

Results
3Q20

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

October 28th 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

3Q20: Higher level of net additions in Key Segments confirms Vivo's sequential operating improvement combined with superior cash generation

+844k

Postpaid¹ Net Adds

57%

Postpaid Customer Mix

+267k

Record FTTH Net Adds

3.1 mn

FTTH Customers



Key Segments



Revenues

-1.0%

MSR² YoY

+3.3%

QoQ

+47.3%

Fiber³ Revenues YoY

+14.5%

QoQ

-3.4%

YoY

Recurring Costs
ex-COGS⁴

40.0%

EBITDA Margin

+0.3 p.p.
QoQ



Profitability



Cash

R\$7.5bn

OpCF 9M20

23.5% Margin
+3.4 p.p. YoY

R\$8.9bn

FCF 9M20

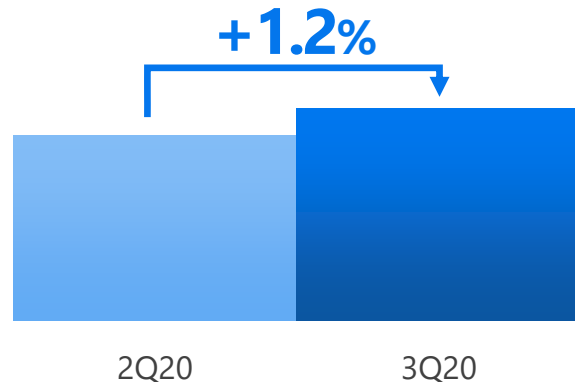
+50%
YoY

Consistent recovery as Vivo maintains its crucial role in guaranteeing **best-in-class connectivity**



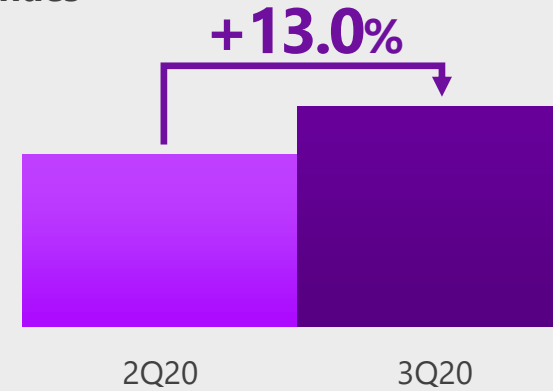
COVID update

Postpaid Revenues



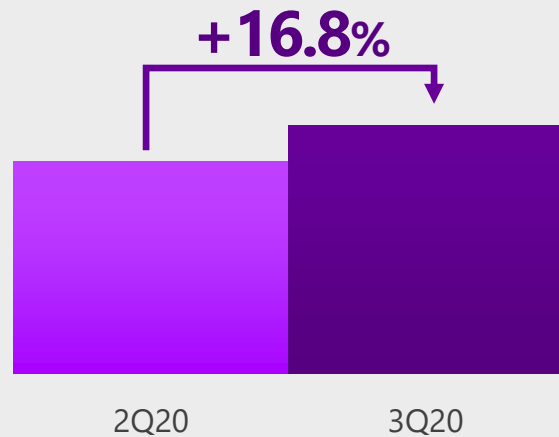
Postpaid quarterly evolution driven by **recovery of net additions, that typically happen in stores**

Prepaid Revenues



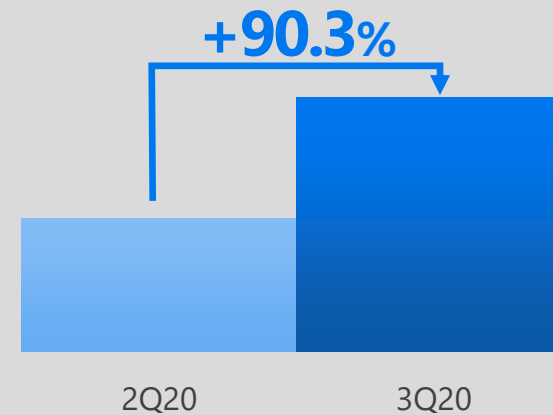
Prepaid evolution **continues to advance** demonstrating a clear recovery vs 2Q20

FTTH Revenues



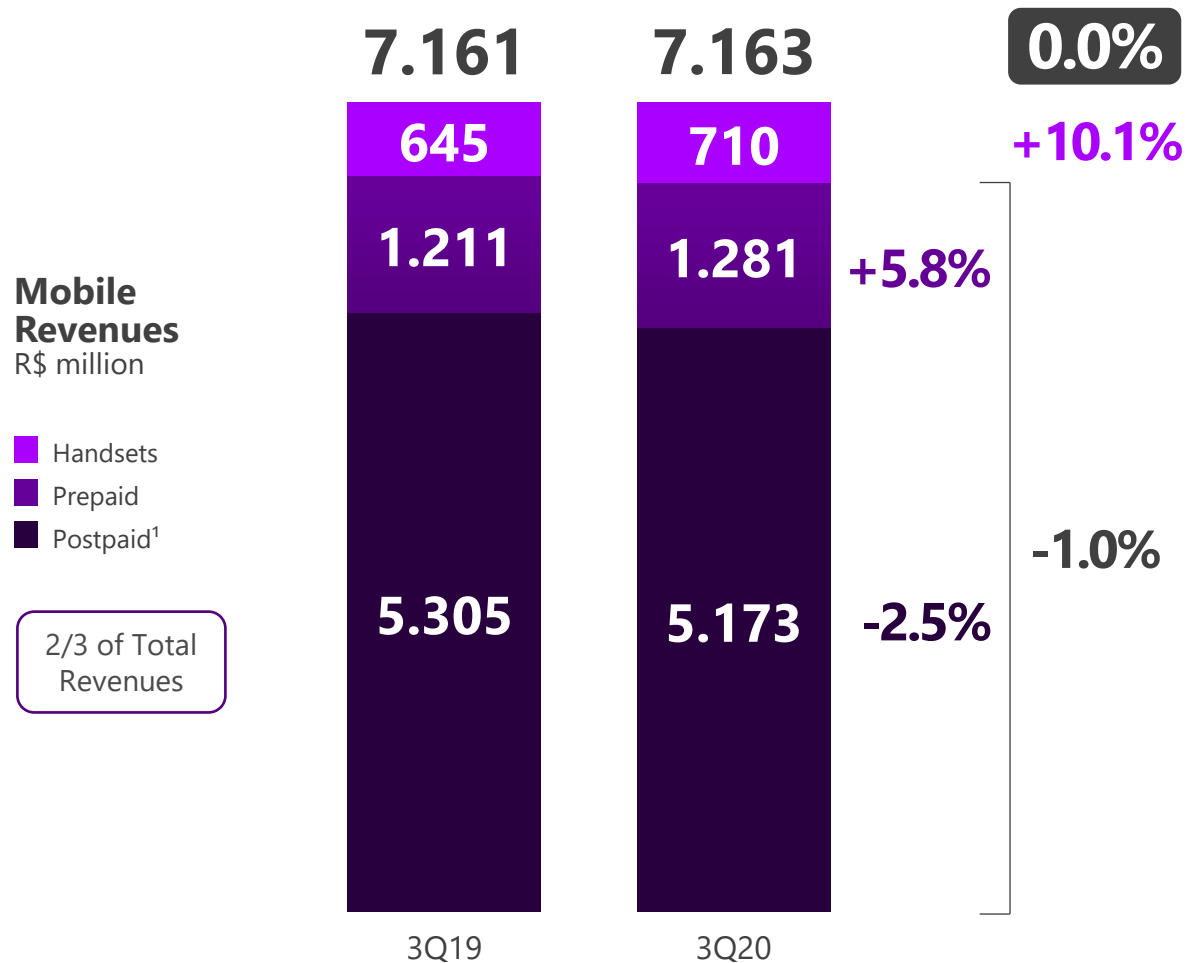
FTTH revenues continue to outperform as **fiber expansion continues at full speed**

