



PagSeguro First Quarter Results



PagSeguro Reports First Quarter Results

1Q21 Consolidated TPV¹ up 101.6% compared to 1Q20;
1Q21 Total Revenue and Income up 30.2% compared to 1Q20.

São Paulo, June 2, 2021 – PagSeguro Digital Ltd. (“PagSeguro” or “we”) announced today its first quarter results for the period ended March 31, 2021. The consolidated financial statements are presented in Reais (R\$) and prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). On June 2, 2021, the Board of Directors created the position of Vice-Chairman and appointed exiting member Eduardo Alcaro to that role.

First Quarter 2021 Financial & Operational Highlights:

- Consolidated TPV¹ of **R\$81.4** billion in 1Q21, growing **101.6%**, compared to R\$40.4 billion in 1Q20:
- Acquiring TPV² of **R\$50.0** billion in 1Q21, up **58.0%** compared to R\$31.7 billion in 1Q20;
- PagBank TPV³ of **R\$31.4** billion in 1Q21, up **259.3%** compared to R\$8.7 billion in 1Q20;
- 7.3** million active merchants, an increase of **0.3** million in 1Q21 and **1.8** million in the last twelve months;
- 9.1** million active PagBank clients⁴, growth of **1.3** million in 1Q21 and **5.4** million in the last twelve months;
- R\$573.1** million in Adjusted EBITDA⁶, up **11.8%** compared to 1Q20;
- Total Revenue and Income of **R\$2,067.2** million, up **30.2%** in comparison to 1Q20;
- R\$327.1** million in non-GAAP Net Income, down **10.9%** in comparison to 1Q20; and
- R\$271.3** million in Net Income, down **24.0%** in comparison to 1Q20.

Main Operational and Financial Indicators (R\$ millions, except otherwise indicated)	At and for the Three Months Ended March 31,		Var. %
	2021	2020	
Consolidated TPV ¹	81,441.9	40,398.8	101.6%
Active Merchants (last 12 months) - (millions)	7.3	5.5	33.5%
Active PagBank clients ⁴ (last 12 months) - (millions)	9.1	3.7	143.5%
Total Net Revenue	2,067.2	1,587.3	30.2%
Net Income	271.3	356.9	(24.0)%
Net Margin (%)	13.1%	22.5%	(9.4) pp
Basic earnings per common share (EPS) ⁵ - (R\$)	0.8221	1.0841	
Diluted earnings per common share (EPS) ⁵ - (R\$)	0.8213	1.0806	

Non-GAAP Main Financial Indicators (R\$ millions, except otherwise indicated)	At and for the Three Months Ended March 31,		Var. %
	2021	2020	
Non-GAAP Total Net Revenue	2,067.2	1,587.3	30.2%
Non-GAAP Net Income	327.1	367.0	(10.9)%
Adjusted EBITDA ⁶	573.1	512.8	11.8%
Non-GAAP Net Margin (%)	15.8%	23.2%	(7.4) pp
Non-GAAP Basic earnings per common share (EPS) ⁵ - (R\$)	0.9912	1.1148	
Non-GAAP Diluted earnings per common share (EPS) ⁵ - (R\$)	0.9903	1.1112	

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures, see page 23 of this earnings release.

1. Consolidated TPV (“Total payment volume”): Acquiring TPV + PagBank TPV;

2. Acquiring TPV: means PagSeguro Brazil’s TPV, being the value of payments successfully processed through our end-to-end digital banking ecosystem, net of payment reversals, not including PagBank TPV;

3. PagBank TPV: Includes prepaid card top-ups, cash cards spending, credit cards, mobile top-ups, wire transfers to different people, cash-in through boletos, bill payments, tax collections, P2P transactions, QR Code transactions, loans, Super App and GMV;

4. PagBank active clients means active merchants using one additional digital account feature/service beyond acquiring and consumers with a balance in their digital account on the last day of the month;

5. Weighted average number of common shares of 330.0 million on March 31, 2021 and 329.0 million on March 31, 2020;

6. Adjusted EBITDA = Net income + Income tax and social contribution + Depreciation and amortization – Other Financial income + LTIP expenses.

I - Statement of Income

Non-GAAP disclosure

This press release includes certain non-GAAP measures. We present non-GAAP measures when we believe that the additional information is useful and meaningful to investors. These non-GAAP measures are provided to enhance investors' overall understanding of our current financial performance and its prospects for the future. Specifically, we believe the non-GAAP measures provide useful information to both management and investors by excluding certain expenses, gains and losses, as the case may be, that may not be indicative of our core operating results and business outlook.

These measures may be different from non-GAAP financial measures used by other companies. The presentation of this non-GAAP financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered separately from, or as a substitute for, our financial information prepared and presented in accordance with IFRS as issued by the IASB. Non-GAAP measures have limitations in that they do not reflect all the amounts associated with our results of operations as determined in accordance with IFRS. These measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures.

Non-GAAP results consist of our GAAP results as adjusted to exclude the following items:

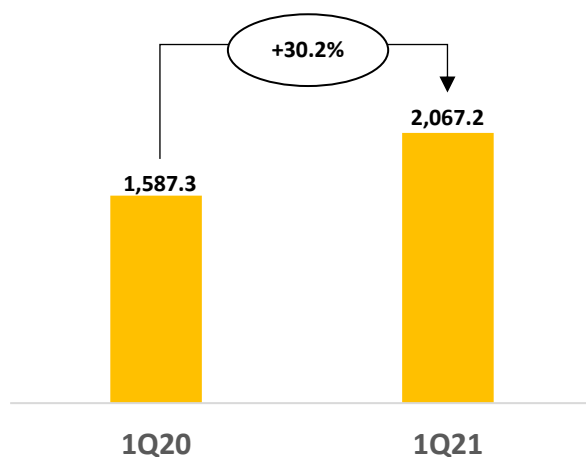
LTIP expenses: This consists of expenses for equity awards under our two long-term incentive plans (LTIP and LTIP-Goals). We exclude LTIP expenses from our non-GAAP measures primarily because they are non-cash expenses and the related employer payroll taxes depend on our stock price and the timing and size of exercises and vesting of equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business.

M&A expenses: This consists of expenses for mergers & acquisitions ("M&A") transactions, including, among others, expenses for external consulting, accounting and legal services in connection with due diligence and negotiating M&A documentation for our acquisitions, as well as amortization of the fair value of the acquired assets. We exclude M&A expenses from our non-GAAP measures primarily because such expenses are non-recurring and do not correlate to the operation of our business.

Income tax and social contribution on non-GAAP adjustment: This represents the income tax effect related to the non-GAAP adjustments mentioned above.

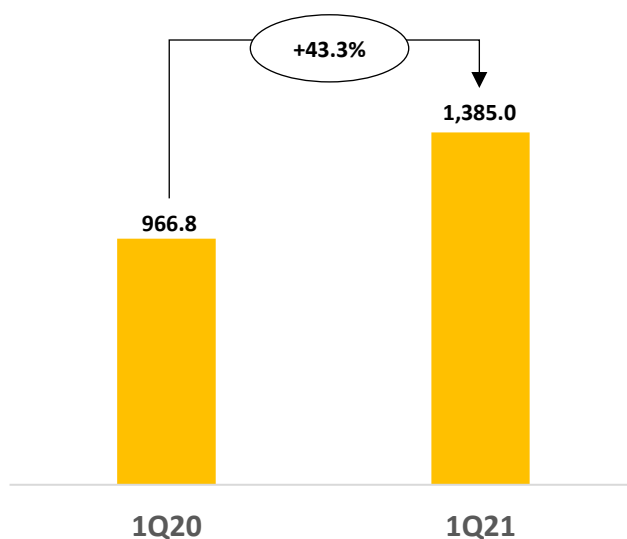
For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, see the tables elsewhere in this press release under the following headings: "Reconciliation of Total Expenses to non-GAAP Total Expenses," "Reconciliation of Income Tax and Social Contribution to non-GAAP Income Tax and Social Contribution," "Reconciliation of Net Income to non-GAAP Net Income," "Reconciliation of Net Income to Adjusted EBITDA", "Reconciliation of Basic and diluted EPS to non-GAAP Basic and diluted EPS," and "Reconciliation of GAAP Measures to non-GAAP Measures."

