



  
**cielo**

Earnings  
Release

 **3 Q 2 2**

# Legal Disclaimer

The Company makes forward-looking statements that are subject to risks and uncertainties

Such statements are based on the Management's assumptions and surmises on the Company's best knowledge and information. Forward-looking statements include information about our current intentions, assumptions or expectations, as well as those of the members of the Company's Board of Directors and Board of Executive Officers.

Forward-looking statements also include information regarding our possible or assumed future operating results, as well as statements that are preceded or followed by or that include the words "believes", "may", "will", "continues", "expects", "anticipates", "intends", "plans", "estimates" or similar expressions.

Forward-looking statements and information are not guarantees of performance. They involve risks, uncertainties and assumptions, as they refer to future events and therefore depend on circumstances that may or may not occur. Future results and value creation for shareholders may differ materially from those expressed in or suggested by forward-looking statements. Many factors determining these results and values are beyond CIELO's ability to control and predict.

The Company's consolidated financial statements are presented in thousands of Brazilian Reais (R\$ thousand), in accordance with the Accounting Plan of the Institutions of the National Financial System (COSIF) and accounting practices adopted in Brazil.

Variation rates and sums contained in the tables and graphs are calculated before the rounding procedure.

# Agenda

## Presentation:

- Filipe Oliveira – CFO & IRO

## Q&A:

- Estanislau Bassols – CEO
- Filipe Oliveira – CFO & IRO
- Daniel Diniz – Head of IR

# Quarter Highlights

3Q22: consolidation of the new level of results



3Q22 Net Income is the largest since 2Q19: **R\$422 MM**. +99% YoY and 10% QoQ in a recurring basis  
5<sup>th</sup> consecutive quarter of Recurring Net Income's YoY growth. Company ends 3Q22 with **ROE<sup>1</sup> of 16%**



Total Payment Volume (TPV): **R\$221 BI**. +23% YoY  
SMB active merchant base showed **growth** in relation to June



Operating revenue<sup>2</sup> posted sequential growth: **4% QoQ** and 24% YoY. Totaling R\$2.6 BI in 3Q22



Prepaid Volume (ARV and RR) reaches a new record: **R\$30 BI**. +35% YoY  
Acquisition of Receivables' Revenue (ARV) grows 20% QoQ and 170% YoY



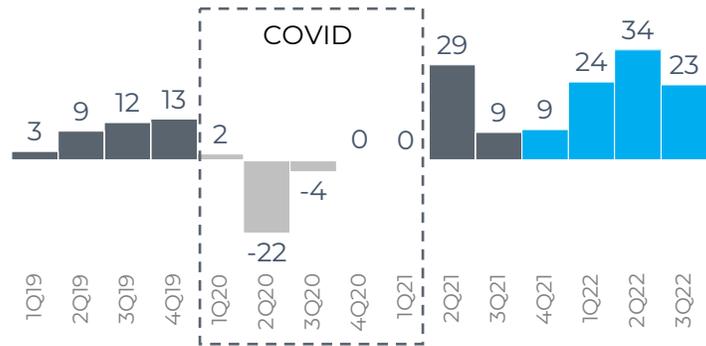
Robust cash generation in Cielo and Cateno. Recurring EBITDA<sup>2</sup>: **R\$1 BI**. +48% YoY and +10% QoQ



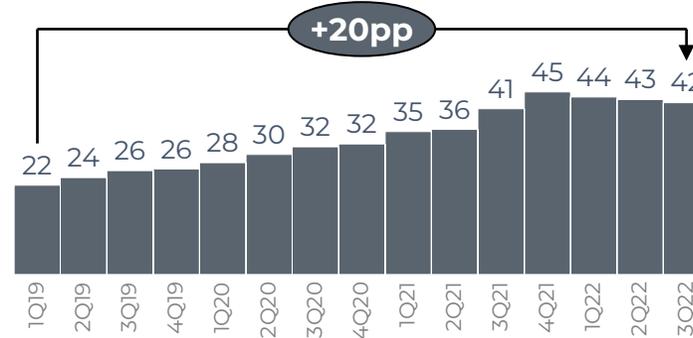
Efficiency: total costs and expenses falls 3.7% QoQ. Lowest costs ratio<sup>3</sup> in Cielo's history: 0.55%.

# Consistency in Profitability Recovery

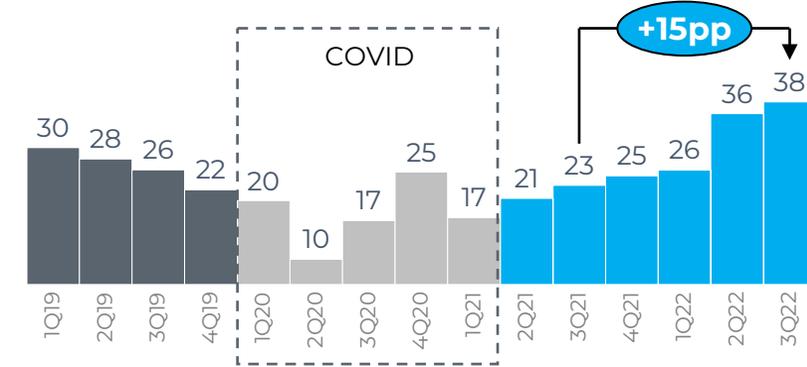
TPV YoY variation<sup>1</sup> (%)



