

StoneCo 1Q26 Earnings Conference Call

May 14, 2026

Operator

Good evening, everyone. Thank you for standing by. Welcome to StoneCo's first quarter 2026 earnings conference call. By now everyone should have access to our earnings release. The Company also posted a presentation to go along with its call. All material can be found online at investors.stone.co.

Before we begin the call, I advise you to review the disclaimer included in the press release and presentation, which outlines important information about forward-looking statements and non-IFRS financial measures.

In addition, many of the risks regarding the business are disclosed in the Company's Form 20-F filed with the Securities and Exchange Commission, which is available at www.SEC.gov.

Before we begin, I would like to highlight that the Company is restricting the number of questions to one per analyst.

Joining the call today is StoneCo's CEO, Mateus Scherer, the CFO and IRO, Diego Salgado, and the Head of IR, Roberta Noronha. I would now like to turn the conference over to Mateus. Please proceed.

Mateus Scherer – Chief Executive Officer

Thank you, operator, and good evening, everyone. Let me begin with a broader view of our first quarter. The quarter was broadly consistent with the softer first-half dynamic we had anticipated. Three dynamics shaped the quarter: first, a macro environment that continues to weigh on smaller merchants; second, typical first-quarter seasonality, and third a credit portfolio that continues to grow profitably, even although NPLs came in above our expectations, all this while we work to bring churn to healthier levels and reaccelerate TPV growth.

Against that backdrop, we grew revenue, held Adjusted Gross Profit broadly stable, and continued to return significant capital to shareholders. More importantly, this quarter marks the beginning of a transition phase between the extraordinary capital distribution linked to the Linx divestiture and the operational momentum we expect to build through the second half.

The work underway gives us confidence in the trajectory ahead, and we remain fully focused on execution.

Now, I want to spend a few minutes on what matters most heading into the rest of 2026: our capital allocation discipline, our operating priorities, and our commitment to shareholder value.

Let's turn to **slide 3**, where we show our capital distribution to shareholders across the last couple of years, with emphasis on what we have delivered so far in 2026. Year to date, we have distributed R\$3.6 billion, representing a 27% distribution yield. This includes the extraordinary

dividend paid on May 4th with proceeds from the Linx divestiture, and approximately R\$0.6 billion in ordinary share buybacks. In addition, we still have at least another R\$1.4 billion to be repurchased throughout this year. As we have consistently said, whenever value accretive opportunities are not immediately available, excess capital gets returned to shareholders and the 27% yield year to date is a direct reflection of that commitment.

Moving on, **slide 4** outlines our key priorities for the rest of 2026.

On payments, our priority is to reaccelerate profitable TPV growth. To do that, we are focused on improving retention, managing churn more actively, and simplifying the way we bring our broader set of solutions to clients.

As we deepened our understanding of the drivers behind the elevated churn observed towards the end of 2025, one important point became clear: the churn pressure is not broad-based. Our legacy customer base continues to perform in line with historical churn levels, reinforcing the strength of our core value proposition. Instead, the pressure has been more concentrated among clients onboarded during 2025, a period in which the company began offering a broader set of products.

As we expanded our offering into additional products, such as instant settlement, investments, and credit cards, our bundles and pricing architecture became more complex than they should have been. That created friction for some clients, and we are addressing it directly.

We are now conducting a full review of our offerings, simplifying bundles, and moving towards a cleaner and more transparent pricing structure. The objective is not to chase volume at any cost. The objective is profitable TPV growth, supported by better retention and deeper relationships with clients who use more of our ecosystem.

It is still too early to call a definitive trend, but the initial data is encouraging. TPV growth is improving in April, we are watching leading volume indicators closely, and they suggest that the actions we are taking are moving us in the right direction.

On credit, we are also being proactive and disciplined. Toward the end of last year, we saw our models beginning to perform below our expectations, with first-payment default rates increasing in newer cohorts. We responded quickly by adjusting pricing to preserve cohort profitability and by tightening our risk selection.

Since then, we have implemented a set of model and policy changes, and the early results are promising as first payment default rates are converging back to historical levels.

Looking ahead, our priority is not simply to grow credit, but to grow it with the right risk-adjusted returns. We will continue refining our underwriting models, pricing risk appropriately, and diversifying the portfolio across products such as credit card, overdraft, and secured working capital offerings.

We have recently begun disbursing secured credit products, and we believe these offerings can help us expand access to credit, deepen our relationships with merchants, and reduce the risk intensity of portfolio growth.

