

Operator:

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Positivo Tecnologia's 2Q19 earnings conference call. Today we have with us Paulo Eduardo Junqueira, Vice-President of Finance and Investor Relations.

We would like to inform you that this call is being recorded and 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. Paulo Eduardo Junqueira, Positivo Tecnologia's, Vice-President of Finance and Investor Relations. Mr. Paulo, you may begin your conference.

Paulo Eduardo Junqueira:

Thank you. Good morning everyone. It is a pleasure to be here and to start this conference about the 2Q of Positivo's results.

The PC market in Brazil increased 2% in the 2Q according to IDC. PC sales in Brazil grew in the retail and corporate markets, following a recovery of our corporate IT investments renewal.

Positivo's sales decreased a little, affected mostly by the Company policy for minimal margins and shortage of supply by a major worldwide processor manufacturer, which is well known in the in the market.

Our invested company Accept presented very good sales performance, with an increase of 24% in the 2Q.

Moving to the next slide, mobile phones market grew 7.6% in the 2Q, and we increased share. Positivo's sales had a good performance mainly in smartphones. Following the market growth, the Company's mobile phone sales had good performance, recording a volume of 485,000 units in the 2Q, 24.3% growth in market share.

Moving to the next slide, in the 2Q sales margin reached 11.7%, higher than the previous period due to favored favorable product mix, and also due to the already mentioned policy on minimum margins established by the Company in the end of 2018. Also, the Company had maintained a strong cost control, which is down 12.9% in the quarter.

Moving to the next slide, two weeks ago we have launched a new product line. We entered the IoT market. We launched the Positivo Casa Inteligente brand. We were the first mover on providing friendly integrated solutions. We offered goods and solutions to connect Brazilian homes with affordable prices.

On the next slide, we have also intensified our effort to attend the market demand, mostly the corporate market demand for providing our computers on a leasing mode instead of sales. We have intensified our efforts to intensify our sales in this leasing market.

On the next slide, as mentioned, Accept, our invested company. We hold an 80% stake in Accept, and it had a very good performance in the 2Q. Also, the Company expects to make new investments in technology-based companies using part of our investments in research and development obligation.

Moving to the financial results, on slide number 9 we notice that, as mentioned, PC sales had a reduction in the 2Q, and mobile phones had a very good performance mostly on smartphones, with the highlights of 49.4% growth in smartphones.

On slide number 10, net revenue grew in the retail market mainly due to the mobile phone sales, as government sales had a slight decrease, and corporate sales grew 28% in the 2Q19.

Moving to slide 11, the Company recorded a 28% gross margin in the quarter, a 5% increase in margin compared to the 2Q18, mostly, as already mentioned, as a result of the minimum margin policy. The fixed costs remain with strong control in the 2Q.

Moving to the next slide, the Company had a good performance. We posted an 8.1% EBITDA margin, delivering a R\$50 million EBITDA. We had a net income of R\$11.1 million, and the net debt multiple decreased to 1.7%.

That is it. Thank you very much.

Operator:

Thank you. This concludes our question and answer session. This concludes today's Positivo Tecnologia's earnings conference call. You may now disconnect your lines at this time.

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