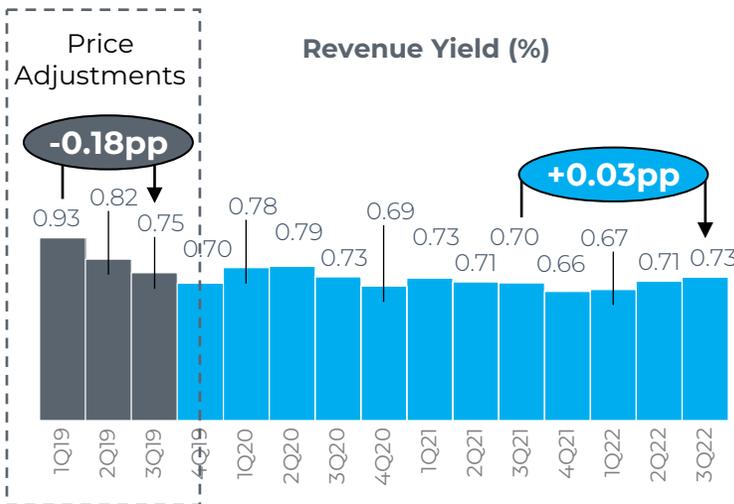
Prepaid Penetration in SMB and LT



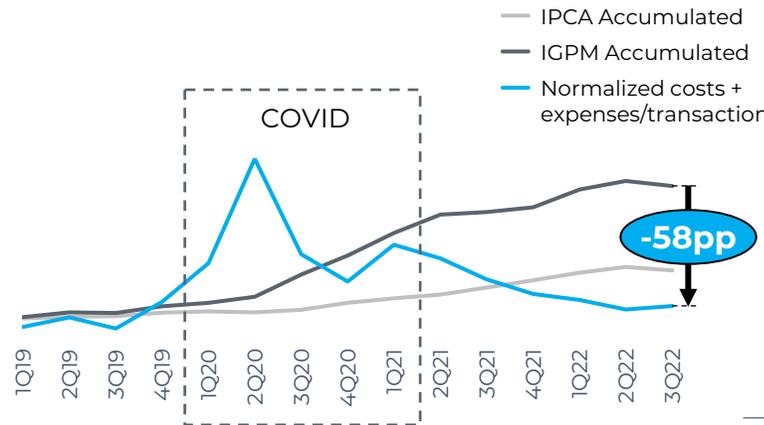
Recurring EBITDA Margin<sup>2</sup> (%)



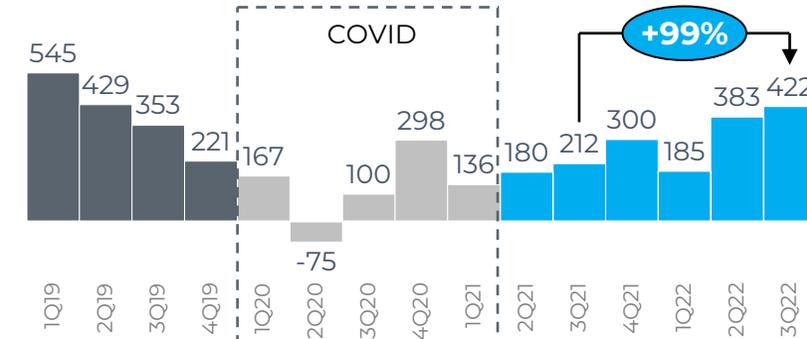
Revenue Yield (%)



Expenses per transaction VS Inflation



Recurring Net Income<sup>2</sup> (million)

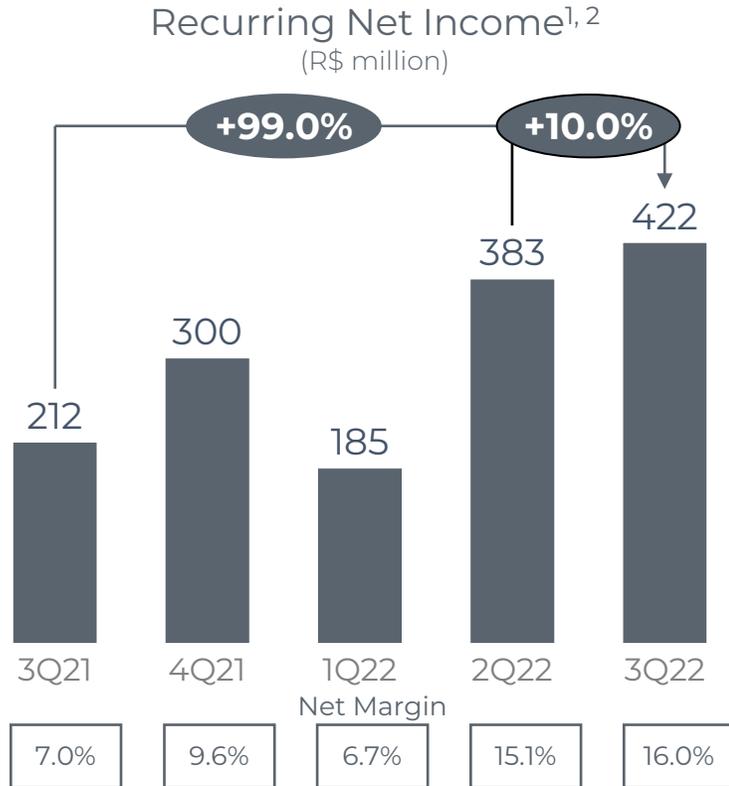


**Company maintains consistency in operational performance. Presenting further advances in EBITDA margin and Recurring Net Income**

