

**Operator:**

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Positivo Tecnologia's 4Q18 earnings conference call. Today we have with us Lincon Ferraz, Financial and Investor Relations Officer.

We would like to inform you that this conference is being recorded, and that you will be in listen-only mode during the Company's presentation. 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](http://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 4Q18, when the Company registered income before tax of R\$10 million.

You can proceed to page two. Here, we have some color on the PC market. Sales in Brazil increased by 7%, totaling 5.6 million PCs sold, according to IDC. The segment that most increased was retail. In retail, the growth was 5%, boosted by higher consumer confidence. The ICC index reached 94 points in December 2018, 6% up year on year.

In the corporate segment, sales increased by 10%. This shows the recovery of investments in Brazil for the companies in infrastructure, and also renovation of hardware investments.

Total PC market in Brazil was very low in 2016 due to recession, so 2018 is the second year of growth in the country.

Positivo's sales grew by 18% in 2018, with an excellent performance both in the retail and corporate sales. In retail, our growth was 20%, boosted by our product portfolio success, and also the higher exposure of our brand provided by the sponsorship to Corinthians soccer team.

In the corporate segment, our growth was 32%. This was led by the extension of the sales to resellers, and also the increase of sales to medium and large companies provided by our new commercial team.

You can see in the chart on the right side that our market share reached 16.9%. It was 15.1% last year and 15.3% in 2016. So it is a growth path.

Moving to page three, mobile phones market, this year, 2018, the concentration in the three major manufacturers was the same when compared to 2017. The three together hold 80% of the total volume of the market, leaving only 20% for the other brands. Our market share closed the year at 3.2%. It is flat year on year.

Our prospects for the 1H19 are good. We detected a very good sales turnover in the channel, so the reposition in the 1H19 is very strong, and it could lead to bigger revenues.

Moving to page four, here we can see the margin of our sales. It closed the quarter at 11%. It is a normalized level. The only quarter in 2018 that was very low was the 2Q, in which the FX ratio in Brazil was suddenly depreciated, so we did not have time to pass this to price, so the margin suffered a little bit. As of July, the margin recovered as soon as we passed on to price all this depreciation.

The fixed cost also reduced by 20% when compared to the 4Q16. On September 2018, we promoted a big restructuring of the administrative areas within the Company. We had around 130 laid-off, and also, it cost a lot of expenses. R\$10 million was the level of the G&A expenses considering only personnel and administrative expenses.

Moving to page five, here we have some news. According to the Material Fact that we disclosed earlier this year, we acquired the control of Accept. We hold now 80% of its capital.

Accept's revenue in 2018 was R\$160 million. 80% of this volume was represented by servers, and also storage, and 20% of the revenue was mini PCs, thin clients and desktops.

The acquisition price was structured in form of earn-out, so the impacts in cash flow are minimized, and we expect improvement in the results of this company provided by the gain of scale with the combination of Positivo and Accept, and also from synergies in aftersales, factory, and also fixed costs.

We hope to have a more comprehensive portfolio to address the corporate segment, and also the government. We are very confident for 2019 with this acquisition.

On page six, here we have another news, the establishment of a fund for investment in IT companies. This vehicle was created according to the Brazilian IT Law, which was renewed in October 2019, allowing companies like Positivo and other manufacturers to invest a portion of its obligation of investment in R&D in this kind of activity.

We invested R\$14 million in the fund in December 2018, and in February 2019 the first two investments were performed, two startup companies in the agribusiness sector. The first one is called Agrosmart, and the second is @Tech.

Agrosmart has sensors to monitor crops. They combine this analysis of genetic information, satellite images and harvest data. We hold a 12% stake in this company. And the other one is engaged on monitoring livestock, and we hold a 20% stake in this second company.

We expect to see more acquisitions through 2019 because we expect to have around R\$10 million to R\$20 million every year of investments in this vehicle.

Moving to the financial results, on page eight, here we have the sales figures. Analyzing PCs by channels, it is interesting to see that in all the segments, retail, government and corporate, we grew. In retail, it was 20%, government, 7%, and corporate, the biggest growth, 32%.

On mobile phones, on the other hand, we saw a reduction in smartphones of 29% because of the very fierce competition, but in feature phones we grew by 23%. The combined volume was almost flat year on year.

Moving to page nine, net revenue totaled R\$2 billion. It is 2% more when compared to 2017. The interesting thing is to see the average prices moving up. You can see it very clear in the notebooks line. This is accompanying the FX ratio in Brazil, passing on to prices, except on the 2Q18, as I mentioned, in which the margin was lower.

Moving to page ten, here we can see COGS, sales expenses and G&A. COGS represented 74% of the net revenue in the 4Q. This is a better level when compared to the 2Q, and also when compared to the 4Q17. This represents an improvement in the ratio between the pricing and the exchange rate.

Sales expenses declined to 14%, reflecting the reduction on provision for aftersales, and also the less representative sales to the retail, in which they carry a lot of marketing provision. G&A expenses reduced by 16% year on year in the 4Q, mainly in the personnel expenses, which were only R\$9 million. It was impacted by the reorganization that we made in September 2018. We expect this line to keep stable on 2019 due to the very fierce control that we are providing in the fixed cost.

On page 11, we can see the operational results. EBITDA reached R\$47 million in the 4Q, with 8.6% EBITDA margin, very healthy. This is much different when compared to one year ago, when EBITDA reached only R\$23 million; it almost doubled.

Looking to the net income, it was a net loss of R\$0.5 million in 2018, a big improvement when compared to the year before, because in 2017 we had a net loss of R\$47 million. It was impacted by accounting provisions that we made for inventory levels, and also the tax installment program that we entered into agreement in the end of 2017.

Financial result was -R\$43 million, mainly because of exchange rate variation, which was -R\$23 million. Net debt closed the year at R\$217 million, with a net debt/EBITDA of 1.9x.

We are very confident of all the capital structure because of the new credit line that we are contracting with Finep, of R\$50 million, nine-year terms, and a very competitive cost. We expect this to happen in the 2Q19, and it will improve significantly our capital structure.

That is it. That is the result for 2018. Hope to see you soon on the disclosure of the results of the 1Q19. The interesting thing for the 2019 figures will be the consolidation of the servers segment with the acquisition of Accept.

Thank you very much. Hope to see you soon.

**Operator:**

This conference has concluded. Thank you for attending today's Positivo earnings conference call. You may disconnect your lines.

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