

# Results 3Q20

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

October 28<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

# 3Q20: Higher level of net additions in Key Segments confirms Vivo's sequential operating improvement combined with superior cash generation

**+844k**

Postpaid<sup>1</sup> Net Adds

57%

Postpaid Customer Mix

**+267k**

Record FTTH Net Adds

3.1 mn

FTTH Customers



Key  
Segments



Revenues

**-1.0%**

MSR<sup>2</sup> YoY

+3.3%

QoQ

**+47.3%**

Fiber<sup>3</sup> Revenues YoY

+14.5%

QoQ

**-3.4%**

YoY

Recurring Costs  
ex-COGS<sup>4</sup>

**40.0%**

EBITDA Margin

+0.3 p.p.  
QoQ



Profitability



Cash

**R\$7.5bn**

OpCF 9M20

23.5% Margin  
+3.4 p.p. YoY

**R\$8.9bn**

FCF 9M20

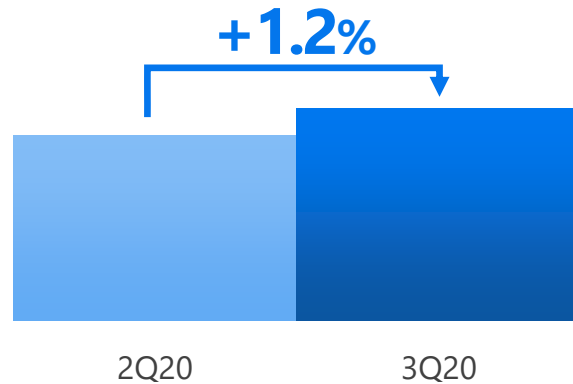
+50%  
YoY

# Consistent recovery as Vivo maintains its crucial role in guaranteeing **best-in-class** connectivity



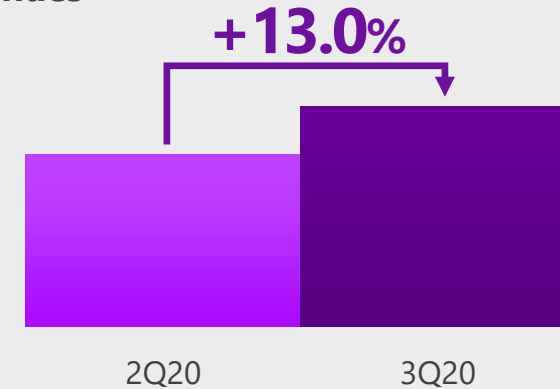
COVID update

## Postpaid Revenues



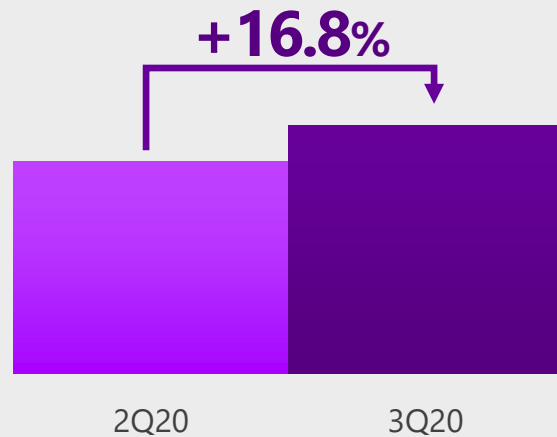
Postpaid quarterly evolution driven by **recovery of net additions**, that typically happen in stores

## Prepaid Revenues



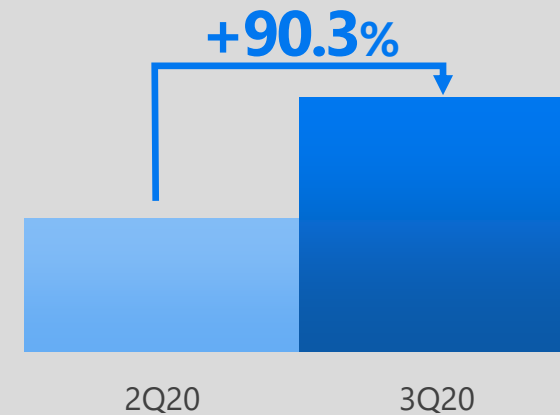
Prepaid evolution continues to advance demonstrating a clear recovery vs 2Q20

