

locaweb



Institutional Presentation

February 2020

locaweb



Section 1

Locaweb at a Glance



Born Digital

Established in 1997, Locaweb is a pioneer company in the B2B tech and SaaS sectors in Brazil



Purpose

“Help businesses be born and thrive through technology”



Values

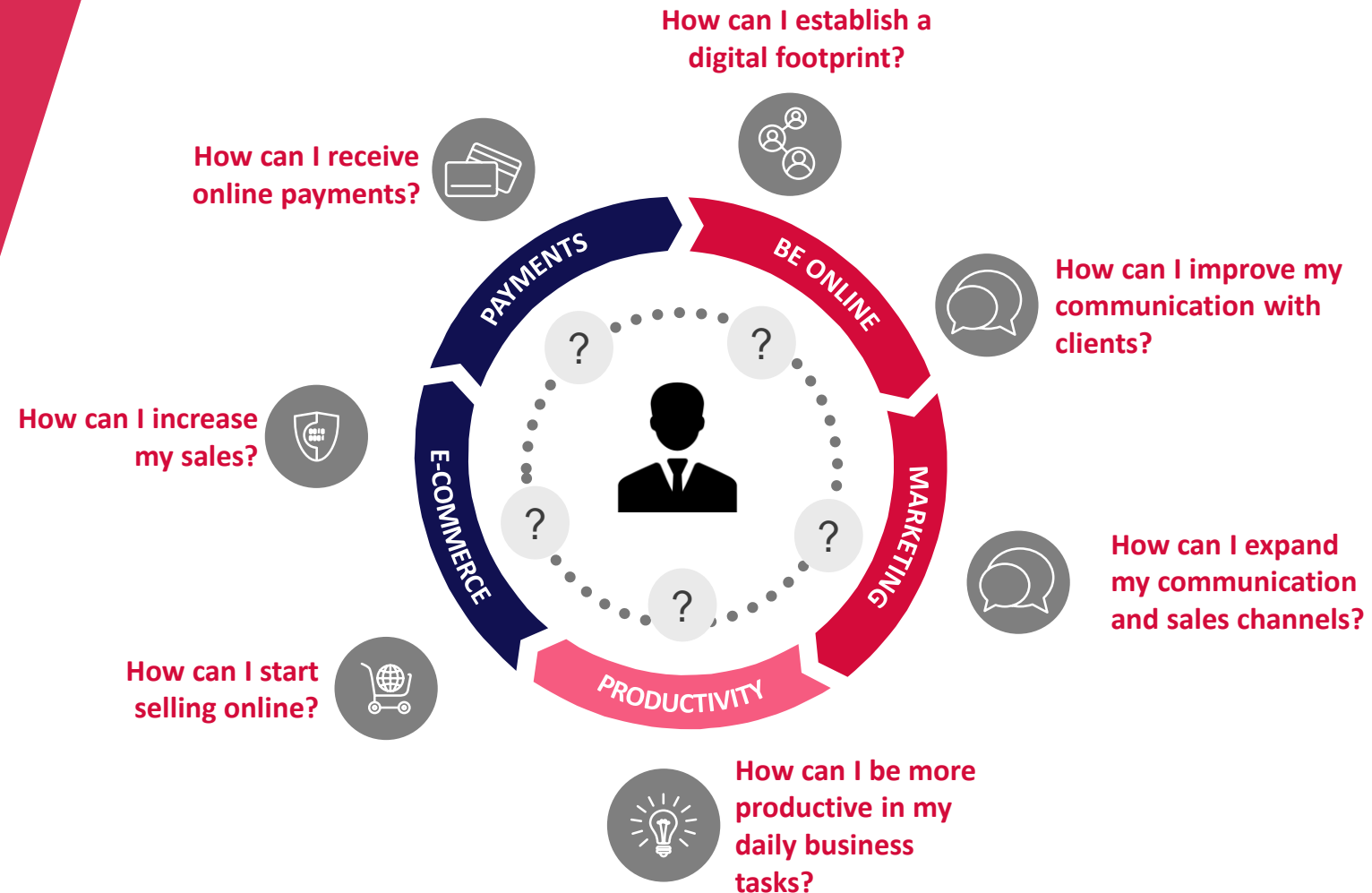
// Passion and quality

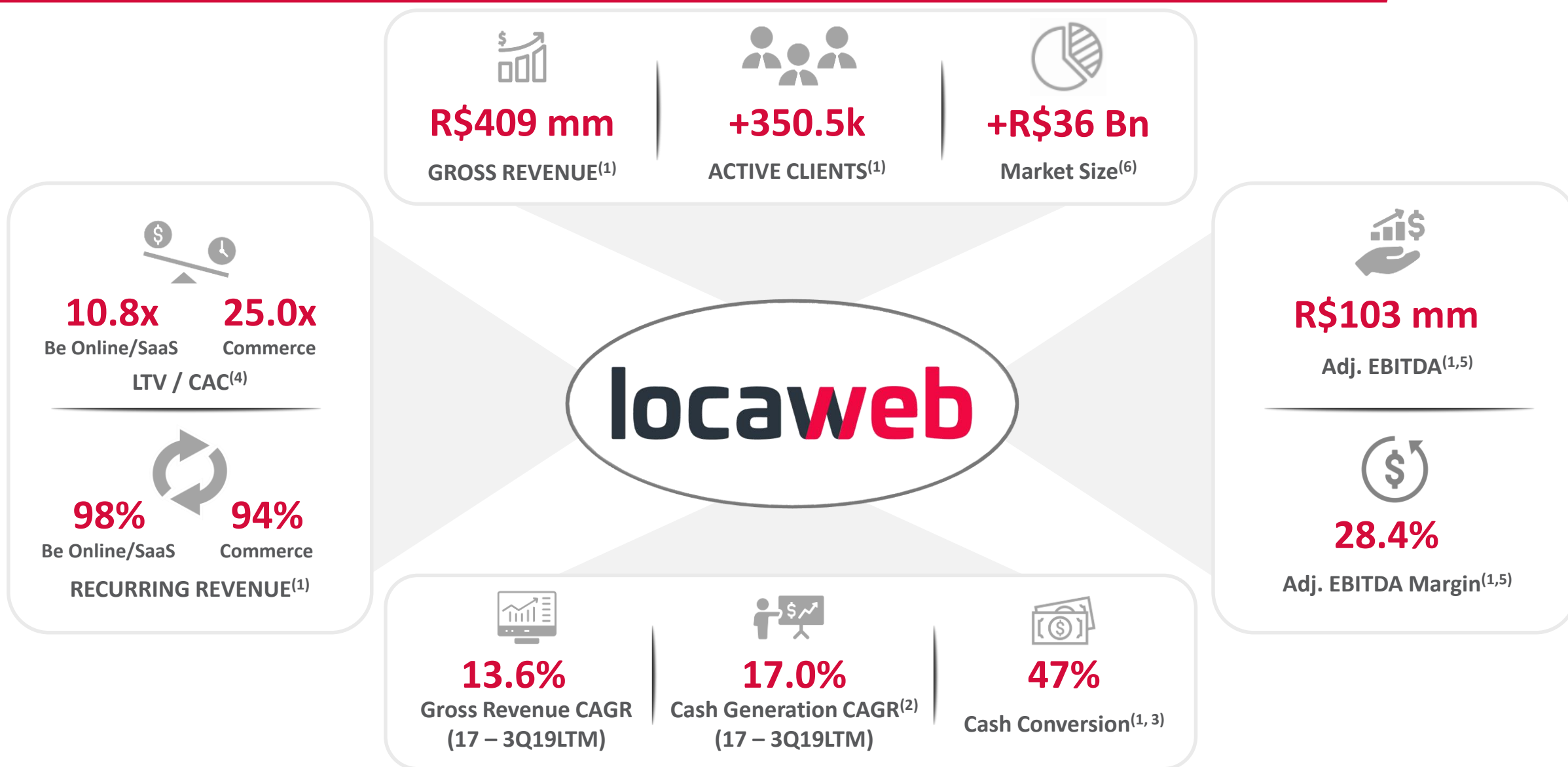
// Do more with less

// Teamwork

// Promote Customer Success

Main challenges faced by SMBs to enter and succeed in the digital environment





Notes: LTM means Last Twelve Months

(1) As of 3Q19 LTM (2) Considers Adj. EBITDA - Capex. (3) Consider (Adj. EBITDA - Capex) divided by Adj. EBITDA. (4) Life Time Value / Customer Acquisition Cost. Metric considering Net Revenue, ARPU, Churn and CAC from Jan/19-Sept/19 for each of the segments. (5) Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. For more information on our use of non-GAAP measures, see the disclaimer on page 2 of this presentation. Please see page 36 for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures. (6) Considers the total addressable market of R\$ 12.7bn, R\$ 11.6bn and R\$ 12.0bn for Be Online, SaaS and commerce markets, respectively.

Long-Standing Successful History

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R\$82 mm ⁽¹⁾

Commerce

2012
tray
Acquisition
E-Commerce
Platform

2014
Corporate
E-Commerce
Platform
Launch

2016
fbits
Acquisition
Corporate
E-commerce
Platform

2017
yapay
Launch
Payment
Operation
Spin-off

SaaS Solutions

2003
Email
Services

2005
IP Communication

2008
Email
Marketing

2013
Allin
Acquisition

2014
Transactional
Email
Sender

2015
Site
Builder

2018
Cluster2GO
Acquisition
Public Cloud
Journey
Secured Site
Certificate

2019
DELIVERY DIRETO
Acquisition
of Delivery
Direto

Be Online

1997
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Foundation: a room, a server,
R\$30k and 1 product: hosting

2003
Dedicated
Server

2006
locaweb CORP
Division

2008
Cloud
Computing

2017