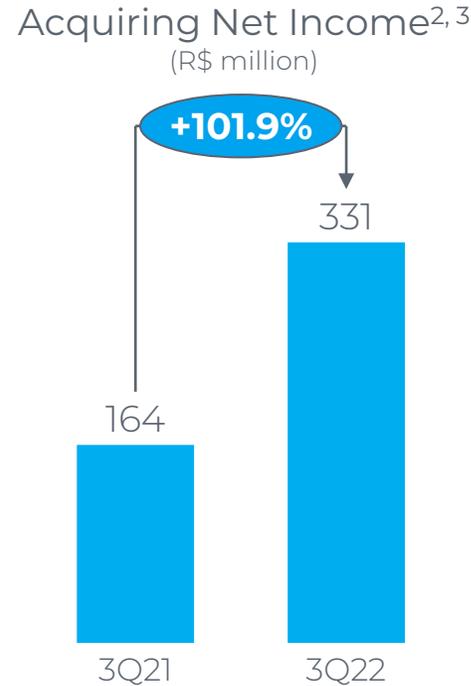
<sup>1</sup> Market share gain in 4Q21 and 2Q22 using Top6 concept (6 largest players that disclose data). Waiting for 3Q22 data for verification.  
<sup>2</sup> Excluding non-recurring items in accordance with the Company's regulations as of 1Q21. For the other periods, no extraordinary items were excluded.

# Recurring Result

Largest recurring result since 2Q19. Robust cash generation



**Solid operating performance in Cielo and Cateno, resulting in a net margin of 16% 3Q22.**



**Strong recovery of acquiring result, through operational performance and spending efficiency**



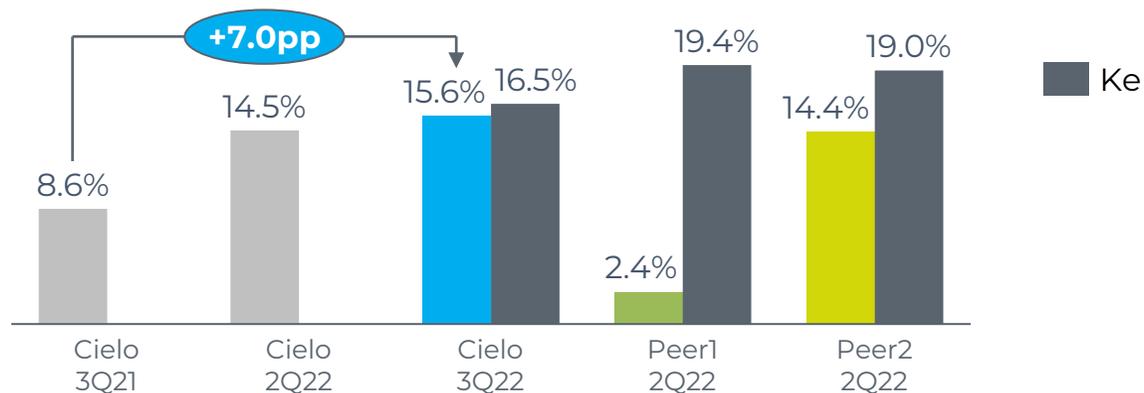
- Cielo BR
- Cateno
- Other Subsidiaries

<sup>1</sup> Net income attributable to Cielo shareholders <sup>2</sup> Reconciliations available in the attachments of this presentation. <sup>3</sup> Cielo Basil's Net Income excluding non-recurring effects and financial expenses of the debt related to acquisition of subsidiaries.

# ROE in Payment Industry

Cielo showed strong recovery in ROE

ROE annualized<sup>1</sup> Vs Ke (bloomberg)



- With the recent improvements, Company ends 3Q22 very close to **overcome its capital cost (Ke)**
- Cielo remains with the ambition to optimize the generation of value for its shareholders
- Even after recovery in 2022, **ROE of the main players of the industry remains below Ke**

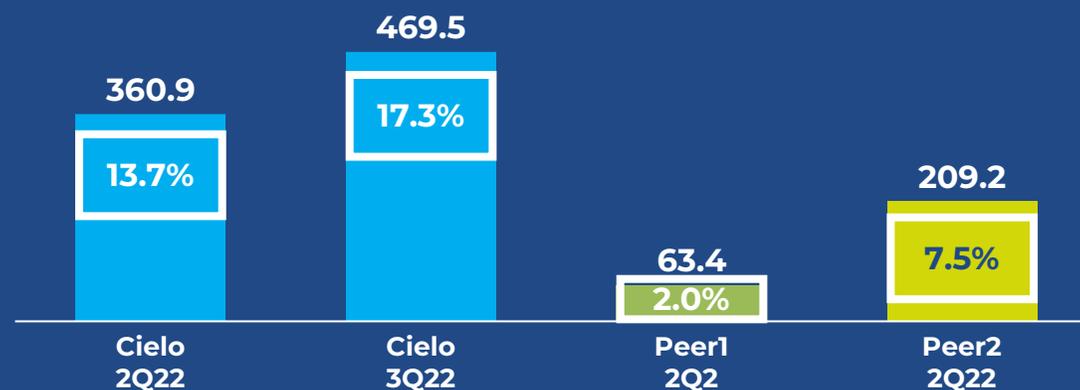
<sup>1</sup> Annually quarter Adjusted Net Income reported by companies in their historical spreadsheet divided by equity. <sup>2</sup>Adjusted Net Income + depreciation and amortization - CAPEX

