sinqia

4Q18 Results

Conference call and webcast
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São Paulo, 27 February 2019. Sinqia S.A. (B3: SQIA3) ("**Company**"), provider of the most desired financial technology experience in Brazil, announces today its consolidated results for the fourth quarter of 2018 ("**4Q18**").

Recent events:

Debenture issuance. On 21 February 2019, we announced that the general meeting approved the first (1st) issuance of debenture, limited to R$ 50 million, whose proceeds will be used to finance new acquisitions. The debentures have a maturity term of five years, a grace period of one year at the CDI rate + 1.75% per year, showing our capacity to raise long-term funds at an attractive cost. The general conditions of the issue are described in detail in the minutes of the meeting and the issuance's deed, disclosed on the websites of CVM, B3 and Sinqia.

Change of name and ticker. On 7 February 2019, following the brand change to Sinqia, announced in December, our shareholders approved the new corporate name Sinqia S.A. Subsequently, on 18 February 2019, our ticker on B3's Novo Mercado listing segment changed to SQIA3.

Acquisition of Atena. On 16 January 2019, we announced the acquisition of Atena, a supplier of software for pension entities. This was the 11th acquisition made by Sinqia and the 3rd in this market. The rationale of the deal included the upgrading of our Sinqia Pension platform, which now has a module for instituted funds, and the expansion of the client portfolio, which now comprises over 60 entities. Atena recorded gross revenues of R$ 8.8 million and was acquired at an initial enterprise value of R$ 9.0 million, with a potential additional installment of up to R$ 4.0 million, subject to the achievement of a target.

Incorporation of subsidiaries. On 28 December 2018, we incorporated attps Informática Ltda. **("attps")** and, on 31 December 2018, our subsidiaries incorporated Senior Solution Tecnologia e Informática Ltda. (formerly Aquarius) and CBR Sistemas de Informação Ltda. (one of "**ConsultBrasil**" companies). In addition to simplifying the structure of the economic group and reducing operating expenses, these incorporations able the amortization of goodwill generated by the respective acquisitions, resulting in relevant income tax and social contribution tax shield of up to R$ 25.5 million, to be obtained during at least five years.

Financial highlights:

Net Revenues: a record R$ 39.7 million in the quarter (+8.5% vs. 4Q17) and record R$ 142.1 million in the year (+5.3% vs. 2017), due to growth in Services;

Recurring Revenues: a record R$ 32.2 million in the quarter (+24.7% vs. 4Q17) and record R$ 115.7 million in the year (+16.9% vs. 2017), due to growth in Outsourcing Services;

Adjusted EBITDA: R$ 4.9 million in the quarter (-14.3% vs. 4Q17) and R$ 19.2 million in the year (-8.8% vs. 2017), down mainly from higher RD&I investments and new sales subsidies;

Adjusted Cash Earnings: R$ 1.8 million in the quarter (-54.9% vs. 4Q17) and R$ 12.3 million in the year (-29.6% vs. 2017), due to higher deferred tax credits.

Financial Highlights

(R$ '000)	4Q18	4Q17	Change	3Q18	Change	2018	2017	Change
Net Revenues	39,680	36,577	8.5%	35,672	11.2%	142,109	134,909	5.3%
Recurring Revenues	32,215	25,824	24.7%	28,432	13.3%	115,738	99,044	16.9%
% of Recurrence	*81.2%*	*70.6%*	*10.6 p.p.*	*79.7%*	*1.5 p.p.*	*81.4%*	*73.4%*	*8.0 p.p.*
EBITDA	4,172	5,701	-26.8%	4,840	-13.8%	15,268	18,246	-16.3%
EBITDA margin	*10.5%*	*15.6%*	*-5.1 p.p.*	*13.6%*	*-3.1 p.p.*	*10.7%*	*13.5%*	*-2.8 p.p.*
Adjusted EBITDA	4,883	5,701	-14.3%	4,840	0.9%	19,226	21,078	-8.8%
Adj. EBITDA margin	*12.3%*	*15.6%*	*-3.3 p.p.*	*13.6%*	*-1.3 p.p.*	*13.5%*	*15.6%*	*-2.1 p.p.*
Adjusted Cash Earnings	1,833	4,064	-54.9%	2,878	-36.3%	12,271	17,434	-29.6%
Adj. CE margin	*4.6%*	*11.1%*	*-6.5 p.p.*	*8.1%*	*-3.4 p.p.*	*8.6%*	*12.9%*	*-4.3 p.p.*

MESSAGE FROM MANAGEMENT

In 2018, we took on the challenge of being one step ahead and would like to recall you of some important events of the year that, from a more comprehensive perspective, show how we are leading change and rising to this challenge.

As of January, we substantially increased investments in Research, Development & Innovation ("**RD&I**"). As software deriving from acquisitions made in recent years were at different technological stages, we began an extensive upgrade initiative to provide our customers with the most desired experience in financial technology. We increased our investments by R$ 2.5 million, to R$ 3.2 million in 2018 from R$ 0.7 million in 2017, and this figure will rise further in 2019.

In April, we announced the creation of Torq (labtorq.com.br), an innovation ecosystem whose mission is to build technological solutions for the future of the financial sector. Acting as a hub, in operation for a few months, Torq has attracted several financial institutions, technology companies and fintechs, and has developed highly strategically relevant projects for our customers. Although Torq's financial results were not a priority, the subsidiary recorded net revenues of R$ 1.5 million last year, rapidly reaching the breakeven point.

In May, we adjusted the sales model and began subsidizing the setup of new software sales. After we acquired attps, several potential customers declared their intention to replace part of their suppliers with Sinqia. However, as software implementation costs in the financial sector are high, these institutions did not have enough budget to fund them. To help with this, we adjusted our commercial sales model, subsidizing certain sales, i.e. exchanging variable implementation revenues for recurring subscription revenues. This subsidy of R$ 1.2 million last year, equivalent to implementation expenses not yet linked to revenues will increase recurring revenues profile after the software setup.

In October, we acquired ConsultBrasil, a supplier of software for banks and non-banks financial institutions. This was the 10th acquisition made by Sinqia. The rationale of the deal was the addition of new suites at the Sinqia Banks platform, which now features SQ SPB (Brazilian Payment System) and SQ Regulatory, reinforcing the concept of full banking. ConsultBrasil recorded gross revenues of R$ 4.9 million and was acquired at an enterprise value of R$ 6.8 million.

