PagSeguro Digital Ltd. (NYSE: PAGS)

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Transcript

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Earnings Call Transcript | Q4 2024 Results

Operator: Good evening! My name is Audir, and I will be your conference operator today. Welcome to PagSeguro Digital earnings call for the fourth quarter 2024. 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.

Finally, be advised that all participants will be in listen-only mode. After the presentation, to ask a live question 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. Please ask all your questions at once. Alternatively, you can also write your question directly into the Q&A icon on the lower part of your screen. Today's conference is being recorded and will be available on the company's IR website after the event is concluded. I would now like to turn the call over to Gustavo Sechin, Head of IR, please go ahead.

Gustavo Sechin: Hi everyone. I'm Gustavo Sechin, Head of Investor Relations of PagBank. I would like to welcome and thank you for joining us for our fourth quarter 2024 earnings call. Tonight, I am accompanied by Ricardo Dutra, our Principal Executive Officer, Alexandre Magnani, our CEO and Artur Schunck, our CFO. With that, I would like to turn it over to Dutra, who will begin today's presentation. Please, Dutra.

Slide 04: **Ricardo Dutra:** Hello everyone and thanks for joining our fourth quarter 2024 earnings call. I begin with slide 4, where we present our key operational and financial highlights.

PagBank had another year with all-time high performance, combining growth with profitability. We ended the year with **33.2 million** clients, growing 2,1 million year-over-year. The financial performance can be summarized as a robust growth in top line, meaning TPV and Revenues, and even more accelerated growth in bottom-line, meaning net income and earnings per share.

As we can see in the highlighted area on the left side of the slide, our Payments TPV, reached a record of **518 billion** reais, an impressive 32% growth year-over-year, which we will give more color in the next section of our presentation.

Our Net Revenues increased +18% year-over-year, reaching **18.8 billion** reais. Net Income was an all-time high 2.3 billion reais, a 28% growth compared to 2023 with a diluted EPS on a GAAP basis reaching **R$ 6.62** growing 30% vs previous year, which reinforces our commitment to continuously create shareholder value.

On the right side of the slide, our credit portfolio and funding are experiencing rapid year-over-year growth, further solidifying our financial strength and market position, and the solid operational and financial performances delivered boosted our ROAE to 15.2%, a 198 basis points increase year over year, despite our conservative capital structure.

Our current quarter and year performance underscores our ability to create value and deliver robust results. We stand out as one of the very few companies in our segment that has consistently growing and achieving positive results every single quarter since our IPO. This remarkable track record has been maintained despite the changes in industry dynamics and economic cycles.

Slide 05: Moving to slide 5, we take a quick look on how we are able to deliver steady long-term growth despite a challenging macro environment.

If we take a couple of steps back, we will remember that in the beginning of 2024 market estimates projected a year-end SELIC rate around 9% or below with a somewhat stable FX and inflation within the range determined by the Brazilian Central Bank. We ended-up having SELIC more than 300 basis points higher than the base case, on top of changes in other assumptions. Still, we were able to deliver our strongest results ever, due to the initiatives we have deployed throughout the year.

Main initiatives were focused on first, increasing revenues, as we have successfully explored new growth verticals and advanced on repricing our products on banking and acquiring segments; second, improve shareholder value, and here the highlight is the execution of more than 50% of our current buyback program of USD 200M launched in August/2024; and third, on the liability side, our focus on adjusting our cost structure, aimed mainly at financial cost efficiency and operating leverage.

2024 is a good and real example of our ability to adapt and perform. Despite macro uncertainties and external headwinds, we were able to outperform our guidance and balance growth and profitability. For 2025 the playbook remains the same as we intend to further explore those initiatives to navigate this next year challenges.

Now, I'll hand it over to Alex for the quarterly highlights on the business units. Thank you!

Alexandre Magnani: Thank you, Ricardo! Hello, everyone.

Slide 06: In this section, we'll break down the performance of our business units for the fourth quarter of 2024. But before we start our delving deep into the quarterly results, it is important to outline our strategy and how we do what we do.

Slide 07: On slide 7, you can see that our disciplined strategy execution is key to achieve the results we have been delivered. This strategy is built from our purpose, which is to facilitate the financial lives of businesses and individuals and aligned with our strengths and DNA as reflected in our strategic goals.

