



International Conference Call
2021 Earnings Results
February 15th, 2021 – 11:30 (BRT)

Operator: Good morning, ladies, and gentlemen. Thank you for standing by and welcome to Itaúsa's conference call to discuss 2021 results.

At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer section and instructions will be given at the time. Should you require assistance during the call, please press the star followed by zero. As a reminder, this conference is being recorded. The presentation is available at the company's website at www.itausa.com.br/en, menu Result Center fourth quarter of 2021.

This conference call and the slide presentation are being transmitted via internet as well. You can access the webcast by logging on to the Company's website, www.itausa.com.br/en.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors.

I inform that, during the presentation, the questions can be sent by webcast and it will be answered at the section of Questions and Answers.

With us today we have:

- Mr. Alfredo Egydio Setubal - CEO and Investor Relations Officer at Itaúsa; and
- Mrs. Priscila Grecco Toledo - CFO at Itaúsa

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It is now my pleasure to turn the call over to Mr. Alfredo. Sir, you may now begin.

Alfredo Setubal: Thank you, good morning for everybody who's participating with us in this conference call about the results of 2021.

For those who are following the presentation, we're starting with the business environment. We had a good business environment for Itaúsa last year, the economy grew, we could see more activity in most of the sectors and companies that we are invested, so we could use a better growth scenario to increase the business of our companies that we are investing.

I think that the only thing that was bad that we are going to see how the economy will perform this year is the inflation that was very high, above 10%, among the highest in the world, and these took the Central Bank to increase interest rates, and probably we are going to see some more increases during the coming months, so we are going to see the reflection of this hiking interest rate, probably we are going to see an economy that probably will not grow during this year.

But anyway, the last year was good, our companies had good performance, the bank increased very much the credit, the loan portfolio, we are now above one R\$ 1 trillion in credit, what's an impressive number here in Brazil. We could see a growth in our companies in buying concessions by Aegea, Alparagatas increasing the portfolio,

divesting, Dexco also increasing the portfolio of companies in participation, record numbers for Alpargatas and Dexco also both in revenues, return, and EBITDA. So, I think it was a very good year, a solid year for the companies that we invested.

In terms of governance, I think we presented an improvement in governance by Itaúsa, we appointed 3 independent members, we created many committees in the Board level, so we have more dynamic meetings now with new members, very active and experienced members of our Board, I think we still maintain a very good control of risk, we are investing a lot in technology here in the company, we changed all the operational systems last year, so we are very updated, we are investing a lot in technology for avoid cyber security attacks, so I think we are in a good moment here in internal moments of the company with many things happening in terms of controls, in terms of analysis, in terms of increasing our M&A team. So, we are very confident and very happy with that.

I think also important here in Brazil we improved our communication a lot, we achieved almost 950,000 individual investors, directly investors of Itaúsa, not compounding these numbers in direct investors through mutual funds, pension funds, insurance companies, so we increased a lot our communication with that big mass of investors that we have through the social media, through the website, we create monthly newsletter to attend and respond most of the questions that we receive from our investors, we did a very important – and for the first time – an institution campaign in the social media, on TV, radio last year, it was the first time Itaúsa came to the communication, come to the television social media saying who is Itaúsa, what are the companies that we participate, what are the brands that we have in our portfolio. So, it was a very important movement to show Itaúsa to the society more clearly and with more transparency.

I think all these lead us to maintain our participation in most of the index that are or related to the ESG initiatives, so we are in the most important index in Brazil and outside Brazil, I think is important recognition that our activity in these ESG segments, ESG important things that are more and more important in the view of investors, in the view of the companies, in the view of Itaúsa, of course.

We're going to slide 10, efficient capital allocation, I think it is a main issue for us, is something that we take a very cautious approach, we had at Itaúsa a buyback of shares, at NTS we increased our participation to 8.5% because NTS bought back shares from the Petrobras – Petrobras sold the last 10% that remained in their hands of the NTS capital and the company bought it back in treasury, so we increased, I think it was a good investment for NTS business.

Aegea, I think we announced the investment of almost 13% in the first semester of last year. Aegea is the private leader in sanitation sector after we bought that stake, Aegea bought many concessions and I think the main one was in the state of Rio de Janeiro where we through Aegea bought 2 of the 4 concessions that were in auctions, so we became, Aegea become the most important private company in the sanitation sector.

XP, we received from the bank 15.07% of the capital, we announced since the beginning that is not a strategic investment for us and we decided in the coming years to sell this stake to use this capital to order investment in other sectors or to distribute to our shareholders, so we are going to use this capital to increase partially the diversification that we have in other sectors.