We are also committed to improving efficiency throughout the year. First-quarter results were affected by higher provisions and certain one-off expenses, including severance costs, in addition to the quarter's typical seasonal softness. As these factors normalize, we expect operating leverage to resume, supporting continued improvements in our cost structure through disciplined prioritization and AI-driven efficiencies as we progress through 2026 and beyond.

Finally, we are also focused on expanding the share of clients using our full suite of solutions through our unified app, which we are progressively upgrading to address our merchant's needs across every financial workflow. Linked to that, we are making continuous investments in positioning our brand to reflect our evolution into a full-service financial partner.

Turning to **slide 5**, our Adjusted Gross Profit was R\$1.5 billion in the quarter and Adjusted Basic EPS was R\$2.19 per share. Although interest rates may continue higher for longer, our full-year 2026 guidance remains unchanged. We are on a trajectory that we believe is consistent with delivering within that range, with performance weighted towards the second half as credit revenues continue to compound and the commercial initiatives we are executing begin to normalize retention rates.

Finally, beyond the quarterly numbers, I want to flag that what drives us every day is straightforward: building a financial platform that Brazilian entrepreneurs can rely on for their core financial needs. We are moving fast towards that goal, executing against it with focus and discipline.

With that said, I will pass it over to Diego, who will go over our financial and operating results for the quarter.

Diego Salgado – Chief Financial and Investor Relations Officer

Thank you, Mateus, and good evening, everyone.

Let me start on **slide 6**, where we present our main financial metrics for the quarter. Total Revenue and Income reached R\$3.6 billion, up 6% year over year. This growth was primarily driven by the continued expansion of our credit revenues and healthy profitability in payments. These tailwinds more than offset the expected headwind from lower floating revenues from deposits which we started using as funding source in early of 2025 and reduced our revenue recognition with the benefit showing up as lower financial expenses.

Adjusted Gross Profit came in at R\$1.5 billion, broadly stable year over year, as revenue growth was offset mostly by higher provisions for credit losses and increased operating costs. Gross profit margin contracted from 44.4% in 1Q25 to 41.6% this quarter, primarily reflecting the step-up in credit provisions, which we will further explore later in this presentation.

Adjusted Net Income increased 3% year over year and reached R\$549 million in the quarter, but adjusted Basic EPS grew over 4 times faster, increasing 15% year over year reaching R\$2.19 per share. The EPS outperformance relative to net income was driven by the continued and consistent share buybacks execution, reflecting our ongoing commitment to returning excess capital to our shareholders.

On **slide 7**, I want to briefly explain a reporting change that we are introducing this quarter. As we advance in our strategy to become the primary financial partner for Brazilian merchants, we are consolidating our active client base definition into a single, unified metric: merchants that have generated revenue during the past 30 days across any of our payments, banking, or credit solutions.

While payments are still usually our first contact point with merchants, we have a growing number of clients with whom our relationship starts with other business fronts and then evolves into a broader relationship. As a result, we are discontinuing the separate disclosure of the MSMB Payments Active Client Base and Banking Active Client Base that we previously reported. Going forward, you will see one unified number.

Under this new definition, our total active client base was 4.7 million clients in 1Q26, up 13% year over year and 5% down sequentially. The sequential decline is largely a result of conscious actions to focus our efforts on a more engaged and revenue-generating client set.

We are also introducing ARPAC — Average Revenue per Active Client — as a new key metric to track how effectively we are monetizing our client relationships. ARPAC was R\$247 per month per client in 1Q26, down 3% sequentially and 11% year over year. The sequential decline largely reflects first-quarter seasonality, while the year-over-year decrease reflects client mix effects.

Now, let's turn to **slide 8**.

On TPV, starting this quarter, we are simplifying our disclosure to focus on total TPV only. TPV was R\$137 billion in the period, growing 3% year over year, with PIX QR Code volumes continuing to outperform Card TPV. This growth reflects the impacts of (i) a more challenging macroeconomic environment on smaller merchants, (ii) the relative outperformance of digital sales where we have less exposure, and finally (iii) the elevated churn levels identified last quarter and that are still affecting our performance while being slowly addressed.

On the other hand, retail deposits reached R\$10.1 billion at the quarter end, growing 22% year over year and declining 9% sequentially, reflecting typical first-quarter seasonality. A better read of the underlying trend is the average daily retail deposits, which grew 7% sequentially and 26% year over year — reinforcing the ongoing development of our banking franchise when normalized for end-of-quarter timing effects.

On **slide 9**, we present our credit portfolio evolution alongside its revenue and yield trajectory.

