

Results  
**2Q20**

**Telefônica Brasil S.A.  
Investor Relations**

July 29<sup>th</sup> 2020

*Telefonica*

**vivo**





# DISCLAIMER



**This presentation may contain forward-looking statements** concerning future prospects and objectives regarding growth of the subscriber base, a breakdown of the various services to be offered and their respective results



**Our actual results may differ materially from those contained in such forward-looking statements**, due to a variety of factors, including Brazilian political and economic factors, the development of competitive technologies, access to the capital required to achieve those results, and the emergence of strong competition in the markets in which we operate



**The exclusive purpose of such statements is to indicate how we intend to expand our business** and they should therefore not be regarded as guarantees of future performance



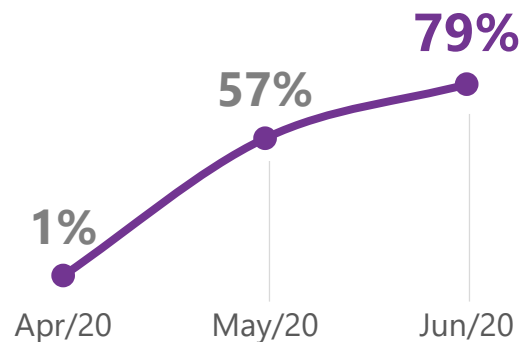
**We are presenting reported numbers for 2020 and 2019**, considering impacts from the adoption of IFRS 16, unless stated otherwise. Nonetheless, for a better understanding, YoY variations of 2019 results disregards impacts from the adoption of IFRS 16 in that given year, unless stated otherwise

# 2Q20 was an atypical quarter, with a drastic reduction of commercial activity in April and early signs of recovery in May and June



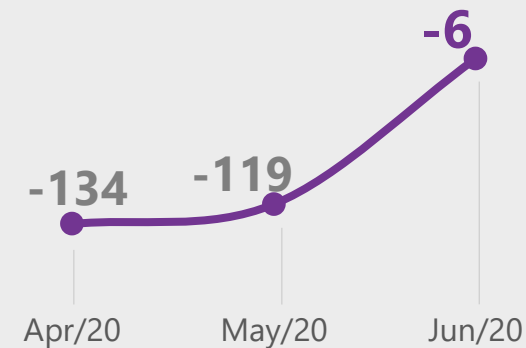
COVID update

**Stores Open to the Public**  
(%)



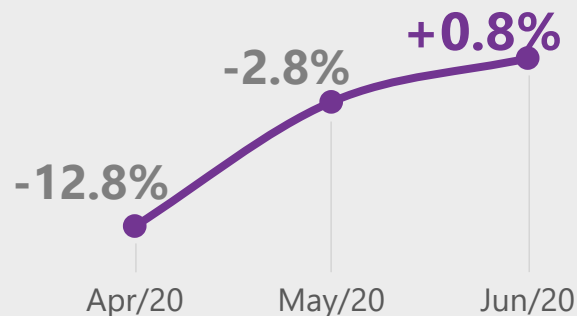
Gradual opening of stores, with reduced hours and limited capacity

**Postpaid<sup>1</sup> Net Adds**  
(MoM thousand)



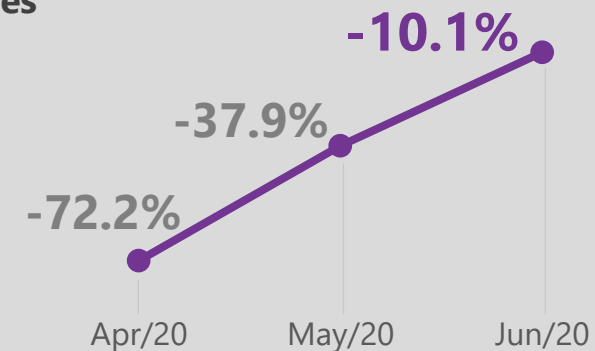
Easing of pressure on gross adds with gradual reopening

**Prepaid Revenues**  
(YoY%)



Flat YoY prepaid evolution in June, as connectivity remains essential

**Handset Revenues**  
(YoY%)



Significant drop in handset sales due to closure of stores, but already seeing early signs of recovery

## ✓ Vivo's top quality value proposition driving demand and customer resilience

- FTTH trending better than in Q1, with record gross adds in June and accelerating upgrade of UBB speeds
- Reduced churn in all key segments due to customers giving more value to network quality and overall experience

# With the acceleration of all that is digital in recent months, the Customer Journey is changing fast and Vivo is at the forefront of this transformation

