



4Q21
EARNINGS RESULTS
Webcast Transcript

Operator

Good evening! My name is Nihuge and I will be your conference operator today. At this time, I would like to welcome everyone to PagBank PagSeguro's Webcast Results for the fourth quarter 2021. This event is being recorded and all participants will be in listen-only mode during the company's presentation.

After the speakers' remarks there will be a question-and-answer session. At that time, further instructions will be given. Should any participant need assistance during the call please press star zero to reach the operator.

This event is also being broadcast live via webcast and may be accessed through PagBank PagSeguro's website at investors.pagseguro.com. Participants may view the slides in any order they wish. The replay will be available shortly after the event is concluded. Those following the presentation via webcast may pose their questions on PagBank PagSeguro's website.

Before proceeding, let me mention that any forward-statements included in the presentation or mentioned on this conference call are based on currently available information and PagBank PagSeguro's current assumptions, expectations, and projections about future events. While PagBank PagSeguro believes that their assumptions, expectations, and projections are reasonable in view of currently available information, you are cautioned not to place undue reliance on these forward-looking statements. Actual results may differ materially from those included in PagBank PagSeguro's presentation or discussed on this conference call, for a variety of reasons, including those described in the forward-looking statements and risk factor sections of PagBank PagSeguro's Registration Statement on Form 20-F and other filings with the Securities and Exchange Commission, which are available on PagBank PagSeguro's investor relations website.

Finally, I would like to remind you that during this conference call the company may discuss some non-GAAP measures. For more details, the foregoing non-GAAP measures, and the reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures are presented in the last page of this webcast presentation.

Now, I will turn the conference over to Ricardo Dutra, co-Chief Executive Officer.

Mr. Dutra, you may begin your presentation.

Ricardo Dutra, co-Chief Executive Officer

Hello everyone and thanks for joining our fourth quarter results conference call. Tonight, I have here with me Alexandre Magnani, our co-Chief Executive Officer, Artur Schunck, our Chief Financial Officer and Eric Oliveira, our Head of Investor Relations and ESG.

Before I start, we will break this call in three presentations sections, followed by the Q&A: First, I will share a brief overview about PAGS milestones in the past years. Then, Alexandre will share the 2021 achievements by segment and 2022 outlook. Wrapping up, Artur will comment about our 2021 financial results.

Well, we have been living unprecedented times in Brazil and around the world. After two-years of Covid-19, the global pandemic starts to phase out as the vaccination levels continue to grow. However, the consequences are everywhere. The governments' financial aid programs are being reduced or removed around the world and inflation levels are skyrocketing in many countries, like United States and Brazil, forcing Central Banks to raise interest rates. In addition, in Brazil, the household's indebtedness reached the historical peak raising concerns in credit offerings and delinquency rates. The political turmoil around the world and the Ukraine war raise additional uncertainties for the future.

After more than 20 years working for UOL Group, the last six as PAGS' CEO, I know that an unprecedented crisis like the current one, will be just another one for us. PAGS' track record shows that our performance has not depended primarily on the macroeconomic scenario. Remember that PAGS has been profitable since 2015/2016, the worst years ever for Brazilian economy. Furthermore, we have been fast and flexible to expand and to adapt, exploring opportunities that arise, always prioritizing businesses with the best balance between growth and profitability. We also know that UX and technology combined with efficient execution are the core for tech businesses, especially in a digital world where fintechs are pursuing increases in client's life-time value.

Our last four years revealed how powerful and disruptive PAGS' business model is. Since our IPO, we have grown 4x our revenues, becoming much bigger, profitable, and relevant.

SLIDE 5

Moving to slide 5, I would like to start with our main messages:

- Our profitability remained resilient with unbeatable underlying fundamentals, despite a tough 2021;
- PagSeguro, our acquiring business, captured 45% of Payment's profits, although investing 300 million reais in PagBank in 2021;
- Our ongoing repricing increased our take rates by +15bps in 1Q22 vs. 4Q21 and the price increase that we planned will be fully implemented in April 2022;
- Our bank is much more complete today for merchants and consumers, so that we can addressed the banking profit pool, which is 30 times larger than payments;

- In 2022, we have a positive outlook, growing volumes and keeping profitability while we pave the road for PagBank monetization.

SLIDE 6

Moving to slide 6. After four years of our IPO, although market has become more competitive, PAGA was able to capture a record lion share of 45% in the Brazilian Payments profit pool, 27% of revenues and 9% of TPV market share.

SLIDE 7

Moving to slide 7, we ended 2021 with 1.8 billion reais in Net Income ex-PagBank.

We are the most profitable company among payments' companies and digital banks and, therefore, we are very well positioned to scale up our banking strategy, diversifying revenues and profits in a banking industry which is still highly concentrated among incumbents and 30 times larger than payments profits.

SLIDE 8

Moving to slide 8, we see that in less than 3 years, we built up a very complete ecosystem that combines payments, day-to-day banking services, a complete card offering, and loans.

SLIDE 9

On the next slide, we can see we have launched additional features to enhance our ecosystem such as investments, insurance, marketplace, and other partnerships. We became a complete bank, offering the best UX for consumers, micro-merchants and SMBs in Brazil.

And to finish this first part of the presentation, I would like to say that I have been working in the past 7 years with the new CEO, Alexandre Magnani. He is the most prepared person to run our day-by-day operations, to motivate our team and to get the best of them. I will dedicate my time to build our vision of the future, to participate in our Board of Directors and our Executive Committee.

Before I pass the word to Alexandre, I would like to thank our clients, suppliers, shareholders, stakeholders and especially, our PagBank PagSeguro team for all the confidence and support.

Alexandre, go ahead please.

Alexandre Magnani, co-Chief Executive Officer

Thank you, Ricardo! Hello everyone.

Before I start, I would like to share a little bit of my experience and some thoughts.

I have built my career in payments and financial services in Latin America for almost 30 years, seven of them in senior positions at PAGS. Here, I saw things evolved very quickly, transforming our company from a startup to one of the most relevant fintech in Latin America.

Besides the great achievements in Payments, there is a huge opportunity to be captured in Brazil. The banking industry continues to be highly concentrated. The TOP6 financial institutions net income reached more than 105 billion reais in 2021, approximately 90% of the banking industry profits.

I am really excited about this opportunity and count on me on the next steps to come!

SLIDE 11

I would like to start with the 2021 highlights, which is shown on slide 11.

We ended the year with almost half trillion reais in financial transactions, composed by 252 billion in payments and 204 billion in PagBank transactions. Our Total Revenue and Income grew 53% year-over-year, reaching 10.4 billion reais.

Number of bank accounts totaled 22 million, with 13 million active clients, positioning our company as the second largest digital bank in Brazil. Total Deposits accounted for almost 8 billion reais, up 66% year-over-year, book loan increased three times, reaching almost 2 billion reais.

Net income in non-GAAP basis grew 12%, to 1.5 billion reais, resulting in earnings per share of R\$ 4.68, while capital expenditures decreased by 15%, reaching 1.8 billion reais.