In December, we changed our brand to Sinqia, a neologism based on the idea of synchrony, reflecting a series of new concepts that now inspire and guide the Company's operations. At the same time, we have reorganized our brand portfolio, with old brands being replaced with four software platforms (Sinqia Banks, Sinqia Funds, Sinqia Pension and Sinqia Consortium) and two service platforms (Sinqia Consulting and Sinqia Outsourcing). In the same month, we moved to our new headquarter in São Paulo/SP, increasing our space and modernizing the infrastructure and environment, with no significant impact on expenses per employee.

It is important to highlight that some of these events have already had positive effects on Sinqia's future organic growth, especially the expansion of RD&I investments and the adjustment of the sales model. In the Software unit, the portfolio of signed recurring contracts (including those not yet implemented) reached R$ 88.1 million at the end of 2018, against R$ 76.9 million at the same period of 2017. We saw an addition of R$ 11.2 million, or 14.6%, representing sales less cancellations plus adjustments. This means that, when we finish implementation of sales made in 2018, Sinqia will be able to resume two-digit organic growth. Recalling that these figures do not include R$ 4.4 million from ConsultBrasil.

Regarding our results, net revenues were an all-time high R$ 142.1 million in the year, 5.3% more than in 2017 and 1.5 p.p. higher than official inflation measures by the IPCA (consumer price index). Organic addition also modestly reflected sales made in 2018, as, in some cases, we exchanged short-term implementation revenues for higher subscription revenues expected to be booked in 2019 and 2020.

Gross profit reached a record of R$ 52.9 million in 2018, 4.3% more than last year. Of the R$ 2.2 million growth, the Services unit contributed with an increase of R$ 4.4 million, while the Software unit presented reduction. This reflected our conscious decision to increase RD&I investments by R$ 2.5 million, sacrificing profitability in the short term in order to ensure higher growth in the medium term. As a result, the gross margin was 37.2% in 2018, versus 37.6% in 2017.

Expenses (excluding depreciation and amortization) totaled R$ 37.6 million in the year, up 15.8% over 2017, R$ 34.4 million of which in general and administrative expenses and R$ 3.2 million in other expenses, related to the complement of the attps earn-out.

Analyzing general and administrative expenses, of the increase of R$ 1.9 million, or 5.8% up over 2017, the decision to subsidize the setup of new sales represented R$ 1.2 million, sacrificing profitability in the short term in order to ensure higher growth in the medium term, and R$ 0.6 million referred to extraordinary marketing expenses for the launch of the Sinqia brand in 4Q18. As a result, general and administrative expenses represented 24.2% of net revenues in 2018, against 24.1% in 2017. We expect that extraordinary items will continue to impact results at the beginning of 2019, due to the integration of ConsultBrasil and Atena, currently in progress.

Adjusted EBITDA (excluding extraordinary items) totaled R$ 19.2 million in the year. This decline of R$ 1.9 million, or 8.8% down from 2017, was due to decisions made last year to position the company to begin a new organic growth trajectory: R$ 4.3 million allocated for that purpose, of which R$ 2.5 million to increase RD&I investments, R$ 1.2 million to subsidize the setup of new sales and R$ 0.6 million to change the brand. The adjusted EBITDA margin fell to 13.5% from 15.6% in 2017.

Finally, Sinqia is ready to grow organically and inorganically, in a more intense manner. The proceeds from the recent debenture issuance will enable new acquisitions. We would not have sought funding if we were not convinced that there are many M&A opportunities, including in the short term.

We are taking on the challenge of being always one step ahead, and this movement will be even stronger and faster from now on!

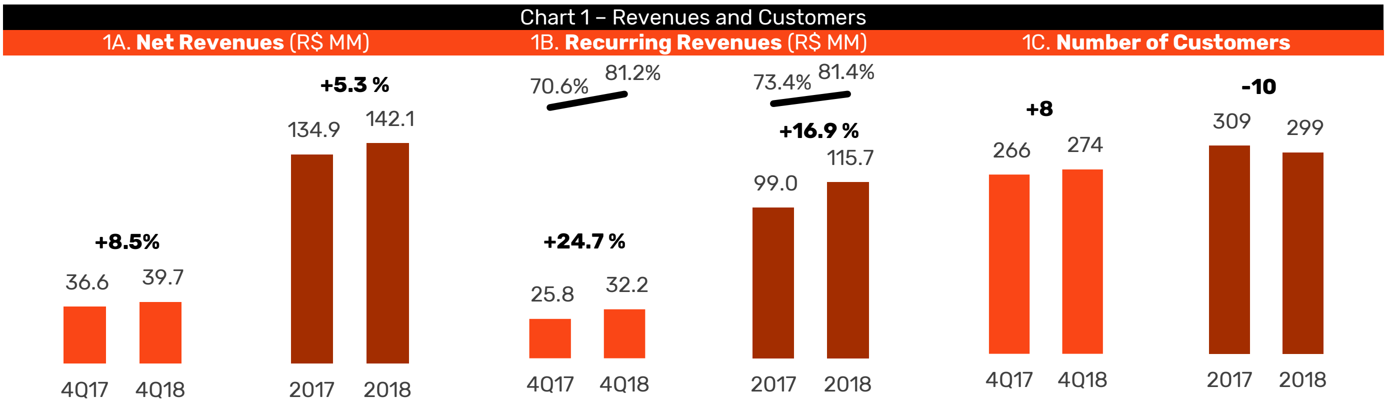
OPERATING AND FINANCIAL PERFORMANCE

Net Revenues. In the quarter, the Company posted record net revenues of R$ 39.7 million (+8.5% vs. 4Q17), driven by record revenues in both the Services (+22.9% vs. 4Q17) and Software (+1.2% vs. 4Q17) businesses. In the year, net revenues were an all-time high R$ 142.1 million (+5.3% vs. 2017), mainly driven by substantial growth in Services (+19.0% vs. 2017) despite the reduction in Software (-1.2% vs. 2017).

Recurring Revenues. In the quarter, recurring revenues, comprising "Subscription" in the Software business and "Outsourcing" in the Services business totaled a record R$ 32.2 million (+24.7% vs. 4Q17), and the recurrence rate reached record of 81.2% of the total (vs. 70.6% in 4Q17), thanks to growth in recurring revenues in "Outsourcing" (+55.0% vs. 4Q17) and "Subscription" (+10.9% vs. 4Q17), combined with a reduction in variable revenues (-30.6% vs. 4Q17). In the year, recurring revenues were an all-time high R$ 115.7 million (+16.9% vs. 2017), and the recurrence rate was a record 81.4% of the total (vs. 73.4% in 2017), thanks to substantial growth in "Outsourcing" (+47.6% vs. 2017) and "Subscription" (+4.0% vs. 2017), combined with a reduction in variable revenues (-26.5% vs. 2017).