Handset Sales



Strong recovery in handset sales as **stores opened in the quarter** (vs. 80% Jun/20)

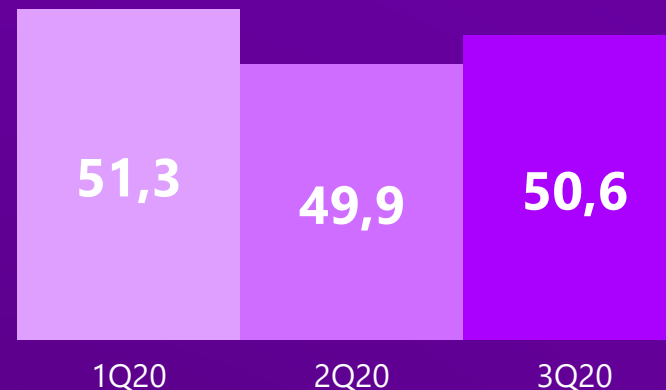
Mobile Revenues still impacted by temporary confinement measures but with **positive evolution in prepaid and handset sales**



Mobile Postpaid

57% of mobile accesses
80% of MSR³

ARPU²
R\$



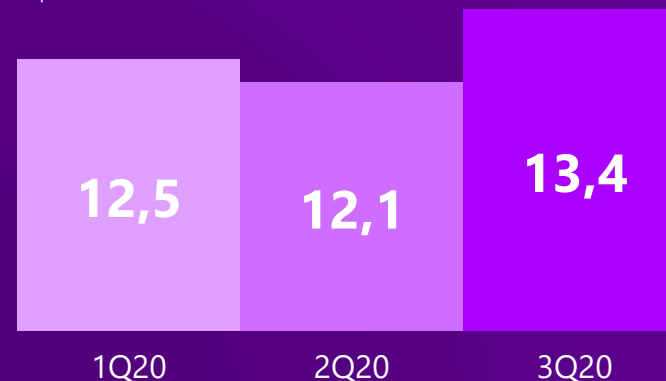
Vivo continues with a disciplined **more for more strategy**

Postpaid ARPUs **recovering** to pre-Covid levels

Mobile Prepaid

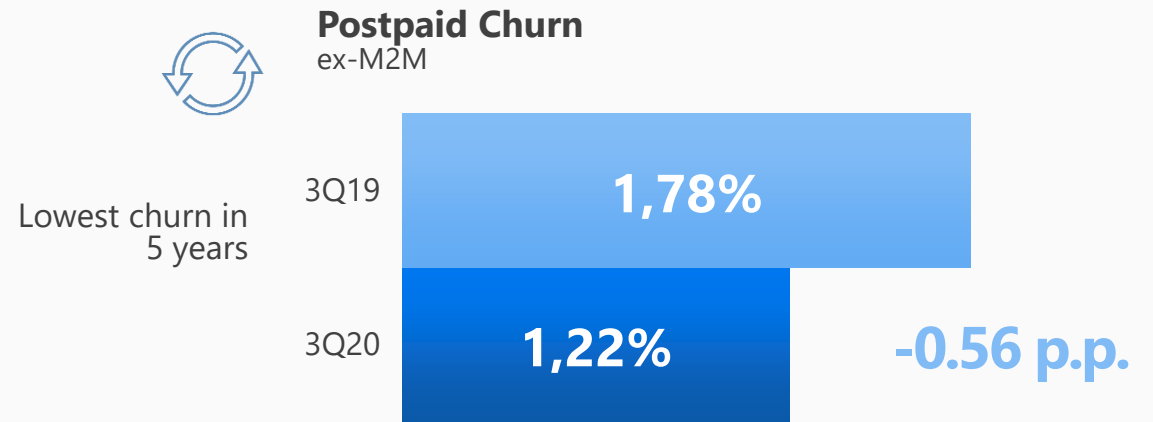
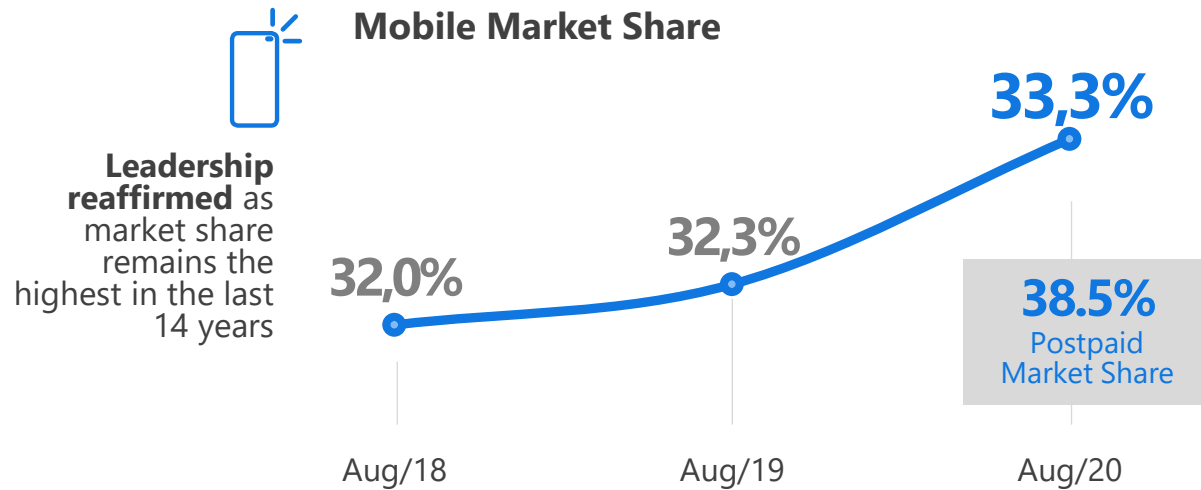
43% of mobile accesses
20% of MSR³