After the great achievements in Payments, we will focus on our strategy and decision processes according to the following:

- Increase and diversify our revenues and profits by consolidating PagBank.
- Grow above the market in payments with efficiency and profitability.
- Develop our two-sided ecosystem to gain client preference.
- Execute everything with a 360° security approach.
- Invest in our most valuable resource: our people.

SLIDE 12

Moving to slide 12, I want to share some financial and operating highlights of PagSeguro, our Payments vertical.

Total Revenue reached 9.4 billion reais, up 53% year over year, led by a net take rate of 2.19% which much higher than the industry. The accelerated growth in other segments such as SMBs, larger

merchants and cross-border has significantly contributed to this solid revenue growth with a healthy net take rate.

PagSeguro TPV ended 2021 with more than 250 billion reais in payments processed, 60% higher than 2020 when excluding the coronavoucher impact, ending the year reaching almost 10% of the Brazilian market share.

SLIDE 13

Next slide, we summarize the highlights of this business unit.

On the left side, we ended 2021 with more than 300 HUBs, concluding a massive cycle of investments to serve SMBs in Brazil, covering more than 80% of the Brazilian GDP, with the best-in-class solutions for these merchants.

Our strategy in payments is to focus on the most profitable segments, working on margins recovery, reducing subsidies, and continue to grow significantly above the industry. Our CAGR from 2017 to 2021 was 60% while the industry was 18%. We also have improved customer satisfaction, which was confirmed by the awards from IBest and Reclame Aqui.

Price increase, operational leverage and new markets expansion are our main priorities for 2022 to keep the best balance between growth and profitability.

SLIDE 14

Moving to slide 14, I want to share some financial and operating highlights of PagBank, our fintech vertical.

Total Revenue grew 63% year-over-year, ending 2021 at 917 million reais, approximately 9% of Total Revenue and Income of PAGS. Total Payment Volume reached 204 billion, up 187% year-over-year, with engagement TPV gaining traction driven by cash in, bill payments, cards spending and credit underwriting.

Up-right, we show for the first time our Net Interest Income, which grew 142% totaling 395 million reais in 2021, and Gross Profit (including revenue from services minus provision for losses) grew 20% year-over-year, accounting for 498 million reais. The PagBank P&L reconciliation is available in our Appendix.

SLIDE 15

Turning to slide 15, we summarize PagBank highlights.

We reached 22 million bank accounts, more than 24 thousand new accounts per workday during the last year, with active clients surpassing 13 million, maintaining a high activation rate of almost 60%. Today, 50% of our active clients today are consumers, not related to our payments business. PagBank Cash-in, composed by Wire Transfers and Pix, increased by 9 times. 50% of PagBank clients, use it as

their main bank (in January 2021, this number was 35%). PagBank represents 9% of all Brazilian Pix transactions, which shows the strong customer engagement of our digital bank account.

For the next years, we expect to foster engagement and revenue growth, prioritizing products with higher stickiness, increasing collateralized credit offerings for consumers, micro-merchants and SMBs.

Banking remains extremely concentrated in Brazil. This reinforces our confidence that through technology, better customer experience and lower cost to serve client (approximately 90% lower than incumbents), we will be able to gain share in a profit pool that is 30 times larger than Payments.

SLIDE 16

Slide 16, let me share the evolutions in PagInvest, which is our investment initiative. Our platform is simple, mobile-first and affordable.

We reached 1.3 million clients in 2021, 2.7 times more investors per day year-over-year, 87% more inflow per client in average, leading our AuC to grow 7 times (excluding Deposits).

PagInvest is another growth avenue that makes our banking offering more complete, contributing to the expansion of our revenues and profits for the next years.

SLIDE 17

Finally, let me share some results for the 1Q22 and the outlook for the full year.

PagSeguro TPV continues to grow at a very strong pace, 48% in January and 58% in February. Our price increase, partially implemented in 1Q22, has improved our take rate to 2.48% in January and 2.64% in February. 8 and 24 basis points higher than 4Q21, respectively.

For 1Q22, we expect:

- Total Revenue of 3.3 to 3.4 billion reais, up 60% to +64% year-over-year
- PagSeguro TPV of 79 to 81 billion reais, up 58% to 62% year-over-year
- PagBank Revenue: 240 to 260 million reais, up 60% to +73% year-over-year.

For 2022, we expect:

- Fully executed in Apr-22. Repricing will be examined (and if necessary, implemented) on regular interest rate continues to rise
- PAGS will continue to invest in PagBank in 2022 and we anticipate better credit portfolio performance
- Expected operational leverage in Marketing, SG&A and Chargebacks

Now, I pass the word to Artur. Thank you!

Artur Schunck, Chief Financial Officer

Thanks, Alexandre. Hello everyone.

SLIDE 19

In the top-left of slide 19, Adjusted EBITDA in recurrent basis increased by 27% year-over-year, despite of the Brazilian interest rate. In the last quarter of 2021, the company decided to stop PagPhone project due to the underperformance of our initial expectations to this product. We still have the devices in our inventories and the one-time accounting impact in our adjusted EBITDA was 139 million reais.

Moving to the graph below, our consolidated net take rate decreased by 17 basis points year-over-year, reaching 2.42%, mainly driven by client mix. This impact was partially offset by higher mix of credit and prepayment volume, which have higher take rates. On top of that, PagBank revenue growth contributed to the consolidated net take rate.

In the right side we present our managerial P&L for the last five years in recurrent figures. In 2021, our Total Revenue and Income surpassed 10 billion reais for the first time, growing 53% year over year. Excluding Transactional Costs related mainly to interchange and scheme fees, Financial Expenses related to cost of Funding to prepayment receivables, exchange expenses and Other Financial Income related to financial investments, our Gross Profit grew 41% year over year. Adjusted EBITDA closed at 2.7 billion reais, up 27% in comparison to 2020. Net Income Non-GAAP achieved 1.5 billion reais, growing 12% versus last year even with the tougher macroeconomic environment and the increase of the Brazilian interest rate.

Earnings per share in non-GAAP measures achieved a record of R\$ 4.68 growing 49 cents versus 2020 and surpassing pre-pandemic levels.

SLIDE 20

In the next slide, our 4Q21 Adjusted EBITDA in recurrent basis achieved a record of 751 million reais.

In the chart below, the consolidated net take rate increased 10 bps versus Q420 driven by our efforts to increase prices to mitigate impacts from the country interest rate hikes. In addition, better credit mix, higher prepayment volumes and PagBank revenues contributed positively to increase net take rate.

In the table on the right, the managerial P&L shows a strong quarter versus Q420. Total Revenue and Income grew 55% year over year and 16% quarter over quarter. Net Income GAAP was 393 million reais, growing 5% year over year and 22% better than Q321.

SLIDE 21

Next slide, I am proud to share our solid financial position built by our extraordinary team.

We closed 2021 with 8.8 billion reais in the cash position, which is the sum of the cash and financial investments, account receivables from bank issuers and credit portfolio minus Payables to merchants, PagBank Balance Accounts, Deposits and Borrowings. The positive position increased 1 billion reais year over year, mainly due to more 7.7 billion in account receivables, partially offset by 4.6 billion reais increasing in payables to merchants. This was driven by better TPV mix towards credit cards and volume of same-day prepayment to merchants.