We announced that we don't want to have companies – only the bank Itaú Unibanco –in the financial services. So, XP is available in the coming years for sale for us, we did a sale in the end of the last year of 1.39% and most of the result of that was distribute as interest on capital to our shareholders that we announced that this interest on capital that we announced last year the two ones are going to be paid on the March 11th.

Alpargatas also are increasing their capital to face the acquisition or Rothy's, the US company that we bought 49% of the capital, so we are going to allocate around R\$ 800 million in this offer using our rights to subscribe and maintain and possibly increase a little our participation in the capital of Alpargatas.

On page 11, we see important things that happened in our companies that we invest. I think Itaú showed a very important result, we're going to talk a little bit more later about all these companies, I think we are very important technology investments, very efficiency in terms of expenses, I think we did a quite good job at the bank. And XP also continues to grow its business, and we as I said, sold 1.39% of the capital.

On page 12, we see also important things that happened in our companies. Alpargatas with their acquisition of Rothy's, I think we improved a lot digital and internationalization strategy of Havaianas and also now with Rothy's, so we think this is important movement, and as I said, we are in this period in the follow-on.

Dexco – the new name of Duratex – I think we increased a lot the investments that we had in companies that we had new investments, we are on time and on budget on our dissolving pulp project, that are going to start to operate by March, by the end of March probably. So, I think good results and solid results for both of Alpargatas and Dexco in terms of EBITDA, in terms of revenues, record numbers for both companies.

Aegea, as I said, bought the 2 of the 4 blocks of the concession that was sold by the state of Rio. Copa Energia was a year of integration, very important integration by the company of Copagaz and Liquigás, I think was an important year of consolidation.

Going on page 14, we see in more details the most important highlights of the companies that we invest, I think the bank has solid results, very good results, very current results, I think the market liked it, Itaú continues to be the topic by analysts and investors in terms of banks, traditional banks here in Brazil. I think we are doing a quite good job in terms of digital transformation inside the company and outside, I think ITI is our digital bank now inside the bank, we achieved almost 15 million clients, most of them, more than 80% of them new customers, they were not customers of Itaú, so very important. We increased a lot of loan portfolio, as I said, we surplus R\$ 1 trillion, I think mortgage was a very important one in terms of growth and opportunity for growth also this year.

I think in terms of ESG, we continue to be very focused on that through our foundations, through our commitment to contribute to sustainable development here in Brazil, we committed R\$ 400 billion in terms of credit for business and we did almost 40% of that (R\$ 170 billion) last year of this commitment of R\$ 400 billion that we have until 2025.

In XP, I think XP showed a very good result, a very important growth of numbers, increased the new business, like loan portfolio, insurance, I think XP growth 48% revenue continued to be a sustainable growth and important investment for us, but as I said, it's not a strategic investment.

In the case of Alpargatas, on page 16, we see that we continue to focus on Havaianas, specially Havaianas in the international markets, I think we sold a record number of pairs of flip flops last year, 31 million pairs sold outside Brazil. Exports already represent more than 30% of the revenues of the company, we did an acquisition of technology company (loasys) that will speed the Alpargatas digital transformation also with new websites and increase the online commerce here in Brazil, outside Brazil, it is a company with 430 employees totally dedicated to digital transformation. So, I think it was important.

We divested and finished the divestment period of Alpargatas, that started some years ago, and we finished the investing with the end of Mizuno, that we sold the brand, and Osklen also that we sold the company. So now Alpargatas will focus in Havaianas only and now Rothy's, that is the company that we bought 49%, that is American company related to the markets of shoes for men, women, and accessories. So, we are very happy and confident in this investment that will also help to increase our diversification in terms of revenues from different products than Havaianas, and also, increase of participation in the international markets, it is a growth company, so we are happy that we could have the opportunity to invest in this company, and also, this will lead us probably in one or two years to have more dollar revenues than we have today with the growth of Havaianas in the international market and Rothy's also as a company located outside Brazil, especially in the US.

I think, as I said, we had record numbers for Havaianas and Alpargatas in the year, it was a very good year for the company, and we are going to subscribe new shares showing confidence in the business of Havaianas and Alpargatas and Rothy's – the new venture that we are going to grow in the coming years). So, very happy with all the performance of Havaianas, of Alpargatas.

Dexco, on page 17, also had a very good year, record year in terms of revenues, in terms of EBITDA, in terms of profits. I think we announced many new investments for the coming years in increasing productivity, increasing the automation of our factories, a new factory for tiles for the new lines for that business, so we announced

investments in ABC Construção, there is a very growth important company in the retail side for building material. We announced the Castellato, also a new investment that will complement the Deca line in terms of products in the high-end segment of the market, and new investments through our venture funds with some important companies that we believe can grow a lot in the coming years some of them.

So, it was a good year, new investments, new companies, new participations, records in terms of revenues, so it was also very important and good year for Dexco.

