

Corporate Presentation

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

November, 2020

Telefonica

vivo



Vivo is the market leader in Brazil and has the best assets to capture growth opportunities and generate even higher returns

Outlook

- Perspectives of **economic recovery** after Covid-19 shock
- **Regulatory framework modernization** through Law 13.879
- **Telecom Market:** significant opportunities in fiber, mobile, and digital services

Growth

- 60% of fixed revenues are composed of **growing businesses**
- **Fiber deployment continues at full speed**
- 80% of MSR from postpaid customers, with **leadership reaffirmed**
- **Multiple initiatives in the digital space**

Efficiency and Returns

- **Digitalization and simplification** driving resilient EBITDA
- **Smart capex allocation** improving returns
- **Strong FCF generation**, even with solid investments, supporting higher shareholder remuneration

ESG

- One of the **top 10 companies** in the new **S&P/B3 Brasil ESG Index**
- **Conversion of Preferred Shares into Common Shares** underway¹
- **Winner of UNESCO's Hamdan Prize** for teacher effectiveness
- Recognition of Vivo as **one of 150 best places to work in 2020**²



Resilient revenue base with positive outlook for the future

Strong FCF and Net Income evolution

Consistent focus on ESG

Economic recovery and positive evolution of the regulatory framework will **enable Vivo to unlock significant value**



Key economic drivers

- **Economic activity recovers** as a result of the flexibilization of isolation measures, along with the government's financial aid
- **Record low interest rates** with inflation forecasts below target
- **Economic reforms are underway** to address fiscal risks

Outlook¹ of economic recovery after Covid-19 shock

	19A	20E	21E	22E	23E
GDP Growth %	1.1%	-4.8%	3.4%	2.5%	2.5%
CPI % , EoP	4.3%	3.0%	3.1%	3.5%	3.3%
Exch. rate R\$/US\$	4.0	5.4	5.2	4.9	4.9



Positive evolution of the sector's regulation

- New law 13.879 will allow **fixed voice concessionaires to migrate to an authorization framework**, incentivizing investments in modern technologies
- Companies will be able to significantly reduce their legacy spend and **focus their capital on up-to-date, future-proof solutions**
- Law 13.879 is also important for the mobile business, as it permits the **automatic renewal of spectrum**
- **The 5G spectrum auction** is likely to focus on coverage obligations and expected to take place by the end of 1H21

The market is witnessing **positive trends across key segments**, in which Vivo is the leading operator in Brazil



Key market trends

1

Accelerated FTTH expansion

UBB will maintain a double-digit growth in the coming years, driven by low penetration (31%)¹

2

Market consolidation

Improving competitive scenario, capital intensive market and fragmented FBB players

3

Preparation for 5G

5G DSS already launched in some cities. Kick-off of the 5G era in Brazil with the spectrum auction in 2021

4

Focus on new revenue streams

Aiming to play a role in Digital Services, telcos will expand their reach

5

IoT massification

IoT will gain traction in Brazil, mainly in fleet management, agro, smart building and smart cities



