Operator:

Good afternoon, ladies and gentlemen. Welcome to Sinqia's earnings conference call referring to the 4Q20. With us we have Mr. Bernardo Gomes, CEO; Leo Monte, Marketing and Innovation Director; and Thiago Rocha, Financial and Investor Relations Officer.

We inform that the participants will only be listening to the conference call during the presentation, and then we will start the questions and answer session, when further instructions will be provided. If any of you need assistance during the conference, please ask an operator for assistance by pressing *0.

This event is also being broadcast simultaneously over the Internet, via webcast, where the respective presentation can be found. The selection of slides will be controlled by you. Access can be made through the electronic address ri.sinqia.com.br, where you can also find and download the release and the presentation of the Company.

I would like to now turn it over to Mr. Bernardo Gomes, who will begin the presentation. Please, Mr. Gomes, you may proceed.

Bernardo Gomes:

Thank you. Good afternoon, everyone. Welcome to our earnings conference call. I would like to start on slide number two, where we are going to highlight our excellent results for 2020.

I start talking about financial performance, and we have certain indicators. First of all, the net revenue record of R$210 million, 20% above 2019, with the observation that we still have very little considering the recent acquisitions. We are going to explain this further. If we take this annual revenue, we would have a proforma revenue of R$268 million.

So the excellent result in a year that has been so difficult for Brazil and the world, and we were able to deliver results that make us very happy.

Record gross profit of R$71.6 million, 24% above the rate in 2019. And as to G&A expenses, 4% below what we had in 2019. All of this led us to register an adjusted EBITDA, which was a record, of a bit over R$30 million, 43% above what we had in 2019.

It is worth reminding us, all of these results. Results of important accomplishments and actions we had in 2020, and here we have a few that we highlight, and we would like to talk about.

The first is the acquisitions that we made in the 2H20, accounting for 35% of the follow-on proceeds that we had at the end of 2019, which shows that we are perfectly aligned with the goal and the plan that we had at the time of the IPO. And we intend to continue at this very fast pace, making new acquisitions, bringing new customers, new products, new offers to our Company.

The second point I highlight here is the work that we have carried out throughout the year in which we tried to explain to investors increasingly more our Company, our business model, and our future outlooks. And with this, we gradually increased the liquidity of our shares, and we managed to enter the small-cap index portfolio. That was a great accomplishment for the Company.

The third item I highlight here was the acceleration we managed to get in the sales and the implementation of our partners. This made us increase 24% in the subscription revenues. This was an effort, trying to speed up the sales project and the implementation of our software.

The fourth item I try to highlight here is the way we quickly managed to adapt to the new scenario we are living in. All our customers are going through a time in which digital transformation is more than a need, it is almost a survival need. And we very quickly were able to meet those demands, and we realize that, in our outsourcing efforts, we were able to grow 33%.

These joint actions enabled Sinqia to have in the 3Q20 records of recurrence. We reached 90% recurrence, which is very important. That shows that our business model gives high predictability of what we can deliver, and that was a very important accomplishment. This is the margin. It was a record margin of 18% showing that increasing scale will bring better business profitability. This is something we have already observed early this year, and we will continue to observe in the future.

And lastly but not least, we have highlighted the importance of paying attention to innovation. Both the financial market and technology market is going through a time of turmoil, in a sense. New businesses, new technologies, new players, new ways of doing business, and we have been trying to follow that and trying to lead this innovation process.

Our most recent initiative was the launch of Torq Ventures, our corporate venture capital, to be very close to this environment of innovation that is coming up in our market.

Now I am going to take the opportunity and hand it over to Leo Monte, Marketing and Innovation Director, who is going to talk a bit more about these and other initiatives that we have trying to follow the innovation that we see in the financial market and technology market. Leo, up to you.

Leo Monte:

Thank you, Bernardo. Good afternoon, everyone. This has been a very challenging year, but Sinqia was able to have great accomplishments and advances when we talk about innovation.