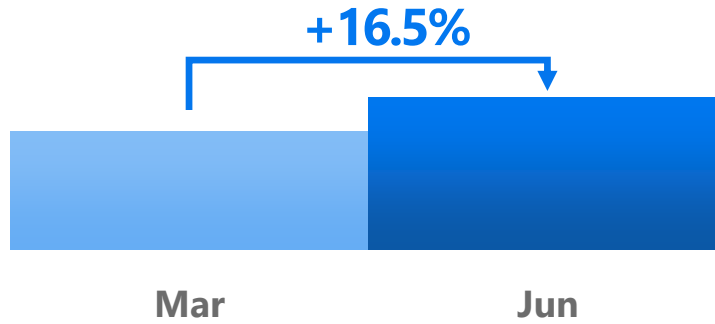


COVID update

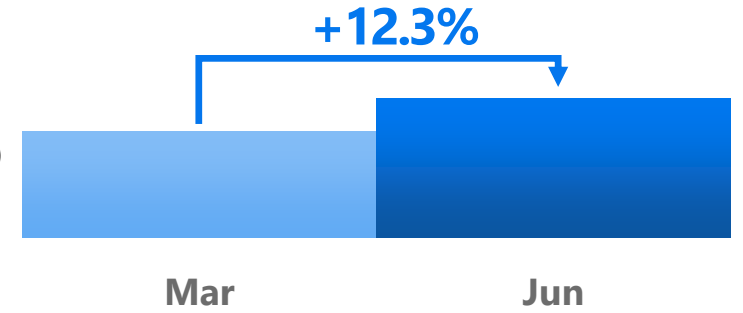
## e-Commerce



**Mobile Adds + Migrations**  
(digital channels)



**FTTH Sales**  
(digital channels)

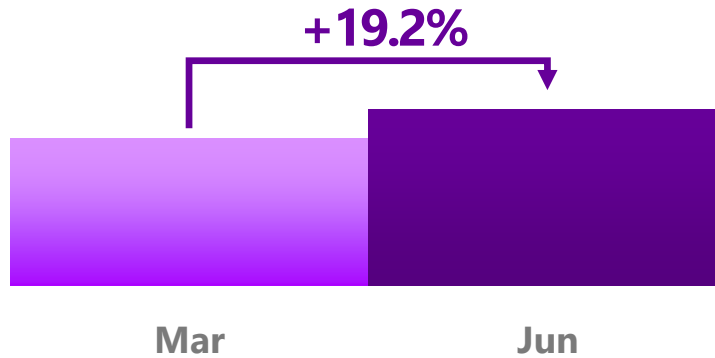


## e-Care

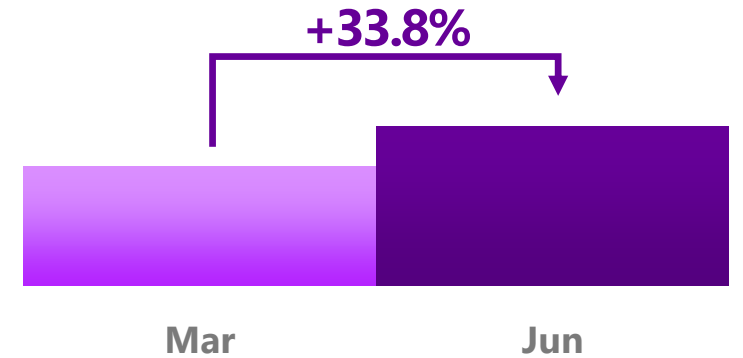


**17.6 mn**  
unique users

**Meu Vivo Mobile**  
(avg. users per day)



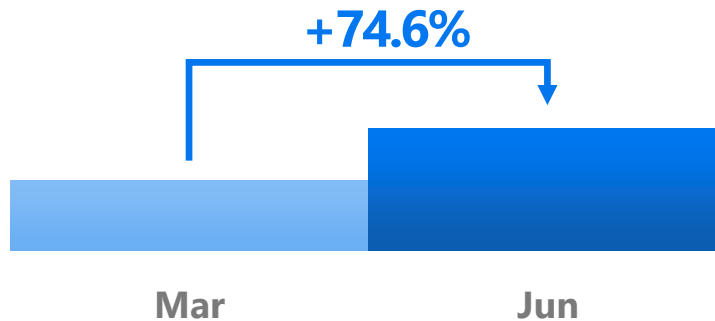
**Meu Vivo Fixed**  
(avg. users per day)



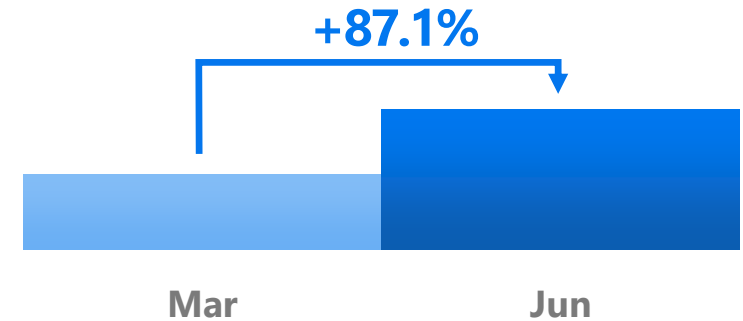
## Artificial Intelligence



**Aura WhatsApp**  
(contacts)



**Aura Prepaid Top-ups**  
(R\$)



By combining the ability to adapt with a resilient operating model focused on value and quality, **Vivo delivered solid business evolution and elevated cash generation in 2Q20**

**+3.4%**

Postpaid Customers YoY

43.1 mn

Postpaid Customers

**+31.9%**

FTTH Customers YoY

2.9 mn

FTTH Customers



Key  
Segments



Revenues

**-1.5%**

MSR<sup>1</sup> YoY

82%  
Postpaid Rev./MSR<sup>1</sup>

**+39.7%**

Fiber<sup>2</sup> Revenues YoY

26%  
of fixed revenues

**-5.9%**

Costs YoY

+0.5 p.p.

EBITDA Margin

**-55.0%**

Legacy Investments YoY

-3.2 p.p.

Capex/Sales YoY



Profitability



Cash

**21.2%**

OpCF Margin

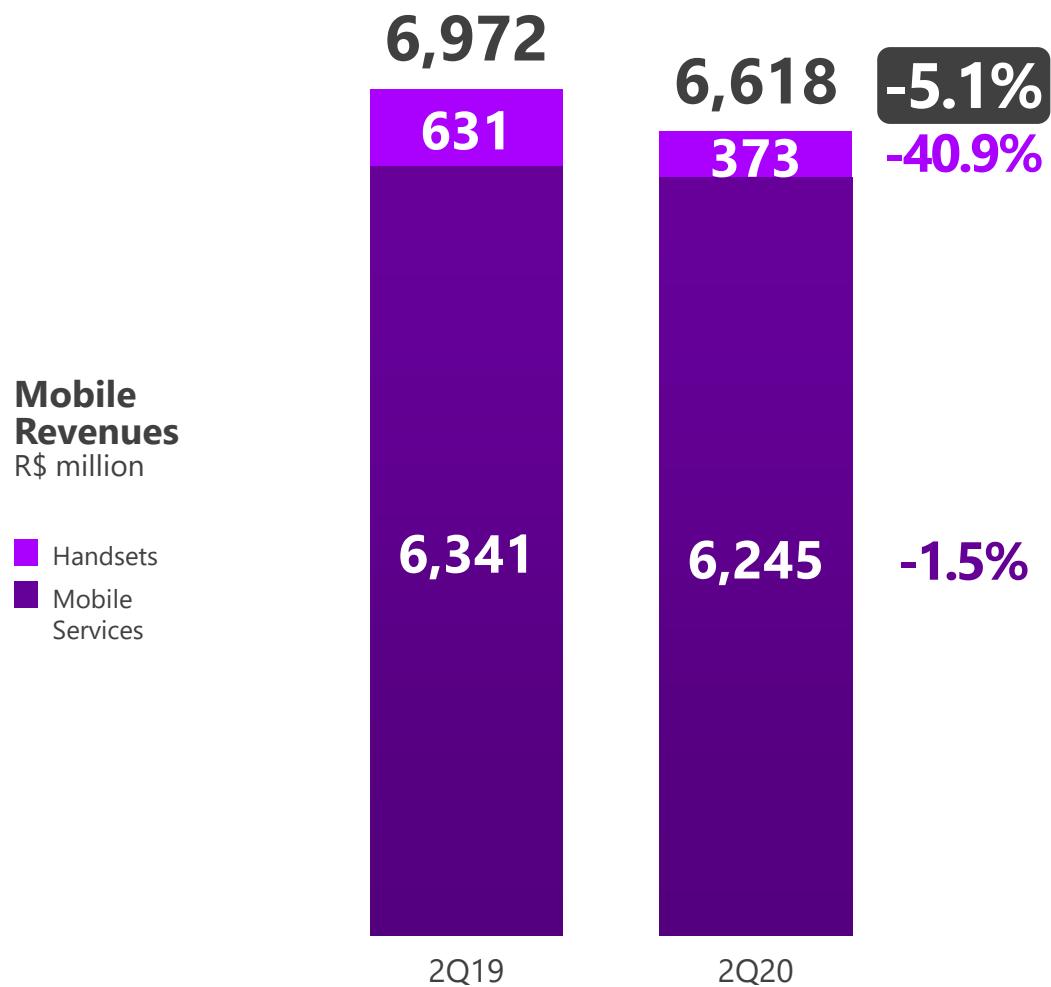
+3.7 p.p.  
YoY

**R\$5.4bn**

1H20 Free Cash Flow

+62.6%  
YoY

**Mobile Revenue** decline was mainly driven by sharp reduction in handset sales, impacted by temporary confinement measures