ARPU
R\$

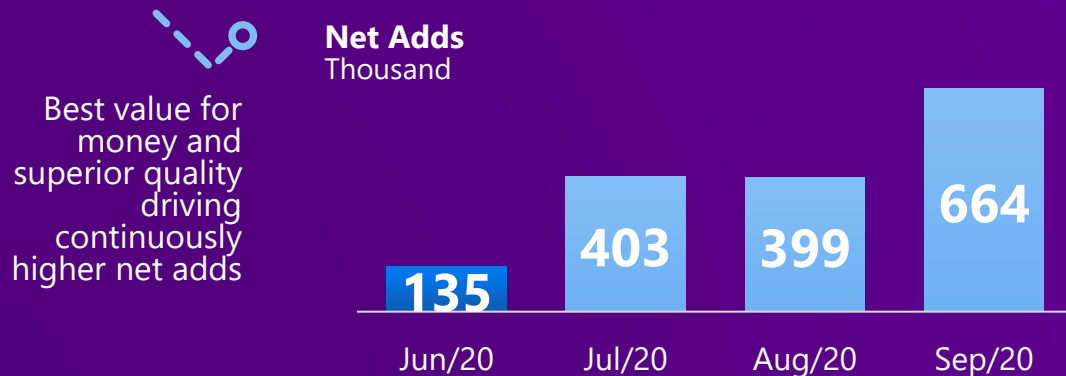


Increased recurrency of **recharges** through customer base management and **strong additions** also allowing for higher migration to postpaid

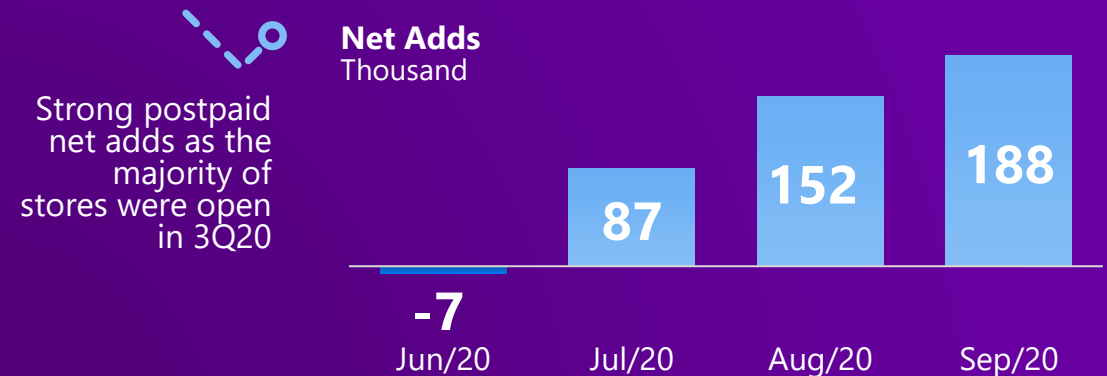
Unique user experience and quality of service attesting market leadership and resulting in **lowest postpaid churn in 5 years**



