PagSeguro Digital Ltd. (NYSE: PAGS)

2Q 2026

Earnings Call Transcript

August 11, 2026

Investor Relations
https://investors.pagbank.com/
E-mail: ir@pagbank.com

Media Press
Website: https://xcom.net.br/
E-mail: pagbank@xcom.net.br

PagBank

Earnings Call Transcript | Q2 2026 Results

Operator: Good evening! My name is Sophia, and I will be your conference operator today. Welcome to PagSeguro Digital earnings call for the second quarter of 2026. The slide presentation for today's webcast is available on PagSeguro Digital's Investor Relations website at investors.pagbank.com.

Please refer to the forward-looking statement and reconciliation disclosure in this presentation and in the Company's earnings release appendix.

All participants will be in listen-only mode. To ask a live question after the presentation, please use the "raise hand" button to join the queue. Once you are announced, a request to activate your microphone will appear on your screen. Today's conference is being recorded and will be available on the company's IR website after the event is concluded. Now, I turn the call over to Daniel Spencer Pioner, Head of Investor Relations.

Daniel Pioner: Good evening, everyone, and thank you for joining PagBank's Second Quarter 2026 Earnings Conference Call. We appreciate your time and interest in our Company. Joining me tonight are Ricardo Dutra, our Principal Executive Officer; Carlos Mauad, our CEO; and Gustavo Sechin, our CFO. After the presentation, we will open the call for questions and to allow for broader participation, we ask that each analyst limit themselves to one question only. I now turn the call over to Ricardo Dutra for this quarter's highlights and key accomplishments. Dutra, please go ahead.

Slide 04: **Ricardo Dutra:** Good evening, everyone, and thank you for joining our earnings call. Let's start on slide 4 with some key figures.

Q2 was another solid quarter for our Company. We continued to increase client engagement while expanding our multi-product ecosystem across payments, banking, and credit, driving resilient profitability and reinforcing the strength of our business model. Total Payment Volume reached R$133 billion, up 3% year-over-year, reinforcing the gradual reacceleration trend we have seen over the past quarters. Our expanded credit portfolio reached R$ 52 billion, while total loans increased impressive 31% year over year, driven mainly by the expansion of working capital and credit cards offering. Total deposits continued to grow, reaching R$ 43 billion, up 15% year-over-year and providing an important foundation to support future credit growth.

On the financial side, net revenue excluding interchange fees reached R$ 3.4 billion, growing 2% year-over-year, mainly driven by acquiring volumes reacceleration and our credit portfolio. Recurring net income, non-GAAP, also grew 2%, reaching R$ 576 million, while diluted non-GAAP EPS increased 10%, supported by earnings resilience and capital optimization initiatives and within our guidance range for the year.

Overall, we're seeing the strategy play out as expected: stronger engagement, broader monetization and resilient profitability, despite a challenging macro environment.

Slide 05: Going to slide 5, before moving into the business highlights, it's worth stepping back and looking at the broader value creation journey

Over the last twelve months, PagBank returned approximately R$2.0 billion to shareholders through dividends and share buybacks, representing an LTM total yield of around 13.4%.

Since our IPO, we have significantly expanded the platform. We started as a payments-led ecosystem and have gradually built a much broader financial services platform around our clients' needs, combining payments, banking credit, investments, insurance and new digital solutions. This evolution has increased the recurrence of our results, expanded our addressable market and strengthened our ability to monetize client relationships across different products and use cases.

With that, I will now turn the call over to Carlos Mauad.

Carlos Mauad: Thank you, Dutra and good evening, everyone. Before going into the business update, I would like to start on slide 7 with the key messages that frame our performance this quarter and our long-term ambition.

Slide 07: Q2 reinforces the consistency of our strategy. We continue to evolve our ecosystem, with broader monetization across payments, banking and credit, while deepening our relationship with our active client base. This evolution is reflected in our operational performance, with acceleration in all businesses, from TPV to credit portfolio and, most importantly, with increasing penetration of our banking products across our active client base.

At the same time, execution and discipline are central to how we manage the business, demonstrating the resilience of our business model. In 2Q26, we protected profitability, supported by financial cost efficiency, operating leverage and disciplined capital allocation.

Finally, as we move forward, our focus remains on strengthening our competitive position, capturing the opportunities ahead and consistently executing against both our 2026 commitments and our long-term strategic ambition.

With that context, let me now move to the business overview and the opportunity ahead of us.

Slide 08: Starting with the market opportunity, we continue to see significant room for growth across our core verticals.

PagBank has built an integrated platform across payments, banking and credit, serving individuals and micro, small and medium-sized businesses in markets where penetration remains low and growth potential is still meaningful.