At the same time, we have been improving our capital structure, ending the year with 66% of our financing position funded by third-party capital, better positioning our company in terms of tax shield in the cash flow. We have been increasing the APRs and reducing the APYs to manage the higher financial expenses, at the same time balance accounts increased, being a competitive advantage to PAGS.

In the right chart our Financial Expenses reached around 403 million reais versus almost 30 million in Q420. The biggest impact comes from country interest rate that raised almost 4 times year-over-year. PagSeguro TPV growth, PagSeguro TPV mix and prepayment average term, and APYs on deposits. Last year, for example, Prepayment TPV grew 90% in comparison to the same period of 2020. Through the early redeemed of card receivables with the issuers, we have been raising a relevant portion of our capital needs, which costs few basis points above the Brazilian Interbank Rate (CDI). On top of that, our deposits work as an additional funding source at the same time being part of our customer acquisition cost strategy, which also impact the financial expenses due to the APYs paid by the company. We will continue to look for other funding options and market opportunities to manage the financial expenses like the borrowing contract of 1 billion reais at a cost of 109% over CDI.

SLIDE 22

Moving to slide 22, we present our assets and capital allocation.

We ended 2021 with almost 2 billion reais in Credit Portfolio, with Working Capital Loans being the most relevant product, followed by Credit Cards. The portfolio increased 1.3 billion in comparison to 2020.

Since the company has been adopting the IFRS9 and provisioning upfront expected losses, we ended the year with provisions for 23% of our book loan in 2021, being 8% related to provision for write-off. Important to mention that for tax efficiency purposes, we did not do the write-off them yet, but they are fully provisioned. This represents an important improvement in comparison to 2020, reducing the balance provision from 19% in 2020 to 15% in 2021. This year, our goal is to remain cautious during the first half, while increasing our exposure to secured loans, mostly tied to our CDs and payroll. As the time evolves and market conditions improve, we can review our credit underwriting policy for the second half.

At this stage, the economic outlook remains challenging with interest rates surpassing double digits again, while we expect to inflation to go down. Finally, Brazilian household indebtedness reached the

historical record number and there is no rush from our side to speed up credit underwriting in such a very volatile scenario.

Capex per Sales ended the year at 17%, 13 percentage points lower than 2020 and much more focused on R&D expenditures. Also, given the recent market sell off, which has been dragging down stock prices of several tech companies like us, we took the decision to use part of our share buyback program, ending January 2022 with more than 2 million shares in our Treasury department.

SLIDE 23

Finally, I would like to share our milestones, consolidating all the positive impact PAGS has been promoting in Brazil, creating shared value for the stakeholders, and establishing the goals to keep increasing our commitment to a more sustainable, fair, and diverse society.

In 2021, we released our first Sustainability Report, which was our kick-off to look at all the impacts that our company has been doing in our society. During the year, we created our ESG committee, composed by directors and senior directors. We hired a seasoned team that reports directly to the committee. We also signed the Global Compact, concluded our GHG inventory for 2019 and 2020 and we were awarded by Women on Board, since 43% of our Board of Directors is composed by women. We also were able to see how impacting our business is in the lives of those who need more. In 2020, we reached 100% of Brazilian territory with our services, allowing millions of merchants to accept electronic payments to generate income for the young entrepreneurs, empower women in business, and enable elderlies to complement their retirements.

And this is just the beginning. In 2022, we expect to release our second Sustainability report completed aligned to the GRI essentials. Also, we are in the middle of the process to do the GHG inventory for 2021, audit the data and set a goal to be a net zero carbon company, reporting the data in CDP. We hired a consulting firm to help us to address the goal to be a more inclusive and diverse company, as we will also apply for Great Place to Work.

Having said that, we ended our Q4 2021 presentation and open the Q&A session.

Operator, please.

Q&A

OPERATOR

Thank you. We will now begin the question and answer session. If you have a question please press *1 and to remove yourself from the questioning queue press *2.

Our first question comes from Mario Pierry, Bank of America.

Mario Pierry, *Bank of America*

Good afternoon everybody and thank you for taking my question. Let me ask you two questions, first one is related to your client base at PagSeguro. We noticed that the client base declined by 8000, while you have been growing more than 100,000/quarter. Can you discuss a little bit about trends here in mortality of clients, the churn? Is this churn all related to your acquisition of Moip last year, or does it reflect, is more difficult for you to increase prices than you expected? So that is the first question, it is about your client base and how do you think that is going to evolve in 2022.

And then second question is related to the repricing that you have underway right now and you are talking about being fully executed in April. What does that mean? Does it mean that 100% of your client base is going to be repriced by April, or the clients that you wanted to reprice are going to be repriced by April? And then if you can discuss a little bit about the segments. Are you able to increase prices in the micro merchants versus the SMB segment? If you can discuss your ability to reprice by segment that will be helpful as well, thank you.

Ricardo Dutra, *Chief Executive Officer*

Thank you, Mario, for the question. I will start with the first one about the client base and then I will pass to Alexandre or Artur to talk about the repricing.

Regarding client base you are right, when you make the math, it is 8.000 decreases versus 3Q; but if we exclude Moip from these numbers, if we look only PagSeguro, we would see something like a growth of 130,000 in the quarter. So really what is impacting this number is the clients from Moip that stopped making transactions with us one year ago, so we do not see this churn from these clients affecting our TPV. As you can see, we are growing pretty strong in TPV, so they were clients with very, very smaller TPV/month - but it affects the number.

What we have been seeing so far, the gross adds keep being very strong, like what we had in the past, I do not know, 10 quarters. So we do not see gross adds decreasing; but what we see though is that we

have a base that is reaching almost 8 million clients, and the churn as a percentage to some extent can make some pressure in this number, because the percentage of a number, right? Percentage of 8 million.

We do not see that as an issue, because we had this mortality from many clients because of two years of pandemic. We do not see that because competition, it is much more related to mortality and related to MOIP, and we are focusing now in bringing clients with a better relation LTV versus CAC, which means with a little bit more TPV/month than the nano merchants, so to say.

So this churn - just to be clear here - there is no relation with price increase at all, because mainly we are measuring this churn of the clients that we made the repricing that Alexandre will talk later, and even if we had the churn it would appear only one year from now. So we do not see the churn increasing because of repricing - Alexandre will talk later - but just to be clear here.

But going back to your question, if we exclude Moip we would grow something like 130,000 in this quarter in PagSeguro. We are looking for clients a little bit larger than the nano merchants, and again we do not see that as an issue because it is part of the business mortality after two years of pandemic. So Alexandre?

Alexandre Magnani, *co-Chief Executive Officer*

Hi Mario, Hi Mario, this is Alexandre. Speaking about the price increase, we have been doing price increases since November last year. We have planned a price increase in different waves, and we are supposed to conclude these waves by April this year.