Cloud VPS

2019
KINGHOST
Acquisition










2010
SILVERLAKE

Minority Stake Investment (~19%)

Note: (1) Gross Revenue as of 3Q19 LTM.

We are Well Equipped with a Full Set of Solutions to Help our Clients Succeed

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	Be Online		SaaS & Solutions			Commerce	
	Web Hosting and Domain	Cloud	Productivity	Marketing Intelligence	Do It Yourself	E-Commerce	Payment
Main Product Offering	// Hosting	// Complete Cloud Portfolio (4 product solutions)	// Email Locaweb	// Journey to Public Cloud		// E-commerce Platform	// Gateway
	// Hosting Resale		// Hosted Exchange	// All In Digital Marketing Platform		// Integration to Marketplace	// Sub Acquirer
	// Domain		// Gsuite	// Secured Site Certificate		// Improve Logistics Integration	
Main Brands			// IP Communication	// Locaweb Email Marketing			
			// Transactional Email Sender	// Site Builder			
			// Customer Service	// Delivery Direto			
	<div>       </div>					<div>    </div>	

Strong Unit Economics

	Be Online	SaaS & Solutions		Commerce		
Highlights	Strong Brand / Low CAC ⁽²⁾	High Growth / Cross Sell From Be Online / Low CAC / Asset Light		High Growth / Up Sell Environment / Low CAC / Asset Light		
Gross Revenue Growth (9M18–9M19)	15.0%			47.3%		
ARPU ^(1,3) (R\$ / Month)	78			598		
LTV / CAC ⁽²⁾	10.8x			25.0x		
	Gross Revenue ⁽³⁾ R\$326 mm	Adj. EBITDA ^(3,4) R\$74 mm	Adj. EBITDA Margin ^(3,4) 26%	Gross Revenue ⁽³⁾ R\$82 mm	Adj. EBITDA ^(3,4) R\$29 mm	Adj EBITDA Margin ^(3,4) 40%

Notes:

(1) Average Revenue per User. Calculated as gross revenue per month divided by active clients. (2) Life Time Value / Customer Acquisition Cost. Metric considering Net Revenue, ARPU, Churn and CAC from Jan/19-Sept/19 for each of the segments. (3) As of 3Q19LTM.

(4) Adj. EBITDA and Adj. EBITDA Margin are non-GAAP financial measures. For more information on our use of non-GAAP measures, see the disclaimer on page 2 of this presentation. Please see page 36 for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