Number of Customers. In the quarter, the number of customers increased to 274 (+8 vs. 4Q17), due to the addition of clients from ConsultBrasil and Torq, and the largest customers contributed to 14.4% of net revenues (vs. 7.1% in 4Q17), increasing concentration due to the expansion in software and services provided to this client by Sinqia. In the year, the number of customers fell to 299 (-10 vs. 2017), related to the reduction in the base of consortium administrators, and the largest client contributed to 12.2% of net revenues (vs. 6.5% in 2017), for the same reasons responsible for the increase in concentration in 4Q18.

Chart 1 – Revenues and Customers



Software Unit

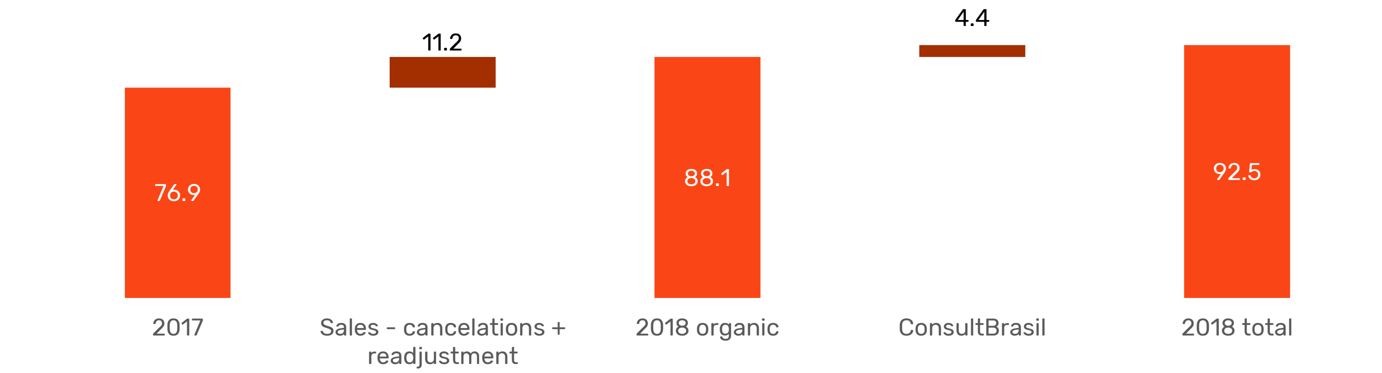
Net Revenues from Software. In the quarter, net revenues from Software were an all-time high R$ 24.6 million (+1.2% vs. 4Q17); in the year, R$ 90.2 million (-1.2% vs. 2017) We present below a breakdown between the recurring "Subscription" portion and the variable "Implementation and Customization" portion.

- Net Revenues from Subscription. In the quarter, net revenues from Subscription were an all-time high R$ 19.7 million (+10.9% vs. 4Q17), accounting for 80% of the unit's total. In the year, were an all-time high R$ 72.6 million (+4.0% vs. 2017), accounting for 81% of the unit's total. The result mainly reflected growth in investments due to a large implementation in the Company's largest customer plus an additional R$ 1.0 million from ConsultBrasil, acquired in 4Q18. It is worth noting that the performance could have been better if not for the fact that asset management customers reduced their operations in Brazil, as described in previous releases.

  Portfolio of recurring contracts. The portfolio of signed recurring contracts portfolio (including those not yet implemented) reached R$ 88.1 million at the end of 2018, against R$ 76.9 million at the end of 2017. We saw an addition of R$ 11.2 million (or 14.6% Vs. 4Q17), representing "sales less cancellations plus adjustments". This means that, when we finish implementation of sales made in 2018, Sinqia will be able to resume two-digit organic growth. These figures do not include R$ 4.4 million from ConsultBrasil.

Chart 2 – Software Unit

Portfolio of recurring contracts (R$ MM)



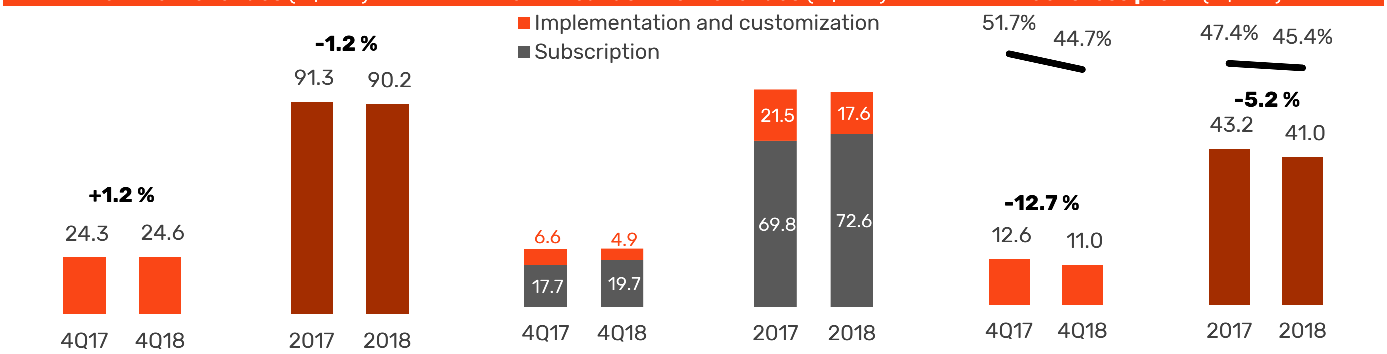
- Net Revenues from Implementation and Customization. In the quarter, net revenues from Implementation and Customization reached R$ 4.9 million (-25.2% vs. 4Q17), accounting for 20% of the unit's total. In the year, R$ 17.6 million (-18.1% vs. 2017), accounting for 19% of the unit's total. The result reflected the conclusion of recent implementations, especially in the investment and pension areas, which have begun generating subscription revenues. It is worth noting that we adjusted our sales model in order to reduce our customers' switching cost, partially subsidizing setup, exchanging short-term "Implementation and Customization" revenues for medium-term "Subscription" revenues, with a temporary negative impact on the unit's revenues and profitability.

Software Costs. In the quarter, software costs totaled R$ 13.6 million (+16.0% vs. 4Q17), mainly driven by the increase of R$ 1.1 million in RD&I investments, which grew throughout the year and should continue growing in 2019, and R$ 0.9 million in costs at ConsultBrasil. In the year, software costs came to R$ 49.2 million (+2.4% vs. 2017), which, despite cost reductions in virtually all software areas, RD&I investments increased R$ 2.5 million, hindering annual comparisons, as they are fully booked in this unit's result.

