

# ITAÚSA

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Conference Call  
Fiscal Year 2018

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CEO and Investor Relations Officer

**February 19, 2019**

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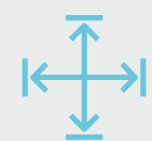
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The accounting information included herein is under IFRS.



# Conference Call Agenda

Results | 2018



Macroeconomic  
**Scenario**



**Itaúsa**  
Parent Company's Results



**Highlights**  
of subsidiaries



**Q&A**



# Macroeconomic Scenario

Business Environment in 2019



## Outlook:

- Recovery and greater economic stability favor business environment of our subsidiaries
- Credit-granting increase; consumption resumed
- Possible opportunities arising from privatizations

## Issues to be followed up:

- Jobs and income recovery
- Tax changes
- Approval of tax and social security reforms
- Infrastructure investments



**Essential to support the economic growth in the coming years**

	2017	2018e	2019e	2020e
GDP growth	1.1%	1.1%	2.0%	2.7%
IPCA	2.9%	3.7%	3.6%	3.6%
Selic year-end	7.0%	6.5%	6.5%	6.5%

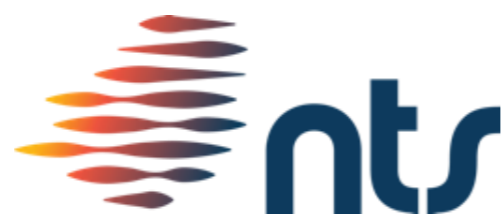
Caption: **Actual** | **Forecast**

Source: Itaú BBA – February 08, 2019  
(<https://www.italu.com.br/itaubba-pt/analises-economicas/projecoes>)