SMBs Represent a Large Opportunity in Brazil

Attractive Addressable Market with significant growth potential

Key References for TAM⁽¹⁾ Dimensioning



Be Online



~R\$12.7 Bn

Opportunity in Hosting and Public Cloud Solutions⁽²⁾

SaaS



13.8mm SMBs in Brazil⁽⁴⁾



~R\$70 monthly ARPU SaaS Solutions⁽⁵⁾

~R\$11.6 Bn

SaaS market opportunity

Commerce



~1.6mm SMBs focused on retail in Brazil



~R\$629 monthly ARPU for e-commerce⁽⁵⁾

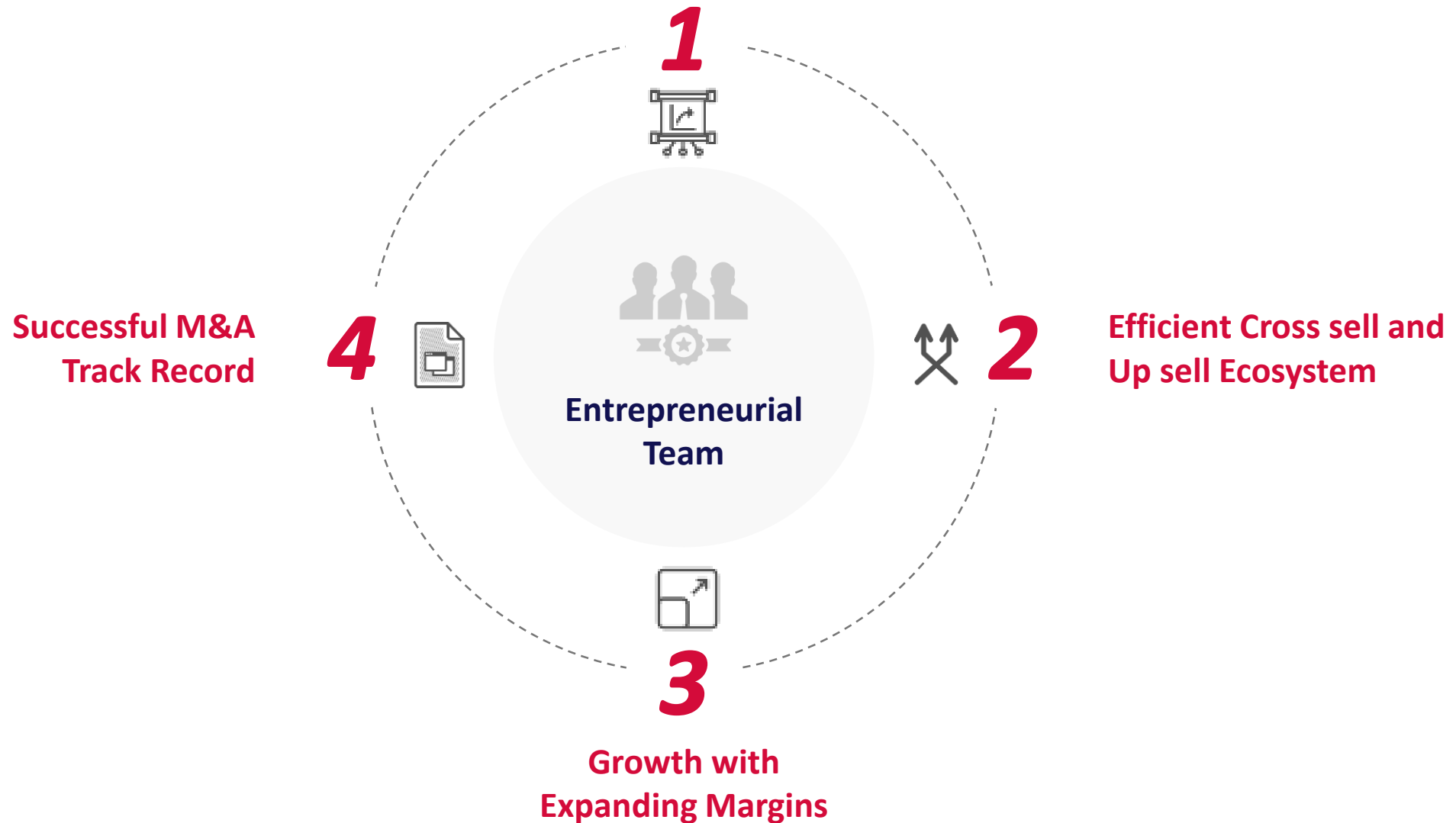
~R\$12.0 Bn

Commerce market opportunity

Notes:

(1) Total Addressable Market. (2) Source: IDC Report. (3) Source: SEBRAE (4) Source: Brazilian Geography and Statistical Institute (IBGE – Instituto Brasileiro de Geografia e Estatística) – Annual Commerce Report 2014. (5) ARPU based on segment net revenue and respective client base from Jan/19-Sept/19.

Ability to Bring New Clients with Low CAC and High LTV



1 Business With High LTV per Client

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Company's low churn levels are assured by its robust revenue recurrence and solid customer relationship



Attractive Economics...



...Recurring Revenue...

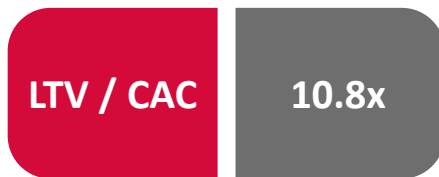


...And Strong Client Service Relationship...

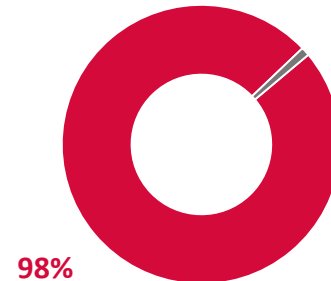


...Leads to Lowest Churn in the Industry⁽²⁾

Be Online / SaaS Solutions



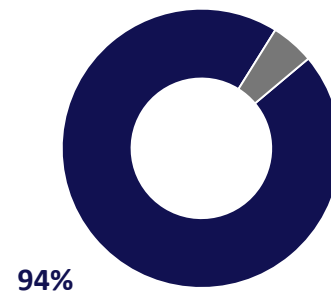
Be Online / SaaS Solutions



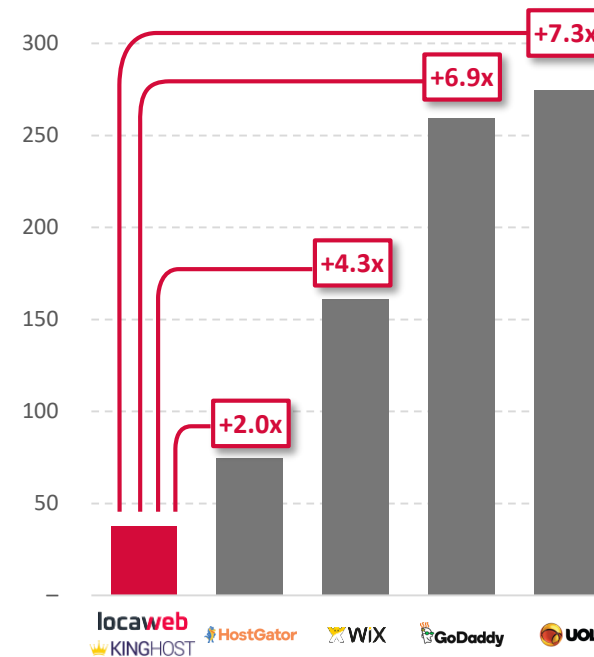
Commerce



Commerce



Complaints¹ / Market Share
(the smaller the better)



locaweb	0,6%	0,6%	1,2%
KINGHOST	0,6%	0,6%	1,2%
Player 1	0,6%	0,8%	1,4%
Player 2	0,8%	0,8%	1,6%
Player 3	0,9%	0,9%	1,7%
Player 4	0,8%	0,9%	1,7%
Player 5	0,8%	1,1%	1,9%
Player 6	0,9%	1,0%	1,9%
Player 7	1,0%	1,0%	2,0%

■ Moved Churn
 ■ Death Churn

Source: Reclame Aqui and Orbis

Notes: (1) Number of complaints of Jun/19 to Nov/19 from Reclame Aqui (Brazilian website of complaints against companies about products and services. The Reclame Aqui rating considers an average of time to answer the client's request, how good was the customer service, the rate of issues solved and the rate of customers who would do business again with the company) (2) Average of June, July and August 2019 for Hosting Market

