



**International Conference Call  
B3 (B3SA3)  
Neoway Acquisition Extraordinary Call  
October 19<sup>th</sup>, 2021**

**Operator:** Good morning, ladies and gentlemen, and welcome to the audio conference call to discuss B3's acquisition of Neoway.

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. Gilson Finkelsztain – B3's Chief Executive Officer –, Daniel Sonder – B3's Chief Financial, Corporate and Investors Relations Officer –, and Carlos Eduardo Monguilhott – Neoway's Chief Executive Officer.

Please, go ahead.

**Gilson Finkelsztain:** Good morning, this is Gilson here. Welcome everybody.

I think we are very proud and excited to announce a relevant transaction for B3 today, I think since 2017 we have been working to build this great company, and today I think it's an important day that we announce the acquisition of Neoway, a company which is benchmark in big data and analytics.

As we have been saying, this acquisition is part of our strategy to accelerate innovation and growth in areas complementary to our core businesses consolidating our position, B3's position in the data and analytics market. Our appetite to expand beyond our core business was articulated in the beginning of 2019 when we did our first discussion about the post-merger strategic planning, and since then we have made a lot of investments, organically mainly, some inorganically as well, expansions beyond and very close to our core business.

I think the most important one was the continuous development of our core new products in line with the development of the capital markets in Brazil, but we also invested in businesses such as insurance – insurance registration in line with the new regulation from SUSEP –, receivables, credit card receivables – that we expect to launch very soon –, energy, as well as trading screens – we made a



small acquisition of a company called BLK in 2018 –, and services for bank, for banks' financing with that full acquisition of Portal de Documentos, not to mention the... well, in line with the huge growth of our core businesses, as I mentioned, we continue to develop several new products in the traditional listed segments and OTC.

Earlier this year, we are we have also taken an opportunity, an important step beyond our core business, a partnership with Totvs and the creation of Dimensa, which is company that offers technological solutions for financial markets in software as a service product.

Now today the transaction with Neoway we are very certain that we have found a great partner with an exceptional team to significantly expand the presence in the data businesses and bring more innovation and growth to B3.

I think this data and analytics market is one of the fastest growing in the technology, in the tech sector, driven by demand from most diverse sectors for products that support its decision-making.

Data and analytics products are also a growing source of revenue for stock exchanges around the world. We have seen this in the last ten years in most of the developed markets, and we believe that this acquisition is highly strategic to us as it brings the know-how to explore this market potential even further and much more quickly than our competitors abroad.

I think our main goal in the data and analytics business is to build capabilities in technology and business overtime, whether organically or through partnerships, to allow us to deliver different products and value-added solutions to customers from many industries, not only the financial market, but also from many other business lines through, I mean, a flexible platform that can be easily accessed by our customers.

Let me move to slide four. I think basically the common business vision that unites Neoway and B3 is the desire to create value for clients binding, on one hand, the exclusive data that only B3 has about capital, credit, investment markets with many other data sources which Neoway has specialized in capturing using Neoway's state-of-the-art technology and its ability to transform data into products.

We believe that there are four main strategic pillars that motivated the transaction with Neoway: first of all, the attractiveness of the data and analytics industry in Brazil, as I mentioned before; a relevant market of more than R\$4 billion with a high growth potential for the coming years; this acquisition also brings unique complimentary capabilities to B3 in different dimensions, platform, people; and also brings to B3 entirely new products and services structured based on big data and artificial intelligence. I think among the products, comprehensive search tools, management and flow of fleets, distribution of opportunities in maps and



dashboards for target market and competition analysis. Finally, Neoway enables us to anticipate our road map accelerating new product launches and potentially new segments on this business.

Moving to slide five, among the capabilities acquired in the transaction, Neoway brings to B3 a very high-quality platform, very difficult to replicate with an excellent perception of quality that has been developed and implemented in the last 8 years. Secondly, B3 I think brings into its ecosystem an agile culture of innovation, customer focus, and versatility in solutions. Thirdly, I think we will be able to severely anticipate product launches and new product developments, and also finally the transaction will leverage the strategic advantages of the companies enhancing the market positioning and growth of both businesses. It brings to B3 Neoway's expert and strategic advantage in data allowing it to offer better and more robust solutions to both clients. It adds value to Neoway's solutions with the expansion of data sources, including data from capital markets, as I said before, investments, vehicle financing, mortgage, and many others that B3 has access to. It will allow also B3 to serve a much wider range of industries with these new products and new services that we will be developing together.

