International Conference Call

PagSeguro

4Q18 Earnings Results

February 21, 2018

Operator: Hello everyone and thank you for waiting. Welcome to PagSeguro's 4Q18 results and full-year results conference call. This event is being recorded and all participants will be in listen-only mode during the company's presentation. After PagSeguro’s remarks there will be a question-and-answer session. At that time further instructions will be given. 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 PagSeguro’s website at investors.pagseguro.com, where the presentation is also available. Participants may view the slides in any order they wish. The replay will be available shortly after the event is concluded. Those following the presentation via webcast may pose their questions on PagSeguro’s website.

Before proceeding, let me mention that any forward statements included in this presentation or mentioned on this conference call are based on currently available information and PagSeguro’s current assumptions, expectations and projections about future events. While PagSeguro believes that their 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 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 PagSeguro’s Registration Statement on Form F-1 and other filings with the Securities and Exchange Commission, which are available on 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. For more details the foregoing non-Gaap measures and the reconciliation of these non-Gaap financial measures to the most directly comparable Gaap measures are presented in the last page of this webcast presentation.

Now, I will turn the conference over to Mr. Ricardo Dutra CEO. Mr. Dutra, you may begin your presentation.

Mr. Ricardo Dutra: Hello everyone and welcome to our 4Q and full-year 2018 results conference call. Today I have here with me Eduardo Alcaro, our CFO and Andre Cazotto, our Head of investor Relations.

Before we go through the operational and financial metrics, we start our presentation highlighting the great achievements of the year. It was a year of intense competition, with our competitors related trying to copy our business model. When we did our IPO potential investors were so surprised with our story and growth that some were skeptical about our ability to deliver the numbers we were committing.

Having said that I would like to remind you the 2018 IPO projections that we shared with sell-side research analysts in September 2017 before the IPO, and the actual numbers delivered in 2018. Net income and net revenue 17% higher than the projected shared with sell-side research analysts; TPV 19% higher than the projected shared with sell-side research analysts.

Moving to the next slide these are the main highlights of 2018. Our full-year Gaap net income reached 910 million BRL, up 90% YoY and non-Gaap net income 1.06 8 billion BRL, 123% growth YoY.

Our non-Gaap net revenue reached 4.2 billion BRL, up 67% YoY.

Our TPV reached 76 billion BRL growing 38 billion or 98% YoY, the largest growth among this the payment peers in Brazil.

We also ended 2018 with 4.1 million active merchants, adding 1.3 million new clients throughout the year. These figures reinforce we are on the right path with a broad ecosystem and also our execution capability.

Non-Gaap net margin of 25.4%, an increase of 6.4 p.p. comparing to the previous year, showing our strong commitment to growing in a sustainable way and with accretion.

Engagement is a key metrics for the company given that almost 80% of our merchants never accepted a card before. Our goal is to be the merchants' final money destination.

In December 2018 more than 20% of our active merchants were already using at least one additional product besides the acquiring services.

We also ended 2018 with the best rated App, 4.8 stars on Google and Apple stores according to more than 300,000 reviews, reinforcing our commitment in delivering top class user experience.

Talking about our brand recognition, Pags has the strongest brand in the Brazilian payment industry with 7.5x more searches than the second player according to Google Trends financials category.

Being the first mover and mobile first with nonreplicable online distribution through UOL that holds 84% of the Brazilian Internet audience brings a natural advantage to Pagseguro.

Talking about our ecosystem we ended the year with more than 130 updates in our App and 15 new main products launched such as new payments, mobile top up, lending, QR code and instant transfers among others that helped increase customer engagement. We also launched three new POS devices: Minizinha Chip, Moderninha Plus and the Smart POS. Pags offers the most complete range of terminals in the Brazilian market, which also helped us reach more clients.

Our net cash used in operating activities was -25.7 million, close to break even, after adding back the repayment of 1.7 billion BRL in early payment receivables from issuing banks.

We continue to observe a higher adoption of our ecosystem being translated in more transactions. We ended 4Q with an average spending per merchant of 6,200 BRL, up 19% YoY. We believe the adoption of different functionalities through the digital account could be translated into higher stickiness and more transactions.

Finally, Pagseguro has proven that operating and winning in long tail requires online, mobile approach that is totally different from the traditional acquiring business model, any competitors that were attracted to the market after our IPO. We operate in a brand-new market that we created and we still have a long way to go constantly putting into practice our vision to disrupt and democratize financial services through technology and innovation.

