1Q22 EARNINGS RESULTS

Webcast Transcript

Operator: Good evening! My name is Priscilla, and I will be your conference operator today. Welcome to PagBank PagSeguro' webcast results for the first quarter 2022. At this time, all lines have been placed on mute to prevent any background noise.

Should any participant need assistance during the call please press star zero to reach the operator. This event is also being broadcast live via webcast and may be accessed through PagBank PagSeguro's website at investors.pagseguro.com. Participants may view the slides in any order they wish. Today's conference is being recorded and will be available after the event is concluded.

I would now like to turn the call over to your host, **Eric Oliveira, Investor Relations and ESG Director**. Please, go ahead.

Eric Oliveira: Hi everyone. Thanks for joining our first quarter 2022 earnings call. Today, we have with us **Ricardo Dutra** and **Alexandre Magnani**, our **co-CEOs**, and **Artur Schunck**, our **CFO**. After the speakers' remarks, there will be a question-and-answer session.

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

Finally, I would like to remind you that during this conference call the company may discuss some non-GAAP measures, including those disclosed in the presentation. We present non-GAAP measures when we believe that the additional information is useful and meaningful to investors. 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. For more details, the foregoing non-GAAP measures, and the reconciliation of these non-GAAP financial measures to the most directly comparable IFRS measures, are presented in the last page of this webcast presentation and earnings release.

With that, let me turn the call over to Ricardo. Thank you.

Ricardo Dutra: Thank you, Eric. Hello everyone and thank you for joining our call. I am pleased to announce we reached another set of record numbers this quarter, almost all of them higher than the top of the Q1 guidance and market consensus. Also, as you will see our Q2 guidance in the next slides, we have been seeing a strong momentum in Q2 as well. Our performance reinforces our core strategy of delivering the best balance between growth and profitability, strengthening our lion share in Payments while we create one of the most relevant digital banks in Latin America. Our Management is extremely dedicated, committed and aligned to take decisions oriented to the business success not only in the short-term, but also in the long-term, as we see huge opportunities to be explored in Brazil

SLIDE 4: Going to slide 4, we can see the Q1 main messages. During the first quarter of the year, our Payments Platform, also known as PagSeguro, had its first wave of repricing, which led an increase in merchant acquiring take rate of +35 bps in comparison to Q4-2021. Our successful strategy to also serve small and medium businesses continues to outperform our expectations, with HUBs TPV reaching 25% of the PagSeguro volumes. The unbeatable combination of the migration from cash to plastic in Brazil, the best-in-class execution in HUBs and the lion share in longtail, led us to have the largest Cards TPV market share gain during 1Q22, increasing +70bps vs. 4Q21. These numbers reinforce our ability to increase prices and, at the same time, keep churn levels under control.

In our Financial Services, also known as PagBank, our net adds marked 1.7 million, almost 19 thousand new clients per day in 1Q22, achieving 24 million clients, of which 14.3 million were active. PagBank has been also diversifying its revenue streams, mostly driven by interest income, and we also plan to launc new secured loan products to be deployed in second half of 2022.

SLIDE 5: Going to slide 5. Aligned to our mission to keep disrupting and democratizing Financial Services and Payments, primarily in Brazil, while creating value to investors and stakeholders in a sustainable and diligent way, this quarter we reached 3.4 billion reais in Total Revenues and Income, the highest level ever in the company, and Net Income of 371 million reais. I would like to highlight the most relevant KPIs for the quarter:

Beginning from the left side, our Payments Platform highlights: We reached 80 billion reais in TPV. 3.1 billion reais in Total Revenue and Income. More than 10 thousand reais per quarter in TPV per Merchant; and 769 million reais in Adjusted EBITDA.

On the right side, our Financial Services highlights: We reached 72 billion reais in TPV. 305 million reais in Total Revenue and Income. 2.1 billion reais in Credit Portfolio; and 86 million reais in Gross Profit.

In the next two slides, we can see some Payments Platform achievements

SLIDE 6: So, beginning with slide 6, we are happy to announce that PagSeguro was the TPV market share gain winner this quarter, growing +70 bps in Q1-22 vs. Q4-21, while the most relevant players lagged. If we look back to 2016, we went up from 1% to 11%, which reinforces our thesis that it is much easier and profitable to move upmarket, creating the competitive advantages and scale which can be easily adapted to larger merchants.

SLIDE 7: Going to next slide, we presented important KPIs about our payments business. Creating a unique scale backed by a superior logistics infrastructure and leveraging our Marketing and Advertising through UOL, our Customer Acquisition Cost adjusted by inflation decreased 5% in 2021 in comparison to 2020. With a rational pricing strategy combined to the strong migration from cash to plastics in the country, our paybacks continues to be very short, between 4 and 6 quarters, with 2021 cohort presenting the best performance in terms of Return on Investment in comparison to the previous cohorts. In 2022, we expect that higher takes rates due to repricing, focus on TPV per merchant increase, lower POS devices subsidies and efficiencies in marketing expenses continues to support the compelling returns we have been obtaining so far.

The beauty of this business is that we do not rely only in number of merchants to keep growing very rapidly. Differently than business that relies completely in subscriptions with flat fees, we have several market growth opportunities in Payments, such as:

- Growing approximately 80% more than the industry, in average. For example, in Q1-22 the industry grew +36% y/y while PagSeguro grew +60% y/y;
- Cards' PCE in Brazil reached 50% in 2021. According to estimates, the country can reach more than 70% by 2025, increasing the share of wallet per merchant;
- E-commerce penetration as a percentage of Total Retail Sales is still below the global average and with our complete online payment's offerings, we believe we can also take advantage on it; and
- We have been consistently gaining TPV market share, adding new merchants and volumes to the system, and attracting underserved merchants to our solutions.

Finally, having created the lion share in number of merchants with multiple times more merchants than the second player allow us to be rational and to keep focusing on our strategy to prioritize high quality merchants in our gross adds, while cross-selling and upselling our products and services. Our execution has been very successful which is also reflected in our lion share in the profit pool of the industry.

SLIDE 8: On the next two slides, I will show why we believe Payments is one of the ways to build up a profitable digital bank and how the value proposition is created for merchants and consumers.

On Slide 8, in the left side, we can see three charts comparing merchants that do not use PagBank with those that use it. The PagBank value proposition for our longtail merchants is clear here. Merchants that use PagBank have 4 times more revenues, higher NPS and much lower churn when compared to those that do not use PagBank. We also aim to increase PagBank penetration in SMBs and have been launching new features to serve these clients. For instance, in this quarter we launched Corporate Accounts, Direct Deposits from other acquirers and Debit Cards

Our confidence is consolidated when we look at the market growth opportunities for banking in Brazil.