Key metrics

Vivo Accesses Market Share September/2020



Mobile

33.6% 

76.7 mn accesses



Broadband

18.6%

6.4 mn accesses



Pay TV

8.4%

1.3 mn accesses

Postpaid

38.3% 

44.0 mn accesses

FTTH

21.0% 

3.1 mn accesses

IPTV

80.2% 

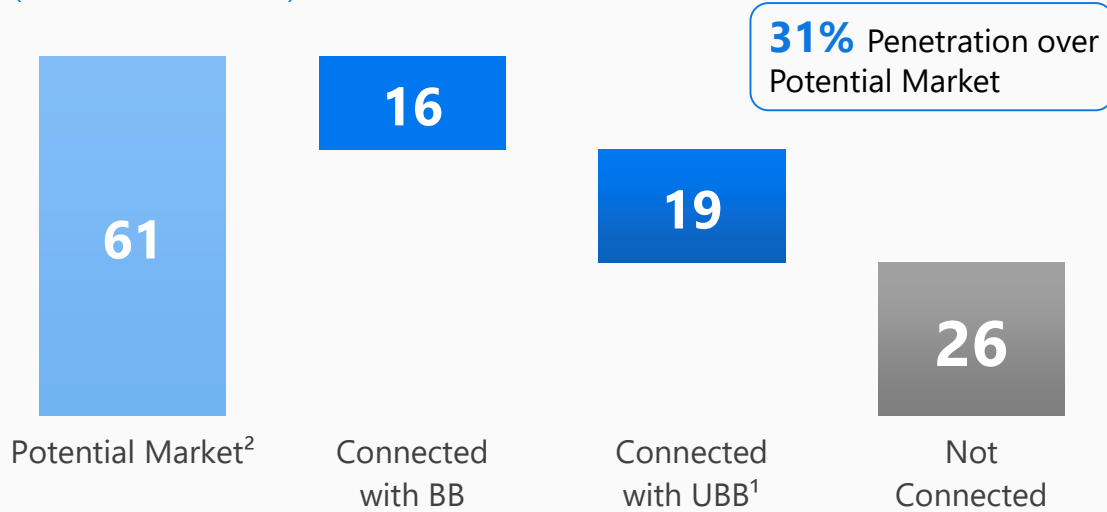
0.9 mn accesses

Penetration of ultra broadband remains low in Brazil and **Vivo's fiber deployment continues at full speed** to capture this opportunity



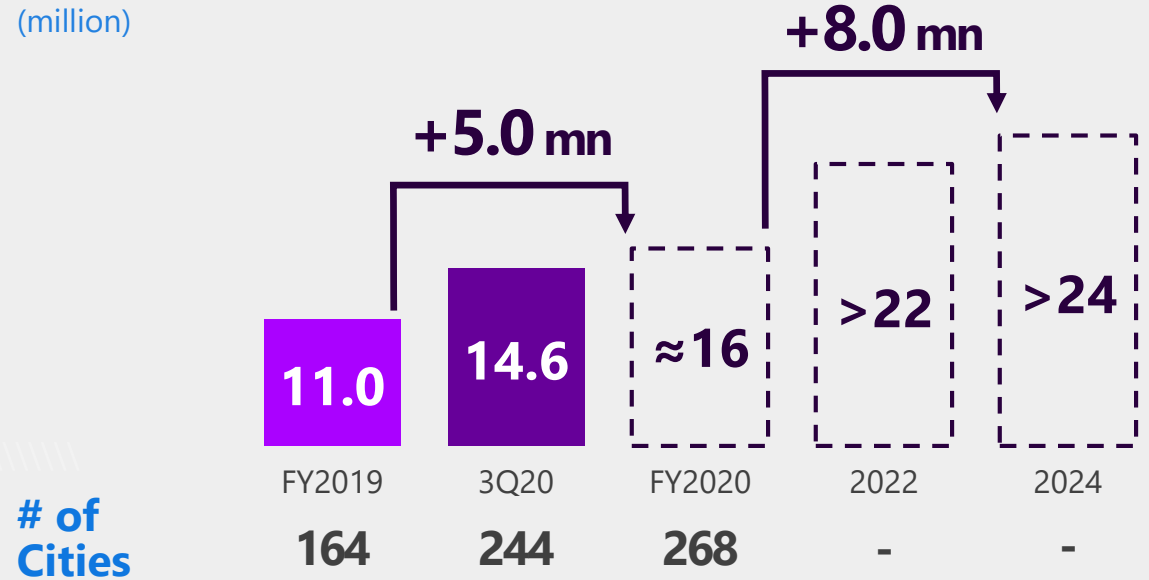
Low penetration of UBB¹ in Brazil

(million households)



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.

- **3Q20 was the 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 and 24 million by the end of 2024** through organic expansion, neutral fiber network and partnerships

Vivo is using alternative fiber expansion models resulting in **reduced time to market** and **limited impact on capex**

Neutral Fiber Network



- **Independent and neutral wholesale network**, fully operational by 2021
- **Carve-out of 1.1 million brownfield FTTH homes passed**
- **Focus on mid sized cities** where the fiber opportunity is still largely **untapped**, expanding the current footprint **to more than 5 mn HPs in 4 years**
- **Capex light model**, as **Vivo manages the relationship with the customer** and **remunerates the new entity** for the use of its fiber network

Partnerships



- **Partner with American Tower and Phoenix Tower Brazil, which build and operate** Homes Passed (HP) infrastructure
- Vivo invests in the customer premises, offering connectivity using the **Vivo Fibra brand**
- Partner responsible for **Capex per HP**
- **Variable cost model** to protect returns
- **Relevant OpCF generation** and solid return on investment