Total revenue and income



Total revenues and income reached R\$**2,067.2** million in the first quarter of 2021, an improvement of **30.2%** from R\$**1,587.3** million reported in the first quarter of 2020. The growth was mainly due to an increase in our Acquiring TPV and will be detailed in each revenue and income lines described below.

Revenue from transaction activities and other services



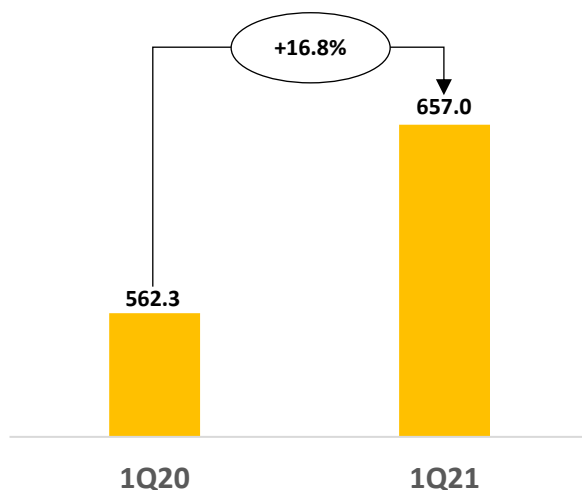
Revenues from transaction activities and other services in the 1Q21 amounted to R\$**1,385.0** million, an improvement of R\$**418.2** million, or **43.3%**, from R\$**966.8** million presented in the 1Q20, because of the factors described below:

Gross revenues from transaction activities and other services in the 1Q21 amounted to R\$**1,555.4** million, an improvement of R\$**469.6** million, or **43.3%**, from R\$**1,085.8** million recorded in the 1Q20. This increase was principally due to an increase of **33.5%** in our active merchant base and a growth of **58.0%** in our Acquiring TPV. In addition, in the first quarter of 2021, we recognized R\$**64.3** million in membership fees, an increase of R\$**49.2** million, from R\$**15.1** million presented in the 1Q20.

Gross revenues from transaction activities and other services during the first quarter of 2021 increased by a lower percentage than the growth of our Acquiring TPV, which increased to R\$**50.0** billion from R\$**31.7** billion reported in 1Q20. The difference in the growth rate is mainly due to new revenue initiatives, such as card issuance, loans, bill payments and mobile-top ups, among others.

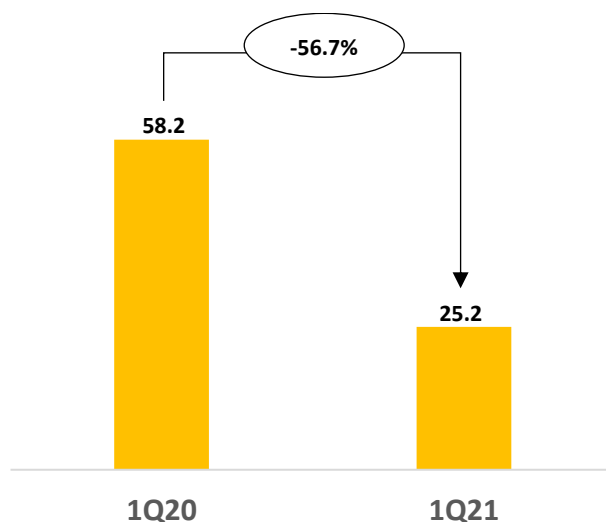
Deductions from gross revenues from transaction activities and other services, which consist principally of taxes, amounted to R\$**170.4** million in the first quarter or **11.0%** of Gross revenues from transaction activities and other services for the quarter. In the 1Q20, these deductions totaled R\$**119.0** million, and represented the same **11.0%** in relation to the Gross revenue from transaction activities and other services for the quarter. The R\$**51.9** million, or **41.9%**, increase in these deductions is directly related to our higher Acquiring TPV. Additionally, in 1Q21, R\$**6.0** million of these deductions corresponded to membership fee taxes, which corresponds to a growth of R\$**4.5** million from R\$**1.5** million recorded in the 1Q20.

Financial income



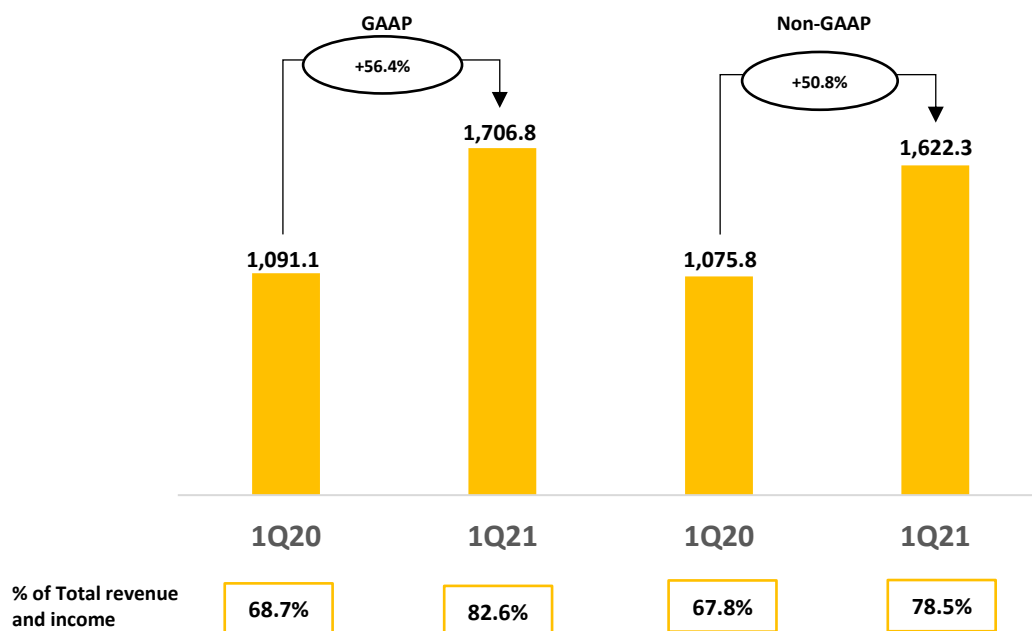
The quarterly Financial income, which represents the discount fees we withhold from credit card transactions in installments for the early payment of accounts receivable, attained R\$**657.0** million, an increase of R\$**94.7** million, or **16.8%**, from R\$**562.3** million presented in the 1Q20. The financial income growth was driven by a higher Acquiring TPV, on the one hand, and estimated present value of future cash flows, loss in the amount of R\$23,899 in the first quarter of 2021, a gain of R\$21,737 in the first quarter of 2020.

Other financial income



Other financial income reached R\$**25.2** million in the 1Q21, a decrease of R\$**33.0** million, or **56.7%**, from R\$**58.2** million in the 1Q20. This reduction was explained mainly by the decrease in the level of cash and cash equivalents plus financial investment and the effects of the lower Brazilian basic interest rate (SELIC) and losses in the US\$ dollar exchange rate variations.

Expenses



Total expenses amounted to R\$**1,706.8** million in the 1Q21, R\$**615.7** million higher, or **56.4%**, in comparison to the R\$**1,091.1** million presented in the 1Q20. As a percentage of our Total revenues and income, quarterly total expenses in the 1Q21 increased by **13.8** percentage points, to **82.6%** from **68.7%** reported in the 1Q20.