Our ecosystem gives us several avenues for growth. We have opportunities to increase share in Pix, deposits, expanded credit and other financial services. In several of these markets, our current share remains below 1%, which reinforces how much room we still have to expand.

Slide 09: Moving to slide 9, product innovation continues to support engagement and monetization across the ecosystem.

During the quarter, we advanced several initiatives designed to make PagBank more useful in our clients' daily lives. These include Minizinha Voz, the first POS in Brazil featuring an AI-powered sales assistant, launched in January this year; IOF cashback on international credit card transactions; Private Payroll loans and Pix Finance, an integrated Pix installment solution, both products launched earlier this year and to be rolled-out in the next months; zero-fee investments; private pension plans; collection management tools and new insurance products.

What is important here is that these products expand our relationship beyond Payments. They strengthen our banking and financial services offering, create additional cross-sell opportunities and support our long-term ambition of building a more complete financial platform for both merchants and individuals.

As we have discussed before, the more products clients use, the more engaged they become with the platform. That drives transaction activity and creates additional monetization opportunities over time.

Slide 10: Turning to banking on slide 10, engagement continues to translate into higher transactionality and broader product adoption.

Cash-in volumes, excluding acquiring-related inflows, reached R$97 billion in the quarter, increasing 23% year over year and 19% quarter over quarter. Cash-in per active banking client reached R$5.7 thousand, up 27% year over year.

We also continued to see stronger usage of daily banking features, including bill payments and Pix transactions, which increased 12% year-over-year.

In parallel, product penetration expanded across the active client base. Investment penetration increased from 23% to 28%, while insurance penetration increased from 11% to 16% year over year. Credit product penetration, excluding payroll clients, also increased from 4% to 6%, a strong 43% expansion that shows not only our capacity to perform, but most importantly the growth potential in this avenue.

What we are seeing is simple: clients are bringing more activity into PagBank and using a broader mix of products. This deeper relationship is central to our strategy, as it supports higher engagement, broader monetization and stronger lifetime value.

Slide 11: Moving to slide 11, credit remains one of our key growth levers. It deepens client relationships and gives us additional opportunities to monetize the ecosystem.

Our total credit portfolio reached R$5.1 billion, increasing 31% year over year. Growth was mainly driven by working capital and credit cards, both of which are important to our long-term strategy and to the 2029 ambition we have shared with the market.

Working capital reached R$ 0.6 billion, growing 204% year over year, while credit cards reached R$1.1 billion, up 35%. Payroll loans and other credit products totaled R$3.4 billion, increasing 18% year over year.

It is also worth highlighting the origination trend. While working capital origination was lower on average in Q2 compared to Q1, July already shows a stronger run-rate, at approximately R$ 80 million. This is above the Q2 average and also above the average levels seen in prior quarters, which gives us confidence in the continued momentum and scalability of the product.

When we include financial operations linked to merchants' prepayment, the expanded credit portfolio reached R$52.4 billion, up 9% year over year and 3% quarter over quarter.

Just as important, we're growing the portfolio while maintaining a prudent risk profile. NPL90 stood at 3.4%, remaining well below the Brazilian market average of 6.2%. This reflects the strength of our underwriting, enhanced analytics, risk governance and the proximity we have with our clients through the ecosystem.

As expected, the portfolio mix continues to evolve gradually, with unsecured products increasing as a share of the portfolio. This is consistent with our strategy and remains supported by prudent risk management across cycles.

Slide 12: Let me now move to funding on slide 12, which remains one of our key competitive advantages.

Total deposits reached R$42.8 billion, growing 15% year over year, while total funding reached R$47.2 billion, up 10% year over year. More than 90% of total deposits are generated on-platform, which reinforces the strength of our own ecosystem and the relevance of our digital channels.

The growth of our deposit base, combined with high on-platform concentration and lower funding costs, provides a scalable and efficient foundation to support credit expansion.

During the quarter, we continued to optimize the cost of funding. The Company has now delivered nine consecutive quarters of funding cost reduction as a percentage of CDI, reflecting disciplined liability management and improvements in product pricing and remuneration conditions.

This funding structure gives us the flexibility to continue growing credit while maintaining a healthy balance sheet and strengthening client relationships.

Now, I will hand it over to Gustavo to cover how these business trends translated into our financial performance. Gustavo, please.

Gustavo Sechin: Thanks, Mauad! Hello, everyone, and thank you for joining us today. I will now cover our consolidated financial performance for the quarter.

Slide 14: Slide 14 shows the contribution of business execution and funding efficiency to revenue and gross profit.

Total revenue and income excluding interchange fees reached R$3.4 billion in the quarter, increasing 2% year over year and 1% quarter over quarter.

Gross profit reached approximately R$2.0 billion, growing 3% year over year and 6% quarter over quarter. This performance reflects business execution, continued contribution from banking and credit, and a sequential improvement in financial costs.

