

Julia Araújo:

Good morning, everyone, and welcome to Valid's 3Q24 earnings call. I am Julia Araújo, Corporate Finance and IR Coordinator.

Before we start, I will make announcements. This event is being recorded and all participants will be only watching the conference call during the broadcast. For those who are interested, this presentation is also available with simultaneous translation into English. The supporting slides that we will be presenting are available in our IR website. And after, the replay will be on our website.

As soon as the presentation is over, we will start the Q&A session. Questions can be sent now and at any time during the broadcast. To send them, simply access the chat here on the platform.

It's important to clarify that any statements made during this conference regarding the Company's business prospects, projections and operation and financial targets are beliefs and assumptions of our Board of Directors, as well as information that is available to the Company today. Forward-looking statements are not guarantees of performance. They involve risks and uncertainties because they refer to future events and therefore, depend on circumstances that may or may not occur. Investors should understand that general economic conditions in the industry as well as other operational factors may affect the Company's future and lead to results that differ materially from those expressed in such forward-looking statements.

Ibson Bressan, Valid's CEO, and Olavo Vaz, our CFO and IR Director, will be with us today. Bressan, the floor is yours.

Ibson Bressan:

Thank you very much. Good morning, Julia and Olavo, and good morning to all of you who are with us in the 3Q24 results call. I thank you on behalf of the Executive Board and all Valid's employees and collaborators. Together, we have built the results we are about to present.

I will start by talking about the highlights of the period and our vision of what lies ahead, then Olavo will go into detail about the financial data. In the end, we will have a Q&A session.

The first highlight is we had the best quarter of the year, better in revenue, better in EBITDA, in recurring net profit and in revenue generated by new businesses. Net revenue was R\$580 million, and EBITDA of R\$132 million, a margin of 22.8%. This is due to the excellent performance on the ID and digital government vertical, growing 16% in net revenue year-on-year, and also on the recovery achieved by the mobile secure connectivity vertical.

These 2 contributions were enough to offset the weaker results this quarter of the pay vertical, which fell slightly, but nevertheless, represents an important business of over R\$200 million net revenues in the quarter.

Mobile executed good digital portfolio deliveries and better dynamics in SIM cards helped consolidate results. In ID, in addition to progress in digital government deliveries, we continue to see high demand for the new national ID card, CIN, in all states we operate.

Regarding cards, there was little change in the Brazilian scenario with weak volumes, which should continue given the current interest rate scenario and credit restrictions.

In Argentina, due to the higher USD, we saw a scenario with costs increased, but we continue to achieve good results in that country. Net profit in the 3Q was R\$90 million, the best recurring result in the Company's history.

This brings the accumulated result of the year to R\$318 million for the last month and R\$353 million, a result favored by the sale of Cubic in the 1Q, which, without FX, represents a net profit of the last month of R\$240 million.

Another extremely important highlight is the performance of digital revenue for new businesses derived from the portfolio of products and solutions that were not present before 2023. In the 3Q, we had R\$62 million and in 9M24, we totaled R\$148 million, accounting for 10% of Valid's total sales and 16% of global EBITDA. We made progress in new businesses BUs, digital government, digital onboarding and mobile solutions and remain excited about the potential of these segments.

Regarding the capital structure, operating cash generation stood at R\$103 million, converting 78% of EBITDA in the period, and we ended September with cash exceeding that by R\$150 million, reinforcing our commitment to remunerating our shareholders, we have already paid R\$87 million in dividends this year and recently announced another round of interest on capital, JCP of R\$43 million, which will be paid on November 18.

The 3Q results are absolutely in line with the executive team's guidelines in this management. In our last 2 earnings calls, we showed our objectives for the years, the pillars for executing this strategy, how we are going to allocate capital and what the short and medium, long-term challenges were.

Here is a breakdown of each of them on the left side of the slide. On the first point, the 3Q once again demonstrates the resilience of our traditional business. Overall, net revenue was up 4% in the 3Q23 and 12% on the 2Q24. As a result, accumulated sales for the year reached R\$58 billion, 2% less than in the 9 first month of 2023. Looking at the verticals, Pay remained stable compared to the 2Q.

Mobile grew strongly and recovered from the weaker performance of the 1H24 and ID continues with a consistent growth performance. Regarding EBITDA, the result this quarter was R\$132 million, the best quarter of the year, 2% higher than the reported in the 2Q24, although 6% lower than the 3Q23.

