Lucas Miyasaka:

Good morning, everyone. Welcome to the results for the 2Q25. My name is Lucas Miyasaka, Corporate Finance and IR Manager.

This event is being recorded and all participants will be watching the video conference during the presentation. For those who are interested, this presentation will be available with simultaneous translation into English. The support slide deck will be available in our IR website, and the replay will be also available after this webinar.

As soon as we finish, we will start our Q&A session. You can submit your questions right now and during the presentation. Please access the chat in our platform.

As requested by you, we will make available the live options. So you can click on 'raise your hand' at any time in the presentation to join the queue. When our Q&A session starts, we will open the microphone in order, and then, as your question is answered, lower this button.

Forward-looking and projections and operating financial goals are beliefs and assumptions of our CEO and directors. Future involve risks and uncertainties because they are related to future events and depend on circumstances that may or may not occur. Investors and analysts are cautioned not to place undue reliance on these beliefs and expectations because other results can differ materially from those expressed on this presentation.

We will have Mr. Ilson Bressan, CEO of Valid; and Mr. Olavo Vaz, IR Director and ourIRO. Olavo will start the presentation. The floor is yours.

Olavo Vaz:

Good morning, Lucas, and good morning to those who are attending this results call, especially our shareholder base. On behalf of the management and the Valid collaborators, I would like to thank you for your participation and interest.

As we did in the previous semester, I will go over the general figures of our Company, and then Mr. Bressan will talk about our verticals and future perspectives in our business. Then we will close with our traditional Q&A session. For those who are interested, you can submit your questions using our chat window.

So let's check our revenue and EBITDA. We had a consolidated net revenue of R$490 million, a slight drop against the 2Q24 in the 1Q25. The dynamics of this quarter were similar to the one that happened in the 1Q, that is we had a year-on-year growth in ID and Mobile verticals and a drop in the Pay vertical.

In ID, the year-on-year growth was 12%. And against the previous quarter, there was a 7% drop. This drop was expected because in the 2Q, we had the renewal of documents that were issued in the beginning of the pandemic, a time when we issued very few documents. So if you issued less documents in 2020, we had to expect this drop in 2025.

In Mobile, we had an increase of 37% against the 1Q24 and 23% against the 1Q, in CIM Cards and Mobile Solutions alike.

In Pay, the drop was 45% against the 1Q last year and 15% against the 1Q25. There is a pressure environment in prices and margins in Brazil and Argentina.

When we look at our quarter figures, revenue was similar with the same dynamics. When we look at EBITDA, we closed our quarter with R$92 million, accounting for a reduction of 29% against last year and 12% against the 1Q25. This reduction was leveraged by Pay vertical, which closed in the negative in this 1Q.

In Mobile, we had a growth in all comparative basis. Later, we will talk in more details about each of the businesses in their scenario. In the semester base, the EBITDA drop is 20%, but a growth in ID and Mobile alike.

Now I will talk about new businesses. New businesses continue growing very strongly. The strategic plan of our Company goes through a change in our revenue metrics, especially coming from the growth of these units. Once again, they stood out. We closed this quarter with R$81 million in revenue, a growth of 50% year-on-year and 5% growth against the previous quarter. When we look in the past 12 months, we have accumulated revenue in new business of R$288 million, which accounts for a growth of 130% against the previous 12 months.

Also, if we analyze the turnover in the 2Q, we would go over R$320 million in the turnover regarding new businesses, in revenues in new businesses. In this quarter, new businesses reached 17% of total Valid revenue and the EBITDA of these new units represented R$35 million, almost 40% in the total Valid EBITDA. This means that we have been growing in an accelerated fashion with strong margins, showing that we are on the right path.

Now let me talk about the net income dynamics. We leave EBITDA of R$54 million, which accounts a gain per share of R$0.90. Over the EBITDA, we had R$28 million of amortization and depreciation, a level that has been constant in the past quarters. In financial results, in financial income, we had minus R$23 million. Among this R$23 million, R$17 million are noncash effects. We also had the others account that some R$9 million. And there is this package of nonoperational expenses, provisions and expenses related to the sale of assets in Colombia and other expenses. In terms of taxes, it's positive due to credits that have been recognized from previous years and the effect of interest payment on net equity.

