

Conference Call Transcription

2Q22



Pedro Albuquerque: Good morning, everyone. Welcome to this earnings call for the second half of 2022. So, to start, this was, of course, a challenging quarter, but there are some very promising signs from our initiatives, initiatives that have been in place since last year when we had our IPO and had many acquisitions, significant acquisitions that enabled TC to enter the B2B market for institutional investors.

Highlights to Prisma, formerly RIWeb, it's a subsidiary where we have investor relations. When we took over Prisma, we had 66 contracts and now we have over 140, almost 100% growth in less than a year of operation. You know that sales to companies and institutional investors have longer sales cycles, but nonetheless, TC has grown significantly in this division. Moreover, since there's the call, we have earning calls every quarters, departments stop for about 30 days to prepare for the calls, for the releases, so even though there's a brief commercial window, we had an outstanding growth in this division, we are placing our bets on it and we believe we'll have some significant revenues from it in the future, not only from Prisma, but from other subsidiaries, other TC subsidiaries, including TC Advisory, where we'll provide advisory to companies that want to enter the stock market, the debt market, issue their own shares and the M&A market.

Remember that we stream all the conference calls on our website and at TC because of compliance and regulatory questions, and soon companies will be able to have their events inside our own platform, so they will have their registration, investor relations departments will put their events there and then users will get reports, notifications, and the events will take place on our platform, will be part of our calendar, this exclusive content generation that gives us this competitive edge in B2C as well.

With Prisma, still with Prisma, we're making strong progress in their system, the system that manages their investor relations, we have already integrated it to Economatica, we have market intelligence reports, we're retrofitting their monitoring tool to trigger emails, to schedule events, to attach documents, it is comprehensive work that we're doing with our technological expertise, and we believe this system is superior to any other in the market.

Moving on, there's DIBRAN DTVM, it's basically our broker for securities, we announced the acquisition of DIBRAN this year and it's worth remembering that this acquisition has to be approved by Brazil's Central Bank, we hope we'll get that approval by the end of the year and once it's approved TC will be a financial institution with this subsidiary and this will help us expedite, pick up our operations.

We already have a number of initiatives in place, we're preparing our platform for this, which will be the biggest event in the history of TC. We grew by selling subscriptions, so a subscription-based model asking users to pass their card, but now with the broker and the manager, we have become more versatile than ever, we're more flexible than ever, we will tap into the unique services of TC and we firmly believe that we have this competitive edge in comparison with any other brokerage in Brazil.

TC will be a very important distribution channel, very few companies are positioned as we are to do what we do, to do this distribution, and it's precisely because we have this massive customer base, and it's not going to be a broker for B2C or for retail only, we also want to have this brokerage operation for important, significant institutional investors, and that's why we invested PH (Pedro Henrique Feres), he is very knowledgeable and his mandate is to put together this lucrative broker with competitive advantages versus its competitors in the market.

And then there's Galícia Educação, a very important acquisition we made recently. Education is in our DNA, we have over 50 courses on our platform already, we have in-person training sessions, like TC Experience, seven-day immersion training, and shorter courses even here

at the office on site, in person, and now with the acquisition of Galícia, which is an education institution registered with the Ministry of Education, we plan to launch new courses and new educational initiatives in partnership with them including MBAs, training programs, and not only that, not only in finance, but also technology to train workforce. You all know that there's a shortage of good professionals in technology and that will also help us stand out, we'll train good professionals that will come to the market and make the difference and, of course, we plan to hire some of them for our internal operations.

Galícia also gives us access to a customer base of over 250,000 students, which also, again, enables us to attract new customers to our platform, to our operations at a very low acquisition cost. These are the cornerstones of the work we do, Galícia has extremely experienced professionals, they have this long experience with distance or remote education, training, academic training, academic education, so with Galícia we're very excited about this new step we're taking toward this educational model.

There's also Pandhora, we announced the acquisition yesterday, we're extremely excited about this acquisition, Pandhora has over R\$350 million under their management and this unexplored market. In the US, quantitative strategies are widely used in hedge funds, managers there use that, there is a significant participation of that in the American market, Brazil is lagging behind in that sense and with Pandhora's outstanding team we will improve our quantitative strategies, improve fund raising, and bring new products to the manager.

What do I mean by that? Real estate, agriculture, and also some net assets which will be a very important part of our growth strategy. And Pandhora does more than that, Pandhora also has this expertise with crypto asset funds. And today putting together a crypto asset fund is a complex, but Pandhora knows how to do it and we firmly believe in the potential of the cryptocurrency market, so we plan to launch many products in that category of assets.