Looking at the opportunities, our Cost-to-Serve clients continues to be 10 times lower than incumbent banks, in a country where the TOP5 banks concentrated 91% of the total credit portfolio. As I mentioned before, we also see opportunities to cross-sell and up-sell financial services do our SMBs clients. There is no other acquirer that serve SMBs with a complete digital account that include transactional, cards, investments, etc. Also, Brazil has a young population that is very active online which creates a perfect landscape for a digital bank like PagBank.

SLIDE 9: On slide 9 we can see more numbers to reinforce our successful PagBank execution. In less than 3 years, we were able to create the second largest digital bank in Brazil, with almost 24 million clients, adding almost 9 million new clients only in the last twelve months. In addition, when we go deeper in our numbers, in 2 years we reached 7.6 million active clients being composed by consumers, which is incredible, since our credit offering is still limited for consumers and PagBank is much more a transactional account at this time. Our confidence increases when we run our internal research with our clients to know how engaged they are. Looking at the chart in the right-hand side, we see that for new cohorts, more and more consumers are using PagBank as their primary bank.

Before I turn over to Alexandre, I would like to reinforce we are very encouraged by the momentum in both businesses, PagSeguro and PagBank, and all the opportunities ahead. We keep working to grow our businesses and to create value in a sustainable way for investors and other stakeholders. Our controlling shareholder is convinced that PAGS will continue to consolidate Payments and Financial Services in Brazil and holds approximately 40% of the shares since 2019. Thank you very much for those who have been supporting us throughout the journey: our shareholders, suppliers, partners, other stakeholders, and our PAGS' team. Thank you very much.

Alexandre, please go ahead.

Alexandre Magnani: Thank you, Ricardo! Hello everyone.

SLIDE 11: Moving to slide 11, I'll start the segment highlights with PagSeguro's overview during the quarter. PagSeguro's Total Revenue and Income grew 63% year-over-year, reaching 3.1 billion reais and reflecting the TPV growth of 60% year-over-year, totaling 80 billion reais. I would also like to remember that this growth happens even after a quarter of strong volumes due to holidays seasonality. As a result, PagSeguro was the TPV market share winner, as Dutra mention, reaching almost 11% of Brazilian Acquiring Industry Market Share.

SLIDE 12: In the next slide, we show PagSeguro's Net Take Rate evolution since October 2021 when we started the repricing process, following the Interbank Rate hikes. We were able to increase our Net Take Rate by +34 bps since October, maintaining stable levels of churn on our client base.

This stable churn, even with higher pricing policy, shows the importance of our superior value proposition which consists in a complete banking offer through PagBank, Instant settlement offering with same day prepayment and our best-in-class SLAs with a robust logistic distribution.

We ended this first repricing cycle in April and will follow closely SELIC's behavior in order to determine if others repricing rounds will be needed.

I would also like to highlight the successful execution on HUBs operation, that was even better than our own expectations. HUBs reached 25% of PagSeguro's TPV in Q1-22, showing the results of our accretive sales strategy for the SMB segment.

SLIDE 13: Slide 13, I want to share some updates about PagBank operation.

Total Revenue grew 95% year-over-year, ending the quarter at 305 million reais, approximately 9% of Total Revenue and Income of PAGS. Total Payment Volume reached 72 billion, up 129% year-over-year, with engagement TPV gaining traction driven by cash in, bill payments, cards spending and among others.

Up-right, we show our Net Interest Income, which grew 164% totaling 142 million reais in Q1-22, and Gross Profit (including Revenue from Services minus Provision for Losses) grew 83% year-over-year, accounting for 86 million reais. PagBank net take rate reached 1.54%, an increase of 61 bps, reflecting the increase of Monetizable TPV and higher float revenues due to the increase of deposits and the higher Brazilian basic Interest Rate (SELIC).

SLIDE 14: Moving to slide 14, I would like to recap our milestones in credit underwriting. Since 2019 we have launched several products such as credit cards, working capital loans, supply chain finance, payroll loans and overdraft credit line within PagBank accounts. Given the challenging scenario that Brazil has been facing now, we have focused our development into collateralized products such as credit cards backed by CDs and FGTS early prepayment.

On the first quarter, our credit portfolio surpassed 2 billion reais with working capital and credit cards representing around 90% and other initiatives, such as payroll loans and FGTS early prepayment, reached 10%.

We are very focused on the consolidation of our credit offering since we know that this a fundamental piece to become the customer primary bank choice. We have been executing this in a very consistent way, making sure that our underwriting, credit policies, collection process and delinquencies/provisions are under control and well-priced, guarantying that any major change in asset quality in the near term will be adequately provisioned.

We are highly confident that PAGS will consolidate the credit business in Brazil through PagBank by cross-selling and upselling strategies for our existing clients.

SLIDE 15: Moving to slide 15, I want to share some facts regarding Pix impacts on our operation.

As we can see on the left chart, Pix has been promoting PagBank cash-in and balance accounts, helping to increase TPV by 250% year-over-year, totaling 24 billion reais in 1Q-22. PagBank accounted for almost 10% of Pix transactions Market Share on this quarter.

Pix has been key to boost the opening of new accounts since we offer an easy and simple onboarding process for the population to have access to this instant transferring network. Another positive effect of Pix is the increase in the average balance of new accounts. Consequently, this is leveraging a cheaper funding source for our prepayment operation and promoting the growth of monetizable cash-out throughout cards, bill payments and top-ups. Furthermore, this is an important tool to collect additional client behavior data to improve client knowledge and assertiveness of new offerings and products.

SLIDE 16: Finally, before I turn over Artur, I would like to review our guidance for Q1-22 and establish a ballpark for the 2Q22:

- Total Revenue in 1Q22 was 3.42 billion reais, higher than consensus. For 2Q22, we expect a ballpark between 3.5 and 3.6 billion;
- PagSeguro TPV grew 60% year over year in 1Q22, reaching the top range of the guidance. For the Q2, we expect something around 84 to 85 billion;
- Net Income | Non-GAAP will be higher than Q1, around 370 to 380 milllion.
  Having said that, I pass the word to Artur, our CFO.

Thank you!

Artur Schunck: Thanks Alexandre, and hello everyone. I will continue the presentation with our Q1-22 financial results.

SLIDE 18: In the top-left of the slide 18, our Consolidated Net Take Rate reached 2.60%, representing an increase of 21 basis points year-over-year, even with changes in the client mix due to HUB's operation growth. The increase reflects the company ongoing repricing process for all segments, whose second round was fully implemented in April.