Now let's talk about the semester. We leave an EBITDA of R$196 million and a net income of R$128 million, and earning R$1.63 per share. The dynamics in the semester is similar to the 2Q. And I remind you that in the 1Q25, we had a positive effect of the sale in Colombia, which increased our consolidated income and results.

And what about cash in the quarter? We have a very comfortable cash position, which helps the Company to go smoothly through changes in an accelerated growth scenario. We started with R$755 million and end with R$622 million. We paid revenues, proceeds and other expenses.

In this quarter, we had lower generation of operating cash flow if compared to the 1Q. But I remind you in the first month of 2025, there was an increase above expected in working capital accounts, with conversion of EBITDA in cash overcoming 120%.

This lower cash conversion in this quarter is expected because when you look at the advance of the Mobile vertical in our revenue share, this unit has a cycle of cash conversion that is longer, which impairs accounts receivable. In parallel, with the Pay unit weaker, we have seen a stock below the levels we would expect.

But when we put a higher conversion in the 1Q with a lower conversion in the 2Q, we reach the consolidated of 70% cash conversion, in line with the history levels in the Company.

Our cash consumption was higher in this quarter because we bought additional participation in companies that were already part of our portfolio like VSoft and Mitra, and we had the earnout of payments in Flexdoc.

Also in this quarter, we made the settlement of the ninth debenture issued and paid the 2Q of IOE interest payment on net equity. We constantly buy Valid shares because we understand that their value on the screen does not reflect our potential value.

In this screen, in the first graph, we see how accounts receivable had a drop in the 1Q. And in the 2Q, it recovered a little. In the mobile, we had from 72 to 69 days. In the second graph, talking about inventory, we had a slight drop, but we had a slight increase this quarter. And when we analyze the time in days, we are closer to the lowest level if compare other quarters.

And in account payables and provided, we had an increase in days because of a softer purchase in business mobile. We are still focusing in improving all the working capital indicators, but these improvements will be marginal from now on, given to the new mix of revenue and growth of the Company.

Let's talk about liquidity. In the past few years, we had a special focus on leverage, and we will keep that. Considering all the investments made in the 1Q, we maintained a good position in net cash and cash flow. We have a comfortable position in cash, less than 20% of our debt in the short term and a high leverage with our partner banks.

It's important to highlight that July did not contemplate the finance we had with FINEP that we closed in July. This new debt with FINEP has a TR+3, and 3 years period grace and 10-year period for payment.

This resource will be R$150 million used to refund new initiatives in Digital Government, reinforcing Valid's commitment and the government's commitment towards this type of project.

We have received around 40% of this loan, R$61 million, and this new debt will lead us to an increase in our duration and reduction in our financial costs. And we will keep on looking for potential improvements in our liabilities, prolonging our due dates, improving costs and guarantees.

Now let's talk about our shares. In the past 12 months, Valid shares have provided to be below the main benchmark in volume negotiated with an increase of 38% if we compare it with the same quarter of 2024. As I mentioned before, at the top management of Valid, we still see the potential to increase the value of our shares. And as approved by our shareholders, we continue rebuying with the buyback of our shares.

To move on and talk about the business units and perspectives for the Company, let me call Mr. Bressan, our CEO, and I will be back with you in our Q&A session. Bressan, the floor is yours.

Ilson Bressan:

Good morning, everyone. Thank you, Olavo, and I would like to thank you all for your participation. Let me talk about the highlights of each of our businesses and verticals after the general figures presented to us by Olavo.

Starting by Valid ID, an important pillar of our net revenue and net income. This ID presented in this quarter and in the first 6 months of this year, a consistent growth. This is a very important pillar in our strategy for the future and this 19% growth in this 1H25 of 12% quarter-on-quarter, an important example of how we plan to keep on moving forward by generating new businesses in the ID.

ID EBITDA had a small reduction, especially because we decided to invest more in technology and businesses by bringing more talent, more people to our operation to accelerate our portfolio and make it even better. And this suggests in the long run, better capacity for the Company to increase new revenues matrix. So new businesses in Valid will be discussed later are 17%, but in the ID vertical, they are already 17%. That's why we decided to invest in people and technology now. In the short term, it removes some of the EBITDA margin, but in the long run, it increases our capacity for new revenue in this vertical.