Slide 08: On the next slide, we bring a recap on how we build our company for the long term. We offer a fully integrated ecosystem combining Payments and Banking with a complete set products and features that provides unique experience to our customers. We have been able to increase client transnationality and monetization by capturing larger share of wallet and customer principality.

Slide 09: Moving on to the next slide, we reached **33.2 million** clients in 2024, adding **2.1 million** clients in the last 12 months. We ended the quarter serving **17.8 million** Active Clients, led by the strong growth in the Banking business, especially among individuals, backed by a robust banking platform and product offering. We were also successful in retaining our active clients base due to our solid value proposition. As seen in previous quarters, the overall reduction in Active Merchants comes mainly from the nano merchants reduction. It is crucial to note that SMB Active Merchants base increased 11% YoY.

Slide 10: Now let's take a closer look at Payments on Slide 10. Here we show that our merchant acquiring business keeps growing faster than the industry, with solid growth registered in all segments. TPV reached **146 billion** reais in Q4-24, growing +28% year-over-year, with TPV per merchant growing +33% on a yearly basis.

We experienced substantial growth in all segments, attributable to our relentless focus on growth and profitability. Due to the current interest rate hiking cycle in Brazil, we have implemented a strategic repricing approach since early 4Q24 in addition to our focus on merchants with higher cross-selling potential. We believe the early start on executing the repricing was key to partially mitigate the impacts from higher interest rate and also contributed to manage the impact on our product mix. PIX has also contributed to increased penetration and accretive gross profit.

Looking further by segments, MSMB TPV grew **+21%** year-over-year, reaching **96 billion** reais in the fourth quarter of 2024. This expansion of our core segment in mainly due to the increased productivity in our HUBs.

In the LMEC segment, comprising Large Retail Merchants, e-Commerce, and Cross-border clients, we recorded a **+45%** TPV growth compared to Q4-23, reaching **50 billion** reais in volume. This growth was exceptionally strong in cards-not-present transactions, allowing us to expand our market presence beyond POS. In addition, PAGS International has been an important growth vertical, focusing on profitable digital goods segments and payout opportunities through PagBank accounts.

Slide 11: Moving on to the Banking business, on slide 11, our strategy to deliver a seamless experience by integrating payments, banking and value-added services across multiple interfaces significantly enhanced our customer engagement. As a result, we reached **93 billion** reais in PagBank Cash-in, composed by PIX P2P, wire transfers and boletos/invoice collections into PagBank accounts. Cash-in per Active Client, an important indicator of our client engagement, grew **+35%** year-over-year, reaching **5.4 thousand** reais per client.

The evolution of our engagement metrics is shown on the bottom-left graph, which demonstrates the increasing usage of our app, as seen by the success in fostering transactionality through bill payment and pix, and the penetration of our Investments and Insurances products across our customer base.

Slide 12: On slide 12, we show our strong deposits performance and cost of funding reduction.

Total deposits were up **+31%**, reaching **36.1 billion** reais. This increase occurs despite the ongoing initiatives to reduce cost of funding.

In the current interest rate environment, minimizing funding costs becomes paramount to secure profitability. The APY for Total Deposits decreased by **400 basis points** compared to Q4-23, as a result of our strategic efforts to lower the average cost of funding such as adjusting the remuneration and duration of our deposits, as well as diversifying our funding sources. APY for checking accounts reflects those efforts, reaching **47%** of the CDI this quarter, which has helped reduce our total cost of deposits to **90%** of CDI.

Our deposits are primarily utilized to fund prepayments to merchants and our loan book. As of December, our Loan to Total Funding ratio, which measures our Total Funding against our Expanded Credit Portfolio, stood at **113%**. This represents a decrease compared to last year, attributed to the significant operational TPV growth in our acquiring business.

Slide 13: On slide 13, we highlight that our credit portfolio has been growing steadily despite the current scenario. This quarter, our total Credit Portfolio reached **3.4 billion** reais, a **36%** year-over-year increase, led by the origination of secured products, which represents **85%** of our book loan. We have been able to expand our portfolio gradually and in a sustainable way, focusing on low-risk products. These products promote financial inclusion, education, and provide important financing lines to our clients.