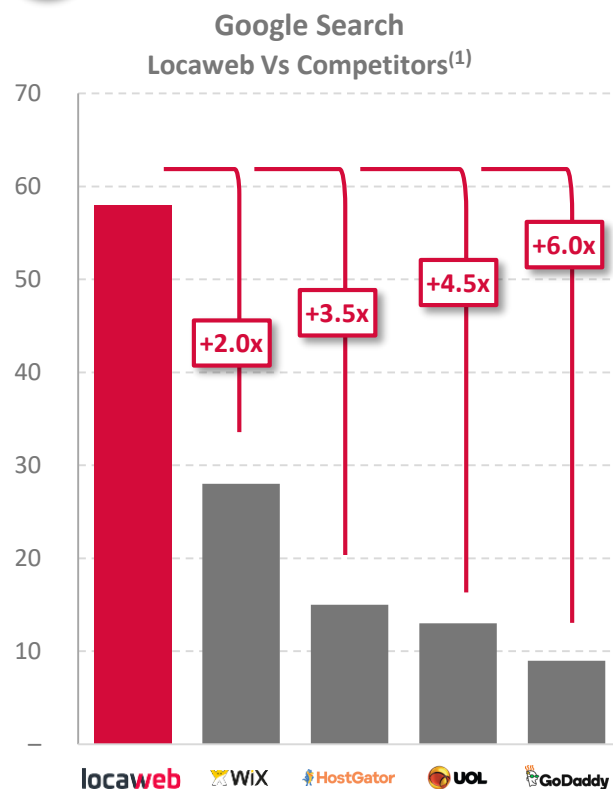
1 Business With Very Low CAC

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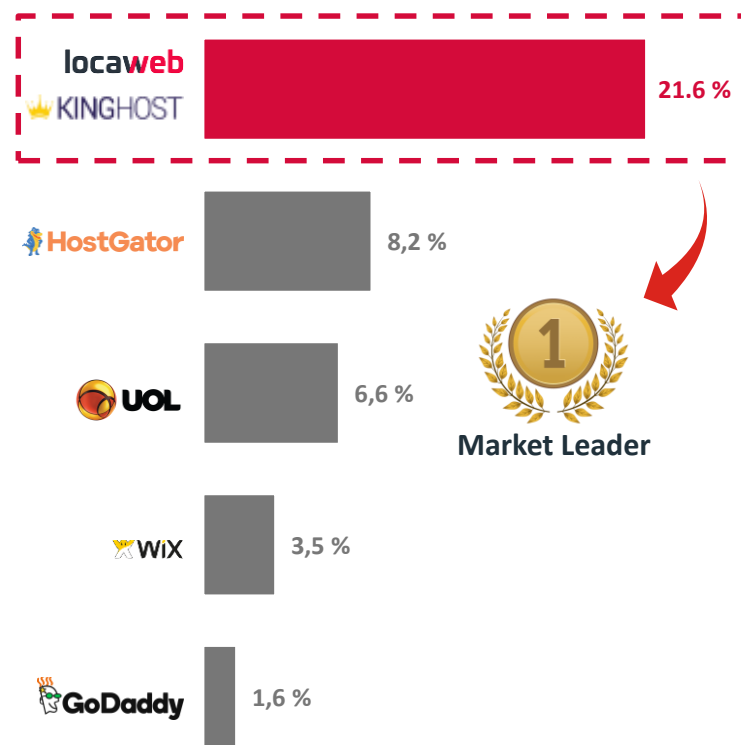
Strong brand recognition translates into low CAC and low dependency on paid media



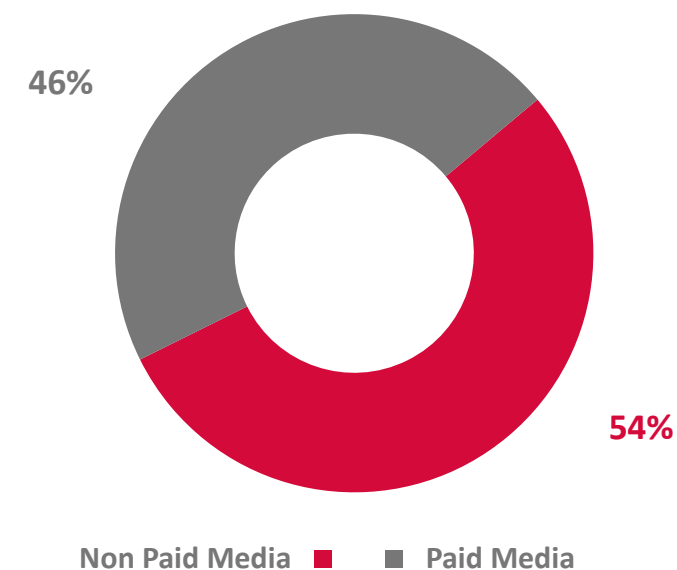
High Brand Recognition



Brazilian Webhosting Market Share (%)



High Contribution of Non-Paid Media In Total Booking



1

Web Developers Partnerships Resulting in Strong Brand Awareness and Low CAC

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Web Developers use Locaweb's platform to reach new clients and, consequently, promote the company at no cost



Relationship with
**19,000 non
remunerated
web developers**



WEB DEVELOPERS

Companies or individuals that create, support and deliver business applications with Locaweb products

What are the benefits?



Web Developers



Leads

Profissionais da Internet website (web developer finder)



Benefits Program

Locaweb's advantage club



Service

Commercial support for web developers' businesses



Content

Events focused on web developers training



Platform

Robust platform for web developers' projects



Support

Exclusive technical support

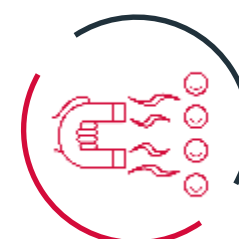


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Low Churn

Web developers help clients to succeed



Low CAC

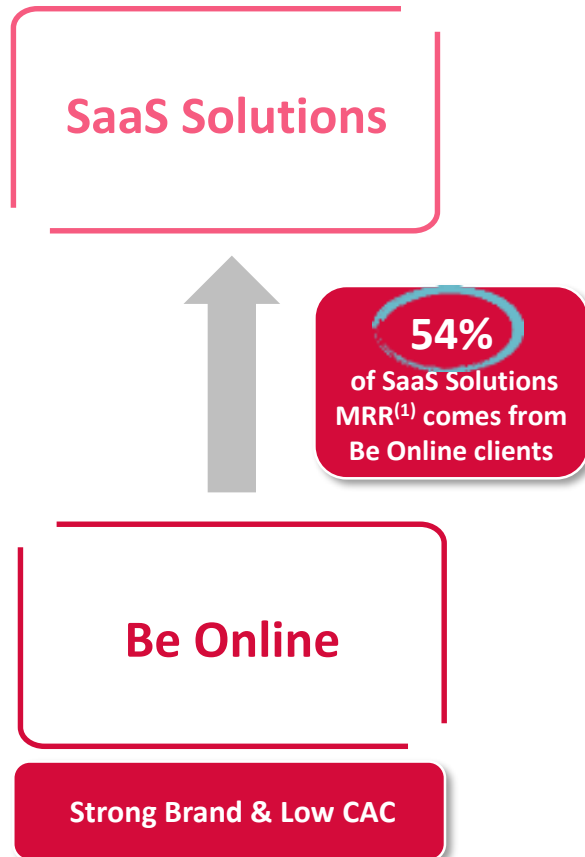
Web developers recommend other customers and products to the base, reducing the capture costs needs

