Julia Araújo:

Good morning, and welcome to Valid earning's conference to present the results of 1Q22. I am Julio Araújo, the Supervisor of Financial Activities and IR and will be the moderator of this webcast.

Before we begin our presentation, let mem remind you that this event is being recorded and all participants will be in a listen only mode during the Company's presentation. This webcast is transmitted with simultaneous interpretation into English, and the presentation will be available at Valid's Investor Relations website and at this webcast platform. You will be able to control the slides in the order you wish, and the replay will be available shortly the event is concluded.

After the presentation, there will be a Q&A session. Questions can be sent at any time during the event using the platform chat in the left-side of the page and is indicated by a blinking light.

We would like to clarify that statements that may be made during in this presentation in relation to the Company's business perspectives, forecast and financial and business goals are based on the beliefs and assumptions of our management and on the information currently available to the Company.

Future statements are not guarantees, they involve risks, uncertainties, and assumptions, because they refer to future events, and therefore depend on circumstances that may occur or not. Investors should understand that the industry's overall in addition to other operational factors may affect the Company's future results and materially differ from those results expressed in the statements.

Having said that, I would like to introduce the participants of this videoconference: Ivan Murias, CEO, Renato Tyszler, CFO and Investor Relations Officer.

I now give the floor to Ivan. And at the end of the presentation, we will answer the questions through the chat. Good morning, Ivan. You may proceed.

Ivan Murias:

Thank you, Julia. And good morning, everyone. I would like to thank each and every one of you for your presence. I hope that you are fine and healthy.

I would like to go over the main points of the results of our 1Q22. We completed this quarter with R$580 million revenue and 18% increase vis a vis the 1Q21 and a R$103 million in EBITDA significant growth vis a vis the 1Q21, and for the third consecutive quarter, this is the highest quarterly EBITDA of Valid's history.

This was only possible because in VGS, the government solutions, our revenue grew by 39% and our EBITA reached as R$ 300 million with stable volumes and aligned with the levels we had before the pandemic.

In the VBS, the Business Solutions Segment, the demand for smart cards, and the competitive situations between banks, Neobanks and fintech's keep leveraging our revenue that grew by 17% vis a vis the 1Q21.

Our quarterly EBIDTA margin close to 13% because we improved our efficiency in production as we constantly keep you abreast of in our calls.

In digital solutions VGS, the revenue grew by 24%, and in the past 12 months the accumulated revenue goes over R$200 million with the maintenance of the EBITDA margin.

This shows that we keep focusing on pursue initiatives that makes strategic sense to the company without burning the money of our shareholders, something that would not have traction with our business.

In international business, we had a major highlight in Telco Global with 20% growth in revenue and 30% growth in EBITA with a total EBITDA of R$39 million. This was because of the improvement in price mix of chips and also geographical allocation and also because of our operational costs.

Even with a negative currency exchange rate in this period vis a vis the 1Q21, our United States business was improved because of an improvement in the operational efficiency of cards, plus the efficiencies because we closed one of our plants in that region.

Telco Global and United States units had a 65% growth in EBITDA combined. And as a result of these delivery, our net EBITDA debt indicator was reduced to 1.5 x, which allowed us better possibilities in negotiations of rates and also in debt extension.

And it is easier for us to convert EBITDA in earnings per share to our shareholders in upcoming years as soon as the current financial difficulties are reversed. So, now Renato is going to explain in detail, the results of the first quarter. And at the end, I will come back for my final remarks and to open the Q&A session. Good morning, Renato.

Renato Tyszler:

Thank you, Ivan. Moving to slide four. Once again, we present the quarterly evolution of our business units compared to the 1Q21.

Here you see that we had revenue growth in all business units *vis a vis* the 1Q21 and also growth in margin and EBITDA exceptions except for VGS, which was stable but still lower to the 1Q21.

We had a 39% growth in VGS, 17% in VBS, 24% in VDS and 20% in Telecom, showing a very strong and sustainable results for the first quarter.

On Slide four, we show a significant increase in revenue and EBITDA *vis a vis* the 1Q21 and our consolidated results, 18% and 69% respectively in revenue and EBITDA. For the third consecutive quarter, we have had the highest EBITA level with R$63 million.

This shows sustainable performance along three consecutive quarters, both percental in in absolute terms. As highlights for this growth, we had higher volume of document emission, higher production of smart cards, increases in revenue and margin in Argentina, increases in SIM cards and industrial, commercial, and operating improvements that led to an EBITDA performance improvement of 18%.