We are increasing prices across all client segments, from long tail to SMEs and larger merchants and the impacts, the full impact of this price increase will be observed during 2Q. This means that depending on the macroeconomic scenario and future adjustments of the rates the rates, the interest rates, we can still do some other increases moving forward.

Mario Pierry, *Bank of America*

Okay that is helpful. Let me ask than two follow-ups: on the price increases you show for that in 4Q your net take rate was 2.40%, you are at 2.64 by February. How much higher can we see this net take rate? What is the level that you think we are going to reach by April?

And then the other follow-up is on the net adds, on the churn and Moip. Is this complete now? You know, like basically since that you lost 130,000 clients from Moip - I think when you bought them you had about 400,000 clients - so it is a big chunk of clients that have left. If you can be a little bit more specific for the reasons why they are leaving and if you think that this is complete now, whoever was going to leave has already left? Thank you.

Ricardo Dutra, *co-Chief Executive Officer*

Hi Mario. I will start with the last one, I will start backwards. Regarding these clients from Moip what we used to have there, let us say if you have a marketplace and then you have many, many thousands of smaller sellers below this marketplace with a very, very small TPV/month, the base of Moip we also reactivated some clients, we added some new clients at the base. When we look at the churn part of that is of the legacy that we got from the company that we bought in 2020, so part of these clients it is still related with the transition period between July and November 2020 that the company was, let us say, without management so to say in Brazil, so that is why we had this impact.

But again, this is not a concern because they were very, very small merchants, below some smaller marketplaces, and it seems that it is over the impact from Moip, because we already had this impact in the past quarters. And if you look at the core, which is PagSeguro, we keep growing, and most important for us as a main metric is the TPV/merchant that is growing again.

So, and even if you look the guidance that you gave for 1Q it is very, very positive if you think that in 1Q we will probably have the same TPV, or even slightly higher TPV than what we had in 4Q, because 4Q is the high seasonality in the industry and usually the TPV comes down in 1Q, and with the guidance that he gave the TPV is going to be, there is a chance it is going to be even higher than what we had in 4Q. So it is super good trends for us.

Alexandre Magnani, *co-Chief Executive Officer*

Ok and for the second part going back to repricing, moving forward we want to recover the margins as much as we can and gain, again increase our margins moving forward according to the interest rate rises; but also we want to be very competitive in the market, so we will do all these movements very carefully in order to keep increasing our profitability, but also observing the competitors and the environment so we can still grow in an accelerated way.

Mario Pierry, *Bank of America*

Okay guys thank you very much. I will let the other analysts ask questions as well, thank you.

Ricardo Dutra, *co-Chief Executive Officer*

Thank you very much Mario again.

OPERATOR

Our next question comes from Tito Labarta, Goldman Sachs.

Tito Labarta, *Goldman Sachs*

Hi good evening, thanks for the call and for taking my question. A couple of questions also, maybe first on your margins, right? Just looking at the guidance you give for 1Q it implies margins around 10, 10.5, 11%, a bit lower than what we see in 4Q - yet your take rate is going up.

So I just to understand a little bit the dynamic, is that just higher financial expenses? I mean at some point will you be able to offset those higher financial expenses, or is it just more investments in hubs for PagBank? Just to understand that dynamic and is there any color or guidance you can give, maybe for the full year, either margins, revenues or TPV like you gave for 1Q?

And then my second question on PagBank. Initially you guided for PagBank reaching 30% of revenues in 3 to 5 years, that was now about 2.5 years ago. Do you think that that is still a reasonable assumption? Particularly you mention you probably will be more cautious on credit given the macro environment today; would that delay things in terms of monetizing PagBank? Just how do you think about PagBank growth in this current macro environment? Thank you.

Ricardo Dutra, *co-Chief Executive Officer*

Hi Tito, thank you for the question. I will start with the first one regarding margins. You are right, if you look at the guidance and the TPV is a little bit smaller than what we had in 4Q, and the main reason is financial expenses.

There is this time mismatch between the growth of interest rate versus the speed that we increase the prices for our clients. So that is why we said that it is going to be the first wave, or the first increase that we planned is going to be fully implemented by April, so that is why in 1Q we are going to see still this pressure from financial expenses because we did not have the price increase fully implemented. So that is the main driver for the margins.

Just to give you some idea for those score not familiar: the interest rate in Brazil in March 2021 was 2.75% and now in March 2022 it is 11.75%, so it is 9 bps more, so that is why we are saying that we did not increase the prices in the same pace that the interest rates increase in Brazil.

Regarding the PagBank being responsible for 30% of the revenues by 2024 or 5 years, we do still believe it is feasible. Right now we have the situation in Brazil with the families with the highest debt, indebtedness ever with this inflation hikes in Brazil, so the credit operation we are not accelerating the way we expected - but that is fine; but we do think that in the medium term it is going to be possible for us to close this gap and have this 30% of revenues coming from PagBank.

And also it is just worth to say here, looking our perspective we launched PagBank in 2019, in May 2019 as a very basic account, and then in 3 years we built a very complete ecosystem, and of course we have the plan to give more credit.

But in March 2020 we had this pandemic for two years and we had this, in my opinion very, very right decision not to speed up credit. We did not hurt our P&L by being anxious to keep giving credit in a macro scenario that was not favorable for that; but going back to your question in the medium term it is totally feasible to have these revenues in response for 30% again.

Tito Labarta, *Goldman Sachs*

Okay great that is helpful, thank you. Maybe if I can ask a follow-up on the margins a little bit. Just going back to your Investor Day, you had mentioned that margins could be kind of flattish, maybe even a little bit higher in 2022 - and I know rates keep going up maybe faster than expected - but I think in December we probably still expected double-digit rates. Did anything change significantly since then other than rates have continued to line up?

And any color you can provide also on the impact on margins from the investments in hubs and when you think you will become profitable on those HUBs?

Ricardo Dutra, *co-Chief Executive Officer*

Tito, compared to the event that we had in November there are two main drivers here: the first one is that – let us say three ones; but the first one is that the rates increased faster than what we had previewed in November last year, everyone was caught in surprise in Brazil. Today we saw a report from a big bank saying that Selic by the end of the year would be close to 14%. So that scenario was kind of, no one was talking about that last year. So just to give an idea the inflation is coming very strong and then the interest rate is growing faster than what we expected first.

Second, we did not make the price increases at the same speed, and we thought that we could do it faster, but we decided to be more cautious, that is the second reason.

And the color that you asked about the margins that we are going to have it depends on how is going to be successful our price increase, and I guess we are doing in right manner. We are accelerating price increases in the clusters that we think is not price-sensitive and increasing basis points that we think is feasible and makes sense.

And the good news is that the industry as a whole is making this repricing, so it is not a movement that only PagSeguro is doing, because as we said last quarter the interest rate in Brazil is the raw material for everyone. So when you have your raw material that was 2% going to 14% you need to increase prices. So

everyone is repricing. That is a movement that we are seeing in the industry and then we plan to recover - even if partially - margins in the following quarters.

Tito Labarta, *Goldman Sachs*

Okay thanks and then just anything on the hubs?