## FTTH Revenues



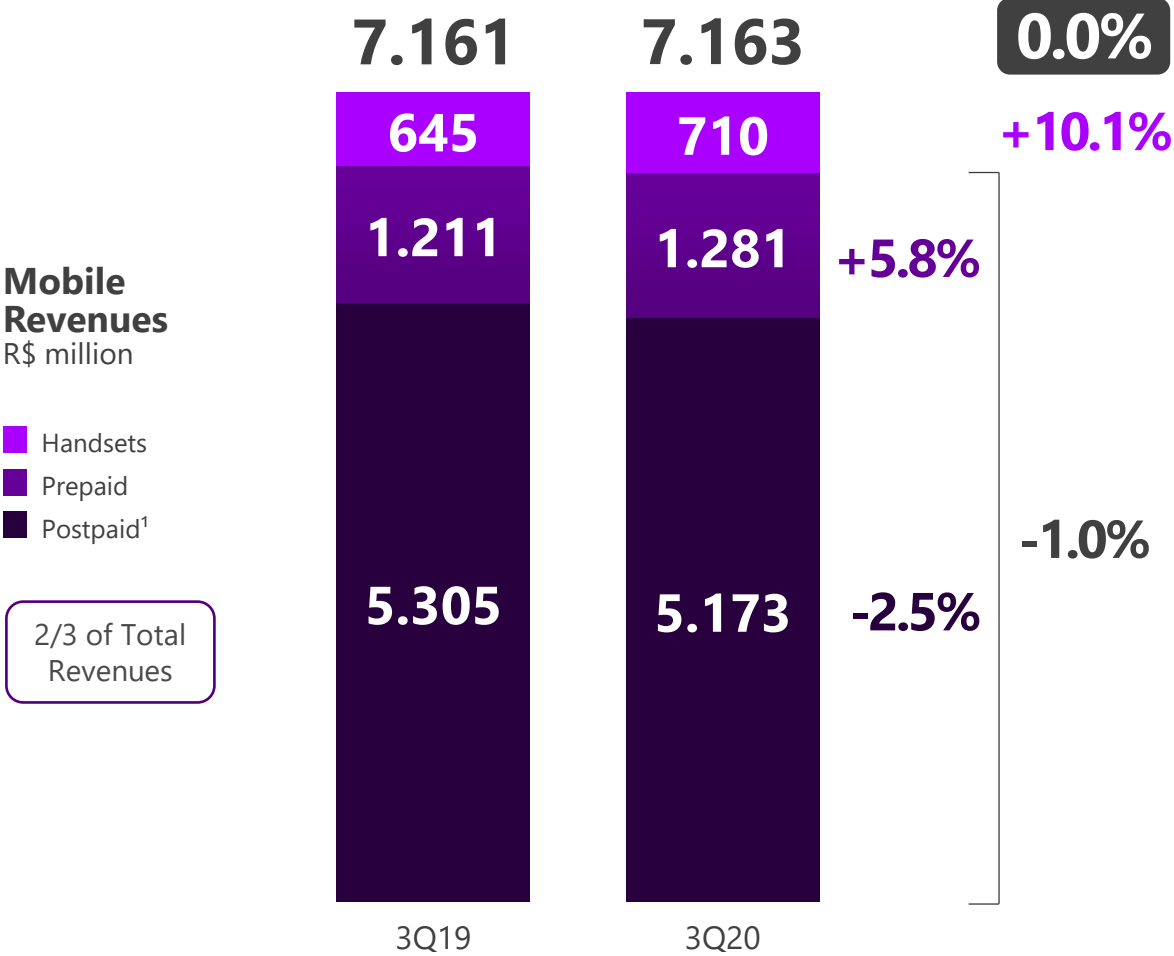
FTTH revenues continue to outperform as **fiber expansion continues at full speed**

## Handset Sales

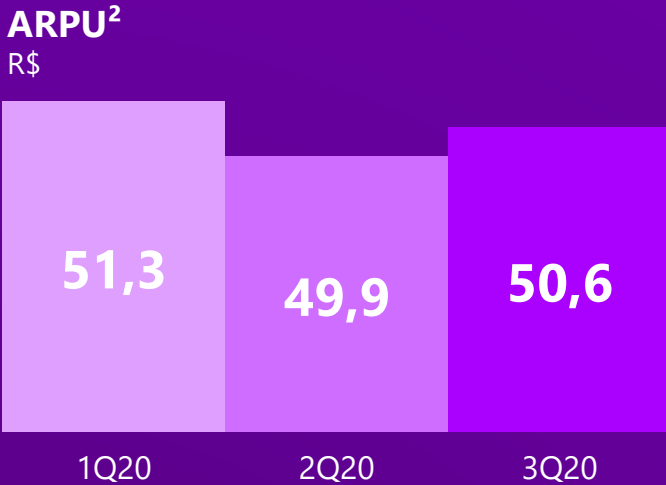


**Strong recovery** in handset sales as **stores opened in the quarter** (vs. 80% Jun/20)

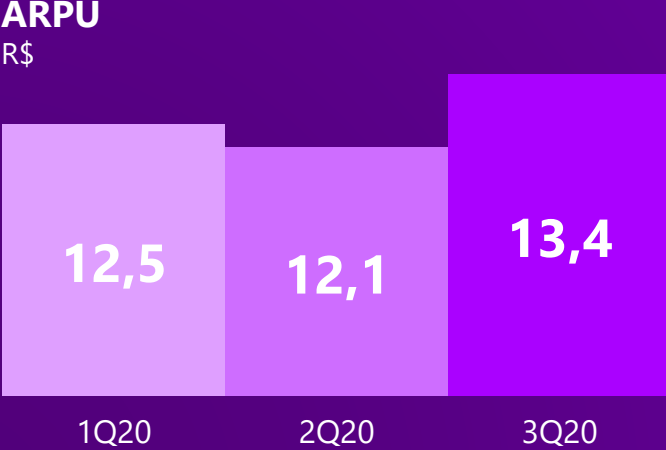
# Mobile Revenues still impacted by temporary confinement measures but with **positive evolution in prepaid and handset sales**



**Mobile Postpaid**  
57% of mobile accesses  
80% of MSR<sup>3</sup>



**Mobile Prepaid**  
43% of mobile accesses  
20% of MSR<sup>3</sup>



Vivo continues with a disciplined **more for more strategy**

**Postpaid ARPUs recovering** to pre-Covid levels

**Increased recurrency of recharges** through customer base management and **strong additions** also allowing for higher migration to postpaid