When we consider the financial operations related to prepayment to merchants, facilitated by our instant settlement feature on the acquiring side, our expanded credit portfolio exceeds **48 billion** reais, a **46%** increase over the past 12 months.

Our NPL90, on the bottom right of the slide, demonstrates the improvements on our asset quality in the last 12 months, moving from 3.2% to **2.3%** in the period, which is significantly below the market average.

Now, I turn over to Artur for the financial highlights of the fourth quarter of 2024. Artur, please.

Artur Schunck: Thanks, Alexandre! Hello everyone. Thank you so much for taking the time to join us today. From now on, I will present our consolidated financial results for the fourth quarter of 2024.

Slide 15: Moving on to slide 15, Q4-24 Total Revenue and Income achieved **5.1 billion** reais, representing a growth of **18%** year-over-year, driven by our strong performance in both segments, as shown by Alexandre. Consolidated Gross Profit Margin reached **38%** of Total Revenue, influenced by shifts in our client and product mix, as well as higher interest rates during the quarter.

Looking at the graphs on the right side, Payments' Revenue reached **4.6 billion** reais, a **14%** year-over-year growth, on the back of the strong TPV expansion in the period, resulting in an increased market share. Banking revenue set a record of **513 million** reais and grew **58%** year-over-year, mostly driven by interest income from the expansion of our credit portfolio, float from cash position, combined with service fees linked to our strategy of strengthening client engagement with higher profitability. Gross profit from our Banking segment reached **69%** of revenue, increasing for the fourth consecutive quarter.

Moving on to the next slide.

Slide 16: Here, we can see on a sequential basis how the evolution of Gross Profit is driven by an accretive expansion on the Payments segment. The increasing penetration in new growth avenues, such as Large Retail Merchants, on-line and products like PIX, affects client and product mix. The change in client and product mix was partially mitigated by the repricing strategy that we started to deploy in the beginning of Q4, which helped ease the impacts of the increasing financial cost due to higher interest rates.

On the right side of this slide, I would like to focus mainly on the results we are achieving in our banking business and its increasing contribution to our total Gross Profit. Banking is becoming more and more important to the Company, with an impressive 80% gross profit growth compared to 4Q23. As a percentage of Total Gross Profit, Banking segment grew from 11% in the previous year to 18% in Q4 2024, alongside increasing margins (now 69% versus 61% a year earlier). These figures are important as they demonstrate our resilience, ability to diversify revenue streams, and exploration of complementary products and services.

Slide 17: In the slide 17, we take a closer look to our costs and expenses.

Our financial discipline, which is always an important tool to balance growth and profitability, was paramount to achieve the current results. This quarter we can see again operating leverage in comparison to previous quarter.

On the cost side, **Transaction Costs** increased 19% from Q4-23, as a result of stronger TPV performance during the period. **Financial Costs** increased by 30%, also linked to the growth in TPV between periods that demanded larger volumes of prepayment. On top of that the cost was impacted by the hike of the Brazilian Basic Interest Rate, partially mitigated by funding initiatives to diversify sources and reduce interest paid. Decrease in **Total Losses** was driven by improved fraud prevention process.

Operating Expenses on a quarterly basis reduced to 16.1% of Total Revenue and Income with an increasing operating leverage of 74bps. This reflects our disciplined approach to cost management and the resulting efficiencies. On a sequential basis, we had lower investment on marketing and stable personnel expenses.

Finally, it is important to emphasize that tax efficiency initiatives are integral to our business strategy, and we continue to execute our plan for tax optimization.

Slide 18: Moving on to slide 18.

As demonstrated throughout the presentation, the fourth quarter marked a significant chapter in our growth trajectory, characterized by resilient operational and financial performance. We achieved a net income of **631 million** reais, on a non-GAAP basis, growing **+21%** vs. Q4-23 and culminating in a 28% increase for the full year 2024.

Earnings per share on a diluted GAAP basis reached **R$1.91** this last quarter, marking a **25%** year-over-year increase. On an annual basis, EPS reached R$ 6.62, representing a 30% growth compared to the previous year.