In this next slide, we see the analysis for our business unit, starting with VGS. In the first quarter, we maintained a strong and stable volume of issuance, even with a low seasonal demand because of holidays. We grew 70% vis a vis last year in issuance, 39% growth in revenue and 105% in EBITDA.

In 2021, we had a significant impact on the period because of COVID. We also renewed important contracts in the South, started our operations in Piauí and Espiríto Santo, and we expect to start operating in Minas Gerais.

On slide seven, we talk about the VBS unit that had a strong demand for smart cards with a 70% growth in volume *vis a vis* the 1Q21. This strong growth in volume and resumption of business in Argentina have led this unit to have a 70% increase in revenue and 50% increase in EBITDA with a contribution of operating efficiencies in the factory and also the difference in the costs of chips abroad.

In addition to smart cards, we also had improvements in other of VBS business that have led us to an EBITDA margin of 12.8% in the period. On slide eight, we showed the VDS unit that is gaining traction and has had a revenue superior to R$200 million, R$53 million in the quarter, with a 24% growth *vis a vis* the 1Q21.

The main growth averages are from Valid Paying Solutions for banks and fintechs and the growth in Colombia and in several invalid CDs. We focus on this business in 2022.

On the next slide, we see our continues growth in our Telco Global Business, both in revenue and EBITDA. We had a 15% growth in the volume of SIM cards in this period and focusing on markets with higher value added.

With that, we had a 20% growth in revenue and 30% growth in EBITDA in the 1Q22 even with a small negative exchange rate factor. The EBITDA margins have maintained between 20% and 25% in the past seven quarters.

In the US, we recovered revenue by 5%, but mainly a recovery in the EBITDA margin that was negative in the 1Q21 and today is R$6 million positive. Also in our International Business, our EBITDA grew from R$27 million to R$45 million, 10.5% to 15.4% in the EBITDA margin.

Now moving to net income on slide ten, we see a significant operating results, but it is more than offset by a temporary loss in our intercompany mutual funds in euros. This effect does not have a cash effect in the period.

Now on slide 11, we see that these financial effects offset themselves while operational effects are positive with a net cash generation minus CAPEX. And we also have a negative exchange rate effect because of the assets kept abroad. Our policy is very conservative, and we will keep on monitoring our political and economic situation.

On slide 12, we show the continuous evolution of our level of leverage represented by our net EBITDA. We started with 3.5 times and now it is 5.5 times, and the EBITDA 12 months is R$373 million year to date.

We should reinforce our continuous efforts with the capital structure, renegotiation of debts with old creditors with longer extension. In the 2Q22 would have a high volume of amortizations. But after the end of this quarter, we were successful in extending our debt with our subsidiary in Spain. And you can see that by the indication in red in the chart.

There is also the payment of the seventh and eighth issuance. And in 2023, there is also a high volume that we are working on an issue ordinance that we are going to make in an upcoming month.

Last but not the least, some subsequent events after the end of the quarter are showed on slide 13. We have a debt extension with Santander in Spain, as I mentioned on the previous slide. We also communicated the ninth issuance of debentures totaling R$250 million and a deadline of five years.

We conducted our General Assembly, and we also activated our Share Buyback Program and a Subscription Bonus. With that and once again, thank you for your attendance. I would like to turn over back to Ivan for his final remarks.

Ivan Murias:

Thank you, Renato. Before we move to the Q&A session, I would like to reinforce three key messages with you.

First one, regards the deliveries in the 1Q22. We are delivering the highest quarterly EBITDA level in the history of Valid. It is important to highlight the evolution of the operational margin reaching approximately 18% in the 1Q22. And above all, we show consistency in the delivery of our results.

In the 3Q21 when we reached the first record quality results in EBITDA with R$98 million in the history of Valid, we shared with the market that we back then we believe that the company had reached our top level of EBIDTA that would range from R$90 million to R$100 million and that seemed sustainable, almost a baseline to future quarters.

Some shareholders fans called us asking whether that comment had slipped or whether this was an actual perception of the management that had been shared with the market. So, we repeated that in the 4Q21, we then a bit over R$100 million.

And once again in the 1Q22, we showed a R$103 million in EBITDA, even at the worst quarterly seasonality of the Company, because we truly see a Company that can leverage, operationally speaking, the results of the markets where it operates.

As a consequence of the effective implementation of efficiency in operations, in business of our core assets We believe that this is sustainable and has come to stay. So, let me reinforce that.

