



**International Conference Call
B3
Third Quarter 2020 Earnings Results
November 13th, 2020**

Operator: Good morning ladies and gentlemen, and welcome to the audio conference call about the earnings results of B3 for the **Third Quarter of 2020**.

At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session and instructions to participate will be given at that time. If you should require assistance during the call, please press the star key followed by zero (*0).

As a reminder, this conference is being recorded and broadcasted live via webcast. The replay will be available after the event is concluded.

I would now like to turn the conference over to Mr. Daniel Sonder, Chief Financial Officer of B3.

Daniel Sonder: Hello, good morning everyone, thank you for joining our call. I'm here with the Investor Relations and the Finance teams, I just want to take the opportunity to thank them for putting the materials together for the call and for the other media that we have used to share our results with you.

We had a very successful quarter, with positive results in most of our businesses, we are seeing a very important development in the Brazilian capital markets with more companies accessing the markets for both equities and debt transactions, and also more and more investors using the products and services of B3 to diversify their portfolio in interest rates and that has brought additional volumes to our platforms, this brings disruptive change. In addition to that, we have also seen quite a bit of volatility in our markets due to the economics that [unintelligible – muffled sound] news related to the pandemic and also the volatility in all types of active prices, including FX equities and others.

I'm going to turn over the call to Marcela, she is going to deliver more details about of each one of the segments and talk of our numbers, but it's going to be a rather brief conversation and then we will open up for Q&A. Thank you.

Marcela Bretas: Thank you, Daniel, good morning everyone.

I will just, as Sonder mentioned, go through the highlights of the quarter very briefly. I assume most of you have already read the earnings release and maybe



you had the opportunity also to listen to our podcast, which we make available every quarter.

So, this quarter, as Daniel mentioned, was a solid quarter, especially when we take a look into our listed equities business, we had a very strong quarter in terms of volumes. So, ADTV reached almost 29 billion during this quarter and the inflow of new investors was one of the key reasons that supported those higher volumes. At the end, of the quarter we had more than 3 million individual accounts in our depository, which was 120% higher than what we observed at the end of September last year.

Moving on to our derivatives business, volumes remained somewhat stable versus what we observed last year, but we had positive impacts in terms of revenues coming mostly from a higher share of FX contracts in our product mix, as well as higher RPCs since some of our contracts are priced in dollars.

On our OTC business, we continue to see strong volumes in terms of banking funding instruments issuance and stocks, which have been 40% up year-on-year, and also, we continue to see stronger volumes in terms of local debt capital market transactions with stocks up 9% year-on-year.

Finally, moving on to our infrastructure for financing business, revenues were still down this year 19% this quarter compared to the third quarter of last year, however, we started to have some positive signs of potential recovery for this market starting in August, we started to see recovery in terms of volumes of vehicles sold and financed. In September, we had a very strong month, the best month of the year to-date, and also even a little bit better than what we observed in 2019.

So, we have reasons to believe that, hopefully, the remainder of the year we will have more positive dynamics for this segment, which has been suffering a lot with quarantine as a result of the COVID-19 pandemic.

In terms of ex-revenues, we reached R\$2.5 billion in gross revenues, which was roughly 47% higher than what we observed in 2019 and our EBITDA for the quarter reached R\$1.7 billion, a 79% margin driven by this growth in revenues mostly and disciplined expense control.

I just think it's worth mentioning as well that this quarter we had a nonrecurring impact coming from the settlement of a legal dispute we had with Spread bankruptcy [unintelligible – muffled sound], which impacted our revenues expense and tax lines. And it's worth mentioning that this somewhat affected our results for the quarter.

Finally, I'd like to highlight our debt position at the end of the quarter, which was 6.9 billion after the issuance of a 3.55 billion debenture in the local market that we



issued in August, and the paydown of our 612 million global bond that was due in July. With that, we reached an indebtedness level of 1.2 times debt to EBITDA at the end of the quarter.

Having said that, I think we can open up for questions. Thank you.

Question & Answer Session

Operator: Ladies and gentlemen, we will now begin the Q&A session for investors and analysts. If you have a question, please press the star key followed by the one key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, press star two.

Our first question comes from Thomas Peredo, BTG Pactual.

Thomas Peredo: Hi, good morning Sonder, Marcela and team. So, my first question is regarding the retail liquidity provider. Do you have an expectation of when it will be expanded to other products, for example, equities? CVM already indicated that they would like this new service to be tested in more products than just the mini contracts.

