



Conference Call Transcription

1Q22



Pedro Albuquerque: Good morning everyone. Welcome to yet another earnings release by TC Club. We had a clearly challenging quarter. Our country's interest rate is leapt from 2% to 12.75%, it should stop at about 13%, and of course that can be challenging for our business.

Our results show some positive adjustments we have made through our operations and the good news is that from now on we expect significant operating improvements and growth in revenues, especially driven by our B2B divisions and also some cost reductions. We have done a very comprehensive review here at TC, review of our expenses and we shall return to profitable operations soon, as it has always been.

Let us take a look at slide number 1, let us get to it. I think slide number 1 shows the strength and the robustness of our ecosystem. There is a number of companies we acquired over time especially last year. We totaled 12 acquisitions and they are already bearing fruit - all of them.

Our B2B operations like I told you are soaring. We achieved record sales with riweb in April, April is already our 2Q.

We are also gaining momentum with TC Sfoggia, our tax recovery and optimization company. Look at the synergies here. With riweb we have more open capital companies and we put the strength of our ecosystem to the service of these companies with 360 services both in consulting, share markets, DCM and also in tax recovery and tax optimization like I just told you.

Despite the challenges of the market I firmly believe it is a temporary thing. Market swings are normal, expected, so TC will soon start its brokerage operations. TC Investimentos is here with us, PH is going to tell us more about that.

So notice that even if the market remains bearish we have a vast customer base, so we are well-positioned to quickly gain market share and generate revenue for TC with live operations. Few people with great results, because our areas are ready: we have a marketing team, we have a compliance team, we have a legal team, have a sales team, we have some of the best consultants in Brazil in our Matrix team. So everything is set up already. We can add subsidiaries with great synergy, with the possibility of quickly generating revenues without increasing our operating costs.

This year we are not going to spend much. We are very aware of our expenses and we are, again we are, we expect to return to positive margins very soon. We should return to profitability very soon and ever since the beginning of TC we created an operation that made money. We started this business with 3 million BRL and with the IPO we had only one fundraising to acquire a company called Sencon. You are already familiar with it, it is an income tax calculation company; otherwise we would have done the IPO at bootstrap without any fundraising.

So we should go back to profitability very soon, with good margins in our business and with the reviews we have just made and the synergies of our new companies driven by our B2B operations.

At our ecosystem we have the community at the core, and that is the biggest strength of TC and we have a number of cornerstones and pillar hears that support us: educational, data analysis, market intelligence and now to very important cornerstones that unlock revenue for TC: the Family Office asset management and TC Investimentos, which is our brokerage arm in addition to the crypto assets trading, which is already operating for almost 100% of our customer base.



Now I will hand it over to PH who is going to tell us a little bit more about TC Investmentos.

PH: Good morning everyone, it is a pleasure to be here. My intention is to tell you a little bit about the current status of TC Investments, which is the transactional, the brokerage part of our ecosystem. Of course the vertical is ready, the design is ready and this gives us reach and vision to work with brokerage in a very smart way, tapping into TC's technological and content expertise.

So we believe this new front has a very promising outlook. We will continue with TC's good work. We have about 600,000 users in our customer base today. These users also use other brokers, other players, they also trade with other brokers - so they are TC customers and we want to make it easier for them to work with us.

We want to make it easier for them to browse our environment in an intelligent, smart way with the right products for the right customers at the right time. We want to harness this engagement we had in B2B. Like Albuquerque just said, we have an ecosystem which gives us a very comprehensive reach. We are going to work on that will, we are going to tap into that.

We are going to work with this B2B with brokers, NFOs, publicly held companies. We are going to, we believe that TC Investmentos, our brokerage arm, really has a great potential to drive change here and add value to the business, make the business more robust. We believe we have a lot of expertise to share, so when we bring all TC's content together and add the transactions not only real estate; but crypto assets and education, we get ahead of the competition. It is a competitive market; but we are knowledgeable about it. We are used to browse in this market. There are few good players in this market and TC has everything it takes to stand out.