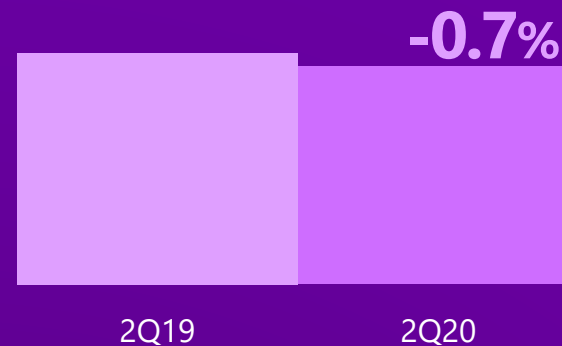
**Mobile Revenues**  
R\$ million

- Handsets
- Mobile Services

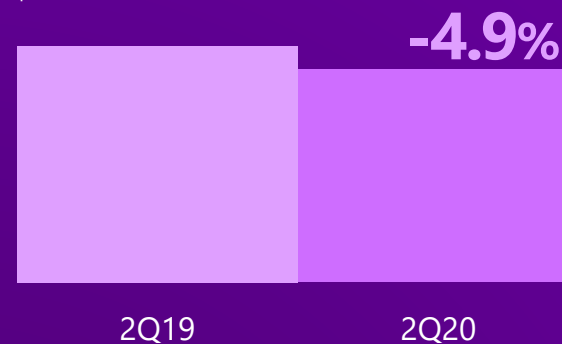


**Solid hybrid performance in the quarter**, helping reduce potential impact on total postpaid revenues

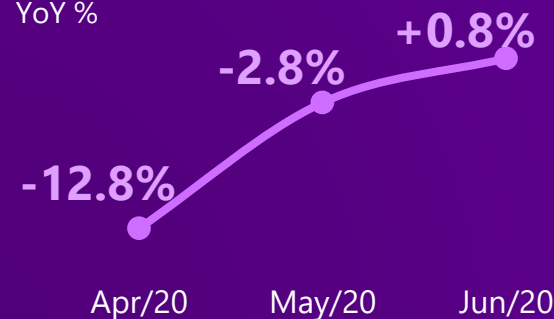
**Postpaid<sup>1</sup> Revenues**  
R\$ million



**Prepaid Revenues**  
R\$ million



**Prepaid Revenues**  
YoY %



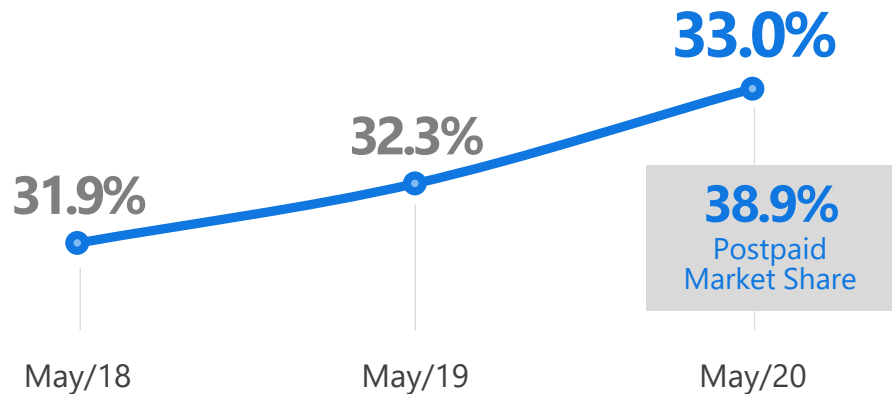
**Active prepaid customer management** drove the recovery of prepaid recharges that grew YoY in June

# Mobile leadership driven by **customer loyalty and commercial recovery with gradual reopening**



## Mobile Market Share

Market share remains at historic highs, reinforcing our leadership



## Postpaid Churn ex-M2M

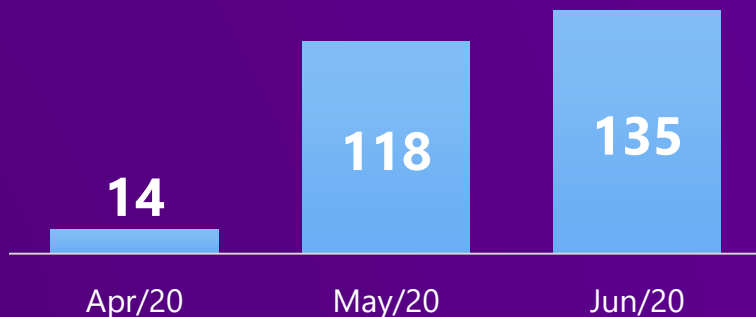
Improving postpaid churn



## Prepaid Net Adds Thousand



Strong evolution in prepaid additions in May and June driven by client acquisition initiatives and active customer base management