On slide five we have our total payment volume that reached 24.6 billion BRL in 4Q, an increase of 11 billion BRL up 81% YoY and 4.4 billion BRL or 22% QoQ, accelerating when compared to the 3.4 billion BRL or 20% growth observed in 3Q. This growth is the result of a greater penetration of our ecosystem in the long tail combined with the trend of cash to plastic conversion that is still at the beginning in our merchant base with lots of room to grow in Brazil, with the upside of cross selling products and services through our clients.

The net take rate, which is the branded take rate net from transactions costs… interchange, processing and card these, reached 3% in 4Q 18 or 25 bps down when compared to the previous quarter. Important to highlight that the take rate is the result of all payment efforts and may change according to the payment mix of credit and debit.

The 25 bps decrease does not mean there is MDR price pressure as you can see on the top right of the slide. Our prices are public and transparent and anyone can check, we are not taking our MDRs down. Most of the contraction is related to product mix. In 4Q due to seasonality and the 13th salary in consumer behavior in related terms there was an increase in debit card volume and the decrease in credit card volume with installments that generates the prepayment income. That is the reason why the take rate of our financial income was impacted, even with no changes in the price of the discounted rate of 2.99% per month. Due to this effect of change in the mix we can see there was a 21 bps decrease in the financial income take rate from 1.91% to 1.70% from 3Q to 4Q.

On the chart below we see the number of active merchants. Just remember the criteria used internally, active merchants are those who made at least one single transaction in the last 12 months. We ended 4Q with 4.1 million active merchants adding almost 1.3 million new merchants in one year representing an increase of 48% YoY.

Quarter over quarter we added 308,000 new merchants, in line with the number we commented in the last conference call. Important to mention that in 4Q we intensified the promotion campaigns given Black Friday and holidays' seasonality. We will continue evaluating the best way to win the merchants considering their lifetime value.

The next chart we have the evolution of our average payment per merchant that reached 6,200 BRL in 4Q, a growth of 19% YoY and 12% QoQ, also accelerating when compared to the growth observed in 3Q. This is explained by the higher adoption curve of electronic payments in our merchant base, which is an expected trend; higher engagement in our ecosystem, more transactions and TPV. Just reminding what I said in my initial remarks, most of our merchants did not accept cards before joining Pagseguro.

On the next slide we show the evolution of our TPV growth compared to other listed acquirers in Brazil. It shows we are growing faster than acquirers that are working in the traditional SME and corporate markets, and it proves we are in the right track and executing our strategy accordingly. Now I would like to pass the word to our CFO Eduardo Alcaro.

Mr. Eduardo Alcaro: thanks Ricardo and hello everyone. Before I start on slide number seven I would like to revisit the guidance shared in our previous conference call. Our 4Q Gaap net income and non-Gaap net income reached 303 million BRL and 323 million BRL respectively. For the full year our Gaap net income and non-Gaap net income reached 910 million BRL and 1.061 billion BRL respectively. Delivering numbers above the top of the guidance shows our focus in strong results and EPS accretion.

Now before I go through the financial metrics I would like to mention that in 4Q 18 we had a total of 20.6 million BRL of non-Gaap items mainly related to our stock-based long-term incentive plan, in line with the guidance we provided you in our last conference call in November. For more details the foregoing non-Gaap measures and the reconciliation of these non-Gaap financial measures to be most directly comparable to Gaap measures are presented in the last page of this webcast presentation.

On the top left of slide number eight our non-Gaap net revenue reached 1.267 billion BRL in 4Q, up 53% YoY. Moving to the top right we have our main revenue streams composed by transaction services or mainly MDR collected from merchants, financial income from the prepayment and hardware sales.

In 4Q 18 transaction and services represented 58%, financial income 34 and hardware sales only 8% over total net revenue that continued to trend down, especially because we intensified the promotional campaigns during 4Q given the holidays seasonality and in related terms going forward should reach low single digit. On the other hand, for the full year you can note that our revenue from transactions activities and other services grew seven p.p. compared to 2017.

On the chart below we present our non-Gaap total costs and expenses decreased 0.8 p.p. YoY ending 4Q 3.3% over total TPV. Related to non-Gaap admin expenses over total TPV reached 0.3%, a decrease of 0.1 p.p. YoY. For the full year total costs and expenses reached 3.5% over total TPV, a decrease of 1.3 p.p. YoY. Related to non-Gaap admin expenses over total TPV it reached 0.3%, a decrease of 0.1 p.p. YoY.