## Cash Earnings View

- Cash Earnings<sup>2</sup>:** Net Income adjusted for depreciation, amortization and investments (CAPEX)
- In addition to having recovered profitability in relation to the cost of capital, **Cielo continues to have cash generation as its strength**

Cash Earnings

Adjusted ROE: Cash Earnings / Equity

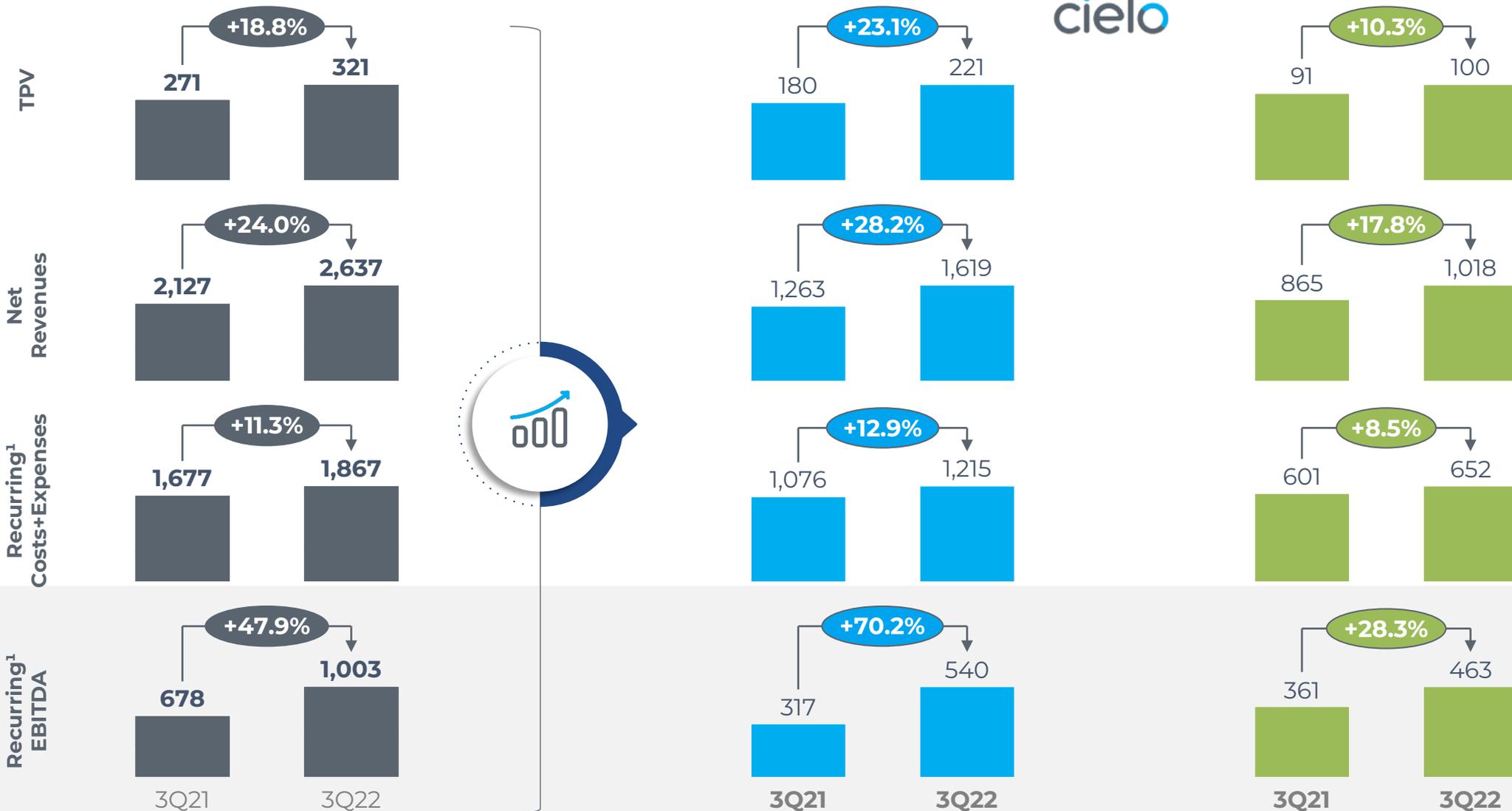


# Operational Performance



# Operating Performance - Cielo BR + Cateno

Significant improvement in key indicators

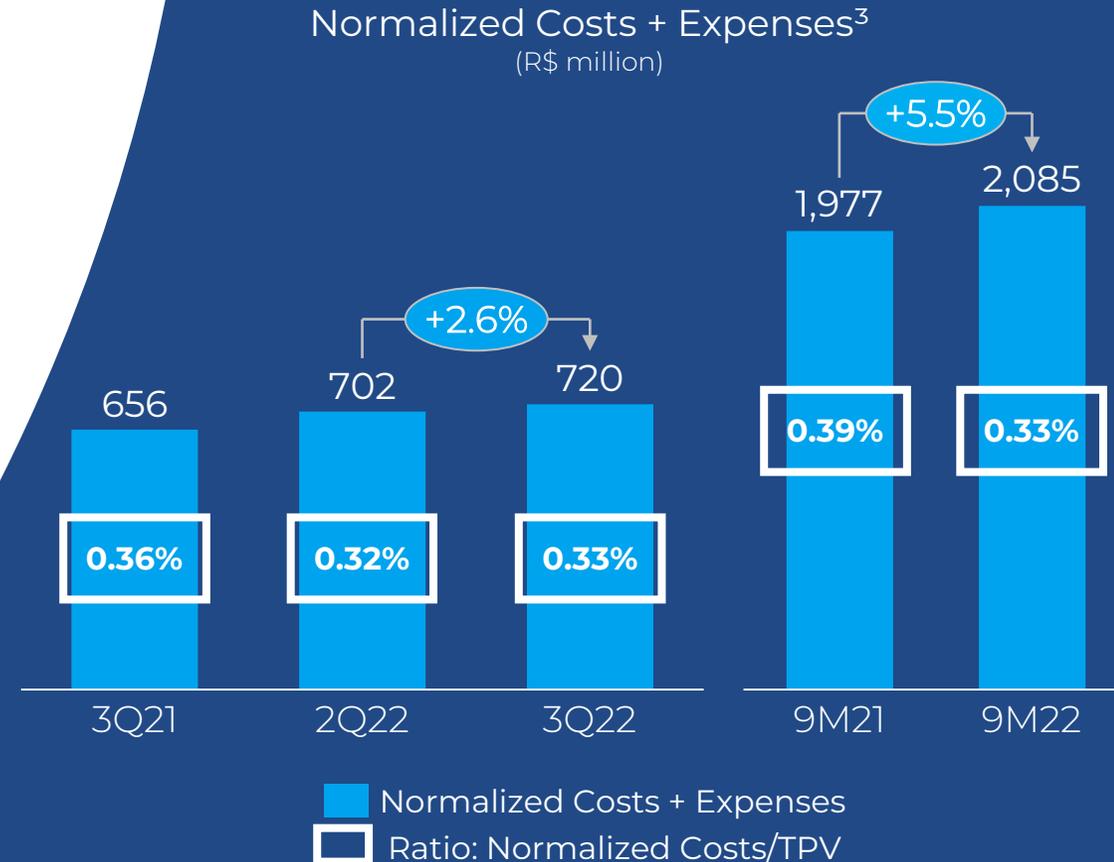


<sup>1</sup> Cielo Brasil excluding non-recurring financial expenses effects described in the attachments of this presentation.

# Operational Efficiency – Cielo BR

9M accumulated growth of normalized costs lower than IPCA<sup>1</sup> for the same period

- Normalized Costs + Expenses grew only 2.6%, even with investments in initiatives to improve operations, commercial team expansion and collective agreement (August/2022)
- **Lowest Costs + Expenses ratio in history: 0.55%.** Normalized Ratio of 0.33%
- **Most efficient acquirer in the market**, when comparing the cost + expenses ratios<sup>2</sup> of the listed players



<sup>1</sup> 12 month accumulated IPCA as of September 2022: 7.2%

<sup>2</sup> Total Costs + Expenses Cielo Brasil 2Q22 / TPV 2Q22

<sup>3</sup> Normalized expenses correspond to the total cost + expenses of Cielo Brasil deducted from the brand fees, subsidies, services provided by banks, PIS and COFINS credits, D&A and the non-recurring items described in the attachments to this presentation

# Volume, Pre-payment and Active Merchants - Cielo BR

New records in TPV and Pre-payment. SMB active merchant base grows again

Total Payment Volume  
(R\$ billion)

Prepaid Volume  
(R\$ billion)

Active Merchant Base  
(90 days base in thousand)