In the year-to-date, we have R\$378 million in EBITDA, down 10% on the 9M23. On this drop, mobile unit accounts for R\$31 million, payment for R\$21 million and ID and government digital added R\$70 million year-on-year.

Regarding Item 2 of the year's objectives, which is the ability to generate new revenue, here comes the best recent news. The quarter-on-quarter evolution of net revenue generated by new business is consistent and already represents 10% of Valid's total revenue for the year, totaling more than R\$150 million for the year.

Digital onboarding obtained R\$40 million in the year, digital solution and secure connectivity already totaled R\$45 million, and in digital government already totaled R\$66 million this year.

The performance of these fronts enables Valid to accelerate investments on the innovation front and digital product portfolio, accessing new markets that connect us with our core competencies of guaranteeing a secure identification platform for transactions in the digital ID and government, payment, banking and secure connectivity ecosystems. This places us in an infinitely larger TAM (07:39) market.

This connects us to the pillars on which we are executing this strategy. As recently announced with the arrival of the new CTO, the priority now is to attract new talent in product and technology areas, so we can intensify the creation of new products and solutions. At the same time, the executive team's commitment is to this double task of innovating on one hand, but guaranteeing earnings on the other is also reflected in results presented this quarter.

The third point is related to capital allocation reinforces our philosophy of balancing the present and the future. In the present, to be a source of funds for our shareholders, but also to be financial capacity and the availability to grow more aggressively inorganically in order to pave the way for our future.

In addition to a net cash position of R\$150 million, we already announced R\$130 million in dividends for 2024, R\$87 million of which were already paid out over the course of the year and R\$43 million will be paid in November 18.

Finally, with regard to short and long-term challenges, we changed the recovery of mobile in this 3Q, which was absolute priority.

With regard to medium and long-term challenges, our focus is, in addition to consolidating deliveries in the 3 fronts of digital onboarding, mobile solutions and digital government, also on complementing the portfolio on the Brazilian secure ID platform for all of its transactions in relation with public and private entities in any ecosystem, especially banking and payments and security connectivity.

And now, Olavo will go in a little more detail about results. I will be back for the Q&A session. Olavo, I hand it over to you.

Olavo Vaz:

Thank you, Bressan, and good morning to everyone who is following us. Since Bressan talked a bit about revenue and EBITDA, let me talk about profit. In the quarter, we made R\$90 million in profits, which represents a margin of 16%.

Let's go through the bridge between EBITDA to profit. We left an EBITDA of R\$132 million and had R\$23 million in depreciation and amortization. This figure is in line with what was presented in previous quarters, so much so that in the next slide, we will see that for the year, we have R\$70 million accumulated in depreciation and amortization, nothing more than this value of this quarter multiplied by 3.

The financial result for the period was positive in R\$4 million. This shows an important reduction in expenses compared to financial income when compared to recent quarters. In the 2Q24, this figure had been negative in R\$16 million and less R\$24 million a year ago.

Taxes in the quarter amounted to R\$20 million, which represents an effective tax rate of 18%. And finally, we had miscellaneous expenses amounting to R\$3 million. Then we

reached R\$90 million, the highest recurring quarterly profit in Valid's history, which represents earnings per share of R\$1.14.

Moving to year-to-date view, Valid has gone from an EBITDA of R\$378 million to a profit of R\$380 million. Depreciation for the year is R\$70 million. In terms of financial results, we have a negative of R\$42 million, with a large part of this result having been explained in the 1Q as a result of foreign exchange losses in Argentina and Nigeria.

Tax expenses amounted to R\$52 million in the year, which represents a tax rate of 14% and other expenses accounts totaled R\$9 million. This brings us to a recurring net profit of R\$206 million in the first 9M the year. This figure is practically the same as our profit for the whole year of 2023, which was R\$213 million.

As we mentioned in recent quarters, we had a nonrecurring COVID effect of R\$112 million in the 1Q, which represents a net accounting effect of the sale at the stake in Cubic plus the write-off of the stake in VCMC, the positive effect of R\$137 million and the negative effect of R\$20 million. With all of these movements taken into account, we have accumulated net income of R\$38 million or nearly R\$4 per share.