As you can observe, if you look at the volume, CIN is still an important growth vector. When you look at the small reduction in this quarter, it connects to 5 years ago in the 2Q20. When we had a halt of the admission of document and CNH, especially the driver's license especially, because everything was closed due to the pandemic and then we issued less documents.

And if you look at the specific dynamics in terms of the volumes of ID and new CIN cards and driver's license issued, we see a consistent growth in CIN and a reduction of the driver's license or CNH. We knew about that because we had the pandemic and now we are having the effects related to the due date of driver's license.

So ID is growing based on CIN, and the CNH, or driver's license, allows us to be consistent with a lower volume, obviously, because of these natural conditions.

When we look at the Mobile, it’s a super positive highlight this quarter because we have increased the volume of SIM cards, which is a more traditional business in the 2Q if compared to the 1Q25 and the 4Q24. We had R$70 million of SIM cards, which allow us to allocate resources and generate a higher EBITDA precisely to finance the gap we had in other verticals, in Pay, especially that I will soon talk about, and also IDs.

This pillar in the Mobile units, which are the SIM cards, this expansion in the volume of SIM cards was precisely due to a favorable conjecture in geographies like Spain, Middle East and Brazil.

If you look at the margin more specifically, there was an increase of over 50% in EBITDA in both in the quarter and the accumulated year because we have constantly reviewed costs and structure. So when we have an additional sales, this margin is increased. which is a very positive news.

Mobile is an excellent example in this quarter of how we have used all of our business, our more traditional business to generate the resources that will leverage the growth of our new businesses, particularly.

If you look at the Valid Pay unit, we have a much more challenging scenario here. And we understand we have a perspective for this business of lack of growth in the volume in this market, and it looks like we have entered a long winter in Valid sales.

So the news is simple here. What do we need to do? Because of this darker period, it's not that the whole unit is compromised. No. But our issuance of bank cards, we do not see it growing. We do not see its volume growing, not in the short-run, not in the long-run.

So our strategy for Valid Pay in terms of bank cards is the following: one, make it as efficient as possible to have a positive cash to generate net cash as low as it can be. The result is very low for this 1H25, but we want it to be positive, always positive, so we can contribute as we can for new business.

Number two, because it does not grow, our focus is in the optimization, customization and also increased competitiveness to gain more market share to have a better volume as soon as we can and as we can in this line of cash cow business. So we have a new business, we can make it positively contribute to the whole strategy of the Company.

If bank cards are stable, so we need to organize costs and market share. So we have less ability to compete for the main customers in the banking industry. Now we see this as an opportunity to grow.

As we do not expect to grow in volume, we want to move towards the digital portfolio. So we want to diversify our businesses because we understand that providing services to the main bank payment players goes through our Digital Onboarding digital portfolio. It goes through Web 3.0 tokenization, virtualization, our ID platform.

I mean that, in spite of being a little lagging in terms of this digital portfolio, we want to close this bridge, to close this gap and provide services to the main banking clients with this new digital portfolio.

As a sum of this quarter, and moving on to the end of this presentation, I would like to talk about the main highlights again, point one, new businesses, they grow consistently. In this quarter, we reached over R$81 million in new business revenues. They account for 17% already for the Company and 38% of our EBITDA.

And when we annualize this for the future, we have a business of more than R$330 million. So we have been operating very well. So R$81 million right now, 3 years ago, it was 0. So R$316 million last year, and today if you analyze it will be over R$320 million.

So the second point is Mobile with R$153 million with a very good EBITDA margin. So Mobile revenue help us to generate cash, generate income and results to properly allocate revenues for organic growth and also for interest payments on equity for our shareholders. And today, we have distributed over R$75 million and more R$71 million are scheduled to the end of the year. So with internal investments and the same investment in shareholding participations, we have a very good net cash position, which is highly relevant for the Company right now and allow us to be in the right position to have a sustainable growth into the future.

So I go back to this slide that Olavo has already presented that shows the trajectory of growth for our businesses.

And now let's talk about the strategy for our business. My energy and the management team energy is focused in our traditional business, but especially focused in the acceleration of new business. We want to accelerate new business. This new revenue matrix, we want it to grow quickly and properly. And number two, it has a very good margin, a margin that is relatively higher than traditional business. If I compare it to ID, it's pretty similar. If I compare it to Mobile or Pay, it's much higher. So that's growth, that's margin and this is why it's receiving investment.