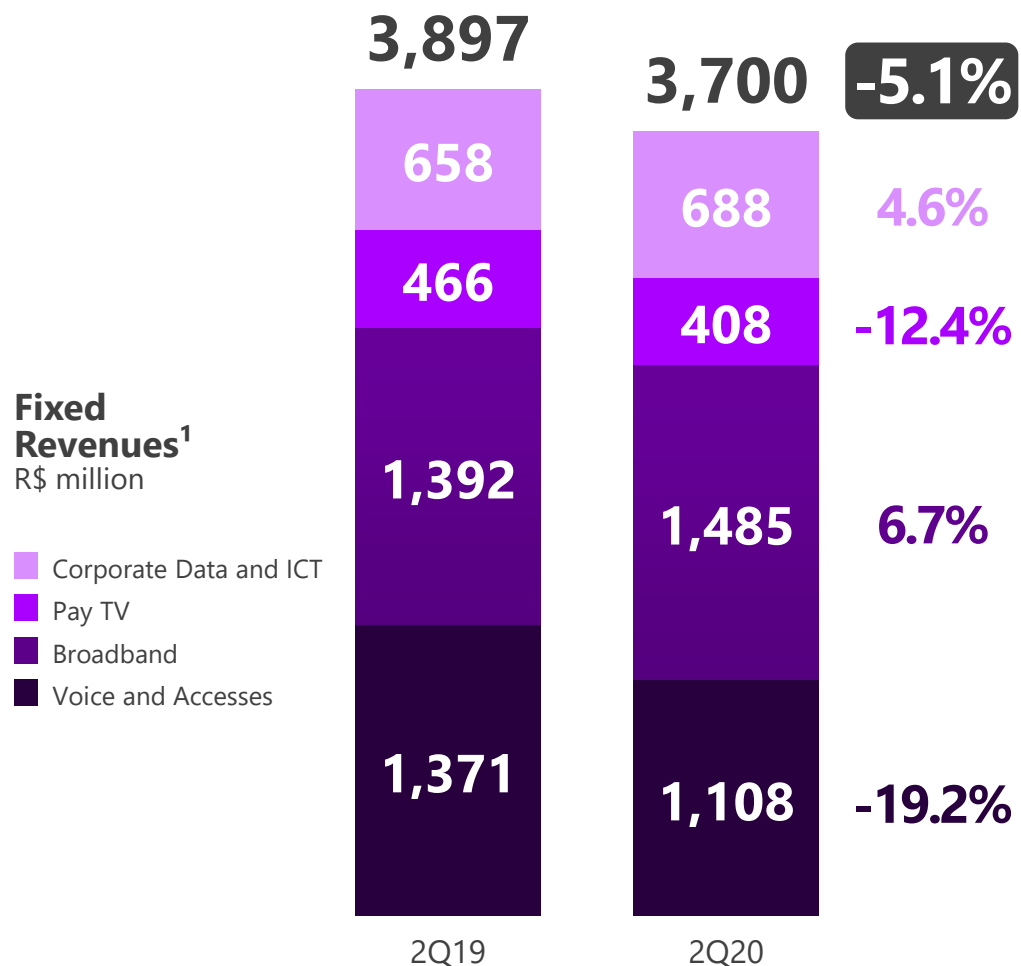
## Postpaid<sup>1</sup> Net Adds Thousand



Postpaid showing signs of recovery as stores reopen



# Fiber services standout as the future growth engine for the fixed business, accelerating the revenue mix transformation

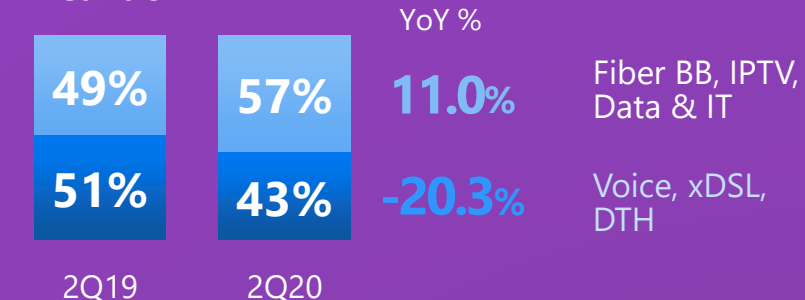


**Fixed Revenues<sup>1</sup>**  
R\$ million

- Corporate Data and ICT
- Pay TV
- Broadband
- Voice and Accesses

Growing businesses gaining proportion, building a solid foundation for future fixed revenues growth

## Fixed Revenues Breakdown



FTTH + IPTV revenues already representing 26% of fixed revenues, with a combined growth of 39.7% YoY

## FTTH Revenue

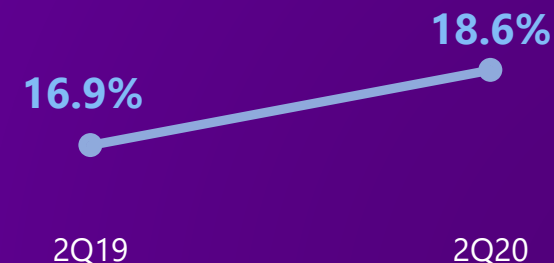


## IPTV Revenue



Corporate Data and ICT revenues gaining proportion backed by a complete portfolio of solutions for businesses

## Corporate Data and ICT over Total Fixed Revenues



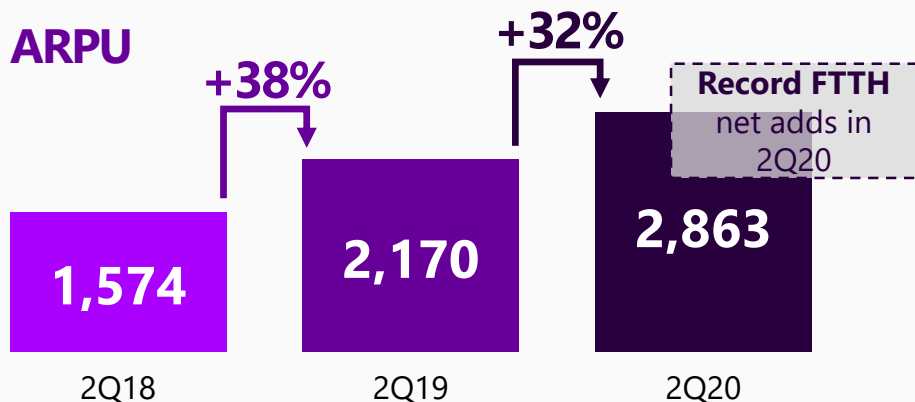


# The addition of higher-value FTTH and IPTV customers continues to outperform, improving the access base mix and driving ARPU growth