Our total credit portfolio reached R\$3.2 billion in 1Q26, growing 14% sequentially. Merchant solutions, composed mostly by our working capital offering — reached R\$2.9 billion, growing 13% quarter over quarter, while our credit card portfolio reached R\$0.4 billion, growing 23% sequentially.

Credit revenues kept their strong growth trajectory both on a nominal and yield basis, reaching R\$297 million in the quarter, up 25% sequentially and the portfolio yield reaching 3.3%, up from 3.1% in 4Q25 and 2.6% one year ago. The growth in revenues reflects the expansion of the portfolio, but also the better risk-adjusted products and mix.

Now, on **slide 10** we focus on credit quality and provision expenses. During the first quarter, our models for MSMBs on the automated desk lost efficiency and we saw newer cohorts performing worse than historical average, leading to higher than expected delinquencies, a trend that seems to have affected the entire banking industry but is more pronounced in our portfolio, given the concentration on the segment. Our NPLs 15 to 90 days, increased almost 60 basis points from the worse performance in the automated desk. The dedicated desk, while no longer the main driver of sequential movement, continued to contribute to an elevated baseline. NPLs over 90 days reached 7.0%, up from 5.2% in the prior quarter, but mostly as a carryover effect of select cases within the dedicated desk progressing into higher delinquency bands, along with the expected seasoning trajectory of our portfolio.

In response, we maintained a conservative provisioning approach, with our coverage ratio standing at 229%. We have provisioned R\$166 million in 1Q26 for credit losses, driving our cost of risk to 21.9%. Moving forward, we expect that the combination of tighter underwriting policies on the dedicated desk and the release of new models to the automated desk push down cost of risk to lower levels at a slow, but steady pace. The early signs that we have arising from first payment defaults indicate the path. Looking at the March cohort, we see a clear improvement compared to January and February, returning to levels closer to our baseline. While this represents one data point, we see it as a positive early sign.

On **slide 11**, our Cost of Services increased 420 basis points as a percentage of revenues year over year, driven primarily by higher provisions for credit losses as I just described. Excluding provisions, Cost of Services increased a more modest 60 basis points, reflecting severance costs related to the workforce reduction we executed at the end of the first quarter and higher D&A as several technology projects were completed and moved into production.

Financial Expenses improved 150 basis points as a percentage of revenues year over year, reflecting the benefit of client deposits as a lower-cost of funding source, which more than offset the impact of higher average CDI average rate. As we keep developing our deposit franchise, deposits will increase its importance as a funding source. As a result, we have been able to reduce our total cost of funding from 100% of CDI in early 2025 to approximately 87% more recently, a meaningful improvement that flows directly into our financial expenses.

Administrative Expenses decreased 30 basis points, reflecting continued operating leverage in our support functions.

Selling Expenses decreased 50 basis points, driven by lower marketing and distribution channel spending as a percentage of revenues.

Other Expenses decreased 50 basis points, primarily due to lower share-based compensation, which was partially offset by certain intangible write-offs.

Effective tax rate was 14.3% in the quarter, a reduction of 4.5 percentage points on a year over year basis. This reduction is mostly a reflection of the aggregated benefits from deferred tax assets.

Moving to **slide 12**, we present our managerial capital position and return on equity. We are introducing this metric to provide greater transparency about our capital position on a quarterly basis. As a reminder, our Capital Ratio metric is based on the Brazilian Central Bank

methodology for authorized entities, but we apply to all StoneCo's legal entities. Our capital ratio stood at 44% at the end of the first quarter, elevated by the Linx divestiture concluded in February. Excluding Linx's proceeds, which were returned to shareholders on May 4th, our capital ratio would have been approximately 29%, still comfortably above our 17% internal hurdle. It is also worth noting that we still expect to repurchase R\$1.4 billion until year-end as announced on our last earnings call.

Finally, our Adjusted ROE was 19% in 1Q26, up 40 basis points year over year but down sequentially from 25% in 4Q25. The sequential decline reflects the recognition of R\$1.2 billion in Deferred Tax Assets related to the Linx goodwill amortization, which expanded our GAAP equity base and compressed the ratio by approximately 1 percentage point this quarter. Additionally, it is important to remember that the extraordinary Linx dividend payment will reduce our equity base starting in the second quarter, having a positive impact on our ROEs going forward.

Therefore, to wrap it up and going back to Mateus' initial comments, we had a first quarter in which TPV was soft but in line with what we expected and, although it will be a longer journey, we believe we have the tools to further engage and retain our clients. In addition, we had a challenging backdrop on credit but this is part of our learning journey as we build the business for the long term, and we remain highly confident that both credit and banking will be the main growth levers to our business in the coming years. With that, let's open it up for questions.

— Q&A —