On the right side of the slide, I am pleased to present the improvement of 200 basis points in our annual Return on Average Equity, which increased to 15.2% from 13.2% as reported in Q4 2023. Despite a conservative capital structure, the Company has been successful in delivering consistent returns. On an annualized quarterly basis, our ROAE reached **16.5%**.

Regarding our share buyback program, we maintained consistent execution throughout Q4 2024. By year-end, we repurchased 784 million reais on common shares. As a result, we have now executed 50% of the current buyback program, which was launched in August. We remain committed to this strategy as a means of creating shareholder value.

Moving on to slide 19.

Slide 19: Let's have a quick overview on last year's guidance. Despite macroeconomic conditions and uncertainties, we were able to outperform the top of the range of expected results for 2024, as shown.

I would like to highlight our Net Income expansion of 28%, on a Non-GAAP basis, reaching an all-time high of 2.3 billion reais.

Slide 20: Moving on to the next slide, I bring our Guidance for 2025.

This year, in addition to Gross Profit and Capex references, we are providing EPS Guidance instead of Net Income, as this metric better captures the company's commitment to creating shareholder value. We expect to grow Gross Profit between 7% and 11% and deliver EPS growth in the range of 11% to 15%, as a result of our operational performance and the initiatives being implemented to mitigate macro uncertainties, especially the increase in interest rates. Capital Expenditure is expected to be between 2.2 billion reais and 2.4 billion reais.

Now, let me give the word back to Alexandre for the closing remarks.

Slide 22: **Alexandre Magnani:** Thank you, Artur.

Before we finish, let's turn to the next slide for our closing remarks

Overall, the results have reflected the successful execution of our strategy, which focuses on strengthening our presence in our core segment while diversifying our revenue streams beyond payments. The year of 2024 presented challenging macroeconomic conditions that tested our resilience and adaptability. Despite these hurdles, we have successfully navigated the complexities of the market, ensuring sustainable and consistent results. Our ability to thrive in such an environment underscores the robustness of our strategic approach and our commitment to delivering value to our stakeholders.

Once again, we have demonstrated the increased relevance of Banking within our overall business. This segment has achieved remarkable year-over-year revenue growth of 34%, signaling its increasing relevance. Even more impressive is the nearly 50% growth in gross profit, highlighting the segment's strong performance and profitability.

I should also emphasize our successful strategy in lowering our funding costs during this period to reduce financial costs, a feat made possible by our robust deposits franchise.

Finally, as mentioned earlier, this performance demonstrates our commitment to create shareholder value, one of our top priorities, as we delivered a robust and sustainable EPS growth of 30% with a Return on Average Equity close to 15.2% combined with a conservative but solid capital structure.

Now, let me give the word back to the operator and we will start the Q&A session. Thank you!

Q&A Session

Operator: Thank you for the presentation. We will now begin the Q&A section for investors and analysts. If you wish to ask a question, please press the "Raise hand" button. If your question has already been answered, you can leave the queue by clicking on "put hand down." There is also the possibility to ask your question through the Q&A icon at the bottom of the screen:

you may select the icon and type your question with your name and company. Written questions that are not addressed during the earnings call will be returned by the Investor Relations team. Wait, while we pool for questions.

Arnon Shirazi – Citi: Thank you for the opportunity. My question is related to your credit portfolio. We saw an increase on a yearly basis, but I would like to know if there's more appetite from your side to increase non-collateralized loans from now on. Or do you expect to keep the portfolio growing in payroll loans?

And also, my second question is related to the transaction activities revenue, which I believe decreased 8% year-over-year, while your TPV increased 28% for the same period, which suggests a lower take rate on overall. Should this be seen as impact from PIX or from the mix change? Thank you.

Ricardo Dutra: Arnon, thank you for the question. I will start with the credit portfolio question. As you said, we have been growing our portfolio in a very decent pace, 36% year-over-year, with NPLs going down. So it's a very healthy credit portfolio, growing and helping us in our bottom line in the banking business unit. But looking forward, our strategy here is to continue growing in secured loans faster than the market.

And for the clean products, or non-secured products, as you asked it, we have been originating some volumes quarter-after-quarter. It is growing quarter-after-quarter. It's still small, but we understand that's the appropriate pace for the products that we are offering, which are working capital and overdraft, for the market conditions that you have at this point.