# Conference Call Agenda

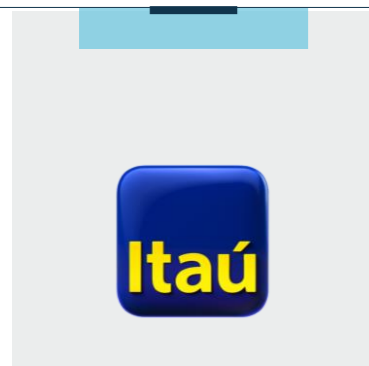
Results | 2018

## Highlights of subsidiaries



# Highlights of subsidiaries

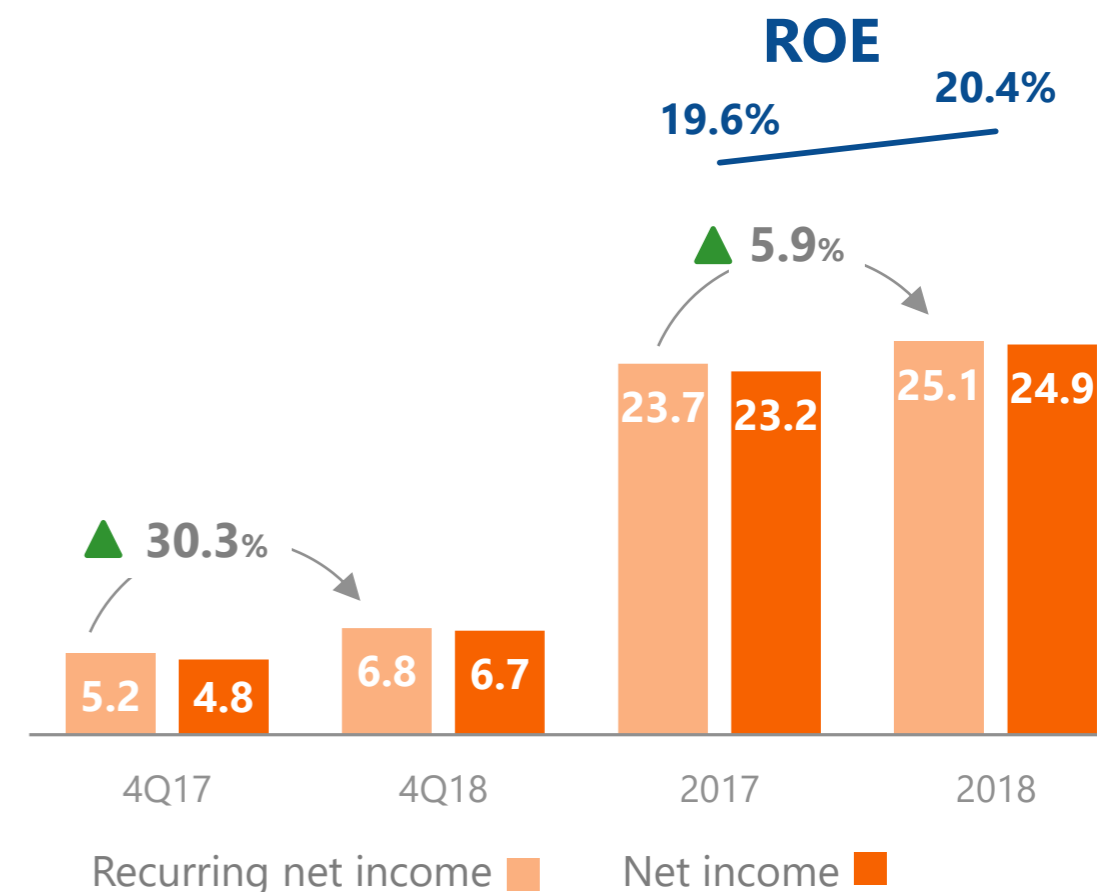
Results | 2018



## Net income and ROE

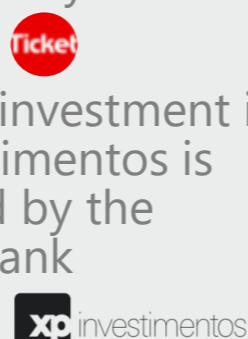
R\$ billion - IFRS

Attributable to controlling stockholders



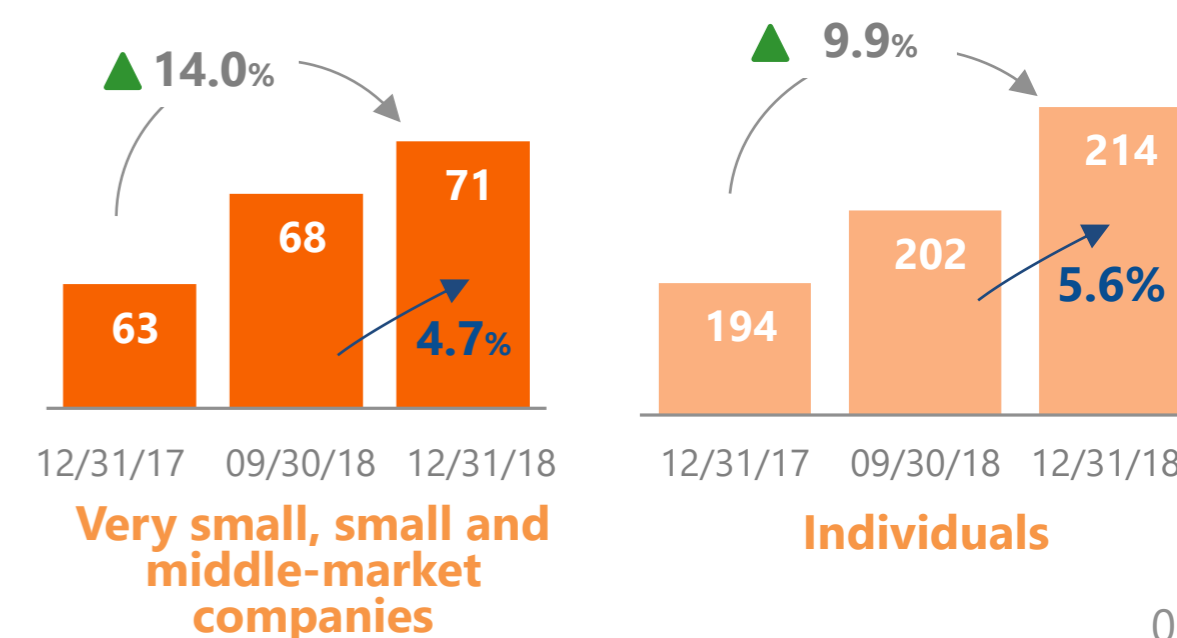
## Highlights of the year

- Loan portfolio increased 6.0%, mainly in Individuals and Very Small, Small and Middle-Market Companies, and default indicators continue a downwards trend
- Payout reached 89.2% of recurring net income (BRGAAP), including share buyback. Net dividends and interest on capital totaled R\$ 22.4 billion
- Digital transformation: 76% of payment transactions are carried out through digital channels
- Fiscal Council now operates on a permanent basis
- 11% minority interest in Ticket
- Minority investment in XP Investimentos is approved by the Central Bank