Non-GAAP total expenses amounted to R\$**1,622.3** million in the first quarter of 2021, an increase of R\$**546.5** million, or **50.8%**, from R\$**1,075.8** million recorded in the 1Q20. As a percentage of our Total

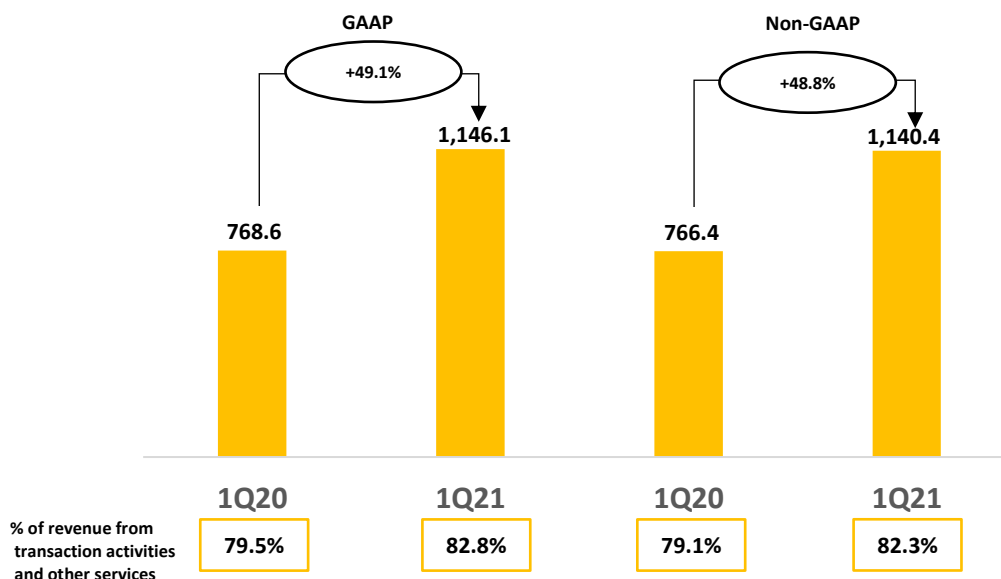
revenues and income, non-GAAP total expenses represented **78.5%** in the 1Q21, an increase of **10.7** percentage points when compared to the **67.8%** presented in the 1Q20.

Reconciliation of Total Expenses to non-GAAP Total Expenses (R\$ millions):	For the three months ended March 31, 2021	For the three months ended March 31, 2020	Var. %
Total Expenses	(1,706.8)	(1,091.1)	56.4%
(-) LTIP expenses [1]	79.7	15.3	420.5%
(-) M&A expenses [2]	4.9	-	100.0%
Non-GAAP Total Expenses	(1,622.3)	(1,075.8)	50.8%

[1] LTIP expenses: LTIP expenses consists of expenses for equity awards under our long-term incentive plan (LTIP and LTIP-Goals). We exclude LTIP expenses from our non-GAAP measures primarily because they are non-cash expenses and the related employer payroll taxes depend on our stock price and the timing and size of exercises and vesting of equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business. In the three months ended March 31, 2021 and 2020, the amounts of R\$79.7 million and R\$15.3 million, respectively, were mainly related to the recurrent quarterly provision, payroll taxes related to LTIP and LTIP-Goals, including the update of our stock price and appreciation of the US\$ dollar exchange rate and new shares issued to preexisting LTIP beneficiaries.

[2] M&A expense: This consists of expenses for M&A transactions, including, among others, expenses for external consulting, accounting and legal services in connection with due diligence and negotiating M&A documentation for our acquisitions and amortization of the fair value of the acquired assets in the three months ended March 31, 2021, amounting to R\$4.9 million. We exclude M&A expenses from our non-GAAP measures primarily because such expenses are non-recurring and do not correlate to the operation of our business.

Cost of services



Cost of services reached R\$1,146.1 million in the 1Q21, an increase of R\$377.5 million, or **49.1%**, from R\$768.6 million reported in the 1Q20. As a percentage of the total of our Revenues from transaction activities and other services, our Cost of services increased **3.3** percentage points, to **82.8%** in the 1Q21 from **79.5%** in the 1Q20, due to:

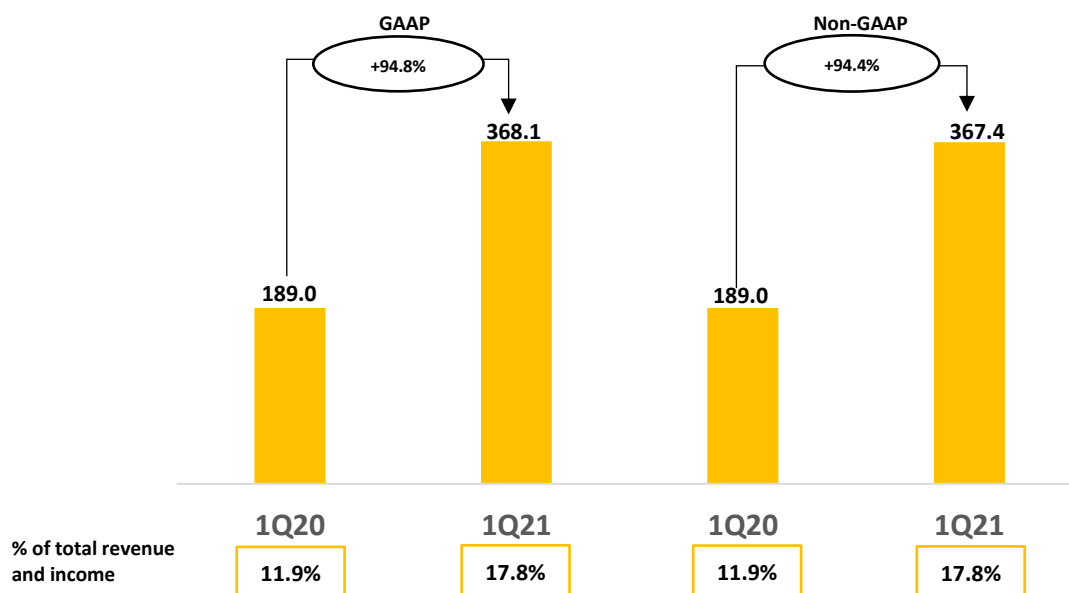
- Depreciation of the POS devices in the 1Q21 amounted to R\$95.7 million, an increase of R\$75.9 million, from R\$19.8 million presented in the 1Q20;
- Costs of maintenance of POS devices and freight in the 1Q21 reached R\$67.2 million, a growth of R\$35.2 million, from R\$32.0 million recorded in the 1Q20;

- iii) Interchange fees paid to card issuers in the first quarter of 2021, attained **R\$566.7** million, a rise of **R\$225.4** million, from **R\$341.3** million reported in first quarter of 2020;
- iv) Card scheme fees in the first quarter of 2021 totaled **R\$139.0** million, a hike of **R\$47.6** million, from **R\$91.4** million presented in the same period of 2020.

These increases in items (i) and (ii) refer to more POS acquisitions and shipping to clients. The increases in items (iii) and (iv) are mainly related to a higher Acquiring TPV and, consequently, to the increased revenues from transactions and other services.

In the first quarter of the year 2021, the non-GAAP Cost of services reached **R\$1,140.4** million (reflecting the exclusion of the LTIP adjustment of **R\$5.7** million in the quarter), an increase of **R\$374.0** million, or **48.8%**, from **R\$766.4** million reported in the 1Q20 (reflecting the exclusion of the LTIP adjustment of **R\$2.2** million in the 1Q20). As a percentage of the total of our Revenues from transaction activities and other services, our non-GAAP Cost of services increased **3.2** percentage points, to **82.3%** in the 1Q21 from **79.1%** in the 1Q20. For a reconciliation of non-GAAP cost of services to the GAAP cost of services, see page 23 of this earnings release.

