



# 4Q19 Earnings Presentation

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This presentation also includes certain non-GAAP financial information. We believe that such information is meaningful and useful in understanding the activities and business metrics of the Company’s operations. We also believe that these non-GAAP financial measures reflect an additional way of viewing aspects of the Company’s business that, when viewed with our International Financial Reporting Standards (“IFRS”) results, as issued by the International Accounting Standards Board, provide a more complete understanding of factors and trends affecting the Company’s business. Further, investors regularly rely on non-GAAP financial measures to assess operating performance and such measures may highlight trends in the Company’s business that may not otherwise be apparent when relying on financial measures calculated in accordance with IFRS. We also believe that certain non-GAAP financial measures are frequently used by securities analysts, investors and other interested parties in the evaluation of public companies in the Company’s industry, many of which present these measures when reporting their results. The non-GAAP financial information is presented for informational purposes and to enhance understanding of the IFRS financial statements. The non-GAAP measures should be considered in addition to results prepared in accordance with IFRS, but not as a substitute for, or superior to, IFRS results. As other companies may determine or calculate this non-GAAP financial information differently, the usefulness of these measures for comparative purposes is limited. A reconciliation of such non-GAAP financial measures to the nearest GAAP measure is included in this presentation.

For purposes of this presentation:

“Active Clients” means the total number of retail clients served through our XP Investimentos, Rico, Clear, XP Investments and XP Private (Europe) brands, with an AUC above R\$100.00 or that have transacted at least once in the last thirty days. For purposes of calculating this metric, if a client holds an account in more than one of the aforementioned entities, such client will be counted as one “active client” for each such account. For example, if a client holds an account in each of XP Investimentos and Rico, such client will count as two “active clients” for purposes of this metric.

“Assets Under Custody (AUC)” means the market value of all client assets invested through XP’s platform, including equities, fixed income securities, mutual funds (including those managed by XP Gestão de Recursos Ltda., XP Advisory Gestão Recursos Ltda. and XP Vista Asset Management Ltda., as well as by third-party asset managers), pension funds (including those from XP Vida e Previdência S.A., as well as by third-party insurance companies), exchange traded funds, COEs (Structured Notes), REITs, and uninvested cash balances (Floating Balances), among others.



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# **1 Opening Remarks**

# XP Inc. Will Continue to Transform the Financial Market in Brazil

We are confident that our business model, culture and vision will translate into long-term value creation.

- **2019, a memorable year:** successful IPO and sound operational and financial results;
- **We are in the beginning of our journey:** ~90% of R\$8.6 trillion in investment assets controlled by 5 banks;
- **All-time low interest rates:** driving secular change in Brazilians' relationship and engagement with investments;
- **Extensive portfolio of products and IFA network:** we offer several investment products accessible in the Brazilian and international markets to all types of investors through our 3 brands and an unique IFA network;
- **Customer centricity more than ever:** our focus is to build solid relationships regardless of market conditions, adding new services and reinforcing our competitive advantages to sustain a high NPS;
- **Strong balance position:** we are well capitalized and ready for the challenges and opportunities ahead.



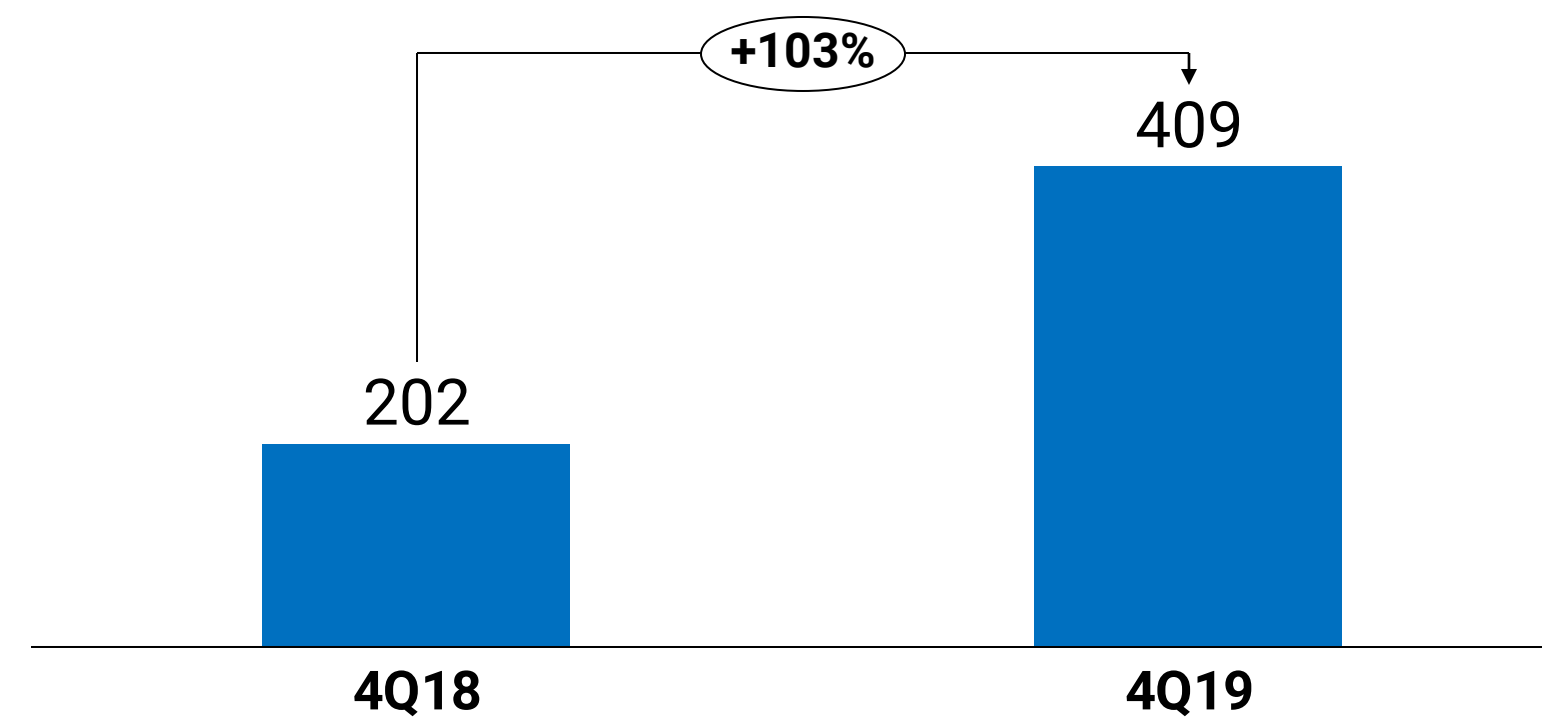
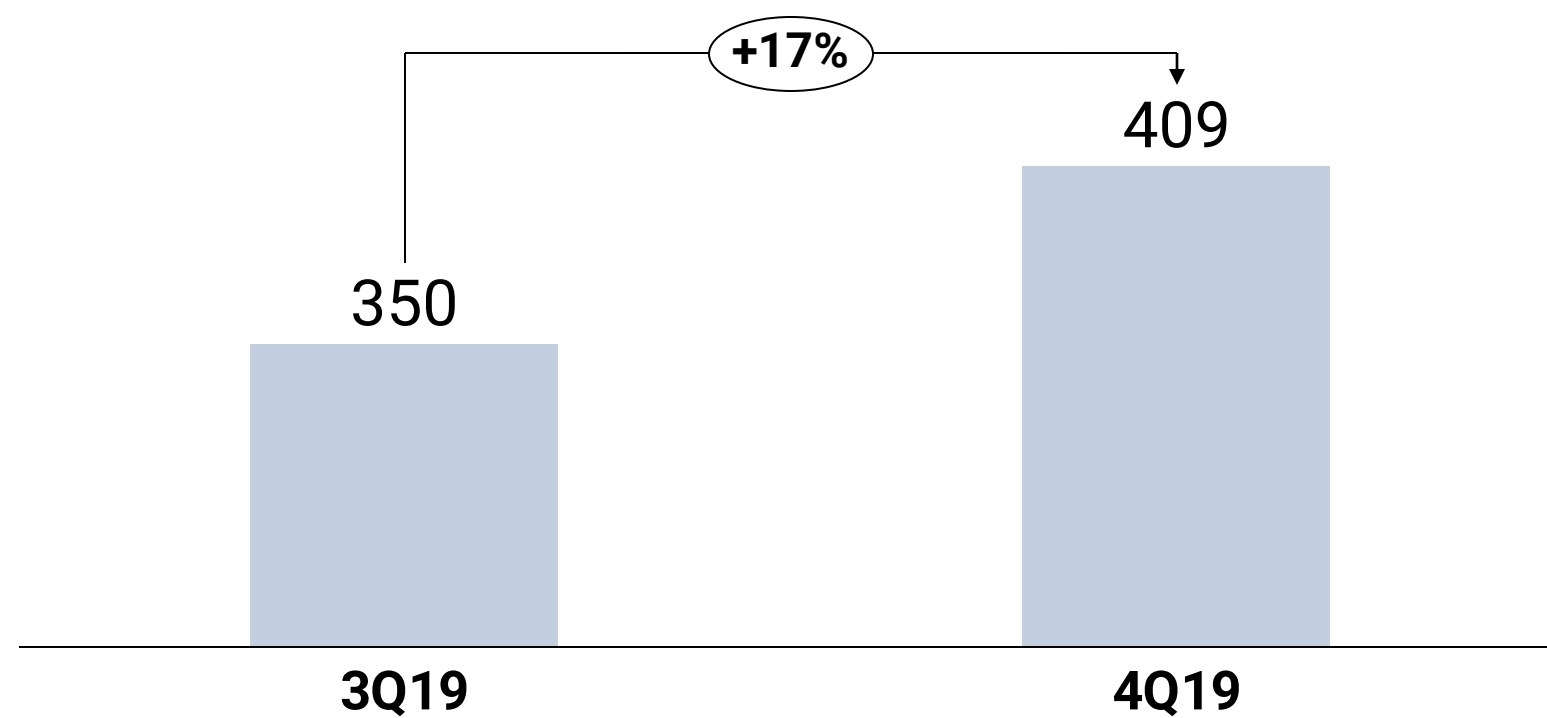