In our ecosystem we have about 60 billion AuC mapped already, so it is a fairly high value. We have these customers' profile mapped, it is mapped so we know where they are, we know what they do so with that we can gain speed, we can expedite our projects over time. We will bring this AuC to our structure and this will generate a better RoA for us.

Of course we will create DCM under this AuC structure and with that we will create other verticals. Not only brokerage but also origin nation, distribution, investment placement and other added financial services. So we are very optimistic about this. We believe the outlook is promising and from now on the trend is to add value on top of this AuC. This AuC is big already and we believe we can add to it.

Of course there is also the influence of TC and the role we play in this market. We know we are capable of attracting new customers, we can fish outside our bowl and attract players, attract customers from other players. We believe there will be a strong migration toward TC.

Pedro Albuquerque: Great, thank you PH, thank you for the insights, this is important information about our operations. I like this part, it is the fun part actually because it is a service-based business and it is not always easy to gain scale when you sell services; but with our financial products, with set up operations we have this humongous potential for our operations in the near future and the potential AuC is also huge.

And it is worth highlighting that this AuC is only for variable income. We are not counting investment funds or fixed income, variable income; 60 billion is only for variable income.

Our next slide shows our B2B landscape right now. I believe it was a hit, it was a fast growth, fast strategy that made everything very attractive for TC shareholders and it expedited our development cycle, and this development cycle can be pretty complex in some cases.



For example Economática. Economática has 36 years of experience in financial database, it is the best in Latin America by far. So we have migrated all that data to our TC infrastructure and based on that Economática's financial data feed our teams whenever they need this type of data at TC, within TC. TC Economática project, the TC Economática project is to be launched in June. Next Thursday we have an event with our minister of finance and there we will show more details of the TC Economática platform.

It is just about to be launched, we are very optimistic about the TC Economática terminal and it is going to be at the forefront of this area. We use state-of-the-art artificial intelligence, we are tapping into all the financial data from Economática, all the news from Mover that is followed closely not only by retail investors; but also by institutional investors.

So TC Economática is doing very well, it grows by the month. We have just launched this very important product, TC Economática, that will drive our revenue growth even more as of June, we expect.

We also have riweb . We are going to launch the new riweb brand within the next weeks. riweb has grown substantially. We have set up an amazing team for riweb and we deliver a one-of-a-kind service for companies that want solid investor relations with top-notch service. That is based on Economática's data, a consulting team powered by the TC ecosystem.

Conference calls, any monthly event that they want to hold is put inside TC's retail platform, the platform that you are already familiar with and it soon should be available on TC's institutional platform. We have created a matchless ecosystem to be honest with you.

And like I told you in the beginning of our call I talked about TC Sfoggia. It is a tax-recovery arm with which, about which we are very optimistic. We have four contracts with publicly held companies and also with privately owned companies through TC Sfoggia. Is going to bring significant additional revenue for TC and it is not only that; we are delivering high-quality analysis to our customers, because many companies are paying more taxes than they should, so we are literally given them money, which is an amazing benefit that they can achieve with TC Sfoggia. We have just launched it on the market, we have an amazingly experienced team behind TC Sfoggia.

And now I am going to hand it over to Mr. Pedro Machado, our M&A director and investor relations director. He is going to tell this more about our finance income.

Pedro Machado: Thank you Pedro. The main highlights for the quarter are 642,000 registered users, 88,000 paying users and also 25 million BRL in net revenue.

Operating performance we remain, we stick to our financial discipline. There has been some recovery in comparison with also, there has also been the implementation of SAP, which is very important for our financial department; but of course there are costs involved, temporary costs.