## Broadband Accesses and ARPU

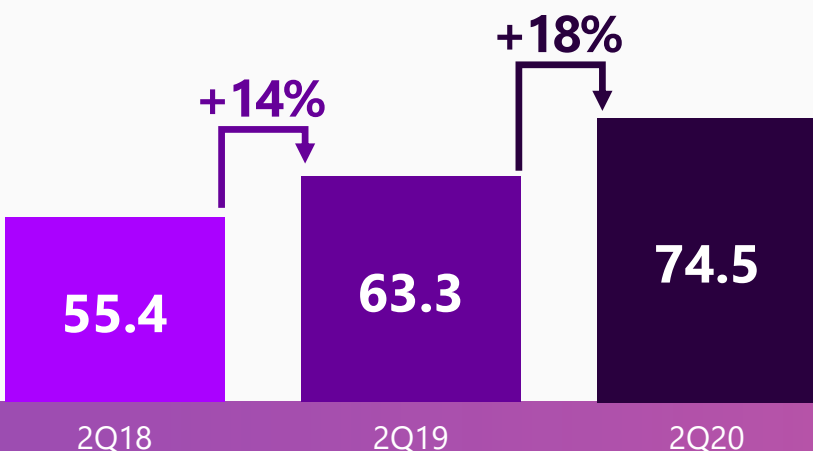


**FTTH  
Accesses**  
Thousand



% over  
BB base

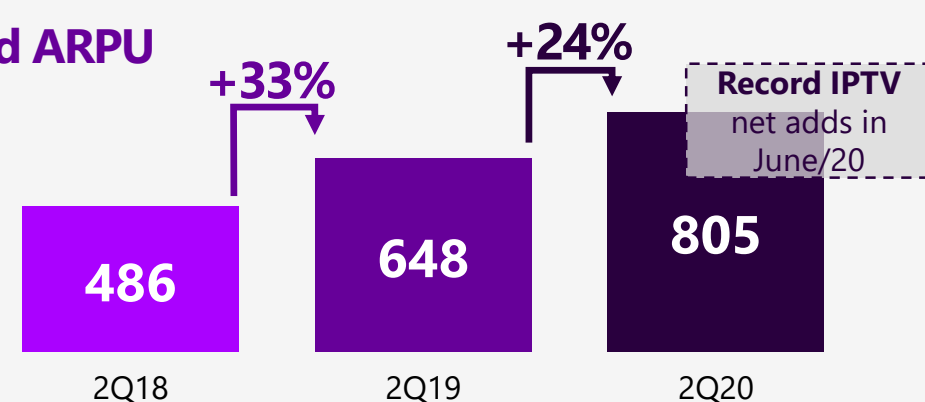
**BB ARPU<sup>1</sup>**  
R\$ per month



## Pay TV Accesses and ARPU

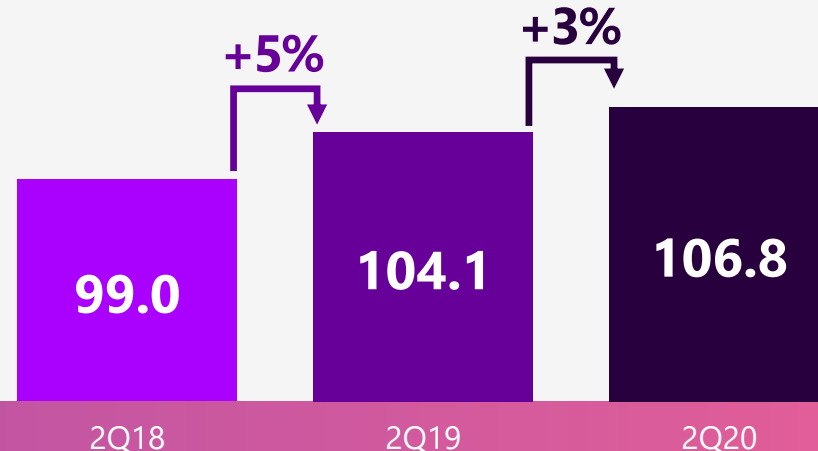


**IPTV  
Accesses**  
Thousand



% over  
TV base

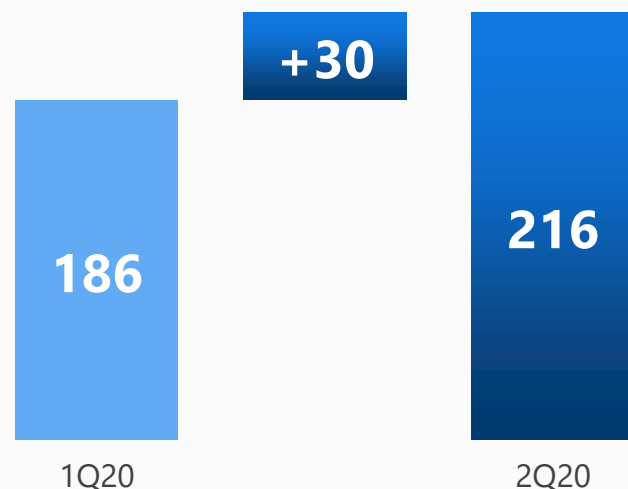
**Pay TV ARPU<sup>1</sup>**  
R\$ per month



# Record fiber deployment in 2Q20, with the addition of 1.3 million FTTH Homes Passed



## FTTH Cities



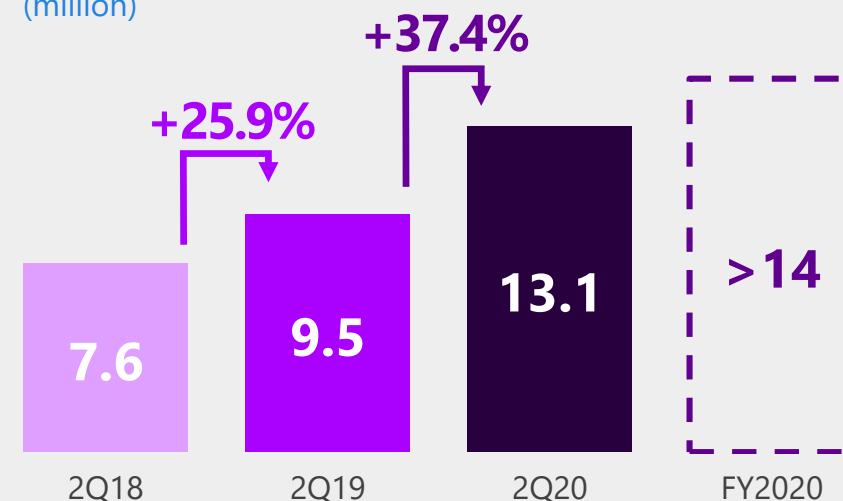
### Cities launched in 2Q20

- |                          |                   |
|--------------------------|-------------------|
| Alfenas/MG               | Mirassol/SP       |
| Anápolis/GO              | Morrinhos/CE      |
| Aracruz/ES               | Olímpia/SP        |
| Arujá/SP                 | Palhoça/SC        |
| Barretos/SP              | Pelotas/RS        |
| Bebedouro/SP             | Poá/SP            |
| Birigui/SP               | Registro/SP       |
| Cabo Frio/RJ             | Rio Das Ostras/RJ |
| Caldas Novas/GO          | São Mateus/ES     |
| Caraguatatuba/SP         | Tatuí/SP          |
| Caruaru/PE               | Três De Maio/RS   |
| Chapeco/SC               | Viçosa/RN         |
| Embu-Guaçu/SP            |                   |
| Ferraz De Vasconcelos/SP |                   |
| Itaúna/MG                |                   |
| Leme/SP                  |                   |
| Mairinque/SP             |                   |
| Matão/SP                 |                   |



## FTTH HPs

(million)



- Accelerated expansion to fresh markets underway, with the addition of **30 new cities** in 2Q20
- Continued efforts to **overlay copper and FTTC with FTTH**, to improve net adds and UBB ARPU

- **Second quarter in a row of record FTTH expansion**, with the addition of 1.3 mn HPs, taking our total to 13.1 mn HPs
- At year end, total FTTH HPs likely to **surpass 14 mn** vs. 11 mn at the end of 2019

Vivo is planning to create a **vehicle to further accelerate FTTH expansion** and enhance the capture of the Ultra Broadband opportunity