On the next slide we show our non-Gaap net income growth. In 4Q we reached 323 million BRL, an increase of 135 million BRL and 72% YoY. The non-Gaap net margin reached 26%, an increase of 2.8 p.p. YoY. For the full year Pags reached 1.068 billion BRL, decrease of 589 million BRL and up 123% YoY. The non-Gaap margin reached 25%, an increase of 6.4 p.p. YoY. This shows the unique profile of Pags delivering growth and profitability.

On slide 10 regarding our cash flow our net cash used in operating activities in the year ended December 31, 2018 totaled 1.763 billion BRL. It is important to mention that adding back 1.737 billion BRL from notes receivables for which we received early payment from issuing banks as of December 31, 2017 that were repaid during 2018 with our IPO primary share proceeds, our net cash used in operating activities would have been -25.7 million BRL, very close to a breakeven level after all the investments in working capital throughout the year.

Pags ended the year with receivables from credit card issued that are very liquid in the amount of 8.1 billion BRL and payables to merchants of 4.3 billion BRL, a net working capital of 3.8 billion BRL plus almost 2.8 billion BRL in cash.

Finally, on the next slide we highlight the licenses issued by the central bank. On December 2014 Pags applied to be central bank authorization to operate as a payment institution, both as an acquirer and as a digital payments account service provider and issuer of prepaid electronic money.

In October 2018 the Brazilian central bank granted all licenses applied in December 2014. More recently, in generate 2019 Pags announced after the approval from the central bank and Cade - the Brazilian antitrust entity the acquisition of BBN, a Brazilian almost non-operating bank that holds a banking license. The object of this banking license is day-to-day business to simplify the offering of financial products and services to our customers. Now I would like to hand over back to Ricardo.

Mr. Dutra: thank you Eduardo. On slide 12 we highlight our product delivered through 2018. It was an intense and hard-working year and we are glad to say that we have now the most complete ecosystem for long tail market and we are just starting. Being an independent company allows us to think exclusively on our clients' financial needs by delivering growth and profitability simultaneously and operating a unique ecosystem through our digital account. We expect to deliver in 2019 some critical new enhancements to take our ecosystem to the next level.

Before you ask we cannot disclose details at this point due to competition that is systematically trying to copy us; however we will provide you more color and the coming quarterly calls.

On slide 13 we introduce TILIX. On January Pags acquired 100% of TILIX, an App that helps managing bill payments. From utilities to tax bills TILIX offers a simple and user-friendly interface to manage Bill payments and will be fully integrated into our digital account App in the following months.

On the next slide we have mapped our portfolio of fortune analyses already available to our merchants. Pagseguro has been building a unique and world-class payment ecosystem focused to deliver features online in the physical payment experience.

Recently we launched our lending product, Pags Capital. We just started and we are still testing our models with a very small pool of clients, eligible according to some characteristics such as account registered, TPV, payment frequency and so on. On average Pags charges rates almost 3x lower than traditional banks. We are still in the basic steps and for now this product is marginal to our financial results and we expect to increase stickiness and loyalty of our clients.

In November we also complemented our cash in and cash out process through the digital account, allowing instant transfers from and to any Brazilian bank.

On the next slide we can see the strength of our brand. Pags is the first mover in this market and effectively connected UOL relevance, the third largest online address in Brazil, only behind Google and Facebook with more than 84% Internet reach as of October 2018 to promote our products and solutions in the long tail market helped Pags to reach a unique brand recognition.

In the past 12 months according to Google Trends featuring by financials category we have an average of approximately 7.5x higher searches than the second player. Pags reached a level of branding awareness where the business has a word of mouth effect and consequently we have lower acquisition cost compared to our competitors. Being the first mover having a full, verticalized and low-cost ecosystem with 4.1 million active merchants, mobile first, strong brand, focus on user experience, the best way to the financial services through Google and network stores and replicable online distribution through UOL brings a natural advantage and leadership in the long tail market.

Finally on the last slide we show our guidance for the full year 2019 with no changes compared to what we presented last November. We expect to deliver a Gaap net income in the range of 1.182 billion to 1.36 billion and the non-Gaap income between 1.322 billion to 1.5 billion. Management is committed to the top of the guidance, which means 40% growth over 2018 and the managerial bonus is tied to the top of the guidance. Now we finish our presentation and we will start the Q&A session.