At the same time, it is important to note that interest rates remain high for the year, and the rate cuts have not come in the magnitude initially expected. So we continue to manage pricing, funding and capital allocation with discipline.

The banking business is an important driver of our results. Higher transactionality, credit expansion and broader product penetration are contributing to a more diversified gross profit base and reinforcing the value of our integrated ecosystem.

Slide 15: On slide 15 we provide more details on the cost and efficiency drivers behind the quarter.

Financial costs declined 5% quarter over quarter, primarily reflecting management initiatives to optimize the Company's funding costs, despite still elevated SELIC levels.

Total losses increased 9% year over year, mainly reflecting the expansion and mix evolution of the credit portfolio. This is consistent with our strategy to scale credit in a disciplined way, while maintaining strong asset quality indicators.

Operating expenses represented 25.9% of total revenue and income excluding interchange fees in the quarter. On a year-to-date basis, operating expenses improved as a percentage of revenues, reinforcing our focus on operating leverage, even considering second-quarter effects related to the World Cup broadcast sponsorship in Brazil and the annual collective bargaining agreement.

D&A plus POS write-off also improved as a percentage of revenues in the first half of the year, reflecting better capex allocation and POS management.

Looking ahead, we still see room for additional efficiency gains, and that remains an important part of our value creation.

Slide 16: Slide 16 summarizes how these dynamics translated into bottom-line performance and returns.

Non-GAAP net income reached R$576 million, up 2% year over year.

Diluted non-GAAP EPS reached R$ 2.06, increasing 10% year over year, supported by earnings resilience and the reduction in average shares outstanding following the execution of our share buyback programs.

Annualized non-GAAP ROAE reached 15.6%, increasing 30 basis points year over year, and remaining aligned with our solid capital structure and disciplined approach to profitability.

These results show that we continue to protect profitability while investing in technology, product innovation and the long-term growth of the business.

Slide 17: Slide 17 reinforces the strength of our capital position and our commitment to disciplined shareholder returns.

We've continued to advance our capital optimization agenda, pursuing a Basel ratio within our target range of 18% to 22% over time.

At the end of the second quarter, our adjusted Basel ratio stood at 22.5%, compared to 24.1% in the first quarter and 29.6% in the second quarter of last year. This movement brings us closer to our target range, while preserving flexibility to support growth.

Over the last twelve months, PagBank returned R$2.0 billion to shareholders through dividends and share buybacks.

In the first half of 2026, we completed our Third Repurchase Program, authorized for up to US$200 million, with more than R$370 million repurchased during the period.

In addition, the second tranche of our 2026 dividend was paid in June, and a 3rd tranche of US$ 0.28 per common share will be paid on September 30, with record date on September 16. We continue to expect total cash dividends paid in 2026 to reach approximately R$1.4 billion, subject to the relevant approvals, market conditions and the Company's financial position.

As we have said before, we believe dividends and buybacks remain the most effective way to optimize capital while continuing to support business growth.

Slide 18: Slide 18 shows where we stand against our 2026 commitments after the first half of the year.

At this point, we are maintaining our targets for the year, recognizing that YTD performance is reasonably in line with our strategy. While the macroeconomic environment remains uncertain, our expectations for the year assumed a more challenging first half, given that in the second half of this year we should benefit from easier comps. However, it is important to recognize that current SELIC rate levels create additional pressure for performance and for that reason we now expect to deliver a full-year performance at the bottom of the guidance range, rather than at the top half.

Now, starting with credit, total credit portfolio growth reached 31% year over year in the first half, within our expected range for the full year. We expect to keep this growth within the expected range for the year, as we further evolve our credit offering with the roll-out of new products in the next quarters, such as Private Payroll and PIX Finance.

Gross profit grew 2% year over year in the first half, highlighted by the positive contribution coming from financial cost efficiency.

Diluted non-GAAP EPS increased 11% year over year in the first half, within the guidance range for 2026. This reflects resilient profitability and the positive effect of capital optimization initiatives.

Finally, Capex reached R$1.1 billion in the first half, and we continue to manage investments with discipline, aligned with our full-year commitment.

With that, I will turn the call back to Mauad for a final announcement.

Carlos Mauad: Thank you Gustavo.

Slide 19: Before we move to Q&A, I would like to share a recent leadership update.

We are pleased to welcome Enrique Fragata as PagBank's new COO. Enrique brings strong experience in the financial sector, and his arrival strengthens our focus on execution, efficiency and operational excellence. Enrique comes at an important stage as we continue to expand our ecosystem and advance our long-term strategy.

With that, I thank you all for joining us today. We appreciate your continued trust and partnership.

Operator: Thank you all for the presentation. We will now begin the Q&A session for investors and analysts.