So the idea is to keep growing the collateralized products faster than market and keep growing the non-collateralized in the pace that you think is appropriate for the current market scenario.

Regarding your question about TPV and the revenues, to be honest with you, we do not look at the net take rate or the take rate the way you are ask it. We are looking for the gross profit, because the Company has been changing so much in the past year or so, in the past quarters.

Just to remember, everyone, today, the gross profit of the Company, 18% of the gross profit is coming from the banking unit. So to look at the net take rate, it's a way that we think it's going to give us the wrong message here, or we will not manage the Company in an appropriate way.

So we look at the Company in a more gross profit basis. So that's why we are giving the guidance in gross profit. But regarding the question, we see some change in client mix, and we have seen PIX gaining a little bit of share. But the idea is to look at the gross profit.

Artur, would you like to complement?

Artur Schunck: It's important to mention to you that we have a reclassification from revenues. As we are talking about net revenue here, we had the reclassifications of taxes between transaction activities and financial income. Transaction activities reduced 8% year-over-year, as you mentioned. However, financial income increased 51%. So you should take a look on the total revenue for the Company that grew 18% year-over-year.

Beatriz Abreu – Goldman Sachs: Good evening. Thanks for the call and for taking my questions. I have 2 on my side. The first one is on your guidance. So you have guided for very strong EPS growth this year. I was just wondering if part of that is also because of the buyback program, or should we expect net income to grow at a similar amount? How much should we expect net income to grow this year?

And my second question is related to TPV growth. What kind of growth are you expecting for this year? I understand that you are not looking specifically at take rates, maximizing more for gross profit. But should we expect the transaction yield to continue falling because of mix changes? How should we think about that? Thank you.

Ricardo Dutra: Beatriz, good evening. Regarding the guidance, when we calculated the EPS for 2025 in the guidance, we are considering the same amount of shares that we had in December 31, 2024. So we are not considering buybacks here, regarding the EPS guidance here.

TPV, as we have been seeing in the past years and in the past quarters, we have been growing faster than the industry. If you consider our TPV only in cards, we are growing more than the industry, sometimes 50% faster than the industry. And if you consider the PIX QR code, we are growing even more. So we do not think that trend will change. We think this trend will continue in 2025.

And regarding the yields, we are not giving the guidance about this, but you can imagine that there is some mix change that's true, and the yield could be a little bit lower, but that's not something that we are looking for, to be honest.

The idea here is to look at the gross profit basis. The Company has been changing so much that sometimes you look at the yield for the acquiring, but the client is leaving the money in the franchise deposits with a very low yield, so it helps in our funding cost. As you could see, we grew 31% in our deposits franchise year-over-year, and the cost of funding decreasing from 94% CDI to 90%, 400 bps.

What we are trying to say here is that we look at the clients in a more complete way. There are some benefits that we cannot capture by looking only in the yield. So that's why we are guiding for the gross profit.

Beatriz Abreu – Goldman Sachs: Got it. That's very clear. Just a quick follow-up on TPV growth: do you have any estimates for industry growth this year?

Ricardo Dutra: ABECS, the association for cards in Brazil, they guided their expectation for 2025 is to grow between 9% and 11% in cards.

Antonio Ruette – Bank of America: Good evening. Thank you for your time, and congrats on the results. I have two questions on my side. So first, if you could break down a little bit more on the expansion of TPV. We have particularly the LMEC segment with very robust growth. So if you could please give some color in terms of e-commerce, cross-border and also large accounts, this would be great.

And also, I have a second one on repricing. You mentioned during your speech that you started to reprice in the last quarter, and I believe this is a key part of the guidance for 2025. So if you could please provide some preliminary feedback on how this is going, how successful are you on repricing? And how has churn behaved? This would be great. Thank you.

Ricardo Dutra: Thank you for the question, Ruette. I will start with the last one, regarding the repricing. Repricing here is a very dynamic process, and we always try to increase the pricing in a less sensitive way for our clients.

We do consider many variables depending on the sector that our client is working, the type of client we are talking about, whether they are a small clients or a little bit larger, if they have more installments or they do not have. So there are many clusters that we have here, and then we try to make the repricing in a way that is less sensitive for our clients.