Gross Profit from Software. In the quarter, as result of higher costs, gross profit came to R$ 11.0 million in 4Q18 (-12.7% vs. 4Q17), with a gross margin of 44.7% (-7.1 p.p. vs. 4Q17). In the year, due to the same reason, gross profit came to R$ 41.0 million (-5.2% vs. 2017), with a gross margin of 45.4% (-1.9 p.p. vs. 2017). Please note that the decline in profitability was due to the management's decision designed to increase long-term results through the technological upgrading of software from acquisitions.

Chart 3 – Software unit

3A. **Net revenues** (R$ MM) | 3B. **Breakdown of revenues** (R$ MM) | 3C. **Gross profit** (R$ MM)



Services Unit

Net Revenues from Services. In the quarter, net revenues from Services were an all-time high R$ 15.1 million (+22.9% vs. 4Q17); and in the year, R$ 51.9 million (+19.0% vs. 2017). We present below a breakdown between the recurring "Outsourcing" portion and the variable "Projects" portion.

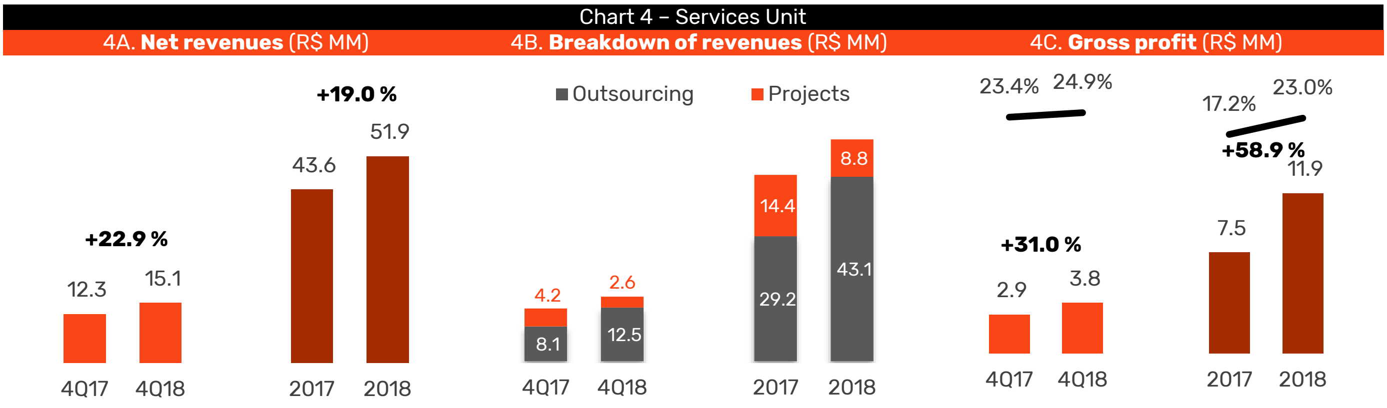
- Net Revenues from Outsourcing. In the quarter, net revenues from Outsourcing were an all-time high R$ 12.5 million (+55.0% vs. 4Q17), accounting from 83% of the unit's total. In the year, net revenues reached a record R$ 43.1 million (+47.6% vs. 2017), accounting from 83% of the unit's total. In the new reporting structure, revenues totaling R$ 3.1 million in the quarter and R$ 10.5 million in the year were reclassified from "Projects" to "Outsourcing" from attps. Excluding this reclassification, allocations moved up R$ 3.2 million in the quarter and R$ 8.5 million in the year, driven by strong demand and the consequent portfolio expansion, thanks to the increased conversion of opportunities.

- Net Revenues from Projects. In the quarter, net revenues from Projects totaled R$ 2.6 million (-39.1% vs. 4Q17), accounting for 17% of the unit's total. In the year, net revenues from Projects reached R$ 8.8 million (-39.0% vs. 2017), accounting for 17% of the unit's total. Innovation projects at the subsidiary Torq contributed to R$ 0.8 million in the quarter and R$ 1.5 million in the year. As explained above, there was a reclassification of revenues from "Projects" to "Outsourcing" from attps. As a result, excluding the reclassification, there was a slight decline, due to the lower volume of projects at Sinqia Consulting versus 4Q17 and the lower volume of tailored projects versus 2017.

Services Costs. In the quarter, Services costs amounted to R$ 11.3 million (+20.5% vs. 4Q17), of which R$ 9.5 million from Outsourcing (+56.3% vs. 4Q17), moving up due to new hires to serve allocations in the quarter, and R$ 1.8 million from Projects (-45.3% vs. 4Q17), with the impact of the transfer of costs from "Projects" to "Outsourcing", arising from the reclassification of revenues from attps, plus an addition of R$ 0.3 million in new costs at Torq. In the year, these costs totaled R$ 40.0 million (+10.7% vs. 2017), mostly driven by new hires to meet higher demand for Outsourcing, plus an addition of R$ 0.7 million in new costs at Torq.

Gross profit from Services. In the quarter, gross profit from Services was a record R$ 3.8 million (+31.0% vs. 4Q17), with a gross margin of 24.9% (+1.5 p.p. vs. 4Q17), of which record of R$ 3.0 million from Outsourcing (+51.1% vs. 4Q17) and R$ 0.7 million from Projects (-15.3% vs. 4Q17). In the year, gross profit was an all-time high R$ 11.9 million (+58.9% vs. 2017), with a gross margin of 23.0% (+5.8 p.p. vs. 2017), of which record of R$ 9.0 million from Outsourcing (+70.6% vs. 2017), with a record margin of 21.0%, and R$ 2.9 million from Projects (+30.7% vs. 2017), with a margin of 32.7%.

Chart 4 – Services Unit



Costs, gross profit and expenses

Costs. In the quarter, costs reached R$ 24.9 million (+18.0% vs. 4Q17), an increase mainly driven by (i) R$ 2.1 million in Outsourcing allocations, (ii) R$ 1.1 million in RD&I investments and (iii) R$ 0.9 million at ConsultBrasil, despite the reduction in organic Software businesses. In the year, totaled R$ 89.2 million (+6.0% vs. 2017), moving up due to the same reasons described for 4Q18, albeit to a lesser extent.

Gross Profit. In the quarter, gross profit totaled R$ 14.7 million (-4.5% vs. 4Q17), with a gross margin of 37.1% (-5.1 p.p. vs. 4Q17), due to the reasons mentioned in the Costs section above. In the year, totaled a record R$ 52.9 million (+4.3% vs. 2017), with a gross margin of 37.2% (-0.4 p.p. vs. 2017).