It was not only the last quarter, but we had great advances and acceleration in our strategy, both in terms of product development and innovation. I am going to go to slide four, where we presented it.

In the last quarter, we had we launched Torq Ventures, our CVC program, where we earmarked R$50 million for this investment, our corporate venture capital and startups, being very much focused on our goals, our growth, goals of following acceleration, where I highlight here that we have these six icons. So we are talking about open finance, we are following a movement of the Central Bank, starting with open banking, and that should evolve to open finance, and we are not going to be out of that on any of our fronts.

The other front is bank-as-a-service. We understand there is great potential for us to deliver banking services to some customers, distribute products of Sinqia, digital and technological items.

IPaas, which is integration platforms as a service. So here we are going to have an open world. The companies will need to have integration platforms, technology for the integration, artificial intelligence, AI hubs of technology and connection distribution, and startups of risk and fraud.

For this, we have managed to set up a dedicated, focused team that is familiar with this movement and these initiatives, corporate venture capital to integrate with the startups and the systems and connecting to the funds.

We started in 2021 a relationship with Astella and Parallax, and we have been making some investments through the acceleration process, and we started with Torq Ventures, our ability of sourcing and analyzing startups, along with Astella and Parallax.

Astella, one of the first venture capital funds in Brazil, great sourcing of origination, great businesses. And, on the other hand, Parallax has a great focus on fintechs, with a very adherent portfolio with Sinqia.

Also, we are encouraging partnerships of origination, as we have with Canary, Redpoint, and also Distrito, very qualified partners to make these investments. Reminding you that investments are made between series C and series A.

On slide five, we have also had a significant moment, and we have been following this investment increase in innovation companies. In 2019, 2020, we had over 20%, as you can see, in R&D and innovation investments, to be able to follow and update very frequently.

We know that technology moves forward. There are lots of regulations and emerging technologies are coming up increasingly. So we want to be a leader in our segment, and we understand that for that we have to make this investment, and that is what we are doing.

The same thing is to convert certain software pieces that we have for cloud, SaaS. So we have been leading that for some years. We accelerated that a lot in 2020, and we intend to accelerate even further in 2021. This gives us great gains in time used in implementation, and also faster revenue.

And also preparation of migration tools. These migration tools, to develop them, makes us have more facility to migrate our software pieces, and also, we can bring clients from our competitors to our portfolio. So this gives us a gain of scale that is quite significant.

In addition to the construction of APIs focused on open banking and open finance, we have been preparing our software over the years, and we intensified that to meet the demands of the Central Bank, and also to keep our eyes towards the future. And also adopting new emerging technologies such as AI and blockchain.

And for all of this, we had quite a significant increase in terms of investment in 2021. On one hand, we had an increase of 26%. We have more than doubled this increase, getting close to 120%, a quite significant increase, and we are going to further accelerate everything that we have been doing, honoring the commitment we have with our investors, and also aligning ourselves to the market.

Now I am going to give the floor to Thiago Rocha, and he can tell you a bit about M&A in our last quarter.

Thiago Rocha:

Thank you, Leo. Good afternoon, everyone. I am going to start just briefly telling you that in the last earnings conference call, we had an acquisition announcement in October. So in this quarter, we are going to highlight the acquisition of Fromtis, working on that works on funds.

On slide seven, we announced the acquisition of Fromtis in 2020, very important for Sinqia. It combines strategic and financial rationale that is quite strong, and I would like to share this with you.

First, thinking about strategy. We joined this FDIC in 2016 with the acquisition of attps, and now we have reinforced our presence with the acquisition of Fromtis. These were the two major providers of software for FIDCs, and now we lead the segment.

The acquisition of Fromtis had two goals. First, it was to expand our product portfolio. We brought a more modern software, more standardized and prepared for the SaaS model. What does it mean? That various clients can use the same system, which is very important for Sinqia, because this means scalability.