In the table on the right side, we present our P&L for the first quarter of 2022. Our Total Revenue and Income reached a record of 3.4 billion reais, growing 66% year-over-year. Excluding Transactional Costs related mainly to Interchange and card scheme fees, Financial Expenses related to cost of funding to prepayment receivables, Exchange Expenses and Other Financial Income related to financial investments, our Gross Profit grew 28% year over year. Adjusted EBITDA closed at 665 million reais, up 16% in comparison to Q1-21. Net Income Non-GAAP achieved a record of 371 million reais for all first quarters in our history. Net Income GAAP increased 29% reaching 350 million reais versus the same period last year, despite of the hike in Brazilian interest rate.

Backing to the left side in the graphic below, as a result of our TPV market share gain, revenue growth and expenses leverage, we delivered an Earnings per Share of 1 real and 5 cents in the first quarter of 2022. It's 23 cents or 29% better than the same period of last year, continuing the improvement of shareholders return.

SLIDE 19: Moving to slide 19, in the top-left side, Operational Expenses and Other Costs excluding chargebacks reached 560 million reais in Q1-22. This amount represents 16% of PAGS Total Revenue and Income versus 20% in the same period of last year. The improvement of 400 basis points reflects operating leverage, mainly from personnel and marketing expenses and on top of that, HUBs and PagBank revenue growth helped to dilute our Opex.

In the bottom-left, Financial Expenses reached 621 million reais versus 44 million reais in 1Q-21. 50% of this increase is explained by the hike of SELIC from 2.1% per year in 1Q21 to 10.4% per year in this quarter. The other 50% was related to higher TPV volume, prepayment of receivables to merchants and credit card mix. These effects were partially offset by ongoing repricing in acquiring, APRs increase on credit underwriting and lower cost of funding through deposits growth.

SLIDE 20: In the next slide, Capex per Sales reached 20% this quarter versus 17% in 2021. This increase reflects an additional POS purchase to recover the inventory's coverage ratio and to prevent a potential new lack of semi-conductors due to lockdowns in some geographies. For 2022 we are focused on reduce POS subsidies, keep healthier LTV to CAC, and maintain our best-in-class SLAs on PagSeguro operation.

In the graphic below, Depreciation and Amortization are under control and totaled 244 million reais in Q1-22, representing 7.1% of PAGS Total Revenue and Income with slightly improvement vs. full year of 2021.

SLIDE 21: The next and final slide shows our Cash Position which ended the first quarter at 8.3 billion reais, improving 400 million reais year over year. This was driven by TPV growth, higher share of credit cards with larger penetration of same-day prepayment to merchants. At the same time, we have been improving our capital structure, ending this quarter with 68% of our financing position funded by third-party capital.

Our full banking license is key to diversify funding sources and extending average terms. On top of that, the company is focusing on increase deposits from merchants and consumers to keep lower financial costs. Our PagInvest platform is also an important tool to distribute PagBank CDs to our clients or bring new clients to PAGS.

Now, we ended our presentation, and we will open to the Q&A session.

Operator, please.

Q&A

Thank you. The floor is now open for questions.

And our first question comes from Mario Pierry, Bank of America.

Mario Pierry - Bank of America: Hi everybody, good afternoon, congratulations on the results. Let me ask you two questions: can you talk about the evolution of your take rate? You showed the monthly figures up to the end of the quarter; but I was wondering if you continue to reprice in 2Q, so if you can talk a little bit about the evolution of the take rate.

And then the second question is related to you know, if I take the mid-points of your net income guidance for 2Q you basically are going to be at about 750 million BRL for 1H, which then annualizes to 1.5 billion BRL, which is in line with the net income that you posted in 2021. Is that how we should think about the full year or do you think there is room here for growth in 2H TY to be better than in 1H? Thank you.

Ricardo Dutra - co-CEO: Hi Mario, this is Ricardo, thank you very much for investing the time to talk to us and thank you for the questions. But the first one about take rate, indeed we had some increase in prices in April. So what we are following here in 2Q about take rate we see take rates going up. Important to say that even if you get the take rate and also discount the financial expenses, we also see this metric increasing. So the price increase we have been doing is showing some positive results, and as we said during the presentation there is no impact in churn. So we expect 2Q to have a better take rate when compared to 1Q.

About the net income guidance you are right. If you get the midpoint of 2Q it is going to be around 750 and by just annualizing that it is going to be 1.5 billion. I just want to reinforce that that is the best information that we have so far; but we are here working always to beat the top of the guidance, that is what we will try to do. So that is the first point.

And the second one is we expect also the TPV to keep growing in the following quarters. So I do not want to give you here a hard guidance; but with higher volumes we also expect to have better net income looking forward - but we cannot guarantee that at this point. But of course again, we are working here to beat the guidance and to keep this net income being better in the following quarters.

Mario Pierry - Bank of America: That is clear. Just a follow-up then on the take rate, just so that we have a better understanding like what percentage of your clients have already been repriced, and if you are repricing both the MDRs and the prepayment product.

Ricardo Dutra - co-CEO: Mario, we are repricing the MDRs and also the prepayment. Usually we reprice the MDRs more for credit, because that is where we have the impact with the cost of funding right? Because the debit transaction is settled on the next business day and in credit cards in 30 business days - but we are increasing both, MDRs and prepayment.

We do not give the detail about the percentage of the clients or the percentage of the TPV that we are increasing, first because of strategic regions and second because it is a very live situation here that we keep following different clients with different industries, if they are retail, if they are fast food and depending on what is going on we keep increasing, adjusting and even for some clients we did some price that fluctuates a little bit with Selic. So we are kind of protected for large clients that we will not have an impact and we do not need to keep going back to them to increase prices very often.

So unfortunately we cannot give the detail about number of clients in TPV; but we are increasing the price for both MDRs and prepayment.

Mario Pierry - Bank of America: Okay that is great, thank you very much guys.

Ricardo Dutra - co-CEO: Thank you very much Mario.

Operator: Our next question comes from Bryan Keane, Deutsche Bank.

Bryan Keane - Deutsche Bank: Hi guys, congrats on the results as well from me. I guess two questions: is the idea that you guys will continue to raise price in order to cover the costs of the rise in the Selic rates? So if Selic rate stops rising and just let us say stays flat, it might take, I do not know another 12 to 18 months to catch up to the full amount; but at some point I guess the plan is still to catch up and pass through the entire higher rate. I just wanted to make sure the higher interest rates will get passed through to the Selic rate.