General and Administrative Expenses. In the quarter, general and administrative expenses amounted to R$ 10.6 million (+8.5% vs. 4Q17), accounting for 26.6% of net revenues, in line with 4Q17. Despite the organic decline of R$ 0.3 million, the increase in value was related to extraordinary expenses of R$ 0.6 million on the brand change (under "Commissions and marketing" in the table below) and R$ 0.5 million on setup subsidies for new sales (under "Selling and administrative" in the table below). In the year, totaled R$ 34.4 million (+5.8% vs. 2017), accounting for 24.2% of net revenues, virtually in line with 2017. Of the R$ 1.9 million increase, R$ 1.2 million refers to the setup subsidies for new sales and R$ 0.6 million to the brand change.

Chart 5 – Costs, gross profit and expenses

5A. **RD&I costs** (R$ MM) | 5B. **Gross profit** (R$ MM) | 5C. **G&A expenses** (R$ MM)

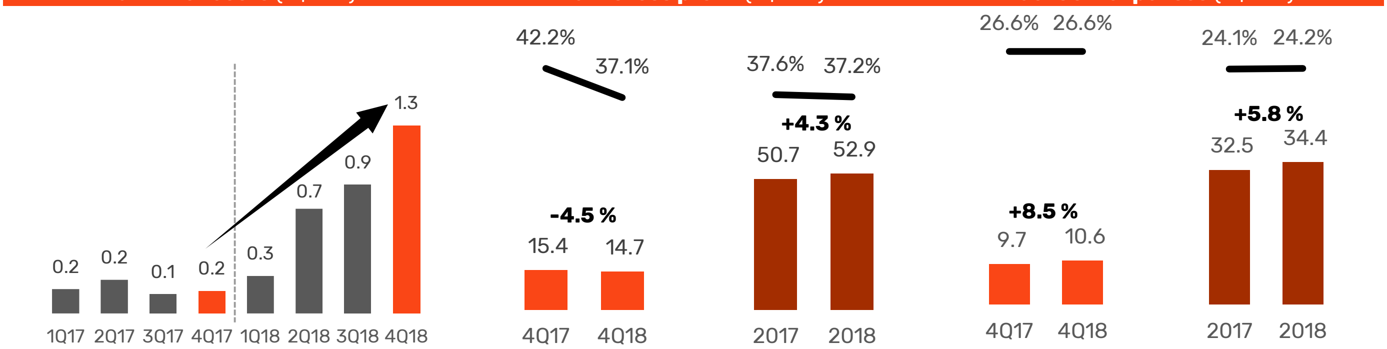


Table 1 - SG&A Breakdown

(R$ '000)	4Q18	4Q17	Ch.	3Q18	Ch.	2018	2017	Ch.
Administrative and commercial	6,237	4,657	1,580	5,823	414	22,064	19,765	2,299
Building expenses	2,073	1,367	706	1,230	843	5,601	5,678	(77)
Commission and marketing	1,630	298	1,332	532	1,098	3,053	1,368	1,685
Provision - Bonus	178	2,618	(2,440)	650	(472)	2,217	4,108	(1,891)
Provision - Trade receivables & contingencies	45	627	(582)	52	(7)	541	876	(335)
Others	402	172	230	135	267	894	695	199
Total	**10,565**	**9,739**	**826**	**8,422**	**2,143**	**34,370**	**32,490**	**1,880**

EBITDA and adjusted EBITDA[1]

Adjusted EBITDA. In the quarter, adjusted EBITDA totaled R$ 4.9 million (-14.3% vs. 4Q17), while the adjusted EBITDA margin came to 12.3% (-3.3 p.p. vs. 4Q17). The Company recorded an excellent performance, despite the increase in RD&I investments (R$ 1.1 million) and setup subsidies for new sales (R$ 0.5 million). Excluding these items that hindered comparisons, adjusted EBITDA would have increased R$ 0.9 million, or 14.2%, over 4Q17. In the year, adjusted EBITDA was R$ 19.2 million (-8.8% vs. 2017), with an adjusted EBITDA margin of 13.5% (-2.1 p.p. vs. 2017). It is worth noting that the increase in RD&I investments (R$ 2.5 million) and setup subsidies for new sales (R$ 1.2 million) hindered comparisons. Excluding these items, adjusted EBITDA would rise R$ 1.8 million, or 8.7%, over 2017.

[1] EBITDA is a non-accounting measurement calculated by the Company in accordance with CVM Instruction 527/12, which consists of net income for the period, plus income taxes, finance income net of finance costs, and depreciation and amortization. Adjusted EBITDA corresponds to EBITDA, plus the extraordinary effects of acquisitions and non-recurring events. The "Extraordinary expenses - earnout" line represents the complement in the earn-out provision for attps; the "Extraordinary expenses - integration" line represents the extraordinary layoff costs in the corporate areas; the "Extraordinary costs - integration" line represents the extraordinary layoff expenses in the Software and Services units; and the "Extraordinary expenses - new brand" line represents marketing expenses related to the change in the Company's visual identity and solutions for Sinqia.

Table 2 - Reconciliation of EBITDA and Adjusted EBITDA								
(R$ '000)	4Q18	4Q17	Change	3Q18	Change	2018	2017	Change
Net Income	**1,097**	**2,888**	**-62.0%**	**1,418**	**-22.6%**	**2,726**	**7,464**	**-63.5%**
(+) Income tax/social contribution	817	357	128.9%	1,218	-32.9%	2,310	2,293	0.7%
(+) Finance result	359	749	-52.1%	386	-7.0%	3,033	1,677	80.9%
(+) Depreciation/amort.	1,899	1,707	11.2%	1,818	4.5%	7,199	6,812	5.7%
EBITDA	**4,172**	**5,701**	**-26.8%**	**4,840**	**-13.8%**	**15,268**	**18,246**	**-16.3%**
(+) Extraordinary expenses - earnout	-	-	-	-	-	3,247	-	-
(+) Extraordinary expenses - integration	8	-	-	-	-	8	1,213	-99.3%
(+) Extraordinary expenses - new brand	627	-	-	-	-	627	-	-
(+) Extraordinary costs - integration	76	-	-	-	-	76	1,619	-95.3%
Adjusted EBITDA	**4,883**	**5,701**	**-14.3%**	**4,840**	**0.9%**	**19,226**	**21,078**	**-8.8%**
Adj. EBITDA Margin	***12.3%***	***15.6%***	***-3.3 p.p.***	***13.6%***	***-1.3 p.p.***	***13.5%***	***15.6%***	***-2.1 p.p.***

EBT, net income and adjusted cash earnings

EBT. In the quarter, earnings before income tax and social contribution ("**EBT**") stood at R$ 1.9 million (-41.0% vs. 4Q17); in the year, R$ 5.0 million (-48.3% vs. 2017), as follows:

- Finance Result, net. In the quarter, the finance result was a negative R$ 0.4 million (vs. a negative R$ 0.8 million in 4Q17), due to a R$ 0.2 million increase in financial income, fueled by higher income from investments, and a R$ 0.2 million decline in financial costs, thanks to lower IOF (tax on financial transactions). In the year, was a negative R$ 3.0 million (vs. a negative R$ 1.7 million in 2017), due to the decline in interest on the complement of the attps earn-out in amounting R$ 1.4 million in 1Q18.