# **2 KPIs**

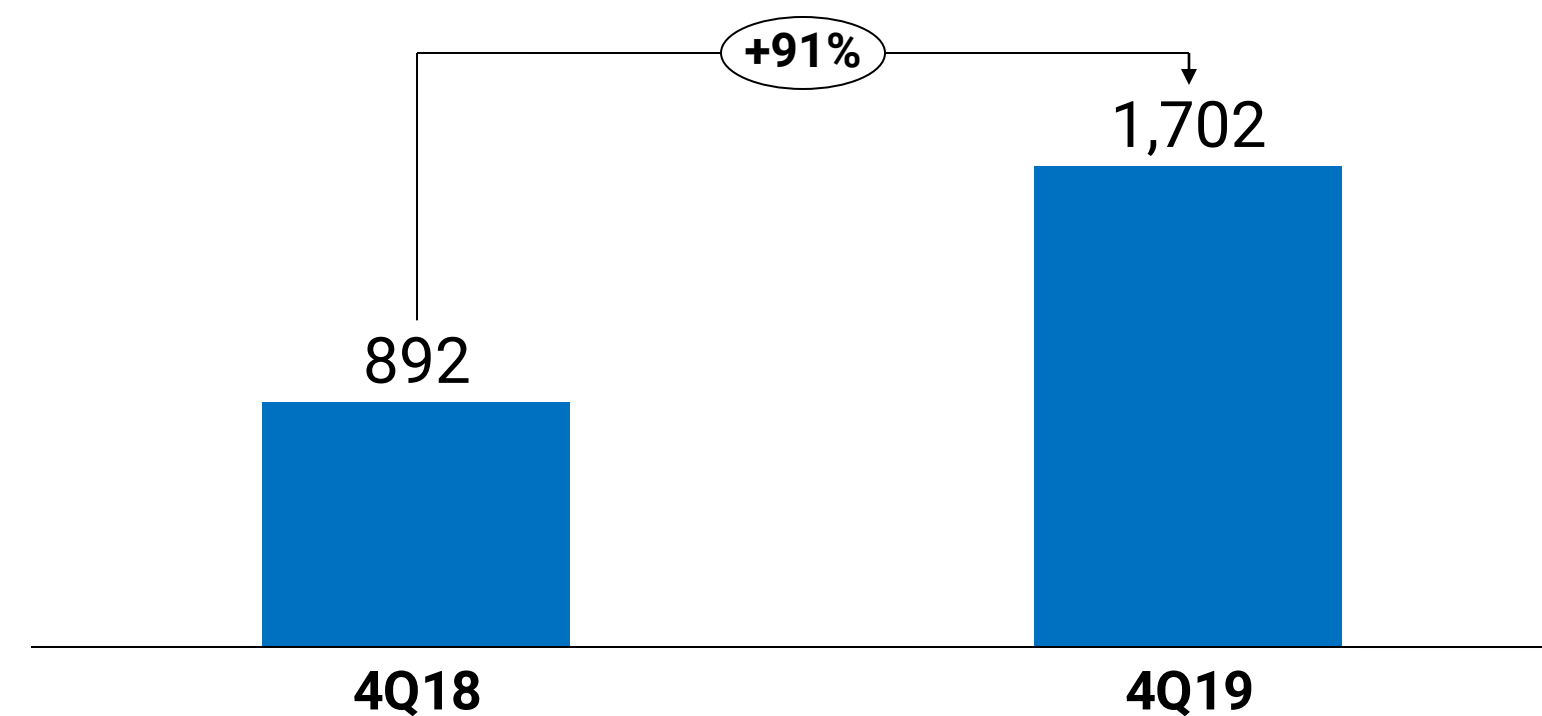
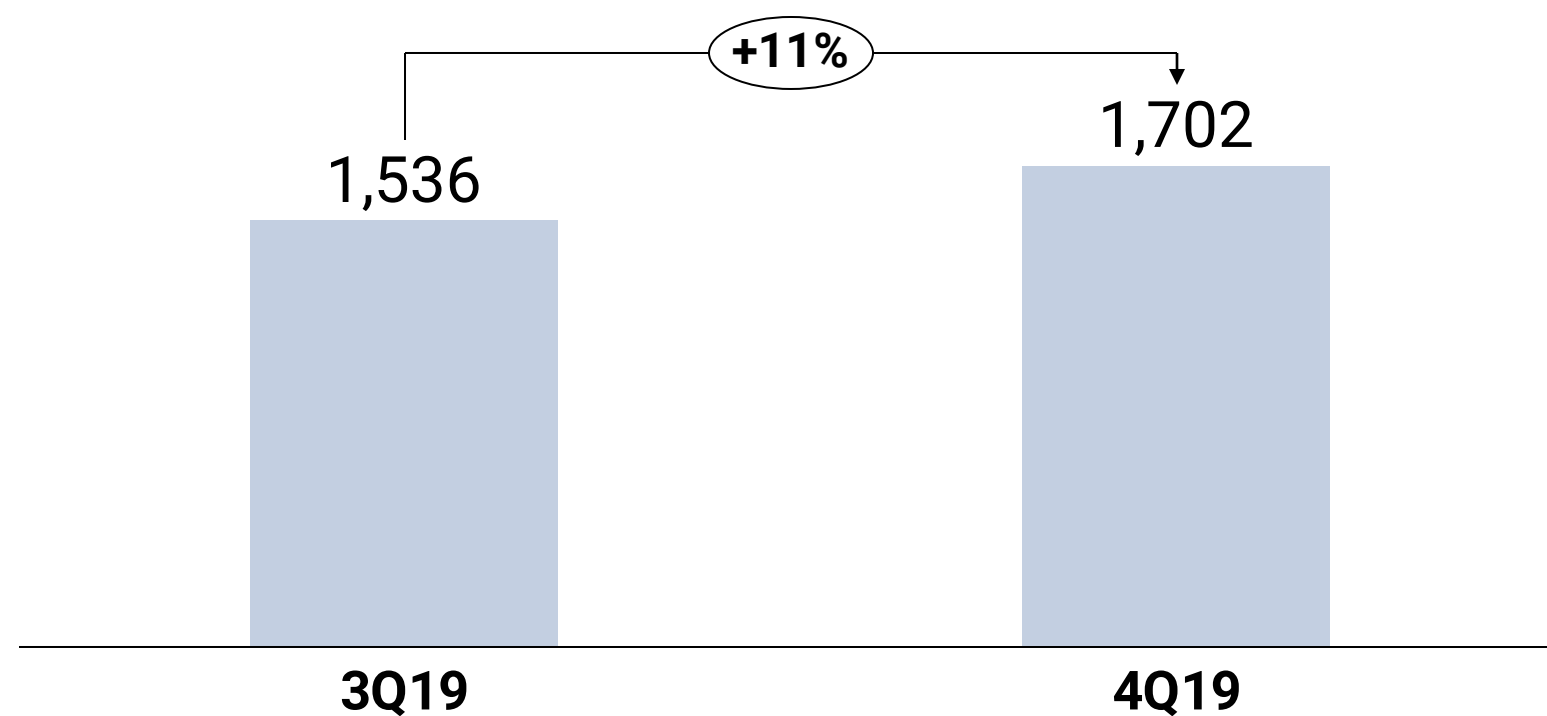
# KPIs

AUC, Active Clients and NPS

## Assets Under Custody (AUC) (R\$ in billions)



## Active Clients ('000)



### Highlights

- Strong AUC growth reflected healthy pace of net inflows and market appreciation of equity securities.

### Highlights

- Growth in active clients was driven by the expansion across all our channels and three retail brands.