And then secondly on merchant account it sounds like more the strategic focus now is to expand and grow within the higher TPV/merchant and create a higher revenue/merchant than it is maybe to lend a micro merchant that might not be as profitable. Just to obviously you guys had a slide on that, just want to make sure I understand that strategy, thanks.

Ricardo Dutra - co-CEO: Hi Bryan, thank you for the question, it is Ricardo here again. Regarding the prices, just remember that the basic interest rate in Brazil went from 2% to 12.75 at this point, and there is going to be another meeting of the central bank in June 14 or 15. So we are following the probable increase in basic interest rates and if necessary we can increase our price.

But I would say you that the largest part of the price increase we already did, because that is the high impact from 2% to almost 13%. If necessary we will increase the price, but it will be more customized according to some clients and some adjustments that we need to do - but I do not think there is going to be massive price increases looking forward, that is one thing.

But it is important to say that Brazil started increasing prices much earlier than other countries, and we had hyperinflation in the 80s in Brazil, inflation in the 90s. So the central bank acted very quickly here to increase price, to increase basic interest rate, and we expect that at some point this interest rate could go down maybe next year or 18 months from now as you mentioned.

So when that happens we will not decrease our prices proactively. So same situation that we took a while to increase the prices when Selic rises, we will also take advantage, we will not decrease the prices immediately if Selic goes down. So what today is a headwind could be a tailwind two quarters from now - but going back to your questions the majority of the price increase is already done.

And regarding net adds you are right, we are looking for clients; we are not looking for big clients, but we are kind of not focused too much on the nano-merchants, the smaller ones. Of course we follow what happened with the previous cohorts, the payback that we had and we evaluated here and we concluded that the best decision right now is to increase POS prices and decrease POS subsidies, improve the LTV/CAC ratio and look for clients that use not only PagSeguro, but also PagBank. So that is why we are focusing a little bit higher merchants.

And I will take advantage of your question just to complement that different than other companies that the number of subscribers is key to model revenues and so on when you have flat fees, it is very different here because we have many growth drivers. The clients that work with us usually they grow their TPV, we can cross-sell products. So the idea is to also bring these clients and increase the revenue/merchant that we have today. So that is what we had in mind, that is what we are looking forward.

Eric Oliveira, Investor Relations and ESG Director: Bryan this is Éric. Just to add my two cents here related to the spreads, when we think about spreads remember that as we move up market the larger merchants they have slightly lower spreads in comparison to micro merchants - and this is okay for us because it is EPS accretive, so not necessarily spreads will be fully recovered, even though NPS will continue to grow okay? Why? Due to the client mix change towards larger merchants that have a much higher TPV/merchant in comparison to longtail. So the summary here is consolidated longtail, increasing share of wallet and also moving upmarket with clients with the larger volumes and slightly lower take rates - but still very profitable for us.

Bryan Keane - Deutsche Bank: Got it, thanks for taking the questions.

Ricardo Dutra - co-CEO: Thank you Bryan.

Operator: Our next question comes from Pedro Leduc - Itaú BBA.

Pedro Leduc - Itaú BBA: Good evening everybody, thank you so much for taking the question. I have two please, first if I think about your net margin evolution for the coming quarters, of course you are working on the top line, on the repricing, OpEx seems to be getting diluted. I would like to get your views on that as well for the coming quarters.

But also on the funding costs side, especially in the light of the strong deposits figure what can we expect from the funding side as a help to net margins in the coming quarters? Is it something that you can do to offset a little bit the Selic pressure still lingering? So that will be the first thank you.

Ricardo Dutra - co-CEO: Hi Pedro, this is Ricardo again, I will start and Artur can complement if he wants to. Just before answering you about the margins, pretty quick math here: our financial expenses in 1Q 21 was 44 million BRL and in 1Q 22 it was 621, so it is a difference around 580 million BRL in financial expenses. Of course that happened because of the increase in base interest rates.

If you analyze that, these 600 million BRL x 4 we are talking about 2.4 billion BRL as an increase in financial expenses - a big headwind - and even with that we are growing our net income in absolute terms - which for us is a huge, huge achievement, because you can imagine 2.4 billion before taxes as a big headwind, and we are still delivering a net income higher than last year, 29% if you look in Gaap measures.

So with all the scenarios that we have looking forward, we will focus to remain and to increase our EPS. We always look for growth in profitability, so we have this volatility not only in Brazil but around the world, and presidential elections in Brazil and so on. So to be sincere we are trying to look some operational leverage as we had in personnel and marketing for instance; but we are not looking for margin as a percentage of revenues in the following quarters because of the volatility that we may have and so on, and with this headwind in financial expenses. But I got no if Artur would like to complement.

And regarding funding costs of course we are following that very close and we also have the advantage by having the bank with 11.2 billion BRL in deposits that we, it helps us to decrease the average cost that we have in funding. It is growing very fast mainly because of the deposit that we have the balance account and also the CDs that we have been launching since last year.

Eric Oliveira, Investor Relations and ESG Director: And just to add my two cents here Pedro - this is Éric - when we combine the full banking license and all the products that we have been rolling out, remember that deposits that we are capturing here is a winning go-to-market strategy to keep attracting new clients with high APIs, at the same time that we foster cheaper balancing accounts to help to diversify the cost of funding.

And the heat that we have been seeing in our profits in the short term related to the interest rates hikes will not be as high as it was right now, because in the next interest rates high cycle we do expect to have a larger deposits base, which will be a natural hedge to the company to deliver much higher profits in the future, since we have the full banking license and PagBank.

Pedro Leduc - Itaú BBA: That is very clear Éric, especially I thought I was getting to know the deposits was an impressive figure, congrats, and I will go back in line for my second question, thank you.

Ricardo Dutra - co-CEO: Thank you.

Operator: Our next question comes from Jeff Cantwell - Wells Fargo

Jeff Cantwell - Wells Fargo: Hey great, thanks for taking my question. I wanted to follow-up on the PagBank commentary that that you highlighted earlier and more specifically on slide 9 of your presentation. I was hoping you could talk a little more about the active client base on the group that you are seeing in active clients right now. One of the things we are trying to unpack is just sort of the marginal profitability of the consumers that you are bringing onboard. I was hoping you could kind of give us some more bit of a sense of what you are seeing in some of your more recent adds, and how you think about profitability going forward, thanks a lot.

Ricardo Dutra - co-CEO: Hi Jeff. Yes, on slide 9 we see that we grew very fast in consumers, and in the slide on the right side we see they are using PagBank is a primary bank more and more. So we also think that we have been cautious in terms of giving credit for consumers, and even with that more than 50% of our clients use it as their main bank, which is very good for us when we decide to launch new products or to give some credit for these clients.

