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3Q18 CONFERENCE CALL TRANSCRIPTION

São Paulo, November 08, 2018.

Thiago Rocha

Good morning, everyone. Thanks for the presence. I would like to start our conference call recalling two very important news, which are our main highlights in 3Q18, at slide three.

The first is the acquisition of ConsultBrasil, announced in October, a strategic deal because it complements our portfolio to the banking segment, with solutions for SPB, messaging, CCS and Bacen Jud, which fits like a glove and leaves our Company even closer to build the first Brazilian first full-banking platform.

Since we acquired attps our customers have presented a concrete demand for these solutions, therefore we believe in the high potential of cross-sales, which already began to happen. The acquisition of ConsultBrasil will add gross revenues of R$ 4.9 million and will contribute with an important EBITDA after conclusion of the integration in the investments in technological update. For it we paid and Enterprise Value of R$ 6.8 million, resulting in a multiple of 1.4x.

This represents a change of mindset, in the sense that, not neglecting financial discipline, we are being more aggressive on acquisitions pricing. This change of mindset will be an important catalyst of our inorganic growth, opening new possibilities.

The second news is a very positive surprise. You probably remember that this year we made two important strategic decisions. Intensify investments in research, development and innovation (RD&I). And subsidized part of the setup, replacing variable revenues with implementation for recurring revenues with subscription. This decision proved to be right and contributed for a sensitive and continuous improvement in commercial indicators of software subscription.

As shown in the last column of the table, until September sales less cancellations already totaled R$ 8.1 million annualized, not considering the readjustment of the current contracts. This number represents 10.2% of the subscription revenue over the last 12 months, a fact that will probably lead us to a double-digit real growth and will cause a jump in the revenues when the implementations are completed, as of 2019.

According to the first line of the table, sales less cancellations increased from R$ 2.2 million in 1Q18, to R$2.7 million in 2Q18 and R$ 3.2 million in 3Q18. This indicates that our organic growth level is changing. We never sold so much.

Moving to slide four, on the left chart we registered net revenues of R$ 35.7 million in the quarter, a 6.6% entirely organic growth, resulting from the strong expansion of 24% in Services, with a new record despite the modest contraction of 2.2% in software, which we will explain in detail on the following slides. Of total revenue, 39% were Services and 61% Software. On the right, chart we presented recurring revenues of R$ 28.4 million in the quarter, a 17.1% growth.

Also with a new record, after an excellent performance of outsourcing. The percentage of recurrence went to 79.7%, increase of 7.2%, mainly due to the growth in recurring revenues in Outsourcing, while the variable revenues reduced.

Moving to slide five, in the left chart, gross profit was R$ 13.3 million in the quarter, reduction of 2.0% with gross margin of 37.2%, drop of 3.3 p.p. While the Services gross profit increased R$ 1 million, Software reduced R$ 1.3 million, of which R$ 0.8 million correspond to the increase in RD&I investments. The difference is due to the hiring of new employees to execute the ongoing implementations. Many of which have not yet contributed with new revenues.

On the central chart, SG&A totaled R$ 8.4 million in 3Q18, growth of 10.3% and represented 23.6% of net revenues, increase of 0.8 p.p. Of the variation of R$ 0.8 million, R$ 0.5 million corresponds to the subsidy for setup of new sales, and R$ 0.2 million to extraordinary M&A expenses with the acquisition of ConsultBrasil. On the other hand, there was a lower bonuses provision this quarter, in comparison with the same period of the previous year.

On the right chart, Adjusted EBITDA was R$ 4.8 million, reduction of 19.1% with a margin of 13.6%, drop of 4.3% p.p. The variation of R$ 1.1 million is almost entirely explained by the two important decisions we made this year, with a total impact of R$ 1.3 million, to intensify RD&I investments and to subsidize the setup of new sales. The sensitive and continuous improvement in commercial indicators of software subscription about which I spoke at the beginning of the conference call proves that the decisions were correct. But, for now, our results bring only the onus of such decisions.

Now I pass the word on to José Leoni, our IR Manager, who will detail the performance of the Software and Services Units. Please, Leoni.

- **José Leoni:**

Good morning, everyone. Thank you, Thiago. On slide six, on the chart to the left, the Software unit presented net revenues of R$ 21.8 million, a decrease of 2.2%. Basically due to lower volume of Implementations and Customizations, reflecting the reduction that mainly takes place in pension plans and assets management segment, with the completion of recent implementations, despite the good performance in core banking that started new implementations.