To be more specific we are trying to consolidate as many tools as possible including our software, headcount reduction considering that we have achieved a significant reduction in headcount in comparison with April. We have expanded many of our features, so of course there was an expansion in our headcount; but we are adding more assets like DXA private, crypto assets inside the platform and InvestAI, which offers the turbo fixed income. So we gained efficiencies in this sense and we expect these efficiencies to soon materialize in greater profitability.

Number of users there is a positive trend. Of course we were impacted by variable income in 1Q, LQ LY, in the transition between the last year and this 1Q TY there are fewer people



trading in the stock market; but TC is becoming a multi-asset, very comprehensive platform. So we hope to mitigate that in the near future, this will no longer be a barrier to our growth.

Similar performance in our net revenue mainly attributable to our B2C operations, although B2B is also growing. I am very excited about the B2C area; but right now we are going through this bearish cycle, so in the long-term B2B... In the short-term B2B is expected to grow more.

Net revenue retention. It is a metric that we use, it is a traditional metric that we present in this call. The levels are similar, what stands out here is that on average the weighted average here for all TC customers they return a value that is higher than the revenue they contracted over their lifecycle with TC. So this mitigates customers that churn, or customers that downsell or that go to cheaper plants. So that upsell trend mitigates churn and other conditions.

Cash structure or cash position. Operating costs here, the operating cash here, M&As especially with Arco. The M&A with Arco accounted for this much, all the M&As here and also some costs, expenses and CapEx, previous costs which enabled us to finish this quarter with 271 million.

This cash position is more than enough to power our operations. It also generates relevant finance income and we also, of course if we see good opportunities we will try to seize of them; but right now we will stick to the essential so that we can have a seamless transition over the elections.

Our gross margin is currently at 56%. Our gross margin also entails many infrastructure costs, so of course with the addition of our brokerage arm, with the transactions at TC there has been a relatively high cost, especially with expenses with security and the necessary infrastructure for us to have the transactions inside TC.

The net profit this quarter was -16 million, loss, especially because of the decrease in revenues together with the fact that we did not have tax credits like we did in last quarter.

And for our EBITDA -11.9 million, especially because we removed some growth adjustments because we are just about to launch new products both B2B and B2C like Pedro said, so these growth adjustments that were used in the previous periods do not appear in 1Q TY. With that we expect to see some amortization which will drive the EBITDA in the subsequent quarters. And we should open to Q&A very soon, thank you.

Q&A Session

Pedro Albuquerque: So we are back, let us move on to our Q&A session.

Right, so your question is when the broker is going to start its operations, right? Yes PH, over to you.

PH: We are talking to many players in this industry, we are thinking about our pricing strategy. So we are still thinking about the best way to do that, the best outlet, the best channel to do that. So we are having some internal discussions and we are having meetings with maybe top-10 players in this industry and we are trying to see where we fit, the best model to pursue, the best profile for us.

So I believe in the near future we will have a clearer position for that - and then the implementation time is going to be very short, we are going to start deploying it very soon. So I believe that by the end of this quarter we will have the design ready.



Pedro Albuquerque: Any questions about the loss, about the negative results and why that happened.

Right. First let us break it down. It is a negative result especially because of the investments we made in 2TE. Machado just explained that, it was an investment in USD and then the BRL appreciated. So that had a negative impact in our finance income and there was also the extraordinary credit of PIS COFINS that we had in 4Q LY, so that gives you a more accurate view of our 1Q results.

If you remove that you see an improvement, you see an improvement in the quarter-versus-quarter comparison. It is a small improvement in terms of what we did in cost reduction, renegotiation with suppliers, vendors, headcount reduction. So we are well-positioned to recover our profitability in the short term.

So there are two stories in parallel: the story of these two last quarters, which were challenging quarter for our business; and now looking forward we have a more versatile company with the brokerage operations, B2B divisions gaining traction. So I firmly believe - and we all hope to see - an increase in revenue combined with cost reductions which will change the profile of our balance: more revenues, more profitability in the near future and we expect to keep this until the end of the year.