But going straight to your question here, what we do with the merchants to monetize, of course we have the transaction that we have with these clients when they pay a bill, when they top up a mobile phone, a prepaid mobile phone and so on, we have these revenue streams.

But we also have another two advantages here, or two product lines I would say: the first one is the deposits that help us in the funding, which is important of course. We have this base of clients growing and deposits, and balance accounts growing help us in the funding costs, and you can imagine that in accounts with 13% base interest rate/year so that helps.

And we have been launching new products that we will give credit for the consumer with collaterals. So we want to have some CDs that we offer for these consumers. When they deposit a CD we can give them credit card and then we can receive revenues from interchange and so on and with a very, very limited credit risk. So that is what we have in mind at this point.

And we still have been cautious about giving credit. Although we had an increase in deposits in 1Q compared to 4Q around 200 million BRL from 1.9 to 2.1 billion, it was mostly collateralized products based on deposits that companies make for employees in the government. So if the customer does not pay us we are kind of backed from the government to receive this money. So that is why we also launched and that is the majority of the growth that we had in 1Q.

Jeff Cantwell - Wells Fargo: Okay thank you very much, that is great color. I will jump back into queue, appreciated.

Ricardo Dutra - co-CEO: Thank you Jeff.

Operator: Our next question comes from Pedro Leduc, Itaú BBA.

Pedro Leduc - Itaú BBA: Thank you guys for taking the follow-up. I would like to switch subjects quickly for credit smalling. I appreciated you guys have been prudent on it, portfolio has grown steadily no doubt, 2.1 billion. Can you discuss a bit how we should expect it evolving in the coming quarters, especially between the secured lines which seem to be growing faster?

And then other than growth a second question now related to credit risk, how you are seeing that on the grounds, how was the provision expense figure for this quarter and how should we think about that one involving the coming quarters? It seems like you adjusted some standards, etc., may it have peaked or stabilized? Thank you.

Ricardo Dutra - co-CEO: Hi Pedro. What we have seen so far - I will start backwards and then again Artur can help me here - but what we have seen so far in the market, in the Brazilian market - and we have been hearing from big banks that know how to give credit in the market - that there was a little bit of deterioration of NPLs and of course the cause of that is the macro scenario we have been seeing here with the inflation, unemployment and so on.

And here with us it was not different. We had a little bit deterioration in NPLs - nothing to be concerned - but we also expected that, we have been seeing to cohorts and that is what is going on with us and Artur can give more color; but looking forward I would say you that we do not expect to grow our credit portfolio too much, if it grows it is going to grow just a little bit; but there will be a transition from collateralized products… Non-collateralized products to collateralized products. So we are already doing that, we did that in 1Q with this FGTS product that you know very well in Brazil what I am talking about, so we had this government guarantee, so that is a very important and secure and safe collateral. So probably what we will have, what we will see in the future is more and more collateralized products taking share from other products with more credit risk.

Of course our goal here is to have a balanced portfolio with products with higher risk but of course with high returns; and a huge part of the portfolio in collaterals that we can also navigate through different times and depending on what is going on in the macroeconomic scenario.

But at this point as the majority of our credit portfolio is still without collateral, the working capital for the merchants, what we will see, is going to see this migration from non-collateral to collateralized products.

Artur Schunk – CFO, IRO and Chief Accounting Officer: And Pedro, just to complement we are seeing difficulties in the economy, difficulties in the market. All the incumbents said that the portfolio deteriorated a little bit. It happened here, it happened here too; but remember that our net income non-Gaap for this quarter was 371 million BRL. Imagine if the asset quality should be better, we could have better results too and this is the reason that we are observing the market, trying to understand when will be the right moment to accelerate again, and at this moment we are, as Dutra said, we are working to provide credit for merchants and consumers that could provide collateral to us.

Pedro Leduc - Itaú BBA: That is perfect, very full and just regarding the provision expense line, at this quarter as you mentioned net income could have been even higher. Has that provision expense line may be plateaued, or you think that it will continue going up as the portfolio also grows?

Artur Schunk – CFO, IRO and Chief Accounting Officer: Yes, I can say that it is, we can say that could be stable and the most important thing to us is that we are using the most advanced accounting process to the credit portfolio, and we are not expecting huge impacts in the future because our provisions are based on IFRS 9 expected losses taking a look at the next 12 months and so we are provisioned, and so there is no problem for the future.

Eric Oliveira, Investor Relations and ESG Director: But Pedro - this is Éric - more important to ask about provisions, and you are completely right to make this question, is the APRs that we charge okay? And in light of this challenging environment we also increased the APRs, potentially or expecting to see a deterioration of asset quality to keep the spreads okay? So this is the main message here. The APRs increased to cover the high provision for losses and remember that the IFRS 9 makes the company to make the upfront provision for losses and capturing higher margins as time passes by and as we book as an interest income okay? Thank you.

Pedro Leduc - Itaú BBA: Super useful guys, thank you so much.

Ricardo Dutra - co-CEO: Thank you Pedro.

Operator: Our next question comes from Neha Agarwala, HSBC.

Neha Agarwala – HSBC: Hi congratulations on the results and thank you for all the comments. I just have one quick question: you mentioned that the earnings in the coming quarters should continue to improve; but the pricing mostly balanced and I believe the funding cost will continue to go up, because as you do more (incomprehensible 51:52) then the volumes grow, that should put some pressure on the funding cost in the coming quarters as well.

So what would be the main drivers for the expansion in earnings in the coming quarters? Also the monetization at PagBank has been a bit weak, and I understand that it is mostly because you are not being very aggressive in credit, that certainly makes sense. So how do you think that contribution will look like by next year for PagBank? Thank you so much.

Ricardo Dutra - co-CEO: Thank you Neha for the question and for investing the time to talk to us. Regarding the repricing it is an ongoing process. I guess what I mentioned before that was not clear is because I would say the majority of the price increase was already done, because the interest rates grew from 2 to almost 13%, and if there is going to be an increase we expect that it will not be that huge looking forward, it is going to be a big, we do not expect a big increase in the following two meetings in the central bank about interest rates. So that is why I said that it could be adjustments. There will be adjustments, that is for sure; but the majority was already done.

And we think that we are in a good level of spreads when you compare the financial income that we are charging and the financial cost that we have been having. So I know when you say that prepayment will increase, volumes will increase because the company is doing very well in acquiring growing 60% YoY; but of course the revenues, the financial income revenues grow at the same pace - or even faster than that.

So the spreads between the financial income and financial expenses we think that we are in good levels. Of course always, there is always some room to improve a little bit; but we will keep following. I just do not want to say you that we will increase the price for everyone, and I will not affirm that we will not increase price for anyone. So the majority of the price increase is already done, so that is the main message.