**NPS Dec/19: 73**



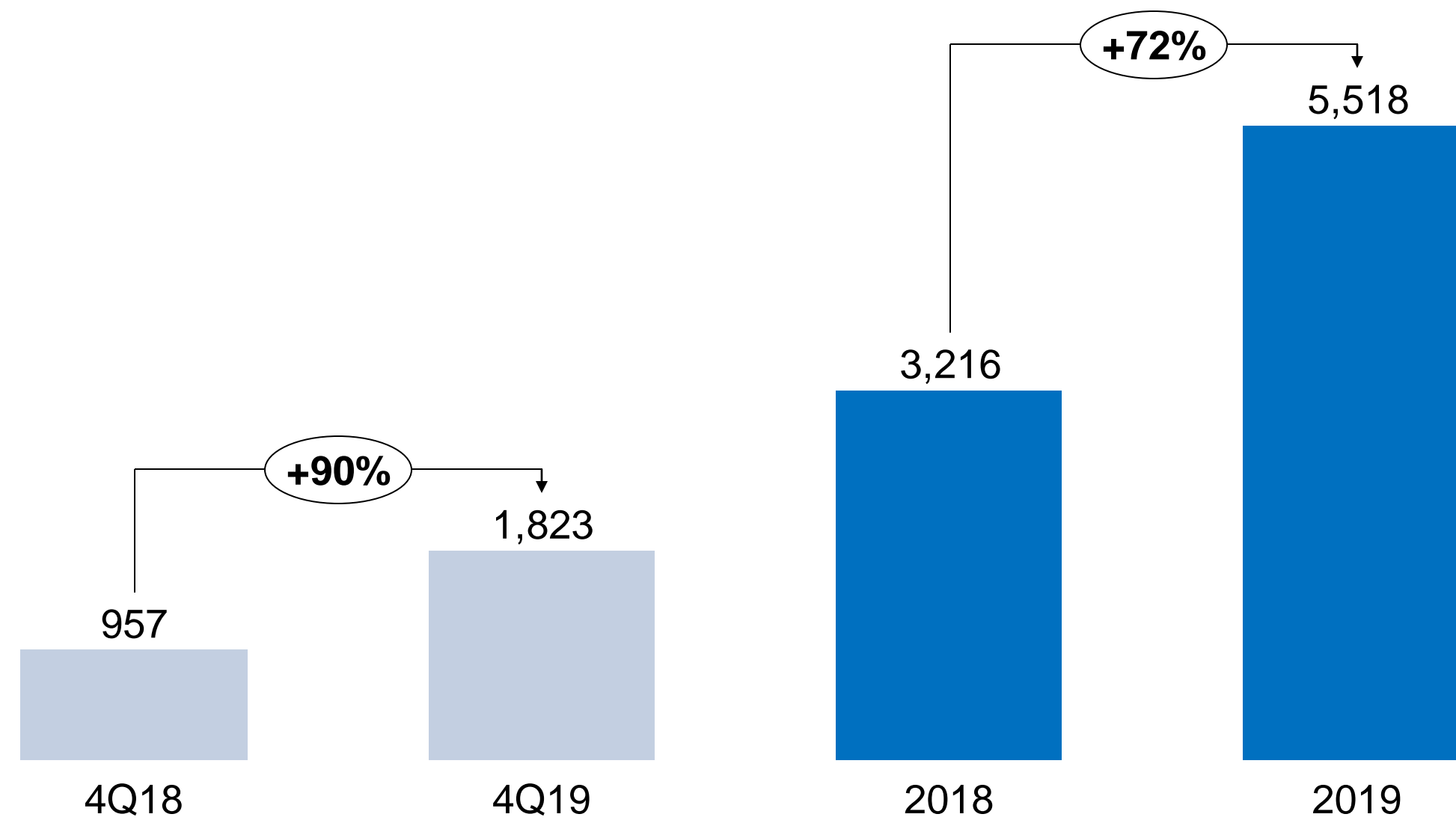


# **3 Financials**



# 2019 Revenue and Breakdown

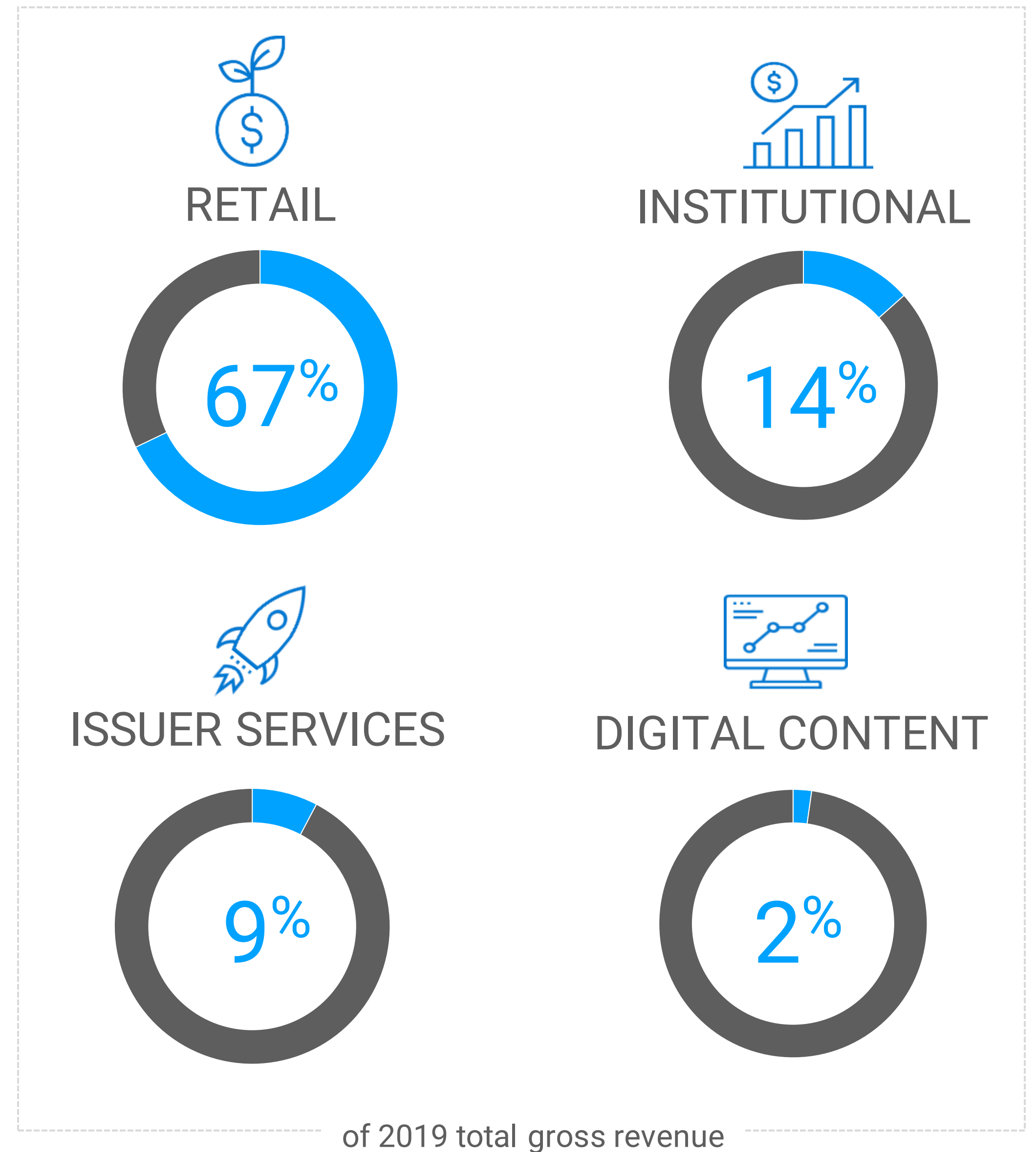
Total Gross Revenues (in R\$ mn)



## Highlights

- Growth was driven by: (i) mutual funds, especially performance fees in Retail; (ii) equities and futures in both Retail and Institutional businesses and (iii) steep increase in Issuer Services revenue.

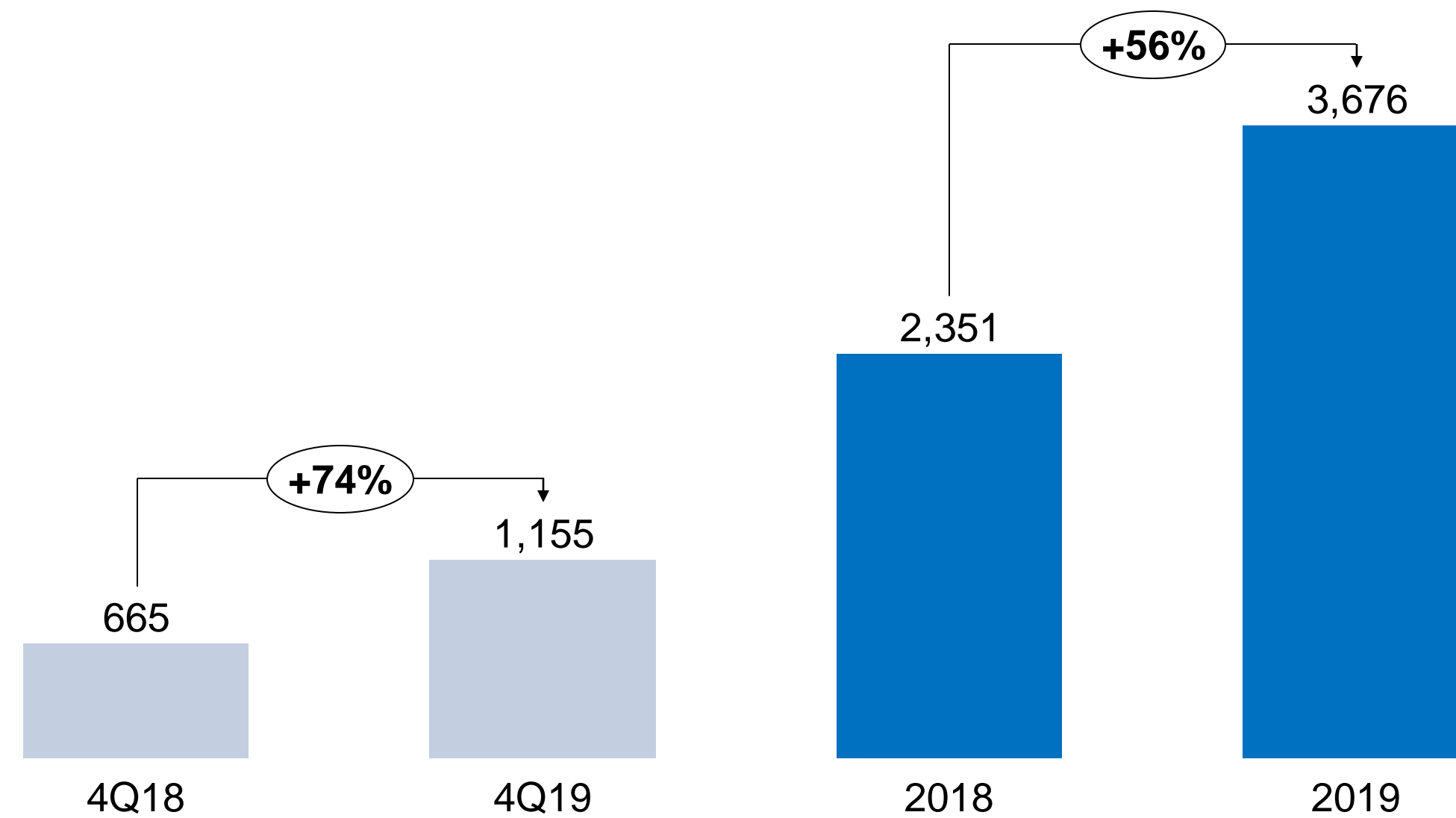
Note 1: 8% of revenues come from Other Revenues



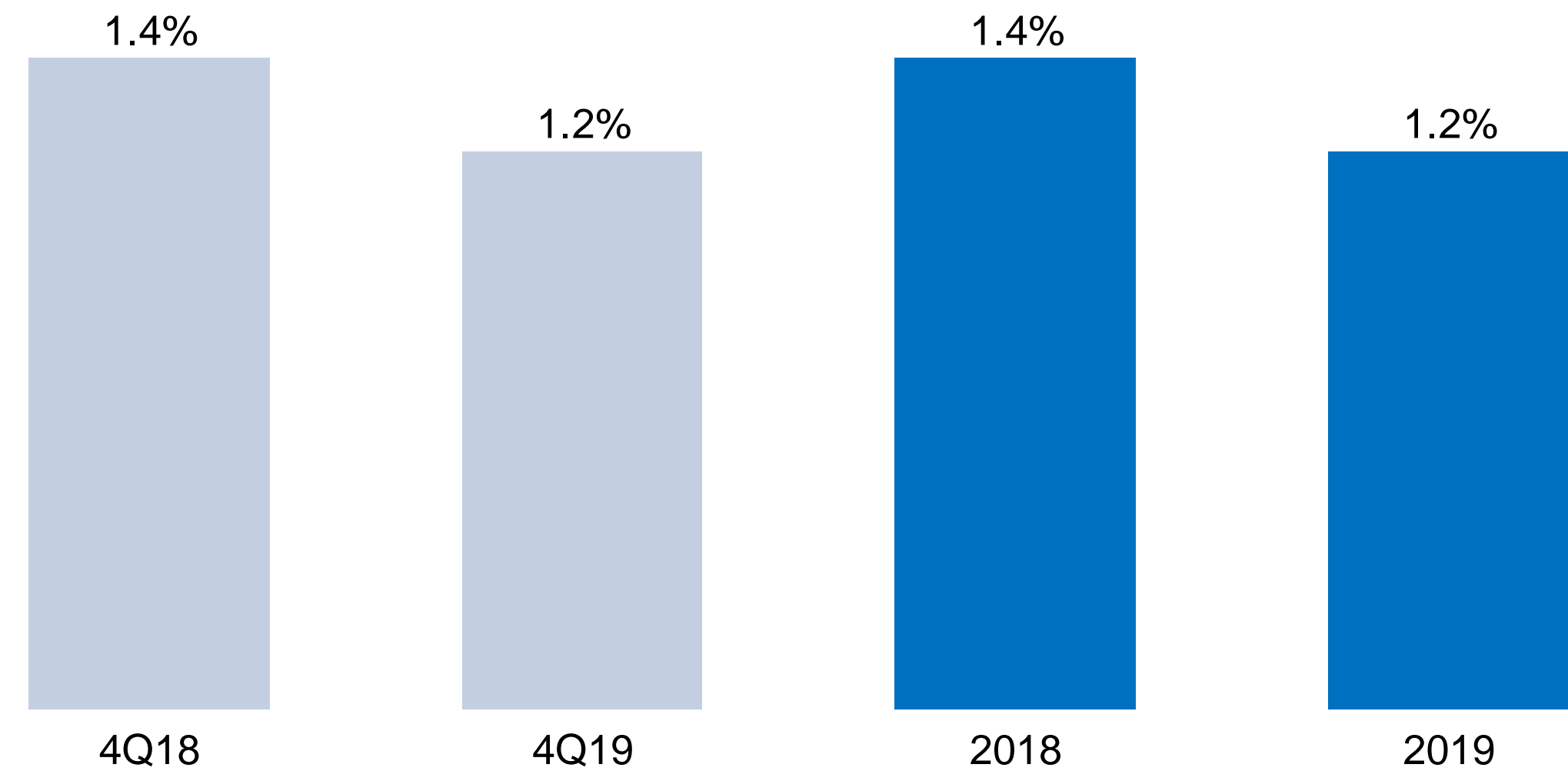
# Retail Revenue and Take Rate

Strong performance driven by higher volumes in equities, intense deal flow and performance fees

Retail Revenue (in R\$ mn)



Take Rate (Retail Revenue / AUC)



## Highlights

- Key revenue growth drivers were: (1) mutual funds and (2) equities and futures;
- Stock market rally boosted trading volumes and performance fees in equity funds.

