

Operator:

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Positivo Tecnologia's 1Q19 earnings conference call. Today we have with us Lincon Ferraz, Financial and Investor Relations Officer.

We would like to inform you that you will be in listen-only mode during the Company's presentation. After Positivo Tecnologia's remarks are completed, there will be a question and answer session. At that time, further instructions will be given. If any participant needs assistance during this call, please press *0 to reach the operator.

We have a simultaneous webcast that may be accessed through the Company's website, ir.positivotecnologia.com.br, and MZiQ Platform. The slide presentation may be downloaded from this website. Please feel free to flip through the slides during the conference call.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities litigation reform act of 1996. Forward-looking statements are based on the beliefs and assumptions of Positivo Tecnologia's management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Positivo Tecnologia and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the call over to Mr. Lincon Ferraz, Positivo Tecnologia's, Financial and Investor Relations Officer. Mr. Lincon, you may begin your conference.

Lincon Ferraz:

Good morning, everyone. We are here to present the results for the 1Q19, when the Company recorded an increase of 65% in the revenues with mobile phones.

Starting on page two, here we have some color on the market. Brazilian PC market recorded sales of 1.26 million PCs in the 1Q, it was a reduction of 6% year-on-year. In the retail, the reduction was of 6.7%. The retail sales were impacted in Brazil due the pass-through to the prices by the end of the injunction that kept in zero the PIS/COFINS collection on PCs, and also the USD appreciation.

Government market in Brazil shrank by 11%. It was related to the changes in the administration of federal and states bodies after the elections in November, 2018. Also, corporate sales were almost flat, reflecting the economic slowdown in Brazil.

Positivo's sales decreased a little bit more because we are more exposed to retail and government, and both segments went down more intensely when compared to the total market. We closed the quarter with annualized market of 15.3%, 1 p.p. below the figure of the 1Q18. Looking specifically to the retail, our market share closed the quarter at 18%, almost flat year-on-year.

Moving to page three, here is the mobile phone market in Brazil. The market in the country also decreased, 5.7% in the 1Q, by the same reason, we had the end of the

injunction for the PIS/COFINS, and also the USD appreciation that was passed to the prices.

The three main brands in Brazil were representing altogether 80% of the total market, but Positivo was successful to increase its sales by 49% in terms of volume, out of which 63% in feature phones, 39% in smartphones. This resulted in a market share of 3.6%, 1 p.p. up year-on-year. We are increasingly with more diversified sales channels, and also increased presence in regional and smaller retailers.

Moving to page four, here we have some figures on the profitability. The sales margin was 9%. This is similar to what we saw one year ago, a little bit below the figures for the 4Q. This was due to the sales to the government in the period, with some process that we won more than one year ago, and then we had a FX impact in the margin.

Fixed costs closed the quarter at R\$10 million, it is a reduction of 3% when compared to the 1Q17. Even with the inflation in the period, we could keep the G&A expenses very well controlled. What helped on this was the reduction of the administrative staff that we held in September, 2018.

Moving to page six, with the financial results, here we have some figures for the volume. You can see that PC sales reduced in all the segments, more intensely in the government, with 67%. We had a big project in the 1Q that was postponed for the 2Q, so in the 2Q we expect the sales and the volume to increase a lot. In retail, the reduction was higher than what we saw in the total market. This is because of the focus of the Company in entry-level products. When the price goes up, the demand is probably going to reduce more than in the high-end products.

Mobile phone sales increased a lot, 39% in smartphones, 63% in feature phones. As I mentioned, we are selling very good volumes with regional retailers, small retailers, finding some niche of products that we do not see so much competition from the three main brands.

On page seven, you can see the total revenue. It was a reduction, but if you take a look in the retail, we had an increase of 3%, totaling R\$270 million. This is the benefit of the diversification, considering that we sold 65% more mobile phones in the period. It fully compensated the reduction in PCs.

Average price in most of the products went up, reflecting the FX ratio, except for the notebooks, where we can see a reduction of 11%. It was caused by the lack of inventories for Vaio products. It will be normalized in the 2Q, but in the 1Q we did not have so much inventory for these very high-end products, so the total mix in the 1Q was concentrated to entry-level products.

Moving to page eight, here we can see that the gross margin closed the quarter at 28%, better when compared with the 1Q18. This is reflecting the pass-on to prices of the FX appreciation, but it was compensated by the increase in the sales expenses. You can see that both marketing and technical assistance went up because of the big revenue from mobile phones. They carried a lot of provisions for commercial expenses, and also for aftersales, more than PCs.

G&A expenses closed the quarter at R\$24 million, 2% down year-on-year. The highlight is the reduction on personnel. Even with the increase of salaries that we are

obliged to provide every year, we could not reduce it because of the reduction that we made in the administrative staff as of December.

Closing the financial section, we can see, on page nine, the results. We closed the quarter with a net loss of R\$4.5 million, with an adjusted EBITDA of R\$17 million, accompanied by a margin of 5%. It was lower than one year ago because of the reduced revenue, so the fixed cost was not so well diluted.

Financial results closed the quarter at -R\$12 million. It was more than what we saw one year ago, because one year ago we had some benefit from interest on taxes that were recognized in the 1Q18.

Net debt closed the period at R\$215 million, with a multiple of net debt/adjusted EBITDA of 2x.

I close there, and I wait for your questions and answer session. Thank you.

Operator:

There are no questions at this time. This concludes the questions and answer session, and also today's conference call. You may disconnect your lines. Thank you.

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