TC Advisory, I told you about that, I talked about that in my previous presentation, but TC Advisory has strong synergy with what we do at TC as a whole, it is a low-cost subsidiary that we have, and again, it has over 140 active contracts with Prisma, and also privately held companies, like DXA for example, or even TC users, TC customers, there are many entrepreneurs that can benefit from both privately held companies, publicly held companies to have access to ECM, DCM debts stock market, and also to advise them in M&A. We believe that the revenue potential here is very substantial, with significantly high margins.

And now I will hand it over to our investor relations and M&A director, Mr. Pedro Machado, he is going to share some figures with you. Thank you.

Pedro Machado: Thank you, Pedro. So, at the end of the second quarter, we ended with almost 700,000 registered users, net revenue of 24 million and adjusted gross profit of R\$16 million. We talk about cost discipline, we've been talking about that for a year and there's been a significant decrease in the number of employees and also in our operating costs, operating expenses.

Today we have 543 employees, this from July 22, that's the number we still have, so we have streamlined our team and the costs for the second quarter have also decreased 14%, to R\$28 million in the period. Some of the recurring costs we could cut word at the end of the second quarter, so the effects are still to be felt in the third quarter we expect this reduction to continue.

In terms of number of users, just told you, almost 700,000 registered users. There's been a decrease in the number of paying users, we currently have 83,000 paying users and this was due mainly to the volatility of the stock market, less interest in variable income, our ecosystem has grown to include more than variable income, but it is an integration process

that takes time, so we hope to see an improvement in the number of paying users soon with the improvement of the market and the integration of new functionalities and features.

In terms of net revenue, again, we ended the quarter with 24 million, a decrease in comparison with previous quarters, but in comparison with the last 12 months, there's been a growth of almost 55% in comparison with the same period last year.

B2B's share in our revenue has also grown from 4% to 29%, it's also one of the reasons why we've been so resilient in this challenging market. Net revenue retention, something that we always show you, it tends to 100% overtime, which shows that we can monetize our customers with the value that is equivalent to what we lose overtime, meaning that we lose customers, but then we can upsell the churn, we can upsell to some customers and then offset the churn over time.

This our cash and cash equivalents for the period. We started the quarter with 271 million and we ended with 237, and we also have this pro forma for the inclusion of Galícia. Pandhora, whose acquisition we announced this week, it's a 15 million acquisition, it can be paid with stocks, so we're not including in here the pro forma. Our main expenses in the period were related to M&A, you see the line here, almost R\$21 million and the other expenses were operating expenses costs and operation that I'm going to detail now.

This the profit and EBITDA, these are adjusted values for non-recurring values, so in the past we also did this growth adjustment, but since there's been no growth in the period, we got rid of that adjustment. Our greater efficiency in costs enabled us to have the highest margin of recent periods, 66.3%, and we expect this improvement to continue since we're still very driven and focused on improving our operating structure. The net profit in the period was R\$2 million supported by this positive finance income, this the main factor that reconciles the net profit and the EBITDA for the period, the adjusted EBITDA for the period was - 4.4 million.

I guess that was it I had to share with you, today thank you we'll come back for Q&A in a minute. Thank you.

Q&A Session

Pedro Albuquerque: Right, so let's open for Q&A.

Francianne Sousa: First question from Carlos Herrera, from Condor. He's asking about potential ways to make our customer base more profitable, the reasons for the decrease in the number of paying users and he also asks about the impact of that on TC's image.

Pedro Albuquerque: OK, so thank you for the questions. How to make our customer base more profitable, we talked about that today already, we just announced the acquisition of a manager, Pandhora, with R\$350 million under management, they have a team in place, it will expedite our own asset management and it's a broker, right, so once the broker is operating, we have many synergies we can harness and the possibility of using that to make customers more profitable. We have a massive number of users using our platform, our services, so with the broker and with the manager we hope to achieve this significant growth ahead.

For B2B, we're more excited than ever, we have witnessed this great growth in all TC's subsidiaries, Prisma, like we've just shown you, had almost 100% growth since we took over the operation, TC Sfoggia we have slipped their revenue for the third quarter, but we hope to get a good stream of revenue from this tax optimization arm that we have announced this year, and there's also Economática, TC Economática, we're launching the terminal now in the first week of September, we're setting up an event to launch that, it's a major project that



we're conducting here, it's going to bring us to this very promising market, Economatica has a very high average ticket of over R\$4,000, so we're going to launch the TC Economatica terminal with a much lower ticket, and we believe it will be very pervasive with asset managers, financial institutions, banks in general, and also education institutions with the TC terminal.

And what was the other question, Fran? I'm sorry.

Francianne Sousa: He's asking about the video; he asked about the impact of the video on TC's image.