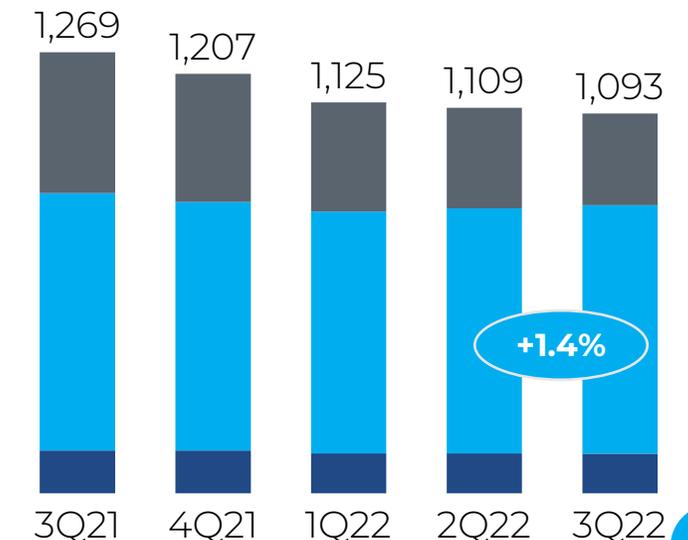
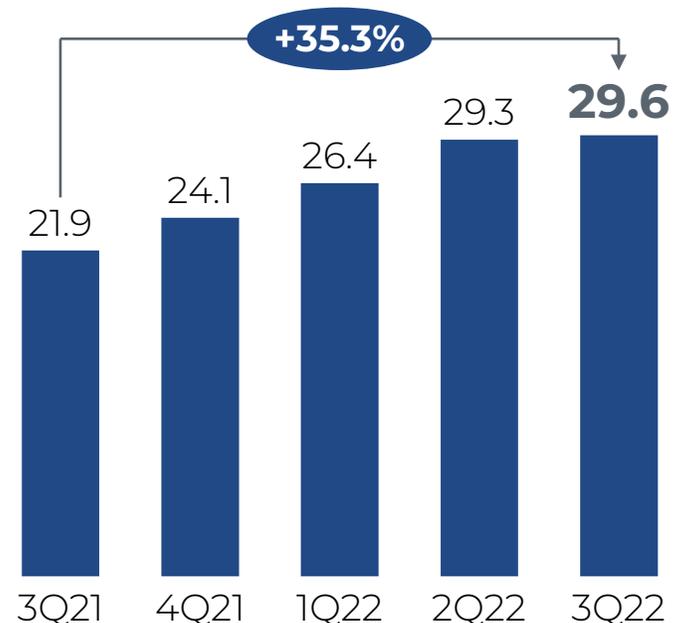
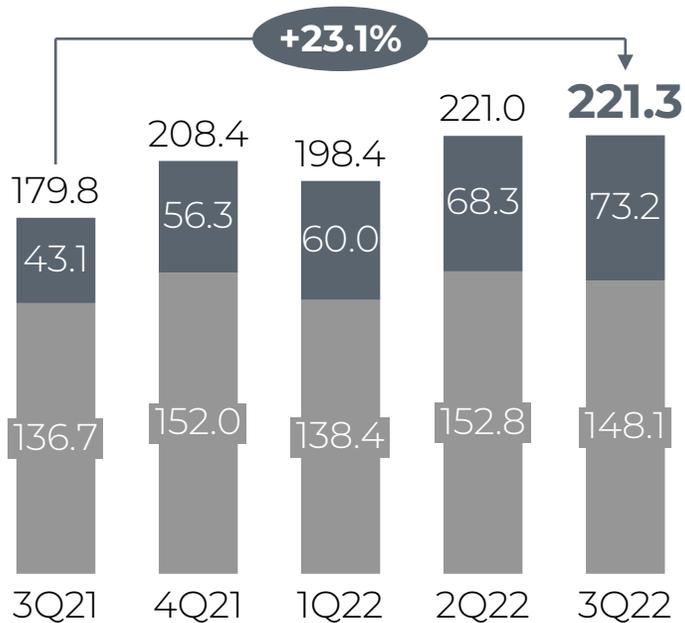
Greater quarter in Cielo's history in terms of TPV.

Operational performance of ARV leverage growth in prepaid volume.

SMB Active Merchant Base grows in September.

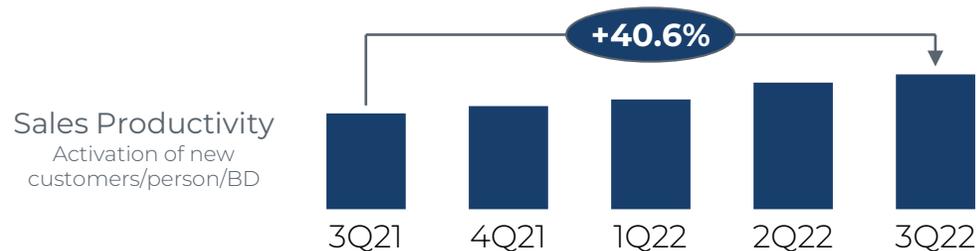
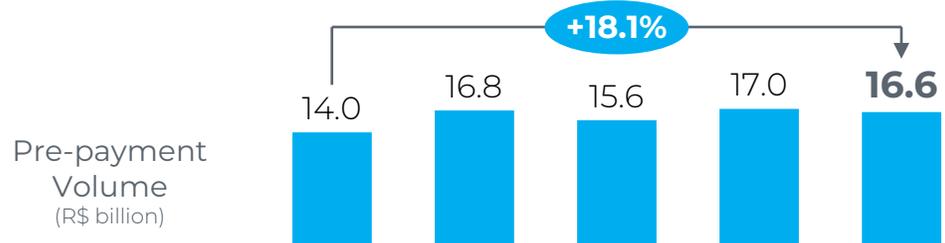
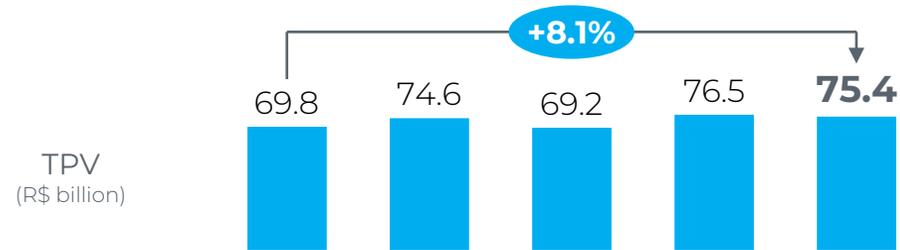
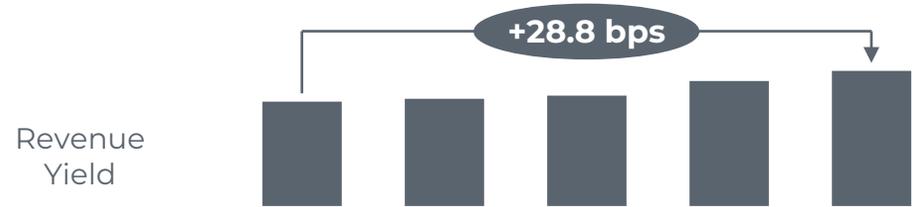
■ Contactless  
■ Card Present