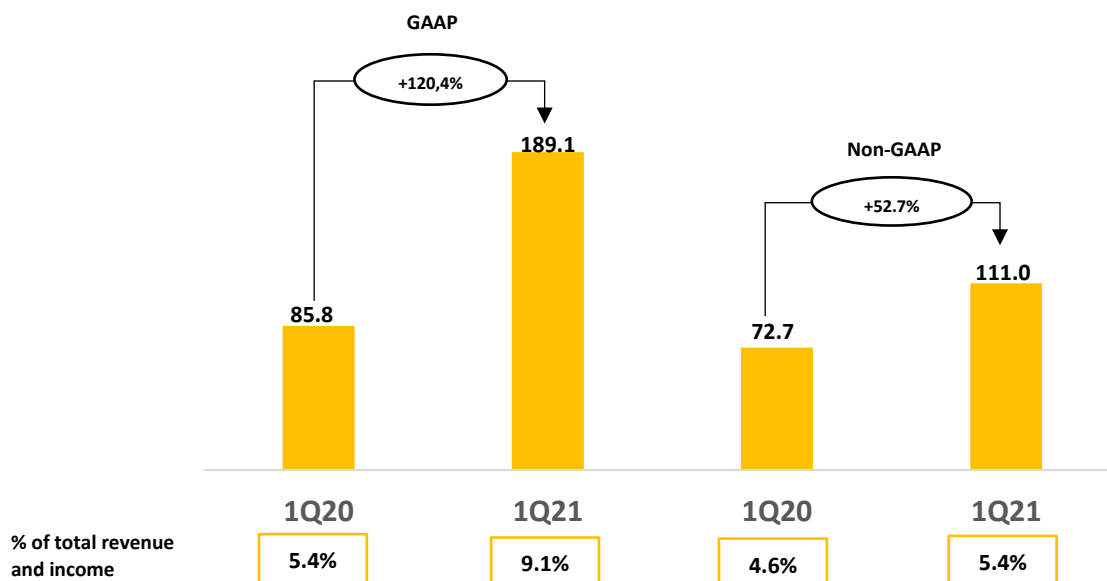
Selling expenses



Quarterly selling expenses amounted to **R\$368.1** million in the 1Q21, an increase of **R\$179.1** million, or **94.8%**, from **R\$189.0** million presented in 1Q20. As a percentage of our Total revenues and income, Selling expenses increased by **5.9** percentage points, to **17.8%**, in the 1Q21, from **11.9%** in 1Q20. This increase in Selling expenses as a percentage of Total revenue and income was mainly due to unexpected digital account losses, which attained **R\$73.4** million and Hubs' workforce expansion in this quarter.

For the first quarter of 2021, non-GAAP Selling expenses amounted to **R\$367.4** million (reflecting the exclusion of the LTIP adjustment of **R\$0.7** million in the quarter), an increase of **R\$178.4** million, or **94.4%**, from **R\$189.0** million reported in the same period of 2020. For a reconciliation of non-GAAP Selling expenses to Selling expenses, see page 23 of this earnings release.

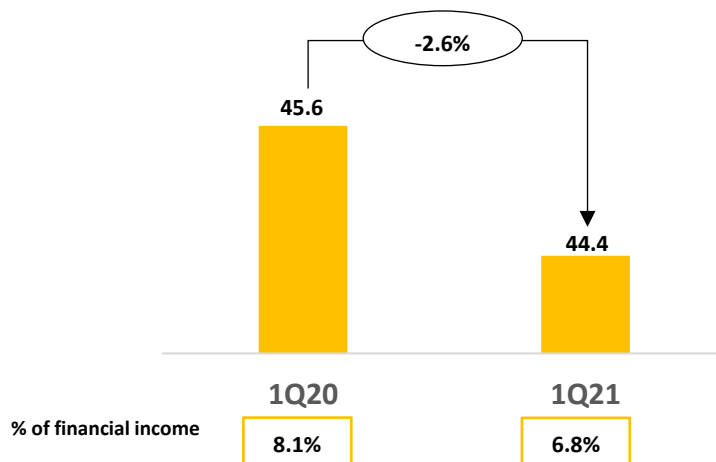
Administrative expenses



Administrative expenses reached R\$**189.1** million in the quarter, R\$**103.3** million higher, or **120.4%**, when compared to the R\$**85.8** million reported in the 1Q20. As a percentage of our Total revenues and income, the Administrative expenses rose by **3.7** percentage points, to **9.1%** in the quarter from **5.4%** in the 1Q20. This rise was mainly due to an increase in our share based long term incentive plan (LTIP) expenses in the amount of R\$**73.2** million in 1Q21, an increase of R\$**60.1** million, from R\$**13.1** million recorded in the 1Q20 and the higher expenses related to workforce.

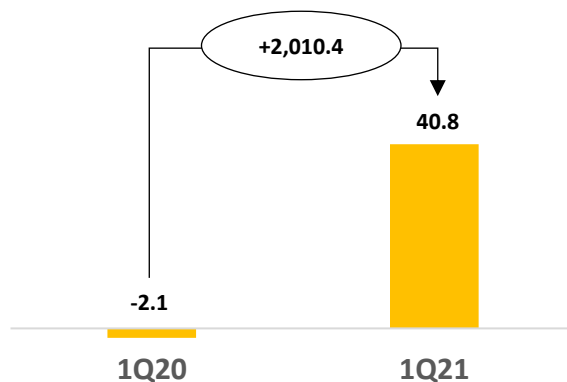
In the period ended March 31, 2021, non-GAAP Administrative expenses amounted to R\$**111.0** million, a growth of R\$**38.3** million, or **52.7%**, from R\$**72.7** presented in the 1Q20. These amounts exclude the LTIP adjustment of R\$**73.2** million in 1Q21 and R\$**13.1** in the 1Q20 and also exclude M&A expenses related to the amortization of fair value assets acquired in the amount of R\$**4.9** million in the 1Q21. As a percentage of Total revenues and income, non-GAAP Administrative expenses were **5.4%** in the first quarter of 2021, a rise of **0.8** percentage points compared to **4.6%** reported in the 1Q20. For a reconciliation of non-GAAP administrative expenses to GAAP Administrative expenses, see page 23 of this earnings release.

Financial expenses



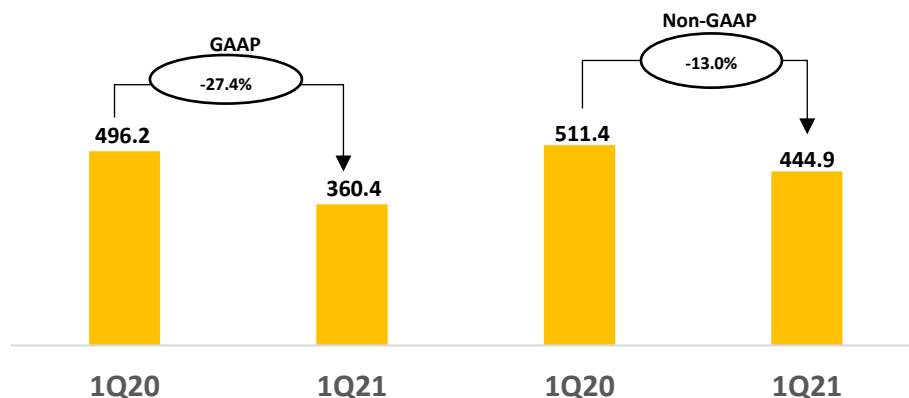
Quarterly Financial expenses summed R\$**44.4** million, in the 1Q21, a decrease of R\$**1.2** million, or **2.6%**, from expenses of R\$**45.6** million presented in the 1Q20. Expressed as a percentage of our Financial income, Financial expenses represented **6.8%** in the 1Q21 and **8.1%** in the 1Q20. This decrease in our Financial expenses expressed as a percentage of our Financial income was mainly driven by, on the one hand the lower volume of early payment of receivables from issuing banks and on the other hand the increase of interest rates on Certificates of Deposits.