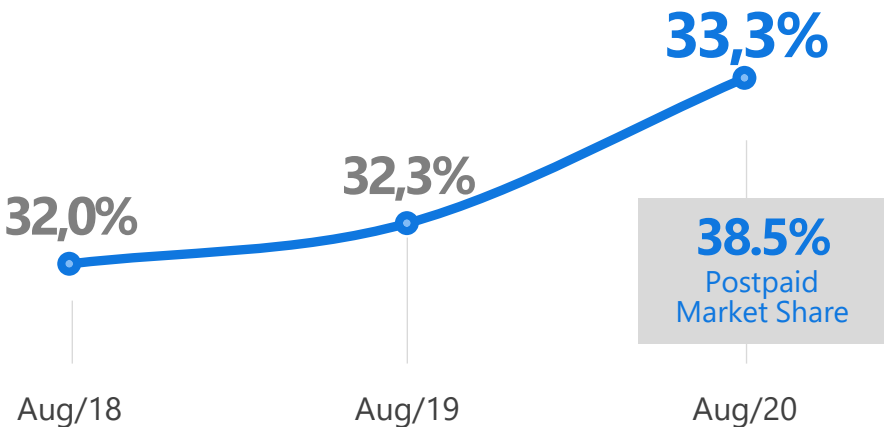
1 – Postpaid revenue includes M2M and wholesale.  
2 – Postpaid ARPU excluding M2M and dongles  
3 – Mobile Service Revenues

Unique user experience and quality of service attesting market leadership and resulting in **lowest postpaid churn in 5 years**



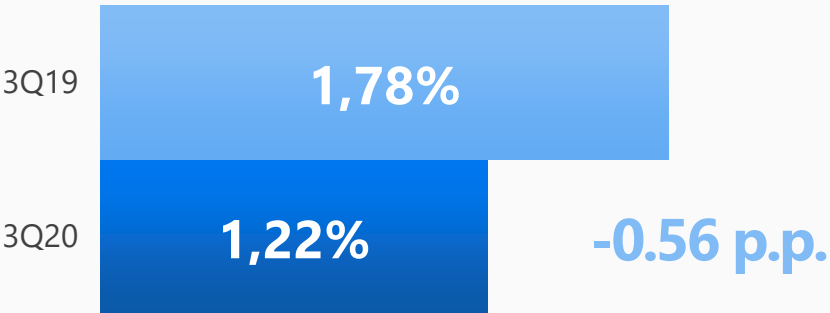
Mobile Market Share

Leadership reaffirmed as market share remains the highest in the last 14 years



Postpaid Churn  
ex-M2M

Lowest churn in 5 years



Mobile Prepaid

33 million accesses<sup>2</sup>

Best value for money and superior quality driving continuously higher net adds

Net Adds  
Thousand

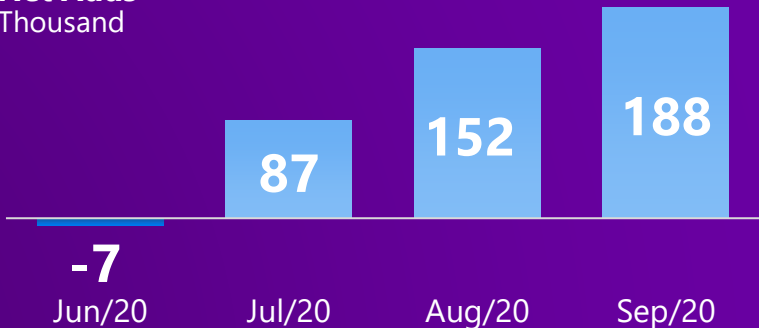


Mobile Postpaid<sup>1</sup>

44 million accesses<sup>2</sup>

Strong postpaid net adds as the majority of stores were open in 3Q20

Net Adds  
Thousand

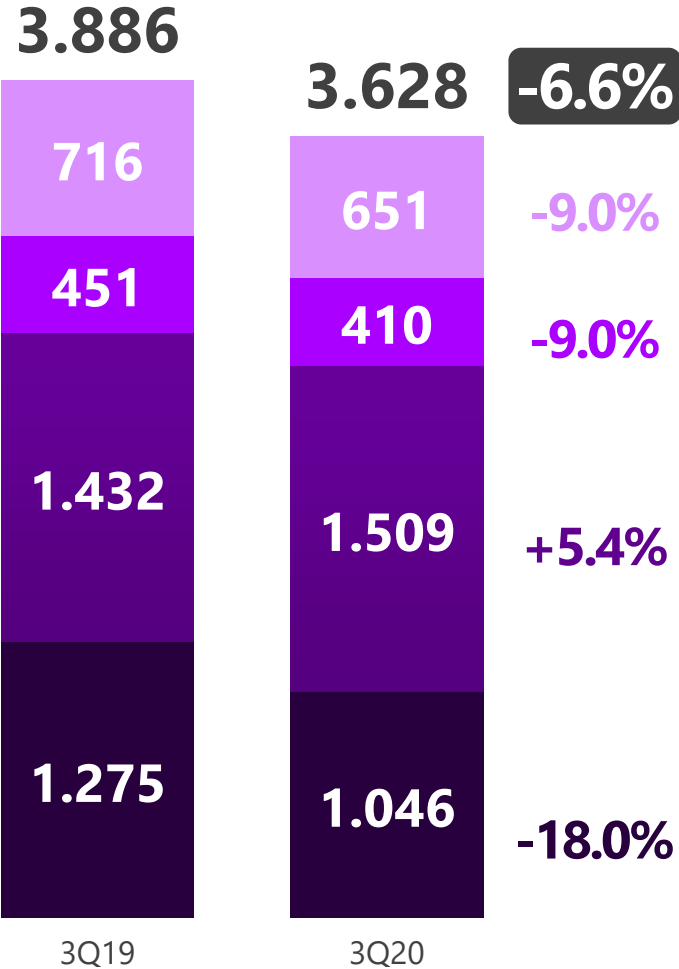


# Fiber services maintain accelerated growth, transforming the revenue mix

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

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

1/3 of Total Revenues

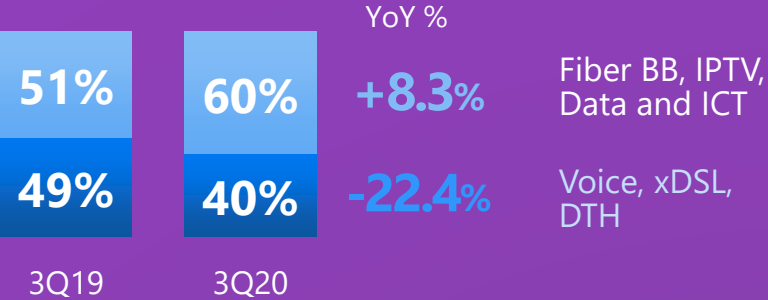


**Growing Businesses** continue to increase in relevance on the Company's Revenues

FTTH + IPTV revenues already represent 31% of fixed revenues, with a combined growth of 47.3% YoY