We have been doing repricing. We did some repricing already in 2025, and we will keep doing it throughout the year if we think that's necessary. As you follow the economy in Brazil, it is expected for the next meeting of Central Bank that people estimate the interest rate will increase 100 bps. So it might be necessary for us to reprice some of our clients, and we will keep doing it throughout the year.

So we have been doing that in 2024, we already did some repricing in 2025, and if necessary, we will keep repricing. So it's a very dynamic process. We do not reprice all the clients at the same time. We are doing different waves, different clusters and, if necessary, we will keep doing this repricing.

About the LMEC, I will start, and then Alexandre can just complement. LMEC grew 45% compared to 4Q23, faster than other segments. We have been seeing in 2025, the same trend for January, but in the other segments, the gap between LMEC and other segments are smaller than what we have seen on slide 10. So we do expect LMEC to grow a little bit faster than the other segments.

But remember that in LMEC, we do have e-commerce, which is a very profitable payments business, because you have online, and in online you have more risk and then you can charge more. But going straight to your question, LMEC is growing faster than MSMB, yes.

Alexandre Magnani: Just to complement, it's part of our strategy. And now, the investment we have done in the last few years to boost our online payments platform in cross-border payments and also online domestic payments.

Ricardo Dutra: And pretty quickly, just to complement again, what we are trying to say here, we drive the Company to improve our profitability. That's the end goal. TPV per se, of course, it is important, but it's not in our strategic goals. TPV growth is kind of the consequence we are doing.

We are going to serve the clients. We are going to offer the client our payments with digital banking. We are going to offer a high-yield CD and then TPV is going to be a consequence. We are not looking for TPV. We are not looking for market share in acquiring. We are very rational in pricing, and we are driving the Company to profitability.

Antonio Ruette – Bank of America: On the TPV growth, that was the question actually. I just wanted some color on how is this segment within LMEC performing? So what has been the driver here? Is it e-commerce? Is it cross-border? Is it large accounts? So that's a follow-up on the LMEC one.

And if I may follow up on the other question on repricing as well, have you seen peers repricing as well? So other independent and also acquirers controlled by banks? That's pretty much it. Thank you.

Alexandre Magnani: Regarding to LMEC, the segment consists of e-commerce, domestic e-commerce, cross-border, which is also e-commerce, and integrated business partner that we have partners for software automation and so on that integrate their solutions into our smart devices. In terms of growth, the cross-border has been growing faster than the other segments.

Ricardo Dutra: In repricing, Antonio, we are seeing some other players doing repricing as well. As I used to say here, the cost of funding, or the basic interest rate of the economy is the raw material for everyone, because at the end of the day, everyone has this cost, and if the cost goes up, everyone should reprice, or should rethink their economics. So we do see some players increasing prices as well.

Ricardo Buchpiguel – BTG: Thank you for the opportunity of making questions. I also have 2 here on my side. First of all, we see that you currently have a BIS ratio of nearly 28%, which is very high. So if you could please talk about a little bit, on a capital allocation standpoint, where should we expect this excess capital to be invested over the years? And what's a feasible capitalization ratio we should expect as a target that you have? And also related to that, when would it be like the right moment for us to see an acceleration on the credit card working capital portfolio, which would improve ROE would also use this excess capital?

And my second question, now related also to the matter of repricing, I wanted to understand how much of the boost in gross profit would come primarily from the repricing of prepayments and how much would be related to lower cost of funding on deposits. So if you could talk about how important this gross profit guidance that you have considers the lower cost of funding on deposits, it would also be very nice. Thank you.

Ricardo Dutra: I will start with the last one. To be honest, I do not even have here the information about these two different parts of the P&L, when you think about the repricing and the reducing cost of funding. But we are not giving this type of disclosure at this time. Of course, the P&L of a company like ours, with the size that we have and the scale that we have, it is very dynamic. There are many puts and takes. And, of course, we will try to have the lower cost of funding possible that we may have throughout the year, and we will do the repricing in the smartest way that we can do in a way that we do not lose clients, and we do not have churn.

So it's going to be a mix of these movements, and of course, the repricing could impact MDRs, could impact prepayment, the cost of funding may be impacted by the lower yields that we may offering our CDs and so on. So it's very dynamic, and I do not even have this type of information to give to you at this point.

And Artur will talk about the capital allocation.