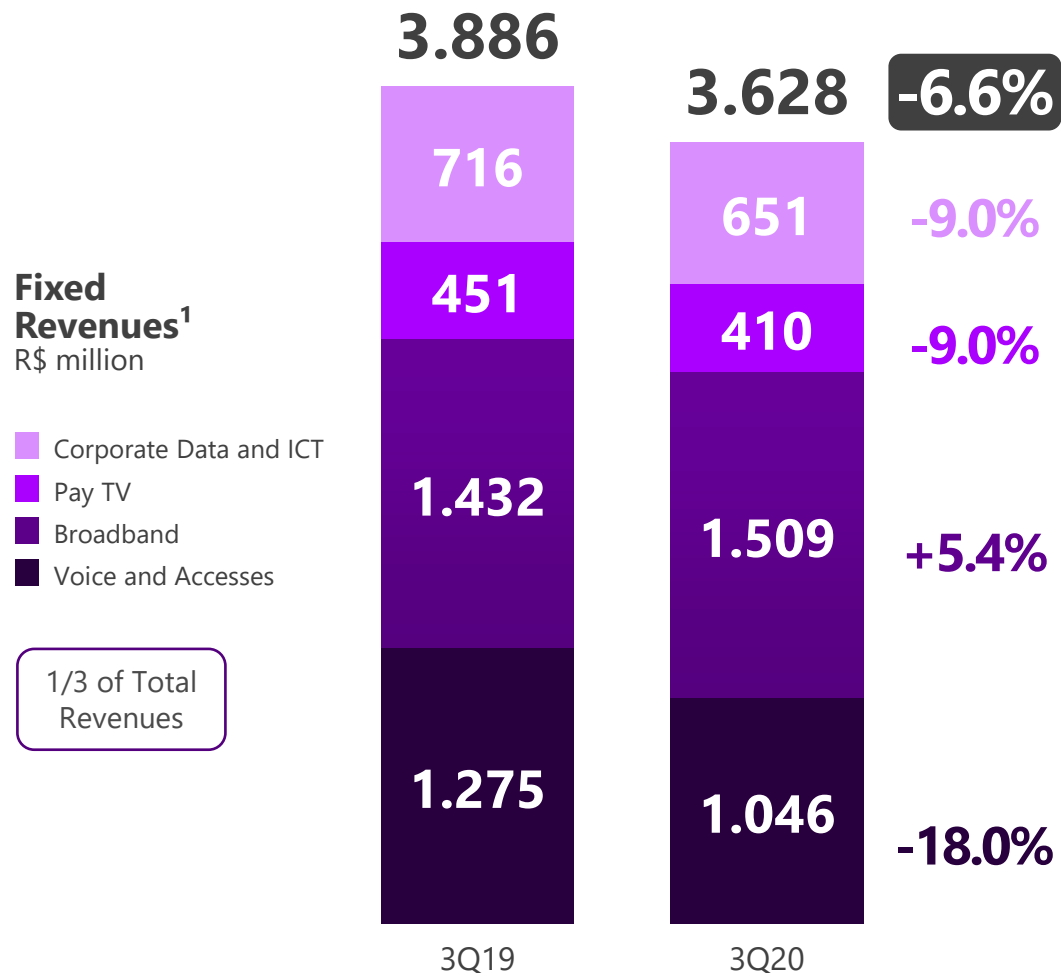
Mobile Prepaid 33 million accesses²



Mobile Postpaid¹ 44 million accesses²



Fiber services maintain accelerated growth, transforming the revenue mix



Fixed Revenues¹
R\$ million

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

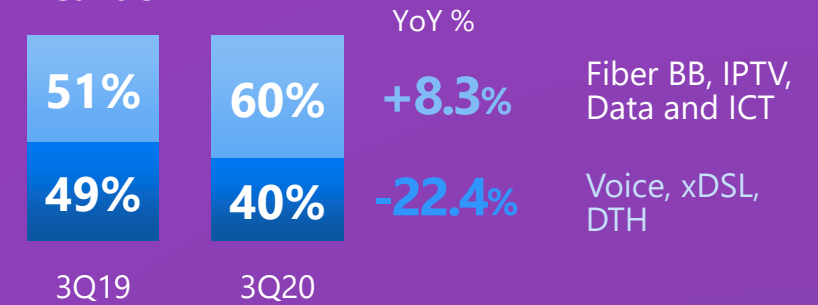
1/3 of Total Revenues

Growing Businesses continue to increase in relevance on the Company's Revenues

FTTH + IPTV revenues already represent 31% of fixed revenues, with a combined growth of 47.3% YoY

Legacy businesses revenues continue to drop due to **strategic decision of focusing on top quality services**

Fixed Revenues Breakdown



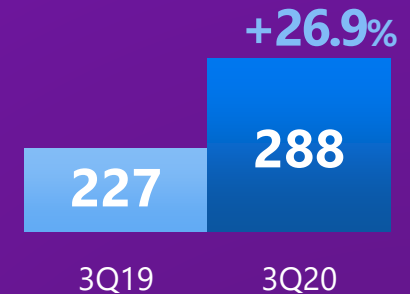
FTTH Revenue

R\$ million



IPTV Revenue

R\$ million



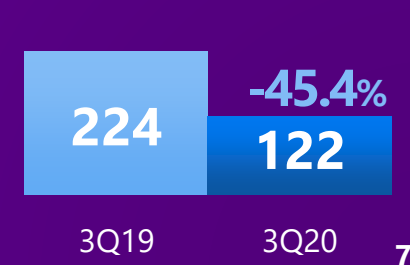
Legacy BB² Revenue

R\$ million



DTH Revenue

R\$ million

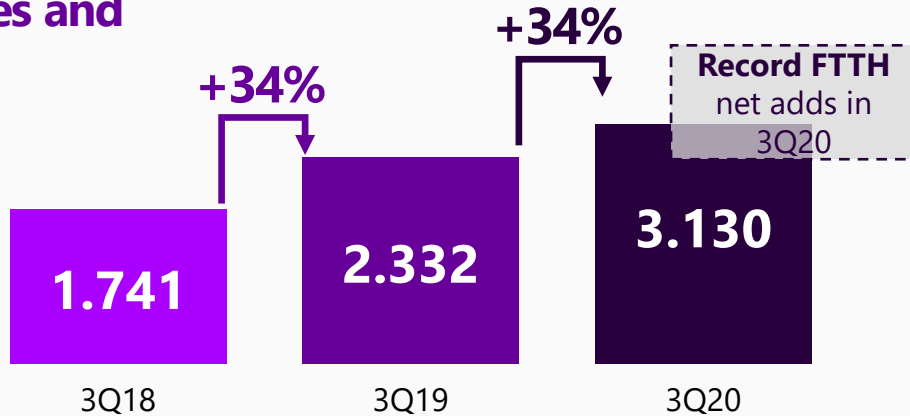


High-value accesses continue to grow, improving customer base mix, with fiber posting record net additions for the third quarter in a row and representing $\approx 50\%$ of BB accesses