Pedro Albuquerque: There is no impact of the video on the second quarter because the video was released after the second quarter, and it was such a brutal attack to us, so there was an impact in the short-term, but not only with potential customers, but also in some negotiations that TC was doing for the brokerage. Things are going back on track, things are back to normal, we worked to put things back on track, actually, we have announced two substantial acquisitions during the attack, during this process, this attacked that launched against us, and it was not only an attack against us, like I said in the press conference, it was an attack against the Brazilian capital market, it shouldn't go unnoticed and they shouldn't get away with it, we are doing whatever we can hold them accountable, we want to unmask the authors, the perpetrators of this crime.

So, we're confident about what we do, we know who the authors were, and they will be held accountable. It's up to the authorities to continue with this process.

Francianne Sousa: Updates about the investigation, with the federal police, conclusion of the investigation, next steps.

Pedro Albuquerque: I can't tell you much about that, I cannot give you any updates on that. I think that this investigation is being conducted by the federal police, but we have also contacted the federal prosecutors to investigate that. This case is a direct attack against us, against the market as a whole, it is outrageous, and we believe that they will not get away with it. Again, we have filed a case with the public prosecution, you cannot simply launch a video with a number of untruthful accusations and professional production, so many people participated in this plot and it's outrageous, you cannot believe that you will get away with something like that. We firmly believe that this will be verified, and we will only emerge stronger from this regrettable situation.

Francianne Sousa: Another question: how are we making progress in the middle market and as advisory, and what is the head count for advisory? Second question she wants to learn about new, Pedro, what is your take on TC for the next five or ten years?

Pedro Albuquerque: Alright, so TC Advisory is already in place, we already have some mandates in negotiation, we are very excited about this subsidiary, TC has a large customer base, both individuals, business people, entrepreneurs, and also legal entities or corporate customers, almost 140 companies that are customers, both privately and publicly held, so we have a great number of potential customers asking for advisory to go to the debt market, the capital market, and also for mergers and acquisitions.

So, we're very excited about this subsidiary and we believe it's got a great potential, it can be a great source of revenue this year.

For the next five years, what I expect for the next five years, well, I believe we had created something that is unique. TC is hard to copy, hard to replicate, we have this live, organic community that is massively and daily used by a large number of users, and we have our

competitive edge. The future of TC is to be a one-stop-shop platform. Today people still have to leave TC to do their transactions in other brokers, other banks, they leave TC to invest in other categories of assets, but the future of TC is to be again the one-stop-shop, we'll have everything inside our platform and, of course, with that we'll be able to tap that revenue because today this revenue is generated for other companies outside our platform, so we expect to see fully integrated platform with everything it takes for investors to make the best choices.

I believe we can be a great broker, a great asset manager and, well, we are going to be a complete, a full rounded financial institution. We have just announced our advisory branch and there will be more business units that will make our ecosystem even more complete.

Francianne Sousa: Another question from Carlos, from Eleven. He is asking: "with the new work fronts and clear... what is the breakdown of the revenues in the future and what do you think will be the share of advisory for the revenue in the future?".

Pedro Machado: Well, it's hard to make estimates with percentages now because the tickets are high, the tickets are high, but it's hard to make forecasts or estimates now down the road, they may go up in a given quarter and then go down the next quarter, but what I want you to keep in mind is that it optimizes our customer base and expands our portfolio. I believe that advisory and B2B in general will possibly account for half of our revenue, but again, what's important is that they complement our ecosystem and make our platform more accessible to the B2C segment, but I cannot break it down now, I cannot breakdown the revenue beforehand, but there's much synergy with the customer base we already have and, well, I firmly believe that it will account for much of our revenue in the future.

Francianne Sousa: Ok, some questions about the broker, people asking for updates about the broker and what's going on with the Central Bank.

Pedro Machado: Well, Brazil's Central Bank does not give us any insight into that, it's a process that usually takes about 12 months, but we're on hold, we're waiting, we have already submitted the project for their approval and now we're waiting for the Central Bank to give us they response. But that doesn't keep us from starting operations before that through operating agreements even though we won't be exactly the owners of the broker, we can also integrate these into our platform and enable financial products within TC.

Francianne Sousa: Right, JR Castro is asking about the expectation of integration with the companies acquired over the last 12 months, and he also says that it would be interesting to have access to articles, analysis, for example, on the TC app.

Pedro Albuquerque: Right, thank you for the question. We already have some that are native on our platform already, with Investe AI we already have Arko, Arko content on our platform and, of course, we're doing the rollout of the subsidiaries overtime, we will launch the TC Economatica terminal with embedded Arko, with Arko embedded into this terminal to generate the best political intelligence content in Brazil.