Despite the beginning of the operations of the broker, we do not see any additional headcount to our operations. We have this military regime of expenses here, everything is strictly controlled, every area has a strict budget, so we are not going to go over the top. I am very optimistic about the future. Sometimes we forget to look at the B2B division, few people understand the potential of our B2B operations. It will also start to play a more important role here.

And TC Investimentos together with the brokerage operations can unlock a lot of value for our business - and remember, this base, this customer base is already with TC. These are users that massively use our platform. They are our users, our customers so after all the implementations, after all the triggers, automatic execution of recommended portfolios among other initiatives, we expect to achieve some outstanding results. We believe that a significant share of these users will migrate to TC Investimentos over time.

Francianne Sousa: First question by **Mr. Monteiro:** Is the best strategy for TC to become a broker the acquisition of a well-positioned broker, of a broker that already exists?

Pedro Albuquerque: Well, I cannot give you an answer to that; but we are talking to all players. We are going to make the best decision for TC. We do not rule out any possibility it; but I cannot tell you much more than that.

But thinking about the brokerage operations or the broker there are about 20 brokers in Brazil, relevant brokers and in my opinion they are all doing very similar things, they have a very similar experience, they are in very similar positions. So as far as we are concerned they are pretty much all at the same level.

In the future the broker that will stand out will be the broker that can offer services, and we do that at TC already. We provide unique services to our customers - and that is why I think TC is a unique project, it is a different project and I believe we can shake up this market, I believe we can really disrupt this industry.

The market is flat and we see that our customers want more. We have done qualitative and quantitative research and we see that our customers have this latent need for different operations in Brazil, so TC will fill this gap.



We are a tech company that is setting up a broker and we will offer highly differentiated services, most of which you are already familiar with. There will be others, and this is the biggest strength of TC. We do not see any broker in the market doing what we do.

Pedro Machado: Yes and people, **Antony Martins** is asking: How is TC positioned in the market with little independence, since cheaper companies are being acquired? Pedro

Pedro Albuquerque: Well, again we are carrying out a unique project in Brazil. We have education initiatives with over 70 courses, we have the most accurate financial data base in Latin America, we have brought that data to our platform, we are bringing brokerage initiatives, crypto assets.

I do not know about the independence of other businesses; but I firmly believe that there is room in this market for another player, especially a player that can stand out - and the player who stands out will gain market share, and one thing you can be sure of: this market will change completely over the next 5 or 10 years, and if it is up to us we will help drive this change.

Francianne Sousa: **Felipe Moreira** is asking whether TC has any M&A in the radar.

Pedro Machado: Well I can answer this one. Well, we cannot make any specific comments about our M&As of course; but right now we want to maintain some cash reserves, especially because the market is particularly challenging because of the elections and the international landscape, all this pressure over global markets.

Of course we always look at good opportunities; but right now our priority is to preserve our cash.

Pedro Albuquerque: Yes. Just to add to what he said, if there is any M&A there will be no cash expense. First we have this very comfortable cash position to run TC, we are eliminating the company's cash burn in the short term with all the measures that we just listed.

So we have a comfortable cash position. We have much money in cash, but we do not expect to have any acquisition that requires substantial expenses. There may be negotiations; but they will not involve cash, maybe share or stock exchange, something that will generate value for all our stakeholders - but no cash expenditure

Francianne Sousa: **Antony** is asking about the B2C operations now that we are focusing on B2B

Pedro Albuquerque: Well B2C, PH is here to talk about B2C. We have not lost focus on our B2C; it is the continuation, these are complementary things. Our B2B initiative is the consequence of the good work we have done in B2C. We are going to use all that expertise in our broker. So to the contrary; I think it only adds to the pot. It increases our portfolio, our B2B initiative is resilient and this is all gaining traction, gaining momentum right now. So we have not lost focus on our B2C.