Ricardo Dutra, *co-Chief Executive Officer*

Regarding the hubs, Tito, the hubs we gave the information that the payback is between 3 to 5 quarters. We keep executing very well. Of course part of our TPV growth is because of the perfect execution we are having in hubs; but we do not give too much color on hubs because of strategic reasons, Tito, that is what we decided here; but I mean the more we can say, we can give you color in the following weeks; but we give the hubs' TPV usually and then the payback, which is between 3 to 5 quarters.

Tito Labarta, *Goldman Sachs*

Okay great that is very helpful and sorry, just one quick follow-up on PagBank. You had initially mentioned probably profitable by yearend 2022; is that still feasible?

Ricardo Dutra, *co-Chief Executive Officer*

Tito, let us wait for the following quarter; but if it is not break even - that we said it was going to be breakeven, not exactly profitable - if it is not breakeven by the end of this year it is going to be by the beginning of 2023, and that is fine. One quarter more, two quarters more is not a big deal and we are doing things very carefully.

If you can see our slide you can see that the net income margin is growing in a very healthy way. It was 140 million BRL, now it is 280. So it is going very well PagBank and the foundations, the fundamentals of the business is very strong. You can see that in net income margins and the number of clients that we are having, and we keep following the credit portfolio very close to avoid any bad surprises.

Tito Labarta, *Goldman Sachs*

Okay great, thank you very much, thanks for answering all the questions.

Ricardo Dutra, *co-Chief Executive Officer*

Thank you Tito, thank you.

OPERATOR

Our next question comes from Jorge Kuri, Morgan Stanley.

Jorge Kuri, *Morgan Stanley*

Hi everyone, good afternoon and congrats on the numbers. I wanted to get a little bit of sorry, just follow up on the questions that were answered before, and I ask specifically on the repricing. What percentage of the total repricing that you plan to do by April do you think you have done so far? Are you halfway, two thirds of the way, almost done? And I am asking this obviously to understand what is the potential upside on your take rate vis-à-vis the 2.64% that you had as of February, and also to understand as well the issue of our the net margin, which you are guiding for 11% in 1Q and so to what extent that still has room to go, that is my first question.

And the second is on PagBank and I guess you said this before, I just want to be specific. The revenue earning TPV of PagBank was flat for the quarter. I just want to understand why, if you are growing the business so rapidly why would it be flat? And I guess you mentioned something about the leverage of the families, etc.; but there is other ways to generate revenues through TPV other than lending. So I just want to understand why is it flat with all of the, at least on the number of clients, you are really expanding this business very rapidly?

Artur Schunck, *Chief Financial Officer*

Hi Jorge it is Artur, thanks for the question. So related to pricing I would like to say that we are working to adjust prices for almost every client, but in State-by-State; but for strategic reasons we prefer not to share with you the percentage of clients that we have already adjusted.

So we are adjusting prices as the market conditions allow us to do that, and also taking a look in the competition, taking a look in turn, taking a look in the external KPIs that we need to look for - and cautious to adjust price and try to avoid increase churns, as we are not seeing until now. So we are continuing the process to adjust prices, and in April we believe we will have a big adjustment.

Ricardo Dutra, *co-Chief Executive Officer*

Just to give you more color, Jorge, in March the take rate is higher than February, just to give an idea that take rate keeps going up. We know some people are asking about margins and is expected that; but we gave the guidance for 1Q 22 and considering our price will be fully executed by April, we see this positive impact from 2Q onwards for the rest of the year. We do not, just are not giving some color on that right now.

But let us say the trend is that the margins will be better than what we had in 1Q because we are going to have this price increase in April. We are seeing strong revenue growth, we keep investing in PagBank; but the main driver of course is the financial expenses, that is why we are doing the repricing - but in March we had so far the previous numbers, it is better than what we had in February in terms of take rate.

Jorge Kuri, *Morgan Stanley*

Great thanks, thanks for that and the issue of the revenue earning TPV at PagBank?

Ricardo Dutra, *co-Chief Executive Officer*

Jorge, if I got your answer correctly you are comparing the percentage of PagBank versus the total revenue of the company, which is around 8%?

Jorge Kuri, *Morgan Stanley*

No, no. The revenue earning TPV in PagBank was flat quarter-on-quarter, so I am trying to understand why the revenue generating TPV was flat quarter-on-quarter given all of the growth in clients. I am assuming just ramp up in usage, etc., so normally growth in clients in the quarter; but actually just the maturity of the clients you added months ago, two months ago, six months ago, etc., why are we not seeing the revenue generating TPV go up quarter-on-quarter?

Ricardo Dutra, *co-Chief Executive Officer*

I got it right now. So just you are comparing quarter-by-quarter. Just for those who are in the call, in slide 14 we have that for the full year. We increased 8 bps from 136 to 144, but your question is about quarter-by-quarter.

What happens is that we are adding, as expected and as we planned, much more consumers than merchants at this point, and consumers takes a while to make this monetization because of reasons that you already know: the cash-in takes a little bit more, they do not have the automatic cash-in the same way

we have for the merchants, they do not have the same amount of cash-in that we see in the merchants - so that is why monetization takes a while.

We also took this decision to be more careful in credit concessions in the past months. So those are the two main drivers why the revenue versus TPV in PagBank was kind of flat or a little bit smaller. But when we look forward it is unavoidable that we are going to have more credit in this company. That is what we have in the plan, but the macro scenario needs to help us.

We will not make crazy movements here just because we need to give credit; we will give credit for those we have the confidence we will have good results, and of course adjusting risk and return all the time. But the reason that we are going to be able to expand is because we are going to have this leverage related to credit for the PagBank clients.

Éric Oliveira, *Head of Investor Relations and ESG*

And Jorge this is Éric, thanks for the question. I think when we look at the NII of the company disclosed for the first time and the trends in the gross profit, I think we have been getting more and more sophisticated in credit underwriting, and nowadays is much more a matter of being cautious and diligent in capital allocation, credit underwriting, instead of speeding up very rapidly and poise additional risk into our balance sheet and company. So this is why the monetization is stable - but the engagement is coming stronger and stronger.

Jorge Kuri, *Morgan Stanley*

Great thank you and thanks for that, that is very clear. And just a follow-up on my first question on the repricing and the impact that that has on take rate and margins. So if I understand correctly, you do not expect net margins to be flat for the year as you pointed out during the Investor Day. Is that right, am I understanding your answers correctly to those questions?

Ricardo Dutra, *co-Chief Executive Officer*

Jorge you are right. We do not expect the flattish because of the two reasons that I mentioned to Tito: first interest rate increased faster than expected. I know it seems that it is not too much - but it is, and it impacts the P&L very fast, very strong and again, as I said big banks in Brazil today said that it is expected for the Selic to reach close to 14% by the end of the year. That is a scenario that no one was talking until two weeks ago, so that is the main reason.

The second one is related to credit. We thought the macroeconomic scenario would be better, so that credit would help us have more revenues and of course help the margins, and that is not the case - but you are

right, it will not be flat the same way we mentioned before, and because of the time mismatch between repricing in the increase in the interest rate that was faster than our repricing.