- Depreciation and Amortization. In the quarter, depreciation and amortization totaled R$ 1.9 million (+11.2% vs. 4Q17), edging up due to increased amortization of new software licenses for internal use and higher depreciation of hardware. In the year, totaled R$ 7.2 million (+5.7% vs. 2017), for the same reasons.

Net Income. In the quarter, net income totaled R$ 1.1 million (-62.0% vs. 4Q17), with a gross margin of 2.8% (-5.1 p.p. vs. 4Q17). In the year, amounted to R$ 2.7 million (-63.5% vs. 2017), with a net margin of 1.9% (-3.6 p.p. vs. 2017). Despite higher gross profit, increased operating and financial expenses, R$ 4.6 million of which associated with the complement of the attps earn-out in 2018 (R$ 3.2 million in "Other expenses" and R$ 1.4 million in "Financial expenses"), almost fully explained by the decline in net income in the period. However, we stress that this accounting measure is influenced by factors with no economic effect on the Company, which is why we recommend its analysis together with adjusted cash earnings, described below.

Adjusted Cash Earnings. In the quarter, adjusted cash earnings stood at R$ 1.8 million (-54.9% vs. 4Q17), with margin of 4.6% (-6.5 p.p. vs. 4Q17). In the year, totaled R$ 12.3 million (-29.6% vs. 2017), with a margin of 8.6% (-4.3 p.p. vs. 2017). The decline in the quarter and in the year was due to a reduction in adjusted net income (down R$ 1.1 million in 4Q18 and R$ 2.3 million in 2018) and deferred income tax and social contribution credits in 2018.

Table 3 - Reconciliation of Adjusted Cash Earnings								
(R$ '000)	4Q18	4Q17	Change	3Q18	Change	2018	2017	Change
Net income	**1,097**	**2,888**	**-62.0%**	**1,418**	**-22.6%**	**2,726**	**7,464**	**-63.5%**
(+) Extraordinary effects	711	-	-	-	-	5,320	2,832	87.9%
Adjusted net income	**1,808**	**2,888**	**-37.4%**	**1,418**	**27.5%**	**8,046**	**10,296**	**-21.9%**
(+) Acquisitions amortization	1,424	1,469	-3.1%	1,488	-4.3%	5,864	5,911	-0.8%
(+) Def. income tax/Social Contr.	(1,399)	(293)	377.5%	(28)	-	(1,639)	1,227	-
Adjusted Cash Earnings	**1,833**	**4,064**	**-54.9%**	**2,878**	**-36.3%**	**12,271**	**17,434**	**-29.6%**
Adj. CE Margin	***4.6%***	***11.1%***	***-6.5 p.p.***	***8.1%***	***-3.4 p.p.***	***8.6%***	***12.9%***	***-4.3 p.p.***

The historical series of the financial data is available in Excel at ri.sinqia.com.br, on the "Results" menu.

Financial position

Gross Cash. The gross cash position amounted to R$ 26.0 million in 4Q18 (+R$ 0.6 million vs. 3Q18 and -R$ 4.0 million vs. 2017). The increase was mainly due to growth in accounts receivable.

Gross debt. Gross debt came to R$ 32.9 million in 4Q18 (-R$ 1.8 million vs. 3Q18 and -R$ 7.0 million vs. 2017), as follows:

- Liabilities Arising from Investment Acquisitions. Liabilities arising from investment acquisitions totaled R$ 18.3 million in 4Q18 (-R$ 1.0 million vs. 3Q18 and +R$ 2.0 million vs. 2017), with the decline from 3Q18 being mainly due to the amortization of installments resulting from the acquisition of attps.

- Borrowings. Borrowings amounted to R$ 14.6 million in 4Q18 (-R$ 0.7 million vs. 3Q18 and -R$ 7.2 million vs. 2017), with the decrease resulting from the installment payment of financing contracted with the BNDES.

Net Debt. Net debt decreased to R$ 6.9 million in 4Q18 (-R$ 2.4 million vs. 3Q18 and -R$ 3.0 million vs. 2017), representing only 0.4x adjusted EBITDA in the last 12 months (vs. 0.5x in 3Q18 and 0.5x in 2017), remaining at a comfortable level. Despite the acquisition of ConsultBrasil in October, there was room to increase leverage in order to proceed with acquisitions. As a result, we issued debentures in late February 2019.

Capital market

Stock Performance. The Company’s shares (Novo Mercado: SQIA3) closed 2018 at R$25.31 (+18.0% vs. 3Q18; -5.2% vs. 2017). Since the Company’s total capital stock comprises 11,787,203 common shares, the Company's market cap amounted to R$ 298.3 million on 31 December 2018.

Average Daily Trading Volume. In the quarter, ADTV was R$ 400.1 thousand (+90.8% vs. 3Q18; +7.9% vs. 2017); in the year, R$ 349.2 thousand (+14.4% vs. 2017).

Shareholder Base. The shareholding structure ended 2018 with 6,290 shareholders (+21.2% vs. 3Q18 and +56.5% vs. 2017), a significant number in comparison with Brazilian companies of similar size, and free float was 73.1%.

Relationship with the Auditors

Pursuant to CVM Instruction 381/03, we hereby inform that the Company and its subsidiaries have hired the independent audit services of PricewaterhouseCoopers Auditores Independentes and that, during the 2018 fiscal year, these auditors did not provide any services unrelated to external audits.

Declaration from Management

The Management of Sinqia S.A., pursuant to items V and VI of Article 25 of CVM Instruction 480/09, hereby declares that it has reviewed, discussed and agreed on (i) the opinions expressed in the independent auditors’ report and (ii) the Financial Statements related to the period ended on 31 December 2018.

