



# Evolve

## Capital Partners

	Sale	Buy	Grow
	\$285.00	\$314.07	
	\$375.00	\$480.75	
	\$625.00	\$643.75	
Copper	\$769.00	\$828.98	
Steel	\$424.00	\$502.90	
Aluminum	\$326.00	\$419.89	
Manganese	\$400.00	\$448.80	
Iron	\$288.00	\$324.77	
Platinum	\$285.00	\$443.36	
Silver	\$285.00	\$578.01	
Beryllium	\$285.00	\$324.77	

# PagSeguro

January 2018

### Summary of Initial Public Offering



**SPECIALIZED INVESTMENT BANKERS AT  
THE INTERSECTION OF FINANCE & TECHNOLOGY**

# PagSeguro IPO – Executive Summary

## Initial Public Offering Overview



NYSE: PAGS

### Description

PagSeguro develops and provides payment processing, point-of-sale (POS), financial, and analytics services to micro-merchants, small, and medium-sized companies in Brazil. PagSeguro's end-to-end ecosystem enables its merchant customers to accept payments digitally and also to grow and manage their businesses using the PagSeguro free digital accounts.

### Use of Proceeds

PagSeguro intends to use the IPO proceeds of \$1.04 billion to finance working capital, particularly the early payment of receivables feature for merchants. The company will also use the proceeds to fund future selective acquisitions and investments in complementary businesses, technologies or products. Remaining proceeds will be used for other corporate purposes.