Q&A Session

Operator: ladies and gentlemen we will now begin the question-and-answer session. If you have a question please press the star key followed by the one key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue press star two.

Our first question comes from Carl Moure from Autonomous. You may proceed.

Mr. Carl Moure: hi thanks for taking the time. I wanted to understand the impact of the current gap between the change in the numbers and… of quarter, thanks.

Mr. Dutra: hi this is Ricardo thank you for the question. We are passing this decrease in price, in costs so to say, for the new merchants; but for the merchants we already have in the base we are charging the same prices that we had before the cap for interchange. So the default price is 2.39% for the old customers and 1.99 for new customers. So answering your question for the new customers we are having this promotion for the first 12 months of these customers with Pagseguro.

Mr. Moure: okay thank you.

Mr. Dutra: thank you.

Operator: our next question comes from Bryan Keane, Deutsche Bank. You may proceed.

Mr. Bryan Keane: hi guys. I wanted to ask if there was a lot of promotions in 4Q. So I am just curious what happened to the activation rates due to some of the discounting and secondly what are you guys thinking now for net new merchant adds going forward in 2019?

Mr. Dutra: hi Bryan thank you for the question. We did not see a decrease in activation when compared with 3Q and 2Q. We know that part of the devices that people bought they will activate in January because probably they will receive in January or because they decided not to do in December; but as we did not decrease the price to a very low price where people just buy and leave it without using the device, we did not see a decrease in activation rates.

Mr. Keane: okay and then any thoughts and going forward on net new merchant adds as you guys were planning to do for quarter?

Mr. Dutra: Bryan according to our business plan we plan to end 2019 with 5.1 million active merchants. So it is going to be a growth of 1 million this year and if we have any change we will let you know in the following calls; but so far we are sticking to this plan and we do expect we will deliver 5.1 million active merchants by the end of 2019.

Mr. Dutra: and Bryan, as a matter of fact these 5.1 million active merchants is the exactly same number that we shared with you when we did the IPO for 2019.

Mr. Keane: okay and the last question on the net take rate. It sounds like it was mostly mix and not anything you guys were doing with price; but just could you maybe help us understand that to make sure it is correct?

Mr. Dutra: Bryan most of the contraction is related to product mix. If you look at the chart we presented, chart number five, we can see that from the 25 bps increase 21 bps came from the financial income. So most of the impact comes from this mix change. If you look at our website you can see that we did not change the price at all. Also worth to say that we did not change the financial income rate that we charge, the prepayment rate of 2.99%. It is really the big impact was because of the change in mix.

I guess it is also worth to say that our net take rate is still very high when compared to other players in the market. It shows that we are in a very, totally different type of merchant. We are talking about 3% while others are talking about lower than 2% or even lower than 1%. So just to highlight we are in a very different market, we are focused on the long tail and going back for the question yes, we changed mainly due to the change in the mix.

Mr. Keane: okay thanks for taking my questions.

Mr. Dutra: thank you.

Operator: the next question from Rafael Frade, Bradesco.

Mr. Rafael Frade: hello everybody. My question is still related to the mix but not necessarily… I understand that the interchange on debt went down this quarter. I would expect to see a strong reduction in transaction costs, just to understand if there is any other thing here that was impacted transaction costs in the quarter.

And the second thing would be related to the guidance for 2019. You reiterated the guidance; but given the strong results you have been delivering so far if things are, it seems that the guidance implies a fixed deceleration over the year. I just if you could share some thoughts about what you are seeing in your guidance in terms of maybe a little more pressure in the price or in costs? Anything that would help us on the guidance for 2019, thank you.

Mr. Dutra: okay thank you for the question. I will talk about the debt interchange then Eduardo is going to answer about the guidance. As I said before part of the advantage we are having with a lower debt interchange will affect into the new merchants as a promotion; but for our clients we already had in the base before we are changing the full price.

When you look at this chart on slide number five if we had more installments transactions we would see a higher take rate in the financial income portion; but also in the net revenue from transactions, because the MDR is higher there. So when you have more transactions in debit what happens is in the absolute numbers we see a decrease in net transactions, net transaction services.

So let me go back to your question and answer it in a different way. We are passing part of this debt interchange to new merchants and not for the old ones and part of the change in 4Q was because of the financial income and change in the mix. So we are not changing prices, we are not taking MDRs down, not even the MDRs for the transactions or for the financial income.