2 Strong Cross Sell with a Low CAC Client Base

Our business model creates a synergic environment for our clients allowing significant cross selling and up selling among our operating segments



Cross Sell Between SaaS Solutions and Be Online



Cross Sell Between Be Online & SaaS and Commerce



2 Increasing Up Sell Conversion with Growing ARPU

Due to the increasing up sell conversion alongside the growing ARPU our commerce platform presents strong expansion

Commerce Ecosystem

E-Commerce Platform

First Purchase

Up Sell Environment
(Paid Add Ons)

Increases number of sales due to
109 integration systems



Content Ecosystem

Teaches how to increase
the number of sales

"Escola de
E-Commerce" blog

Community
Guides

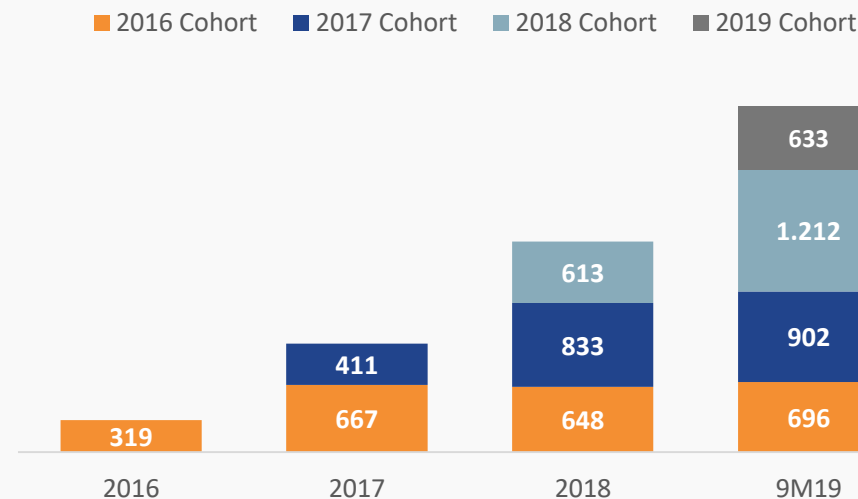
Community
Supports

"Formas de
Pagamento" blog

Commerce ARPU Cohort (R\$)



Commerce Revenue Cohort (R\$/month)



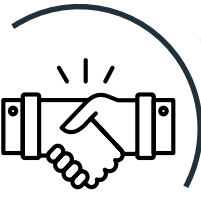
Commerce Represents >5% of the Brazilian E-Commerce GMV⁽¹⁾



Profitability growth through the increasing representativity of SaaS and Commerce segments



Increasing LTV unlocks the chance to expand our CAC



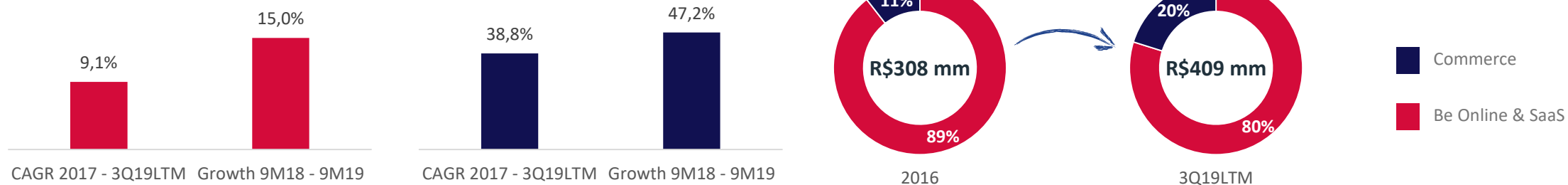
Strong M&A pipeline

How Locaweb Will Grow Faster?

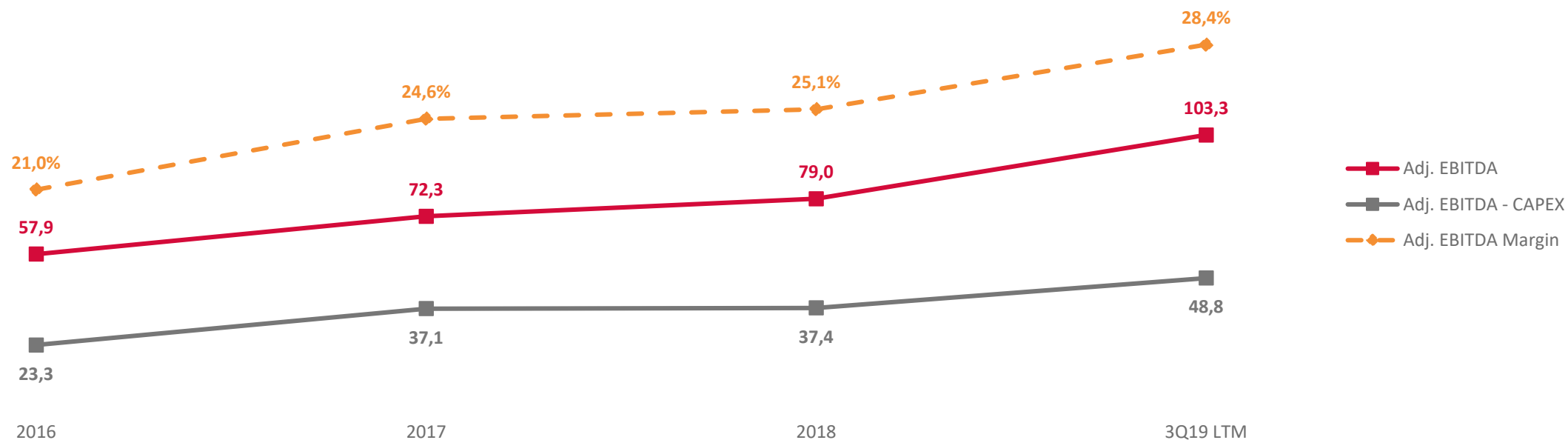
Growing Relevance of SaaS and Commerce segments accelerates growth, increases margins and cash generation

Our business is increasingly focused on SaaS and Commerce segments which leads us to strong cost efficiency