This is the third consecutive quarter where we deliver consistent results within the range that we mentioned back then.

The second point has to do with the capital structure. All results that were accumulated in this past three or four quarters have allowed us to significantly reduce leveraging, closing the quarter with 1.5 times.

And these has allowed us very favorable conditions for renegotiation our debts, extending the debt payment terms and reduction of rates differently from last year. And the final point, and I have been saying that frequently has to do with cultural transformation.

We have constantly highlighted the return of our focus to the core activities of the Company as part of this cultural transformation, without losing focus to our future and to other business verticals.

In the beginning of the year, we started paying again JCP, but at the end of this end of this quarter, we paid PPR, Profit Sharing and Bonus to the teams and reinforcing the pride, being proud to belong to the company. That helps us attracting new talents and retaining the good talents in the Company that know the Company so well.

So finally, I would like to invite all of you for Valid's Capital Markets Day that is going to take place in June and soon we are going to tell you when this is going to be. Then we plan to share with you and potential investors our vision for the past 12 months in the sense that what was promised, what we actually delivered.

We also want to show you how we structure our capital and dealing with our debt, how we see the way we are dealing with our assets and how we perceive the future perspectives of some of our main products. We have been talking to many of you about the impact on VRG. We would like to give you more details about future plans.

And also talking about Telco Global, we have ended with great results during the quarter, with great results. But people asked us about the situation on chips and our expectations for future quarters and how that has shaped our internal culture. Before turning back to Julia, I would like to thank and congratulate Valid's team for the results achieved.

Everything we explained this morning is the result of the dedication of everyone from different geographies and different business verticals. And I personally and same is true for the management team. Personally, I would like to thank each and every one of you. Me, Renato and Julia are now open to your questions or points you would like to get more details about.

Fabio:

Good morning, Fernando. Congratulations. Why did you have lost in the quarter? We are going to have profit again, as we had in 2021 of the second half of the year? What about the integration of the operations in Sorocaba?

Renato Tyszler:

Good morning. This is Renato. I will answer this question. Regarding the first point relating to loss in the first quarter, this is 100% connected to the exchange rate variation. We have the mutual operations between our headquarters and our subsidiary in Spain.

This mutual fund is like an accounts receivable in Brazil. Maybe it is counterintuitive because when you think about variations in currency exchange, you think about Brazil taking debts but when Real is appreciated, it is better when it is evaluated is worse, but in our case is the other way round.

So, it is counterintuitive because it is like accounts receivable in Brazil in euros or dollars. So, when real is appreciated, we would receive fewer real. So that will have a negative impact on our results.

This effect totaled R$56 million in this first quarter, €6.39 US$5.47 of the dollar exchange rate back then. So, we had a 14% appreciation rate of the real, a very high appreciation rate and because of that, we had a lower result except for that.

And I would say that this is an accounting impact, not a cash impact. Otherwise, our profit would have been significant in the first quarter. Regarding the second quarter, usually EBITDA and operating profit has a positive perspective that we have shared in our previous quarters.

The exchange rate impact will depend on the exchange rate of the last day of the quarter on June 30th. Today, the exchange rate, indicates that the real is lower its last depreciation than the last day of March. That is for today.

But it is hard to say how it is going to be because it will depend on the exchange rate for the last day of the quarter. But the operational perspective, which is more important, is something that we feel very strongly about, and we are very positive about that.

Regarding the integration of operations in Sorocaba, the São Bernardo part has been completed. And also, we are in the final phase. We are very glad about the results of São Bernardo and Sorocaba integration.

Marcio:

Good morning and congratulations on your results. Now that you are close to the end of the subscription bonus and the price of the market in shareholders is lower than the current value.

Do you consider an extension on this date and going beyond the times of elections and maybe with a better appreciation and lower impact of inflation?

Company:

Good morning. This is a great question. We still believe that the market has not had the opportunity to digest the results of the first quarter of just digested, let alone the second quarter because this is ongoing.

So, we still believe that along the second quarter, that we are going to see more economic and political stability and because of consistent results that Valid has delivered, and that we expect to keep delivering good results, we hope that we can increase the price of the shares.

A few weeks ago, when we communicated the results of the fourth quarter our shares was above 10.67%, which is the threshold you mentioned, but we are still very optimistic. With good, consistent results and a more stable market, we hope that by September we can reach this level.

Having said that, we could and of course, we follow closely the market, and we could study the possibility of following this suggestion you have just mentioned if necessary. Right now, we are still optimistic that we are going to have the subscription in September.