Let me talk about some of our main financial indicators. Considering a 12-month window, Valid has an EBITDA of R\$525 million and a net profit of R\$353 million. In terms of ROIC, despite a small drop in relation to the last quarter, we continue to have an indicator above the 20% level. In terms of ROE, we saw a further increase of 20.5%. Now let's take a look at the variations in cash in the quarter and in this year.

This was another quarter marked by significant operating cash generation, which reached R\$103 million, representing 78% of EBITDA for the period. This quarter, we had the highest volume of CAPEX, which reached R\$30 million. This is due to the implementation of some projects, especially in the ID segment, which we have won over the last few months.

The financial results in cash for the period was R\$21 million in financial expenses. So on the cash after operations of R\$773 million, we had the amortization of R\$3 million in loans and the payment of R\$35 million in interest on capital, JCP. In the 3Q, there was no asset sales and exchange rate effects had a positive contribution of R\$8 million. We had a cash plus investment of R\$743 million.

Now, the accumulated view, R\$263 million in operation generation for the year, representing 70% of the EBITDA, even with the negative result of the 1Q. For CAPEX and financial expenses in year-to-date, we have expenses of R\$61 million and R\$49 million, respectively.

In addition to the identification projects I mentioned in the previous slide, this year, we also have earn-outs due to the Flexdoc transaction that took place in 2023. And of Valid's entire investment volume for the year, excluding the earn-out payments, 85% refers to expansion CAPEX, which shows the Company's low need for maintenance CAPEX.

Recording cash after operations of R\$772 million, we made an important reduction in debt. I would like to highlight the prepayment of operations held by Valid Spain, which had costs well above those that Valid has been working on, on its balance sheet. So far, we have paid out R\$87 million in dividends, of which R\$62 million in interest on capital for 2024 and R\$20 million in extraordinary dividends for 2023, as decided in general meeting.

Also in the 1Q, we sold some assets, Cubic, Serbet and the property in São Bernardo do Campo, which together added R\$178 million to the Company's cash. In this year, we also had exchange rate effects with a positive contribution of R\$29 million. With all of this, by the end of September, we reached R\$743 million in cash and cash equivalents.

Now let's take a look at the main accounts that make up our working capital, inventories, accounts payables, accounts receivable. For both inventories and accounts payable, we saw gains compared to the 2Q24. In the year-on-year comparison, we have an increase of 11 days or R\$49 million in inventories and a reduction of 9 days in accounts payable, or R\$23 million.

In accounts receivable, there was a worsening in terms of days in the quarterly comparison, which reflected R\$54 million, while in the annual comparison, it's stable. This increase in accounts receivable was expected and is due to the recovery of sales in mobile segment, which have a longer average payment period.

We will continue to focus on improving working capital indicators, and we can expect to see improvements by the end of this year.

Moving on to liquidity. The work we have been doing on this front over the last few quarters is liability management, focusing on extending durations and reducing costs. In this quarter, we extended 2 operations. With ABC, we maintained the original rate of CDI plus 1% PA and, with CEF, Caixa Econômica Federal, we reduced the spread by 25 bps.

We maintain a solid cash position with cash and cash equivalents exceeding liabilities by R\$150 million. And today, only 19% of Valid's debt maturing within 12 months.

Before going into detail by vertical, I would like to present the performance of our share in the past few months. We had a strong evolution of the share in the last quarter with a growth of 49%.

The same appreciation has taken place over the last 12 months with Valid outperforming the main market indicators. In addition to the share performance, let me highlight the dividends already paid in 2024, which totaled R\$87 million as well as the new round of interest on capital recently announced of another R\$42 million to be paid on the next November 18. For our buyback program, we have already bought back 5006 shares or 20% of the plan's total.

Finally, in terms of liquidity, the share showed a significant increase of 36% in the quarter compared to the same period in 2023, trading at almost R\$9.4 million a day. This is the highest level in the last 16 quarters.

Now let's talk about ID and digital government. This quarter, we reached a milestone of 8.3 million documents issued. This is an all-time record for Valid. This is due to 3 factors: one, higher demand for CIN, the national ID card in all states where we operate. Second, the start of the ID contract in the state of Bahia by the end of August, as we mentioned in the last call, and this is a highly relevant state in terms of volume of documents. And finally, more working days in this quarter.