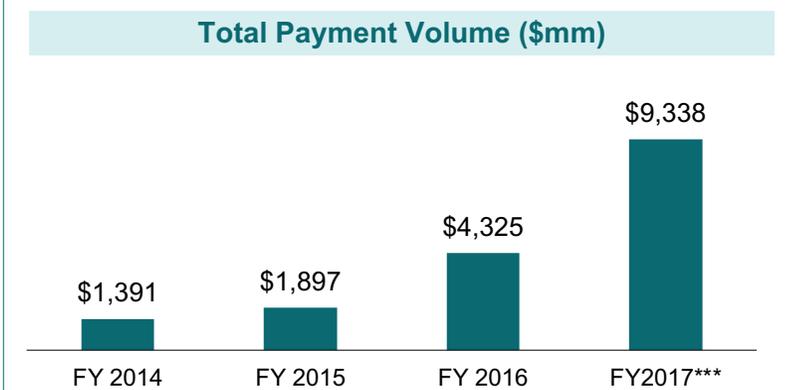
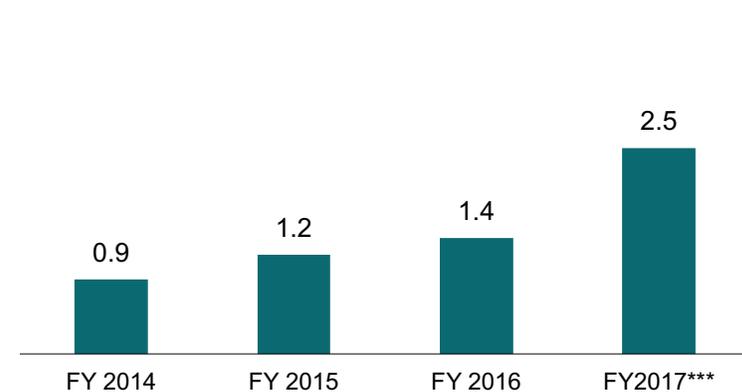
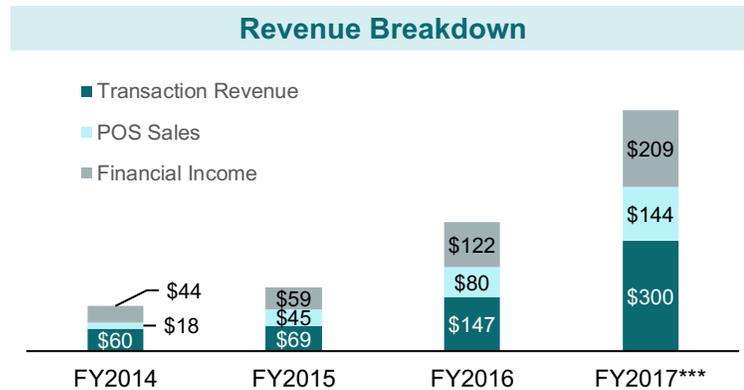
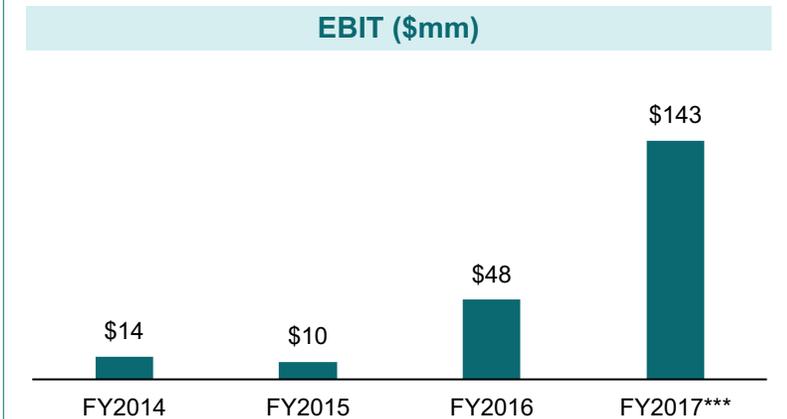
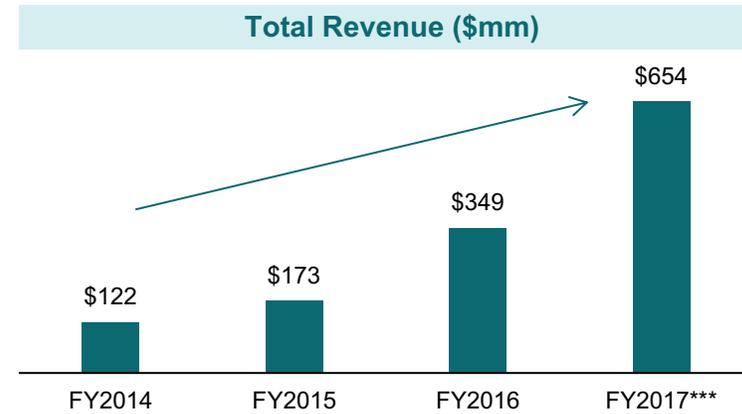
	Headquarters	Sao Paulo, Brazil
	Founded	2006
	Employees	1,020
	Listing Date	01/24/2018
	Lead Underwriters	 Morgan Stanley
	Issue Price	\$21.50
	Shares Offered	105.4 million
	Gross Proceeds	\$2.26 billion

Source(s): Company website, PagSeguro 424B1

# PagSeguro IPO – Executive Summary

## Key Metrics – IPO

Shares Offered at the time of IPO	105.4 million
Issue Price	\$21.50
Total Shares Outstanding after IPO*	315 million
Market Value at Issue Price**	\$6.8 billion
Enterprise Value at Issue Price#	\$6.8 billion
EV / 2017 Revenue	10.4x
Listing Date	01/24/2018
Market Closing Price (Day of Listing)	\$29.20



Source(s): Capital IQ, Pitchbook, PagSeguro 424B1

\*Shares outstanding as of September 30, 2017

\*\* Market value has been calculated by multiplying Total Shares Outstanding with the Issued Price

\*\*\* Trailing 12 months as of September 30, 2017

# Enterprise Value has been calculated by adding Net Debt as of September 30, 2017 to Market Value at Issue Price.

# PagSeguro IPO – Executive Summary

## Company Overview

*PagSeguro intends to disrupt and democratize financial services in Brazil — a concentrated, underpenetrated and high interest rate market — by providing an end-to-end digital ecosystem that is safe, affordable, simple and mobile-first for both merchants and consumers.*

- PagSeguro offers technology-driven solutions to micro-merchants and to small and medium-sized companies in Brazil.
- The Company focuses on technology and design to create products for payment processing. It has built services around those products that allow merchants to manage and grow their businesses through digital accounts.
- PagSeguro offers a wide range of affordable solutions for merchants. These include a variety of cash-in and cash-out options with features designed to attract and retain clients, provide them with access to working capital and help them manage their cash flow.
- PagSeguro is headquartered in Sao Paulo, Brazil, and operates in all 26 states and federal districts in Brazil.