Legacy businesses revenues continue to drop due to **strategic decision of focusing on top quality services**

## Fixed Revenues Breakdown



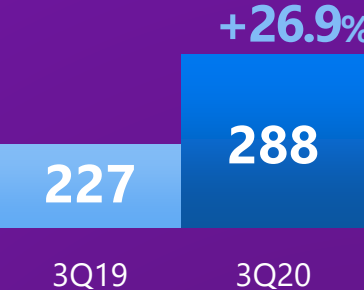
## FTTH Revenue

R\$ million



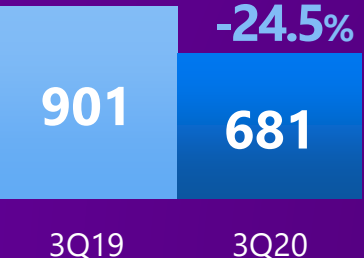
## IPTV Revenue

R\$ million



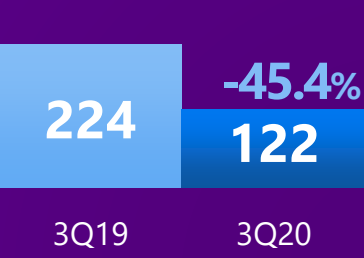
## Legacy BB<sup>2</sup> Revenue

R\$ million



## DTH Revenue

R\$ million



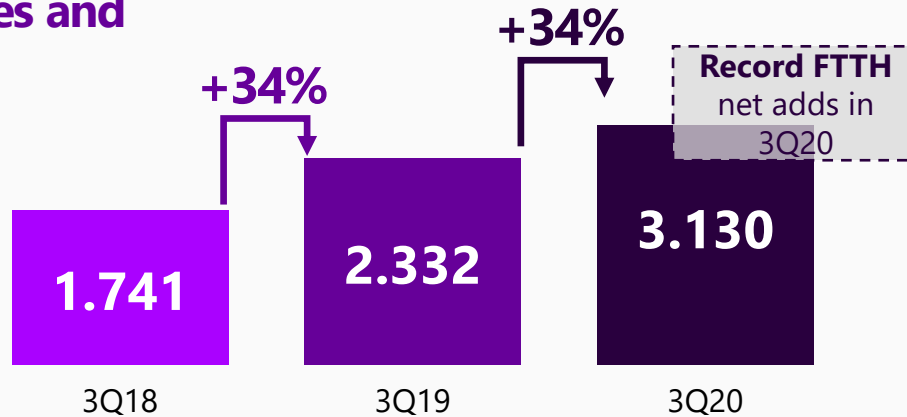
**High-value accesses continue to grow**, improving customer base mix, with fiber posting record net additions for the third quarter in a row and representing  $\approx 50\%$  of BB accesses