Other income (expenses), net



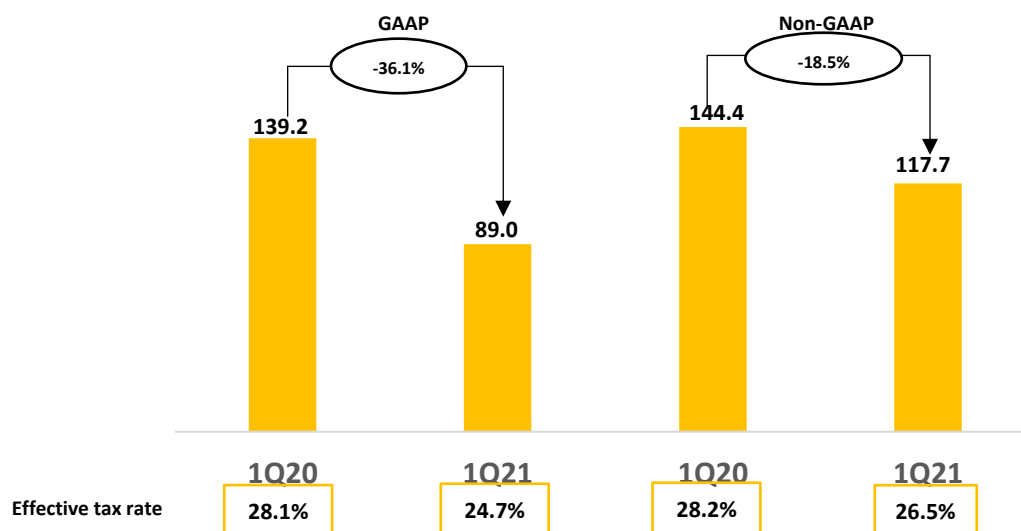
Other income (expenses), net recorded revenues of R\$**40.8** million in the 1Q21, an increase of R\$**42.9** million, or **2,010.4%**, from expenses of R\$**2.1** million reported in 1Q20. This increase in Other income (expenses) was mainly driven by the reversal of R\$**29.1** million in the Value-added Tax on Sales and Services (*ICMS*), based on the decision made by the Brazilian Supreme Court (*Supremo Tribunal Federal*) in March 2021 that benefited the Company.

Profit before income taxes



Profit before income taxes amounted to R\$**360.4** million in the first quarter of 2021, a decrease of R\$**135.8** million, or **27.4%**, from R\$**496.2** million reported in the same period of 2020. The non-GAAP Profit before income taxes amounted to R\$**444.9** million in the 1Q21, a reduction of R\$**66.6** million, or **13.0%** from R\$**511.4** million 1Q20. For a reconciliation of our non-GAAP Profit before income taxes to our Profit before income taxes, see page 23 of this earnings release.

Income tax and social contribution



Income tax and social contribution amounted to an expense of R\$**89.0** million in the 1Q21, a decrease of R\$**50.2** million, or **36.1%**, from an expense of R\$**139.2** million presented in the 1Q20. This item consists of current income tax and social contribution and deferred income tax and social contribution.

Our effective tax rate decreased by **3.4** percentage points to **24.7%** in the 1Q21 from **28.1%** in the 1Q20. In both periods, the difference between the effective income tax and social contribution rate and the rate computed by applying the Brazilian federal statutory rate was mainly related to the Technological Innovation Law (*Lei do Bem*), which reduces income tax charges based on investments made in innovation and technology, such as those made by PagSeguro Brazil, our Brazilian operating subsidiary.

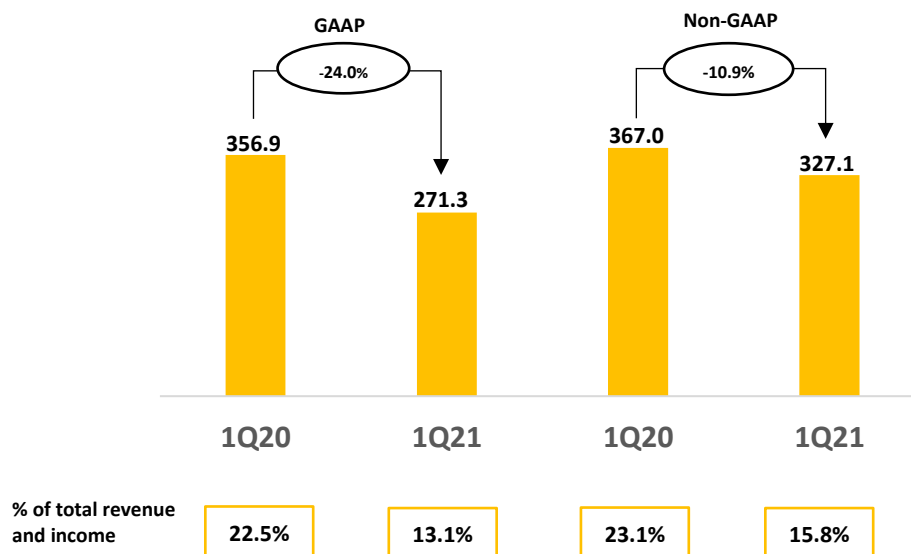
Non-GAAP Income tax and social contribution expense for the 1Q21 amounted to R\$117.7 million, a decrease of R\$26.7 million, or **18.5%**, from an expense of R\$144.4 million in the 1Q20.

The effective tax rate on our non-GAAP Income tax and social contribution decreased by **1.7** percentage points to **26.5%** in first quarter of 2021, from **28.2%** in the first quarter of 2020. The difference of **1.7** percentage points between the non-GAAP effective income tax and social contribution rate and the rate computed by applying the Brazilian federal statutory rate was the same explained above for our GAAP measures and the effect of non-GAAP adjustments.

Reconciliation of Income Tax and Social Contribution to Non-GAAP Income Tax and Social Contribution (R\$ million):	For the three months ended March 31, 2021	For the three months ended March 31, 2020	Var. %
Income tax and social contribution	(89.0)	(139.2)	(36.1)%
(-) Income tax and social contribution on Non-GAAP adjustments [1]	(28.7)	(5.2)	451.9%
Non-GAAP Income tax and social contribution	(117.7)	(144.4)	(18.5)%

[1] **Income tax and social contribution on non-GAAP adjustment:** the amounts of R\$28.7 million and R\$5.2 million, respectively, consist of income tax at the rate of 34% calculated on the non-GAAP adjustments.

Net income for the period



Net income for the period ended March 31, 2021, amounted to R\$271.3 million, a decrease of R\$85.7 million, or **24.0%**, from R\$356.9 million in the first quarter of 2020. As a percentage of our Total revenues and income, our Net income for the period decreased by **9.4** percentage points, to **13.1%**, in the 1Q21 when compared to **22.5%** in the 1Q20.

Non-GAAP Net income for the quarter amounted to R\$327.1 million, a decrease of R\$40.0 million, or **10.9%**, from R\$367.0 reported in the 1Q20, reflecting the sum of the non-GAAP adjustments described below.