Franchises



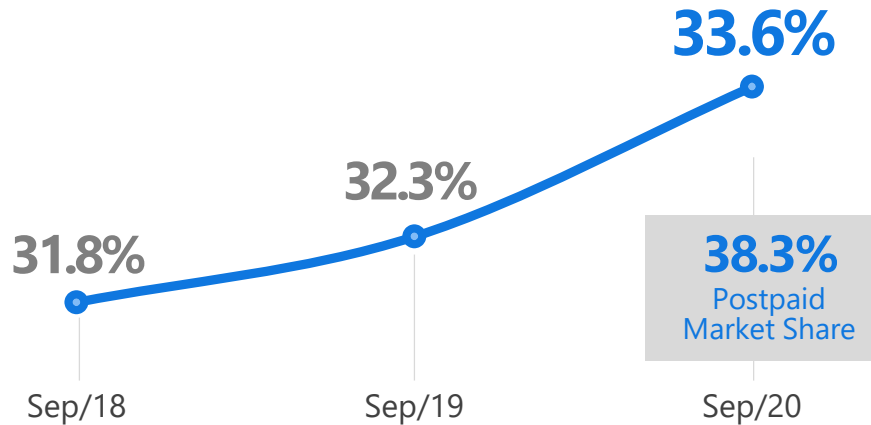
- **Franchisee builds and operates the network and manages the customer relationship**, selling through the Terra brand
- **Vivo provides the know-how, brand, backbone, call center, scale with suppliers**, among others
- Targeting neighborhoods and cities where **Vivo currently does not provide ultra broadband services**
- Financial model based on a **royalty fee over gross revenues**
- **No Capex impact**, with positive return

Mobile quality differentiation attesting market leadership and resulting in lowest postpaid churn in 5 years



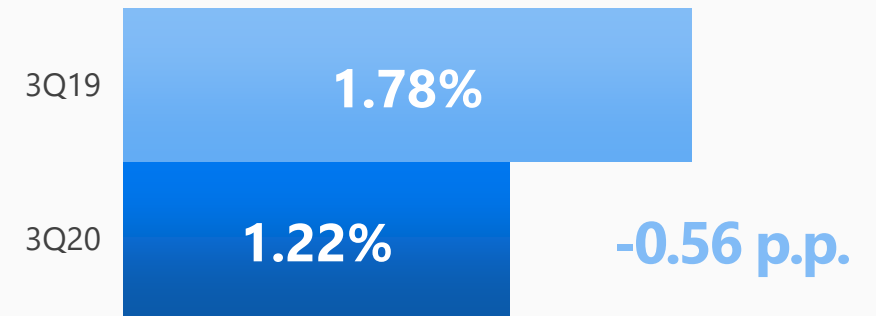
Mobile Market Share

Leadership reaffirmed as market share remains the highest in the last 14 years



Postpaid Churn ex-M2M

Lowest churn in 5 years

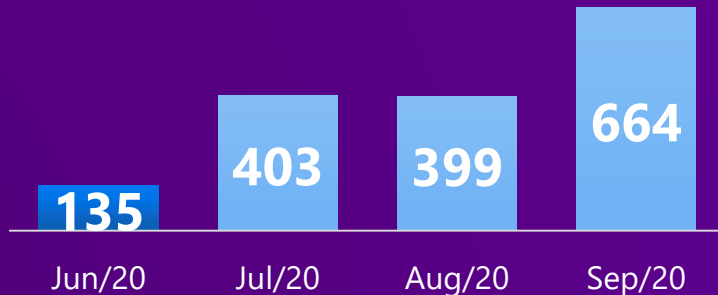


Mobile Prepaid

33 million accesses²

Net Adds Thousand

Best value for money and superior quality driving continuously higher net adds

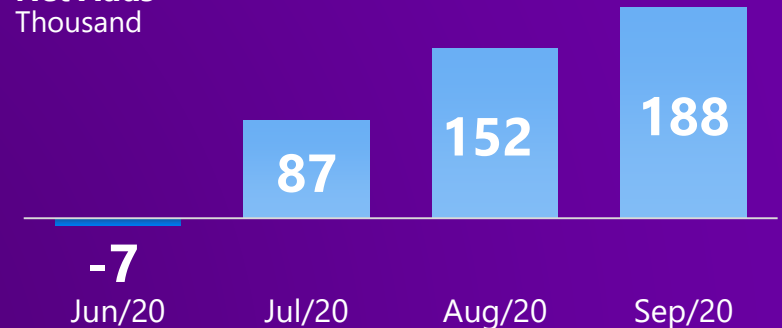


Mobile Postpaid¹

44 million accesses²

Net Adds Thousand

Strong postpaid net adds as the majority of stores were open in 3Q20



Vivo has a unique set of enablers to capture opportunities and enhance its 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, offering fast and simple personal loans to postpaid customers