■ Large Accounts ■ SMB ■ Long-Tail



# SMB and Long-Tail

Company seeks growth with profitability



## SMB Highlights in 3Q22

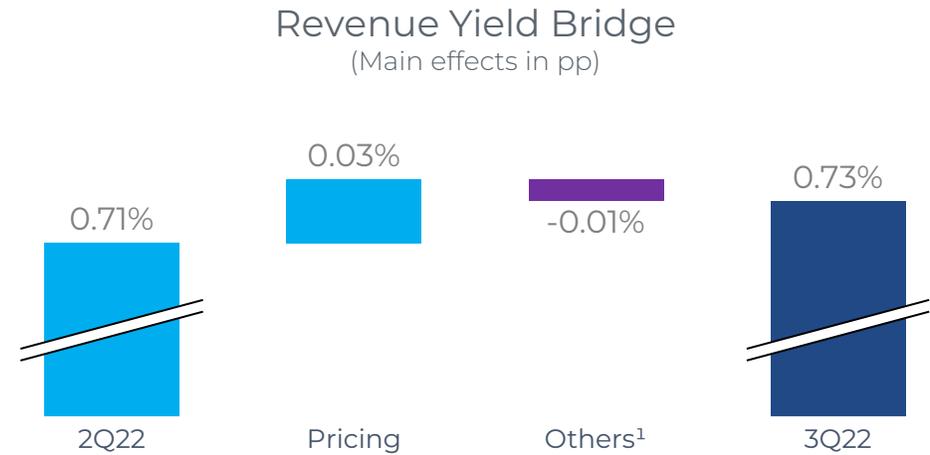
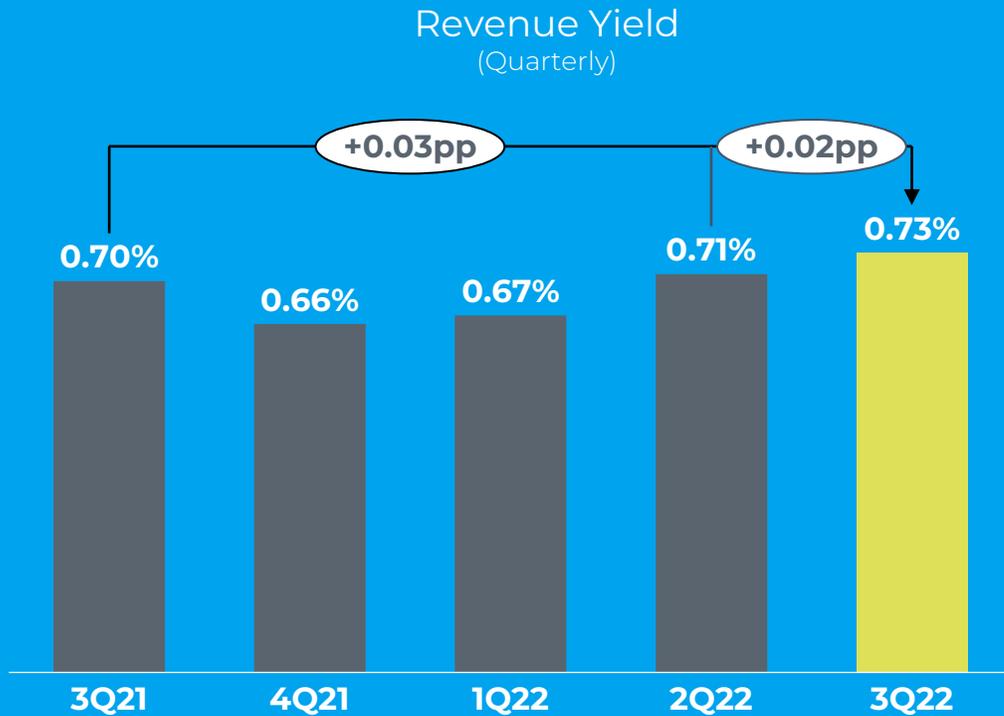
- **Repositioning actions leverage SMB yield**
- **SMB is focus of the Company**, main strategic actions:
  - **New sales force expansion** in progress
  - Actions to **improve customer service** in the short and long term
  - Data intelligence to **offer the right product for the right client, with the right price**

## Recent Achievements:

- **New commercial model:** increasing productivity
- **Logistics model:** 91% of deliveries in up to 2 BD
- **Pre-payment:** ~100% penetration growth since 2019

# Revenue Yield

3<sup>rd</sup> consecutive quarter of QoQ growth



- **Repositioning actions** in 3Q22 had an important positive impact on yield
- **3Q22 Yield also better in YoY comparison**
- Elasticity remains low
- Company continues to monitor the market and possible opportunities

<sup>1</sup> Others include effect of: (i) mix of customer segments, (ii) mix of products, (iii) RR penetration, (iv) taxes, (v) yield volume given that certain revenues do not vary the same and (vi) other revenues.