And our second goal was to expand our customer portfolio. We have 33 administrators and managers, including various important names in the fund industry in Brazil. Let me give you some examples: Bradesco, BRL Trust, Santander, Socopa, amongst other names.

This has been an acquisition that had a financial rationale quite strong. They had a revenue of R$9.3 million in 2020, a growth of 34%. They have been growing quite impressively for two reasons: one is the acquisition of new customers with the reduction of interest rates. There are several managers and administrators are changing the FIDC products in Brazil. And the second is the ticket increase. Since they have everything priced according to the number of funds, FIDCs, every time a franchise customer launches a new FIDC, the company grows a little bit.

In addition, I would like to highlight that their EBITDA margin was quite high in 2020, and the product is very modern, standardized. Fromtis operates above the 20% margin, and we intend to increase this number further with this synergy, probably getting close to 25% to 35%.

Moving on to a slight eight, with the acquisition of Fromtis, we closed 2020 with three deals, three very important acquisitions that represented a reinforcement that was very strategic in three of our fronts.

Tree reinforces the Sinqia Bank, Fromtis, funds, and ISP, the pensions front. And all of them represented very important steps in our outlooks, bringing new products and new customers, which are the ingredients Sinqia needs for growth. So these three fronts and software.

And looking at the chart on the right, I would like to highlight that these acquisitions always account for great financial returns. So we are reporting R$210 million of net revenue. This number is only three months of quarter, one month of Fromtis this and no months of ISP. To give you an idea of the real size of our Company in 2020, we need to add nine months of Tree, 11 months of Fromtis, R$8.5 million, and 12 months of ISP, R$44.2 million.

Therefore, considering these numbers proforma, as Bernardo said, Sinqia ends 2020, with R$268 million in terms of revenue, which is quite a significant number. 2020, not 2021. It does not yet contain the growth of Sinqia and these companies expected for the year that is starting now.

Moving on to slide nine, we move in line with our M&A plan. In 4Q, we had the year of our offer of shares of 2019, and our expectation at the offer time was to use 100% of the funds in three years. In these acquisitions made in late 2020, we used 35.2% of these funds in a bit over a year, according to the plan, even suspending acquisitions in the 1H20 because of the pandemic.

More important than that, our M&A scenario is quite heated. We have quantity and quality. On the chart to the right, of all the numbers we have here, I would like to highlight the latter. We have three M&As signed and several negotiations very advanced that, in our vision, should ensure our M&A strategy over 2021.

Now I am going to talk a bit about the financial results. A very good quarter, as Bernardo mentioned, full of records. Moving to slide 11, our portfolio had a growth that was very good, an acceleration in the growth in the end of the year, and we continue growing compared to other quarters, R$28 million improvement, R$18 million are inorganic, this portfolio of Tree and Fromtis, and R$4 million organic.

These R$4.2 million that are organic account for organic growth quarterly of 3.2% in the 4Q, the best growth we have had in the past four quarters. And we interpret this in a very positive way, as a sign of acceleration at the end of 2020.

And the portfolio is also growing in the yearly comparison, R$27.9 million over 4Q19, R$18 million inorganic and R$9.9 million organic. I want to highlight that in 2020 we managed to exceed inflation. We met our sales demand, we had certain points that were above normal, but we believe these will not be repeated, even knowing that those cases were outside our direct control, so that we can minimize this downturn we are doing our work. We are monitoring everything, customer satisfaction, and promoting several improvements to our products.

Moving to slide 12, we have had a new record revenue. Net revenue total was R$59 million, growth of 23%, software was R$40.8 million, growth of 22%, and 14 organic, a possible growth because in 2019 we had a commercial performance that was very sound. We built a very important backlog, and in 2020, we had an operational performance that was very consistent. We managed to convert this backlog into new revenues. Just to give you an idea, 114 projects implemented over 2020.

And in addition, we had inorganic of 7% due to the acquisition of Tree and Fromtis that got consolidated in October and December, respectively.