### FTTH Accesses and BB ARPU



FTTH  
Accesses  
Thousand

% over  
BB base

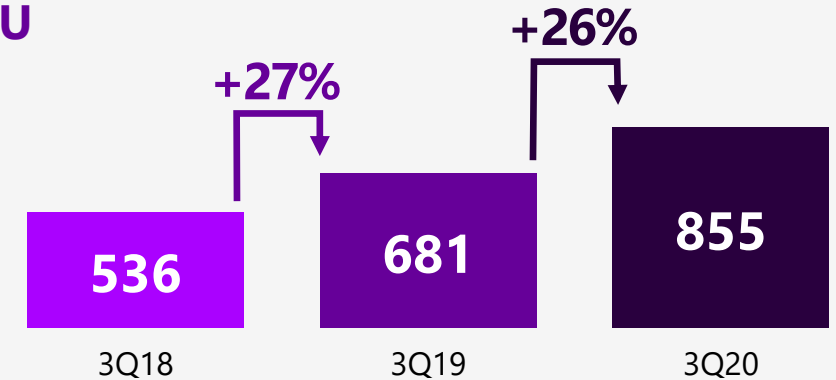


### IPTV Accesses and Pay TV ARPU

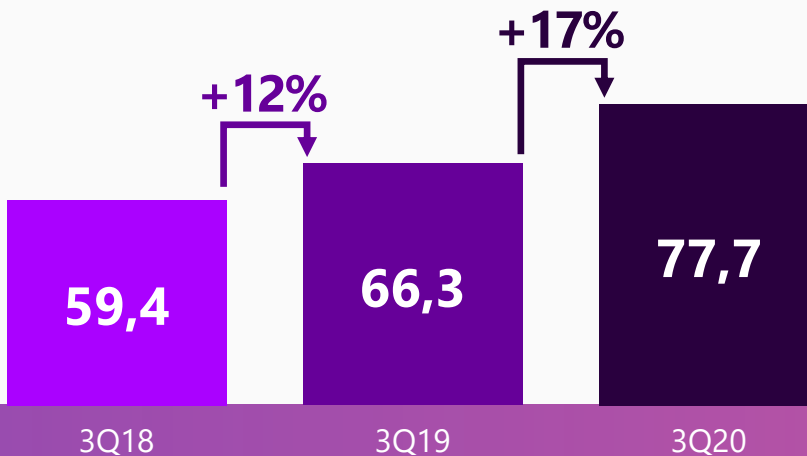


IPTV  
Accesses  
Thousand

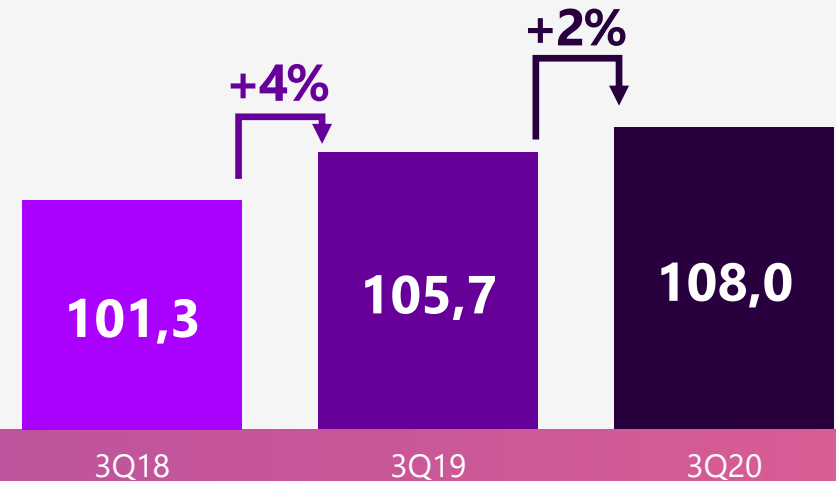
% over  
TV base



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



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



# Vivo has a unique set of enablers to capture opportunities and value in the digital space



**Largest access base in the sector**  
94 million accesses

**vivo**

**Top 8 brand in Brazil (#1 Telco)**  
US\$ 2.2 billion<sup>1</sup>



**Extensive billing capabilities**  
payment alternative for customers with no bank account



**Meu Vivo e-care app**  
18.6 million unique users



**More than 1,600 stores**  
comparable to the largest retailers in Brazil



**3rd biggest portal in the country**  
with more than 200 million visits per month

**LOJA vivo\***

## Launch of digital Market Place

Offering everything technology-related at [loja.vivo.com.br](https://loja.vivo.com.br)

## Financial Services

Launch of a 100% digital platform, focused on offering fast and simple personal loans to postpaid customers

**vivo  
MONEY\***

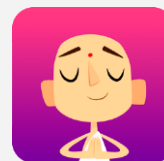


## Co-branded Mobile Plans

Vivo Selfie plans offering data + Spotify, Netflix, Rappi and Premiere subscriptions

## Fiber offers with OTTs

Fiber bundles that include Netflix and Amazon Prime subscriptions



## Vivo Meditação

Wellness app for meditation and mindfulness with >1.6 million downloads since Jul/2017

## Healthcare initiatives

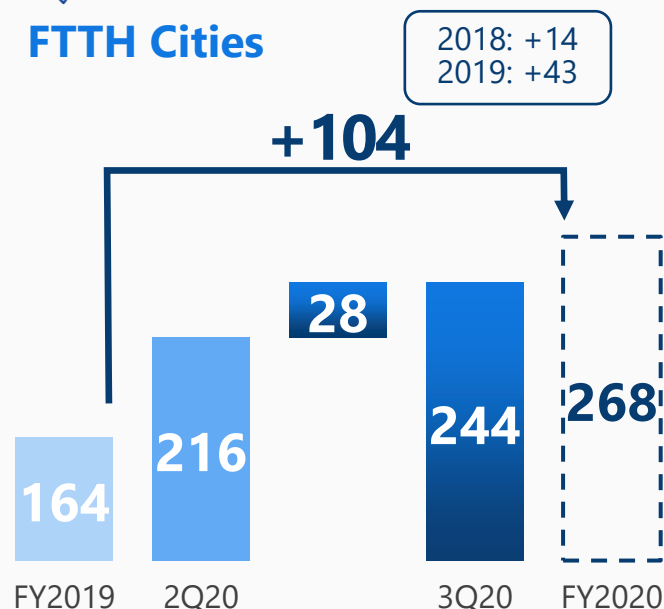
Strategic partnership with **Yalo** to offer health benefits to Vivo customers

**dr.consulta**

# Fiber deployment continues at full speed, with a new record of 1.5 million FTTH Homes Passed added in the quarter



## FTTH Cities



### Cities launched in 3Q20

Artur Nogueira/SP  
Biritiba-Mirim/SP  
Cabreúva/SP  
Cambé/PR  
Campo Largo/PR  
Campos Do Jordão/SP  
Catalão/GO  
Cianorte/PR  
Conselheiro Lafaiete/MG  
Coronel Fabriciano/MG  
Cubatão/SP  
Esteio/RS  
Itajaí/SC  
Itanhaém/SP  
Itapeva/SP  
Lorena/SP  
Marialva/PR