Gross Revenue Growth



Adj. EBITDA, Adj. EBITDA - Capex and Adj. EBITDA Margin¹



Notes: LTM means Last Twelve Months

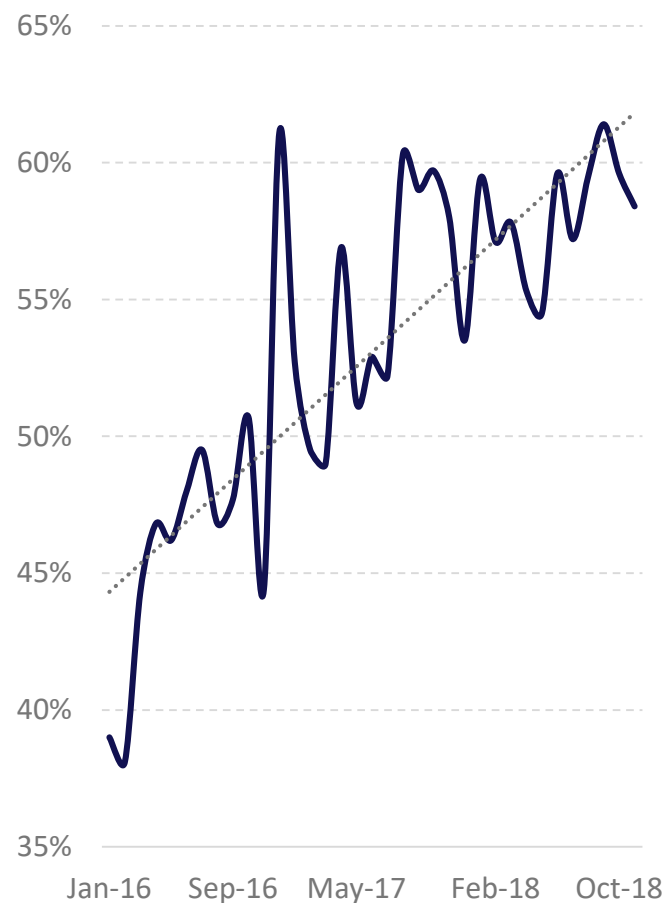
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3 How Locaweb Will Grow Faster?

Our Past Work on Increasing LTV Opens up the Opportunity to Expand CAC

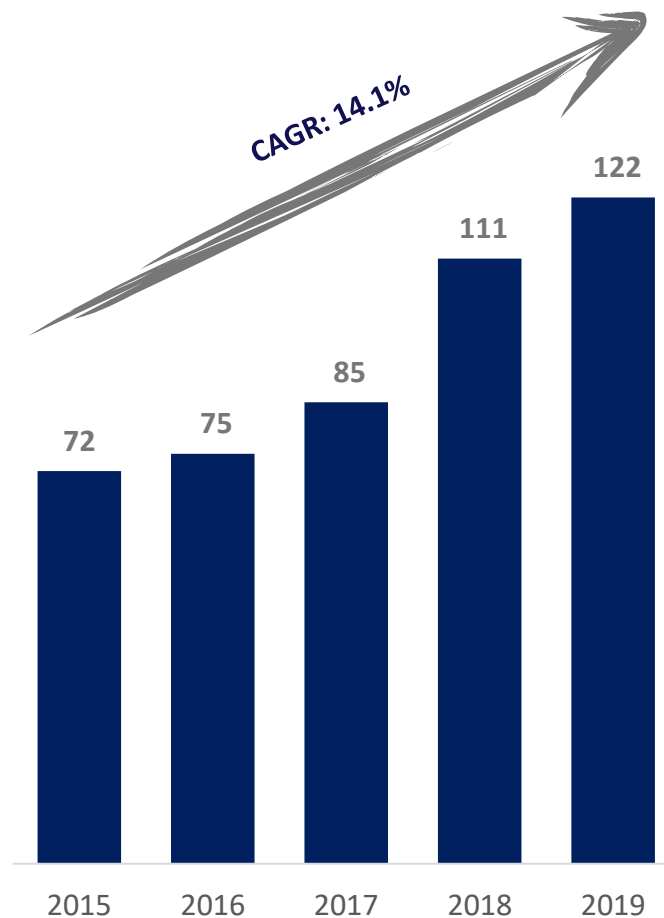
Project Validation Period

Retention on Month 6 (%)



Average Entry Price

Initial Subscription (R\$)



Opportunities Ahead



Increase Paid Ads



Increase Brand Ads



Increase Inside Sales Team



Increase Affiliate Program

Six Successful Acquisitions in the Past 7 Years



Common features we look for in our acquisitions



Recurring Revenue









Consolidated Product

Cross and up sell
PotentialRetained Talent
(Earn-Out Model)Cost Synergies Within
Locaweb Environment

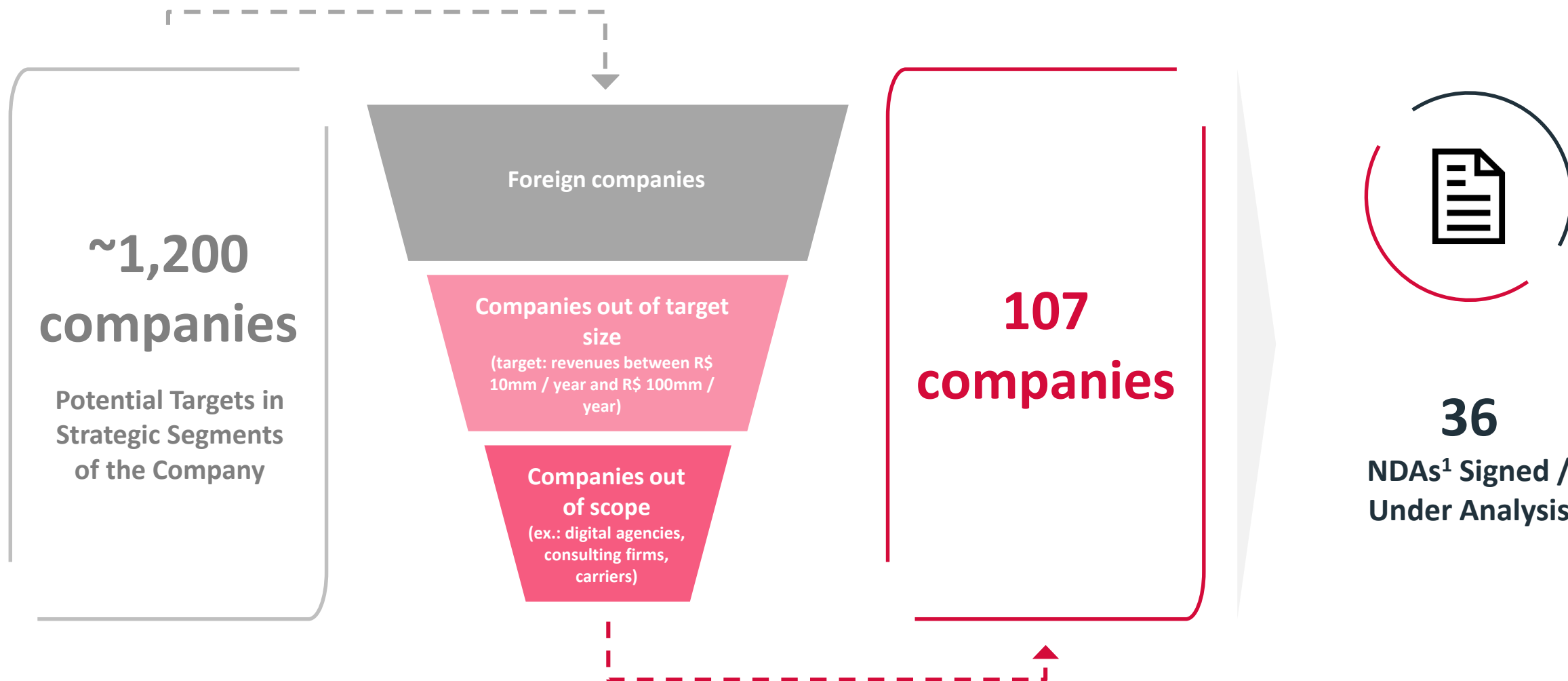
Culture Plays a Key Role: Founders Want to Stay in the Business With Us