FTTH Accesses and BB ARPU

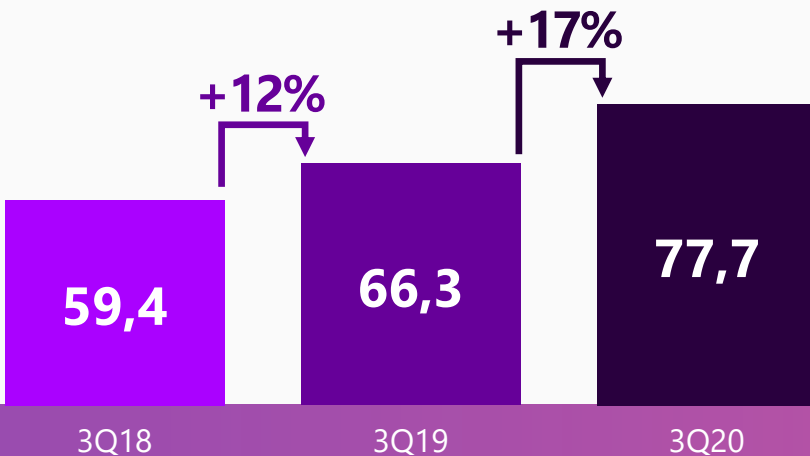


FTTH Accesses
Thousand



% over BB base

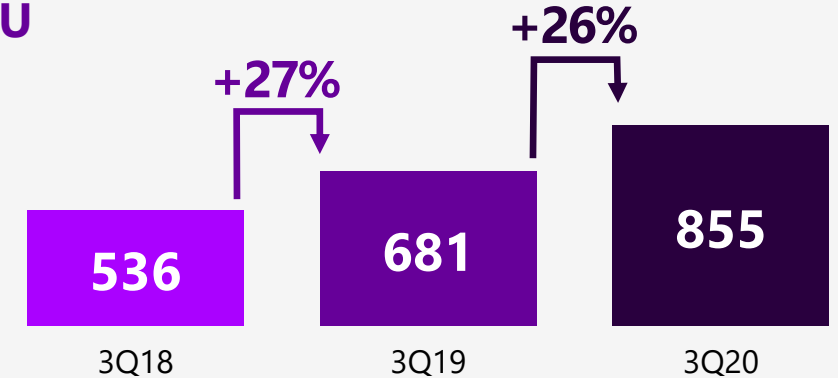
BB ARPU¹
R\$ per month



IPTV Accesses and Pay TV ARPU

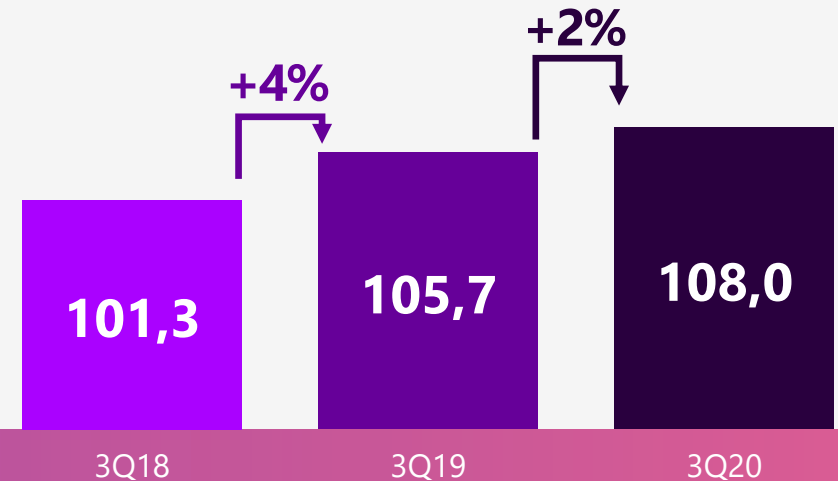


IPTV Accesses
Thousand



% over TV base

Pay TV ARPU¹
R\$ per month



Vivo has a unique set of enablers to capture opportunities and value in the digital space



Largest access base in the sector
94 million accesses



Top 8 brand in Brazil (#1 Telco)
US\$ 2.2 billion¹



Extensive billing capabilities
payment alternative for customers with no bank account



Meu Vivo e-care app
18.6 million unique users



More than 1,600 stores
comparable to the largest retailers in Brazil



3rd biggest portal in the country
with more than 200 million visits per month

LOJA vivo*

Launch of digital Market Place

Offering everything technology-related at loja.vivo.com.br

Financial Services

Launch of a 100% digital platform, focused on offering fast and simple personal loans to postpaid customers

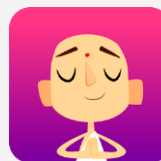


Co-branded Mobile Plans

Vivo Selfie plans offering data + Spotify, Netflix, Rappi and Premiere subscriptions

Fiber offers with OTTs

Fiber bundles that include Netflix and Amazon Prime subscriptions



Vivo Meditação

Wellness app for meditation and mindfulness with >1.6 million downloads since Jul/2017

Healthcare initiatives

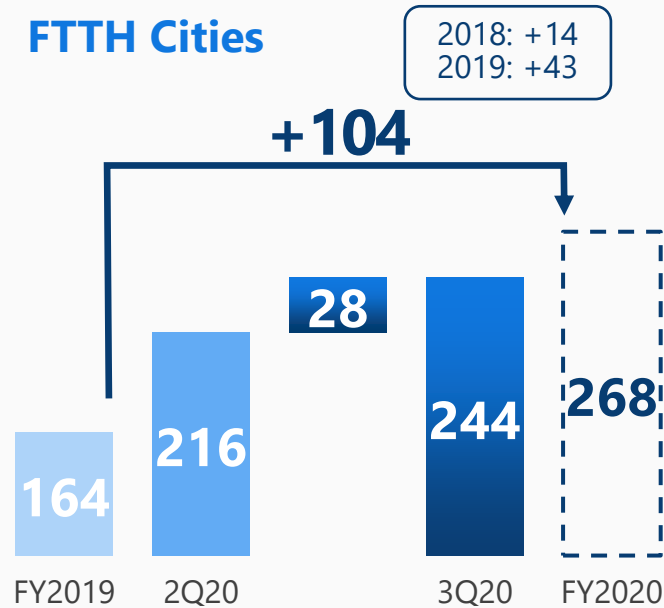
Strategic partnership with **Yalo** to offer health benefits to Vivo customers



Fiber deployment continues at full speed, with a new record of 1.5 million FTTH Homes Passed added in the quarter