So, yes, there are many... and this terminal will also be available for individual investors, one of our missions is to share information about the stock market, that's part of our DNA, we come from retail, that's in our DNA, but it's also for institutional investors. Platforms can be very expensive, and we want to make this more democratic, some platforms are limited to clubs and some groups of investors only, so we tap into technology to offer lower prices and intelligent content, financial data, we believe that it's our... we believe it's our job and we believe it's matchless, matchless content in Brazil.



Francianne Sousa: Mr. Lopes about the crypto ecosystem and its role for the next years within TC.

Pedro Machado: Well, again, it's a different class of assets, but I'm personally very optimistic about it, it's actually our product with the highest NPS TC crypto, so we're adding analytical features to that, we have partnerships with international organizations, like Delph, to offer their research to our customers, they have like one of the world's best research features, we have some of the best market operators as well, you can tell by the performance of our portfolio and the performance of Crypto One, our product, it's a managed portfolio in the Bitcoin market for customers who want to leave it for Jorge and Paulo, under their management.

So, honestly, I believe that it's a promising market, today it's a market of about US\$ 1 trillion, but I believe that in about five years it will reach US\$5 to 10 trillion, and Brazilians are already investing more in crypto currency than in variable income, so we're working hard to offer robust intelligence to our customers, and we have high expectations for that.

Francianne Sousa: Some questions about Economatica. Some ask how it's going to contribute to the B2C strategy and updates on the TC Economatica terminal.

Pedro Albuquerque: Well, I talked about the terminal already and Economatica. First, Economatica is a treasure, it is an outstanding platform with a fan base, it's been there for 36 years, so we respect their history, we're fans, but we're also paving the future of Economatica. So, we see TC Economatica as the next product and the future of this integration. We believe there will be strong growth, commercial growth based on this launch, we have high expectations for that too, it's going to be launched in the first week of September, it's a unique terminal with some unique TC features in addition to the well-known financial data from Economatica.

Francianne Sousa: A question from Carlos from Eleven: "improvements in operating costs was outshined by the decrease in revenue, so what is the expectation after the breakeven?".

Pedro Machado: Right, we continue with our cost discipline, so we believe this breakeven will be very soon, and many recurring costs were cut at the end of the last quarter, so the total savings do not appear in their results yet, some rescission or termination costs were also removed from the adjusted profit, so we'll reach the breakeven very, very soon, and remember that we're going through this transition phase where we're enabling transactions on the platform, other monetization pathways that will also drive up revenue.

TC was lucrative for a long time, we went to IPO, we raised funds, so in operational terms, we went public, we went to the IPO on our own account, I'm sure it will resume profitability very soon.

Francianne Sousa: Question from Fernanda, she is asking what is BTG's position in relation to the investigations against Empiricus.

Pedro Albuquerque: Well, BTG controls, it's the holding company of Empiricus, and for us it's not clear, the position of the bank is not clear to us, we don't have a clear position from them. What I can tell you is that TC will fight for our rights and make our rights be upheld, we want to uncover the authors of this crime and we'll take the investigation to the end.

Francianne Sousa: Right, we also have questions about the liquidity or the net worth of TC's shares, if there's any need to hire a market former.



Pedro Albuquerque: No, that's not part of our plan hiring that. It is not part of our plan. Of the companies that have done IPOs last year, I think that we are one of the stocks with the best net worth, with the best liquidity if you will, it's not that significant yet, but it should naturally grow as we deliver better results. If we deliver everything we're talking about here, stocks shoot king volume, but right now, we're not negotiating with any contract in market formation.

Pedro Machado: Right, and we believe we can drive up the liquidity of our market in options, it's one of the things that we envision, we'll do with our own broker. In the American market, every month or even every week you have many initiatives like that, so the liquidity of our market is still very limited, so there's much room for growth, opportunities, and even education to teach people how to go about that and how to work with their possibilities, their profiles.

Francianne Sousa: Right, another question that is more related to our product, actually. Mateus is asking if there's any prospect to integrate the portfolios calculated with Sencon and the portfolio we have today in the app, the TC app.

Pedro Albuquerque: Yes, that's a prospect, it's one of our distinct features, we're changing our wallet or portfolio feature, it will be available in the app and there will be integration with Sencon so you can automatically calculate your income tax, pay your taxes, so it's one of our main distinctive features for TC and for our broker.

Francianne Sousa: I don't think we have any more questions.

Pedro Albuquerque: Right, guys, so thank you very, very much for your questions, very interesting questions, thank you for watching us, thank you for joining us on TC Station on our investor relations website. And of one thing you can be sure: we love this company, we love what we do, we love the work we do here, we're more excited than ever about our business, about the work and we're very excited about the new subsidiaries that we have just announced.

Again, we firmly believe in our growth potential, and again, we believe TC is going to be an increasingly important player in the Brazilian financial market.

Thank you.