In terms of service, we had net revenue of R$18.2 million, growth of 26%, very much driven by the demand on digital transformation, especially in outsourcing. On this line we see an addition of new customers, especially the expansion of average ticket. Our customers feel increasingly more comfortable to expand their outsourcing operations with Sinqia.

Looking at to right, recurrent revenue was R$53 million, growth of 34%. In the case of subscription, we had R$35 million, growth of 31%, and outsourcing, 17.9%, growth of 41%. And this is very relevant.

Most premium lines of software businesses and services have presented a growth that was quite strong at the end of the year. Consequently, the percentage of recurrence reached 90% of recurring revenue. This is the highest percentage since our IPO in 2013, meaning that our Company not only grew, but grew with sustainability.

Moving to slide 13, we have also had an expansion of our gross profit. Total gross profit, R$21.6 million, growth of 23%, gross margin of 36.6%, increase of 1.1 p.p., and we had expansion of gross profit in both businesses, software and services.

Gross profit of software was R$16.9 million, growth of 20%, gross margin 41.3%, slight reduction of 0.3 p.p. This reduction is explained by two reasons: implementation cost increase over the year, there was 10% of software net revenue for the 4Q, moving from 14% to 4Q20, because we reinforced a team to convert the backlog into new revenues. That was a very important decision. That is what made the subscription revenue growth that we have in the 4Q.

In addition to R&D and innovation, increased to 4.7% of revenue, 4% in 2020 from 3.5% to 4.7%, because we are intensifying investment in various fronts.

As Leo Monte mentioned a while ago, I would like to reinforce that we intend to intensify even further investment in R&D&I during 2021, because this is fundamental for the success of our Company in the midterm.

Service gross profit was 4.7%, growth of 35% and gross margin was 25.9%, increase of 1.9 p.p.

This is the best quarterly gross profit of services in the past six years. Excellent results, and the advance here is explained mainly due to the outsourcing business that has renewed offers, and now is reaping the fruits of that.

Now we have a firmer offer that adds more value to our customers. We offer not only outsourcing of the teams, but also the management of the teams, which leads to greater margins.

Now moving to slide 14, we have also seen a relevant decrease in expenses. Total expenses excluding depreciation and amortization, an 11% reduction, accounted for 18.6% net revenue, reduction of 7.1 p.p.

More important than that is the change in the profile of expenses. We have been gradually replacing general expenses for commercial expenses with marketing because we understand the latter have a more direct relationship with the future growth of the Company.

In addition, these two lines, general expenses and administrative, both commercial and marketing, they are being benefited by the resulting dilution of the last acquisitions. The commercial and marketing closed with R$3.6 million, reduction of 15%, accounting for 6% of net revenue, reduction of 2.7 p.p.

Here we see two explanations. First, they have been reduced because in the 4Q19, we paid some important layoffs, some specific ones that totaled R$1 million, million and were not repeated in the same magnitude in the 4Q20. Secondly, they were also reduced because of the suspension of important events in our industry. When the situation normalizes, we should resume those events and we should be present again.

And regarding general and G&A expenses, they totaled R$7.4 million in the quarter, a reduction of 9%, representing 12.6% of revenues, reduction of 4.5 p.p. We have two explanations for this: expenses with our office and traveling have been reduced because we are working remotely, reduction of R$0.6 million; and, in addition, we had moved of provisions into lines.

On one hand, we have greater bonuses in 4Q20. The Company reached the minimum goal for EBITDA. On the other hand, we reverted provisions for legal demands with prognostics of loss that are more favorable to Sinqia. The net of those two lines is a reduction of expenses, R$1.5 million.

Moving to slide 15, as a consequence of these moves, we delivered a record EBITDA. Adjusted EBITDA was R$10.6 million, growth of 66%, with a margin of 18%. This is the best quarterly margin recorded since our IPO in 2013.