Acknowledgments

Finally, the Company would like to thank all those who contributed to the success achieved in the year, especially its customers, employees and shareholders.

ATTACHMENT – FINANCIAL STATEMENTS

I – Income Statement (Consolidated)

(R$ '000)	4Q18	4Q17	Change	3Q18	Change	2018	2017	Change
Gross Revenues	**44,477**	**41,316**	**7.7%**	**40,014**	**11.2%**	**159,387**	**152,301**	**4.7%**
Software	27,598	27,359	0.9%	24,482	12.7%	101,285	102,736	-1.4%
Subscription	22,084	19,888	11.0%	19,155	15.3%	81,530	78,318	4.1%
Implementation	5,514	7,471	-26.2%	5,327	3.5%	19,755	24,418	-19.1%
Services	16,879	13,957	20.9%	15,532	8.7%	58,102	49,565	17.2%
Outsourcing	14,098	9,286	51.8%	12,782	10.3%	48,475	33,487	44.8%
Projects	2,781	4,671	-40.5%	2,750	1.1%	9,627	16,078	-40.1%
Sales taxes	**(4,797)**	**(4,739)**	**1.2%**	**(4,342)**	**10.5%**	**(17,278)**	**(17,392)**	**-0.7%**
Software	(3,014)	(3,061)	-1.5%	(2,691)	12.0%	(11,067)	(11,428)	-3.2%
Subscription	(2,415)	(2,157)	12.0%	(2,099)	15.1%	(8,900)	(8,488)	4.9%
Implementation	(599)	(904)	-33.7%	(592)	1.2%	(2,167)	(2,940)	-26.3%
Services	(1,783)	(1,678)	6.3%	(1,651)	8.0%	(6,211)	(5,964)	4.1%
Outsourcing	(1,552)	(1,193)	30.1%	(1,406)	10.4%	(5,367)	(4,273)	25.6%
Projects	(231)	(485)	-52.4%	(245)	-5.7%	(844)	(1,691)	-50.1%
Net Revenues	**39,680**	**36,577**	**8.5%**	**35,672**	**11.2%**	**142,109**	**134,909**	**5.3%**
Software	24,584	24,298	1.2%	21,791	12.8%	90,218	91,308	-1.2%
Subscription	19,669	17,731	10.9%	17,056	15.3%	72,630	69,830	4.0%
Implementation	4,915	6,567	-25.2%	4,735	3.8%	17,588	21,478	-18.1%
Services	15,096	12,279	22.9%	13,881	8.8%	51,891	43,601	19.0%
Outsourcing	12,546	8,093	55.0%	11,376	10.3%	43,108	29,214	47.6%
Projects	2,550	4,186	-39.1%	2,505	1.8%	8,783	14,387	-39.0%
Net Revenues	**39,680**	**36,577**	**8.5%**	**35,672**	**11.2%**	**142,109**	**134,909**	**5.3%**
Recurring	32,215	25,824	24.7%	28,432	13.3%	115,738	99,044	16.9%
Variable	7,465	10,753	-30.6%	7,240	3.1%	26,371	35,865	-26.5%
% of Recurrence	***81.2%***	***70.6%***	**10.6 p.p.**	***79.7%***	**1.5 p.p.**	***81.4%***	***73.4%***	**8.0 p.p.**
Costs	**(24,942)**	**(21,137)**	**18.0%**	**(22,401)**	**11.3%**	**(89,214)**	**(84,173)**	**6.0%**
Software	(13,607)	(11,730)	16.0%	(12,031)	13.1%	(49,235)	(48,067)	2.4%
Services	(11,335)	(9,407)	20.5%	(10,370)	9.3%	(39,979)	(36,106)	10.7%
Outsourcing	(9,523)	(6,092)	56.3%	(8,858)	7.5%	(34,069)	(23,917)	42.4%
Projects	(1,812)	(3,315)	-45.3%	(1,512)	19.8%	(5,910)	(12,189)	-51.5%
Gross profit	**14,738**	**15,440**	**-4.5%**	**13,271**	**11.1%**	**52,895**	**50,736**	**4.3%**
Gross margin	*37.1%*	*42.2%*	-5.1 p.p.	*37.2%*	-0.1 p.p.	*37.2%*	*37.6%*	-0.4 p.p.
Software	10,977	12,568	-12.7%	9,760	12.5%	40,983	43,241	-5.2%
Software gross mg.	*44.7%*	*51.7%*	-7.1 p.p.	*44.8%*	-0.1 p.p.	*45.4%*	*47.4%*	-1.9 p.p.
Services	3,761	2,872	31.0%	3,511	7.1%	11,912	7,495	58.9%
Services gross mg.	*24.9%*	*23.4%*	1.5 p.p.	*25.3%*	-0.4 p.p.	*23.0%*	*17.2%*	5.8 p.p.
Outsourcing	3,023	2,001	51.1%	2,518	20.1%	9,039	5,297	70.6%
Outsourcing gross mg.	*24.1%*	*24.7%*	-0.6 p.p.	*22.1%*	2.0 p.p.	*21.0%*	*18.1%*	2.8 p.p.
Projects	738	871	-15.3%	993	-25.7%	2,873	2,198	30.7%
Projects gross mg.	*28.9%*	*20.8%*	8.1 p.p.	*39.6%*	-10.7 p.p.	*32.7%*	*15.3%*	17.4 p.p.
Expenses	**(12,464)**	**(11,446)**	**8.9%**	**(10,240)**	**21.7%**	**(44,816)**	**(39,302)**	**14.0%**
% of net revenues	*31.4%*	*31.3%*	0.1 p.p.	*28.7%*	2.7 p.p.	*31.5%*	*29.1%*	2.4 p.p.
General/administrative	(10,565)	(9,739)	8.5%	(8,422)	25.4%	(34,370)	(32,490)	5.8%
% of net revenues	*26.6%*	*26.6%*	0.0 p.p.	*23.6%*	3.0 p.p.	*24.2%*	*24.1%*	0.1 p.p.
Other expenses	-	-	-	-	-	(3,247)	-	-
% of net revenues	*0.0%*	*0.0%*	0.0 p.p.	*0.0%*	0.0 p.p.	*2.3%*	*0.0%*	2.3 p.p.
Depreciation/amort.	(1,899)	(1,707)	11.2%	(1,818)	4.5%	(7,199)	(6,812)	5.7%
% of net revenues	*4.8%*	*4.7%*	0.1 p.p.	*5.1%*	-0.3 p.p.	*5.1%*	*5.0%*	0.0 p.p.
EBIT	**2,274**	**3,994**	**-43.1%**	**3,031**	**-25.0%**	**8,079**	**11,434**	**-29.3%**
Finance result	**(359)**	**(749)**	**-52.1%**	**(386)**	**-7.0%**	**(3,033)**	**(1,677)**	**80.9%**
Finance income	586	392	49.5%	498	17.7%	1,973	1,868	5.6%
Finance costs	(945)	(1,141)	-17.2%	(884)	6.9%	(5,006)	(3,545)	41.2%
EBT	1,915	3,245	-41.0%	2,645	-27.6%	5,046	9,757	-48.3%
Income tax/social contribution	**(817)**	**(357)**	**128.9%**	**(1,218)**	**-32.9%**	**(2,310)**	**(2,293)**	**0.7%**
Current	**(2,216)**	**(650)**	**240.9%**	**(1,246)**	**77.8%**	**(3,949)**	**(1,066)**	**270.5%**
Deferred	1,399	293	377.5%	28	4896.4%	1,639	(1,227)	-233.6%
Results after IT and SC	1,098	2,888	-62.0%	1,427	-23.1%	2,736	7,464	-63.3%
Minority interest	(1)	-	-	(9)	-88.9%	(10)	-	-
Net income	**1,097**	**2,888**	**-62.0%**	**1,418**	**-22.6%**	**2,726**	**7,464**	**-63.5%**
Net margin	2.8%	7.9%	-5.1 p.p.	4.0%	-1.2 p.p.	1.9%	5.5%	-3.6 p.p.