All this obviously will continue to be based on the pillars that are part of both companies' culture and strategic positioning, the operational robustness, resilience, and compliance with LG PD and also protection of data privacy.

I want also to introduce Cadu – Cadu is the CEO of Neoway –, we are very happy to have you joining us today here, Cadu, to B3's family, obviously subject to the approvals, but you, please... I think Cadu will get into more details about Neoway's business and the market in which it operates, as well as introducing the team and the strategy there. Welcome Cadu!

**Carlos Eduardo Monguilhott:** Thank you, Gilson. Good morning, everyone, thank you for being here.

We will go over slide #6 or slide #7. Neoway was found in 2002, Neoway is one of the largest data analytics and artificial intelligence companies in Latin America, our main platform was launched in 2012, it is basically a data core platform that serves five product verticals within 20 industries in the market.

Here you will see some of the leadership, unfortunately the slide wasn't big enough to accommodate everyone that's committed to the project, and along with the few people that you see here we have 450 employees in São Paulo and Florianópolis mainly composed of a young, diverse, and highly motivated team with a high density of data engineers.

As I said, Neoway's data core platform [inaudible – audio breakage] 3000 data sources that serve to our customers through a platform as a service subscription.



We have on slide #8 we have more than 500 customers, you see the revenue breakdown 60% of sales and marketing and then what we call the stack of loss prevention products, risk and compliance, legal analysis, fraud prevention, and credit management, composing around 40 of our revenues.

Slide #9 is, Gilson mentioned a little bit, the high market potential and [inaudible – audio breakage] penetrated data market in Brazil, we have total addressable of around R\$4 billion and more than 36,000 companies for us to explore and gain space and consolidate this market.

Moving to slide #10, or sorry, slide number... that's right, slide #10. I will, with everything I said, it's up to Gilson to move on with the presentation, talk about the clear opportunities to be captured.

I move on to you, Gilson.

Gilson Finkelsztain: Let's speak together. I think one of the main drivers of the transaction is that we believe we can do much more together than separately, so I think the idea we want to emphasize the two aspects: first, as mentioning, we will be accelerating new product launches and revenue through an efficient platform that has already been tested and approved by Neoway's clients, and this is particularly explained by B3's exclusive data and Neoway's experience in creating, testing, monetizing products that are using their platforms; also, the strength of the B3 name and the expansion of the product portfolio can contribute to increase the prospection of new clients, new customers, reduce churn, and also expand opportunities for upsell and increase share of wallet of current clients.

So, I think the idea is, summarizing this in this slide, increasing client retention, client penetration, development of products, and accelerating Neoway plans to grow.

I think Daniel will talk about the financial aspect of this acquisition and then we move to the Q&A.

**Daniel Sonder:** Yes, hi everyone.

I just wanted to wrap up the presentation here by mentioning that this is a 100% cash acquisition of a total amount of R\$1.8 billion. As you have seen from our previous statements and recent financings, we have ample cash in hand to finance this transaction, this is a transaction that pre-synergies has an implied multiple of 9.5 times revenue for 2022, the key senior staff of Neoway has committed to stay on board and lead this new phase of the company alongside B3 for the next five years and we are very excited about that, we wanted to thank everyone in the team for their commitment, for their understanding of our strategy, and the several common points that we have in terms of culture and where we want to take this.



We also have committed to invest up to R\$200 million additionally in Neoway over the next five years, we think that's a commitment that will help support the strategy, support the team, and make sure that we can capture all the benefits that we envision for this transaction.

The transaction is subject to an EGM (an extraordinary general meeting) of the shareholders of B3, which our Board will be calling in the next few days. This is a necessary step according to Brazilian Corporate Law and we also have the customary conditions precedent for closing which include, among other, the approval of our regulator, the CVM, and the antitrust body of Brazil, CADE.

So, I am very happy about this day, I want to salute, you know, the entire B3 team who worked very hard on this from several different business areas and support functions in the company, and also thank the Neoway team for their trust, for wanting to be partners with us, and for believing in the amazing project that we have ahead.

So, with that I'll stop, and we can take your questions, please.

### **Question-and-Answer Session**

**Operator:** Ladies and gentlemen, we will now begin the question-and-answer session from investors and analysts. If you have a question, please press the star key followed by the one key on your touch tone phone now. If at any time you would like to remove yourself from the question queue, press star two.