Jorge Kuri, *Morgan Stanley*

Great. Thanks, thanks for the detailed responses, thank you.

Ricardo Dutra, *co-Chief Executive Officer*

Thank you, Jorge.

OPERATOR

Next question comes from Bryan Keane, Deutsche Bank.

Bryan Keane, *Deutsche Bank*

Hi guys. I also wanted to ask about the price increases. When I think about, how much does the price increase offset the higher interest rates, so the 9 bps you are calling out? I mean do we get 50% there by the time we are fully implemented?

And then do you plan to get the full rate increase impact sometime in the future, or is that going to be you are going to have to eat that higher rate as a loss? Or do you finally, at some point pass it through in 2023 or 24 or when do you get back to fully pricing through the higher rates?

Artur Schunck, *Chief Financial Officer*

Thank you for the question Bryan. Our intention is to repass the biggest portion clients; but it will take time to do that, because as we said we are adjusting step-by-step, we defined some stages for the clients and we are going to adjust those prices.

It will take time; I do not know exactly if we could cover all the impact coming from the costs. The big portion we believe we can cover during the year, and maybe for 2023 we can have the biggest portion of the cost offset by the pricing of our clients.

Bryan Keane, *Deutsche Bank*

Right and so if the rates do go higher to 14% as maybe some are suggesting, does that mean then that we should expect further price increases in 23 or even in 24 to get back to where we fully have passed through the higher rates at some point in the future?

Artur Schunck, *Chief Financial Officer*

Exactly, you are right. If the interest rate in accounting continues to go up we would have the ability to adjust prices one, two, three times, no problem; and also could impact 2023, and we have some adjustments in the coming years if the cost continues to increase and will affect all the industry. So we believe all the players will adjust the prices going forward if it is necessary.

Bryan Keane, *Deutsche Bank*

Great that is helpful, and then my follow-up is just on Moip. How fast is the revenue growth in Moip versus the industry? Are people still adopting an e-comm? And just thinking about how that business is positioned for revenue growth in this year versus the churn, I understand with some of the smaller base coming off, but how much of an impact is there to the actual platform?

Ricardo Dutra, *co-Chief Executive Officer*

Hi Bryan. What we saw in Moip was a very accelerated growth during the pandemic, and now we see that it keeps growing but not at the same pace that could use it to in the past, same behavior that you can see in big marketplaces in Brazil. There are some other public companies here and they say that of course, they increased a lot, they grew a lot during the pandemic because people stay at home and buy online, and with people getting vaccinated and going back to the normal lives the e-commerce keeps growing, but not at the same pace that it used to doing 2020, 2021.

Of course we got Moip, we made some changes there in the structure and also in the systems. The business is, I would say you is in a very good shape compared to what we had a few months ago, and it is ready to grow. I mean, we are going to be aggressive by getting new clients in this e-commerce that we had some features we had to fix and to launch at Moip; but we are ready to go and to approach new clients right now to keep growing Moip faster than the industry is growing in Brazil.

Alexandre Magnani, *co-Chief Executive Officer*

I can add some color here. We are working in a more integrated way between our three e-commerce platforms: BoaCompra, which is a cross-border platform; PagSeguro, e-commerce platform; and Moip. So

we can get the best of each platform, so we can grow faster in e-commerce and card-not-present transactions moving forward. This is one of the areas that we are investing a lot and we are certain that we will extract a lot of revenue from it.

Bryan Keane, *Deutsche Bank*

Yes, I mean it would be great if you guys were still taking share versus the overall Brazilian e-comm gross, that is probably the most important point there. All right great, thank you.

Ricardo Dutra, *co-Chief Executive Officer*

Thank you very much Bryan, take care.

OPERATOR

We now proceed with Neha Agarwala, HSBC.

Neha Agarwala, *HSBC*

Hi, thank you for taking my questions. Could you help us break down the PagBank revenues, what (incomprehensible 1:03:42) how much comes from credit, etc.? And do you have any update on the interchange regulation? And then I will ask my next question.

Éric Oliveira, *Head of Investor Relations and ESG*

Hi Neha, this is Éric, thanks for the question. Since 2021, early 2021, the revenue from the credit products has increased its share, why? Because the credit portfolio increased from 600 million BRL to almost 1.9 billion BRL by the end of 2021. So for strategic reasons I cannot break it down to you; but you can assume that credit revenues for interest income coming from credit offerings is already or almost reaching half of PagBank credits.

Artur Schunck, *Chief Financial Officer*

Neha, related to the change in the regulation I will talk a little bit about the public hearing 78 that there were some changes in the capital requirements for payment institutions.

So in our opinion the central bank continues to foster competition in the industry, reducing potential regulatory asymmetry and also adjusting it to tie to company volumes and rise competition, market remains very concentrated: in terms of credit like 70% or in profits more than 90% is concentrated in the top 6 big banks in Brazil, and so maybe the central bank is trying to grow financial inclusion in the sector.

And we believe this scenario for PAGES is positive. This implementation will take two years starting 23 and fully implemented in 2025, and as we acquired a banking license in January 2019, we have already complied with the capital requirements regulation. Just to give you an idea, our Basel Index is more than 60% right now, and so we are very comfortable with these new requirements that the central bank launched in the 78 public hearing.

Neha Agarwala, HSBC

Thank you so much. My next question is on the financial expenses, which almost doubled quarter-on-quarter. Given that the rates continue to grow up, what should we expect the financial expenses to look like? Is there any way that you can optimize the financial expenses during 2022?

And I believe these financial expenses also include the amount that you paid for the deposit at PagBank; so could you just break it down a bit for us and maybe explain how should we think about financial expenses? That is key for profitability for this year.

Artur Schunck, Chief Financial Officer

Yes. Neha, as we said working capital is our raw material and especially in high-growth cycles we need to add capital to the company. A biggest portion of our credit TPV is to pay. As you know, we have a product that is an advantage to us in the market that is the payment, the prepayment right after the transaction is approved, and as we are growing very fast our TPV we have a huge volume, and this is one big impact in our financial expenses.

So I would like to say that we have a very good performance in our company, and it is a great pleasure to us in our treasury to fund this operation. On top of that, account interest rate grew very fast and also impacted our financial expenses in 4Q. As Dutra said, we moved from 2.75% in our interest rate to 11.75 - and the projection for the year is almost 14% in the end of the year.

And so in terms of deposits obviously deposit is the best option to fund the company, because it is more cheaper than other options, and we are investing a lot in PagBank to have a more complete offer and engage more clients and then they can consider us as the primary bank, concentrating their wealth with us and we can use these deposits to mitigate the high cost that we have in other funding options.

Neha Agarwala, HSBC

Understood, thank you so much. I think last question if I may ask, you mentioned that you focus more on collateral products in 1H. Could you give us more color on what sort of products in 1H? Could you give us more color on what sort of product you are looking at? I know you mentioned payroll loans; what is the kind of (incomprehensible 1:09:16) that you are looking at for payroll loans, and what are the other loans that you can maybe provide during 1H? Thank you so much.