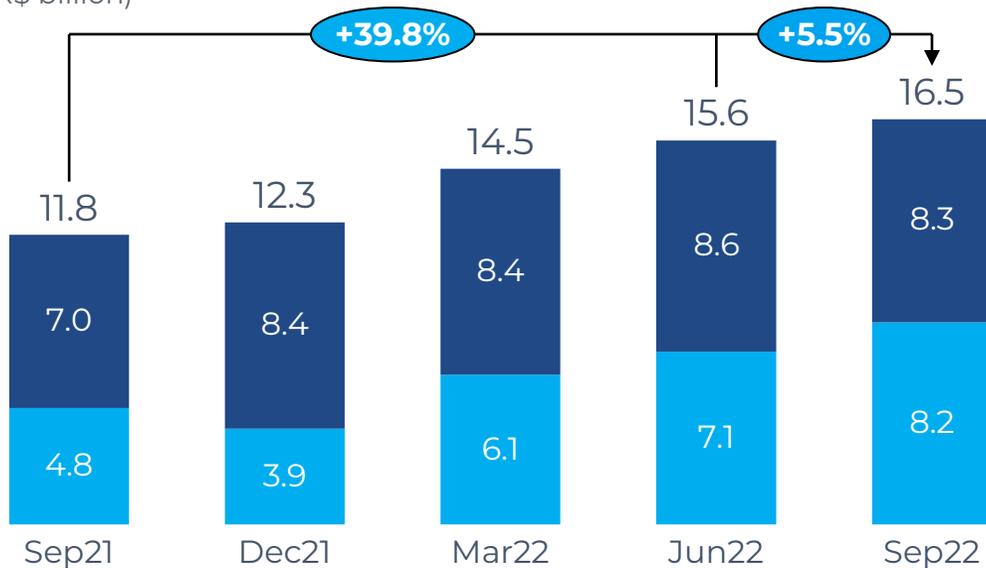
# Pre-Payment Products and Liquidity

Focus on liability management for continued growth of Pre-payment Products

## Capital Allocation in Pre-payment Products (PP)

- 40% growth in the amount allocated to ARV and RR
- New historical record in allocation

■ RR ■ ARV  
(R\$ billion)



## Liability management: 6<sup>th</sup> issuance of debentures

October 3<sup>rd</sup>, 2022 (4Q22)  
6<sup>th</sup> issuance of debentures

**R\$ 3,000,000,000**

**2025**

**CDI+1.20%**

**Second lowest spread** in CDI+ when compared to similar issuances<sup>1</sup>

<sup>1</sup>Unsecured debentures issued in 2022, with an amount higher than R\$1 billion, indexed to the DI. Source: ANBIMA - 10/21/2022

# ESG Initiatives and 3Q22 Milestones

Cielo Brand and ESG advances are strengths of the strategy

## Milestones

### • *Top Of Mind:*

- **Cielo is Top1 in Folha Top Of Mind 2022** in the “POS” category
- 2022 was the debut of this category and Cielo stood out among the acquirers

### • **ISO 22301:**

- Cielo is the first acquirer in the country to obtain the certification, which reinforces the company's practices for business continuity management

## ESG

### • **Zero Racism:**

- Project created by the **Zumbi dos Palmares University**
- Its purpose is to **combat and eliminate racial violence** in social and consumer relations

### • **Diversity in Practice:**

- Blend.Edu award that recognizes companies with the best diversity practices. **The inclusive leadership initiative was highlighted due to the training trails and workshops**

# Attachments



# Reconciliation of Net Income (NI), Acquiring NI and EBITDA

Recurring Net Income (R\$ million)	3Q22	3Q21	Var. %	2Q22	Var. %
<b>Consolidated Net Income</b>	<b>421.7</b>	<b>211.9</b>	<b>99.0%</b>	<b>635.3</b>	<b>-33.6%</b>
<b>Non-recurring items</b>	-	-	n/a	<b>(251.9)</b>	n/a
Sale of MerchantE				(282.3)	
Software Impairment				26.8	
Restructuring of store channel				3.6	
<b>Recurring Result</b>	<b>421.7</b>	<b>211.9</b>	<b>99.0%</b>	<b>383.4</b>	<b>107.7%</b>
Acquiring Net Income (R\$ million)	3Q22	3Q21	Var. %	2Q22	Var. %
<b>Recurring Result Attributable to Cielo</b>	<b>421.7</b>	<b>211.9</b>	<b>99.0%</b>	<b>635.3</b>	<b>-33.6%</b>
<i>Cielo Brasil</i>	245.6	126.5	94.2%	235.0	14.3%
<b>Cost of acquisition debts</b>	<b>(85.3)</b>	<b>(37.4)</b>	<b>128.3%</b>	<b>(74.7)</b>	<b>14.3%</b>
<i>Cateno</i>	(81.6)	(29.7)	175.1%	(71.0)	14.9%
<i>MerchantE</i>	(3.7)	(7.7)	-51.4%	(3.7)	2.1%
<b>Acquiring Net Income (Cielo BR – cost of acquisition debts)</b>	<b>330.9</b>	<b>163.9</b>	<b>101.9%</b>	<b>309.6</b>	<b>6.9%</b>
Recurring EBITDA (R\$ million)	3Q22	3Q21	Var. %	2Q22	Var. %
<b>EBITDA</b>	<b>1,006.1</b>	<b>692.8</b>	<b>45.2%</b>	<b>1,183.2</b>	<b>-15.0%</b>
<b>Non-recurring items</b>	-	-	n/a	(268.5)	n/a
Sale of MerchantE				(314.5)	
Software Impairment				40.6	
Restructuring of store channel				5.5	
<b>Recurring EBITDA</b>	<b>1,006.1</b>	<b>692.8</b>	<b>45.2%</b>	<b>914.7</b>	<b>10.0%</b>

The logo for Cielo, featuring the word "cielo" in a lowercase, sans-serif font. The letter "i" has a blue dot, and the letter "o" is a solid blue circle. The rest of the letters are white.

cielo

Investor  
**Relations**

ri.cielo.com.br  
ri@cielo.com.br