This is very important news. We went through some quarters of compressing the margin in 2020, 2021, because we had changed our commercial model and intensified investment. But this margin of the 4Q shows that a decision we made almost two years ago is paying off. We reached a strike point, or a balance point, and so we have our revenues that can pay off the implementation costs.

Moving to slide 16, because of that, we had net income that was quite good, R$3.1 million, representing a significant growth. And the main explanation for this growth is the operating results, EBITDA itself.

On the other hand, the lines below EBITDA had some variations, expenses, with depreciation and amortization increased R$1.3 million. The financial revenue had a variation of R$0.5 million, and in income tax there was a credit became a debit with a variation of R$2.1 million between these two periods.

And adjusted cash earnings. was R$5.3 million, an increase of 45.8%. The explanation is also the operational results, higher EBITDA in the 4Q.

Moving to slide 17, Sinqia maintains a strong cash position in this quarter. Gross cash reduced to R$339 million because of the payment of the cash installments of the Tree and Fromtis acquisition, and also amortization of previous acquisitions and installments of the debentures.

Gross debt increased to R$83.4 million because of the liabilities from investment acquisition of Tree and Fromtis. And as a consequence, gross cash reduced to R$237.7 million, because we had the closing of the acquisition of ISP that impacted this. The payment of the ISP reduced gross cash in R$33.2 million, and accounting of this installment payment increased the gross debt in R$48.4 million, Our current net cash is closer to R$35.7 million.

I would like to hand back to Bernardo or to make his final remarks. Bernardo?

Bernardo Gomes:

Thank you, Thiago. Moving now to slide 18, everything that we have seen during this presentation up to now only proves and confirms that we have been following a successful trajectory, that everything we have been doing is very consistent and has been bringing the results expected.

And from what we have seen, we have this outlook. We have new avenues opening up in terms of M&A, market consolidation and innovation. These are our main fuel items to gain profitability and growth. We are very optimistic in terms of what we see ahead.

Speaking about four points, in software we will keep on investing on our own R&D so that we can increasingly meet in a better and broader way our market. We are going to invest a lot in providing more speed to the implementation so that we can quickly transform sales into revenue and recurrent revenue, bringing scale and profitability.

In terms of services, we were able to quickly adapt to the market demands in this new scenario, and we are going to continue seizing the opportunities with greater value added services to turn the digital transformation of our customers feasible.

In terms of innovation, we have been continuously looking at new opportunities, new technologies. Now, with the launch of Torq Ventures and the partners that we have chosen, I am sure that we are going to be the leaders in terms of innovation and take on the vanguard in terms of innovation in the financial market.

And lastly, our M&A strategy, it has been intensified. We have managed to intensify the pace of what we had been doing in the previous year. In the 2H, this was very clear. We are going to follow on in this pace, and we are expanding our M&A activities at a time that we are opening up our pipeline, bringing in startups and business opportunities of emerging businesses that can contribute to this strategy.

So the message we would like to leave you with is consistent results with the trajectory we have been taking and the outlook that we consider quite good for the short term and long term future.

This is it. Now will be available for the Q&A session. Thank you.

Renato Cesar Chanes, Spiti (via webcast)

Congratulations on your great results. I have two questions. First, can you give some granularity about these three MoUs signed? Should we have some advances in the 2Q21?

Second, even though small, can you say whether this contraction in the growth margin software should be observed in the next quarters, since there has been an intensification of investment in the number of employees? Thank you.

Thiago Rocha:

Renato, thank you for taking part of our conference call and for your question. Starting with the MoUs, unfortunately, we cannot give you a very specific answer. It will be more general.

We are going through a time of expansion, regulating our M&A strategy, in which we look at not only companies with vertical action that we should keep on acquiring, but companies with a more horizontal action, software, more geared to front office that can be commercialized throughout our customer base, as banks, funds, pension funds and consortium.

In our view, this new wave of acquisitions should be of companies with these features that grow faster, that have a margin level that is much higher. That is why we consider their prospects, and we are very excited about that.