In addition to progress made on the traditional front, we have seen the share of digital government and onboarding solution grow, which together now account for 17% of ID Verticals revenue for the year and almost 19% of the vertical's EBITDA. In our last call,

I also talked about the water control seal unit. Its turnover reached R\$32 million in the first 9M24, an increase of 46% year-on-year. The water control seal has been mandatory in Minas Gerais since the beginning of September on returnable packaging over 4 liters.

This is excellent news for Valid as many of the state's bottling companies were already Valid's clients. As a result, ID revenue closed the quarter at R\$225 million, up 16% on the 3Q23 in the year totaled R\$621 million, also an increase of 16% in a comparison in the 9 months.

In terms of EBITDA, we closed the quarter at R\$72 million, virtually in line with the same quarter last year. In the year, we reached R\$202 million, a 9% increase. Margin in both the 3Q24 and the 9M accumulated was below the same period last year, closing the quarter at 31.9% margin and the year at 32.5%.

This small reduction in margin is due to the mix of products and services sold in the quarter, as well as the ramp-up of some new markets in which costs are accounted for before revenues.

Moving on to the payments vertical, the dynamics of the 3Q was very similar to those of the last 2 quarters. The total volume of issues in Brazil plus Argentina reached R\$17.7 million in the quarter and revenue reached R\$201 million.

In terms of EBITDA, we had R\$27 million against R\$49 million in the 3Q23. In this segment, we have some pressure on costs due to a higher USD, which has a particular impact on the unit value of some items that make up the cards. This effect is felt in both Brazil and Argentina.

These pressures led to a margin of 13% in the quarter and a year-to-date margin of 18%, which represents a reduction if compared to the same periods in 2023. Looking ahead, we believe that the volume in Brazil will remain stable as recent movements in the Selic interest rate have not strengthened the credit environment.

In Argentina, the local government is continuing its measures to improve the dynamics of payments and foreign exchange flows should lead to greater competition, although it will facilitate relations with suppliers and eliminate any penalties for withdrawing funds from the country.

Now mobile segments. In the period with sales of R\$150 million in EBITDA of R\$34 million, a margin of 22%. After a few bad quarters, the mobile segment showed an improvement recovery in the 3Q with important deliveries.

EBITDA of R\$34 million in the last 3 months is virtually in line with what we have done in the half of this year. The result of this year continues to be pressured by the weaker 1H, but we have good expectations for the 4Q and the possibility of ending a year with a margin close to 20%.

I would like to point out that the Mobile Solutions business now accounts for around 16% of this vertical revenue, a growth of 87% year-on-year. In terms of EBITDA, these initiatives led to R\$6 million of positive results for the year, a margin of 19%.

At the same time in 2023, the EBITDA of these initiatives was negative by R\$1.3 million. As this new BU gains scale, we can achieve greater contributions to our results, both in the mobile BU and consolidated BU.

So this concludes my presentation on results. Now I ask you to wait for 2 minutes while we get organized for the Q&A session. Please submit your questions through the chat, and we will be right back. See you soon.

Douglas (via webcast):

How is the contract on interoperability in Ceará? Is there any challenge in implementation? What is the expectation regarding the expansion of these services?

Iison Bressan:

Good morning. Thank you for the question. The implementation of our interoperability service in Ceará is ongoing. We have 2 instances working with the interoperability movement the database connected to PFOS, the Department of Safety regarded to ID documents. This is ongoing.

So the challenge right now is to coordinate the other instances of the state, other departments such as education planning, department of health, so we can have all the internal elements of these departments ready, so technology and product can start bringing specific advances within the general interoperability in the state of Ceará.

This is also connected with the implementation of our service portal, which is the hub where we connect all the redesign of the journeys being provided to citizens so they have a better experience and the state of Ceará has better performance in managing resources.

The pace is a good pace of development. We have some advancements in this market, in this front. And in the beginning of 2025, we expect it to ramp up.

There's another characteristic of this agreement in Ceará, which is in partnership of the state technology company. So the state is trying to commercialize this model to other entities outside the state of Ceará, which is another opportunity for 2025. We expect this to unfold, or to turn into new agreements.

Leticia (via webcast):

Good morning. I would like to know which are the main opportunities of growth you see for the next period. Are there expectations of expansion to new markets or launch of new products?

Iison Bressan:

Leticia, thank you for your question. There are some good news of this quarter. Not considering revenue, EBITDA and net profit, one highlight is how new businesses have become relevant in our revenue mix.

