



THE SECURE SIDE OF INNOVATION

Conference Call 1Q18
Valid (VLID3 BZ)
May 11th, 2018

Operator:

Good morning ladies and gentlemen. At this time, we would like to welcome everyone to Valid's 1Q18 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'll turn the conference over to Carlos Affonso d'Albuquerque, CEO for Valid. Mr. d'Albuquerque, you may begin your conference.

Carlos Affonso d'Albuquerque:

Thank you all for being here with us again for the conference call regarding the results of Valid. We are very proud to present these results this quarter, mainly because it shows clearly that we are turning around the Company, as we said since the mid of last year. This year, there was a huge improvement in all of the business that we have, mainly in the United States and, as we will comment, in Brazil.

It is the result of the strong work that the entire Company has done over the last two years and now we are delivering this kind of result and I would like to reinforce that it happened because, not only the result itself but beyond that, it shows clearly the consistency of our results – the consistency of our structure vis-à-vis the market that we have in front of us right now.

These results also allow us to keep moving towards the future. We are betting a lot in many opportunities that we have in front of us. I just want to mention some of them. I would say that we are pursuing the opportunities that we have in connected cars, track & trace, biometrics platforms and the opportunities that we have in ID in the United States.

This kind of result that we were building up, since we talked last year, saying to all of you that we started a huge process of pursuing efficiency. At that time, we said that we would be able to bring to the Company savings of around R\$80 million over the next 24 months from that time. Now, one year later, I am here and I can say that we already have, in our home, R\$60 million in savings and that we can reach the R\$80 million over the next quarters.

As you know, we are trying to have this kind of conversation with you guys very briefly to open more time for questions. Again, thank you very much last year, when you supported us, believed in us and now we are ready to grow again. Again, thank you very much. Rita, please.

Rita Carvalho:

Thank you, Affonso. Hello, everyone. Thank you for, once again, joining our conference call. I have some brief comments about the 1Q results. One is related to CAPEX. We invested, this quarter, R\$16 million, which is in line with our expectations.

The main investments were R\$7.3 million in the identification systems area, mainly with a focus on track & trace projects. We also spent around R\$4 million in the implementation of the required infrastructure for the embedded SIM in China and all certifications related to this project.

We also invested in products related to the development of platforms and services as well as in the maintenance of the Company's traditional businesses. Regarding operational cash flow generation, this quarter we generated R\$47 million, which is the highest cash flow generation in the Company observed in a 1Q. This was a result of our solid results and also the conclusion of the restructuring projects that consumed cash last year.

As I had previously mentioned in the last conference call, the operating cash flow generation has effectively returned to normal levels for our business. Regarding the Company's leverage, we ended the 1Q with a cash position of R\$331 million, which once again contributed to the Company's reduction of its net debt over EBITDA, which reached this quarter 1.7x over the accumulated EBITDA of the last 12 months.

In the end of 2016, our net debt was 1.5x the EBITDA, whereas at the end of 2017 it was 1.9x. What we are expecting to achieve is to return to the same levels that we saw in 2016.

Regarding the amortization of our debt, this year it will sum up to approximately R\$252 million, which nearly R\$136 million corresponds to our debt in Reais – it is related to debentures here in Brazil, which we will work to refinance this part of the debt. We also have US\$35 million that will mature during 2018, related to debt outside of Brazil. In this case we will use cash to amortize this amount.

To finish my comments, I would like to say that on April 26, during our Annual Shareholders' Meeting, the Company announced the payment of R\$10.6 million in dividends. This is related to the distribution of the 2017 results. What we are expecting for 2018 is, at least, a 50-60% payout policy. Thank you once again and now we can take your questions.



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Operator:

Having no questions, I will turn the conference over to the Company for their final consideration.

Carlos Affonso d'Albuquerque:

Again, I would like to thank you all for your support and I would like to say here that we are ready for growth 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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