It is very difficult for me to give you ideas of dates. What I may say is that, at an advanced stage, we expect that acquisition should not take so long to happen. Usually, the cycle of a typical acquisition of Sinqia, at the time we start the process, signing the initial agreement, it is about six months. In these cases I would say we are at quite an advanced stage. I would say that this should happen in a relatively brief way.

And moving to your second question on gross margin, we had an expansion of investment in R&D and innovation. They reached 4% of the revenue in the 4Q. Leo mentioned, and I would like to stress that our intention for 2021 is to more than double investment in R&D&I, I so that we can distance ourselves from the competition.

And if this will result in a reduction of gross margin, quite frankly, I do not think so, because there are other effects acting upon gross margin in addition to the increase in the investment in R&D that may cause higher gross margin.

To give you an example, we were able to dilute expenses that we have with the sustainment of systems. We should not have a relevant expense with systems implementation. The team is already set up. Recently, we have had acquisitions with high gross margins that have not yet been consolidated.

So these are just a few examples that I could mention. The fact is that, despite an increase in the investment in R&D, we were able to drive new increase in gross margin over time.

Participant (via webcast):

How do you see the beginning of 2021?

Thiago Rocha:

Thank you for the question. We are very excited with the beginning of 2021. It could not be different. Closing 2020 so well, we have been able to build a baseline that allows us to start 2021 quite well.

When we look at the business organically, we see in software a pipeline that is very robust of commercial opportunities. We see relevant developments and progress in the operations, as, for example, implementation and R&D investments. And so we have very good outlook in terms of services.

If you pay attention to the level of revenue of the of 4Q and only multiply by four, you will realize that the growth of 2021 is, quote unquote, assured and should be very good.

From the organic standpoint, we have great optimism regarding the beginning of the year. Everything we have seen so far is quite positive.

As from the inorganic standpoint, I am also very excited. We have a very rich pipeline. We have various companies as target of acquisition, very nice companies. We have been working in various cases for some time, and we will be able to bring some more news and take Sinqia to another level.

Pedro Pimenta (via webcast):

What is the percentage of R&D today? If you keep this level, can this undermine the competitiveness of the Company?

And on the growth presented above the revenue, do you attribute this growth to the increase of demand in general or especially from the new acquisitions?

Thiago Rocha:

Pedro, thank you for your question. The investment in R&D in the 4Q represented 4% of the net revenue in software. As we mentioned during the conference call, our intent is to double the investment in R&D, and more than that for 2021.

If this impacts the competitiveness, I would say no. Let me tell you why. We believe that, on one hand, our R&D has a specific feature being geared to functional compartmentation, technological updating, building new models of the products Sinqia already has, but our R&D is rarely geared to construction of new things from scratch, a totally new product. This is the check of M&A, or the corporate venture capital. This is not R&D check.

Since our investment in R&D is restricted within a scope of activities, our perception is that the levels of investment have been enough for this scope of activities.

Having said that, once again, I reinstate, we are increasing, we have grown in 2020 and we are going to grow in 2021. So when we see this moment of disruption in the financial market, we have an opportunity of being ahead. Our competitors do not have the same financial capability Sinqia has in cash, and making investments more intensely will create differentials that are going to be long lasting and bring benefits to thinking along the next ten years.

And regarding your second question, on the growth, we highlight, actually on the cover page of our earnings release, software had a growth of 22% in the 4Q, 14% is organic, 8% inorganic. So most of the growth in the 4Q came from greater demand and delivery that we were able to make. A small part came from M&A, because actually the acquisition of Fromtis was closed in December, and ISP is not even present. Because of that, looking at 4Q20, organic is more important than inorganic.

Gabriela Chiarini, SFA Investments (via webcast):

Good afternoon, and congratulations on your results. Can you talk about the innovation projects like Plugi?

Leo Monte:

We had major advances in Plugi, as our innovation project went through a moment of validation and adjustments. And now we had the go to market, we are shipping in our software pieces, and it will be native ship for new customers, for those customers that want to use the software, every marketplace and platform. We are seeking new, large administrators, so that the negotiations can happen within the platform.