One of the main expectations for the next year is to continue, on one hand, extracting good results from our traditional business. It has shown to be pretty resilient in all 3 verticals. We have some oscillation here and there, but maybe one big highlight for next year is to keep on showing the capability of extracting highest possible value from the traditional resilient business, and in new business, generate value through the expansion of portfolio.

So for new business, I see 3 dynamics, a little bit different. On one hand, we have digital onboarding. Today, we have a major client in the public sector. We want to convert other private clients so we can adapt our products, so we can complement our portfolio solution for digital onboarding, considering what we already do in Caixa Federal, for example, and adapting it to new private clients.

So this is challenges in the market front and in the product front. In mobile, this is a dynamic that the 3Q has shown a lot of our growth potential for this element for this vertical. So in terms of platforms, we are still looking for global Tier 1 clients. We are focused on converting these clients.

So we have eSIM management platforms and another front, which is promising is to provide for device producers in our OEM model. We are well positioned with this portfolio, especially in Asia. And as we deliver these projects and find new people focused on products and support to these new Asian players, we expect to grow more next year.

And e-government, or digital government, especially considering the state of Ceará, also shows an effort in terms of pipeline conversion and implementing our portfolio. These are expected to evolve. So we see these 2 focuses as very important to convert pipeline on one hand and product management on the other.

And as we advance throughout this year of 2024 with a good volume in revenues, accounting for almost 10% in this year, we hope this grows even more next year.

Fábio (via webcast):

Good morning. Thank you very much for all this result, At this moment of Valid's net cash, is the Company analyzing any M&A? What is the risk/return ratio if in case of any M&A?

Olavo Vaz:

Fabio, thank you for your question. The strategy of M&A of this Company has existed since 2022. Back then, we put together a team here to look out for opportunities, and since then, we have acquired minority VSoft, and then we integrally acquired Flexdoc, and we continue in this journey.

We believe our future growth will be executed internally and based on inorganic partnerships, other partnerships. What changes through quarters is that we have a very good, comfortable net revenue and low debt. So we are in a good position to look for bigger tickets.

So 2 years ago, we were pretty focused on organizing our balance sheet, so we could not look for other bigger opportunities. But now we can.

And when you mentioned risk and return, we are pretty pragmatic in this sense. We want to look for already tested cases that generate results, good performance, and Valid can implement them into our portfolio and generate more growth.

And as Bressan said, in terms of onboarding, we have done this with Flex. Today, we are concentrated on one client, and we have tested, we have advanced regarding the

possibility of placing these products and services, or offering them to other clients, which would increase our potential for revenue.

So we continue to focus on M&A, yes. It is part of our routine.

Fábio (via webcast):

Which will be the strategy regarding operations in Argentina?

Ibson Bressan:

Thank you, Fabio. In Argentina, we have talked about our local leadership position. So 2025 still presents to us opportunities to be a player with local leadership. We can take advantage of this position. We have had this relationship with Argentina for a couple of years. We have this competitive edge there, and we will continue to explore there.

Regarding other challenges, it has to do with extracting more value from that unit into other countries. We want to expand to other countries surrounding Argentina. We want to retake clients and find new clients outside Argentina that can help us to have bigger volume, have more competitiveness and manage some oscillations we may face within the specific market, considering the country risk we have discussed in the in the last couple of years.

A positive surprise for this 3Q is that Argentina still delivers very good results. This is an important asset, and we will keep on looking to expand there, and also considering efficiency.

Olavo Vaz:

Just let me add something to what Bressan just said. I believe that through the past quarters and years, we have a concern regarding the macro scenario in Argentina. And a very positive surprise we have seen there is the improvement. If you consider 2 years ago, we could not pay invoices in Argentina properly. And then we had a window of 180 days and then payments for 30, 60, 90 and 100 days. Today is 130.

Obviously, when you create a better competitive environment there, it makes dynamics easier. In the past, we had to bypass through Brazil, but now we can do it directly. So we can have better working with Argentina. This is a very good news for us.

Henrique (via webcast):

Good morning. Could you talk about the government's intention to accelerate the implementation of the national identity card? And also, could you talk about what this would represent to Valid in numbers versus what we have today? Thank you.

Ibson Bressan:

The government has clearly manifested the intention to make more resources available so states can issue the national ID through the new law, the new order 10977. But we are still working and rolling out the implementation in the states, and we can already see, considering the figures of this 3Q compared to last year, a consistent growth in volumes.

