SENIOR SOLUTION S.A.
Companhia Aberta
CNPJ/MF nº 04.065.791/0001-99
NIRE 35.300.190.785

2Q18 CONFERENCE CALL TRANSCRIPTION

São Paulo, August 09, 2018.

José Leoni

Good morning. Thank you for attending our 2Q18 conference call. I am Senior Solution's Head of IR.

Starting at slide three, we recorded net revenues of R$ 34.1 million in the 2Q18, 3.9% higher than in the same period of the previous year, growth in line with the inflation in the last 12 months, a favorable result when considering the unusual churn of the past quarters.

We highlight the growth of 14.7% in Services, despite the slight reduction of 1.3% in Software. Software, our core business, accounted for 64% of revenues for the quarter, and Services, which consolidates outsourcing and projects, accounted for 36%.

Recurring revenue was R$ 28.1 million, 15% more than the same period 2017, representing 82.3% of the total, mainly due to the growth of almost 50% in outsourcing.

Turning now to slide four, we see on the left the gross profit of R$ 12.7 million, growth of 16.8%, with gross margin of 37.3%, 4.1 p.p. over the same period in the previous year, due to improvement of the results in our two business units, after the integration of attps, our last acquisition, in late 2016, even with the intensification of research development and innovation investments in the incremental amount of R$ 0.5 million.

At the center, general and administrative expenses were R$ 7.7 million, an increase of 9.1% over the same period in 2017, mainly explained by the increase in the bonuses provision, which was R$ 0.7 million higher than 2Q17, as the Company is aligned with corporate goals this year.

EBITDA was R$ 5 million, the highest value reported by the Company in a second quarter, 31.1% higher than the same period of the previous year, with a margin of 14.6%, 3 p.p. above the same quarter of 2017.

Let me now turn to Mr. Thiago Rocha, our Investor Relations Officer, who will comment the further results.

Thiago Rocha:

Good morning, everyone. Thanks, Leoni. Starting on slide five, as stated by Leoni and shown in the left chart, we intensified research development and innovation investment in 2018, an increment of R$ 0.5 million this quarter compared to the same period last year.

We made this decision to accelerate organic growth by generating incentives for Senior Solution's potential new customers to face the high switching cost of a financial software. We are committed to this path, so the increment, which is going every quarter, can be further expanded throughout the year.

In the center chart, we see an increase in the bonuses provision, an increment of R$ 0.7 million this quarter compared to the same period last year. In 2017, in the first two quarters we recorded practically null provision, because up to that point our results were below corporate goals, due to the high extraordinary expenditures with attps integration. And, in the last two quarters, we booked an accelerated provision, as the results went above corporate goals.

In 2018 we have already the year on track, so in the first two quarters we booked a normal provision, and in the last two quarters probably it will not be necessary to book an accelerated provision again.

In the right chart, we see that adjusted EBITDA reached R$ 5 million, a reduction of 13.9%, with an adjusted EBITDA margin of 14.6%, decrease of 3 p.p. It is important to note that this negative change occurred only due to the factors already explained: the research, development and innovation investments, and the bonuses provisions, items that undermined comparability and together represent an increase of R$ 1.2 million. Excluding this items, there was a positive evolution of R$ 0.4 million, or 6.6% in the operating results.

Passing to slide six, in the left chart, the Software unit presented net revenues of R$ 21.9 million, slight reduction of 1.3%. There was a growth of 2.8% in subscription revenues, still suffering from the unusual churn in the asset management and consortium, with sales of businesses in Brazil by Citi and HSBC, respectively.

And there was a 16.2% reduction in implementation revenues, with the conclusion of important projects in customers that have already began to contribute with monthly payments. The subscription line represented 82%, and the implementation line represented 18% of the total.

In the right chart, the gross profit was R$ 10 million, growth of 7.7%, and the gross margin was 45.7%, increase of 3.8 p.p. This performance was possible by the inexistence of integration costs with attps integration this quarter, costs that pressured the results in the same period last year.

It should be noted that the Software gross profit expansion happened despite the intensification of RD&I investments, which in Senior Solution case are fully booked as costs and directly affect this unit's results.

Proceeding to slide seven, in the left chart, the Services unit had net revenues of R$ 12.2 million, up 14.7%. Excluding the revenues reclassification between the two lines that comprise this unit, amounting R$ 2.5 million, there was a record in outsourcing related to the strong portfolio expansion, due to greater conversion of commercial opportunities and lower headcount turnover. And there was also increase in projects with the highest demand.

In the right chart, the gross profit was R$ 2.7 million, growth of 69.9%, and the gross margin was 22.2%, gain of 7.2 p.p., reflecting revenues growth and also profitability gain, which posted an important evolution after the revision of the outsourcing portfolio in the 1Q17.

Moving to slide eight, in the left chart the net income was R$ 2 million, strong growth of 42.9%, and the net margin was 5.9%, increase of 1.6 p.p., mainly due to the higher earnings before taxes, despite the also higher income tax and social contribution.

Adjusted cash earnings was R$ 4.1 million, decrease of 17.2%, with a margin of 11.9%, drop of 3 p.p., mainly due to the reduction in adjusted net income, despite the increase in the deferred income tax and social contribution.

Now on slide nine, in the left chart, the gross cash position ended the quarter at R$ 24.7 million, an increase of R$ 1.8 million, related to the sale of treasure shares of R$ 7.8 million, despite a consumption of R$ 4 million with payment of bonuses and R$ 2.1 million with payment of interest on capital, in addition to the amortization of debts.

This is more visible in the center chart, where gross debt fell to R$ 37 million, reduction of R$ 2.2 million, with the payment of acquisitions and borrowings. As a consequence, net debt closed at R$ 12.3 million, reduction of R$ 4 million, representing only 0.6x the adjusted EBITDA of the last 12 months, a comfortable leverage ratio, which can be expended to fund new acquisitions.

Concluding on slide ten, I inform that in a few months we will be in a new office, with the relocation of the headquarters in São Paulo to the modern Work Bela Cintra building, just 350 meters from the current headquarters.

The move will result in pretty important benefits: a capacity expansion in São Paulo, housing the expected organic growth in the coming years, and the centralization of some administrative activities currently carried out in the branches; improvements in overall infrastructure, increasing efficiency in the use of energy and telecom resources, and reducing the availability risk; and modernization of the work environment, facilitating the talent attraction and retention, and the teams integration.

Lastly, the effects on the financial statements will be marginal, since the slight relevant CAPEX will be offset by a grace period, and property expense will remain stable due to favorable conditions in the real estate market to make the move at the moment.

Now, I return the word for Leoni to conclude at the last slide.

José Leoni:

Thank you, Thiago. As a final message, on slide 11 I would like to highlight that the results of the second quarter are favorable, given the growth is in line with inflation, despite the unusual churn that we had with two banks that sold their operations in Brazil.

We also intensified our RD&I investments and adjusted our commercial model, initiatives that may put pressure on profitability in the short-term, but which will increase the present value of sales and the recurrence profile.

These decisions have not yet effect on the results, but already indicate an improvement in the commercial performance of the last months, with favorable sales indicators.

In addition, we continue to seek inorganic growth more intensely, as cash position is comfortable to follow with acquisitions, with net debt at only 0.6x the adjusted EBITDA of the last 12 months.

Finally, we thank you again for your participation, and we remain available for clarification at ri@seniorsolution.com.br.