And looking forward for next year, as I mentioned before central bank in Brazil was very rapidly to increase the prices here, this spike in interest rates. So we expect that inflation could be controlled in the following quarters, and when that happens if the interest rate goes down we will not decrease the price for our clients. We will try to keep at the same level at least for a while, and of course make that as a tailwind as much as we can. So that is why it is hard to say you what is going to be margins, if it is going to be better or not and how much it is going to be, because we have this macro situation here; but the whole company with the things that we have under our control we are doing like leveraging the operational expenses, personnel and marketing, increasing price for some clients, making more rational acquisition clients and so on. So that is the main message about the acquiring.

I know you say that the revenues may be a little bit lower than what you expected; but the fact that we are not giving credit because of the macro scenario of course affects the revenue in PagBank. It could be higher? Yes it could be; but with a higher risk that we do not think it is time to do that right now.

But in our opinion the fact that we already have 23 million people with open accounts in PagBank (14 million active clients) for us is a very, very huge opportunity that when we decided to go to give credit to monetize even more, we can speed up and probably I hope we can catch up part of the revenues that we are not capturing at this point, because of the macro scenario and the credit concessions we are not doing right now.

Eric Oliveira, Investor Relations and ESG Director: Two things Neha: first one remember, always remember spreads for larger merchants are slightly lower than micro merchants - and we are not a company anymore that relies only in micro merchants, since 25% of our volumes in 1Q came from hubs, small and medium merchants.

Secondly, revenues grew 66% YoY while personnel plus marketing and advertising expenses combined grew half of that. I mean, the investments that we did in new ventures such as PagBank and hubs, they are already playing out delivering operating leverage to the bottom line. The big headwind is financial expenses, and despite that we are working hard to deliver higher net income in 2022 in comparison to 2021.

Neha Agarwala – HSBC: Understood. Could you just talk a bit about competition especially in the longtail? Do you see competition being more rational I believe all the players are now achieving the best results, so there should be more rationality; but anything that has changed, anybody being aggressive or irrational in this way?

Alexandre Magnani – co-CEO: Hi Neha, this is Alexandre. What we have observed in the market is that all the relevant players have been more rational in their pricing strategies in the longtail segment. We have the lion's share in terms of number of merchants and through our experience of having the largest merchant network in Brazil for all these years, we learned how to manage properly all these longtail customers and we have a very good value proposition on this segment.

We have superior logistics, we deliver our terminals in the same day, between one day or two days mostly. We also have a value proposition between the banking business and the acquiring business that no one has in the market. We provide these services with a single app and with a single customer care contract for our merchants.

So we believe that our value proposition and all the assets we have make us the strongest competitor in this arena and being more rational about terminal subsidies and promotional offerings is making us to capture more value out of these clients. We are raising the average TPV of our merchants and we are also capturing merchants that have a higher propensity to use financial services, and this is helping us to boost PagBank.

Ricardo Dutra - co-CEO: And just complementing Neha, the initiatives from other incumbent companies, acquiring companies such as Cielo and credit card Pop from Rede, they kind of decided not to keep with these initiatives anymore. So it seems that there were more competitors in the past than what we have today in longtail. So that is the situation. If you look at one year, one-year-and-a-half ago there were many, many more players trying to come to longtail, and just to give you an idea these two companies decided not to serve longtail anymore because of the reasons Alexandre has said, the logistics that we have, PagBank and so on. So we see more rationality and less players serving longtail at this point.

Neha Agarwala – HSBC: Perfect that is very helpful, thank you so much.

Ricardo Dutra - co-CEO: Thank you Neha.

Operator: Our next question comes from Kaio Prato, UBS.

Kaio Prato – UBS: Hello everyone good evening, thanks for the opportunity of asking questions. I have two here on my side please, the first one is on PagBank revenues. So in the last quarter you mentioned a guidance for PagBank revenues of 240 million BRL to 260 million BRL - and the day that you disclosed the results were really close to the end of 1Q - but you delivered more than 300 million this quarter, while the NII remained flat quarter-over-quarter.

So I just would like to have a sense on what happened, if this is indeed an impact of fees and in which line of fees we saw this impact, and also what can we expect in terms of revenue growth from PagBank going forward.

And if I may just to add my second question here, it is related to the tax rate, if you could first give more details about the impact on effective tax rate this quarter and what can we expect going forward? Of course I am trying to better understand what could we expect in terms of earnings before taxes, if we could see this expanding over the next quarters. That is it, thanks a lot.

Ricardo Dutra - co-CEO: Hi Caio, this is Ricardo. I will start backwards here and then Artur can complement and also talk to you about the PagBank revenue guidance. When we look at the tax rate this quarter if you look at this specific line you will see a lower effective tax rate right?

But the point is in other lines of our P&L we had a negative revenue tax impact in the line of 'other financial income'. You have a headwind in the ‘other financial income’ and then we could offset that in our tax rate for income, income tax rate. So if you make the sum of the parts and that puts and takes there is no real benefit in the bottom line, it is just a trade-off in the tax collection between different lines. So for this reason I we will reinforce here that net income impact was negligible here in this situation. It is just a trade-off between these two different lines. Artur.

Artur Schunk – CFO, IRO and Chief Accounting Officer: And Caio, just talking about the going forward related to effective tax rate, the same as Dutra explained will continue. So our effective tax rate will flow around 16, 18, 20% okay? And just to be aligned here.

And related to PagBank guidance, PagBank revenue…

Operator: Excuse me ladies and gentlemen, please hold while the speakers reconnect, thank you. Excuse me ladies and gentlemen, please hold. Excuse me ladies and gentlemen, please hold while the speakers reconnect, thank you. Ladies and gentlemen please hold. Excuse me ladies and gentlemen, please hold the speakers reconnection, thank you. Please hold the speakers reconnection. Ladies and gentlemen please hold. Excuse me. Excuse me ladies and gentlemen, please hold. Excuse me, you may proceed.

Ricardo Dutra - co-CEO: Hi everyone, I am sorry, we had a technical issue here with the call, so we will just keep answering the question from Kaio Prato from UBS regarding guidance and also the net revenue of PagBank. So Artur please go ahead.

Artur Schunk – CFO, IRO and Chief Accounting Officer: Kaio, what happens with the guidance in 1Q 22 with the revenues for PagBank was that we had, we were a little bit more pessimistic about the revenues; but we beat our estimations for credit, for cards, for many services there, that is it.

Kaio Prato – UBS: Okay thank you.

Ricardo Dutra - co-CEO: Thank you Caio.