## Highlights

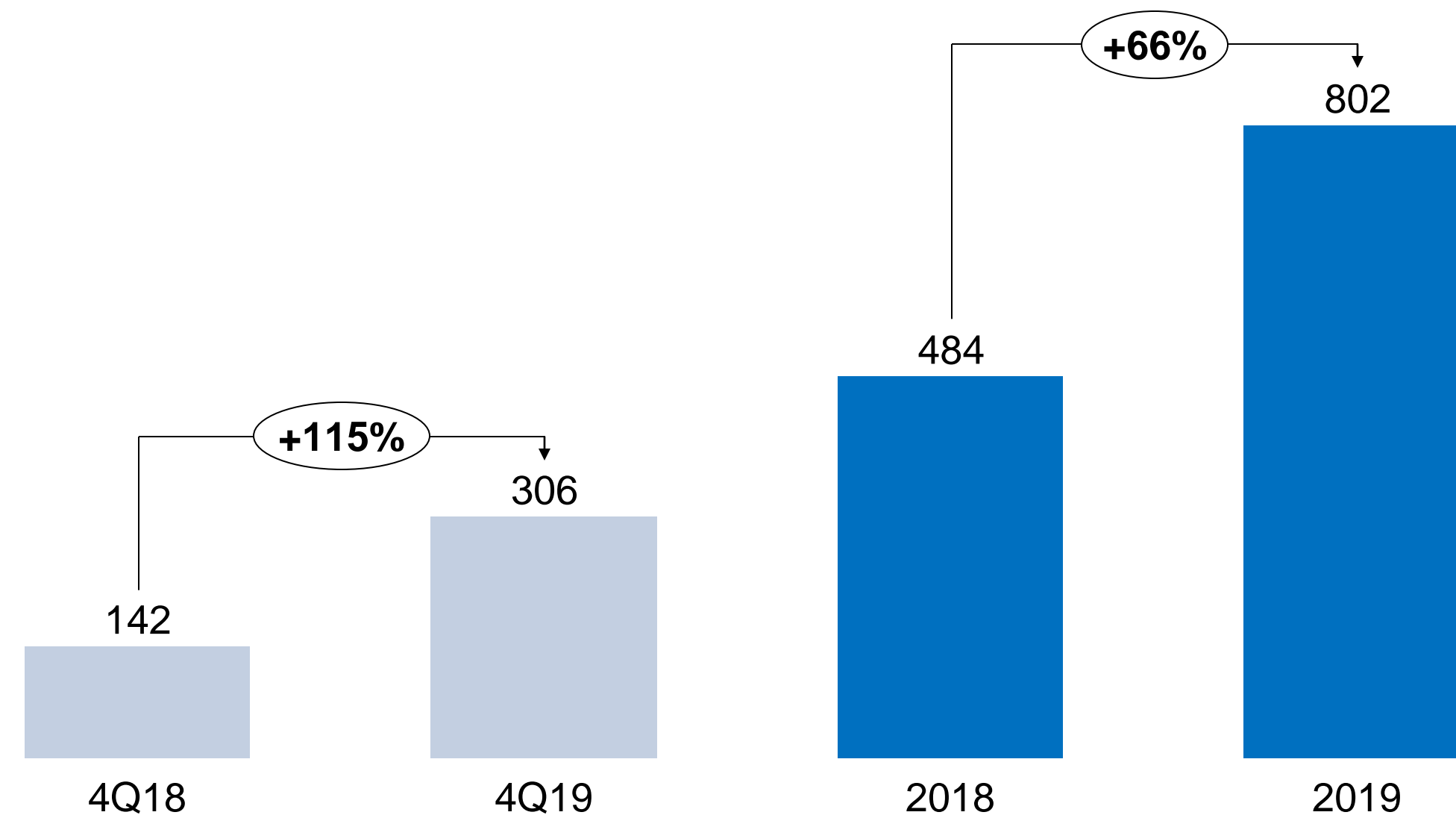
- The decline in take rate reflects: (1) zero-fee brokerage instituted at Clear in October 2018 and (2) steep increase in AUC (denominator) driven by the stock market rally and robust inflows in equities custody without a corresponding growth in revenue.



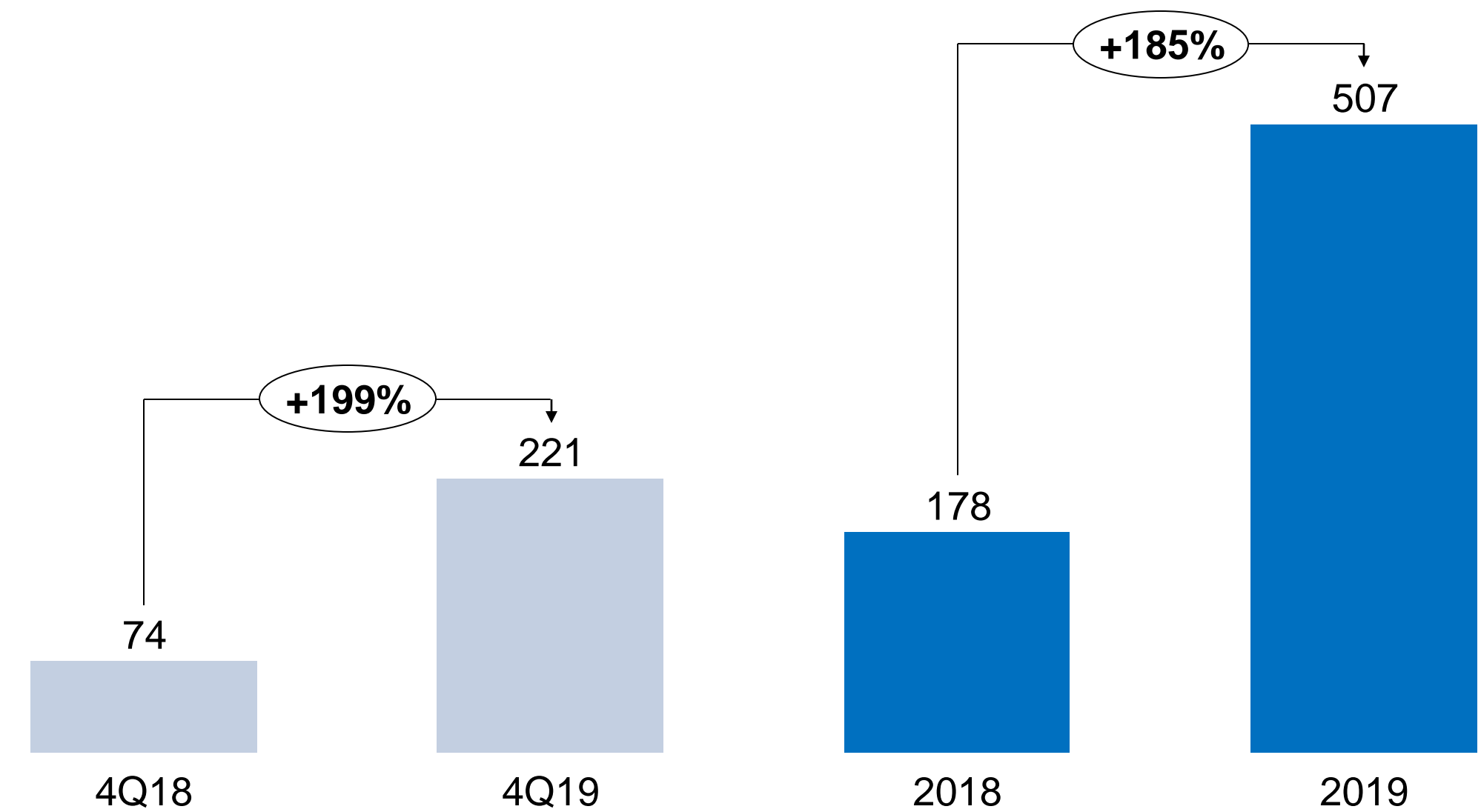
# Institutional and Issuer Services

Favorable environment and network effects boosting both revenue lines

Institutional Revenue (in R\$ mn)



Issuer Services Revenue (in R\$ mn)



## Highlights

- (1) rising volumes across our Brazilian trading desks, following the overall expansion in B3 volumes and (2) increase in securities placement (IPOs and fixed income).

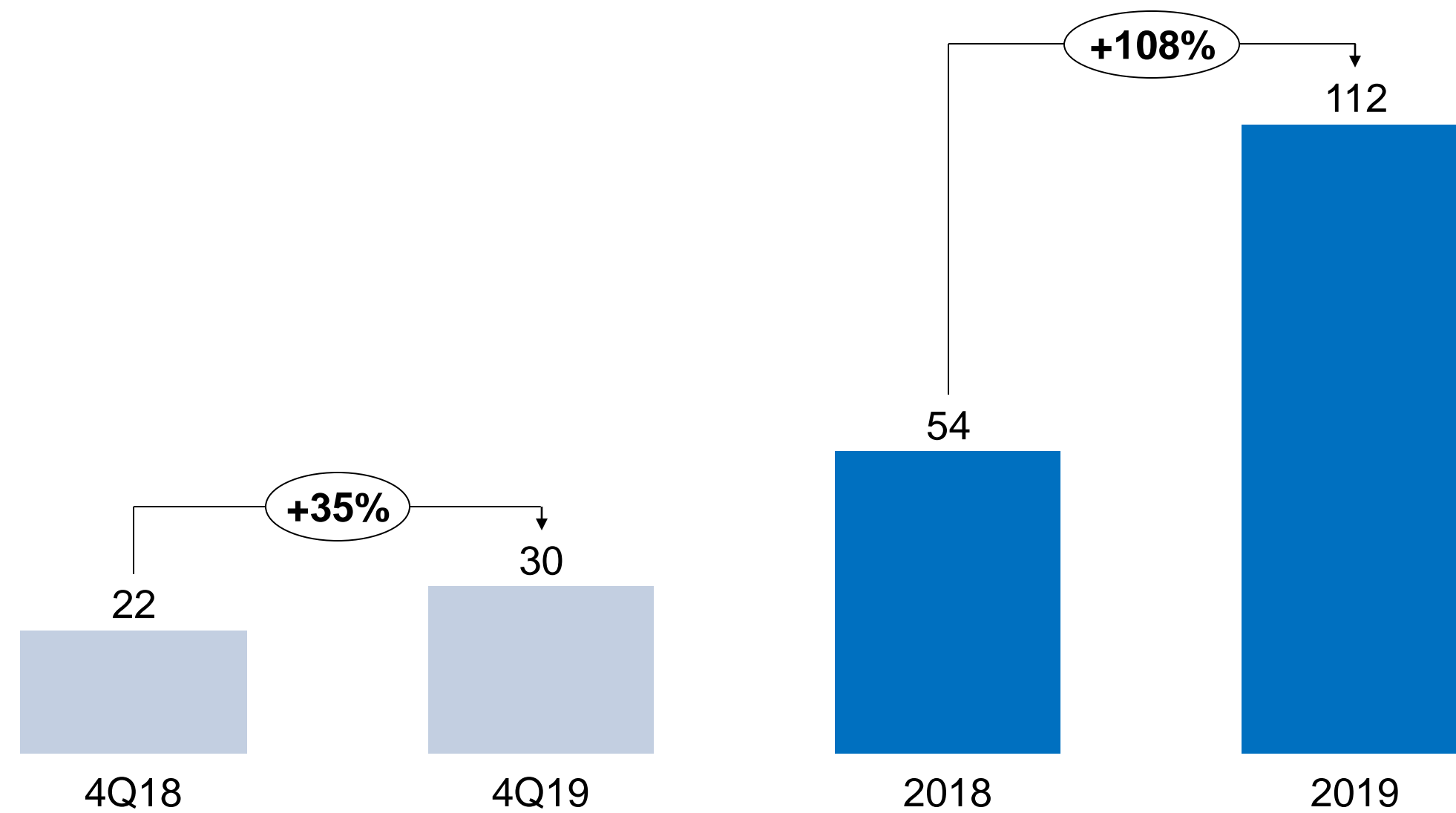
## Highlights

- (1) Growth in DCM revenue (the largest contributor); (2) favorable environment for REITs offerings and (3) increased participation in IPOs and follow-ons.