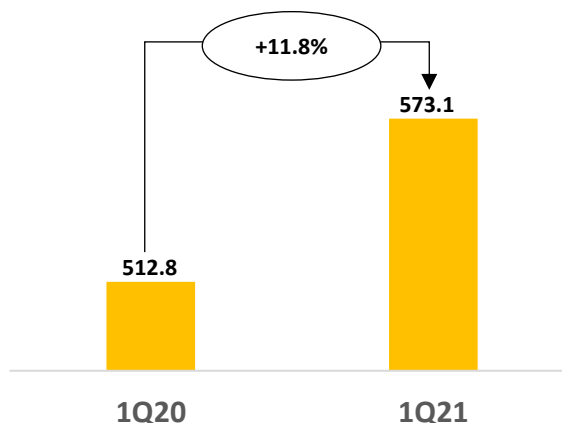
Reconciliation of Net Income to Non-GAAP Net Income (R\$ million):	For the three months ended March 31, 2021	For the three months ended March 31, 2020	Var. %
Net Income	271.3	356.9	(24.0)%
LTIP expenses [1]	79.7	15.3	420.5%
M&A expenses [2]	4.9	-	100%
Income tax on non-GAAP adjustments [3]	(28.7)	(5.2)	451.9%
Total non-GAAP net income adjustments	55.8	10.1	452.5%
Non-GAAP Net Income	327.1	367.0	(10.9)%

[1] LTIP expenses: LTIP expenses consists of expenses for equity awards under our long-term incentive plan (LTIP and LTIP-Goals). We exclude LTIP expenses from our non-GAAP measures primarily because they are non-cash expenses and the related employer payroll taxes depend on our stock price and the timing and size of exercises and vesting of equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business. In the three months ended March 31, 2021 and 2020, the amounts of R\$79.7 million and R\$15.3 million, respectively, were mainly related to the recurrent quarterly provision, payroll taxes related to LTIP and LTIP-Goals, including the update of our stock price and appreciation of the US\$ dollar exchange rate and new shares issued to preexisting LTIP beneficiaries.

[2] M&A expenses: This consists of expenses for M&A transactions, including, among others, expenses for external consulting, accounting and legal services in connection with due diligence and negotiating M&A documentation for our acquisitions and *amortization of the fair value of the acquired assets* in the three months ended March 31, 2021, amounting to R\$4.9 million. We exclude M&A expenses from our non-GAAP measures primarily because such expenses are non-recurring and do not correlate to the operation of our business.

[3] Income tax and social contribution on non-GAAP adjustment: In the three months ended March 31, 2021 and 2020, the amounts of R\$28.7 million and R\$5.2 million, respectively, consist of income tax at the rate of 34% calculated on the non-GAAP adjustments.

Adjusted EBITDA



Adjusted EBITDA is a non-GAAP measure. Our Adjusted EBITDA in the 1Q21 amounted to **R\$573.1** million, an increase of **R\$60.3** million, or **11.8%**, from **R\$512.8** million reported in the 1Q20, which is calculated using Net income and adding (i) income tax and social contribution and (ii) depreciation and amortization, minus (iii) other financial income and adding (iv) LTIP expenses. We are not considering the exclusion of M&A expenses in the amount of **R\$4.9** million in the 1Q21 because they are related to the amortization of fair value assets acquired and were already considered in Depreciation and amortization.

The increase is mainly related to depreciation and amortization, which in the first quarter of 2021 amounted to **R\$158.3** million, an increase of **R\$98.7** million, or **165.6%**, from **R\$59.6** million in the 1Q20, this increase was explained by the increase in our POS devices, in addition to the increase of LTIP compensation expenses incurred. Below the reconciliation from Net Income to Adjusted EBITDA.

Reconciliation of Net Income to Adjusted EBITDA (R\$ million):	At and for the three months ended March 31, 2021	At and for the three months ended March 31, 2020	Var. %
Net Income	271.3	356.9	(24.0)%
(+) Income tax and social contribution	89.0	139.2	(36.1)%
(+) Depreciation and amortization	158.3	59.6	165.6%
(-) Other Financial income	(25.2)	(58.2)	(56.6)%
(+) LTIP expenses [1]	79.7	15.3	420.9%
Adjusted EBITDA	573.1	512.8	11.8%

[1] LTIP expenses: Stock-based compensation expenses in the total amount of **R\$79.7** million (**R\$15.3** million in the three months ended March 31, 2020), consisting of expenses for equity awards under our LTIP. We exclude LTIP expenses from our non-GAAP measures primarily because they are non-cash expenses and the related employer payroll taxes depend on our stock price and the timing and size of exercises and vesting of the equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business.

II - Cash Flow

Cash and cash equivalents at the beginning of the three months ended March 31, 2021 amounted to **R\$1,640.1** million.

Profit before income taxes in the three months ended March 31, 2021 was **R\$360.4** million.

The adjustments for revenues, income and expenses recorded in the income statement in the three months ended March 31, 2021 but which did not affect our cash flows totaled the positive amount of **R\$398.9** million, mainly due to **R\$79.7** million of Share-based long-term incentive plan (LTIP) expenses, **R\$173.1** million in chargebacks, **R\$158.3** million of depreciation and amortization recorded in our income statement and **R\$29.1** million of reversal of taxes and contributions. LTIP expenses relate to equity awards under our LTIP, chargebacks refer to losses recognized during the period related to card processing operations (acquiring and issuing), losses on digital accounts and provision for delinquency rate of credit portfolio.

The adjustments for changes in operating assets and liabilities in the three months ended March 31, 2021 amounted to negative cash flow of **R\$866.7** million:

- Accounts receivable item, mainly related to receivables derived from transactions where we act as the financial intermediary in operations with the issuing banks, which is presented net of transaction costs and financial expenses we incur when we elect to receive early payment of the accounts receivable owed to us by card issuers, consists of the difference between the opening and closing balances of the Accounts receivable item of Current Assets and Non-current assets on our balance sheet (**R\$15,868.5** million at March 31, 2021 compared to **R\$16,076.5** million at year-end 2020) excluding interest income received in cash and Chargebacks, which are presented separately in the statement of cash flows. Accounts receivable represented negative cash flow of **R\$78.3** million in the three months ended March 31, 2021.
- Payables to third parties' item, which is presented net of revenue from transaction activities and financial income we receive when merchants elect to receive early payments, consists of the difference between the opening and closing balances of the Payables to third parties item of Current Liabilities on our balance sheet (**R\$8,747.6** million on March 31, 2021 compared to **R\$10,101.5** million at year-end 2020). Payables to third parties represented negative cash flow of **R\$1,363.4** million in the three months ended March 31, 2021.
- Receivables from (payables to) related parties item consists of the difference between the opening and closing balances of the Payables to related parties' item mainly with UOL of Current Liabilities on our balance sheet (**R\$79.7** million on March 31, 2021 compared to **R\$58.3** million at year-end 2020). Receivables from (payables to) related parties represented positive cash flow of **R\$21.3** million in the three months ended March 31, 2021.
- Salaries and social charges item consists of the amounts that were recorded on our statement of income, but which remained unpaid at the end of the period. This item represented negative cash flow of **R\$20.7** million in the three months ended March 31, 2021.
- Trade payables item consists of the difference between the opening and closing balances of the trade payables (**R\$305.7** million on March 31, 2021 compared to **R\$335.5** million at year-end 2020). Trade payables represented negative cash flow of **R\$29.8** million in the three months ended March 31, 2021.

- Taxes and contributions item consists of sales taxes (ISS, ICMS, PIS and COFINS). This item represented positive cash flow of **R\$25.8** million in the three months ended March 31, 2021.
- Financial investments (mandatory guarantee) item consists of the minimum amount that we need to maintain as required by the Brazilian Central Bank. This item represented a negative cash flow of **R\$20.6** million in the three months ended March 31, 2021.
- Taxes recoverable item consists of withholding taxes and recoverable taxes on transaction activities and other services and purchase of POS devices. This item represented positive cash flow of **R\$25.3** million in the three months ended March 31, 2021.
- Deposits item consists of issued certificates of deposit, excluding paid interest income paid to, which are presented separately in the statement of cash flows. This item represented a positive cash flow of **R\$672.9** million in the three months ended March 31, 2021.

We paid income tax and social contribution in cash totaling **R\$25.4** million and recorded positive cash flow of **R\$113.2** million related to interest income received in cash in the three months ended March 31, 2021.

As a result of the above, Net Cash used in operating activities in the three months ended March 31, 2021 totaled **R\$17.8** million.

