



Operator:

Good morning ladies and gentlemen. At this time, we would like to welcome everyone to Valid's 4Q17 earnings conference call. Today with us we have Mr. Carlos Affonso d'Albuquerque – CEO; and Mrs. Rita Carvalho – Chief Financial and Investor Relations Officer.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After Valid's remarks are completed, there will be a question-and-answer session. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

We have a simultaneous webcast that may be accessed through Valid's IR website at www.valid.com.br/en/ir and the MZiQ platform. The slide presentation may be downloaded from this website; please feel free to flip through the slides during the conference call. There will be a replay facility for this call on the website.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Valid management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Valid and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Carlos Affonso d'Albuquerque, CEO for Valid. Mr. d'Albuquerque, you may begin your conference.

Carlos Affonso d'Albuquerque:

I would like to thank you for being here with us for Valid's result presentation and, as we all know, 2017 was another challenging year for us at Valid. Several teams on our market had the opportunity to look inside ourselves and analyze what else needed to be done to be done to prepare for the forthcoming years.

Looking back, we can conclude that we have done our homework and managed to improve efficiency through a deep restructuring process implemented over the year. At the same time, we have seen an inflexion point on the market. We look at our Company's new improved efficiency we feel very comfortable that the worst is behind us.

It is very important to know that although the Company's consolidated net revenues fell by 1.7%, there was no drop in revenues in our Brazilian operations. The drop comes from the operations in five countries. Half of this is due to a significant change in the exchange rate between periods.

At the same time, we have used the last two years to evolve with new business models, such as IoT, Track & Trail, Blockchain and even more services for the



identification of people and objects. These are opportunities that are starting to emerge and that we believe will soon be expected to traction.

The payment business unit was one of that we focused most in 2017, however the business changed we made we precise in this area. When we look at the business units in the U.S., there is no doubt that we are seeing a recovery, both on the market and in terms of efficiency. It is important to note that seasonality in 4Q and 1Q in the U.S is very significant in this business.

We are expecting an improvement in the results in 2018 with a new management team that started in this unit in July last year. And with our goal of achieving a better mix along with a low-cost structure and, in Brazil, reduction of the Central Bank Interest Rate, we have no doubt that we will see better results already in the 1Q18.

One thing we want to make clear is that we are working very hard on the growth of the Company's EBIT – both by increasing efficiency and by carefully studying capital allocation. Specifically with the impact of capital allocation, it is important to note that we are not considering more investments outside the country. But in Brazil we are studying a few investment opportunities, ones that will not affect our goal of reducing our net-debt-to-EBITDA ratio by the end of 2018.

We intend here to reduce our speech to give more time for you for questions. So, now, I would like to hand it over to Rita.

Rita Carvalho:

Thank you, Affonso. Hello, everyone. Thank you for joining us in our conference call. I would like to comment on the 2017 results and what we expect for 2018. I will be very brief in my comments. The first one is related to CAPEX, which in 2017 was close to R\$50 million. What we expect for 2018 is something slightly higher than last year.

Aligned to what Affonso has just mentioned, the main focus will be the renewal and maintenance of the existing contracts Identification Division, products related to Track and Trace, the implementation of the infrastructure required to introduce a Valid team in China and also the certifications required and the development of new services and platforms and, of course, the maintenance of the Company's traditional business.

The second point I would like to comment on is regarding operational cash flow generation, which in 1H we consumed R\$ 45 million in cash; in the 2H of the year, the Company generated R\$126 million, returning to a level of operational cash generation more normalized for our business. With that, the expectation for 2018 is that the operational cash flow generation will return to normal levels, as we have seen during the 2H17.

The third comment is related to leverage. We reduced the Company's net debt by almost R\$ 16 million when we compared it to 1Q17 and, in the year, the net debt was 1.9x the EBITDA. According to Affonso's comments, our expectation for 2018 is that, with better results and also with the Company's operational cash flow generation normalized, we will see net debt returning to 1.5x the EBITDA.

And, finally, during 2017, we paid R\$14 million in dividends related to 2017 results. We are proposing the payment of another R\$10.6 million, which will be submitted to the annual shareholders' meeting, scheduled already for April 26. According to our



expectations for the year and taking in consideration the Company's investment needs, we are keeping the commitment to distribute 50% of our net income.

Thank you once again and now we are ready to take your questions.

Operator:

There are no questions. This concludes this question-and-answer session. I will turn back over to the Company for final consideration. Please go ahead.

Carlos Affonso d'Albuquerque:

I would like to thank you for all your support during 2017 and, once again, the worst is behind us now and we are very positive about 2018. It is not easy, that is not done, but we are confident that it will be a very good year for Valid. Again, thank you very much.

Operator:

Thank you. This concludes today's Valid's earnings conference call. You may disconnect your lines at this time.

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