Our first question comes from Mr. Tito Labarta, with Goldman Sachs.

Again, to ask a question, please dial star one.

**Gilson Finkelsztain:** I'm not hearing Tito.

**Operator:** Our next question comes from Marcelo Telles, with Credit Suisse.

**Marcelo Telles:** Hi, good morning. Good morning, everyone, and thanks for the call. I have two questions. You know, looking at the acquisition, I think definitely there is sort of like departure of your like core business with the acquisition of Neoway, you know, considering that 50% of the revenues is being generated by outside let's say the financial situation space. So, can you be a bit more specific on, you know, what sort of products and cross-sell opportunities you think this business has with your existing business and, you know, how can you leverage more also the financial institutions, you know, side of the business within that way, you know? So, I think would be interesting to understand that.

And the second question regarding evaluation, you know, you're paying a multiple of 9.5 times [unintelligible] to sales 2022, and you mentioned this is pre-synergies. I



understand from looking in 2020 financials I think the company had a net loss in 2020 of about R\$19 million. If you can talk a little bit, you know, what sort of synergies we can expect, if there is, you know, if that business you think you can turn into, you know, be more profitable. I understand maybe there's some R&D expenses probably impacting some of the earnings as well, so if you could help us go through kind of like the economics and the synergies potential going forward that would be great. Thank you.

**Gilson Finkelsztain:** Thank you, Marcelo. I will start and ask Cadu's help on the cross-sell opportunities, but basically, Marcelo, I think our strategy of growth has been really... we have been very clear that we believe that we wanted to accelerate the growth in data and analytics products, we believe that there is a new growing market that we will be able to penetrate in the coming years, I think we clearly have, as we've shown, Neoway's main market share is in sales marketing, of course, in different industries, part of those are related to the financial industry, and of course, those are the most clear cross-sell opportunities when we speak about the financial industry, the insurance industry, the idea of providing clients the combination of data that we nowadays do not dispose to Neoway in generating new cross-sell opportunities and enhancing existing products, but clearly we believe that the credit segment has another enormous potential, as well as the compliance business line, that is also the second biggest revenue generator from Neoway.

And beyond leveraging, I think the, let's say, the financial institutions we have been seeing a very dynamic change in the number and the different new players on the financial markets in Brazil, so clearly due to the existing regulation, B3 has been in touch with many of those new players that also can, you know, be cross-sold through, I mean, part-to-part, Neoway to B3, B3 to Neoway, and I think this is the, let's say, the most obvious synergy we have. But I think this is part of our effort in the coming months to really leverage our platforms.

On top of the five business lines that Neoway has, we might evaluate if we have new business lines and segments to explore, the existing data businesses that B3 supports.

Cadu you can complement.

**Carlos Eduardo Monguilhott:** Yeah. Marcelo, thank you for the question. Gilson framed it well, close to 50% of our sales comes from upselling and cross-selling. If you look at the revenue share in which we have 4% coming from credit management, 1% from fraud, 4% legal assist and 31% risk and compliance, our ability to expand within the customers by creating new products within those product lines is unbelievably great. We are known as being trusted advisors for our customers, and so, there's a clear ability for the two companies to increase



Neoway's position within already our customer base for those segments that have low revenue penetration within the company.

**Gilson Finkelsztain:** And moving to your question #2, if we do have cost synergies or about the potential positive EBITDA, Daniel, can you comment on that?

**Daniel Sonder:** Yes. Marcelo, thank you.

So, Neoway is a high-growth company, we do believe in additional opportunities for it in its existing business, so as Cadu was articulating, they still have a lot of room to do more of what they already do and we believe that with the power of B3's [inaudible – audio breakage] its brand and our alignment, you know, this will certainly be even easier to accomplish, but obviously they have a very successful track record of having built an incredible growth trajectory this far.

So, we're very confident on the growth prospects of the business as it is, which is what supported the valuation analysis that we did. We also think there are indeed synergy opportunities, and as my colleagues just described, we have our own internal studies on that, we're not ready to share those at this point, we're still going to do a significant work with, you know, the teams on both sides, obviously respecting the constraints of the regulatory approvals that we still need to wait for, but after we can work together as a team, you know, we'll certainly explore those revenue opportunities.