## Carve-out

of **1.1 million brownfield FTTH homes** passed

## Independent and neutral

**wholesale network**, fully operational by 2021

## Expansion

of the present footprint **to more than 5 mn HPs in 4 years**

## Focus on mid sized cities

where the fiber opportunity is **still largely untapped**

## Capex light model

**Vivo manages the relationship with the customer** and remunerates the new entity for the use of its fiber network

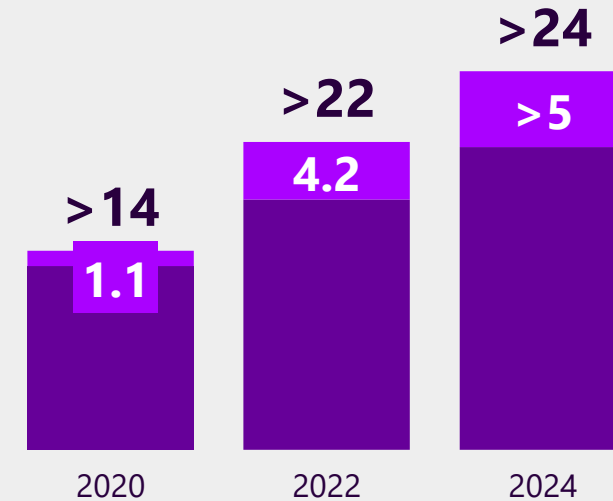


Combining **Vivo's leading value proposition + superior customer care** with **Telefonica Group's unique fiber expertise** and **Investors' financial capacity** to **reduce time to market** and **capture additional opportunities**

### FTTH Evolution

(million of HPs)

- New Fiber Vehicle<sup>1</sup>
- Vivo Deployments<sup>2</sup>

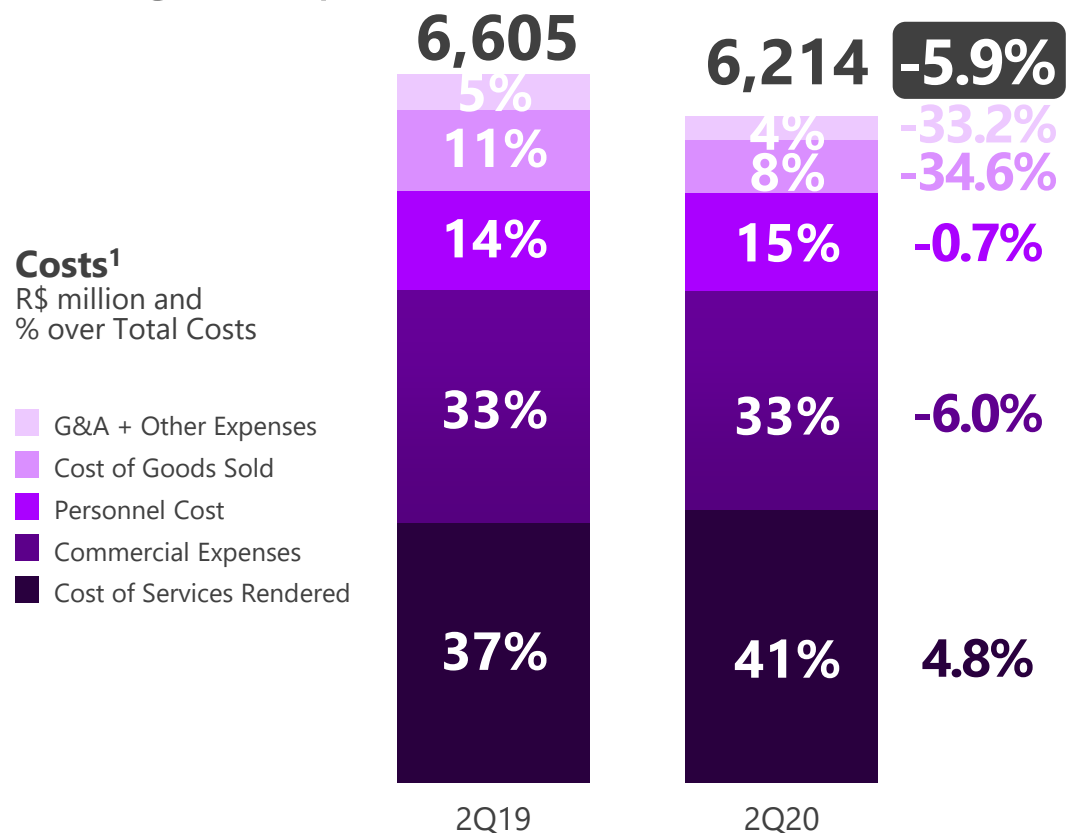


Vivo will **continue to expand its FTTH network** through the new fiber vehicle, partnerships and organically

1 – Includes 1.1 million brownfield FTTH homes passed

2 – Initial projections including organic deployment and alternative fiber partnerships

## Strong cost reduction helping to offset revenue drag from economic slowdown during the quarter



**Costs<sup>1</sup>**  
R\$ million and % over Total Costs

- G&A + Other Expenses
- Cost of Goods Sold
- Personnel Cost
- Commercial Expenses
- Cost of Services Rendered

EBITDA YoY % **-3.8%**

EBITDA Margin **39.2%** **39.8%**

Inflation 12M **3.4%** **2.1%**

## Atypical temporary cost effects in the quarter mainly due to Covid-19

- **Provisions for doubtful accounts reached 3.5% of gross revenues (+1.1 p.p. YoY)** with payment delays concentrated in B2B, with **minimal cash impact**
- **Significant reduction in COGS** as a result of lower handset sales in the period
- **Controlled personnel costs** due to temporary workday reduction and benefit from government measures
- **Increase on Costs of Services Rendered** led by higher interconnection costs due to seasonality of IP traffic in 2Q19
- **G&A + Others impacted by temporary effects** and contingencies, and benefitted by cost control initiatives

## Digitalization initiatives continue to drive efficiency

Lower spend with commissioning, call centers, billing and advertising



e-billing penetration (+12 p.p. YoY)