Ricardo Dutra, co-Chief Executive Officer

Hi Neha. Well, we have these payable loans that you said, and we also have the product related to credit card with CDs. That is another product that we are making some changes, and we see some potential there; but the idea is of course have some collateral that we can use in case of delinquency from the clients. We just want to make it easy for them hire the credit with us, and also force to give the collateral in a very easy way.

We do not think that today we have the frictionless process in some of these products, so we are focused on that and also in the salary-backed loans that we have, we expect to have this product growing in the future. So those are the main products that we already have, and we are making some changes to improve and to grow in a more fast way in the following quarters.

Neha Agarwala, HSBC

Thank you so much, very helpful.

Ricardo Dutra, co-Chief Executive Officer

Thank you Neha.

OPERATOR

Our next question comes from Jason Molin, Scotia Bank.

Jason Molin, Scotia Bank

Hello, can you hear me?

Ricardo Dutra, *co-Chief Executive Officer*

Yes we can hear you.

Jason Molin, *Scotia Bank*

Great. I have two questions, my first is on PIX, the instant payment platform. You stated that 9% of PIX transactions are done through PagBank; so can you talk about the implications for PAGS, and specifically its profitability?

And my second question is on your 2022 guidance. When management thinks about that or even in 1Q expectations, can you talk about the upside and downside versus, to revenue and profitability expectations? Perhaps some comments on the macro on the competitive scenarios, thank you.

Ricardo Dutra, *co-Chief Executive Officer*

Hi Jason, thank you for the question. Well, regarding PIX the number that we gave that we had 9% share with 727 million transactions PIX in PagSeguro... In PagBank I am sorry, it does not affect our profitability, because this is more like replacing wired transfers, making people to use more electronic transactions other than cash. So we are growing 58% in TPV YoY.

So that is, we gave the disclosure of this number, this 9% is more to show the strength of PagBank, how people are using us and from all the transactions in the country 9% already happens through us, if you think about wired transfers, people sending and receiving money. So it is more like for the PagBank perspective is a very, very good number and that does not mean this is cannibalizing acquiring, so that is not the case here. It is more like people using PagBank more and more.

Related to the margins that you asked, we are doing this repricing that we said, the first wave is going to be done by April. We expect that from April onwards we are going to have positive impact in our bottom line because of the repricing. The repricing we have done so far did not affect churn, so that is why we kept doing that in waves and we do not see that increase in churn. The industry as a whole is increasing prices, we see more rationality out there with other players also increasing prices. So to be sincere we see upside on April onwards. If we have some change on that we are going to give you more color; but the idea is to increase the prices and have this positive impact from April onwards.

Regarding the macro I guess we already mentioned pretty quick. So inflation in Brazil and inflation also around the world, in the US and also the central banks in order to keep inflations under control are increasing basic interest rates. The expectation the interest rates to be close to 13% by the end of the year, some banks say about 14%; but we have the ability to pass this to our clients, maybe not in the same pace or the same speed that the interest rates grow; but we can offset that - at least a big part of that, if not

100% a big part of that - by repricing our clients because at the end of the day everyone will make repricing, all competitors and so on. So we see the positive impact on April onwards.

Jason Molin, *Scotia Bank*

I appreciated the comments, thank you very much.

OPERATOR

Our next question Comes from Domingos Falavina, J.P. Morgan.

Domingos Falavina, *J.P. Morgan*

Thank you and congrats again on the ability to pass through the cost of funding increase I guess, the Selic. I think this was a major concern.

My question was more I guess on the, a little bit on accounting adjustments you guys are doing. I realize you adjusted by 142 million associated with PagPhone, and when looking through the presentation it seems you adjusted revenues by 3.4 million; but then the expenses by 142. Sorry if I am not very familiar with it, if I miss something; but just want to understand kind of the history behind it. Like basically you said 142 million buying cell phones, and you only sold 3.4 and you are basically writing this off, and you are not going to use this anymore; why would you consider research and development project nonrecurring?

And then I guess linked to this one, my second question is when you soft guiding into above of 360 million in nonrecurring earnings, what adjustments are you doing to these nonrecurring that is not share base compensation? So ex-share base compensation what else are you adjusting?

Artur Schunck, *Chief Financial Officer*

Hey Domingos, good to talk to you. Related to PagPhone it is important to mention that it was a project whose acceptance has been lower than expected, so we decided to write-off the assets. Part of the devices are in our inventories yet; but 100% of the write-offs was booked in our financial statements following the past accounting requirements to be conservative, as we always are conservative in the company.

The impact going forward is zero because we did 100% of the write-off. This is the reason that we consider as a one-time, because we do not expect any impact going forward.

Related to revenue is because we had some devices sold by the company, and to be fair with anyone that is analyzing our income statement we are excluding also the revenue that we had with these devices sold.

So it is just to be clear and to be fair that we have positive impact in our revenue and we are excluding, and also the negative impact in our expenses we are also excluding from the result.

The other two effects that we had in 1Q 21, one is related to the digital losses that we had. Probably you remember that we gave this disclosure in 1Q 21 that we had some issues related to products that we launched and there was some chargebacks on that moment and affected, heavily affected our 1Q 21, and we do not have any other impact related to this product going forward. So it was a one-time on that moment.

And also we had a tax reversal in 1Q...

Domingos Falavina, *J.P. Morgan*

I am sorry, if I may speak, super clear, thank you; but I meant more like 1Q 22. You are giving like 360 million, so I am assuming there is no PagPhone impact in the next quarter. Anything else?

Artur Schunck, *Chief Financial Officer*

Yes, there is no impact in 360 in 1Q 22.

Éric Oliveira, *Head of Investor Relations and ESG*

So Domingos just to make sure: this write-off of the PagPhone we executed the full inventory, and this is why we consider as a nonrecurring effect. So investors do not expect further adjustments related to PagPhone anymore.

Artur Schunck, *Chief Financial Officer*

And also there is no adjustment that we are expecting or 1Q 22, okay?

Mr. Domingos Falavina, *J.P. Morgan*

Fantastic, thank you guys.

Artur Schunck, *Chief Financial Officer*

Thank you.

OPERATOR

We now proceed with Sheriq Sumar, Evercore.

Sheriq Sumar, *Evercore*

Hey everyone, thanks for taking my question, so hopefully the last one on pricing. So when I think about your pricing and the expectations for further increases in the Selic rate, are your pricing actions all done manually, or are you adding like a CDI escalator, which is pretty common for like the larger merchants in the market?

Artur Schunck, *Chief Financial Officer*

Just to explain a little bit: for the larger merchants we have already negotiated the cost for them linked to the CDI, so it is almost automatically. Obviously we have an agreement, we need to negotiate and discuss with them; but the adjustment is more, is mostly done for micro merchants.

In terms of being linked to the CDI, for small merchants we have a pre-interest rate, so it is not linked to CDI and we have this negotiation with them, because it is more simple to them understand the price when we have a stable price across the year, across many years, and so it is easy for them to understand. And for them we need to adjust in the system, and obviously we are following up the conditions of the market, competition and the ability to adjust we have; we just define some stages to do that, and we are doing a big portion right now in March that will affect April on.