Now TC is a much more comprehensive, complete company. If you look at B2C only or B2B only it is only a partial analysis of our business; to fully understand TC today you have to look at both, you have to look at both divisions, B2C and B2B. PH, anything else about B2C, the broker, the brokerage initiative, anything else?



PH: Yes. B2C is still a very important part of our ecosystem, not only for TC as a whole; but with the investments that is where we are going to sell products, that we are going to attract people, that is where we are going to have our advisory initiative, sales flow starting at the top of the funnel, going all the way down to the bottom of the funnel. We will carry out this complete analysis of our B2C situation.

So like Pedro said B2C is another part of TC - but it is not less important than B2B. We pay close attention to it and we believe we can increase the company's RoA in both B2C and the B2B areas.

Pedro Albuquerque: Right. There is more questions at TC Station about the growth of the customer base, whether it is going to be organic or inorganic.

Well, I see this organic growth in TC and I think it is a trend. First because we have a community right? We have a community, we have a social arm and that can cause this ripple effect. We have many initiatives to generate organic content at TC.

We have already indexed Trade Ideas, there is an open version of Trade Ideas on Google. So every time a Trade Idea is posted on our platform in the logged-in area that is always indexed on Google, and that is a powerful engine to attract new users to TC.

We also believe in the influencers model. I think TC has maybe the biggest network of influencers in the financial market. So TC is a case of organic growth and we expect this to continue. We also believe in member-get-member initiatives, user bringing other users and getting recognized for that. These are our main bets at TC. Any inorganic investment via marketing is not going to be very relevant for our current operations.

Francianne Sousa: What is the outlook for the medium and long-term and then negotiations for that?

Pedro Albuquerque: Well the trades are already available, the trading is already available for 100% of our customer base. We did this phased rollout, we did some pilots and now everyone has access to that, just attach your Mercado Bitcoin account to TC.

Next step is social. We have a community, we have people and people who can make their portfolios available - if they want - to the platform. So the next phase of TC is going to be a phase where users can easily replicate other users' portfolios, maybe the full portfolio, all their positions or maybe some of them only.

Because TC has always been a platform of copy trade. Ever since the beginning of our creation when we were founded in 2016; but transactions used to be carried out in other companies, and now basically what we are doing this to bring these transactions home. So we are capturing this revenue and not only that; we are improving, dramatically improving our customers' experience removing friction, without having to close apps, open new apps, close the desktop platform directly on TC, organically, everything is embedded, everything is integrated.

So it is the best of both worlds. Users can quickly execute their purchase orders - sometimes in an automated manner - and TC can also capture this revenue that used to stay with other businesses.

Pedro Machado: Yes and with Mercado Bitcoin they also, we also have crypto assets, fixed-income crypto assets which can be very interesting for our customers' portfolio; and we also



have InvestAI with secondary securities and fixed income and DXA will also be on the platform soon. So we will be a complete portfolio both for crypto assets, variable income, fixed income, investments abroad. This is all going to be inside TC. Investors will be able to manage all their investments inside TC without having to leave the platform.

Now there is another question here, if TC plans to expand to Latin America and other markets

Pedro Albuquerque: Well I cannot give you, I cannot tell you this right now. Of course we always think about all the scenarios; but right now we are focused on the domestic market. Our TC Investimentos platform is a great project, so we are focusing on that and we want to conclude that project in the short term. We want to deliver the best possible experience in Brazil in terms of transactions, brokerage and traditional markets and also crypto assets. So this is our focus right now, this is what we want to achieve right now, this is the strategy for the short-term. Of course the future is there, there will be more phases - but nothing yet.

Pedro Machado: Another question by Mr. Célio Eduardo: How many users do you expect to migrate their current portfolio to TC Investimentos?.

Well, I cannot give you any figure in a particular; but we are going to have everything here including automatic income tax calculation and a number of benefits like an amazing desk, an unprecedented derivative desk. So PH?