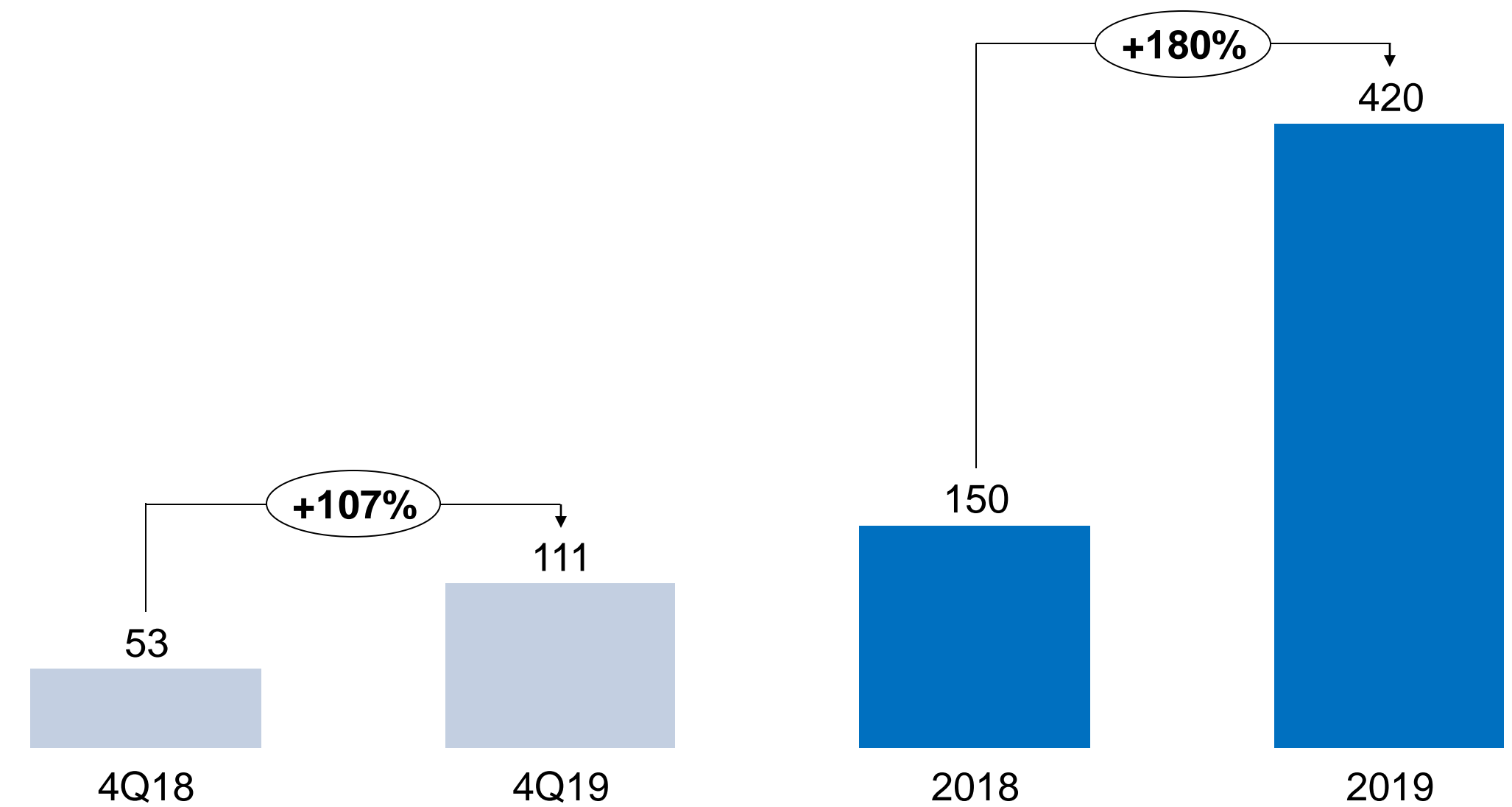
# Digital Content and Other

Solid growth following the expansion of XP's platforms and ecosystem

Digital Content Revenue (in R\$ mn)



Other Revenue (in R\$ mn)



## Highlights

- Increase in the sales of our online educational products through our XP Educação portal;
- Launch of three new flagship courses: MBA Stocks, MBA Global Broker and MBA Private.

## Highlights

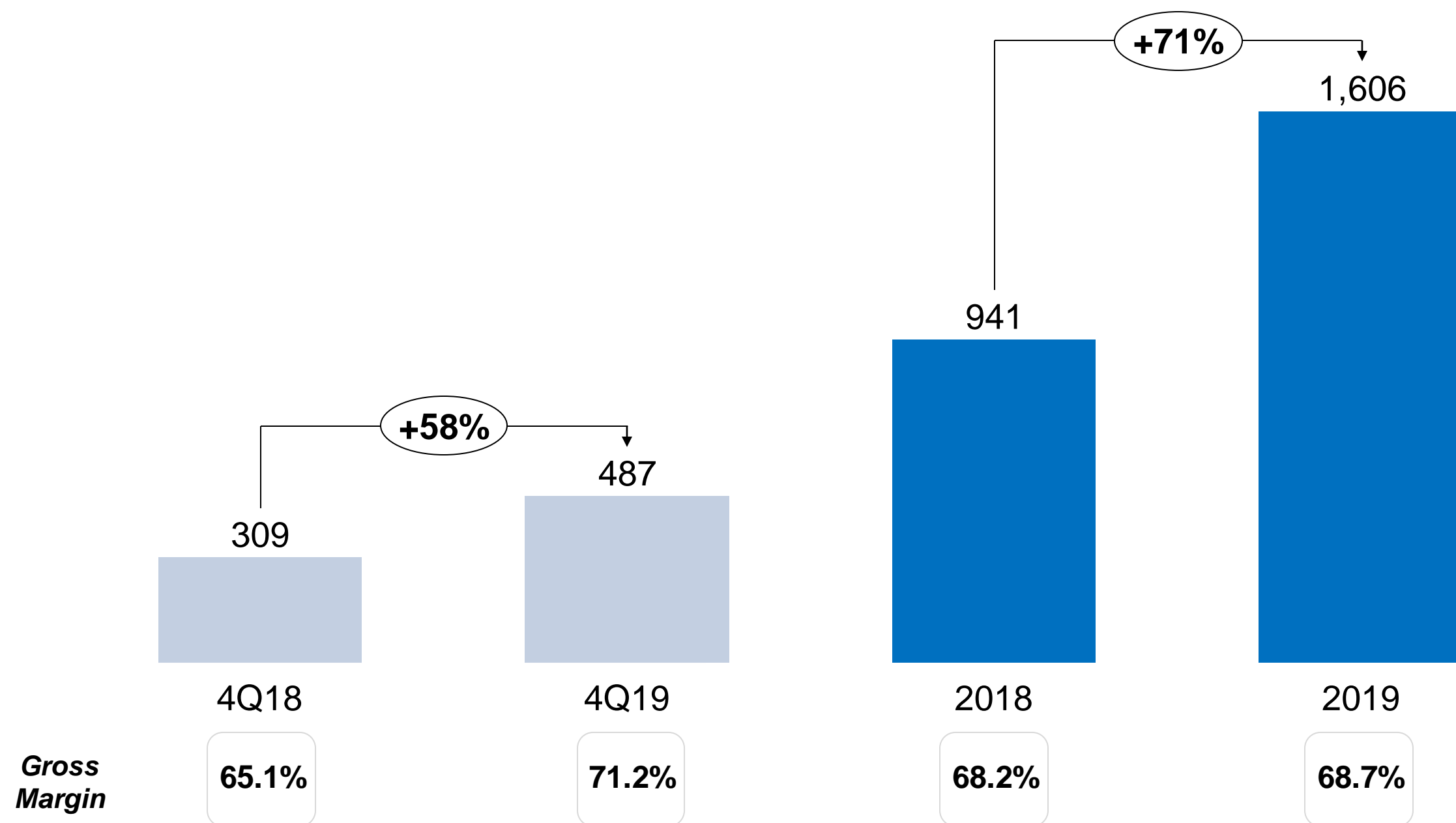
- Key drivers include: (1) the growth of the overall business, especially the retail platform and institutional trading and (2) increase in adjusted gross financial assets.



# COGS and SG&A

Gross margin expansion and efficiency gains

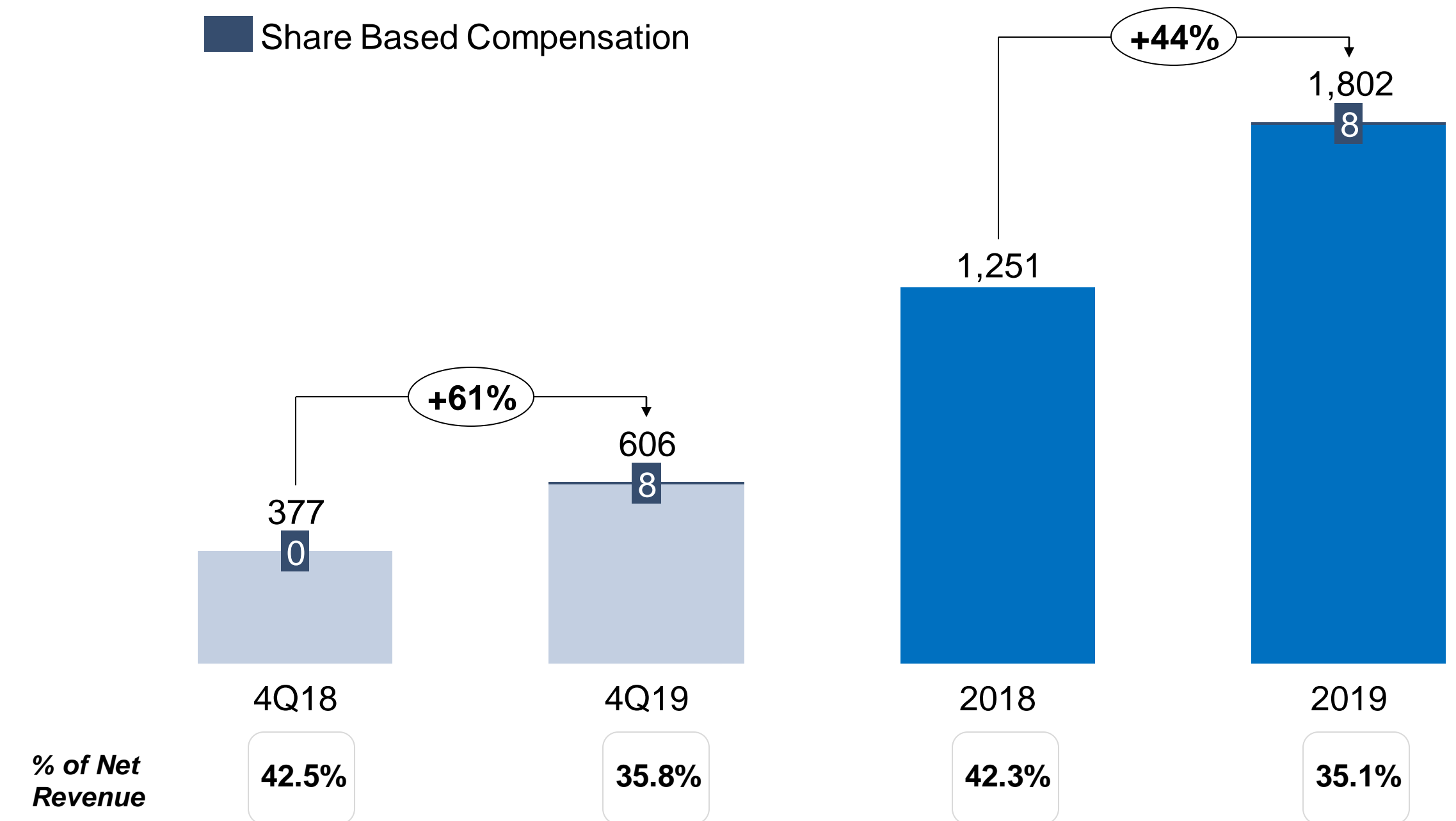
## COGS (in R\$ mn)