Novo Hamburgo/RS

Pará De Minas/MG

Paracatu/MG

Passos/MG

Patos De Minas/MG

Pedreira/SP

Penápolis/SP

Porto Feliz/SP

São Sebastião/SP

Tietê/SP

Várzea Grande/MT

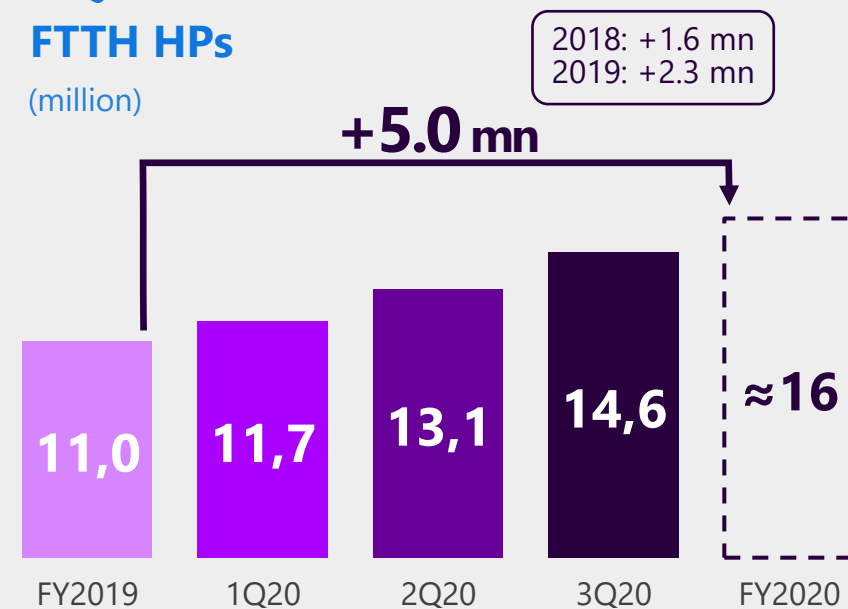
### Franchises Launched<sup>1</sup>

Taquaralto, Palmas/TO



## FTTH HPs

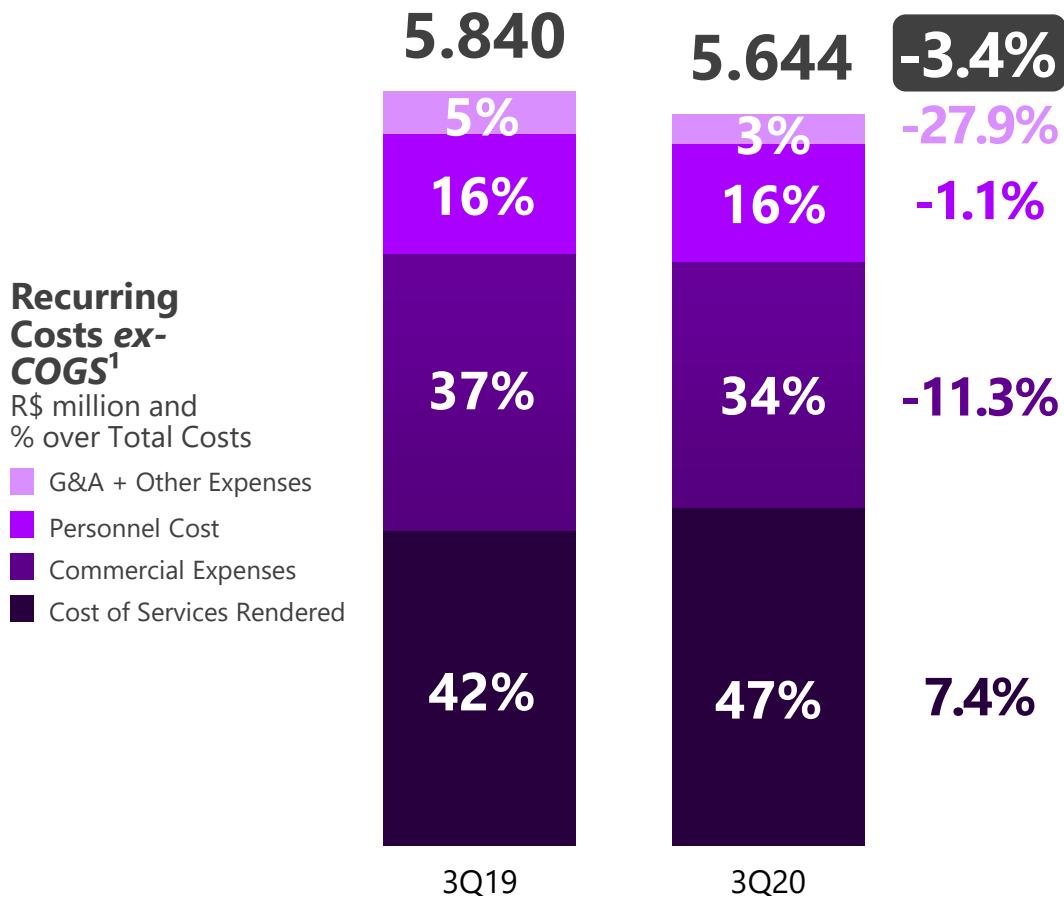
(million)



- **Consistent expansion to fresh markets**, with the addition of **28 new cities** in 3Q20
- **Overlay of copper and FTTC with FTTH** continues to improve net adds and UBB ARPU
- Structuring of **Neutral Fiber Network advancing as planned**. Fully operational in 2021.

- **Third quarter in a row of record FTTH expansion**, with the addition of 1.5 mn HPs, taking our total to 14.6 mn HPs
- **Total FTTH HPs expected to reach approx. 16 mn in 268 cities by FY2020**

Continuous cost optimization driven by digitalization and efficiency initiatives



Recurring Costs 6.570 6.470 -1.5%

Inflation 12M 2.9% 3.1%

- **Decreased G&A and Personnel Costs** benefited by cost control initiatives and government measures (e.g. temporary workday reduction);
- Strong decrease in Commercial Expenses driven by **lower spend with commissioning, call centers, billing and advertising**, benefited by digitalization initiatives and lower bad debt costs (-29.3% QoQ).
- **Growth of Services Rendered expenses as a result of higher costs related to network expansion and quality** as well as higher FISTEL (+17.6% YoY) due to the acceleration of mobile base growth.