## Key Statistics

 <b>Users</b>	2.5 million active merchants (as of 9/30/17)
 <b>Total Revenue</b>	PagSeguro has witnessed a CAGR of 85% in Total Revenue between 2014 and 2017
 <b>Clients</b>	Clients in all 26 states of Brazil (as of 9/30/17)
 <b>Gross Payment Volume (GPV)</b>	\$9.3 billion in the last twelve months (as of 9/30/17)

Source(s): Company Website, PagSeguro 424B1

# PagSeguro IPO – Executive Summary

## Products and Services

### Overview of PagSeguro's Digital Ecosystem

#### Free PagSeguro Digital Account

The core client offering for both merchants and consumers that centralizes cash-in options, cash-out options, and functionalities such as account management and other value added services in a single ecosystem. This offering allows merchant clients, specifically SMEs, to grow their business in a safe, affordable and scalable way without any need for a bank account.

The features of the free digital account include:

#### Cash-In solutions

- Online and in-person payment tools
- Payment methods include credit cards, debit cards, meal voucher cards, tickets (*boletos*), bank transfers, bank debits and cash deposits

#### Early payment of installment receivables

- PagSeguro offers up-front payments for pending receivables, thereby protecting merchants from receivables write downs and allowing them to grow faster

#### Cash-Out solutions

- Online purchases via e-wallet
- PagSeguro prepaid cards
- On-platform peer-to-peer transfers
- Bank transfers
- Cross-border remittances

Source(s): Company Website, PagSeguro 424B1



- MDR or Other Transaction Fee
- MDR Plus Early Payment Interest and Fees
- Interchange Fee
- Withdrawal Fee
- No Associated Fee

# PagSeguro IPO – Executive Summary

## Company Overview

*PagSeguro created a secure ecosystem of products and services to support their Payment & POS solutions, which are tailored specifically for the needs of the Brazilian commerce markets.*

### PagSeguro's Key Strengths

#### End-to-end ecosystem

PagSeguro's end-to-end digital platform creates an ecosystem where clients can transact and manage their cash, without ever opening a bank account. In October 2016, 81% of PagSeguro's merchants were exclusive to them, and 75% of Minizinha owners did not accept cards before signing up with PagSeguro.

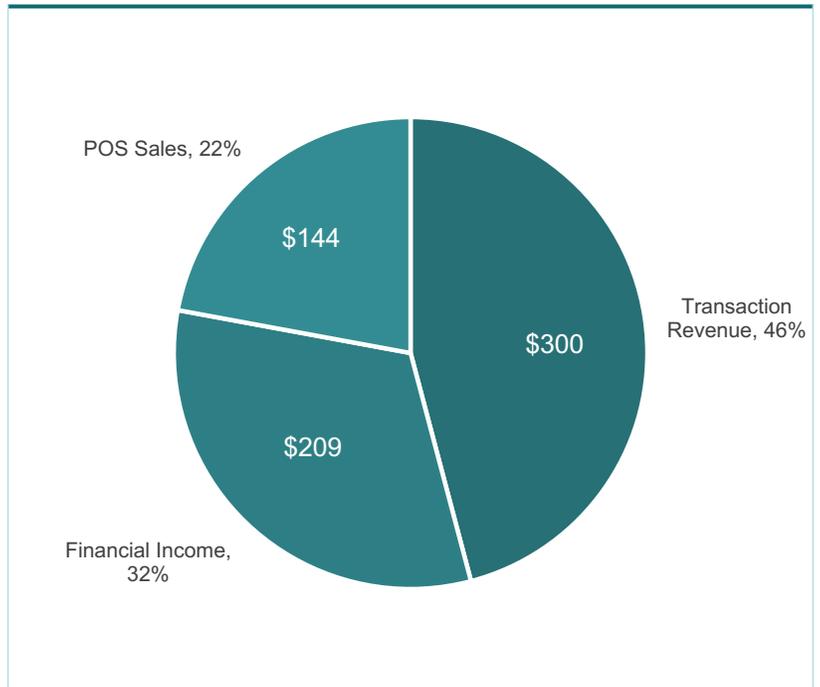
#### Customer focus and first-mover advantage