### Highlights

- 50bps gross margin expansion in 2019 vs 2018 due to product mix.

## Operating Expenses (in R\$ mn)



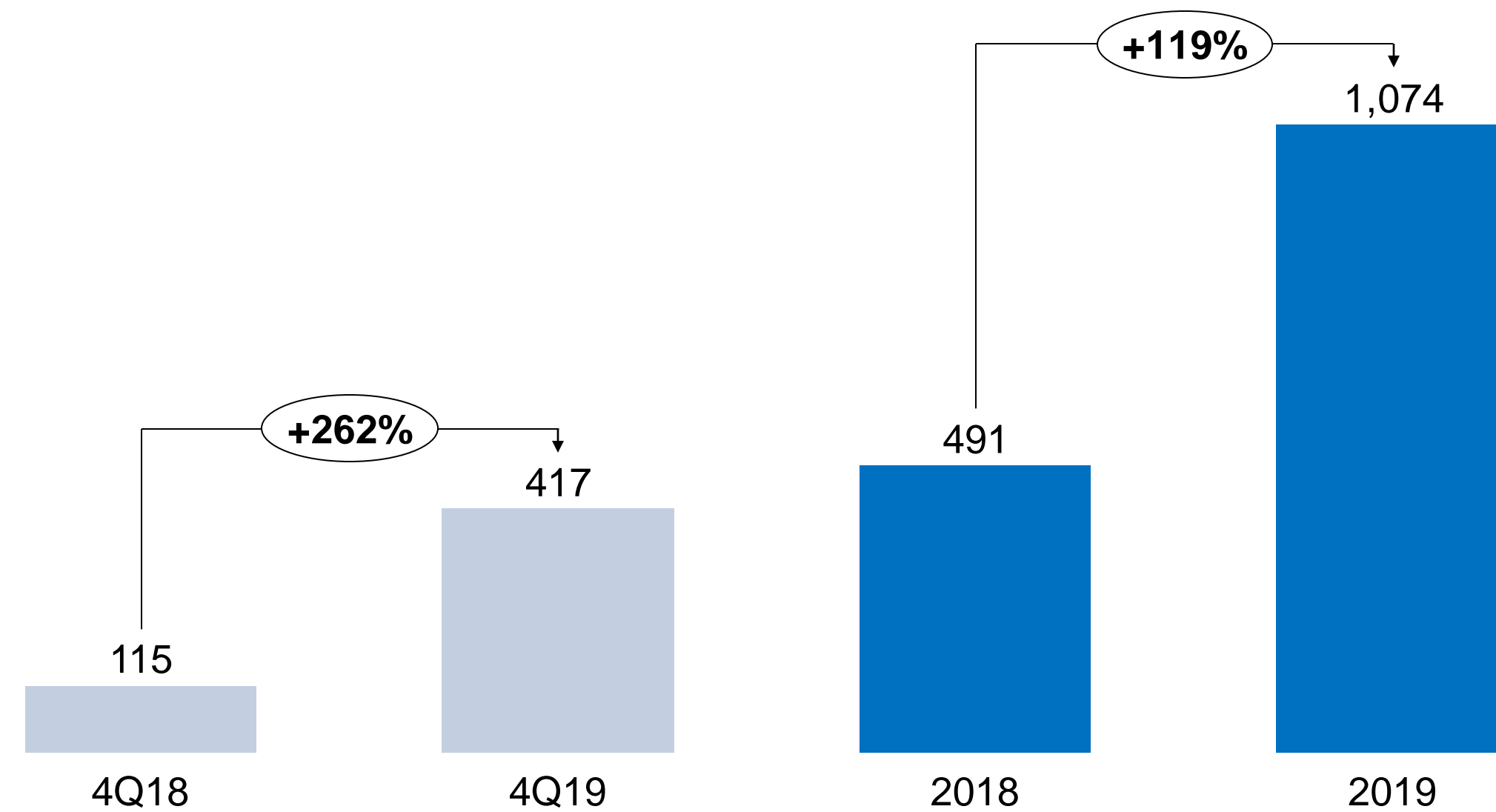
### Highlights

- Increasingly leveraging efficiency gains on relevant expense lines that grew below revenues, such as marketing and data processing.

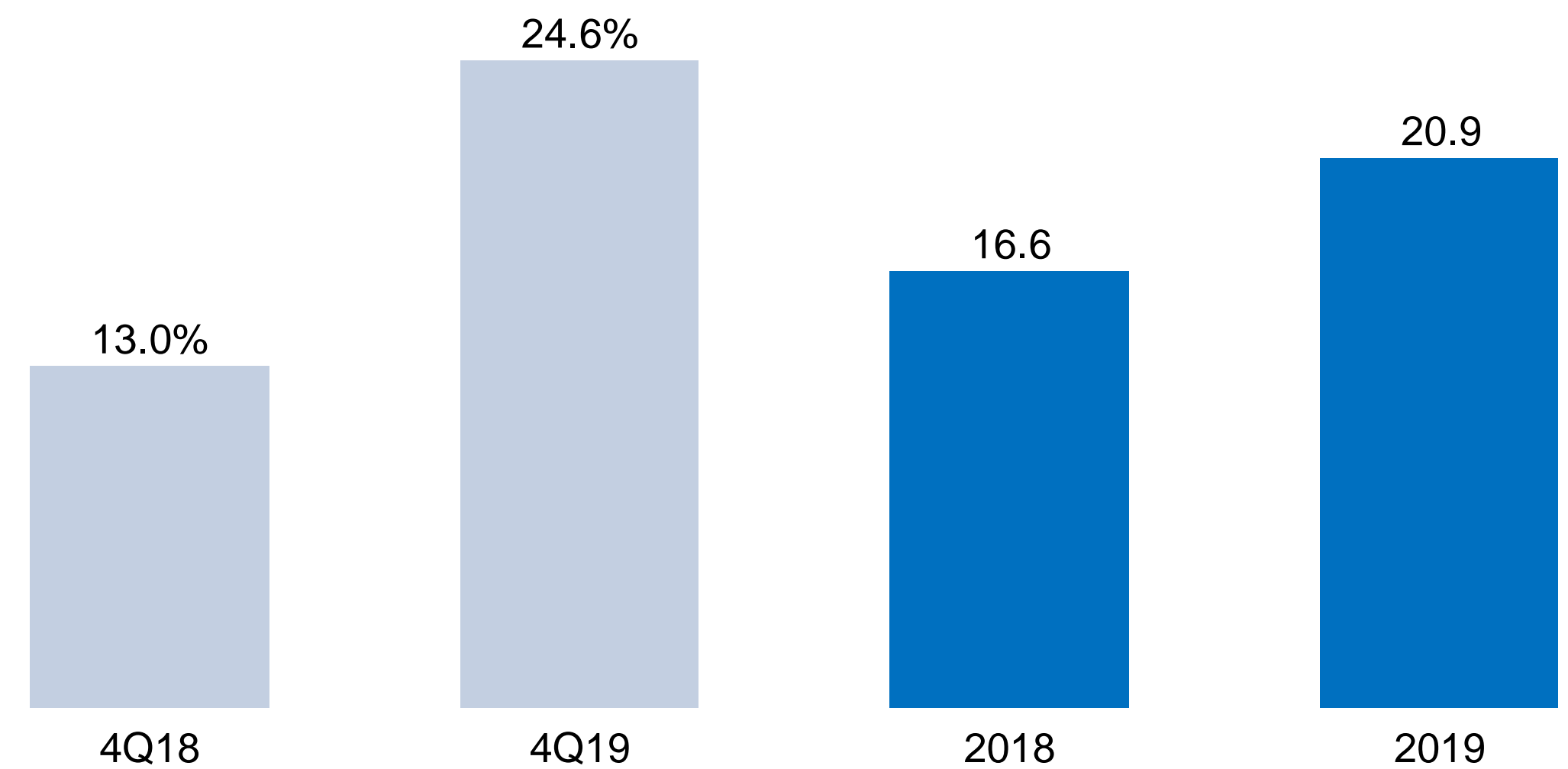
# Adjusted Net Income

Solid profitability in 2019

Adjusted Net Income (in R\$ mn)



Adjusted Net Margin



## Highlights

- Growth in Adjusted Net Income driven by (1) accelerating increase in total revenues, especially brokerage and performance fees in Retail and Issuer Services and (2) ongoing efficiency gains.

