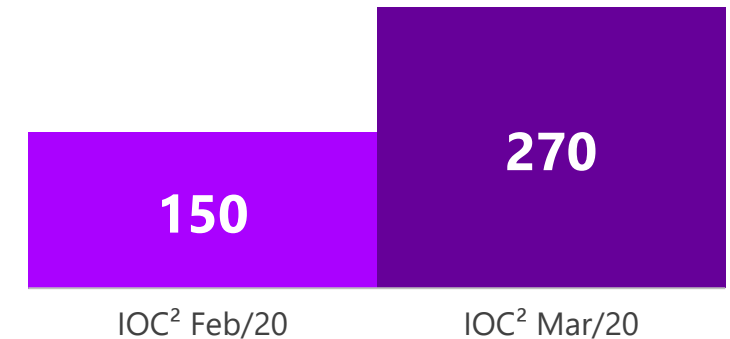
## R\$ 0.4 billion

in **shareholder remuneration**  
declared up to March/20



**Distributions**

R\$ million



**Payment** of remuneration  
based on 2019 net income

Aug 2020:

**R\$ 3.6 bn**

Dec 2020:

**R\$ 2.2 bn**

Gross/PN

**R\$ 3.53**

Payout

**115.6%**

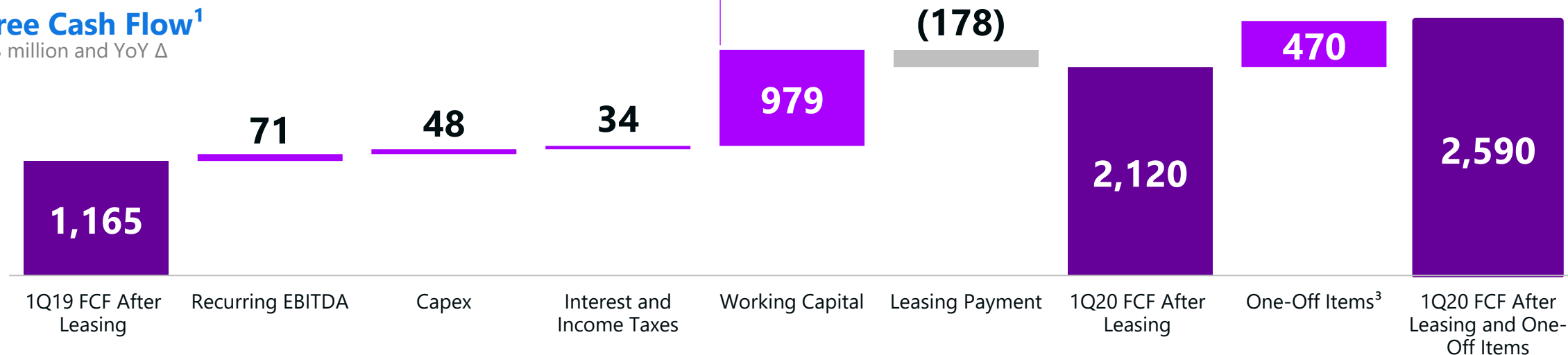
# Recurring Free Cash Flow increasing 82% YoY due to efficient financial management and seasonal effects



## Free Cash Flow<sup>1</sup>

R\$ million and YoY Δ

Working Capital benefited by the **postponement in the payment of regulatory taxes<sup>2</sup>**, which was originally due in March and will be paid in the 2H20, besides **lower Capex and Opex disbursements** in 1Q20



## YoY% Variations

+1.6%

-2.8%

-14.9%

n.a.

+49.3%

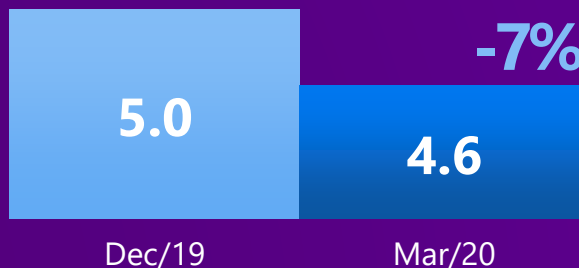
+81.9%

+131.0%

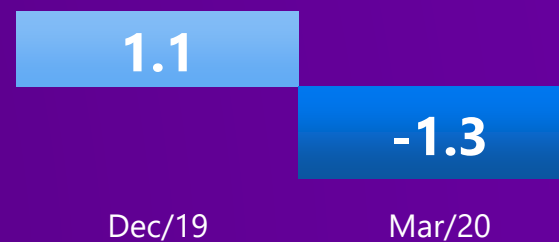


**Strong cash generation leading to net cash position**

## Gross Debt<sup>4</sup> R\$ billion



## Net Debt<sup>4</sup> R\$ billion



Considering IFRS 16 effects, Net Debt reaches **R\$7.4 bn**

*Telefonica*

**vivo**

For further information:

## Investor Relations

**+55 11 3430.3687**

[ir.br@telefonica.com](mailto:ir.br@telefonica.com)  
[www.telefonica.com.br/ir](http://www.telefonica.com.br/ir)

ISEB3

VIV  
LISTED  
NYSE

[B]<sup>3</sup> BRASIL  
BOLSA  
BALCÃO