This is a curve that is still in acceleration, and maybe we hope to see this for the next 2 or 3 years. We expect that by 2032, the whole Brazilian population will need to reissue their ID cards. And this year, we are working on reintegration with the Ministry of Justice and the Federal Revenue Service so we can issue the identity cards of the whole population in a faster way. So the next few years will represent a better growth, more growth in this sense.

And there is another aspect of this moment in Brazil of this national ID card. And as we see, the government wants to make available a public data infrastructure.

This may represent another opportunity for us, and we can work to propose solutions, especially connecting the public sphere and the private sphere, considering what we have said to position ourselves as ID proof and ID documents management so we can have better safety in our transactions in both the public and private spheres.

So this will mean more opportunities, and we are prepared in terms of products and technologies to take possible new opportunities coming from this idea of expanding CIN, the national ID card.

Eduardo Nishio (via webcast):

How is the Company getting ready for the drop in revenues from less renewals due to the pandemics and the expanding of plans from 5 to 10 years?

Iison Bressan:

Thank you, Nishio, for your question. In October 2024, in my head, this is a concern that I do not have. If you go back to October 2021 or 2 years ago, October 2022, obviously, I would not be as confident in the future as far as how we would offset the volumes of driving licenses and ID cards regarding the portfolio of products we had back then.

Today, I see an ascending, a growing curve in the issue of CIN, the ID card. This would be more than enough to offset volumes regarding the driving license card. But we have another front, another business front, which is digital government front. Within the ID vertical and the onboarding, this will help us to expect to grow in our total revenue.

In the past, we were afraid of that, but we now are absolutely confident that the new CIN and new revenues and new portfolio can help us offset this difference. We have a confidence in the future that we can make this bridge in a seamless way. This is established for us. This is clear to us.

David (via webcast):

Could you talk a little bit about Rudy, the new CTO? What capabilities does he bring to the team, the main projects he's leading and what changes in the organizational structure with the new CTO?

Iison Bressan:

Good morning, David. Rudy's arrival has to do with the need we have detected to try and allocate resources that are specialized to develop a technology platform that can meet the challenges of all of our BUs, so they have the proper portfolio to work with government ID, banking and secure connectivity.

What happened, and still happens today is that we have a pretty isolated dynamics for each of these 3 BUs. And when we look at the fundamentals of technologies, be them architecture models, language or the models of components, oftentimes, we have to replicate the efforts to meet the demands of another portfolio of products or BU.

So Rudy is here for us to meet this concern to have a common technological platform so we can have scale based on new products portfolio that we have.

So the future dynamics, yes, each BU has their own dynamics, they can take their full potential into account, but the creation of these new elements, the creation of this new components who help us to use the capabilities of all of the BU. So we need to structure them so they can have scale, so we can increase sales and increase revenues.

We want to potentialize our capabilities to generate more revenues. And this goes through this review and new restructuring of technology. This is the main task Rudy has ahead. And along with this, we are looking for new talents. We have product teams, which are better than before. So throughout 2025, we will intensify this work.

Douglas (via webcast):

Can you talk about your view on the scenario of public budget to be invested in digitalization agendas? The pluriannual plans, for example, do they excite you?

Ibson Bressan:

Douglas, I do not know if I can answer this to you with certainty. In due time, we can detail this. But the first thing is that, yes, the government more and more realizes that by digitalizing their processes and services, the government has better efficiency in using resources.

A good part of these resources is drained due to fraud. So having a platform that prevents fraud regarding the benefits the government provides, this will provide very good, phenomenal results. On the other hand, Valid is concerned to have a better or faster conversion of sales to take these opportunities.

What happens when you need to negotiate with the public sector is that there is a legal process that takes time. So the cycle of business deals closing is long.

So we are trying to look for mechanisms. We are trying to change our sales channels a bit. We will continue taking place in bids and tenders to defend the agreements we already have.

But as we want to convert new projects as the state of Ceara or the state of Piauí, or Detran, the traffic department in the state of Rio Grande do Sul, we tend to reach more clients. So on one hand, we have partnerships with big tech to implement cloud in our portfolio, so we can sell and be present in the marketplace of the big tech, so we can reach markets; and on the other hand, we intensify this partnership we have had in the past few years with technology departments with states such as Ceara, Piauí, Prodesp in São Paulo, or Celepar in the case of automation for schools that we had, PRODEMGE and PRODERTJ, many cases.