PH: I believe many of them will come. We have a customer, current customer base of 642,000 registered users. So according to the numbers you can see in the earnings release there is a great potential for the AuC, only in terms of equity almost 60 billion without counting fixed income, crypto assets, real estate funds.

So we are optimistic about the migration of these customers to the TC Investimentos customer base. We expect many of them to migrate, we do not see any reason for them not to migrate to TC.

Pedro Albuquerque: Yes and it is important to highlight that this customer base that includes active and paid users. It is a substantial customer base and like PH said, Machado said, and I said in the beginning we expect to bring this customer base into TC Investimentos gradually.

Many of our users spend the whole day checking out what we post at TC, reading what we post there, reading about investments, reading about financial data, listening to our radio station among many other features; they watch videos on TC Station, investor relations, monthly events.

So people spend time on TC. They use us, they use our platform every day. So we expect to attract many of them to the brokerage initiative, so we believe many of them will come, many of them will eventually come.

Pedro Machado: A question by **Mr. Castro:** Today a relevant fact about the shareholding breakdown of TC was disclosed. In addition to the founders who are the main shareholders? That is basically the question.

I believe this is public information, this is in the shareholders' agreement I believe. So in addition to the founders only... But the main shareholders are at the shareholders' agreement, so that is public information, but we cannot review more than that, only maybe after the trading floor; but you can check the traders' agreement, shareholders' agreement.



Vanessa Foglia is asking how TC plans to go to the private equity market and how will users have access to this type of investment in private equity?

Pedro Albuquerque: We are already doing that through DXA, via DXA. DXA was an investment we made recently, we acquired equity interest there and we can gain, we can acquire more interest there as we bring customers for private investment there - and private investment in the right way, because the broker will coinvest in every case.

So unlike a crowdfunding platform in which there is no alignment with investors, basically they publish investment opportunities without coinvestment or proprietary capital, at DXA part of the proprietary capital is coinvested in every company that is made available to the customers, and that is the main differential of DXA. They have a very high TIR, they have made many investments in maturation and this year they expect to have 15 new investment opportunities in some pretty cool companies.

So we have already integrated InvestAI. If you are a TC user you have seen that, you can already access InvestAI inside our platform - and the next integration is with DXA, and with DXA the integration is going to be 100% native. So you are going to be able to register there, you are going to open up your wallet, your portfolio there, manage the portfolio and you can follow-up all your private investments on TC.

What do I mean by that? Debate channels about investment opportunities, private investments in private equity opportunities, reports, management statements, live streams with managers, complete information. TC already does that in the open market and will soon have that in private equities soon via DXA.

Pedro Machado: A similar question, secondary market of private equity. Yes, our intention is to do so. We want, maybe it is not going to be exactly like the stock market, we need a fine-tuned system for this kind of transaction; but we will certainly provide our users with the tools to operate in the secondary market with greater liquidity on our platform, so yes.

Leonardo Rainho is asking what will the broker business model be like? Subscription-based?E a princípio a gente está analisando - não sei se o PH quer comentar alguma coisa adicional?

Pedro Albuquerque: Well, wait, wait.

Pedro Machado: Yes, just wait. It is a complex thing, so we have to look at things from different angles, so it is not determined yet. So bear with us.

Pedro Machado: I think that was it. Let me see if we have more questions here, apparently there is nothing

Pedro Machado: Yes, I guess that was it.

Pedro Albuquerque: Alright guys. So thank you very much for joining us this morning, thank you for watching this earnings call. We have been through some pretty challenging quarters, the market was bearish, stock market was challenging, interest rates skyrocketed; but on the other hand we are more resilient than ever, the prospect is good, we should go back to our profitability. We have already grown 700, 800% with 47% EBITDA margin, so we will go back to normal soon. That is our mission and we are confident that we will achieve that, thank you.

Pedro Machado: Thank you, have a good day.