**75%**



**60%**

Payments using digital platforms

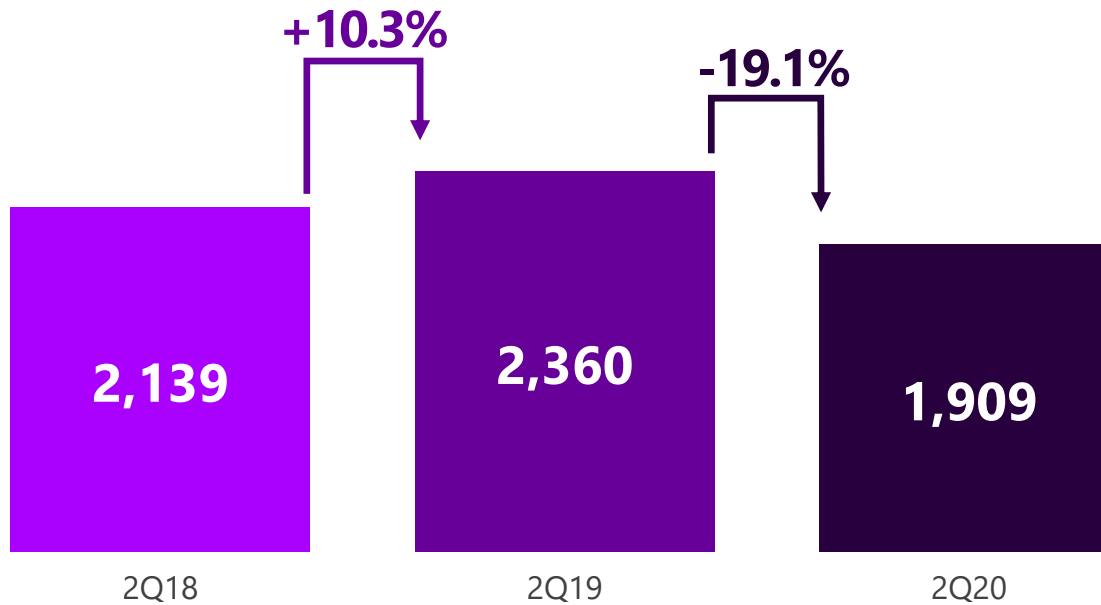


# Call center calls

**-21%**

# Increased investment in future-proof technologies while expanding Operating Cash Flow Margin by 3.7 p.p. YoY in 2Q20

**Capex Evolution**  
R\$ million



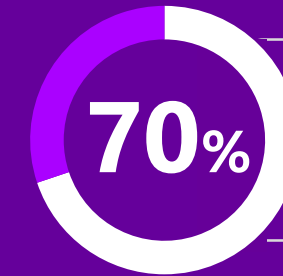
	2Q18	2Q19	2Q20
% over Net Revenues	19.8%	21.7%	18.5%
OpCF Margin	14.9%	17.5%	21.2%



- **Initial launch of 5G DSS in 8 major Brazilian cities** by the end of July (São Paulo, Rio de Janeiro, Brasília, Salvador, Belo Horizonte, Curitiba, Goiânia and Porto Alegre)
- **Network Sharing Agreement with TIM approved** by the relevant Authorities and first initiatives already underway



Prioritizing investments in growth technologies to improve returns and positioning

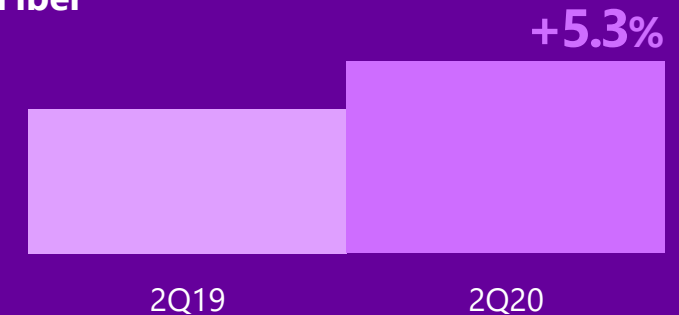


of Capex invested in **Growth**

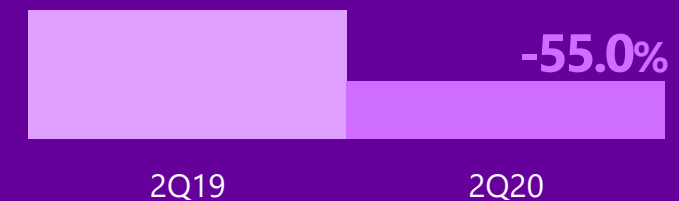
## Capex per technology

YoY %

**Fiber<sup>1</sup>**

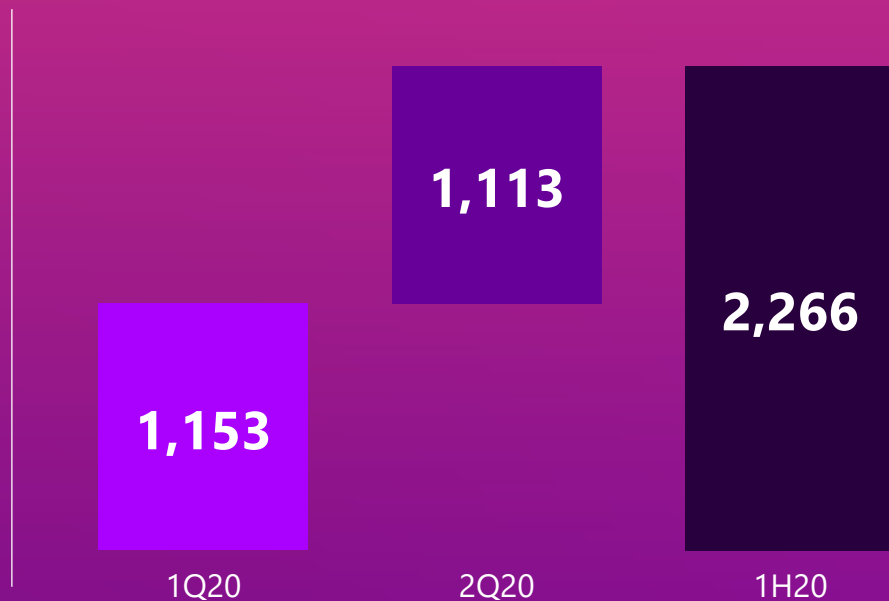


**Legacy**



# Net profit generation, supporting superior shareholder remuneration

**Net Income<sup>1</sup>**  
R\$ million



Announcement of **new Share Buyback Program** with duration of 18 months to **enhance shareholder value**

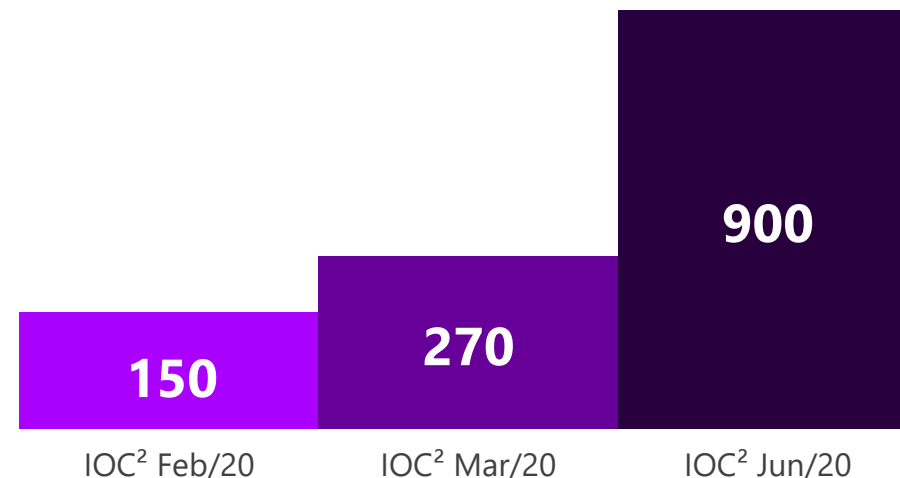
## R\$ 1.3 billion

of **Interest on Capital** declared up to June/20



**Distributions**

R\$ million



**Payment** of remuneration based on 2019 net income

**Two tranches:**

Aug 2020:

**R\$ 3.6 bn**

Dec 2020:

**R\$ 2.2 bn**



Gross/PN

**R\$ 3.53**

Payout

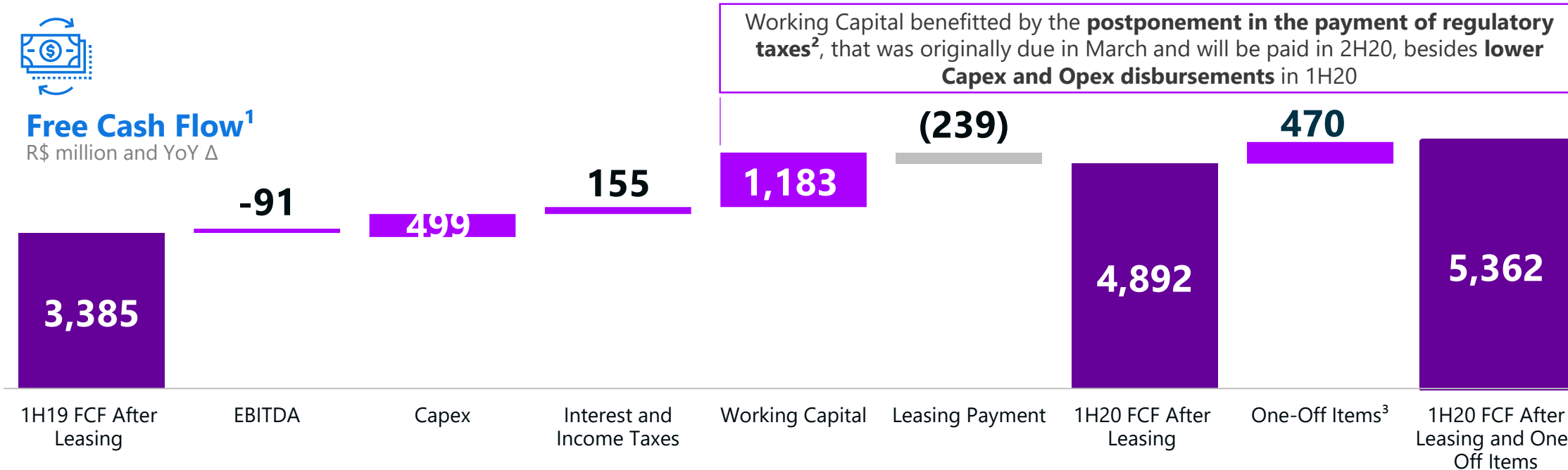
**115.6%**

# Free Cash Flow increasing 63% YoY in 1H20 due to efficient financial management and seasonal effects



## Free Cash Flow<sup>1</sup>

R\$ million and YoY Δ



Working Capital benefitted by the **postponement in the payment of regulatory taxes<sup>2</sup>**, that was originally due in March and will be paid in 2H20, besides **lower Capex and Opex disbursements** in 1H20

## YoY% Variations

-1.1%

-12.3%

-31.2%

n.a.

+32.3%

+44.5%

n.a.

+62.6%



Strong cash generation leading to net cash position

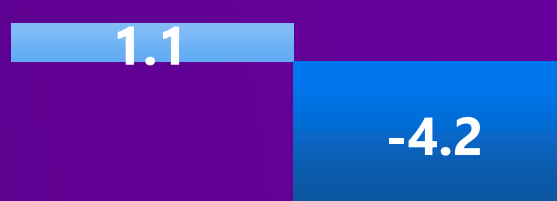
## Gross Debt<sup>4</sup> R\$ billion



Dec/19

Jun/20

## Net Debt<sup>4</sup> R\$ billion



Dec/19

Jun/20

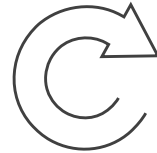
New AAA(bra) rating by Fitch, effective since July 14<sup>th</sup> 2020

To conclude, Vivo continues to strengthen its **commitment to ESG by being a socially responsible Company and contributing to build a more sustainable environment**

# R\$38 mn

**in donations to 12 states all over Brazil**

Donations for the purchase of hospital supplies and equipment and food supply for vulnerable families



# 111 tons

**of electronic waste collected with the 'Recycle com a Vivo' program since 2006**

1,600+ collection points available at stores and strategic points across the country

**Donations COVID-19**

**Circular Economy**

**Distributed Generation**

**Carbon Neutral**



# 80%

**of our low voltage energy consumption to be sourced from renewable sources**

Covering 23 states reducing costs and generating local development



# 100%

**of renewable energy and of direct emissions compensated by offsets**

Carbon credits acquisition of 2 projects in Amazon region and Northeastern backlands, granting socio-environmental value



*Telefonica*

**vivo**

For further information:

## Investor Relations

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ISEB3

VIV  
LISTED  
NYSE

[B]<sup>3</sup>  
BRASIL  
BOLSA  
BALCÃO



# Our strategy is based on the power of our business **to generate a positive impact and long-term value**

FOR  
MORE  
INFO:



**SUSTENTÁVEL**

## #vivosustentável

is our strategic pillar that drives actions, practices and initiatives to promote the well-being of society.

Through the **Responsible Business Plan**, indicators and targets are established to monitor our ESG performance in **six main topics**.

### IIRC Capitals

### Slides

Financial	3 - 16
Manufactured	10 - 11
Intellectual	12
Human	16 and 18
Social	16 and 18
Natural	16 and 18

## Main topics

## Highlights

### Customer Experience

- Over 5 million items collected through the 'Recycle com a Vivo' program
- Devices with EcoRating label that assesses the product life cycle

### Ethics and Transparency

- Recognition as most transparent company according to InternetLab
- Over 95% of employees trained in our code of conduct

### Corporate Responsibility

- Contribution with 13 of the 17 Sustainable Development Goals (SDG)
- +1.4 million people impacted by the social programs from Fundação Telefônica Vivo

### Environmental Management and Climate Change

- 1ª LEED Platinum store, 100% Carbon Neutral and Renewable Energy in the sector in Latin America
- GHG reduction target linked to executive remuneration
- ISO14001 certified management system

### Sustainability in the Value Chain

- Audits on the most significant labor suppliers (80% coverage)
- Supplier assessment through ECOVADIS platform

### Diversity and Talents

- Diversity non-financial target linked to executive remuneration
- Recognition of UN Women through the Gold label for actions to promote gender equality