FTTH Cities



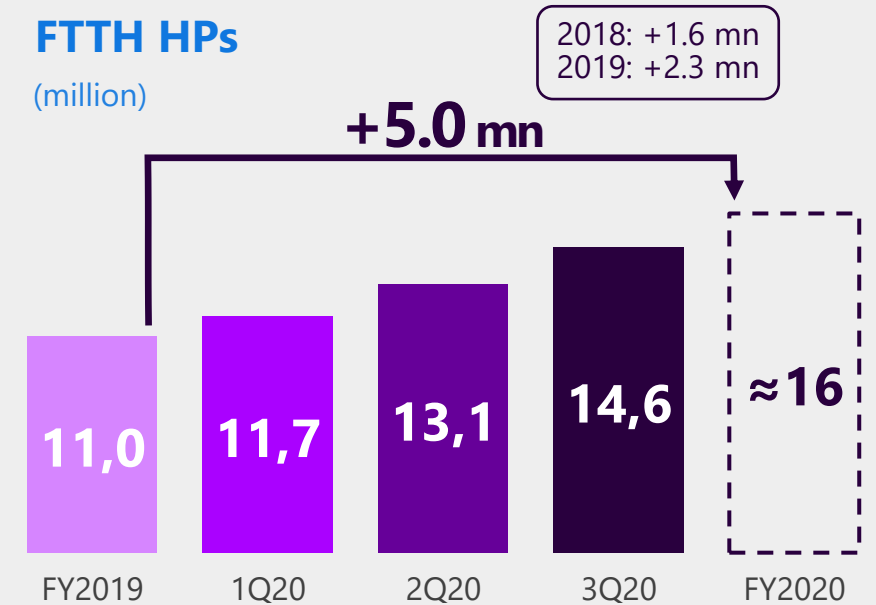
Cities launched in 3Q20

- | | |
|-------------------------|--|
| Artur Nogueira/SP | Novo Hamburgo/RS |
| Biritiba-Mirim/SP | Pará De Minas/MG |
| Cabreúva/SP | Paracatu/MG |
| Cambé/PR | Passos/MG |
| Campo Largo/PR | Patos De Minas/MG |
| Campos Do Jordão/SP | Pedreira/SP |
| Catalão/GO | Penápolis/SP |
| Cianorte/PR | Porto Feliz/SP |
| Conselheiro Lafaiete/MG | São Sebastião/SP |
| Coronel Fabriciano/MG | Tietê/SP |
| Cubatão/SP | Várzea Grande/MT |
| Esteio/RS | Franchises Launched¹ |
| Itajaí/SC | Taquaralto, Palmas/TO |
| Itanhaém/SP | |
| Itapeva/SP | |
| Lorena/SP | |
| Marialva/PR | |



FTTH HPs

(million)



- **Consistent expansion to fresh markets**, with the addition of **28 new cities** in 3Q20
- **Overlay of copper and FTTC with FTTH** continues to improve net adds and UBB ARPU
- Structuring of **Neutral Fiber Network advancing as planned**. Fully operational in 2021.

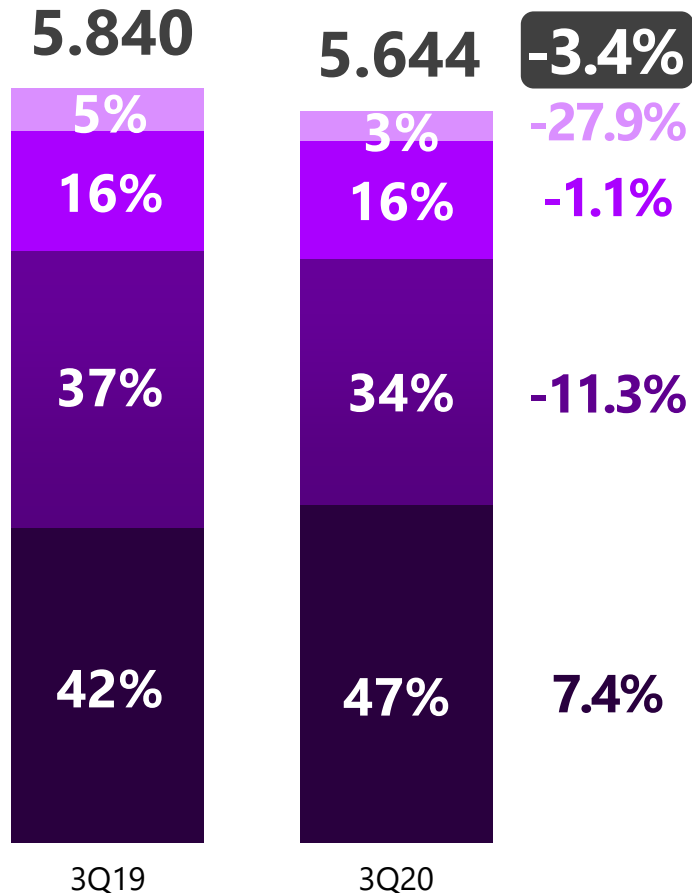
- **Third quarter in a row of record FTTH expansion**, with the addition of 1.5 mn HPs, taking our total to 14.6 mn HPs
- **Total FTTH HPs expected to reach approx. 16 mn in 268 cities by FY2020**

Continuous cost optimization driven by digitalization and efficiency initiatives

Recurring Costs ex-COGS¹

R\$ million and % over Total Costs

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



Recurring Costs **6.570** **6.470** **-1.5%**

Inflation 12M **2.9%** **3.1%**

- **Decreased G&A and Personnel Costs** benefited by cost control initiatives and government measures (e.g. temporary workday reduction);
- Strong decrease in Commercial Expenses driven by **lower spend with commissioning, call centers, billing and advertising**, benefited by digitalization initiatives and lower bad debt costs (-29.3% QoQ).
- **Growth of Services Rendered expenses as a result of higher costs related to network expansion and quality** as well as higher FISTEL (+17.6% YoY) due to the acceleration of mobile base growth.

e-billing penetration (+11 p.p. YoY)