Fábio:

The war between Russia and Ukraine could have an impact on chips like the ones used in the automotive market? Could Valid go into this market to supply OEMs in the automotive industry?

Ivan Murias:

Good morning, Fabio. This is Ivan. From the revenue perspective, right now, we do not serve any operator in Russia or in Ukraine. We do not see any impact on revenue related to that.

In terms of supply, we have mapped the supply chain. Apparently, there is one supplier of a glue that is used on the chip that we used to supply. But we have different sources that could replace this supplier. So, even from the supply perspective, we do not see any potential impact.

So, our concern, and I think this is true, not only at Valid, but overall. It is a disruption of the logistics supply chain as a whole. I think all of us should pay attention to that.

Regarding the second part of your question, although it makes sense, theoretically, it does not make sense in terms of business. Operators use a chip that is developed above 90 nano and Intel could bank our chips that are developed between 20 to 30 nano.

And as you work with more powerful and more modern devices, if you can also work under 20 nano. The smaller it is, the higher the value added, the higher the average price. So, in a scenario of scarcity, usually, companies have directed their production capacity to serve the industries of chips that use lower levels of nano, smaller ones.

So, although there is global scarcity, the automotive industry is having a higher impact than other segments. So right now, it does not make sense for us to use our capacity in our partnership with producers that are focused on Telco and Banks to serve markets with lower average ticket and lower value added.

Carlos:

Despite the reduction on net debt on EBITDA, the cash distribution is going to be used to reduce the gross debt?

Company:

Let me see if I understood your question correctly. I think that maybe your question is whether we are going to use our cash to reduce the gross debt in a continuous reduction of leverage or whether we will invest in generating cash to get additional cash and use it in CAPEX, M&A or other initiatives that could strengthen the future growth of the Company.

We have been working and since last year and also in the first two quarters, we have been working to increase the generation of operational cash, so that we can reduce that from our leveraging.

We have been doing that and we have just moved out of the year 3.5 EBITDA, now 1.5 times EBITDA. This is a major evolution, and we will keep on that track. We have also been working on some potential options of investments. Something that may be not part of our core business or not in the regions where we operate.

And we are constantly assessing potential for growth, whether it is in our car business or in other opportunities. We will always measure leveraging versus potential growth in CAPEX or EBITDA.

So, we make this analysis constantly, and as Ivan mentioned in his presentation, any investment made in the future will be done in a very responsible way so that we can put the money of our investors where we believe this money is going to be well invested.

So right now, we are working to reduce gross debt and deleveraging as a consequence. We are constantly assessing projects and also thinking about the future growth of the company.

Carlos:

Do you see any impact on the issuance of cars and increase in delinquency? Do you think that digital banks are more conservative now in the 2Q22?

Company:

Hello, Carlos. Good morning. I think I can answer your questions in two different ways. If you think about the 1Q21, we can compare ourselves against that. We have grown the number of issuances by 17%.

On the other hand, when we consider the volume of the 4Q21, there was a decrease ranging between 15% to 20% and a volume of cards that were issued in the 4Q21. In our perspective, this represents an effect of delinquency, and of course, we can control it.

And also, there was an increase in the Selic rate. That also has an impact on banks and all the other financial operations. So, when cost is higher, naturally, I think that the attitude of all banks is to be more conservative relating to its CSC.

So, I think that we had a silly rate above 13% and that changes this attitude and also the average ticket to open new accounts change. But for Valid in general, even with this drop in volume by 15% to 20% vis a vis the 4Q21, you see that our absolute EBITDA was remained the same between the 1Q21 of the 1Q22.

Because of improvement in business, related to this scarcity of chips and also that helps in terms of business relations and also because of the fact that we are more efficient in our manufacturing operations.

So, although banks might suffer delinquency and also because of the Selic Rate it have become more conservative, we need to be the first option to incumbent banks or neobanks or fintechs.

When you think about manufacturing cards, which should be their top choice, and I think that a business team has been able to implement this strategy very successful. And I hope that we can keep this position in the upcoming quarters.

Julia Araújo:

If there are no further questions, I turn over back to Ivan for his final remarks.

Ivan Murias:

I would like to thank you all for attending this call. Like to thank you for the questions you sent. Let me reinforce that our IR team, led by Renato, Olavo and Julia, as well as all the Executive Directors, are open for you for individual sessions, if that is necessary, and any meetings you would like to know with further details. And finally, let me reinforce how confident we are to face the challenges ahead of us.Thank you very much for attending and have a great day.