e-billing penetration  
(+11 p.p. YoY)

79%

63%

Payments using digital platforms



Billing

Collection



Automation

Call Center



# Processes automated by robots

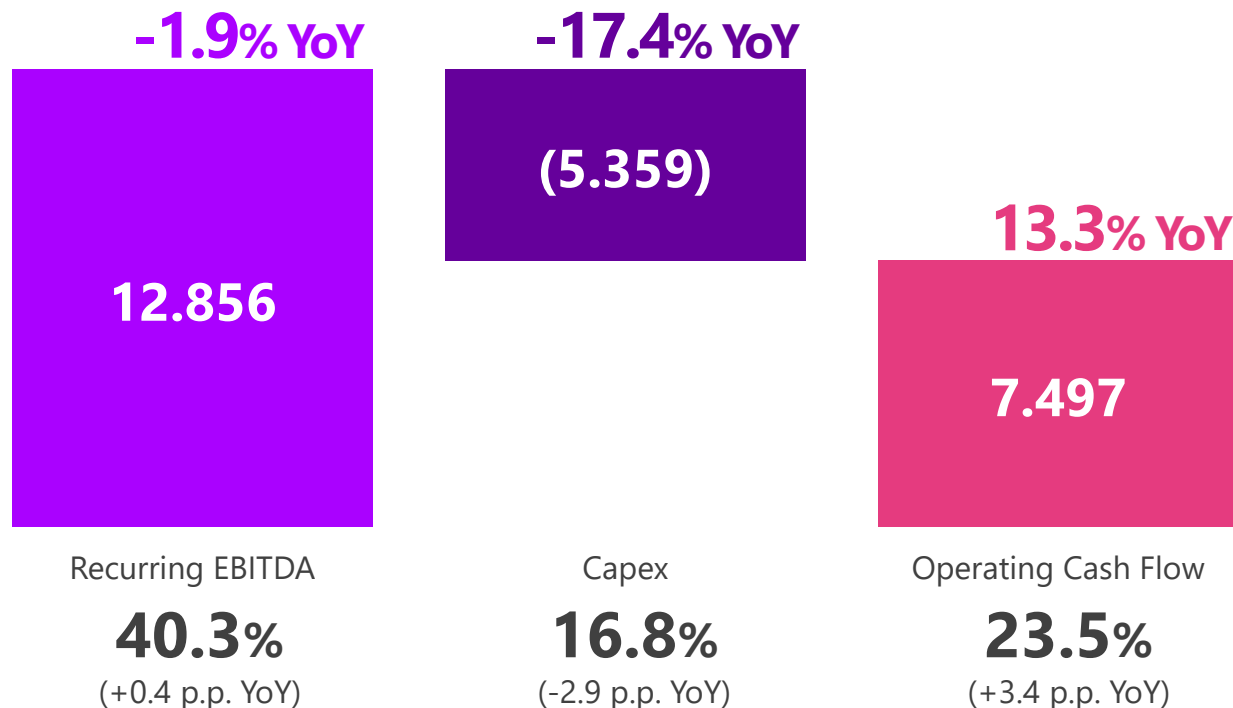
915

-20%

# Call center calls

# Optimized capex allocation driving **Cash Flow growth while expanding fiber footprint**

Operating  
Cash Flow<sup>1</sup>  
9M20  
R\$ million



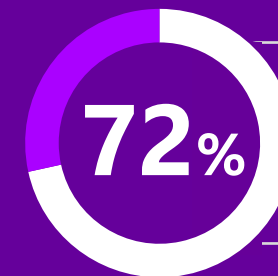
% over Net  
Revenues



- **Network sharing with TIM already being executed** and evolving according to expectations



Investments in growth technologies to **improve returns, quality and value proposition**