79%



Billing

63%

Payments using digital platforms



Collection



Automation

Call Center



Processes automated by robots

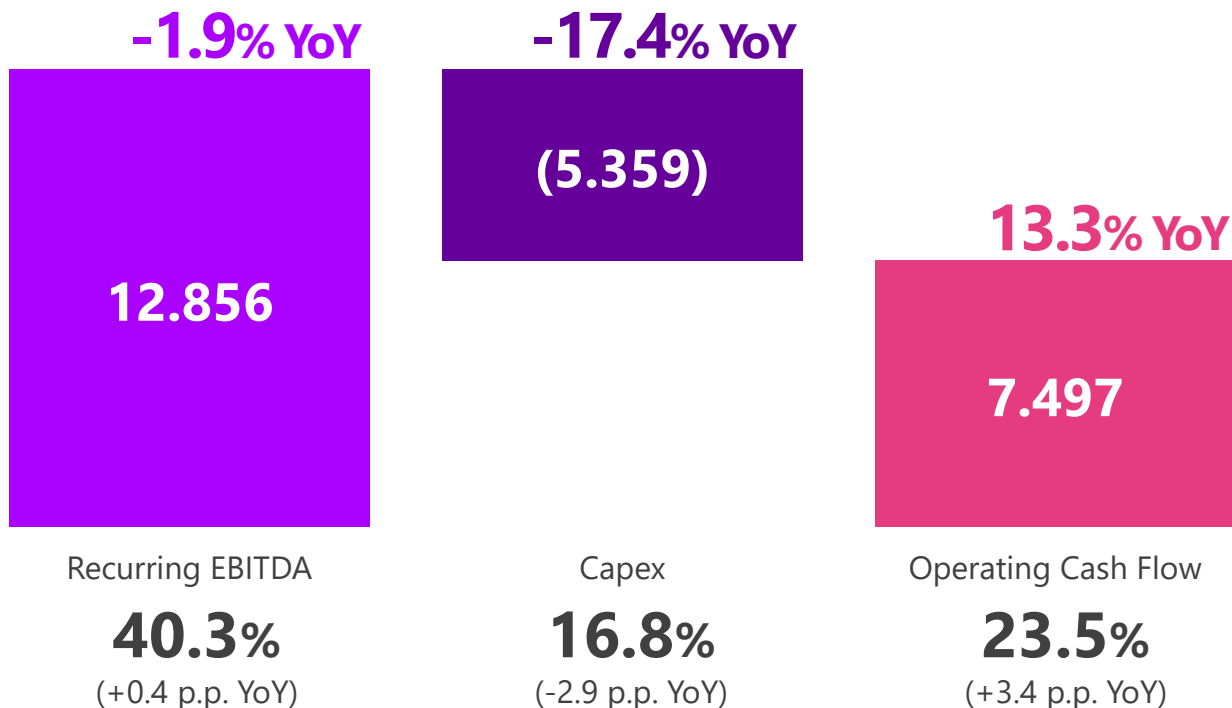
915

-20%

Call center calls

Optimized capex allocation driving **Cash Flow growth while expanding fiber footprint**

Operating Cash Flow¹
9M20
R\$ million



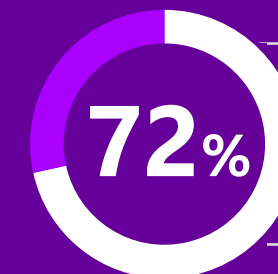
% over Net Revenues



- **Network sharing with TIM already being executed and evolving according to expectations**



Investments in growth technologies to **improve returns, quality and value proposition**