Operator: Our next question comes from Sheriq Sumar, Evercore ISI.

Sheriq Sumar – Evercore ISI: Hi everyone, thanks for taking my question. My question is a two-part question and it is on the churn. So I understand that you started increasing the rates in January and then obviously it has continued until April. How much more runway do you think is there for the churn to go up? Is that, is all the churn fully reflected in the price increases or in your estimates?

And the second thing is I understand that how the churn works there we will not see the actual churn on the next 12 months from now; so where do you think we would be ending by your end in terms of the active merchants within your PAGS business, and also your focus on high-impact lines? Will that increase the churn within the merchants?

So long story short my question is like how should we think about the active merchants for the full year?

Ricardo Dutra - co-CEO: Thank you for the question. Let me talk about this quarter and then we can talk about following quarters. So what we had in this quarter we still have some legacy clients from Moip that we see this churn; but as you mentioned in your question they are not making any transaction with us in the past 12 months. So if we just exclude Moip we will have grew up in decent numbers.

Of course it is not the same 250 that we used to have every quarter; but it was a conscious decision here. We decided to increase price to get better merchants, not to focus on nano-merchants, so the gross adds were a little bit lower than what we used to have in the past, and of course we are seeing churn from one year ago.

But for us what we are following very close is how active these merchants are in our base, how big is the TPV/merchant and how has been our growth. It was 60% YoY and revenues growing 66%, more than the volumes in TPV. So that is why although we see this number of churn, maybe number of net ads not at the same levels we used to have in the past, we are not losing TPV because they are small, small merchants that we are losing here.

In terms of price increase we did not see a spike or additional churn because of the price increase, because all the market increased prices. So there is no, churn it does not sell with cards anymore, which is not reality. So we increased prices, all the market also increased prices. So we did not see an increase in reason churn because of the price increase.

Looking forward I guess the best estimates I can give to you that it is not likely that we will have the same 250 that we used to have per quarter before - but again we are looking for merchants with better TPV and the impact of the churn that we are seeing is from twelve months from now. The churn that we have, the behavior that we see in the base right now we do not see deterioration because of price increases, nothing like that.

So let us say going straightforward here: gross adds are lower because we decided, we took this decision to get less merchants with more TPV, and the churn from the big base, from mortality from nano-merchants that we had one year ago is impacting the total and net adds - but again it is better to look at the total TPV, TPV/merchant, revenues/merchant and so on, so it is hard to give an estimate how is going to be for the following quarters. So that is the best information that I have right now, sorry.

Sheriq Sumar – Evercore ISI: Sure, thank you so much.

Ricardo Dutra - co-CEO: Thank you.

Operator: Our next question comes from Keller Patton from Cantor Fitzgerald

Keller Patton – Cantor Fitzgerald: Hi guys this is Stewart from Cantor. I was hoping you could share a little more color about the diversified revenue streams in PagBank. What services are clients specifically engaging with and is that going to be a trend that continues into the future? Thank you.

Ricardo Dutra - co-CEO: Thank you for the question. When we mentioned diversification is because we used to have, if you look back the majority of the revenues we were having were related to interchange of the card, people just spending money with the card, so the interchange every time they made a purchase or they buy online or things like that, or even the money in the ATM.

And then we have been seeing that engagement is increasing of these 14 million clients. So the transaction is also helping the revenues, and also the fact that we increased our credit portfolio helped us to increase the revenue. So as we mentioned in the 1Q main messages slides, we are seeing these revenues coming from interest gaining more share in PagBank, and probably we will see that increasing in the following quarters, because although we will not increase the credit portfolio too much it seems that we have, we expect to have the credit portfolio stable and with more collateralized products. So that is what we will see you looking forward.

The other growth drivers that we have, we talked about SMBs digital account. We launched many products during the quarter; but I would say, I would highlight see you three of them that we have in the slides: one is the debit card for SMBs, they were asking us to have a debit card; we also had direct deposits from other acquirers to PagBank; and also we are launching CDs with credit cards for SMBs, because they did not have credit cards for formalized companies, it was only for consumers at this point, for let us say people, not for companies.

So those are the drivers that we expect to help us in the revenues looking forward, because we see this huge opportunity for SMBs. As I mentioned in my speech at the beginning, we are the only acquirer that we serve SMBs with payments and digital account. If you look all the acquirers that are trying to serve SMBs or they do not have any bank account, they are subsidiary of banks but they do not have their own bank account; or others are trying to do that they are behind us at least three years. So we are the only one with a payment solution in digital account, so we expect also to expand and penetrate more in our SMBs not only in terms of clients, but also in terms of engagement and consequently revenues.

Keller Patton – Cantor Fitzgerald: Okay that is really helpful, thanks for taking our question.

Ricardo Dutra - co-CEO: Thank you.

Operator: Our next question comes from Tito Labarta, Goldman Sachs.

Tito Labarta - Goldman Sachs: Hi good evening, thank you for taking my question. I have a follow-up I guess on the guidance a bit and on the margins that are implied, I mean the guidance it implies that the margins fall a little bit from this quarter, I mean you mentioned most of the repricing is done. When do you think we can begin to see some operating leverage in the business and the margin begin to go up? I mean is it do you need to wait for interest rates to come down, is it PagBank and the hubs becoming profitable? Just to get a better sense of when we can begin to see an inflection point there.

And then maybe a follow-up to that. You mentioned you would not proactively reduce rates when rates come down; but what if your competitors start to lower rates when interest rates decline? Would you be forced to follow, willing to follow or do you think you could then be able to maintain prices in a lower interest rate environment as well? Just to get a sense of potential operating leverage there if and when rates eventually maybe come down, thank you.

Ricardo Dutra - co-CEO: Hi Tito, this is Ricardo. Well, definitely we will have some, expect to have better margins when interest rates go down because of this mismatch of timing between the decrease of course, versus the level of revenues that we have at this point. So increasing the spreads because interest rates go down and we keep the price at same levels.

Regarding your question if competition decreases the prices, I do not think it is, let us say, a simple answer like we are going to follow, we will not follow; we have 7.7 million merchants, almost 8 million merchants. So you can imagine we have every type of merchants in all the cities in Brazil, more than 5500 cities; many of our clients uses not because of the prices - we have the highest net take rate of the market - but they use us because of the ecosystem; because they have PagBank; because we are the first mover and so on.

So part of our clients are not that price-sensitive, so I do not think that there is going to be a move to other player because we did not decrease the price, so we do not need to follow immediately if some competitor decides to decrease the price. And many of our competitors do not have a strong presence in longtail for instance, so we think we will take advantage of that.