Artur Schunck: Ricardo, when we talk about capital allocation, we are always assessing the capital structure that we have, managing to find the best balance for the Company, not only in the current moment that we have today, but also in our long term, considering future opportunities. As you also mentioned, credit could be a good opportunity to grow in the future. Every time we are looking ahead in terms of a long, long-term view for the Company and generate shareholders' value.

You also mentioned that we achieved 28% of BIS Index moving from 33%. So I think we did a very good job in 2024, reducing the BIS Index that we have, growing the top line 18%, earnings per share, 30%. And on top of that, in a record of buybacks. At this moment, when we see that the valuation of the Company is pretty low, we prefer to use buybacks instead of dividends or the other type of capital allocation after the allocation in our organic growth related to the CAPEX for technology and purchase of POS.

We believe that a strong balance sheet is essential for navigating in a challenging moment as we are seeing right now in the Company when Selic is going up, inflation is going up. So we have more volatility in the market. And it's important to mention that we do not have excess of cash. We have excess of capital, 28% of BIS Index show it for us. And if I need to buy back more or dividends, et cetera, I need to go to the Bank, or go to the market, fund the Company and then return this capital to shareholders. In a moment of uncertainties, we prefer to manage our cash flow in a more cautious way as we did in other moments like the pandemic and when the Selic moved up in other times, and that's the most important to us. Manage the cash flow for the Company and guarantee that we have a good performance in the long term.

Ricardo Buchpiguel – BTG: That's very clear. And just another question that I have is that you mentioned that last year, you invested a lot to improve your growth capabilities, your teams, your products. So I wanted to understand what we should expect for OPEX this year after those investments were made. Thank you.

Artur Schunck: Very good question. Thanks for the opportunity to explain that. It's true. We started to invest in sales force, our platform, more marketing investments since 4Q23. We accelerated that in 1Q and 2Q24, and on that moment, we said that now we should expect operating leverage. We did that in 3Q. We did that in 4Q, and we are expecting to continue to having leverage on our OPEX in 2025 because we understood that all the investments that we need to support the growth of the Company is done.

William Barranjard – Itaú BBA: Thank you for the opportunity. My question is also regarding on cost of funding and how this could impact your guidance. So if you could go through the levers you are thinking about this year in which you could manage to decrease even further this 90% of CDI, what are your expectations, your goals for this year? And how can this help also improve your gross profit?

Ricardo Dutra: William, thank you for the question. We are not giving this disclosure, this information about the cost of funding that we expect to have in 2025. But looking at our guidance on slide 20, you can see that we expect Selic by year-end as of 15%, and that's the scenario we are running our business plan for 2025, and that's what we consider as the Selic for year-end. And from there, we manage the cost of funding.

Regarding the levers, although I have not disclosed the numbers, I can give you the information about the levers. We can lower the yields that we offer in our CDs, we can take some actions here in such a way that we can decrease the cost of funding as a percentage of CDI. Of course, there is a limit for that, but there are some levers that we can manage here in order to decrease. So last year, we made some changes in the yields and part of this change helped us to go from 94% CDI to 90% CDI. And at the same time, the deposits franchise grew 31%. So it was a very successful movement. Our deposit franchise keeps growing very, very strong and the cost of funding is going down.

So that's part of our job here every day, to look for efficiency, to look for better conditions for the Company, lower cost, lower cost of funding. But the information I can give you right now, it is in the guidance that by year-end, we expect Selic to be 15%.

Artur Schunck: And on top of that, we diversified a lot of our funding sources in 2024. That today helps us in better negotiations with the market, trying to mitigate additional impacts, or even control the costs that we have.

Renato Meloni – Autonomous Research: Thank you for taking my question, and congrats on the year. So first, it's on credit. A lot of peers have been talking about the opportunity on private payroll. So given the focus on collateralized loans that you have, I wonder if you are seeing this as an opportunity for the year. And what will be the strategy here?

And second, it's just a quick follow-up on the repricing strategy. I wonder if you can share the percentage of your clients that you have already repriced. So if we should still expect some tailwind from that. Thank you.