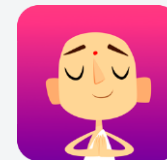


Co-branded Mobile Plans

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



Continuous cost optimization driven by digitalization and efficiency initiatives

Recurring Costs ex-COGS¹
R\$ million

Constant cost control, resulting in a contraction of -5.5% YoY on real terms



Digitalization initiatives are a key driver to our sequential cost reduction story and to the improvement of the customer journey

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

79%
(3Q20 vs 3Q19)



Billing

63%
(3Q20 vs 3Q19)

Payments using digital platforms



Collection



Automation

Call Center



Processes automated by robots

915
(Sep/20)

-20%
(3Q20 vs 3Q19)

Call center calls

Recurring Costs

19,789

19,078

-3.6%

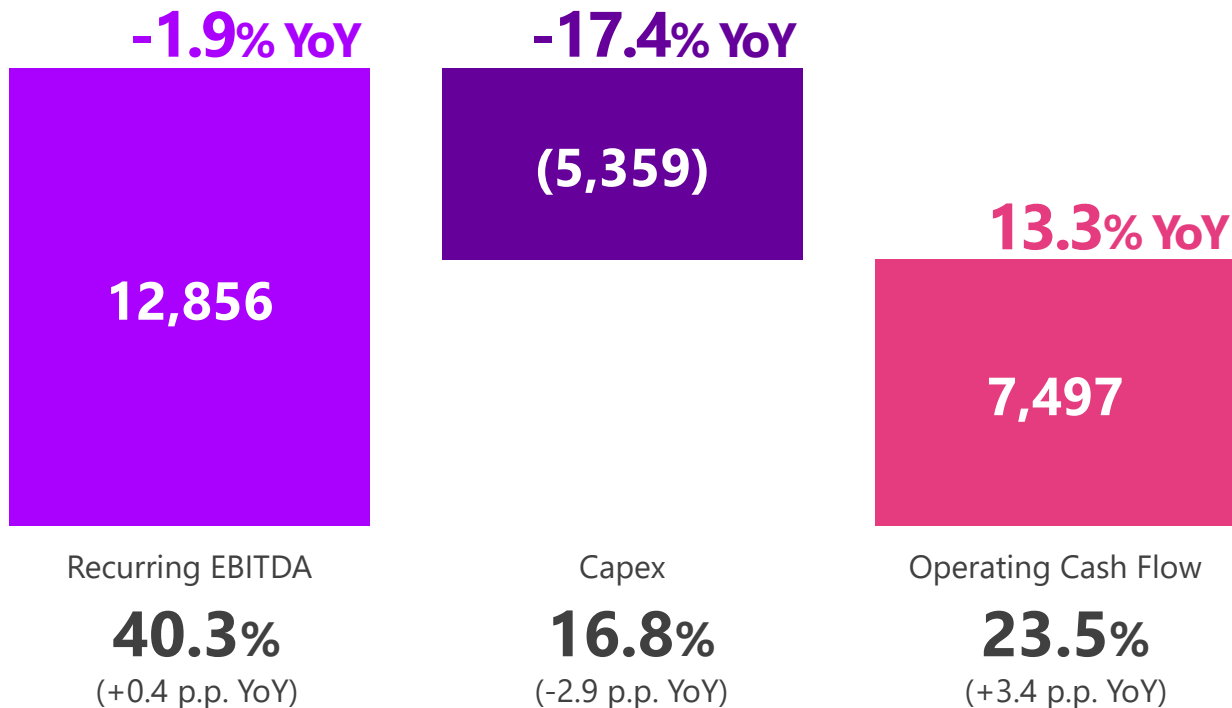
Inflation 12M

2.9%

3.1%

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

Operating Cash Flow¹
9M20
R\$ million



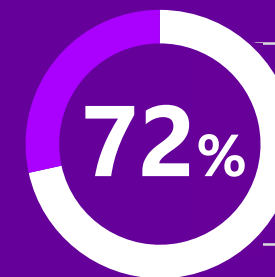
% over Net Revenues



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



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

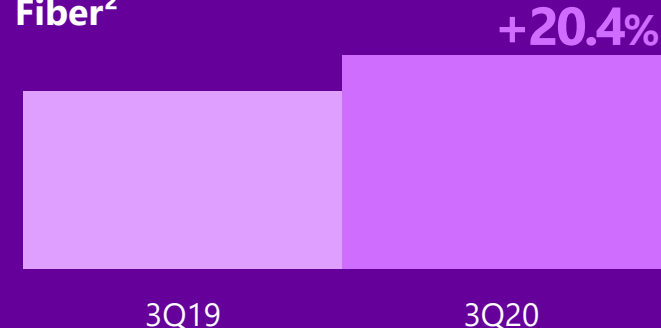


of Capex invested in **Growth**

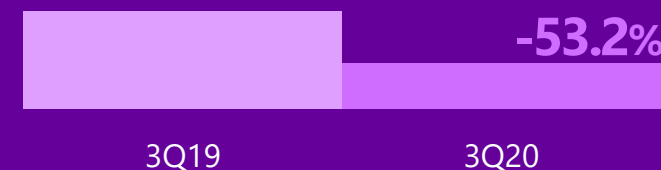
Capex per technology

YoY %

Fiber²

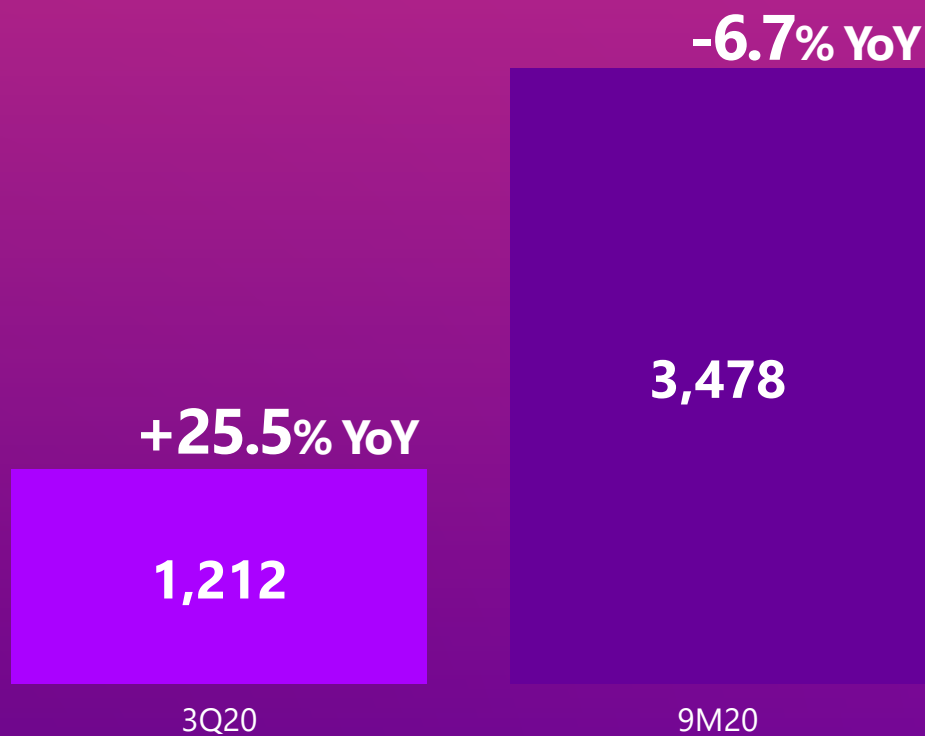


Legacy