Net cash used in investing activities in the three months ended March 31, 2021 totaled **R\$358.7** million. This amount consisted of **R\$149.0** million in purchases and development of intangible assets, which represent purchases of third-party software and salaries and other amounts that we paid to develop internally software and technology, which we capitalize as intangible assets, **R\$249.8** million in purchases of property and equipment, mainly related to POS device purchases and positive cash flow of **R\$40.1** million related to the redemption of financial investments.

Cash flows provided by financing activities in the three months ended March 31, 2021 totaled **R\$3.3** million, this amount refers to non-controlling activities and payment of leases.

After accounting for the total decrease in Cash and cash equivalents of **R\$379.8** million discussed above, our Cash and cash equivalents on March 31, 2021 amounted to **R\$1,260.3** million.

New Products Launched

In February 2021, we announced the launch of a new service enabling our clients to buy, hold and sell quotes of a cryptocurrency investment fund, distributed by PagInvest. Across the world, several investments are shifting to cryptocurrencies, offering a new payment method and a new asset class for investors to save, trade or pay using this option. Through PagInvest, the digital asset management platform available for PagBank clients, now millions of customers can invest in digital currencies through a new cryptocurrency investment fund, with an initial ticket of R\$500.

Additionally, PagBank also launched new investment funds, backed by incentivized debt issuances, corporate debt issuances, Brazilian treasury bonds and equities, offering a wide range of options to our clients.

In April, we announced the launch of PagPhone, which we believe is the first device in the world that is a smartphone, POS and digital bank. It is a new solution to fulfill different needs of Brazilians in just one product. PagPhone is a POS device with no rent needed that accepts debit and credit card, vouchers and Pix. It also includes NFC technology, allowing approximation payments. It works with Android 10 system, can make/receive calls and send messages, allows Wi-Fi and 4G connection, includes Camera Super Dual 13 megapixels, biometrics fingerprint, long-lasting battery and a phone charger. PagPhone also includes a two-year warranty, which we believe is the longest warranty in Brazil for smartphones with integrated payment system.

PagPhone includes PagBank, our complete bank. The PagBank super app is already installed at PagPhone and only takes 3 minutes for the user to create an account. With PagBank, everything can be done on the phone, such as unlimited free wire transfers for any financial institution, mobile phone top ups with 2% cashback, a free international card accepted for both online and offline stores, and pay for services and apps such as Uber, Spotify, Google Play among others. PagBank account also allows withdrawals in Banco24horas ATMs. Besides that, PagBank offers the feature “Radar de Ofertas” which finds discounts around the client’s region.



Earnings webcast

PagSeguro (NYSE: PAGS) will host a conference call and earnings webcast on June 2, 2021 at 5:00 pm ET.

Event Details

HD Web Phone: [Click here](#)

Dial-in (Brazil): +55 (11) 4210-1803 or +55 11 3181-8565.

Dial-in (US and other countries): +1 (412) 717-9627 or +1 (844) 204-8942

Password: PagSeguro PagBank

Webcast: <http://choruscall.websiteseuro.com/pagseguro/1q21.htm>

About PagSeguro:

PagSeguro Digital is a disruptive provider of financial technology solutions focused primarily on consumers, individual entrepreneurs, micro-merchants, small companies, and medium-sized companies in Brazil. Among its peers, PagSeguro Digital is the only financial technology provider in Brazil whose business model covers all the following five pillars:

- Multiple digital banking solutions
- In-person payments via point of sale (POS) devices that PagSeguro Digital provides to merchants
- Free digital accounts that PagSeguro Digital provides to its consumers and merchants with functionalities such as bill payments, top up prepaid mobile phone credit, wire transfers, peer to peer cash transfers, prepaid credit cards, cash cards, loans, investments, QR code payments, and payroll portability, among other digital banking services
- Issuer of prepaid, cash and credit cards
- Operate as a full acquirer

PagSeguro Digital is an UOL Group Company that provides an easy, safe and hassle-free way of owning a free PagBank digital account, which is similar to a regular checking account linked to the Brazilian Central Bank's platform, with the feature of accepting payments, where its clients can transact and manage their cash, without the need to open a regular bank account. PagSeguro Digital's end-to-end digital banking ecosystem enables its customers to accept a wide range of online and in-person payment methods, including credit cards, debit cards, meal voucher cards, boletos, bank transfers, bank debits and cash deposits.

PagSeguro Digital's mission is to disrupt and democratize financial services in Brazil, a concentrated, underpenetrated and high interest rate market, by providing an end-to-end digital banking ecosystem that is safe, affordable, simple and mobile-first for both merchants and consumers

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Forward-Looking Statements:

This press release includes “forward-looking statements” within the meaning of the U.S. federal securities laws. Statements contained herein that are not clearly historical in nature are forward-looking, and the words “anticipate,” “believe,” “continues,” “expect,” “estimate,” “intend,” “project” and similar expressions and future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “can,” “may,” or similar expressions are generally intended to identify forward-looking statements. We cannot guarantee that such statements will prove correct. These forward-looking statements speak only as of the date hereof and are based on our current plans, estimates of future events, expectations and trends (including trends related to the global and Brazilian economies and capital markets, as well as the continuing economic, financial, political and public health effects of the coronavirus, or the COVID-19, pandemic.) that affect or may affect our business, financial condition, results of operations, cash flow, liquidity, prospects and the trading price of our Class A common shares, and are subject to several known and unknown uncertainties and risks, many of which are beyond our control. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ significantly from those expressed in any forward-looking statements in this press release. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented. In light of the risks and uncertainties described above, the future events and circumstances discussed in this press release might not occur and are not guarantees of future performance. Because of these uncertainties, you should not make any investment decision based upon these estimates and forward-looking statements. To obtain further information on factors that may lead to results different from those forecast by us, please consult the reports we file with the U.S. Securities and Exchange Commission (SEC) and in particular the factors discussed under “Forward-Looking Statements” and “Risk Factors” in our annual report on Form 20-F.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME

	Three months ended March 31, 2021	Three months ended March 31, 2020	%
<i>(Amounts expressed in R\$ millions)</i>			
Revenue from transaction activities and other services	1,385.0	966.8	43.3%
Financial income	657.0	562.3	16.8%
Other financial income	25.2	58.2	(56.6%)
Total revenue and income	2,067.2	1,587.3	30.2%
Cost of services	(1,146.1)	(768.6)	49.1%
Selling expenses	(368.1)	(189.0)	94.7%
Administrative expenses	(189.1)	(85.8)	120.4%
Financial expenses	(44.4)	(45.6)	(2.6%)
Other income (expenses), net	40.8	(2.1)	(2010.4%)
PROFIT BEFORE INCOME TAXES	360.4	496.2	(27.4)%
Current income tax and social contribution	(20.0)	(3.8)	425.3%
Deferred income tax and social contribution result	(69.1)	(135.4)	(49.0%)
INCOME TAX AND SOCIAL CONTRIBUTION	(89.0)	(139.2)	(36.1)%
NET INCOME FOR THE PERIOD	271.3	356.9	(24.0)%

Reconciliation of Basic and diluted EPS to Non-GAAP Basic and diluted EPS

	Three months ended March 31, 2021	Three months ended March 31, 2020
<i>(Amounts expressed in R\$ thousands, except share quantities and amounts per share)</i>		
Net income attributable to:		
Owners of the Company	271,267	356,671
Non-controlling interests	60	243
Weighted average number of outstanding common shares	329,913,921	328,999,613
Weighted average number of common shares diluted	330,349,729	330,056,887
Basic earnings per common share - R\$	0.8221	1.0841
Diluted earnings per common share - R\$	0.8213	1.0806
Net income Non-GAAP	327,061	366,765
Weighted average number of outstanding common shares	329,913,921	328,999,613
Weighted average number of common shares diluted	330,349,729	330,056,887
Non-GAAP Basic earnings per common share - R\$	0.9912	1.1148
Non-GAAP Diluted earnings per common share - R\$	0.9903	1.1112