Subscription revenues reflect a combination of growth in pension plans and investments that offset a reduction in asset management, still stemming from the loss of revenues from a customer that reduced its operations in Brazil in 2017, as stated in previous results.

At the center, the subscription line represented 78% and the Implementation line 22% of the Software total. As pointed out by Thiago, we adjusted our commercial model to mitigate customer switching costs, subsidizing part of the setup by replacing Implementation and Customization revenues in the short-term for Subscription revenues in the medium-term. With that I recall that we give up some of the revenues from implementation, it was well known that this decision would temporarily put pressure on the unit’s revenue and profitability, but it will help us improve organic growth and the recurrence profile in the future.

On the chart to the right, we presented Software gross profit of R$ 9.8 million, down 11.4%, and gross margin of 44.8%, down of 4.7 p.p. I would like to emphasize once again that the short-term loss of profitability is mainly due to the increase in RD&I investments, demonstrating our orientation for long-term results.

Without this increase of R$ 0.8 million in Software costs, profitability would practically not be impacted. In addition, we started adding new employees to execute the ongoing implementations, many of which revenues were not yet booked.

Moving to slide seven, on the chart to the left, the Services unit had recorded net revenues of R$ 13.9 million, robust growth of 24%. Excluding the reclassification of attps revenues in the amount of R$ 2.8 million, outsourcing presented a spectacular growth of 42.3% related to the strong demand and consequent portfolio expansion, due to the greater conversion of commercial opportunities and lower employee turnover.

On the other hand, on Projects there was a slight increase due to the sale of projects focused on innovation by Torq, a subsidiary of the Company, aiming to transform business through technology innovation, that contributed to R$ 0.7 million in revenues.

At the center, the outsourcing line accounted for 82% and the projects 18% of the Services total. On the chart in the right, gross profit was R$ 3.5 million, an increase of 39%, with a gross margin of 25.3%, an increase of 2.7 p.p., with profitability both in Outsourcing and Projects, reflecting the good moment of the unit.

Thank you again. I will return the speech to Mr. Thiago Rocha, the IR Officer.

- **Thiago Rocha:**

Thank you, Leoni. Returning to slide eight, on the left chart, net income was R$ 1.4 million in the quarter, a reduction of R$ 1.1 million, almost entirely explained by the two decisions about which I have already spoken at the beginning of the presentation, to intensify RD&I investments and to subsidize the setup of new sales, with a total impact of R$ 1.3 million. Therefore, net margin was 4%, drop of 3.7 p.p.

On the right chart, the adjusted cash earnings were R$ 2.9 million, reduction of R$ 2.4 million, which happened for two reasons, first, the net income reduction and the second, the deferred income tax and social contribution line, which debit of R$ 1.2 million in 3Q17, provided a positive adjustment that quarter, which was not repeated.

In other words, even with a total income tax and social contribution relatively stable in the income statement in the 3Q17, we booked more deferred taxes and in the 3Q18, more current taxes. Therefore, cash earnings were impacted, and margin was 8.1%, drop of 7.6 p.p.

Moving to slide nine, on the left chart, cash balance closed 3Q18 at R$ 25.4 million, slide increase of R$ 0.7 million, caused by the operational cash flow. On the center, gross debt closed the quarter at R$ 34.7 million, slight reduction of R$ 2.3 million. Of the total gross debt, R$ 19.4 million are related to the installments of acquisitions and R$ 15.3 million to loans granted by BNDES, the Brazilian Development Bank.

On the right, net debt ended the quarter at R$ 9.3 million, reduction of R$ 3 million, representing only 0.5x adjusted EBITDA in the last 12 months. Even after the acquisition of ConsultBrasil, which was announced in October and therefore has not impacted the 3Q18 balance sheet, this indicator remains in a very comfortable level. In other words, there is space for leverage expansion to ensure the progress of acquisitions.

To conclude, at slide ten, we have taken the 9M18 to plant several seeds, to accelerate organic growth, intensifying RD&I investments and subsidizing the setup of new sales. Also, planting a lot of seeds to accelerate inorganic growth, changing our mindset on the acquisitions pricing and opening new fronts.

Some results have already come. There was an improvement in the commercial indicator and we announced our acquisition number ten, which means that the seeds started to flourish. But the harvest is only starting, step by step our outlook for 2019 in the two avenues, organic and inorganic, were becoming more and more favorable and we are working to keep transforming this outlook in concrete results for our shareholders.

Once again, thanks everybody for the presence. Now, I make our team available for the clarification of any questions through our Investor Relations channels.