EBITDA*	**4,172**	**5,701**	**-26.8%**	**4,840**	**-13.8%**	**15,268**	**18,246**	**-16.3%**
EBITDA mg.	10.5%	15.6%	-5.1 p.p.	13.6%	-3.1 p.p.	10.7%	13.5%	-2.8 p.p.
(+) Extraordinary expenses	635	-	-	-	-	3,882	1,213	221.0%
(+) Extraordinary costs	76	-	-	-	-	76	1,619	-96.0%
Adjusted EBITDA	**4,883**	**5,701**	**-14.3%**	**4,840**	**0.9%**	**19,226**	**21,078**	**-8.8%**
Adj. EBITDA Margin	*12.3%*	*15.6%*	-3.3 p.p.	*13.6%*	-1.3 p.p.	*13.5%*	*15.6%*	-2.1 p.p.

*According to Instruction CVM 527/12.

(R$ '000)	4Q18	4Q17	Change	3Q18	Change	2018	2017	Change
Net income	**1,097**	**2,888**	**-62.0%**	**1,418**	**-22.6%**	**2,726**	**7,464**	**-63.5%**
(+) Extraordinary effects	711	-	-	-	-	5,320	2,832	87.9%
Adjusted net income	**1,808**	**2,888**	**-37.4%**	**1,418**	**27.5%**	**8,046**	**10,296**	**-21.9%**
(+) Acquisitions amortization	1,424	1,469	-3.1%	1,488	-4.3%	5,864	5,911	-0.8%
(+) Deferred income tax/Social cont.	(1,399)	(293)	377.5%	(28)	-	(1,639)	1,227	-
Adjusted Cash Earnings	**1,833**	**4,064**	**-54.9%**	**2,878**	**-36.3%**	**12,271**	**17,434**	**-29.6%**
Adj. CE Margin	4.6%	11.1%	-6.5 p.p.	8.1%	-3.4 p.p.	8.6%	12.9%	-4.3 p.p.

II – Balance Sheet (Consolidated)

(R$ '000)	12.31.2018	09.30.2018	Change	12.31.2017	Change
ASSETS	**167,430**	**157,100**	**6.6%**	**157,501**	**6.3%**
Current	**51,722**	**55,013**	**-6.0%**	**52,075**	**-0.7%**
Cash and cash equivalents	26,037	25,394	2.5%	30,001	-13.2%
Trade receivables	22,254	25,670	-13.3%	18,827	18.2%
Prepaid expences	79	-	-	50	58.0%
Taxes and contributions recoverable	2,552	3,570	-28.5%	2,810	-9.2%
Other receivables	744	323	130.3%	387	92.2%
Related parties	56	56	0.0%	-	-
Non-current	**115,708**	**102,087**	**13.3%**	**105,426**	**9.8%**
Deposits in court	297	403	-26.3%	2,151	-86.2%
Deferred income tax and social contrib.	16,297	10,508	55.1%	10,268	58.7%
Other credits	159	159	0.0%	159	0.0%
Property and equipment	6,836	3,800	79.9%	2,597	163.2%
Intangible assets	92,119	87,217	5.6%	90,251	2.1%
LIABILITIES AND EQUITY	**167,430**	**157,100**	**6.6%**	**157,501**	**6.3%**
Current	**33,635**	**28,519**	**17.9%**	**34,172**	**-1.6%**
Borrowings	3,958	3,700	7.0%	6,529	-39.4%
Trade payables	2,134	1,021	109.0%	601	255.1%
Advances from customers	4,338	1,235	251.3%	2,239	93.7%
Salaries, social charges and labor prov.	13,707	13,836	-0.9%	16,294	-15.9%
Dividends payable	648	-	-	2,085	-68.9%
Tax liabilities	2,824	3,058	-7.7%	1,583	78.4%
Liabilities arising from invest. acquisition	6,026	5,669	6.3%	4,841	24.5%
Non-current	**48,379**	**43,519**	**11.2%**	**47,722**	**1.4%**
Borrowings	10,651	11,638	-8.5%	15,327	-30.5%
Tax liabilities	3,586	98	-	334	-
Provisions for contingencies	21,845	18,064	20.9%	18,819	16.1%
Liabilities arising from invest. acquisition	12,297	13,719	-10.4%	13,242	-7.1%
Non-controlling interests	**66**	**63**	**4.8%**	**-**	**-**
Equity	**85,350**	**84,999**	**0.4%**	**75,607**	**12.9%**
Share capital	50,561	50,561	0.0%	50,561	0.0%
Treasury shares	(2,220)	(2,220)	0.0%	(4,772)	-53.5%
Capital reserve	5,577	5,677	-1.8%	464	1101.9%
Revenue reserves	31,432	30,981	1.5%	29,354	7.1%

Gross debt	**32,932**	**34,726**	**-5.2%**	**39,939**	**-17.5%**
Borrowings	14,609	15,338	-4.8%	21,856	-33.2%
Liabilities arising from invest. acquisition	18,323	19,388	-5.5%	18,083	1.3%
Cash position (debt), net	**(6,895)**	**(9,332)**	**-26.1%**	**(9,938)**	**-30.6%**