Of course if you think about large clients that they have all the financial management or things like that, definitely there will be some competition there; but again we try to make, to differentiate PagSeguro from others with better services, better logistics and so on to try to sustain a higher price when compared to competition, and if you look at the industry we have the highest gross take rate and also net take rate.

Regarding margins in the short term that you look in our guidance, depending if you are looking at the bottom of the guidance, the mid and so on; but it seems to be stable in 2Q - of course we still have some days to finish 2Q - but it seems to be stable.

Operational leverage we do expect to happen, because we already invested in hubs in the past two years with our 300 hubs and we are not opening new hubs at the same pace that we used to have in the past, only small hubs here and there. So all the base that these hubs that we invested in the past they create base of merchants, TPV that we are having right now of course we can take, we can get some leverage there - but again I just do not want to promise here better margins because we do not even know how is going to be the next interest rate increase - if we will have - by June, and then of course if we have this interest rate increase we will increase the price as much as we can, and we have the ability to pass the price as we could see in 1Q.

For me we had a very successful price strategy here. We were able to increase the price, increased take rates and churn levels under control, and that is why our revenues grew more than our volumes (66% versus 60) and in 2Q we are seeing better take rates when compared to 1Q. So it is a matter of time for this operational leverage to happen, but I just do not want to promise you when it will happen. But I guess the best answer here at this point is to say you some of the headwinds that we have today could be tailwinds in the future. So let us see when they will become some tailwinds and we can take advantage of that.

Tito Labarta - Goldman Sachs: Great, thanks Dutra that is helpful. Maybe just one follow-up then on that. In terms of PagBank I think you have, you initially said you would breakeven maybe end of this year, I think last conference call you said maybe that gets delayed a quarter of something, because of a sort of slower credit origination. Is that still the case? Do you think PagBank breaks, turns to profit next year?

And then also a similar question on the hubs. Would you say how long the hubs take to become profitable? Is that this year, next year? Any color on the profitability of the hubs?

Ricardo Dutra - co-CEO: Regarding PagBank, Tito, what we have seen so far down here in Brazil is with all the changes that we saw in the market, even with the money, the excess of capital that we had last year and the easy money is not so easy anymore, so opportunities to grow some clients even for other smaller players that had funding from venture capitals and so on. So we are following the idea here or direction here to speed up our PagBank acquisition of clients. We are doing very well as you can see in the numbers.

Monetization could not happen at the same velocity, at the same pace that we expected to have; but we are already the second largest digital bank in Brazil, so breakeven and profitability will be a consequence.

If it is not in 4Q TY that we said it is going to be in following quarters, but to be sincere it does not move the need of profitability of the company. We are building the second largest digital bank, 14 million, increasing engagement, increasing deposits, helping us with funding and so on. So we are in the path of breakeven. I just cannot assure you it is going to be this year as we said before, but if not it is going to be very soon. So honestly we are taking advantage of the scenario to grow PagBank as fast as we can.

And the hubs I guess Artur can help me with the hubs. Artur, the hubs.

Alexandre Magnani – co-CEO: Tito, this is Alexandre. Regarding to the hubs, hubs represent today 25% of our TPV. We have around 300 hubs spread all over the country covering around 80% of the Brazilian GDP geography locations. We have very compelling paybacks in our hubs operations between 4 to 6 quarters.

What we see is that through our superior logistics infrastructure, same-day prepayment and PagBank offering, we have been growing much faster than the competition in our hubs strategy, exploring and gaining share on the SMB segment, and we see that we are gaining that traction and that market much faster than we originally would think about.

Tito Labarta - Goldman Sachs: Thank you, that is helpful.

Ricardo Dutra - co-CEO: Thank you Tito.

Operator: Our next question comes from Soomit Datta, New Street Research.

Soomit Datta - New Street Research: Hi there yes, thanks for taking the question, just a quick one at this point please. You have given some data on the hubs contribution to TPV over the quarter, the last few quarters. I am trying to kind of plot that progress over time, and how much is hubs contributing over time. It is a bit hard to get to be exact numbers.

I am curious to what degree is the longtail still growing TPV relative to hubs? I mean for example you said hubs TPV is up to 25%, total amount I think was 20% at the end of the year. So when I look at the TPV progress to 1Q it was flat; does that mean longtail TPV is down and hubs TPV is up? And then when you are guiding for TPV into the next quarter you are assuming longtail is still growing or is that really coming from the hubs at this point? Thanks very much.

Ricardo Dutra - co-CEO: Hi, thank you for the question. Well, longtail TPV is growing. We were the first mover, we have a very loyal base of longtail and small merchants that work with us. So this TPV is growing in longtail; but of course when we look at the TPV metric hubs are growing faster, because they usually are 5x, 6x higher than the size of our longtail. So that is why they… rapidly get a share of TPV in this 25% - which is good, because we are growing 60%, 66 revenue and so on.

So looking at the TPV we expect that hubs will take share because the hubs operation is doing very, very well. We thought it would be even harder than what we see in the market, so hubs are doing very well, so they will keep taking share; but longtail is growing - but it is not growing at the same pace as hubs, because of course the maturity of TPV compared to hubs is not that the same level. We are growing hubs more fast or faster than longtail - but both of them are growing.

And as I mentioned before although hubs have a lower net take rate as a percentage, in absolute terms it is a very decent profit and it helps because they are 5x larger than longtail. So it is hard to give you what is going to be the size of hubs looking forward; but we expect to take share and it is not bad news because they are growing faster than longtail, and as I said before we will cross-sell our PagBank solutions for hubs as well. So Éric?

Eric Oliveira, Investor Relations and ESG Director: Just my two cents here. It does not matter the size of the merchant that we are serving, if it is longtail, if it is SMB. This might be tricky and misleading question and why is that? Because we are cherry-picking always the best merchants and this is why we have the highest take rate for the market and we are the most profitable acquiring company, building up a bank with 23 million clients and capturing more than 40% of the net profit for the sector. So we are not concerned with the longtail, SMB; what we know is we are cherry-picking the best merchants - and for those with poor economics we are not focused on them, we are focused on cherry-picking the best merchants with higher TPV/merchant and healthy take rates.

Soomit Datta - New Street Research: Okay got it thanks.

Ricardo Dutra - co-CEO: Thank you.

Operator: This concludes the question-and-answer session. At this time I would like to turn back, turn the floor back to Ricardo Dutra and Alexandre Magnani for any closing remarks. Please go ahead.

Ricardo Dutra - co-CEO: Hi everyone, thank you very much for investing the time to talk to us, thank you very much for those who made some questions for us as well, and hope to see many of you in person in the following weeks, thank you very much.