So, we believe that the company is in a very very strong position to generate positive financial results overtime, but also importantly is the fact that it really unleashes or unlocks some of the ideas that we've been having at B3 on how to best use our own internal data analytics, assets, and how to turn that into products. So, we think it's a very nice fit that with time we will most certainly return the investment that we're making right now.

**Marcelo Telles:** Thanks everyone. If you allow me just to follow up one question now regarding the retention of five years. You know, understand I think the acquisition, you know, is being paid in cash, so is there kind of installments in terms of payment or will happen at the same time? So, you know, how is the five-year lock or retention being guaranteed?

**Daniel Sonder:** Right. So, the transaction will be paid fully in cash upon closing to the selling shareholders of the company, which include a number of investors and to a very limited extent some of the current executives and leaders of the company. So, there will be a cash payment, there will be obviously as for accounts and other mechanisms that are traditional to this structure. In addition to that, we have on both sides made commitments to stay, the team to stay on and leave the company, and with that we have, you know, traditional long-term incentive packages and retention packages which ensure that with everyone is aligned and motivated to



continue to drive the business forward. So, that's the formula. There's no payment in installments or deferred payments of the purchase price but rather a one-off payment to, you know, most of the financial investors that were the shareholders of this company and an additional retention package for the team.

**Marcelo Telles:** Thanks, Sonder. Thanks everyone, I appreciate the answers.

**Daniel Sonder:** Thank you, Marcelo.

**Operator:** Our next question comes from Tito Labarta, with Goldman Sachs.

**Tito Labarta:** Hi, good morning, everyone. I'm sorry I got disconnected earlier. I guess just one follow-up question in terms of the revenue growth outlook you mentioned, you know, growing up pretty quickly. Any color you can give on how the revenues have been growing and how they could continue to go forward or [unintelligible – poor quality connection] roughly around 2% of the revenues today, how much of your revenues would this contribute overtime? Just, you know, [unintelligible – poor quality connection] I think just kind of general color on that revenue growth trajectory. Thank you.

**Gilson Finkelsztain:** Tito, unfortunately we could not hear you well. I'm not sure... can you maybe repeat it louder? We're not hearing you well from the room here.

**Tito Labarta:** Sure. I try to repeat louder. Sorry about that, I think I have a bad connection. But just any color you can give on the revenue growth outlook or either, you know, how the revenues have been growing the last few years and how they might grow going forward or another way to think of it like, you know, what percent of revenues could eventually come from Neoway through B3.

**Gilson Finkelsztain:** Revenue growth?

**Tito Labarta:** Yeah.

**Gilson Finkelsztain:** So, maybe Cadu can talk about growth from here from the beginning until now.

**Carlos Eduardo Monguilhott:** Yeah, we were looking at a company that is on average, looking at the commercial business, growing at 30% on the commercial business.

**Daniel Sonder:** Yeah, and going forward, Tito, again, you know, we are now going to go into the planning phase of this, we obviously have some estimates, you know we've been provided with the business plans of the company, as it is customary in this type of transactions, but now we're going to, you know, drill it further and also add our own expectation or what this revenue synergies might be from the transaction.



So, as you are familiar with, we don't typically give guidance for revenues going forward, but as soon as we have a little bit more color on what the opportunities are and how to try to get our arms around it, we will share with the investors.

**Tito Labarta:** Alright, thank you.

**Operator:** Our next question comes from Ian White, with Autonomous Research.

**Ian White:** Hi, morning. Thanks very much for doing the call. Just three questions from me, please.

First of all, on the financials it looks to me like Neoway's revenue may have declined in 2020. I just wondered what has caused the step change towards significant growth that's embedded within your guidance for 2022 or if 2020 was kind of the exceptional year. If you can just kind of give me some color around that please, that would be really helpful.

And secondly, just on the deal process. I'm interested if you could just explain a bit about how B3 came to be involved in the discussions to acquire Neoway originally with the existing owners looking to sell, for example, was it a competitive auction process for the business? Any color you can give around that.

And just finally, can you help us to understand the R\$1.8 billion valuation for the business? Are there any sort of return on capital targets or reference to listed peers for example that helps to inform that that was a fair valuation for the company, please? Thank you.

**Carlos Eduardo Monguilhott:** Hi, Ian. This is Cadu speaking. I'll take the first question. Last year we actually grew the commercial business in private sector business by 12%, obviously the pandemic was something that affected the business, but we decreased significantly our share of the public sector. When you look at this year already, we're growing that close to 30% of the commercial business, and also increasing the public sector accounts. So, dynamic plus focus on the private business were the reasons for last year's different growth.