Our integration accelerates acquired companies' performance

Company	Year of Acquisition	Gross Revenue @ Acquisition (R\$ mm)	Gross Revenue @ 3Q19LTM (R\$ mm)	Gross Revenue CAGR since Acquisition (%)	EBITDA & Margin @ Acquisition (R\$ mm, %)	EBITDA & Margin @ 3Q19LTM (R\$ mm, %)	EBITDA CAGR since Acquisition (%)
	2012	8.5	71.1	37.0%	1.8 (23%)	26.8 (43%)	49.2%
	2013	7.4	25.3	28.8%	0.7 (10%)	9.0 (38%)	55.9%
	2016	6.2	11.6	25.6%	0.4 (7%)	2.2 (21%)	85.9%
	2018	13.8	16.6	20.3%	-0.5 (n.m.)	-0.8 (n.m.)	n.a.
	2019	41.4		n.a.	11.0 (29%)		n.a.
	2019	6.0		n.a.	n.a.		n.a.

Leveraging Business Maintaining Entrepreneur Focus, Integration, Cross / Up Sell and Improving Subscription Culture

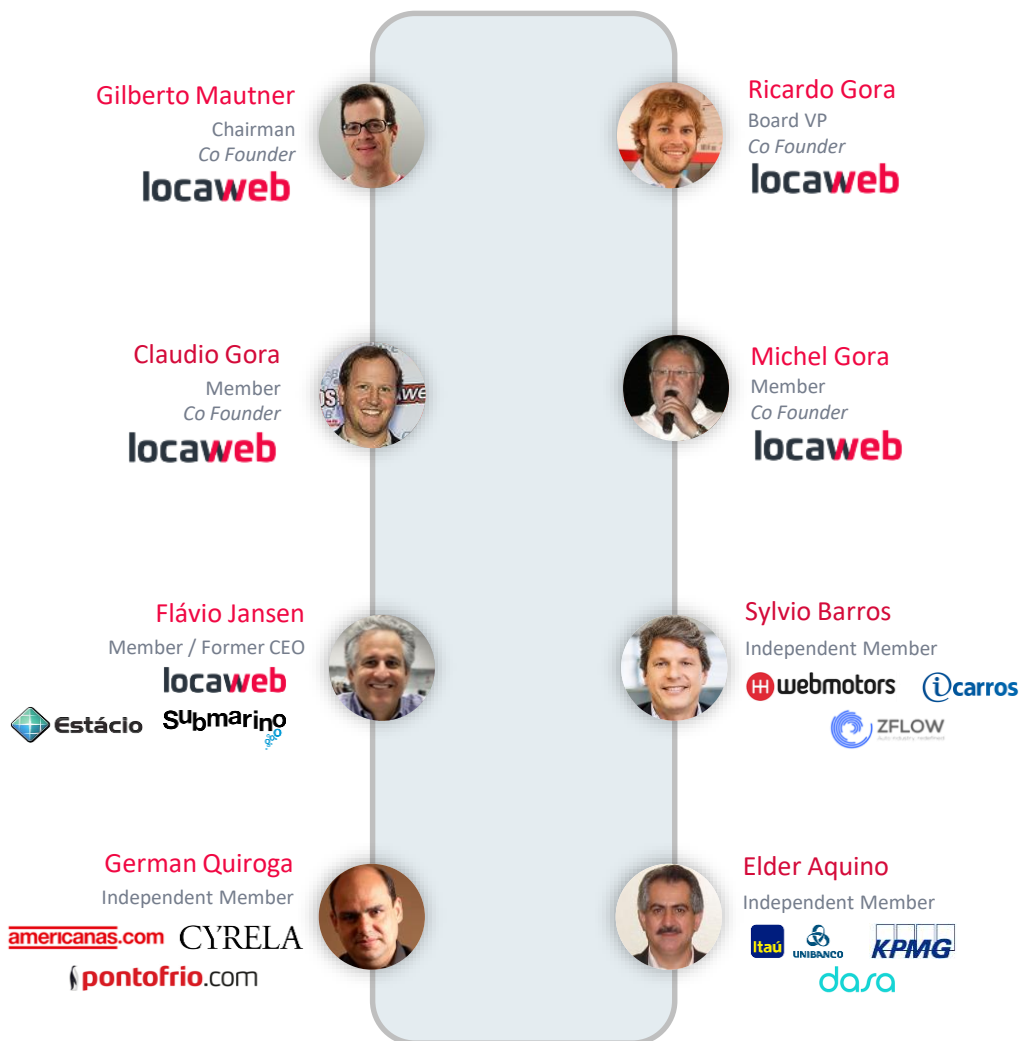
Locaweb has a clearly defined pipeline of potential future M&A opportunities



Solid Governance Framework

Established corporate structure coupled with strong governance and preparedness to accelerate the Company's expansion plans

Our Board



Strong Governance – Established in 2012

Strategic Management

Annual budgeting process with semi-annual strategic planning meetings

Gilberto Mautner, one of the Company's founders, participates in the quarterly product review

Processes and Control

The Company uses the **SAP system since 2009**

Monthly monitoring / meeting of results

Formal Committees

Human Resources. Attraction, retention and development of new talent

Auditing. Monitoring financial reporting and auditing processes

Financial Auditing

Auditor. Audited by Ernst & Young since 2006

Talent Retention

Comprehensive **stock option** plan for strategic talented employees



Leading Brazilian provider of technology solutions to SMBs, **well positioned** to capture relevant opportunities in an **underpenetrated market**



Recurring revenues and high-quality services resulting in **low churn** and **high LTV**



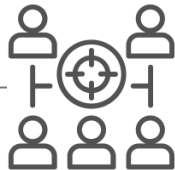
Strong brand and solid ecosystem, alongside a good relationship and efficient marketing yielding **low CAC**



Strong M&A capabilities with proven experience in identifying, acquiring, integrating and leveraging new businesses