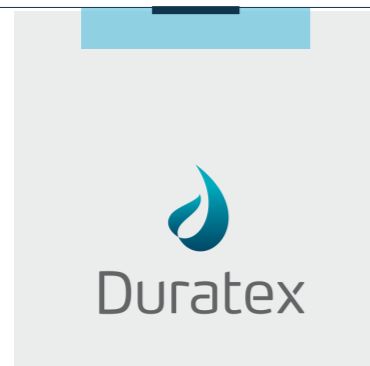
## Loan Portfolio: Individuals and Very Small, Small and Middle-Market Companies

R\$ billion - IFRS

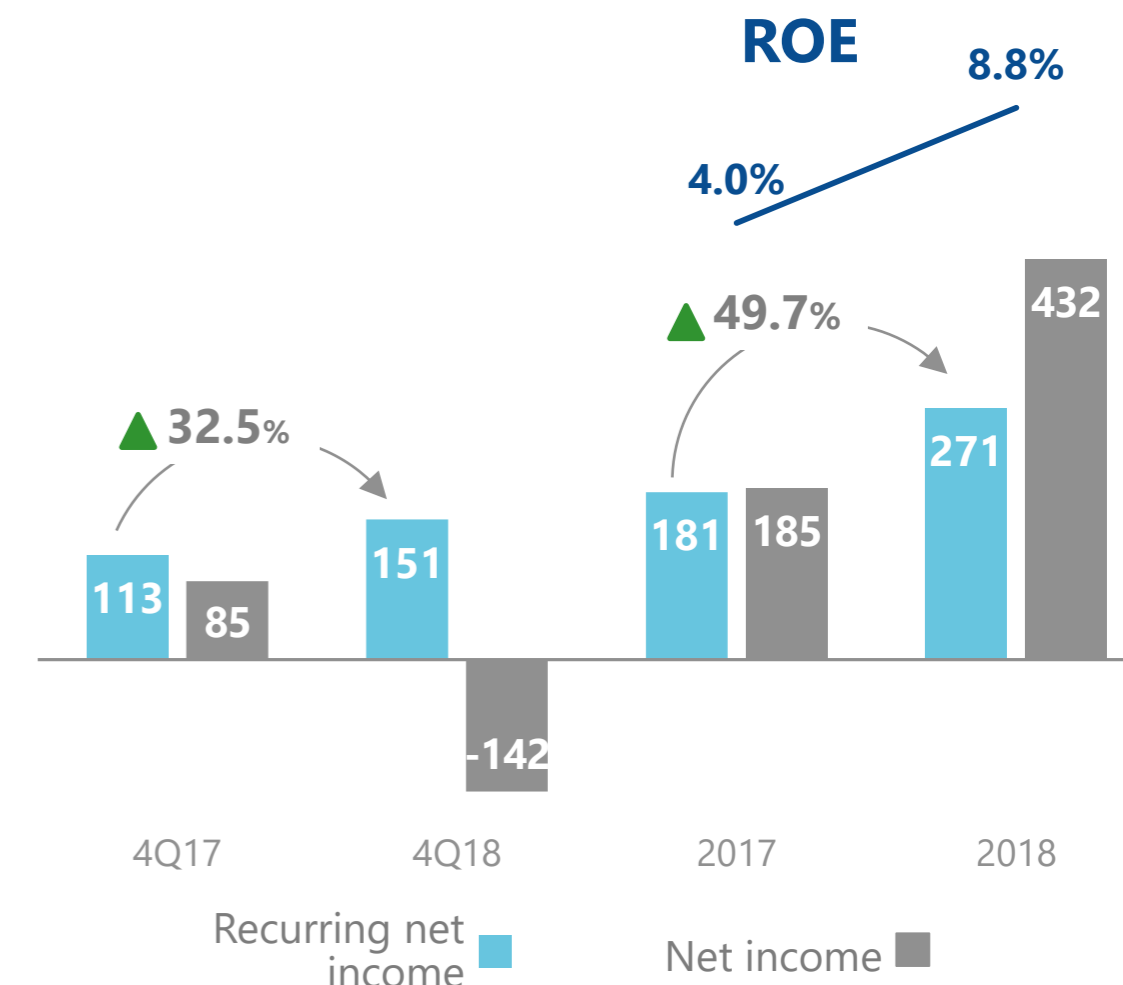


# Highlights of subsidiaries

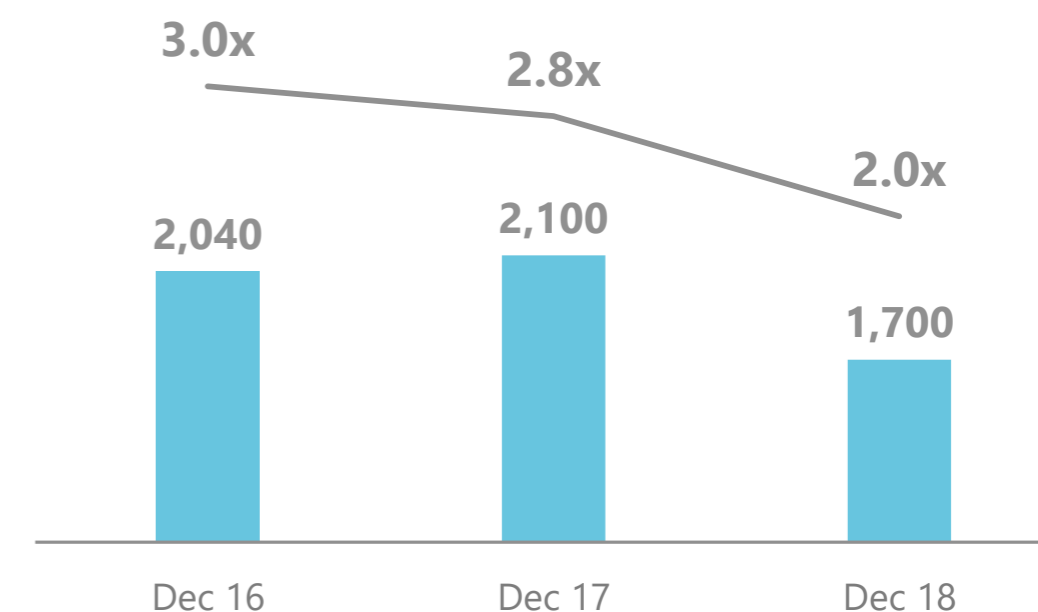
Results | 2018



**Net income and ROE**  
R\$ million  
Attributable to controlling stockholders



**Net debt**  
R\$ million  
**Net debt/Recurring EBITDA**

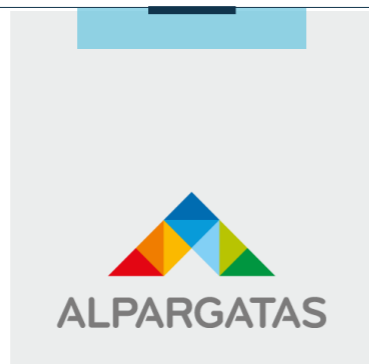


## Highlights of the year

- JV set up with Lenzing, to build up a dissolving wood pulp ('DWP') plant, with total investment of US\$ 1 bi. Duratex will have a 49% ownership interest
- Sale of land and forest to Suzano Papel e Celulose, with impact of R\$ 460 million on net income
- Sale of facilities and equipment to produce thin wood fiberboard in Botucatu/SP
- CEUSA plant expansion was approved, to raise production capacity by 83%, with a R\$ 94 million investment from 2018 to 2019 (R\$ 10 million in 2018)
- Panel and Deca/Hydra business restructured, impairment of intangible assets and other non-recurring effects, with negative effect of R\$ 300 million on net income