Each state has a different product. Different municipalities, different cities have their own technologies, platforms. And considering the characteristics of these companies to sell a product according to Law 13.303, help us to achieve that front in a faster way.

So there is a large budget and the perception that the government can be more efficient. And on our side, we need to find a way to reach the government to explore new channels to convert this into better revenues. This gives us growth opportunities in the future.

Fabio (via webcast):

How is the advancement of eSIM at Valid?

Iison Bressan:

Thank you, Fabio. This 3Q shows an excellent result in this front. Let me repeat what I said. When we look at mobile digital solutions around the world, one of our concerns, the focus of Salvador's team is to reach big new clients in the world, so we can provide them with the management platforms, or eSIM management platforms.

This is good. And on the other hand, we want to explore OEM opportunities. So we have new manufacturers bringing new devices into the market. When new devices come into the market, and when they are ready to have the element of eSIM, or integrated SIM, together with an adoption curve of MNOs that is shorter by the carriers, so we can see this curve, this exponentialization, this scale of eSIM revenue more effective.

Today, we see product and portfolio transition. We are well positioned. We need advancements, we need new investments so we can have safe connectivity products ready to do that, but we need new Tier 1 clients. More presence in new devices to be launched in the market so we can use eSIM and cross with market adoption curve. I believe we are adapted to reach this front.

Olavo Vaz:

Let me just add something to what Bressan said. Today, when we see markets that have already adopted eSIM, they are more developed markets with higher priced phones. But our focus here is to look for cheaper devices, or medium-priced devices in regions where you have larger populations, more people.

So when we look at the perspective of this market for the next few years, maybe we can imagine an increase in market share here, because there is this populational component that can be tapped into. And I am talking about the America, Africa, the Southeast Asia. So it's a very good perspective for eSIM in the next few years.

Eduardo Nishio (via webcast):

The net cash is R\$150 million, R\$105 million in dividends, R\$63 million paid, and you have the capacity of increasing dividends. Could you talk about the intention of increasing payout this year extraordinarily, and also the time flow?

Olavo Vaz:

Nishio, we will pay more dividends, JCP, R\$40 million next week, November 18. Since the beginning of the year, we have said that we will take the best advantage of fiscal

incentives through JCP. We have been calibrating our work by the end of the year to check room. And as we have room, we will make more payments of JCP. This is for certain.

When we look historically, since its IPO, Valid has already paid 50% in payout. This is a historic average. But what will happen is the issue of every meeting in the top management of Valid. This is a concern we have and the shareholders have.

Let me just go back to the previous question, and let me tell you that we want to be well positioned to possible movements in which we need in terms of CAPEX. So in this journey of changing products and services and portfolio, we will need to invest a little more of our CAPEX, of course.

When you look at Valid today, Valid is a company that allocates around 3% of its revenue in CAPEX, which is very low. This level will certainly increase in the next few years. This will not be an absurd growth, but we will need to invest a little more resources. And we want to be positioned to be able to have M&As, to participate in M&As.

With a higher cash, we are better positioned to deal with more volatility and increase in USD. Today, we have an excess in cash outside Brazil that generates almost like a natural hedge considering the increase in costs we have here.

So going back to your question, this topic is discussed in all Board of Directors meeting. Once again, we will discuss this. And if we have a clear opportunity to invest in CAPEX or inorganic growth, we will certainly announce that, announce more dividends to our shareholders. Of course, this is one of the pillars of Valid, to remunerate our shareholders in the long term.

Ibson Bressan:

Just let me complement, Olavo, and going back to the first or second call of this year, we want to balance present and future. We want to be ready to take coherent, synchronized strategic movements to place Valid in another level of growth. This will be very important.

So agreeing with Olavo, this present and future balance is always in our head. It's always considered by the top management. We will follow the guidelines given by the Board of Directors.

But considering that we are already an excellent dividend payer, this idea of balancing present and future, paying shareholders and placing our Company prone to have growth in the next few years, this is the balance we want to strike every day.

Julia Araújo:

This was the final question. So we close this Q&A session. I would like to thank Olavo, Bressan and all of you who are here with our earnings call for the 3Q24. All IR channels are available for questions and comments. Have a nice day. Thank you very much.

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