But our investment is also anchored, coupled with our ability to be successful in this market, and put together our competencies in the 3 verticals, it's anchored in the size of market we see, not only Digital Government, digital mobile, not only cyber safety, focus on IT and a transactional platform.

When we put it all together, we have almost R$26 billion, this is a TAM that is special for Brazil. If we consider the market size, we only have achieved 1%, which makes us optimistic because these new businesses, they receive investments, they have margin, and we believe they will be more and more relevant for Valid’s matrix as a whole.

We have always presented this slide in every call. It discusses our guidelines and perspectives. I would like to talk about the pillars that make us evolve more and more towards new businesses in the future of our Company.

So number one, we have put a lot of effort internally to be focused on our customers. And we have this doer culture. We work with our talents, with our people to do that. And we also have made this decision to invest in the short term in people, in talents, in technology in our portfolio so we can close this gap and become a real player to help in this new and digital society. So we can balance operational efficiency and focus on building this new matrix for the future, at the same time, correctly allocating capital.

We will keep on moving on with this balance, good financial performance management to generate resources to invest and reinvest in our business, remunerate our shareholders and accelerate the growth of new businesses.

So I wrap up my presentation. I will be available to answer your questions in our Q&A session. I thank you for your participation in this 2Q results call. So give us a minute please submit your questions. We will be right back for our Q&A session.

Video:

This is the speed of change. The rhythm and the pace of technology. For many, this is the present; for us, this is the future getting to us, imposing itself, today. Identity becoming data, innovation reaching places unimaginable before. Technology becoming more and more intelligent.

Connectivity connecting everyone. Faster transactions, safer transactions coming from any place, protecting people, contacts and process alike. Trust becoming evermore fundamental and crucial.

Some can keep up with these changes, and we create changes. Valid is the highest provider of trust in identification connectivity in payment means in Brazil.

Carlos (via webcast):

Congratulations. You have talked about new businesses and investments that are being made in these initiatives. What can we expect in this front? Could you talk about each solution in a segmented fashion?

Ilson Bressan:

Carlos, good morning. In fact, we have been investing in new businesses consistently. And right now, in the first moment, as we could see in the Valid ID results, at first, as we invest in technology, people in our sales team to sell our digital solutions, they are the focus of our investment and they are a source of concern to us.

We have 3 main areas we have been investing. One, a very important ID starts with the Digital Onboarding platform. We have a business with Flexdoc. It's still an important growth vector, but it will be increased because our Digital Onboarding platforms need to evolve to a Valid-integrated safe dentification platforms, with the addition of other elements to this platform. So we can become a player so that payments and e-commerce and banks can see Valid as an important player to guarantee transactions.

So to make the portfolio evolve has to do with features. We recognize that some years ago, we have not evolved sufficiently in features and an update of this portfolio. But from now on, we will accelerate this so we will be able to catch up with our portfolio. So, we will become a go-to player so that the market see us as a player that is safe and that can be looked for in Digital Onboarding and Digital Government.

Digital Government is still an area that lacks good solutions, integrated solutions by relevant players that can deliver high-quality services to governments, municipal governments, state governments, federal government. So it has good potential, and new people, new IT teams will develop the solutions internally.

On the other hand, we have a very good front, which is the digital mobile front. It not only has adhesion, telecom companies, physical chip to the eSIM that is this conversion in OEM to develop the operating systems that will be embedded in the device to make this connection between the device and the carrier antenna.

It's very hot right now in terms of development of technology. The market wants this, especially the Asian market, it's interested in Valid solution. We have been focused on this to make sure we are ready to tackle and acquire new markets with updated technologies in Valid's platform.

Luciana (via webcast):

Can the ID vertical keep up growing even with the drop in the issuance of CNH, the driver's license documents?

Ilson Bressan:

Luciana, I remember I have already answered this question back when I joined Valid, when I was working with the Valid ID. So for sure, my answer 3 years ago was very different. 3 years ago, I was in doubt but nowadays, I can tell you that this vertical can keep on growing even with a lower volume of CNH.