Solid net income evolution allowing for strong shareholder remuneration

Net Income¹
R\$ million



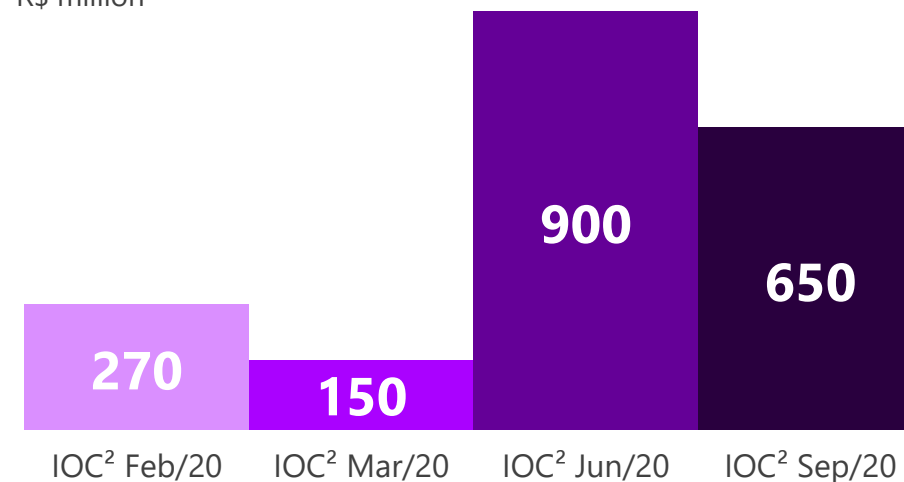
R\$ 2.0 billion

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

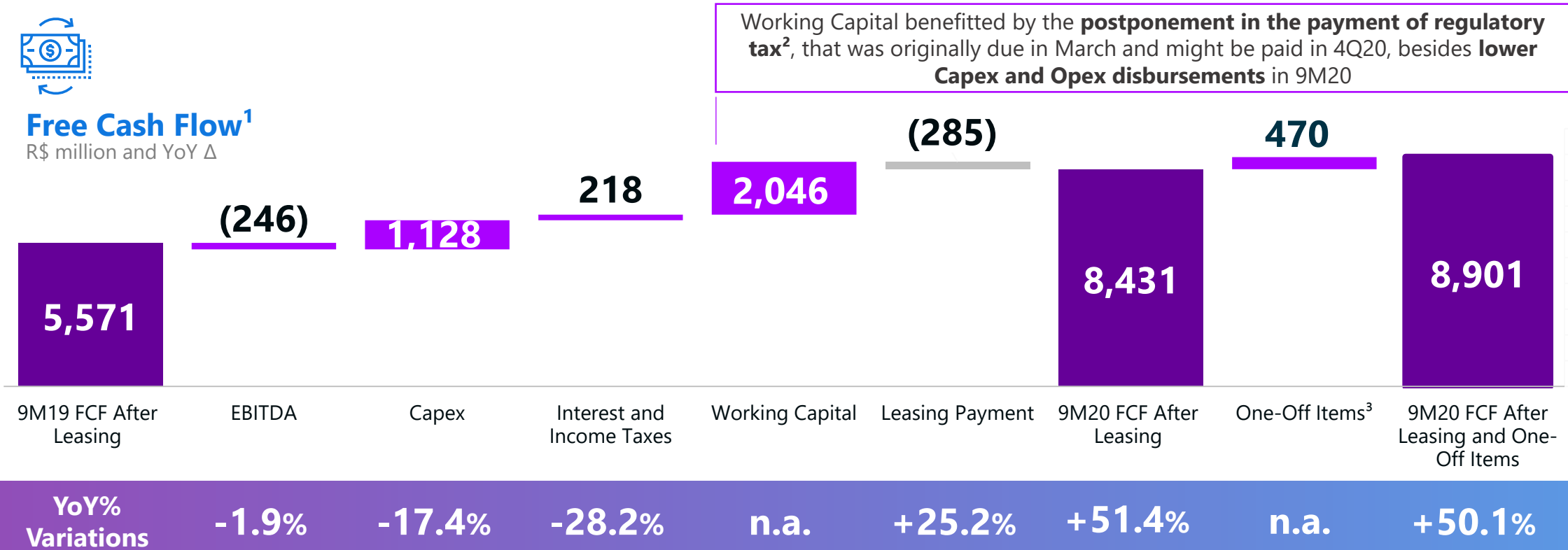
115.6%

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



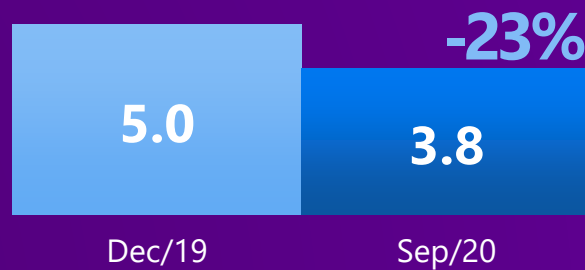
Free Cash Flow¹

R\$ million and YoY Δ

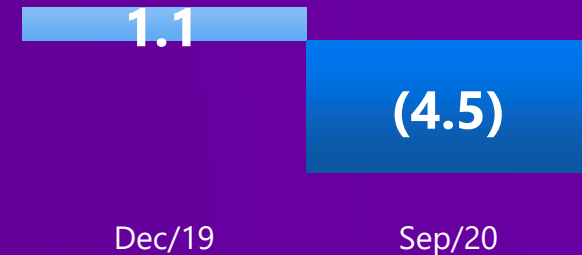


Solid cash generation enhancing net cash position

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®**



VIVT3

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**



Telefonica

vivo

For further information:

Investor Relations

+55 11 3430.3687

ir.br@telefonica.com
www.telefonica.com.br/ir

ISEB3

VIV
LISTED
NYSE

[B]³
BRASIL
BOLSA
BALCÃO



3Q20 highlights

Consolidated in R\$ million	3Q20	Δ% YoY	9M20	Δ% YoY
NET OPERATING REVENUES	10,792	(2.3)	31,934	(2.9)
Net Mobile Revenues	7,163	0.0	20,852	(1.7)
Net Handsets Revenues	710	10.1	1,664	(11.2)
Net Fixed Revenues	3,628	(6.6)	11,082	(5.1)
OPERATING COSTS	(6,470)	(0.6)	(19,002)	(3.7)
<i>Recurring Operating Costs</i> ¹	<i>(6,470)</i>	<i>(1.5)</i>	<i>(19,078)</i>	<i>(3.6)</i>
EBITDA	4,322	(4.8)	12,932	(1.8)
EBITDA Margin	40.0%	(1.1) p.p.	40.5%	0.5 p.p.
<i>Recurring EBITDA</i> ¹	<i>4,322</i>	<i>(3.5)</i>	<i>12,856</i>	<i>(1.9)</i>
<i>Recurring EBITDA Margin</i> ¹	<i>40.0%</i>	<i>(0.5) p.p.</i>	<i>40.3%</i>	<i>0.4 p.p.</i>
NET INCOME	1,212	25.5	3,478	(6.7)
CAPEX EX-IFRS 16	1,803	(25.8)	5,359	(17.4)
FREE CASH FLOW AFTER LEASE PAYMENTS²	3,540	34.5	8,901	50.1
TOTAL SUBSCRIBERS (THOUSAND)	93,718	(0.0)	93,718	(0.0)
Mobile Subscribers	76,718	3.9	76,718	3.9
Fixed Subscribers	17,000	(14.5)	17,000	(14.5)

1 – In 2Q20: Inclusion of atypical results mainly from the Covid-19 pandemic. Considers Reported EBITDA as Recurring EBITDA. In 1Q20: positive effect from the sale of towers and rooftops, in the amount of R\$75.7 million. In 3Q19: positive effect from the sale of Data Centers, in the amount of R\$64.3 million. 2- In 1Q20: includes R\$470 million received from the sale of towers and rooftops; In 3Q19: includes R\$446 million related to the sale of Data Centers; In 1Q19 and 2Q19: payment related to organizational restructuring in the amount of R\$44 million and R\$43 million, respectively.

3Q20 mobile and fixed revenues

NET OPERATING REVENUES | MOBILE SERVICES

Consolidated in R\$ million	3Q20	Δ% YoY	9M20	Δ% YoY
NET OPERATING MOBILE REVENUES	7,163	0.0	20,852	(1.7)
Net Mobile Service Revenues	6,453	(1.0)	19,188	(0.8)
Net Handset Revenues	710	10.1	1,664	(11.2)

NET OPERATING REVENUES | FIXED SERVICES

Consolidated in R\$ million	3Q20	Δ% YoY	9M20	Δ% YoY
NET OPERATING FIXED REVENUES	3,628	(6.6)	11,082	(5.1)
Broadband¹	1,509	5.4	4,470	6.2
FTTH	828	56.0	2,164	49.4
Pay TV	410	(9.0)	1,241	(10.6)
IPTV	288	26.9	811	26.1
Corporate Data and ICT	651	(9.0)	2,041	2.6
Fixed Voice and Others	1,058	(17.8)	3,296	(18.7)