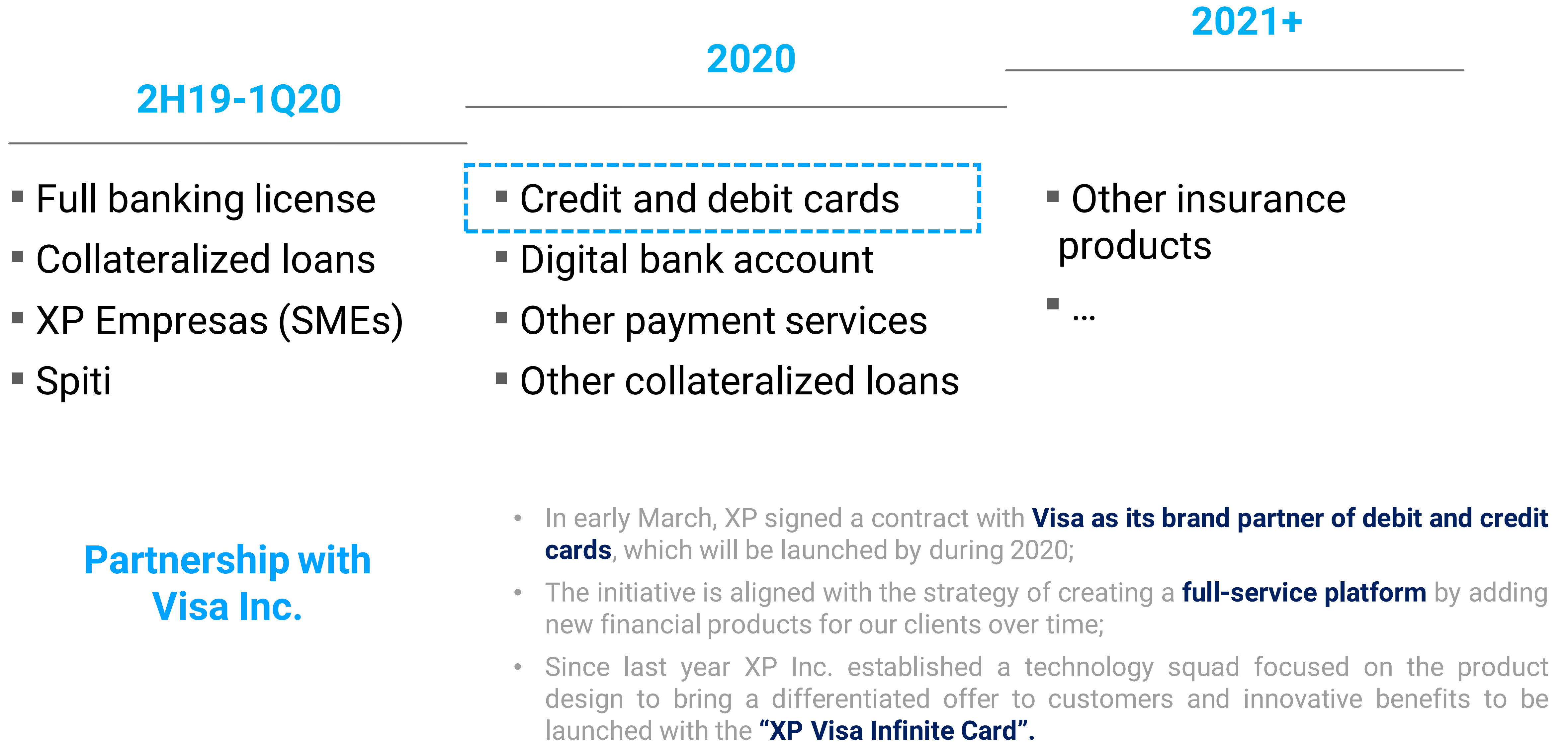




# **4 Recent Developments**

# New Businesses and Association with Visa Inc.

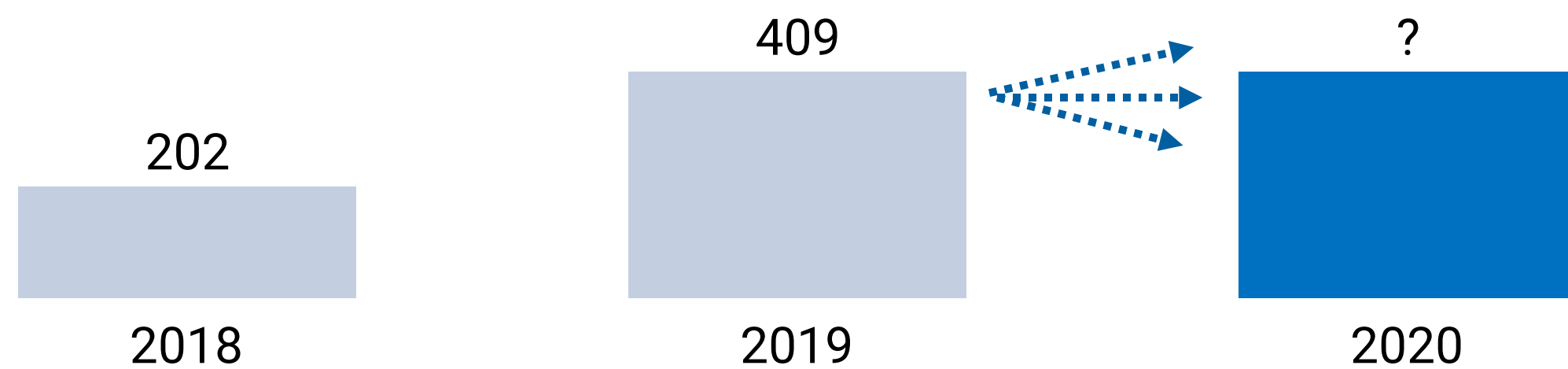
New businesses to complement our ecosystem and create long-term value



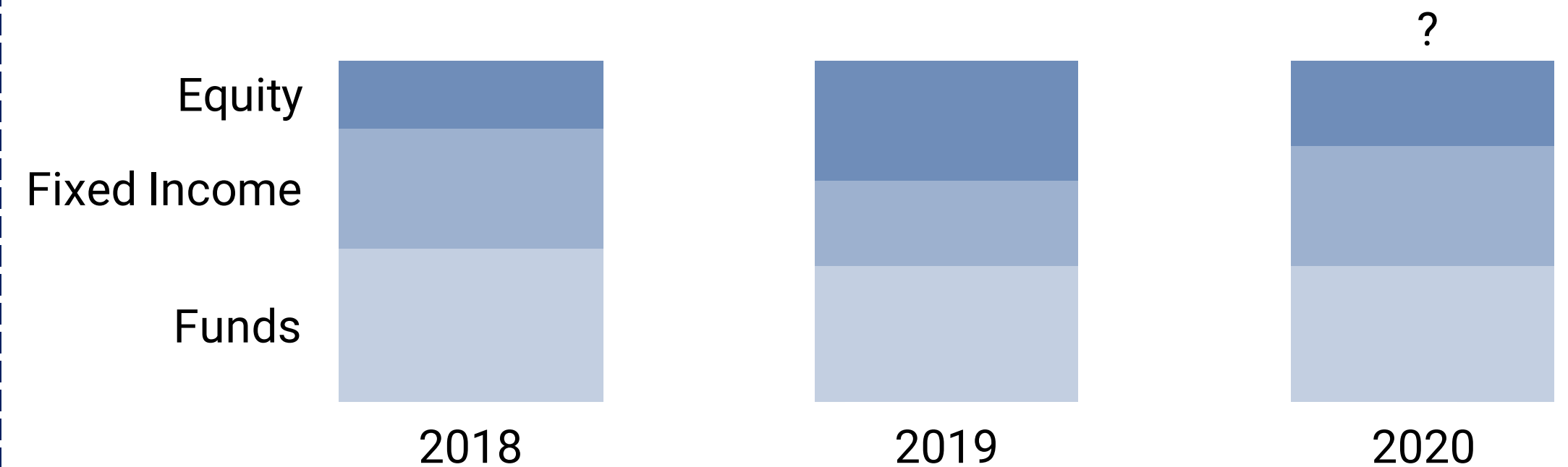


# Potential Impacts of COVID-19 Crisis (1/3)

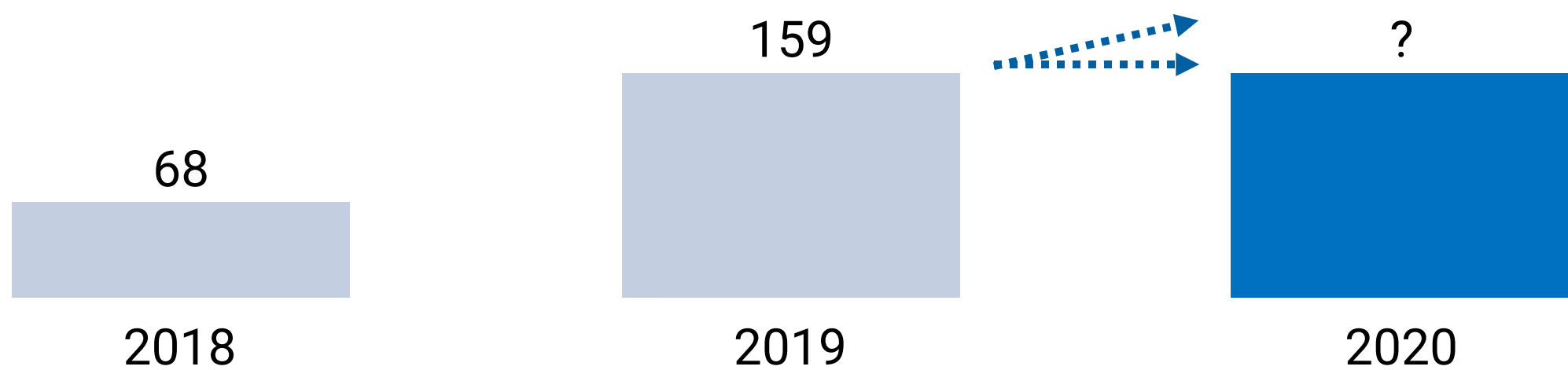
**AUC:** Should be negatively impacted due to equity exposure. However, outflows are not expected since we offer various investment options and recovery may be similar to past events.



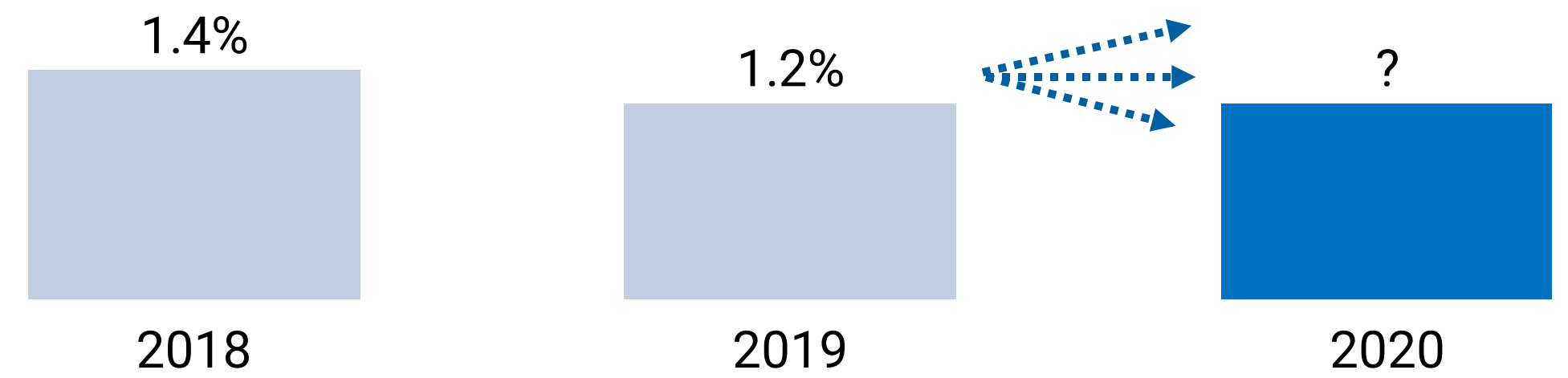
**Product Mix:** We could see an increase in demand for fixed income or structured notes products.



**Net Inflow:** Growth pace could be reduced, but it shouldn't be materially impacted.



**Take Rate:** Reduced equity AUC, without impacting Retail Revenues, should have a positive effect. Product mix change could have a negative effect.