CNH is old news. We should turn the page because we have the due date now, the expiry date of driver's license, it moved from 5 years to 10 years. So the volumes of CNH will decrease, but we have 2 important factors in ID.

First, Digital Government, which has been growing and well. If you look at our presentation in that slide I showed you lastly, when we look at Digital Government already including the incorporation of VSoft in our financial results and Digital Onboarding as well, in this quarter alone, we have 75% of the new business revenue coming from the ID vertical.

So ID is a very important pillar of our Company as a whole and has been a place where new businesses have evolved, to the point that new business are 17%. But in Valid, they are 27%.

So the growth pace will be strong, always to digit in the ID vertical, combining the new businesses even if we decrease the number of CNH issued, and also because we increased the number of CIN Brazil has issued only 30 million CIN documents. So we can issue over 100 million CIN documents. So this would compensate for the drop in CNH and other businesses that are going well in this vertical.

Luana (via webcast):

Good morning. Could you talk more about the agreement with FINEP and how it will impact the Company? And what about this loan with FINEP, and how will it impact the revenues?

Olavo Vaz:

Regarding loan agreement, this was something we started discussing the end of last year, looking for new sources of funding. And then we opened the door with BNB with R$6 million CAPEX in Bahia, and then we presented this project to FINEP, and we are talking about contract of R$270 million in which FINEP will reimburse Valid in R$150 million.

We have already received R$61 million out of this R$150 million in terms of costs. There is no operation that is more advantageous than this one, that's more profitable than this one. I will remind you that before this funding, our average cost of CDI+1.6%. When we talk of TR+3%, this is an incredible gain.

So resources here, they work in the form of reimbursement. So we have some projects involving technology and Digital Government and we need to prove this authority, and then we receive this resources.

Most of Valid's investments are now in people and systems in this Digital Government area, and we will keep on doing this. So this was very good news, to count on these resources from FINEP. And it also shows how the government trusts the Company and how the government understands that these projects can change the lives of the citizens and the community as a whole.

Felipe (via webcast):

About capital allocation, could you talk a little bit more about how this M&A fronts have evolved?

Olavo Vaz:

Let me start and then Bressan will complement. Regarding M&A, we have been discussing for a period now that in the history of Valid, M&A has always been present in different segments, in different sizes, and this has not stopped in the previous years. And we have been accelerating this now.

In the 1H, we have advanced in this strategy adding 100% of controlled companies that were already part of our portfolio. It makes it easier in terms of governance and synergies and efficiency. So we have increased the participation in Mitra, VSoft, we have been paying the earnouts of Flex and our M&A team remains active in many fronts. So M&A being part of our history.

Yesterday, I was talking to Bressan, I was telling that if we look at Digital Government, acquiring VSoft to do with increasing our business in Digital Government. This growth will not come from inside only. We will look for new companies and for solutions that have to do with our portfolio, and there is growth there. We were not adding the VSoft numbers before. But we look at year-on-year, if you include VSoft grows over 30% making part of our portfolio, it will help us grow from now.

Ilson Bressan:

I just wanted to add that M&A has to do with acquiring a new market or accelerating our portfolio. So when it makes sense to acquire a new partner, a new company and having new businesses, so we will do that. We will constantly look for this.

This is a permanent work. We have been discussing M&A always here, but you know how negotiations are, and we always need to be fully responsible and guarantee that this business can allow us to grow consistently.

So especially in this past 1.5 years, we have been consolidating this M&A opportunities, and we keep on looking for new opportunities in terms of market to bring payments to be in margins and markets to grow, of course, considering new talents and staff. We will probably make new announcements in the future because it's part of our analysis, part of our idea to increase and expand our capacity for our consistent growth. in this company.

Leandro (via webcast):

Good morning. Congratulations on your results. In terms of Brazil's safe identity, which are the main challenges to implement the market share in this segment, especially considering the digital native players in govtech? Would you like to make alliances with other partners or have your own verticalization process?

Ilson Bressan:

Thank you, Leandro. By nature, it's Valid DNA to develop our own technology at some level, but also respect that our ability to develop the best technology is not present internally here in Brazil. So we need to count on other global players and make strategic alliances and partnerships so that we can provide our customers with the best solution possible.