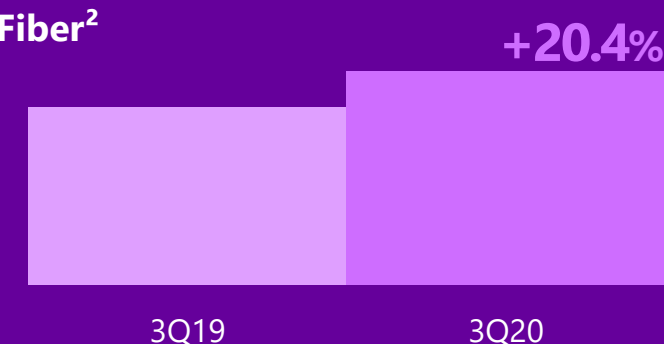


of Capex invested in **Growth**

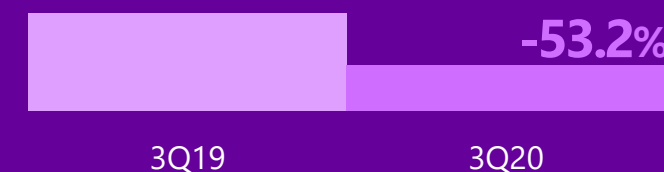
Capex per technology

YoY %

Fiber²

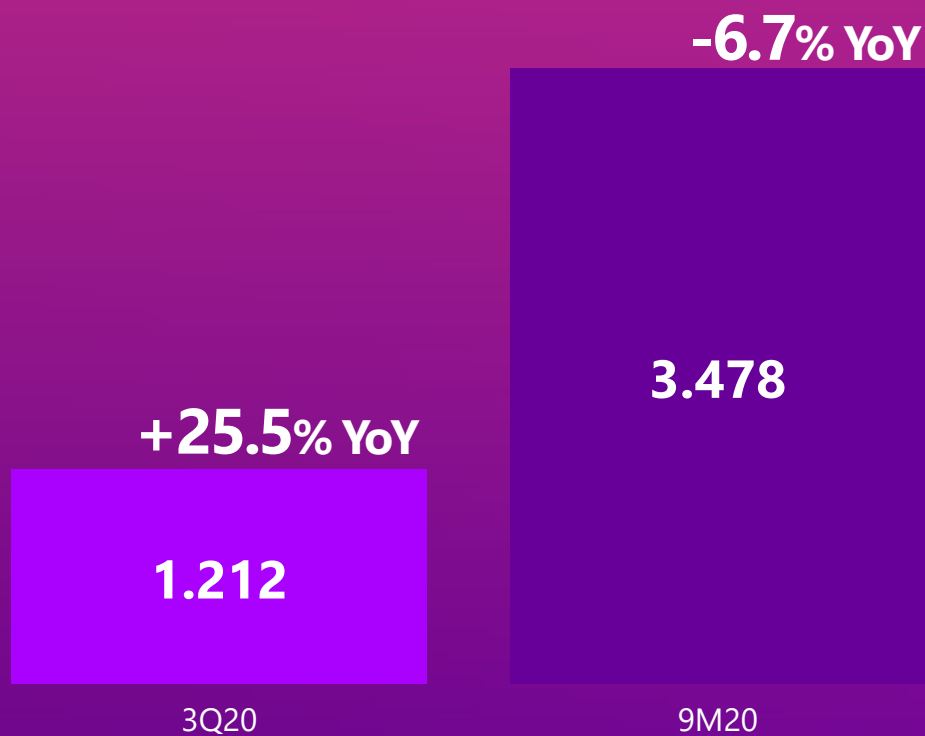


Legacy



Solid net income evolution allowing for strong shareholder remuneration

Net Income¹
R\$ million



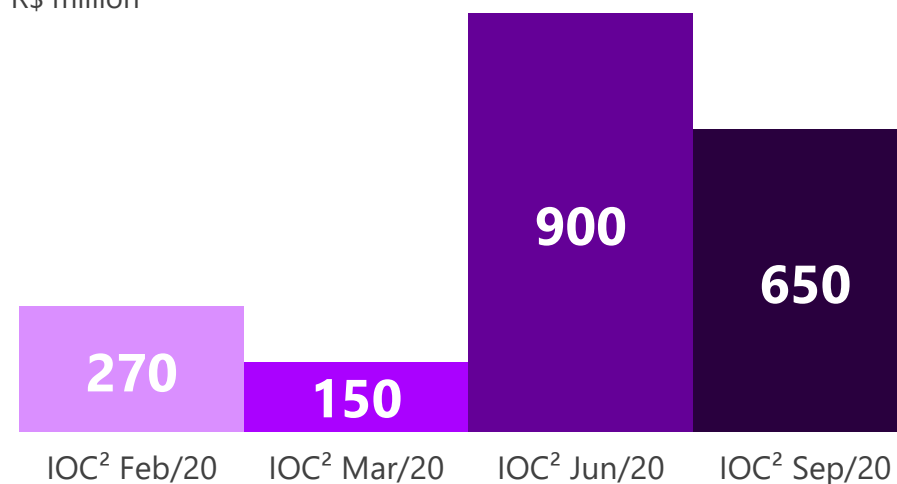
R\$ 2.0 billion

of Interest on Capital declared up to Sep/20



Distributions

R\$ million



Payment of remuneration based on 2019 net income

Two tranches:

Aug 2020:

R\$ 3.6 bn ✓

Gross/PN

R\$ 3.53 ✓

Dec 2020:

R\$ 2.2 bn

Payout

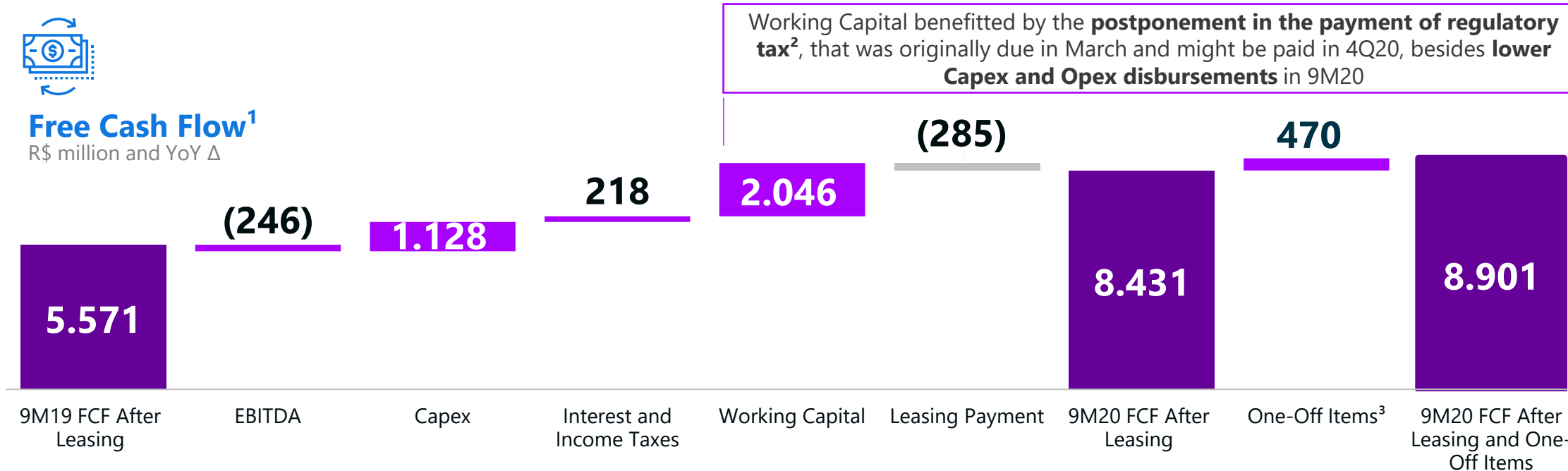
115.6%

Effective financial management and rational capex allocation resulting in **Free Cash Flow increase of 50% YoY** in 9M20



Free Cash Flow¹

R\$ million and YoY Δ



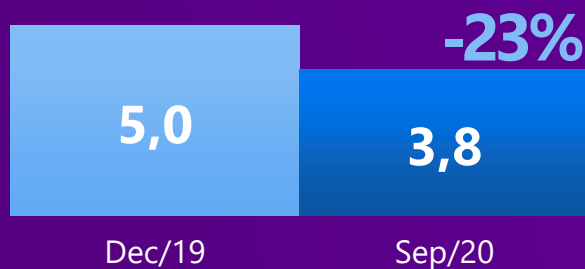
YoY% Variations

-1.9% -17.4% -28.2% n.a. +25.2% +51.4% n.a. +50.1%

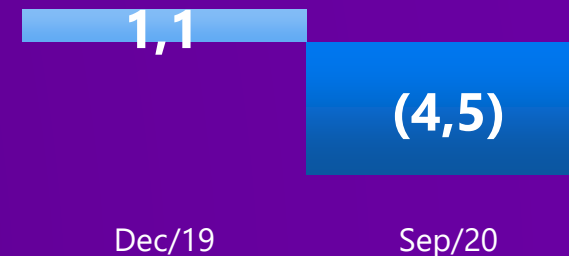


Solid cash generation enhancing net cash position

Gross Debt⁴ R\$ billion



Net (Cash) Debt⁴ R\$ billion



Consistent focus on ESG resulting in **Vivo being one of the Top 10 companies of the new S&P/B3 ESG index**



Environment

Launch of Recycle with Vivo campaign

with >1,600 collection points, focused on raising awareness of the proper disposal of electronic waste

First Biogas Power Plant inaugurated

one of the **70 Renewable Power Plants** foreseen by the Distributed Generation Project to be fully operational by 2021



Social

First Brazilian recipient of UNESCO's Hamdan Prize for teacher effectiveness

through the **Connected Schools Project**, that had >300k new subscriptions (3x YoY)



Recognition of Vivo as one of 150 best companies to work in 2020

and in the Early Childhood Ranking, according to **Great Place to Work®**



Governance

Conversion of Preferred shares into Common shares

approved by the ESM¹ and SGMPs¹, granting tag along and voting rights to all shareholders

Top 10 company

in the most recent Sustainability Index, the **S&P/B3 Brasil ESG**



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