



**Operator:**

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Valid's 3Q18 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/en/ir](http://www.valid.com/en/ir). The slide presentation may be downloaded from the 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:**

Thank you. Hello everyone, and thank you for attending once again to this conference call to disclose Valid's earnings.

In line with the recovery trend of expansion recorded in the last five quarters, the EBITDA in the 3Q totaled R\$91 million, if we exclude the impact of the allowance for doubtful debts recognized in the Mobile division, in the amount of R\$10 million. This is the highest result of Valid's history.

We know that such result was solely reached due to the stability of all geographic areas where we operate, aligned with the endless search for efficiency.

These factors allow us to maintain our process of adjustment to changes, as we have been doing over 60 years: listening to and understanding our customers' needs, and seeking for those solutions that best meet their needs.

Currently, our customers are facing a digital transformation, and based on the technologies we have developed over the years, we are able to identify new avenues for Valid's expansion.



In this quarter I would like to share a little bit more with you about what we have already developed within these new avenues.

In the IOT business models, we are placed as a connectivity provider to the new models that require mobile connectivity, such as, for example, our service for connected cars in China. This service places us as a relevant player in the M2M market, with significant sales potential to other markets in addition to the automotive market.

In the tracking object models, we have already implemented the water tracking model, and we have also announced our entry in the agribusiness industry, which is facing a large digital transformation, with relevant expansion potential in Brazil in the next years.

The third avenue that I would like to mention is the business model based on biometry that is becoming even more important in the world. For Valid, our family of biometry solutions, that we call Valid Bio, will continue as part of our strategy of safe identification and authentication services, in the initiatives of digital transformation faced by our customers.

We are also experiencing the increasing use of technology to improve the urban infrastructure. Based on this, we developed and we are expanding our portfolio to the Smart Cities, which opened another important avenue for Valid's expansion.

These avenues will not change our results in the short term, but we are pretty sure that they will be very relevant in the medium term, ensuring new cycles of relationship with our customers.

I would like to thank you, and now I give the floor to Rita, our CFO.

**Rita Carvalho:**

Thank you, Affonso. Hello, everyone. Thank you for join us today in our 3Qconference call.

I have some comments about the results. The first one refers to the net profit, which totaled R\$23.8 million this quarter, an increase of almost 51% if we compare to the 3Q17.

Similarly to what happened in the EBITDA, the net profit this quarter was also negatively impacted by the recognition of the provision for bad debts in the Mobile division, of approximately R\$10 million, as Affonso just mentioned, equivalent to US\$2,5 million, mainly due to the difficulty faced by one of our customers in the remittance of foreign currency. Our team continues to work in this regard to receive such amount, but since we are not able to estimate how long the process will take, we did such provision in the quarter.

In the accumulated for the year, the net profit totaled R\$57 million compared to R\$26.6 million in the same period of 2017, representing an increase of 114% between the periods.

Another comment on the net profit refers to the effective income tax rate, which was 32% in this quarter, and 35% in the accumulated for the year, better when compared to the rate of 38% presented in the 1H18.



As I have mentioned during the 2Q18 conference call, as we will distribute the profits as interest on equity during this 2H, we estimate to close the year at an effective income tax rate of approximately 30%.

The operational cash generation in 9M18 totaled R\$146 million, against a cash consumption of approximately R\$6 million in the same period of 2017.

Over the year, we raised R\$360 million in debentures, we paid R\$420 million in debts plus interest, related to the debentures in Brazil, and also the bank loans of our foreign subsidiaries. In 9M18, CAPEX totaled almost R\$49 million, and we also paid R\$11 million in dividends.

We ended the quarter with a cash position of R\$348 million, with a net debt of 1.7x the accumulated EBITDA for the last 12 months, slightly lower compared to the net debt of 1.8x we presented in the 2Q18, aligned with the net debt recorded in the 1Q18.

When we consider the current FX rate, the Company's net debt would have reached approximately 1.6x, which is closer to what we are expecting for the end of 2018.

Finally, I would like to say that we maintain our commitment to distribute at least 50% of our net income, and based on the results in 2018, it should be mostly distributed as interest on equity, such as the payment we just made in October of R\$16.6 million.

Thank you all, and now we are open to take your questions.

**Operator:**

At this time I am seeing no questions. I will turn back over to the Company for final consideration. Sir, go ahead.

**Carlos Affonso d'Albuquerque:**

Thank you again. I would like to thank Valid's staff for making these new cycles a reality. 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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