Mr. Alcaro: Frade, about the guidance like we said during the presentation the company is committed with the top of the range of the guidance and the management annual bonus is linked to the top of the range of the guidance. The top of the guidance means 40% net income growth for 2019 and that is 13% above our projections that we shared with sell-side research analysts during the IPO. We believe this is remarkable after all the noise and players in the market that were constantly trying to copy us.

And just to complement, Frade, as you could see in our numbers we intensified the subsidies on the terminals and we are also investing in new products and solutions. So at the end of the day our primary focus is EPS accretion and we want to keep really our merchants thinking about their lifetime value, and launching new products and functionalities we expect higher engagement and adoption of our ecosystem benefiting from the migration from cash to plastic. And this is a real opportunity for us to cross-sell additional financial services such as lending, QR Code payments and you name it, all the products that were launched throughout the year.

Mr. Frade: okay perfect thank you.

Operator: the next question comes from Felipe Salomao, Citibank. You may proceed.

Mr. Felipe Salomao: hi good night everyone. I also have a question on the net take rate coming from financial income. So you mentioned that the contraction was driven by a seasonal reduction on the number of installments transactions and the price has remained unchanged as we can check on the website.

But my question is why do you think that we had this change on transaction mix during 4Q 18? I mean what are the qualitative reasons for the average customer being paying less with credit card installments transactions and more with debit cards? And if you think that we should see a migration to the historical average in the next quarter? Should we see the installments transactions becoming more relevant as a percentage of the total mix in 1Q 19? That is my first question.

Mr. Dutra: okay. In Brazil it is very useful that in 4Q people use more debit and credit because of the seasonality and also because of consumer behavior. In Brazil usually people receive their 13th salary in December and so they have money to use debit cards instead of credit cards. So it is a very seasonal movement that we see in the industry in 4Q. So more debit transactions when compared to 3Q and 2Q and 1Q.

To give you more color looking forward, in January we are seeing a better take rate, higher than the 3%. It is not the same of 3Q because we are still having debit card transactions; but it is between 3Q in 4Q. So that is not the trend that is going down month after month. So that is what we see so far.

Mr. Salomao: okay thanks for sharing some color on that. The second question that I have is actually regarding the banking lock. The has been a lot of debate about what is going to happen with the banking lock. The central bank published a piece of regulation translating that kind of contract; but the industry has been discussing about it and the central bank decided to postpone the implementation of the new banking lock regulations.

Could you please share with us I guess an update, or what are your views on what should be the final outcome of this regulatory change for Pags and for the industry as a whole? Thank you.

Mr. Andre Cazotto: this is Andre speaking for you? For Pags at the end of the day it is a neutral income. First because many of our merchants they are or underbanked or served by the traditional financial institutions. So let us say this is not a kind of margins that has a loan hired with the traditional bank; and one step back remember that 100% of our merchants the own our digital account.

So 100% of these transactions are paid direct through the Pags digital account. So if this merchant has another bank account he can transfer from our digital account directly to the traditional bank. So given that we have this vertical close book let us say that these discussions around the banking lock up would be neutral for the company okay?

Mr. Dutra: and just to complement it is important to emphasize that our business model only allows merchants to settle the installments in D+1, D+14 or D+30. So the prepayment is already automatic and we do not offer the option to receive any installments.

And also thinking about the long tail merchants they are not sophisticated and less price in the prepayment. So their priority is really to receive that as fast as possible. So remember that were merchant that makes 50 BRL per day or 20,000 BRL per year it is not even efficient for them, from a cost standpoint, to bill a 50 BRL receivable.

Mr. Salomao: okay thank you, thank you very much for the answers.

Operator: the next question comes from Josh Peck with Key Bank. You may proceed.

Mr. Josh Peck: thank you for the question. I wanted to ask about I think you said net adds number of 1 million for 2019, which was implied 250,000 per quarter and that is a little bit less than what we have seen in 2018. Is that explained by the fact that your base of merchants is larger and it seems harder to produce net adds or are there other factors that work there?

Mr. Dutra: hi Josh thank you for the question. We are not seen deceleration. We cannot disregard that there is more competition for the long tail; but by far we are the leader in this type of market in the long tail portion, long tail market. So yes we have more operators in the market and part of the net adds for sure they will capture; but we still are the leader talking about 300,000 or 250,000 per quarter it is still a good number and when compared with others is much higher than what they are predicting and reporting.

So it is not because we are going up in the pyramid and getting larger merchants; it is natural that we have more operators into the market and we are dividing these new net adds with other players in the market.