**Gilson Finkelsztain:** So, Ian, we have been clients from Neoway since 2014, always impressed with their capabilities of supporting data and with their platforms as well as based on feedbacks, positive feedbacks from many of our clients as well that have shared with us a good experience they had with their products.

I mean, it was competitive process throughout this, you know, second and third quarter, and in the last 45 days we had exclusivity to negotiate and reach this final agreement.

**Daniel Sonder:** Ian, so yes, regarding the evaluation, you know, we used the traditional metrics for valuing the business, we looked at the projections that were



provided to us, we tested them, we spoke to clients, we challenged the assumptions of the model and then we looked at, you know, some of the companies in the space, you know, if you look at Thomson Reuters for example, Verisk Analytics, FactSet, even S&P Global. So, some of these companies that are in the data and analytics space that we have followed and have tried to understand the business and, you know, they do trade at significant multiples to revenues, which is a metric that is used for this. Also, if you look at their firm value to EBITDA multiples, you know, it's usually above, it's in the mid-20s, you know, above 20 times, and for revenues is usually around 10 times. Sometimes a little bit lower, sometimes a little bit higher.

So, again, you know, we feel comfortable with the valuation, this is a very unique asset, very prized, I think that the view among clients and people in the market here is very positive about the quality of the business, the strength of the business, and the immense opportunity ahead. This is a space that is big in its infancy in Brazil, and we think there's an incredible room for growth, and if we add the capabilities of Neoway and the unique data assets of B3 we are fairly confident that we're going to materialize a significant value for our shareholders.

**Ian White:** Thanks so much, very helpful.

**Gilson Finkelsztain:** Do you have a final question?

**Operator:** Our next question comes from Carlos Gomez, with HSBC.

**Carlos Gomez:** Hello. Good morning and thank you for taking my question. I think it is fair to say that the business is new to many of us, and it will take us some time to understand it. In the percentage that you refer to a [unintelligible] of R\$4 billion given that the company expects to have a revenue of 190 that would mean that you already have about 5% market share. Can you... actually, 4. Can you tell us what the market position is of the company relative to its possible competitors and what the evolution of this time in the coming years should be expected?

Second, how do you expect to account for the company? Will this be a new line of business or be included in one of the existing lines? Thank you.

**Carlos Eduardo Monguilhott:** Carlos, this is Cadu from Neoway. I'll take the first question. As regards to market share, Neoway is being the leader in this market, actually developed the data analytics market in Brazil, a highly untapped market, so we believe that having 5% means that we're the leaders of the market and we obviously continue to believe that with the [inaudible – audio breakage] that we're developing with B3 we will definitely increase the market as the market gets even more mature and we will continue our leadership in terms of market share in this market.



But the percentage that's not captured by us, it's not necessarily captured by other players in the market. It's a new market under development in Brazil and we're developing it.

**Daniel Sonder:** Carlos, on your second question, we plan to keep the Neoway as a separate entity with a lot of independence to its team, it's a team of 400 brilliant people that have really built this business up to now and we want to encourage them to, you know, maintain their culture of innovation and creativity to push the business. In terms of how we're going to consolidate this, it will likely go into our data and IT services lines. So, we still haven't made a final determination on this, but it's most likely where we would report that.

**Carlos Gomez:** OK, and just to confirm, I imagine that the equity is not particularly large in the case of the company, so should we assume you will have something like 1.8 billion in goodwill to amortize over the coming years and over what period would you expect to do that?

**Daniel Sonder:** That's roughly correct. The equity is very small, most of the purchase price will be goodwill and intangibles for B3, and we're going to, you know, make a decision on how we're going to capture the potential benefits of that if and when we do it.

**Carlos Gomez:** Thank you so much.

**Operator:** This concludes today's question and answer session. I would like to invite Mr. Gilson Finkelsztain to proceed with his closing statement.

**Gilson Finkelsztain:** Well, thank you everybody. As I mentioned in the beginning, I think we are very excited with this acquisition, definitely I think in line with the strategy of B3 of growing its businesses around our core businesses, and we believe that we in the next couple of months will get this approved with shareholders and regulators to really develop further our capabilities in data and analytics.

Thank you very much for joining us today. Thanks.

**Operator:** That does conclude B3's audio conference for today. Thank you very much for your participation, have a good day and thank you for using Chorus Call.