As a verticalization strategy or an integration strategy, it's a mix, I would say, because in some cases, like in the advance of Flexdoc platform from Digital Onboarding to a transactional model, I would say that we will have a mixed model.

Part of the technology, part of the functionalities need to be done in-house, but we will count on global players, reference players so that we can provide the best solution to Digital Government and also banks in the world of financial transactions aligned to identity proof.

So it's a mix of solutions and we always have the tendency of bringing the best world technology so we can make this integration and provide the best service possible.

So entry barriers here, or challenges, if you look at Valid's scenario, right now, we have been focusing on closing the products gap, because before we have not invested so much on that, and now we have been accelerating. We are investing more in technology, more in people and products and technology, and now we are investing in the go-to-market team to open this new segment, we want to have a good market share.

But it goes through this. It goes through the integration of new technologies, features, new players, new partners or maybe new M&As for the new future quarters or semesters. This will be part of our future strategy, for sure.

Eduardo Nishio (via webcast):

About digital stamps, could you talk about the impact estimated in the consolidated revenue and the expansion of this model for new states, not only São Paulo?

Ilson Bressan:

Thank you for your question, Nishio. The stamp, it depends on legislation. So we can implement this technology with water packaging companies. So this water stamp, or selo *água*, we have been doing the necessary hirings and the needed investments, but there is a time of implementation and authorization by the government that is beyond our control.

So we do believe that it could reap some revenue for this year, but I would say that I am even more optimistic for the 1Q26.

Regarding impact, it's R$45 million per year at Valid of the water stamp, the *água* stamp in São Paulo. As we add other players, other states, it can triple. As São Paulo reaps the advantage for the government, for the companies that have that certification that can prove the water handling, the water packaging can be guaranteed. When São Paulo reaps the benefits, we can reach other states. So we can double this unit and reach 100% in this business unit in São Paulo.

Alex (via webcast):

Considering the new tariffs from the United States on Brazilian products and potential macroeconomic impacts on our GDP and economic scenario, how can this impact results and income?

Olavo Vaz:

Alex, regarding everything that has been going on in this geopolitical environment, considering especially the situation with the U.S., I would say that, first of all, the impact on our side is very low. So Valid exports very little to Brazil. I mean, we do not export anything from Brazil to the United States. We have some sales in the U.S., yes. We sell in our telecom vertical. We do sell SIM cards in the U.S. and we have chips which are imported and of course, there will be some increase in increased tariffs. This chip comes from different bases with different tariffs and rates.

So it's too soon for us to assess the true impact right now, but all of our revenue matrix and geographic matrix are diverse. And our sales in the U.S., in general, they account for 2% here, less than 2%. So it can be offset by other front. It's very small.

Regarding other segments and GDP and fiscal and tax impacts, it's marginal. If we discuss the issuance of documents, it's not related to any of these factors. If you consider the market of cards, the main line here is payment means and the Selic interest rate. Selic is high, but it's not going to go down to what we had in 2021 with the credit acceleration scenario, no. So the impact will be little, but it's hard for me to estimate its impact right now.

Fabio (via webcast):

Could you talk about strategies that the Company has been adopting in pay to offset the intense competition in Brazil and Argentina? Technology, prices, what can you anticipate? The maintenance of high interest rate, is it a problem for this vertical?

Ilson Bressan:

Thank you, Fabio. For Pay, as I said, it's a challenging situation. From the standpoint of the Company's strategy, we want to keep generating cash for this business. And due to the relevance it has in our revenue mix, it's important for our banking ecosystem relationship.

But when you talk about pay, we need to divide the cards portfolio because, yes, we do have cost and renegotiation strategies with the whole of our supply chain to become more competitive. And when we consider that the total volume of this market will not grow in Argentina due to some specific conditions in that country, it was once favorable, but today, it's not favorable.

Back in 2022 and 2023, it was highly favorable but there were other years in which it was unfavorable as well. So it's like a rollercoaster in terms of the production of credit cards. We are used to that. And whenever we have margin and revenue expansion, we allocate to a new business. And whenever there is a restriction in demand, we need to operate in costs and increase our market share.

Pricing strategies are very important for markets that are not growing because other competitors want to maintain the market share. So we have two options, price and also differentiation, or advantages in some of our credit products. There are some increments in technology for these markets, and we have to make this management considering this low period that I mentioned, but we can manage it well, I believe.