Sheriq Sumar, *Evercore*

Thank you so much, and my follow-up question is for Alexandre. I just wanted to get a sense of what is your top priority for 2022 as to how do you think like as to watching this? Do you think that that could be implemented in the organization to kind of the drive better profitability for 2022, and beyond as well? Thank you.

Alexandre Magnani, *co-Chief Executive Officer*

Well, our priorities are first one is to diversify our revenues and profits by consolidating PagBank, and secondly we want to grow profitably, in an efficient way in payments and above the industry; also we are focused on developing our two-sided ecosystem to provide much better experience for our consumers on both businesses: on the acquiring business and on the banking business.

We want to execute all of that in a 360° security approach, which we consider critical for our business, payment and banking business moving forward, and also we want to invest a lot in our human capital, which is our most valuable resource.

Sheriq Sumar, *Evercore*

Thank you so much that is helpful, I appreciated.

Ricardo Dutra, *co-Chief Executive Officer*

Thank you Shერი.

OPERATOR

Our next question comes from Susquehanna.

Anita Zirngibl, *Susquehanna*

Hi, this is Anita calling in for Jamie. Jamie has a question about the credit - debit spend mix that you guys are expecting for 2022. What are your assumptions around that and how it might impact that take rate and if we should be aware of any seasonality in that mix?

Ricardo Dutra, *co-Chief Executive Officer*

Thank you for the question. What we see between the mix between credit and debit? We see credit getting some share back, mainly because of the behavior of the clients, right? People are going out, people are going to restaurants, people are traveling, buying clothes again, using installments. So usually when people stay at home during the pandemic the behavior for those while at home is not to make consumption of large tickets with installments and so on.

So what we see that people going back to the streets, traveling again - and of course all these things use, usually people use credit cards and they use installments. So we see the mix going back to what we had before the pandemic, with more credit card transactions again versus debit. So it is a good sign, and of course we are doing the repricing to offset the increase in interest rates that comes with the transactions with installments.

Anita Zirngibl, *Susquehanna*

Thank you.

Ricardo Dutra, *co-Chief Executive Officer*

Thank you.

OPERATOR

Our next question comes from Kaio Prato, UBS.

Kaio Prato, *UBS*

Hello everyone good evening, thank you for taking my question. So my question is related to PagBank, and we see that in your guidance for PagBank revenues in 1Q it ranges from around 240 million BRL to 260 million, which implies a decrease in revenues quarter-over-quarter. So in that sense can you give more color about the drivers of this expected reduction?

And moreover, to complement we saw in recent news that card networks already indicate that would reduce interchange fees of prepaid cards. Could you please clarify if the fees are already lowered today, and if this means that we can see further reduction on a quarterly basis going forward? And then I will follow-up with my second question, please.

Ricardo Dutra, *co-Chief Executive Officer*

Hi Kaio. The main driver for the 240 - 260 million revenues in PagBank is because of our cautious behavior with credit, so that is the main driver. That is what we did in January and February, we were more cautious in credit, that is why the revenues are not growing maybe in the same way they used to grow in the past.

That is fine. That is fine, because at the end of the day we have 13 million clients, the base keeps growing, people keep making transactions and we just need to do credit in the right moment, in the right size, for the right client -so that is not an issue for us, and that is not something structural; it is something that we are just waiting the best time to do so.

Regarding the interchange for the prepaid, we saw some networks making some changes. There is no date be implemented, there is no execution plan in a very clear way so far, how it is going to be executed, and for us, for the company as a whole is a neutral impact, because we have this natural hedge: if the interchange goes down in one of our businesses, it also goes down in the acquiring so that we have lower costs there; but we need to wait to see how is going to evolve this definition. It is good that some card

networks decided to be proactive and make some changes; but we are fine with that because we have this natural hedge at the end of the day.

Kaio Prato, UBS

Okay great, thank you very much and just a final one related to it, if you can share with us at least in raw numbers what is the percentage of this PagBank TPV today coming from prepaid cards, please?

Ricardo Dutra, co-Chief Executive Officer

Kaio, to be sincere I do not even have this number on the top of my mind. We do not give too much disclosure on that; but again this should not be an issue, mainly because if we have by any chance some decrease in this revenue here, we are going to have decrease in cost in acquiring, so the bottom line perspective is going to be the same, okay? Someone could say: but the revenues in PagBank could go a little bit down; yes, but at the end of the day the company is going to have the neutral impact and it could be even positive, because sometimes the prepaid cards in the acquiring, when we get some transactions there, grow faster than our prepaid card issuance, so it could even be positive for us. But again, I do not have the number here to give you the exact number.

Also worth to say that we have credit cards as well. We do not have only prepaid cards; we have credit cards and we recently launched debit cards. So we have this full portfolio of cards, and prepaid is going to be one of these three cards that we have in our company.

Kaio Prato, UBS

Okay thank you very much.

Ricardo Dutra, co-Chief Executive Officer

Thank you Kaio.

OPERATOR

Our last question comes from Geoffrey Elliott, Autonomous.

Geoffrey Elliott, *Autonomous*

Hello, thank you very much for taking the question. Just in the context of the discussion on repricing, when we look at the advertised pricing that we can see for micro merchants on our website, it really does not look like nothing has changed at all; how does that fill into the discussion? What would it take for you to change those headlines advertised rates that we can see up on the web?

Ricardo Dutra, *co-Chief Executive Officer*

Well Geoffrey, you are right. As you can imagine we need to be, we need to have this price increase in a very cautious and smart way. We did not change the price in the website. It does not move the needle, because when you compare the 8 million clients that we have versus the website, the website means nothing, because people that come there is to need to receive the device in the next following day because we have very good logistics; but when you compare the TPV that the new cohorts will bring versus what we already have from the 8 million merchants, it is nothing.

So that is why we decided not to change there. It is important for us to keep being getting new clients, that is what I said earlier in this call, that the gross adds keep strong. So we always balance between the return we are going to have by increasing prices versus if we get less clients, or the amount of clients go down.

So that is why we did not change in the prices, and we are doing this in a very surgical way so say in our base, so that we do not have the impact in churn and we have the positive impact in our financials. But you are right, we did not change the prices in the website.

Éric Oliveira, *Head of Investor Relations and ESG*

And Geoffrey, remember that the online sales channel is just one of the many that we have, so since we did not change yet price in our website, it is just one of the changes okay? So make sure that, thank you.

Geoffrey Elliott, *Autonomous*

Understood, thank you.

OPERATOR

This concludes today's question-and-answer session. I would now like to invite PagBank PagSeguro for its closing statements.



Ricardo Dutra, *co-Chief Executive Officer*

Hi everyone. Thank you very much for your time, for the questions, looking forward to meeting you in person and for those we do not see we can talk next call, thank you very much.

OPERATOR

That does conclude PagBank PagSeguro audio conference for today. Have a great night, thank you.