Ricardo Dutra: Renato, thank you for the question. Regarding the private payroll, the specifications, or the regulation is not public yet. What we are seeing so far about this new private payroll in Brazil, it's all ideas that have been discussed with the development. So once we have more clarity on how it's going to work with this private payroll, we can give more color. But definitely, we think it's going to be an opportunity because it's a credit with collateral. We do think that a digital experience will make the difference here. We have a lot of experience in CX and the way that we offer our app in such a way that clients can get a loan or can get some access to the money in a very frictionless process. So we do think it's going to be an opportunity, but we do not have all the details at this point.

Of course, the government has been giving some information to the market, but we do not have the final conditions, but we do think it's going to be an opportunity. And repricing, we are making repricing for the majority of our clients. Some of the clients, if they have the price that you have in the website, we are not increasing their prices, but the rest of the clients we have been repricing at some point.

So we do not give the disclosure about the clients. I do not know if someone here can have more information, but I would say that the majority of our clients have been repricing in the last 1 year or 1.5 year.

Renato Meloni – Autonomous Research: Perfect. And just a quick follow-up here on the payroll. You just sounded a bit skeptical that this will be rolled out in the short term. I wonder if I am hearing that right.

Ricardo Dutra: The government has been discussing. Again, it's not official, but one of the goals was to launch in the 1H25. We saw some information about the May 1, some of the news that we have read this week could be earlier than that. But what I am trying to say here, we do not have the final regulation, the way it's going to work, the process and so on.

But definitely, we see it as an opportunity because it's a credit with collateral, where digital experience may have a difference. So it's very similar to what we have been doing in other collateralized products that we have in the portfolio already. But once we have more information, we will be able to give more color to the market.

Maria Guedes – Safra: Good evening. Thank you for taking my question. It's a follow-up on capital structure. You have already mentioned that you executed half of the buyback program, and I just wanted to confirm if the intention is to cancel those current treasury shares.

And also a follow-up, even though you mentioned the preference for holding capital at the current uncertain environment within the Company, if you were to conclude the current buyback program, if there is any intention in the Company to launch maybe a new buyback program, especially at an uncertain market condition, and maybe continue to execute the buyback in a timely manner. Thank you.

Artur Schunck: Thank you, Maria, for question. Regarding cancellation of shares, we are discussing it internally. At the end of the day, there is no economic benefit on doing that because all the earnings per share, dividends or other ways to measure economically for shareholders are based on outstanding shares. So the shares in our treasury are not used to do those calculations. We are talking about it, but there is no definition yet. As soon as we have any information related to that, we will communicate properly.

And in terms of the second question related to the program, we executed 50% of the program until now. We expect to continue doing that in a more opportunistic way going forward. And definitely, I think the Company is prepared to launch a new one when we conclude this program that is currently available.

Camila Azevedo – UBS: Thank you for taking my question. I would like to touch upon the bets business in Brazil. So could you please share how the environment is right now since January, with the new regulation in place? And what are the implications that we might see in terms of volumes and MDRs and revenues going forward? Thank you.

Ricardo Dutra: Camila, thank you for the question. Just before I answer your question about bets, just to make a clarification here, our share in card-not-present transactions is much, much lower than our market share. So we see room to grow in card-not-present transaction, meaning e-commerce and others.

Bets, it's a small part of this card-not-present transaction that we have in our base, and we do not see any material change since the beginning of January because we are always working with the companies that, although they were not regulated, they were serious companies, they were companies that have some reputation and so on.

So the companies that we have been working since 2024, they got the license to keep working in Brazil. So we do not see any material change. And again, this is a part of the card-not-present transaction, that is a small part of our total TPV. So if we had an impact, it would be very marginal. So the idea here is to stick with the guidance, and in the guidance, we already have all these variables considered there. But again, it's marginal and it's a very small business.

Alexandre Magnani: And also, through the regulation, as we have other strong players that will be regulated in the market, it's also an opportunity for us to keep growing this business segment.

Operator: Thank you very much. That's all the questions we have for today. I will now pass the line back to Alex Magnani, PagSeguro Digital's CEO, for his closing remarks. Go ahead, sir.

Alexandre Magnani: Thank you, everyone, for participating in our call. We look forward to see you in the next quarterly call. Thank you.

Operator: This does conclude PagSeguro Digital's conference call. We thank you for your participation, and wish you a very good evening.