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	As of March 31, 2021	As of December 31, 2020
	<i>(Amounts expressed in R\$ thousands)</i>	
Cash and cash equivalents	1,260,278	1,640,065
Financial investments	965,112	979,837
Accounts receivable	15,824,050	16,042,970
Inventories	53,046	30,429
Taxes recoverable	383,231	388,975
Other receivables	157,546	164,805
Total current assets	18,643,263	19,247,081
Accounts receivable	44,451	33,570
Judicial deposits	37,699	7,449
Deferred income tax and social contribution	77,226	83,296
Prepaid expenses	9,326	10,293
Investment	16,400	16,400
Property and equipment	1,944,095	1,802,613
Intangible assets	1,204,039	1,123,620
Total non-current assets	3,333,236	3,077,241
TOTAL ASSETS	21,976,499	22,324,322
Payables to third parties	8,747,571	10,101,510
Trade payables	305,707	335,539
Payables to related parties	79,653	58,336
Deposits	1,157,905	571,996
Salaries and social charges	152,870	175,198
Taxes and contributions	30,450	26,042
Provision for contingencies	19,782	17,063
Deferred revenue	193,770	186,219
Other liabilities	26,430	102,572
Total current liabilities	10,714,138	11,574,475
Deferred income tax and social contribution	1,183,838	1,132,595
Deposits	288,876	194,090
Provision for contingencies	12,633	11,741
Deferred revenue	25,485	27,336
Other liabilities	71,233	56,626
Total non-current liabilities	1,582,065	1,422,388
Share capital	26	26
Treasury shares	(886)	(13,609)
Capital reserve	5,852,840	5,784,288
Retained earnings	3,837,789	3,566,522
Equity valuation adjustments	(22,372)	(22,372)
Other comprehensive income	726	491
	9,668,123	9,315,346
Non-controlling interests	12,173	12,113
Total equity	9,680,296	9,327,459
TOTAL LIABILITIES AND EQUITY	21,976,499	22,324,322

UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOWS STATEMENT

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	<i>(Amounts expressed in R\$ thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income taxes	360,352	496,154
Expenses (revenues) not affecting cash:		
Depreciation and amortization	158,302	59,593
Chargebacks	173,133	70,171
Accrual of provision for contingencies	5,357	4,384
Share based long term incentive plan (LTIP)	79,671	11,953
Reversal of taxes and contributions	(29,114)	-
Loss on disposal of property, equipment and intangible assets	4,645	-
Other (income) cost, net	8,841	(3,108)
Changes in operating assets and liabilities		
Accounts receivable	(78,300)	1,047,383
Financial investments (mandatory guarantee)	(20,592)	(120,787)
Inventories	(22,617)	(8,275)
Taxes recoverable	25,277	(18,137)
Other receivables	(21,985)	11,680
Deferred revenue	5,699	34,091
Other liabilities	(58,358)	7,902
Payables to third parties	(1,363,442)	(643,837)
Trade payables	(29,835)	21,602
Receivables from (payables to) related parties	21,318	13,580
Deposits	672,919	-
Salaries and social charges	(20,725)	(21,149)
Taxes and contributions	25,803	(4,764)
Provision for contingencies	(1,907)	(1,655)
	(105,559)	956,782
Income tax and social contribution paid	(25,418)	(2,190)
Interest income received	113,206	97,267
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(17,771)	1,051,859
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(249,847)	(231,938)
Purchases and development of intangible assets	(148,987)	(118,993)
Redemption of financial investments	40,144	983,160
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(358,690)	632,229
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of treasury shares	-	(44,775)
Payment of leases	(3,386)	-
Capital increase by non-controlling shareholders	60	(115)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(3,326)	(44,890)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(379,786)	1,639,198
Cash and cash equivalents at the beginning of the period	1,640,065	1,403,955
Cash and cash equivalents at the end of the period	1,260,278	3,043,153

RECONCILIATION OF GAAP MEASURES TO NON - GAAP MEASURES

	Three Months Ended March 31, 2021 <i>(Amounts expressed in R\$ millions, except amounts per share)</i>	Three Months Ended March 31, 2020 <i>(Amounts expressed in R\$ millions, except amounts per share)</i>
Total revenue and income	2,067.2	1,587.3
Non-GAAP total revenue and income	2,067.2	1,587.3
Total expenses	(1,706.9)	(1,091.1)
Less: Share-based long-term incentive plan (LTIP)	79.7	15.3
M&A expenses	4.9	-
Non-GAAP total expenses (1)	(1,622.4)	(1,075.8)
Profit before taxes	360.3	496.2
Plus: Total Non-GAAP adjustments	84.5	15.3
Non-GAAP profit before taxes (2)	444.8	511.5
Income tax and social contribution	(89.0)	(139.2)
Less: Income tax and social contribution on non-GAAP adjustments	(28.7)	(5.2)
Non-GAAP deferred income tax (3)	(117.7)	(144.4)
Net income	271.3	356.9
Plus: Total Non-GAAP adjustments	55.8	10.1
Non-GAAP net income (4)	327.1	367.0
Basic earnings per common share - R\$	0.8221	1.0841
Diluted earnings per common share - R\$	0.8213	1.0806
Non-GAAP basic earnings per common share - R\$ (5)	0.9912	1.1148
Non-GAAP diluted earnings per common share - R\$ (5)	0.9903	1.1112

Reconciliation of Net Income to Adjusted EBITDA (R\$ million):	At and for the three months ended March 31, 2021	At and for the three months ended March 31, 2020	Var.%
Net Income	271.3	356.9	(24.0)%
(+) Income tax and social contribution	89.0	139.2	(36.1)%
(+) Depreciation and amortization	158.3	59.6	165.6%
(-) Other Financial income	(25.2)	(58.2)	(56.6)%
(+) LTIP expenses	79.7	15.3	420.9%
Adjusted EBITDA	573.1	512.8	11.8%

- (1) Non-GAAP total expenses excludes: LTIP expenses in the total amount of R\$79.7 million (R\$15.3 million in the three months ended March 31, 2020), consisting of expenses for equity awards under our LTIP. We exclude LTIP expenses from our non-GAAP measures primarily because they are non-cash expenses and the related employer payroll taxes depend on our stock price and the timing and size of exercises and vesting of the equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business. The total of LTIP expenses adjustments is allocated between Cost of services, Selling expenses and Administrative expenses. Excluding the LTIP expenses adjustments, Cost of services in the amount of R\$1,146.1 million (R\$768.6 million in the three months ended March 31, 2020) is adjusted by R\$5.7 million (R\$2.2 million in the three months ended March 31, 2020) resulting in non-GAAP Cost of services of R\$1,140.4 million (R\$766.4 million in the three months ended March 31, 2020); Selling expenses in the amount of R\$368.1 million (R\$189.0 million in the three months ended March 31, 2020) is adjusted by R\$0.7 million, resulting in non-GAAP Selling expenses of R\$367.4 million (R\$189.0 million in the three months ended March 31, 2020); and Administrative Expenses in the amount of R\$189.1 million (R\$85.8 million in the three months ended March 31, 2020) is adjusted by R\$73.2 million (R\$13.1 million in the three months ended March 31, 2020) and is additionally adjusted by R\$ 4.9 million of M&A expenses resulting in non-GAAP Administrative expenses of R\$111.0 million (R\$72.7 million in the three months ended March 31, 2020).
- (2) Non-GAAP profit before income taxes reflects the adjustments described in footnote (1) above for LTIP expenses adjustments and M&A expenses.
- (3) Non-GAAP income tax and social contribution consists of income tax at the rate of 34% calculated on the non-GAAP adjustments described in footnote (1) above.
- (4) Non-GAAP net income reflects the sum of the adjustments described in footnotes (1) and (3) above.
- (5) Non-GAAP basic earnings per common share and non-GAAP diluted earnings per common share reflect the adjustments to non-GAAP net income, which is allocated in full to Equity holders of the parent.