And now we are also moving towards the partnership with some funds, some managers, so that we can have the negotiation within the platform. In other words, we are at a stage, we moved from validation, go to market, and now we are at a phase of operations.

Rafael Ragazi, Nord Research (via webcast)

What is the vision of Sinqia regarding the basic test of a new foreign exchange law, and how has it been actually dealt in the Congress? Can the foreign exchange market have the same effect of payment? What is the impact to Sinqia's business as a whole?

Thiago Rocha:

Rafael, thank you for your question. One of the motivations for the acquisition of Tree is precisely this regulatory agenda of the Central Bank towards the foreign exchange market.

I agree with you, the payments market went through a regulatory change that resulted into an opening of the market. If we go back ten years in time, we will remember that we had three acquirers in Brazil dominating practically 100% of transactions with cards. When we look at the reality in 2020, we see 700 players in PIX.

This regulatory agenda has dropped some entry barriers, and consequently we have various players operating the business, which is good for software providers.

Our vision on this law is quite positive. The backdrop of this law is to facilitate foreign exchange operations, democratize foreign exchange operations to make them cheaper. So we believe that its effect may be more and more banks, brokers and fintechs interested in operating the foreign exchange product here in Brazil.

So the impact of this to our business is something that should occur more in the midterm, and certainly will result into various commercial opportunities coming up as a result of this market transformation.

And just to complement, the foreign exchange business of Tree is moving on quite well. In the 4Q, we had the closing of our first major sales cross-sell, which is really cool, with a customer from our portfolio that decided to replace the foreign exchange solutions from the competitor, now with Tree, or Sinqia. That confirms our strategy was correct.

So the foreign exchange market before our acquisition was needy. Now we have this supplier with Sinqia, it has a good solution, and with this we expect to advance on new entrants and on the territories of the companies that are already established in this market.

Luiz Azevedo, Banco Safra:

Good afternoon, everyone. I have actually two questions. First, regarding acquisitions. You have mentioned that now you are looking at a new wave of acquisitions, that company that perhaps have a higher growth rate. I would like to know the expectations of multiple of these acquisitions, imagining that they are companies of higher growth, and I would assume the multiple would be higher.

This week, we have seen a great acquisition of a technology company, and that was quite big. Can you give us an idea, references if we can use this rationale that the next acquisitions will have multiples beyond the historic the Company has been presenting? This is the first question. Thank you.

Thiago Rocha:

Luiz, thank you for your participation in our call and for your question. We believe that in our next wave of acquisitions, since we are talking about companies that grow faster and that have higher EBITDA margin, we should expect that multiples of revenue should be higher.

But we are not talking about such relevant difference. We are talking about multiples 3x, 4x, maximum 5x if it is the case. So a multiple of revenue quite palatable. This is just a reference.

But we generally think about, in terms of EBITDA multiples, that should not exceed 10x, and especially a return rate. We make our decisions based on return rates. Even if we have an appreciation of the multiples of revenue for specific acquisitions, I am not saying that we are going to run the multiples for acquisitions with a more mature profile.

Even if there is a change in the revenue model, this does not mean an increase in EBITDA and the return cash.

And specifically regarding the fact of us paying too much for an acquisition, more than it is worth, this does not exist. If there is something Sinqia does, and does quite well, is acquisition. We are very disciplined.

In addition to being very disciplined and strict, we act in a market where we are the only consolidator. This brings us some advantages. For example, I do not need to face, on my day to day, other players fighting with me over an acquisition. So this is why it is so easy.

So we are very confident that we are going to make good acquisitions, companies that grow a lot, that have good profitability, paying perhaps a bit more on revenue. But I am sure that we are talking about palatable and disciplined things.