And the fact that we have this relationship opportunities with all the banking customers, little by little, they are opening opportunities for us to discuss this digital portfolio. So we can talk to our retail, e-commerce, our bank customers. So we can show our digital portfolio to them. And with biometrics, guarantee of transactions and other technologies, they can open themselves to us, so we can have these opportunities to close this bridge created by cards in the long run.

Eduardo Nishio (via webcast):

Bressan, I would like to understand the growth perspectives for new business. Excluding the impact of VSoft, the revenues in this front was R$65 million on average. New contracts are not linear, but could you talk about new contracts in the pipeline and when we can expect a new leapfrog in terms of contracts in these businesses, and also the impact of this new conflicts in the consolidated revenue?

Ilson Bressan:

Thank you, Nishio. You talked about R$65 million in the quarter in Digital Government. If you look at our history, in the ID vertical, we have a linear revenue and then there is a spike due to our agreement, then it's linear again and then another spike in growth.

It's just like the water seal for the state of São Paulo, for that specific business of the seal of São Paulo. We will not double the revenue. But if you consider 2022 and 2023, we had a new business in the state of Minas Gerais to issue business. Then we had another agreement with the state of Bahia, and then there was another growth, another peak.

These solutions, they go through a maturation period. The sales cycle takes time. We do have a heated pipeline. Soon we can announce new clients. I am not going to tell you about them now because we had some confidentiality agreements and issues, but we are used to doing that.

This dynamics, when you look at Digital Government, it's similar to the strategy for digital mobile. As we have new agreements, new contracts with a great partner, a great OEM client that is going to use our technology to embed operating systems within the device, when it is converted, then there is a spike in growth.

So we do have good perspective in digital mobile with OEM, with opening new markets for the eSIM. A great part of the world do not operate with eSIM, so that is this chain logic. First, we need to have the device available. The devices we have are more high end, we need more middle range devices, and we have been operating on this OEM customers on this area to have a new jump in this vertical.

In the medium term, all of this pipeline is pretty hot, pretty positive, and soon we expect to see new conversion.

And in Digital Onboarding, there is a gap in terms of features. We have been updating the platform. And as we convert 1 or 2 clients with what we have in the cash flow like with what we have with Flexdoc, this will transform into growth and in new revenue, and we have been working on that.

Matheus (via webcast):

In terms of cash generation, what can we expect for the next quarters of this year? In terms of CAPEX, what about CAPEX in Valid for the next few quarters?

Olavo Vaz:

Mathias, in terms of cash generation, I would like to take longer windows. Because in the 1Q, we had a strong operating generation, and in the 2Q, it was weaker, which was to be expected because there is a certain volatility. And if we look at the 1Q, there is cash EBITDA conversion near 70%. So this 70%, 80% margin is what we would expect.

In terms of resources optimization, I can tell you that we have a mix here in terms of how to use them. If you look to the past, what we had in cash, we used to leverage the Company. We have gone through this phase successfully.

Today, we have a good net cash. We have some debt, but it's under control and we refinance our debt and lower costs and lower expenses. And another important factor for us is to give back to our shareholders, remunerate our shareholders. We have allocated R$80 million in buybacks and earnings payments to our shareholders in the past few months, and we will continue doing that.

Another area is M&A, which we continue in our strategy. Today, we do not have additional participations to buy for those companies that are already part of our portfolio, so we are going to look outside.

Regarding a more structural gap, we have been saying that, as the Company looks for new businesses and growth in new areas, we need to hire more people, get more technology, and the CAPEX level will increase a little bit more.

Valid had a CAPEX around 3% of the revenue. Maybe it will get to 5% CAPEX. It's a slight growth, but it's not absurd. It’s to be expected. So we have this line. 70% EBITDA conversion in cash. We want to pay our shareholders, pay revenue to the shareholders, work with M&A and a CAPEX around 5% of the Company's revenue.

Matheus (via webcast):

Any barrier in terms of Pay that sustain a recovery of margins, or is the trend to have a more aggressive and structural competition?