And also, if you could share with us if you have any study or estimate of how much the retail liquidity provider have contributed to the fast-growth pace of mini contracts. By coincidence or not, we noticed that mini contract volumes accelerated a lot since the retail liquidity provided was implemented.

And a second question, if I may, is how you are looking at the EBITDA margins going forward? With the new levels of volumes, you are more and more close to 80% EBITDA margin level. Can we expect more changes in pricing policies to share more gain in scale with market participants?

And new equities pricing scheme that was implemented during first half next year, do you have any estimates on the impact to trading margins and EBITDA margins of this new pricing policy given that the volumes increased a lot since you announced to gave kind of an estimate of the impact? Thank you.

Daniel Sonder: Thomas, thank you very much for the question. So, let me try to address this.

We are in ongoing conversations with market participants and with the regulator about the liquidity provider of the, let's say, the progress and the next steps that we are going to take on this product. This was a very, very important innovation that B3 brought to the Brazilian market, and it was a, let's say, along road in terms of getting everybody to think together, both market participants and retail brokers and



regulators and obviously our teams in operations, technology and rules so that we could create this new feature into our platform.

The regulator has been a great partner of B3 in the development of this and has obviously done a thoughtful job in terms of understanding the impacts and the consequences of this in the market, which seems to be very positive up till now.

So, when they had the chance to look at the product and make a decision recently on whether to move forward with it, their decision was in the direction of maintaining this product, which has been in a kind of pilot stage for the first year.

The next step would naturally be to expand into other products, as you mentioned, but we are really taking this gradually and working together with the market and the regulator to make sure that everybody is comfortable whenever we take with that next steps.

So, I don't have a particular date, it's an ongoing conversation, it is high on our priority list in terms of things that we think could help the further development of the business of the brokers and ourselves, and we are going to do this when the regulators feels it's the right time to do so.

In terms of the impact, we don't have, let's say... we are releasing numbers about [unintelligible muffled sound], it's public in our website and I can direct you to some of the statistics, I'm not going to get into a lot of these statistics here, but it's important to understand that, you know, let's say, some of the activities that is now happening in the [doubtful word – ROT] was already part of our volumes that was directed to us through a direct trade from the brokers over the time before the [doubtful word – ROT] was in place.

But it's also interesting to know that as we brought this onto the exchange more people were able to access it, more brokers were able to offer it to their clients, it used to be restricted to a handful of brokers which were, let's say, executing this type of transaction, and then when we, let's say, formalized the [doubtful word – ROT] with VCM, it became something that is more broadly used by market participants.

So, there is certainly an impact on the volumes of mini contracts that you see, I think that it would have been very incremental to the whole, let's say, ecosystem including ourselves if B3 had not put together this innovation a little more than a year ago.

But I will send you some of the basic tables and you can look a little bit more on what exactly is happening there.

With regards to your second point on EBITDA margins, we have been working on changes in our pricing. As you know, we did face some delay to replace the



desired changes and this will come online during the first half of next year at some point.

And we will continue to study these things, you know, we don't manage the company not necessarily looking at our EBITDA margin, we try to look at how the perception of client is regarding our services, our products, our innovation, our pricing tool. So, pricing is definitely one of the components of the conversations that we have with clients and, as I stated before, our long-term objective is in fact to share with the market the benefits of the growth that we are having.

We remain absolutely committed to it, we are not planning to change course, and it is just that the implementation that we expected to see this year was unfortunately delayed and it happened in the same time that we saw a very sharp increase in volumes.

So, we gave an estimate, you asked for an estimate, we gave an estimate last year for this year looking back 12 months, we were talking about a reduction of R\$250 million in our total revenues in this, let's say, backtest. But if we were to apply that rule again, I don't have the number here at this point, but it would have been a much bigger number in the past 12 months just because the volumes went up significantly and this is a volume-driven discount scheme, so that the more people trade, the less they would pay, and less they would have paid if that was already in place in 2020.

So, I would look at our current margins as somewhat abnormal and we expect that they will be somewhat different once we put in place the changes in price.

Thomas Peredo: Perfect, thank you.

Operator: Ladies and gentlemen, as a reminder, if you would like to pose a question, please press star key followed by the one key on your touchtone phone now.

This concludes today's Q&A session. I would like to invite Mr. Daniel Sonder to proceed with his closing statements.

Daniel Sonder: Well, thank you for joining in. I hope that our materials are clear and that this call was helpful, and if you have any further questions, please reach out to us, we want to be helpful. Bye.

Operator: That does conclude B3 audioconference for today. Thank you very much for your participation, have a good afternoon and thank you for using Chorus Call.