PagSeguro is a pioneer in the Brazilian digital payments market and, therefore, can anticipate trends and translate them into products and solutions that meet customers' needs more efficiently than global competitors operating in Brazil. The Brazilian market expects payment providers to offer a number of country-specific features, such as boletos and early payment of merchants' receivables when consumers purchase in installments by credit card, all of which are central to the Brazilian financial culture. PagSeguro built its payments ecosystem and merchant services offering around these specificities, offering tailor-made solutions for the Brazilian market.

#### Highly scalable proprietary technology

UOL Diveo's internet data centers and IT services ensure PagSeguro's services retain high availability, even during peak-volumes. As a UOL company, PagSeguro can establish favorable partnerships with several suppliers to enable further scaling. PagSeguro's antifraud platform combines proprietary technologies with other third-party solutions such as Feedzai, Emailage and Threatmetrix to provide superior security while scaling.

### 2017\* Revenue Breakdown (in \$mm) by Products & Services



Source(s): Company Website, PagSeguro 424B1

\* LTM as of 09/30/17

# PagSeguro IPO – Executive Summary

## Market Opportunity

PagSeguro believes there is a substantial opportunity for their end-to-end commerce ecosystem to connect functions that previously existed as silos: Payments, POS Services, Financial Services, and Marketing Services.

### **Brazil's underpenetrated digital payment ecosystem and growing e-commerce market**

Brazil is the largest economy in Latin America as measured by GDP yet, according to World Bank, card payments accounted for only 28% of private consumption in 2015. However, the economy is transitioning from cash payments rapidly. Card payments grew at a CAGR of 14% from 2010 to 2016 according to ABECS.

E-commerce transaction volumes have picked up at a CAGR of 18.9% from R\$18.7 billion in 2011 to R\$44.4 billion in 2016, according to eMarketer. However, even now there is significant room for e-commerce growth given that e-commerce in Brazil remains underpenetrated at 3.6% compared to more developed economies like the United States at 7.8% and the UK at 18%.

### **Micro-merchants and SMEs account for a significant portion of the Brazilian economy**

Approximately 99.8% of Brazil's 12 million businesses are accounted by micro-merchants and SMEs, according to SEBRAE. Due to higher costs for banking services from incumbents, micro-merchants and SMEs remain unbanked and seek digital payment solutions. Therefore, PagSeguro has significant potential for further revenue growth through continuous new customer acquisitions of these micro-merchants and SMEs.

### **Micro-merchants and SMEs need working capital financing**

Traditionally, merchants receive payments from credit card transactions after 30 days or in monthly installments. PagSeguro's "payment date election" service allows merchants to receive these payments on an up-front basis. This service is not provided by any other bank in Brazil and is very attractive to merchants.

Source(s): PagSeguro 424B1

## Growth Strategy

<b>Innovation and focus on technology</b>	<ul style="list-style-type: none"><li>• Employ product and engineering personnel</li><li>• Invest in research and development to improve efficiency</li><li>• Roll out a portfolio of new solutions and focus on mobile</li><li>• Improve existing systems and processes</li></ul>
<b>Expand customer base and deepen existing accounts</b>	<ul style="list-style-type: none"><li>• Target specific business sectors and geographic regions</li><li>• Invest strategically in brand and solutions</li><li>• Offer new cash-in and cash-out solutions</li><li>• Cross-sell financing and POS services</li></ul>
<b>Seize opportunity from regulation amendments</b>	<ul style="list-style-type: none"><li>• Central bank seeks to increase competition in payments industry</li><li>• Exclusive banking arrangements between banks and some card and meal voucher programs have been terminated</li></ul>

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