Luiz Azevedo:

OK. Thank you. Very clear. And the other question regarding Torq Ventures, you have capital of R$50 million to make this seed money. What is more or less the horizon you expect to make these investments? Thank you.

Leo Monte:

Thank you for your question. We have a window of up to five years to make these allocations, or these investments. Of course, we have a very big surge in the market. We have good players, so it leads us to have a more accurate view.

And just to reinforce, perhaps I have not explained, we are within this universe of investments, with these accelerators, seed and CLA. We have checks of R$2 million to R$6 million, seed, R$5 million to R$20 million, and CLA, R$18 million to R$60 million. Out of that, we do not understand that we can capture so much synergy.

Reminding you that there are investments whose main goal is not financial. Of course, we are going to look at profitability, scale, potential of the startup, but what we seek are accelerators, technologies that along with our software and our products, we can deliver digitalization, modernization and value to our customers. And somehow Sinqia will have profitability, accelerate its implementations and be able to continue leading this industry.

Luiz Azevedo:

Perfect. Thank you very much.

Lucas, AM2L (via webcast)

Good afternoon. What about the future solutions via open banking? Do you think it will be a good path of growth for the Company? If possible, could you talk a bit about share buyback?

Thiago Rocha:

Lucas, thank you for your question. I am going to start with the second, the share buyback, and then I will hand over to Leo to talk about the open bank.

Regarding the buyback, we actually had a Material Fact last night talking about our sixth buyback program, starting now, that will last up to 12 months. And we have three main goals on the program. The first of them is to benefit from a time that, in our perception, the Sinqia share price does not reflect what we have built in the past few months and what we are building now in 2021.

We have the perception that the Company moved ahead quite a lot, the share price did not, and consequently it ended up being cheap. And that is why we are going to take this opportunity to allocate our cash.

Second goal is to deliver shares to the beneficiaries of the compensation program participants. And the third goal is to have shares in treasury to use in acquisitions that we pay part of the payment in shares. So these are the three goals.

We announced the program last night, and let us wait and see how things develop and evolve to share more information with you.

I am going to hand over to Leo to talk about to open banking.

Leo Monte:

Thank you, Rocha. Thank you for your question. Open banking is a great landmark for the financial system. We see great efforts of the Central Bank to fulfill with the agenda and accomplish the standards within the rules that should bring significant changes to our industry.

And Sinqia, by understanding all that, has been studying this over the years, understanding how it works abroad, and for that we have developed a strategy that combines consulting with product plus innovation.

And we had the go-to-market of this, and the adherence these three pillars have with open banking/open finance. Starts with open banking here in Brazil, and then the agenda expands to other fronts in the financial services as insurance and other types of investments.

In other words, we are ready for this. We understand that, for the big ones, there is an opportunity for them to rethink some models for they somehow protect themselves. So we come in with consulting, business consulting services.

With Torq, when we talk about products, we have our software pieces already with APIs integration, and when we talk about innovation, then it is an open avenue, long and large, that provides great opportunities and potentials for Sinqia, with its technology, to board on and to deliver that to all our customers.

In other words, we can be sure that we will have a growing need of more technology, more digitization with all the processes taking place where we talk about PIX, open bank. All of this will require more the need of software, good technology, the use and understanding related to data.

And for all of this, we have this very special look on R&D, and also with Torq Ventures making all these investments for us.

Operator:

Thank you. As there are no further questions, I would like now to turn the call over to Mr. Bernard Gomes for his final remarks. You may proceed.

Bernardo Gomes:

Thank you. I would like to thank you for everyone's participation in our earnings conference call for the questions. They are very enriching.

And to leave us a final message of what I think is the main reason for us to be showing good results and a great outlook. It is our consistency. Consistency in terms of planning, strategy and in the execution of the strategy. I believe this is a point that should be observed, and I leave this as a final message to you.

We are available for any additional questions you may have through our IR department. Thank you very much.

Operator:

Thank you. Sinqia's 4Q20 earnings conference call is now closed. Please, you may disconnect. Thank you.