3Q20 mobile operating

Thousand	3Q20	Δ% YoY	9M20	Δ% YoY
TOTAL SUBSCRIBERS	76,718	3.9	76,718	3.9
Postpaid	43,961	3.9	43,961	3.9
M2M	10,271	8.4	10,271	8.4
Prepaid	32,757	3.9	32,757	3.9
MARKET SHARE	33.6%	1.3 p.p.	33.6%	1.3 p.p.
Postpaid	38.3%	(1.4) p.p.	38.3%	(1.4) p.p.
Prepaid	28.8%	3.0 p.p.	28.8%	3.0 p.p.
ARPU (R\$/month)	28.5	(3.1)	28.2	(3.3)
Postpaid (Human)	50.6	(3.4)	50.3	(3.8)
M2M	2.9	(4.0)	2.9	(0.9)
Prepaid	13.4	5.2	12.8	3.2
MONTHLY CHURN	3.1%	(0.3) p.p.	3.2%	(0.1) p.p.
Postpaid (ex-M2M)	1.2%	(0.6) p.p.	1.4%	(0.4) p.p.
Prepaid	5.2%	(0.2) p.p.	5.3%	0.1 p.p.

3Q20 fixed operating

Thousand	3Q20	Δ% YoY	9M20	Δ% YoY
TOTAL SUBSCRIBERS	17,000	(14.5)	17,000	(14.5)
Fixed Broadband	6,394	(10.2)	6,394	(10.2)
FTTH	3,130	34.2	3,130	34.2
Pay TV	1,258	(9.0)	1,258	(9.0)
IPTV	855	25.5	855	25.5
Voice	9,348	(17.9)	9,348	(17.9)
MARKET SHARE Fixed Broadband	18.6%	(3.7) p.p.	18.6%	(3.7) p.p.
Market Share FTTH	21.0%	(6.0) p.p.	21.0%	(6.0) p.p.
MARKET SHARE Pay TV	8.4%	(0.2) p.p.	8.4%	(0.2) p.p.
Market Share IPTV	80.2%	(8.9) p.p.	80.2%	(8.9) p.p.
MARKET SHARE Voice	30.2%	(2.2) p.p.	30.2%	(2.2) p.p.
ARPU Broadband (R\$/month)	77.7	17.2	76.1	19.0
ARPU Pay TV (R\$/month)	108.0	2.2	107.4	3.4
ARPU Voice (R\$/month)	34.3	(2.5)	34.5	(3.0)

3Q20 IFRS income statement

Consolidated in R\$ million	3Q20	Δ% YoY	9M20	Δ% YoY
GROSS OPERATING REVENUE	15,856	(4.5)	46,633	(6.0)
Gross Operating Mobile Revenue	10,421	(2.6)	30,043	(6.1)
Gross Operating Fixed Revenue	5,435	(8.1)	16,590	(6.0)
NET OPERATING REVENUE	10,792	(2.3)	31,934	(2.9)
Net Operating Mobile Revenue	7,163	0.0	20,852	(1.7)
Net Operating Fixed Revenue	3,628	(6.6)	11,082	(5.1)
OPERATING COSTS	(6,470)	(0.6)	(19,002)	(3.7)
Personnel	(926)	(1.1)	(2,831)	2.5
Costs of Services Rendered	(2,645)	7.4	(7,660)	4.3
Interconnection	(360)	30.6	(1,032)	24.0
Taxes and Contributions	(449)	9.2	(1,279)	4.4
Third-party Services	(1,463)	5.3	(4,263)	1.3
Others	(373)	(3.9)	(1,086)	0.9
Cost of Goods Sold	(826)	13.2	(1,945)	(13.0)
Commercial Expenses	(1,918)	(11.3)	(5,964)	(9.0)
Provision for Bad Debt	(375)	(15.2)	(1,361)	7.5
Third-party Services	(1,494)	(9.6)	(4,449)	(12.5)
Others	(48)	(26.3)	(154)	(22.1)
General and Administrative Expenses	(290)	(9.6)	(904)	(3.2)
Other Net Operating Revenue (Expenses)	135	27.2	301	207.3
EBITDA	4,322	(4.8)	12,932	(1.8)
EBITDA Margin %	40.0%	(1.1) p.p.	40.5%	0.5 p.p.
DEPRECIATION AND AMORTIZATION	(2,783)	2.9	(8,305)	4.7
EBIT	1,539	(16.2)	4,627	(11.6)
FINANCIAL RESULT	(17)	(94.6)	(286)	(55.1)
GAIN (LOSS) ON INVESTMENTS	(0)	(71.4)	1	n.a.
TAXES	(311)	(45.0)	(864)	(0.9)
NET INCOME	1,212	25.5	3,478	(6.7)