Cross & Up sell ability



Success in entering high growth markets such as SaaS and Commerce



Scalability and cost synergies leading to growing **cash generation**



Seasoned and **experienced team** with retained **high talented entrepreneurs**

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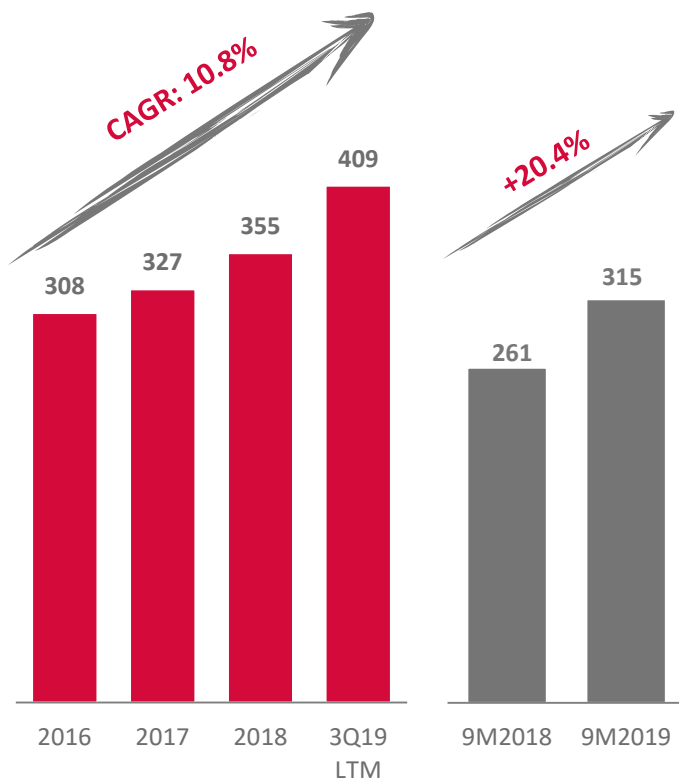
Section 2

Financial Highlights

Historical Financial Performance

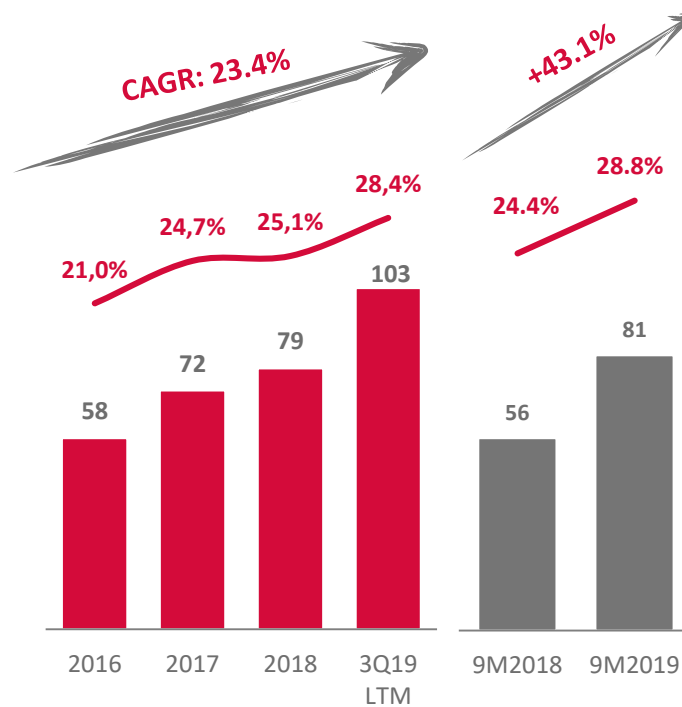
Gross Revenue

R\$ mm



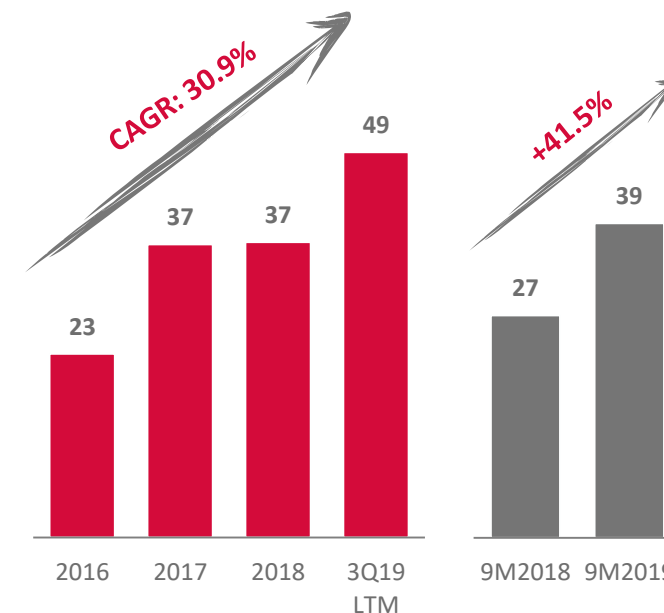
Adj. EBITDA & Adj. EBITDA Margin⁽¹⁾

R\$ mm



Adj. EBITDA⁽¹⁾ - CAPEX

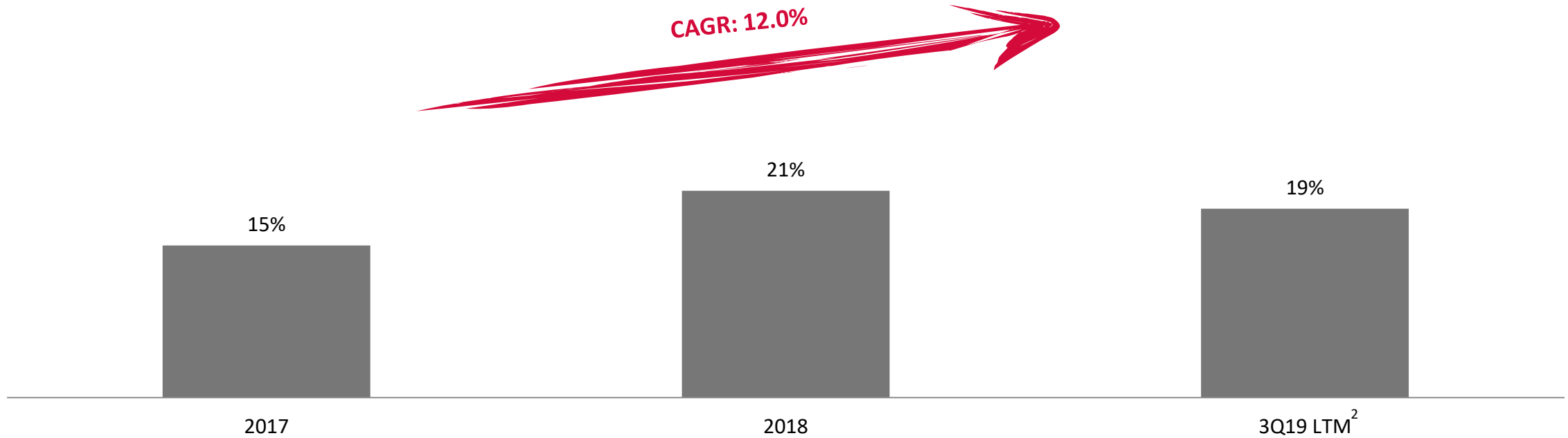
R\$ mm



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ROIC^{1,2}
%



Asset Light Business Model Coupled With Relevant Operational Leverage Translates into Attractive Returns

Notes:

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