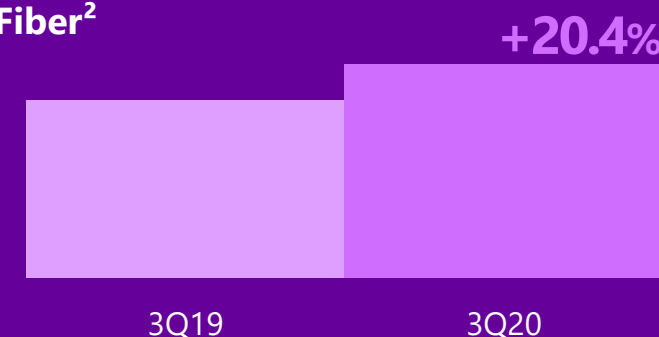


of Capex  
invested in  
**Growth**

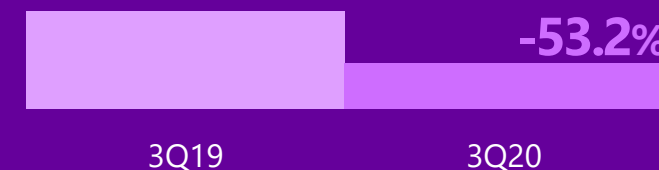
## Capex per technology

YoY %

Fiber<sup>2</sup>



Legacy



## Solid net income evolution allowing for strong shareholder remuneration

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



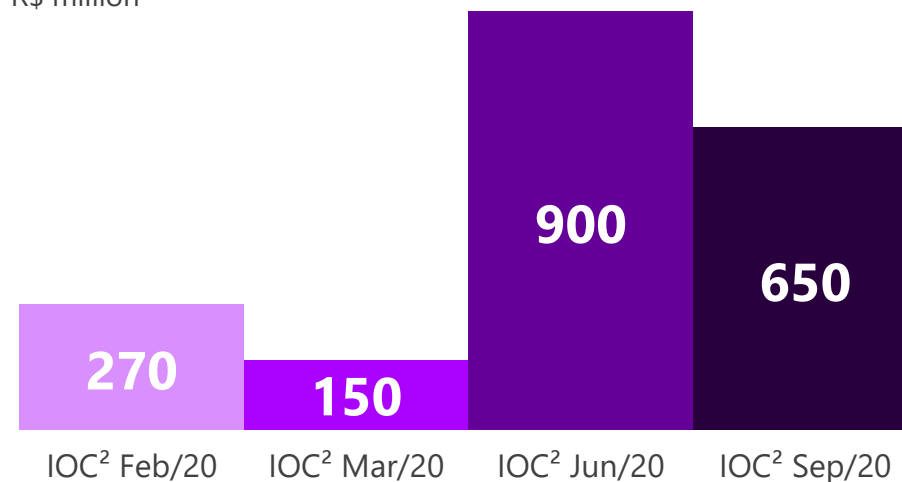
## R\$ 2.0 billion

of **Interest on Capital** declared up to Sep/20



**Distributions**

R\$ million



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

**Two tranches:**

Aug 2020:

**R\$ 3.6 bn** ✓

Dec 2020:

**R\$ 2.2 bn**



Gross/PN

**R\$ 3.53** ✓

Payout

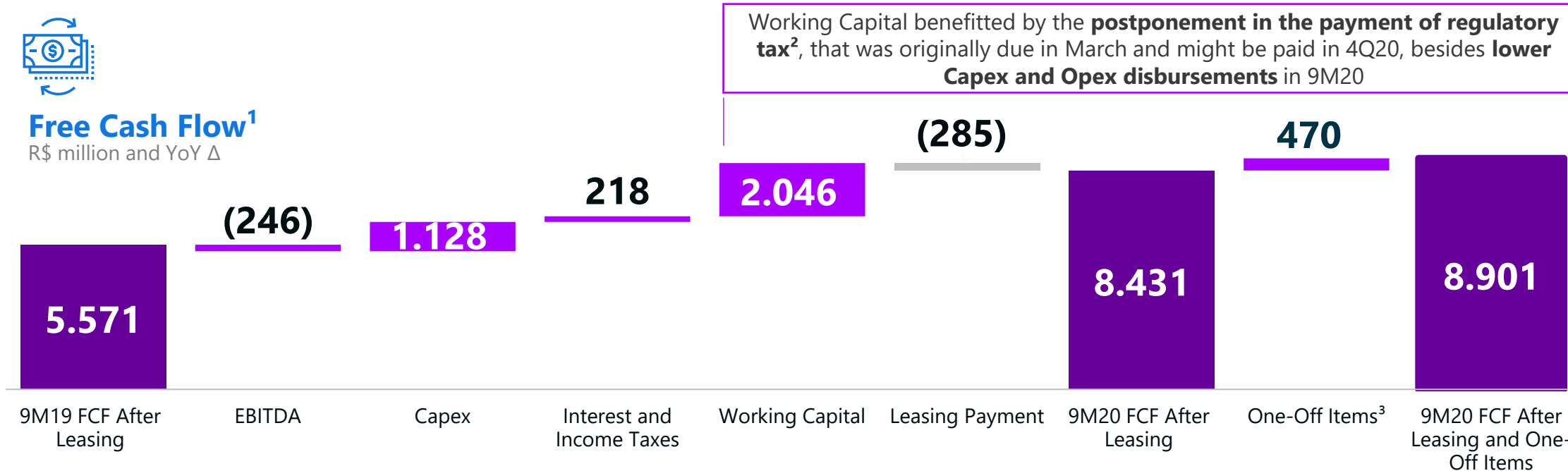
**115.6%**

# Effective financial management and rational capex allocation resulting in **Free Cash Flow increase of 50% YoY** in 9M20



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

R\$ million and YoY Δ



|                 |       |        |        |      |        |        |      |        |
|-----------------|-------|--------|--------|------|--------|--------|------|--------|
| YoY% Variations | -1.9% | -17.4% | -28.2% | n.a. | +25.2% | +51.4% | n.a. | +50.1% |
|-----------------|-------|--------|--------|------|--------|--------|------|--------|

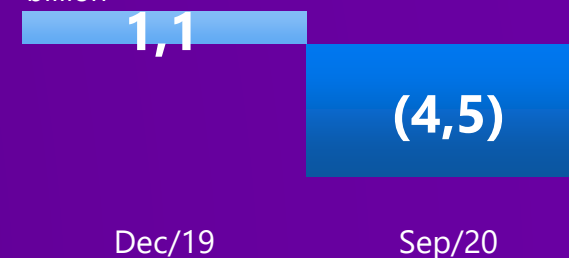


**Solid cash generation enhancing net cash position**

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



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



# Consistent focus on ESG resulting in **Vivo being one of the Top 10 companies of the new S&P/B3 ESG index**



## Environment

### Launch of Recycle with Vivo campaign

with >1,600 collection points, focused on **raising awareness** of the **proper disposal of electronic waste**

### First Biogas Power Plant inaugurated

one of the **70 Renewable Power Plants** foreseen by the Distributed Generation Project to be fully operational by 2021



## Social

### First Brazilian recipient of **UNESCO's Hamdan Prize for teacher effectiveness**

through the **Connected Schools Project**, that had >300k new subscriptions (3x YoY)



### Recognition of Vivo as **one of 150 best companies to work in 2020**

and in the Early Childhood Ranking, **according to Great Place to Work®**



## Governance

### Conversion of Preferred shares into Common shares

approved by the ESM<sup>1</sup> and SGMPs<sup>1</sup>, **granting tag along** and **voting rights** to all shareholders

### Top 10 company

in the most recent Sustainability Index, the **S&P/B3 Brasil ESG**



*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)

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