Mr. Dutra: if you just allow me one additional commentary here Josh, it is very important to mention that we are not feeding clients from other players or other players feeding clients from Pags. Our churn rate remains pretty much stable. I think that yes, we have more competition in terms of adding new merchants to the system, and likely we always discussed before it is still a big ocean, a big market.

According to public data we should have in Brazil around 11, 12 million micro merchants combined with more than 20, 25 million individuals and for sure I think that we want a market for one winner takes all. I think that we can have competition, but like Ricardo mentioned at the end of the day Pags will continue to be the leader in this market.

Mr. Dutra: and Josh just a final comment here. When we did our IPO we had the business plan of 5.1 million active merchants by the end of 2019 and we continue to be comfortable with this number by the end of 2019.

Mr. Peck: okay thank you for the color of there. Back on your slide presentation you walked through a number of different features, things like bill payment, mobile top up, peer-to-peer payments, a number of others. I am just wondering can you give us an update on may be how many of your merchants have updated… Sorry, have adopted one of the services? Really what is the interest, if you could share an update their it would be great.

Mr. Dutra: Josh when you look at December figures more than 20% of our merchants are using at least one of these features, some of them are using more than one; but it is a little bit more than 20% and it is increasing every month. Part of these features may help us in terms of financials or revenues; but they are still the relevant for the business.

We see that as a way to increase loyalty, increase stickiness and having a more complete ecosystem for long tail, because of the end of the day that is what makes us different than other players into the market. We do not have any constraint in launching products to compete with parent companies and things like that. So going back to your question 20% using in December and it is growing month after month.

Mr. Peck: okay thank you very much.

Mr. Dutra: thank you.

Operator: the next question comes from Domingos Falavina with J.P. Morgan.

Mr. Domingos Falavina: thank you Alcaro and Cazotto as well for taking the question. Actually two questions, one is a follow-up to Frade’s question. If I understood correctly basically he was bringing the point that the interchange was kept starting October and you mentioned that the reason we do not see this in the income statement is because it has benefits to clients. But my problem reconciling that is you book the interchange as a cost. So we should see your expenses, specifically cost of service, coming down and not being netted out of the revenues.

So my first question is why did not we see this cost line coming down and I am I understanding wrongly how you basically book this accounting your income statement? And if you could add you basically mentioned pressure by marketing campaigns and etc. So which line exactly you book there?

Mr. Alcaro: Hi Domingos, this is Alcaro speaking. When you look at the cost of transactions we do not have only interchange fees there; we have also processing costs and we have cards hey fees. So it is only… the interchange is the biggest part of the equation, but it is only part of the equation.

And about marketing expenses, marketing expenses they are booked in the marketing expenses line. There is nothing to do with the costs of transactions. So cost of transactions is processing, is interchange and is also cards key fees.

Mr. Falavina: so I guess my question is I am correct in understanding that discounts per client does not explain why the cost, cost of service did not come down with the low interchange?

Mr. Alcaro: as Ricardo said we are passing part of the savings that we have into new customers like charging 1.99% per month and we are not changing the 2.39% that we have for the existing base. You can see by our website since our prices are public.

Mr. Falavina: okay. The second question is while I understand you play in a different segment, I just wanted to hear your thoughts about competitive landscape. You are obviously on the street, you have a very large footprint, I am sure you have SME and large corporate and my question is more on the qualitative side. Did you see competition worsening since September to December and December to now, February? How would you comment if you were to separate the competitive outlook in large merchants and SME and your smaller merchants?

Mr. Dutra: we are seeing the competition similar to what we had last year with some players decreasing the price of devices. We are well-positioned in terms of the features and also in terms of pricing. We are not leading prices down in terms of devices, but we follow some prices until the point we think it is going to be accretive when you compare the cost of acquisition versus lifetime value.

Competition I would say similar to what we had last year, we did not see that growing, quite the opposite; some of the brands are not in broadcast TV, anything like that. So we did not see any big change, we are following, sticking to the plan as we said: 1 million new merchants this year similar to what we had in 2018.

Mr. Falavina: okay thank you.

Operator: This concludes today's question-and-answer session. I would like to invite Mr. Ricardo Dutra to proceed with his closing statements. Please go ahead sir.

Mr. Dutra: This concludes the Pagseguro audio conference call for today. Thank you very much for your participation, have a good night and thank you for using Chorus Call. Thank you very much everyone.