Ilson Bressan:

Matheus, no good news in cards. Competition is aggressive in cards. This is the scenario I see moving on. I do not see a way of recovering margin. Unless, I mean, reducing costs, renegotiating with the supply chain, renegotiating with the clients, talking about the credibility of Valid as the main player nationwide with an impressive performance with clients.

But the competition is aggressive. I do not expect margins to recover in cards. I do see that we can expand our business opportunities in Pay as our digital portfolio evolves. But we need to be a player that moves to challenge the installed player, because we are a little bit behind in this market. We are working to bridge this gap. In our competition to dislodge players, they have a biometric match or identity proof. If we work to get this market, we can have growth.

So in terms of cards, it's an aggressive environment. We want to have a discipline of execution to have positive cash flow. But I do not see a return or recovery to the figures we had in 2022 and 2023, because we had a very good scenario back then. Now we are moving in a more negative scenario.

But in our digital portfolio, in Pay we have good opportunities because we have installed competences in our Company that can provide good services to the Brazilian government, to the Brazilian scenario, to have safety in transactions. So we can have this safety for an ever more digital society. Investing in technology, investing in people will take us in this direction.

So it is a joint competence between Pay, ID and safe mobility to make us in a good position in the medium and long term.

And let me tell you that this is not a sprint. This is a marathon. And Valid knows how to deal with marathons. Olavo likes running, by the way. We like running a marathon. We all have always taking advantage of positive waves, but we know how to deal with negative waves, too.

And when we look at the future in the long-run, new businesses are difficult to ramp up, but we have been doing this in the pipeline and in margins, they take time and it's okay because we are marathon runners. It's a game of consistency. It's a game of resistance.

And when you look at the core competences of Valid in terms of acquired competencies, it does not matter if it's a physical or digital portfolio. In this transition, every core skill, identity of processes, biometrics, safe connectivity, hyper-personalization in mass, hyper tech solutions, it’s part of what the market demands. And as a player that has been going on in this marathon for a long time now, we believe in this.

Olavo Vaz:

When we see Valid, we see the word trust right before Valid. In terms of entry barriers in the markets we work with, all the operations we work with at Valid, they are highly complex. It's very hard for any company to start working with a telephony carrier, with the government or with the public institutions.

So changes, they take time. We are used to that. And this is what we will keep on doing. It's hard because, when you look at our clients' portfolio, they have been with us since the time it was not Valid. It was American Banknote, Thomas de la Rue, there was another name. So these clients have been with us forever, and we will keep on working to provide services to these clients and to new clients in the future.

Rafael (via webcast):

We see a bottleneck in the biometric registration for INSS payments on the part of Serpro. Do you see this bottleneck as an opportunity?

Ilson Bressan:

Yes, it is a good opportunity. This is an interesting time. What you mentioned here as a biometric registration, which is not the level of accuracy we would like it to have on the part of service providers, be it federal and state service providers, public service providers, we see this as an opportunity.

One core competence of Valid is perfectly applicable to the digital platform. To issue documents, we have the onboarding of that individual physically and digitally. And we connect the best world technologies in terms of biometric engine, proof of life, our biometric engines and our matches, these solutions, they are part of our portfolio, and we offer this to governments, municipal government, state governments and the federal government as well.

This is an important time Brazil is going through. We lack infrastructure that guarantee safety of transactions, integrity of transactions that go through proving your identity. The national identity card is interesting because it allows us to have a safe document. This is a long way to go. We have many of these cards to issue.

And when you look at the biometric data and the use of biometric data to avoid INSS fraud or to approve the payment of a benefit. As clients join us, we have a good competitive advantage because Valid has always integrated the best players, the best technologies to apply this to the services our clients need.

And this is a competitive advantage that we have now because of our skills. We know how to deal with this technology. The conversion of this pipeline into business is our daily routine job. It has to do with the update of portfolio, it’s what our teams do, but it keeps me optimistic for the future.

The core competencies of Valid in ID, in Payments, in safe connectivity, all of this specialties, all of these skills can be used to meet the demands of the society. And we have been in this market for almost 70 years now. So we are in the right position to make the right choices to become a leading player in this market in the future. I am very optimistic.

Lucas Miyasaka:

Thank you, Bressan. So this is the end of our results or video conference. I would like to reinforce the idea that our Investor Relations team is available to you.

Thank you very much for your attendance, and take care.