# Potential Impacts of COVID-19 Crisis (2/3)

AUC and Net Inflow performed well in past crisis

## Behavior of our platform in other crisis

	Period	IBOVESPA	Average Selic	AUC	Net Inflow
2014 Elections	1Q15 vs 3Q14	-20%	11.0%	+19%	+73%
“Joesley Day” Episode	3Q17 vs 2Q17	-10%	10.5%	+19%	+6%
Truckers’ Strike	3Q18 vs 2Q18	-19%	6.5%	+14%	+8%

## Competitive environment remains unchanged and XP’s Platform is positioned better than ever to overcome this crisis:

- Differentiated scale and recent IPO proceeds give XP Inc. additional strength to surpass the crisis;
- People will have to invest regardless of the scenario, and through XP Direct and our extensive and specialized IFA network, we will be there to help (+600 investment products);
- XP is less affected by COVID-19 on supply and demand, reflecting our digital-based businesses, which are less dependent of logistics.



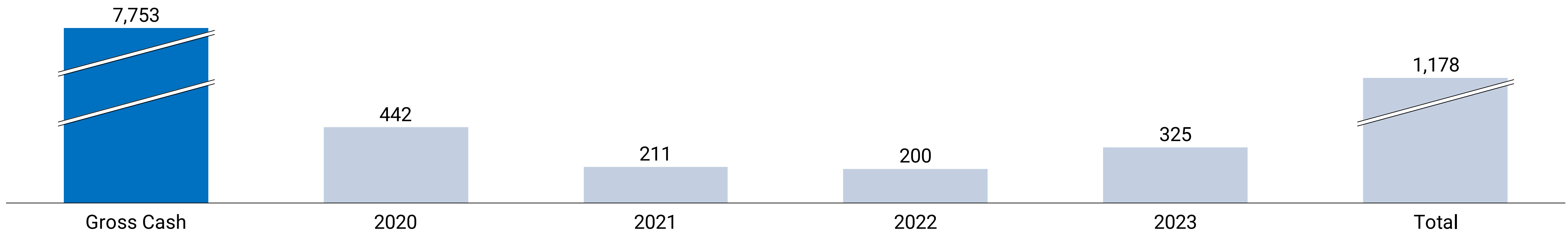
# Potential Impacts of COVID-19 Crisis (3/3)

XP Inc. is well capitalized after the IPO

**XP Inc. doesn't have any cash constrain in the short term, on the contrary, our net cash position allow us to look for opportunities that usually arise in times like this:**

- +7bn BRL in cash, compare to only 0.4bn BRL of debt maturing in 2020;
- Risk Metrics: Comfortable level position and close monitoring.

Debt Amortization Schedule (in R\$ mn)



# Every Crisis is an Opportunity to get Closer to Customers

Our financial education DNA and robust Digital Content structure, differentiate XP Inc. vs. competitors

## Main reports and lives

Reports

571k views<sup>1</sup>

- High volatility in funds: what to do?
- COVID-19 raises risk aversion
- What if the market falls 15%?
- Asset managers: COVID-19
- Where to invest in March?
- Muddy Waters Ahead
- COVID-19 and Equity Funds
- COVID-19 and REITs
- Revision of Economic Forecasts
- Fastest Crisis in History
- COVID-19 crisis in the eyes of history



A crise do coronavírus aos olhos da História

Circuit Breaker, volatilidade e desaceleração global: saiba o tamanho do atual choque do coronavírus em comparação a outras crises históricas [...]

11/03/2020 às 20:13

Live Videos

220k views<sup>1</sup>

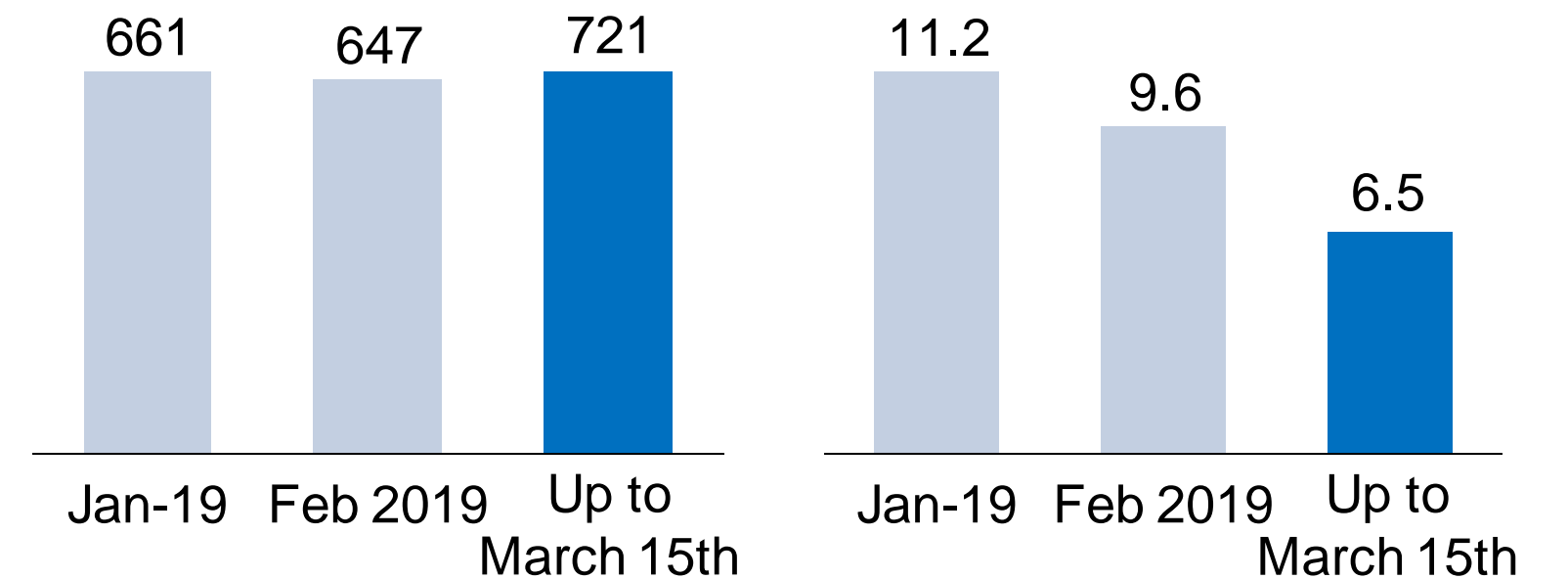
- COVID-19 raises risk aversion
- High volatility in funds – what to do?
- Asset managers: COVID-19
- Market Opening March 9th
- Market Closing March 9th
- Revision of Economic Forecasts
- Where to invest in March?
- Asset managers: Strategies in a scenario of uncertainty
- Market tensions and the impact on portfolios



## Robust Communication Plan...



## Reflected in strong interaction in March...



Research Platform Traffic ('000 visitors)

Infomoney Traffic (million visitors)

1: Reports and Lives views since February 26<sup>th</sup> until March 15<sup>th</sup>, 2020





# Appendix

# Short Seller Report

XP Inc. provided thorough explanations on each topic of the report ([LINK](#))

- On March 6, we became aware of a “report” published by Nick Winkler of The Winkler Group, entitled “Brazil’s Charles Schwab: XP Inc.’s Internal Audits Conflict With Its IPO Prospectus”;
- The report is full of errors along with points that are immaterial and/or irrelevant. Also, it demonstrates a lack of knowledge about different accounting rules;
- Importantly facts related to our change in the auditor and disclosed material weakness:
  - 1) The change in auditor prior to IPO was carried out on the recommendation of our Audit Committee (formed of 5 members, 3 of which are nominated by Itaú) and based on a technical assessment;
  - 2) KPMG stated that there was no disagreement with management regarding the change in auditor;
  - 3) XP has been audited by a “big four” auditing firm for the last 10 years. During that time, we did not receive an adverse opinion from any of those auditing firms (KPMG, Deloitte and PwC);
  - 4) The material weaknesses we identified and disclosed in our Form F-1 were a result of the application of PCAOB accounting standards as part of the IPO process.



# Non-GAAP Financial Information

Adjusted Net Income, Adjusted EBITDA and Adjusted Gross Financial Assets

## Adjusted Net Income (in R\$ mn)

	4Q19	4Q18	YoY	2019	2018	2019 vs 2018
<b>Net Income</b>	<b>390</b>	<b>113</b>	<b>244%</b>	<b>1,089</b>	<b>465</b>	<b>134%</b>
(+) Itaú Transaction and deal related expenses	-	3	n.a	-	39	n.a
(+) Stock Based Compensation	8	-	-	8	-	-
(+) IPO expenses	22	-	-	22	-	-
(-) One-time tax claim recognition (2010-2017)	-	-	-	(71)	-	-
(+/-) Taxes	(3)	(1)	242%	25	(13)	n.a
<b>Adjusted Net Income</b>	<b>417</b>	<b>115</b>	<b>262%</b>	<b>1,074</b>	<b>491</b>	<b>119%</b>

## Adjusted EBITDA (in R\$ mn)

	4Q19	4Q18	YoY	2019	2018	2019 vs 2018
<b>Adjusted EBITDA</b>						
<b>Net Income</b>	<b>390</b>	<b>113</b>	<b>244%</b>	<b>1,089</b>	<b>465</b>	<b>134%</b>
(+) Income Tax	157	57	175%	455	175	159%
(+) Depreciation and Amortization	29	16	79%	91	53	73%
(+) Interest Expense on Debt	22	13	73%	84	72	17%
(-) Interest Revenue on Adj. Gross Financial Assets	(44)	(29)	50%	(150)	(104)	44%
<b>Adjusted EBITDA</b>	<b>554</b>	<b>170</b>	<b>225%</b>	<b>1,569</b>	<b>662</b>	<b>137%</b>

## Adjusted Gross Financial Assets (in R\$ mn)

	2019	2018
<b>Floating Balance (=net uninvested clients' deposits)</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>	<b>-505</b>	<b>-898</b>
(-) Securities trading and intermediation	(505)	(898)
<b>Liabilities</b>	<b>9,115</b>	<b>5,307</b>
(+) Securities trading and intermediation	9,115	5,307
<b>(=) Floating Balance</b>	<b>8,610</b>	<b>4,408</b>
<b>Adjusted Gross Financial Assets (=cash and equivalents, net of floating)</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>	<b>41,011</b>	<b>15,473</b>
(+) Cash	110	68
(+) Securities - Fair value through profit or loss	22,443	6,291
(+) Securities - Fair value through other comprehensive income	2,616	696
(+) Securities - Evaluated at amortized cost	2,267	155
(+) Derivative financial instruments	4,085	1,692
(+) Securities purchased under agreements to resell	9,490	6,571
<b>Liabilities</b>	<b>(24,648)</b>	<b>(8,908)</b>
(-) Securities loaned	(2,022)	(1,260)
(-) Derivative financial instruments	(3,229)	(991)
(-) Securities sold under repurchase agreements	(15,638)	(6,641)
(-) Private Pension Liabilities	(3,759)	(16)
<b>(-) Floating Balance</b>	<b>(8,610)</b>	<b>(4,408)</b>
<b>(=) Adjusted Gross Financial Assets</b>	<b>7,753</b>	<b>2,157</b>





# Investor Relations

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