On page 18, Aegea. A new investment that we announced in the first semester of last year, the company is the most important and the biggest one in the private sector of the sanitation sector, we now attend 10% of the Brazilian population, which is a very good number, and a company that has many investments opportunities through concessions that will come to the market this year and the coming years to attend the new law that regulates the sanitation sector during these next 10 years.

So, I think we bought an important stake, if possible, we would like to increase this stake in the company, but anyway, it's a company that is growing with very good generation of cash, with very good results, we are very happy to participate in this sector that has a very great opportunity for growth in the coming years.

On page 19, Copa Energia. Copa was a year of consolidation of Copagaz and Liguigás, I think it was a year of integration, synergies, results, I think the company has a good year, we lose some margin because the price of the gas increased a lot by Petrobras, and we had a delay in passing through the price to customers. So, because of that we had some loss of margin, but anyway, the company is in good shape, the company is growing, probably this year we're going to reduce more our debt that is part of our business plan, we leverage a lot the company to make the acquisition of the Liguigás from Petrobras, and the cash generation is good enough to continue to reduce the debt that we got last year.

NTS, as I said, had a good year in terms of revenues, the revenues grew a lot, the company was able to pass through the inflation in terms of revenues, net income increased 21%, the company continues to pay good dividends for shareholders, and as I said, brought back 10% of the capital from Petrobras the remaining stake of Petrobras in the company, so now it's a total private company and a very good one, and growing in terms of numbers and we are also very, very happy with this investment.

Going to Itaúsa results, on page 21, we have a record number of net income, R\$ 12.2 billion in terms of results, our ROE of 20%, so also an impressive number, much higher in terms of profits and in terms of ROE when we compare to 2020, total assets of R\$ 74 billion, debt of R\$ 3.8, still low to the size of the company, we can leverage more if we have opportunities to new investments, so stockholder sector is 66 billion. So, it's very solid numbers, very low debt, very good capital structure that we can see on page 23, we have most of our liabilities are dividends interest on capital to pay, debentures that we issued in last years to face the new investments that we have, so it's a very solid balance sheet that we have, just 5% of debt compared to our total liabilities and stockholders' equity. So, very prudent investments.

And we can see on page 24 the amortization schedule of this debt, this year we are going to have to pay this R\$ 400 million that we have, is the first part of the first debenture that we issued when we bought NTS. So, we are going to pay this R\$ 400 million I think in April/May, next May we are going to pay this part of the debt that is due this year.

Dividends and interest on capital, we have always paid back to the investors the dividend received by the bank, we continue to see growth of dividends received by our other companies, by our other investments, but this year we increased the dividends and interest on capital because we sold part of the investments that we had in XP, and with the profit we distributed R\$ 1.1 billion interest on capital additional for our shareholders. So, we if we compound this R\$ 1.1 billion, we are going to have a dividend yield of 6% last year, what is reasonable when we see the Selic at 6% in average last year.

And to finish, on page 26, we see that we have total assets at market value of R\$ 100 billion, Itaúsa market value is 79, so we have a discount of 21%, it was higher in other periods, we had these moments of 28-29% of discount, we are now in the range of 20-22-21 in average I think, so we think still the discount is huge, we think all the investments that we have have very good and nice returns for the shareholders in terms of ROE, in terms of value

creation, so we think the discount is still high and we could see and we are working hard to show the market good investments, good value creation in the companies that we are investing on, so we think the discount can be reduced in the coming years.

That's what we have to show and present today, and we are open for questions that you may have about Itaúsa results. Thank you.

Question and Answer Session

Operator: Thank you. Ladies and gentlemen, we will now begin to question and answer session. If you have a question, please press the star key followed by the one key on your touch tone phone now. If at any time you would like to remove yourself from the questioning queue, press start two.

Please, restrict your questions to two at a time.

This concludes today's question and answer session. Mr. Alfredo, at this time you may proceed with your closing statements.

Alfredo Setubal: OK, thank you. As we have no questions, I think we continue here to be open in our investor relations department if you want to contact us directly, we will be happy for us.

I think we showed good results, solid results for all the companies that we invest on, we are happy with the investments, I think we have good companies and good perspective and good investments, companies that can grow and can continue to show good results and good ROEs to our investors, and we are very confident in the capacity of Itaúsa of creating value for our shareholders.

Thank you for the participation of you, as I said, we are open for our investor relation department here for questions and take some doubts that you may have, specifically about our demonstration results, our notes and so on in the balance sheet, so if you have any questions, don't hesitate and call us and we'll be happy to clarify everything that we want to be clarified.

Thank you and have a good day.

Operator: That does conclude our Itaúsa's 2021 results conference for today. Thank you very much for your participation and have a nice day.