# Highlights of subsidiaries

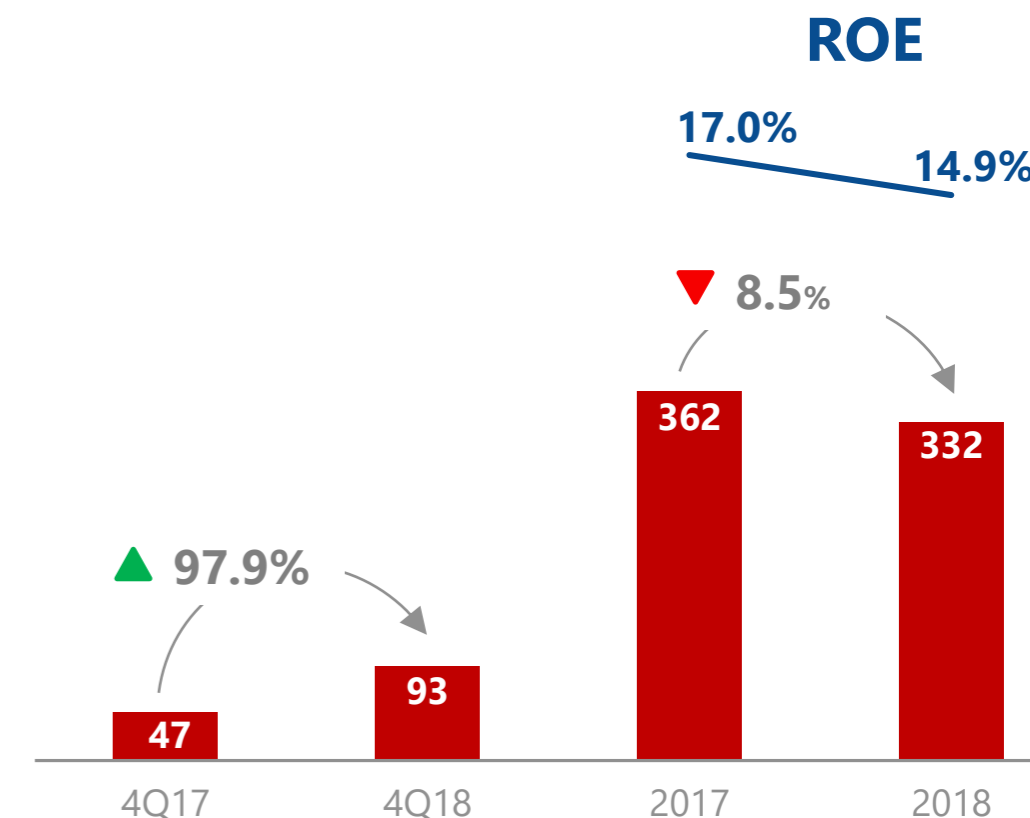
Results | 2018



## Net income and ROE

R\$ million

Attributable to controlling stockholders



## Highlights of the year

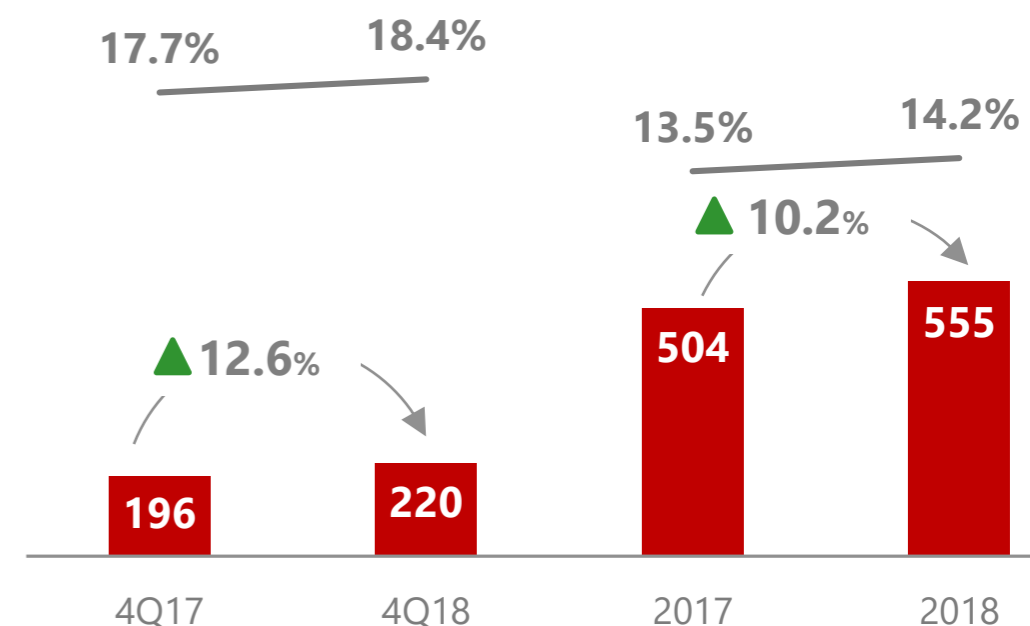
- Revision of strategic and operation plans supported by external consulting firms
- Redesigning the organizational structure of Havaianas: geographical division into dedicated units, supported by global areas
- Alpargatas India JV to develop the Havaianas business
- Sale of 21.8% interest in ASAIC (Topper brand in Argentina and in the world) completed for R\$ 100 million
- Line of professional boots (Sete Léguas) sold on 01/10/19 for R\$ 5.1 million
- A new CEO with the election of Mr. Roberto Funari



## Recurring EBITDA

R\$ million

Recurring EBITDA margin



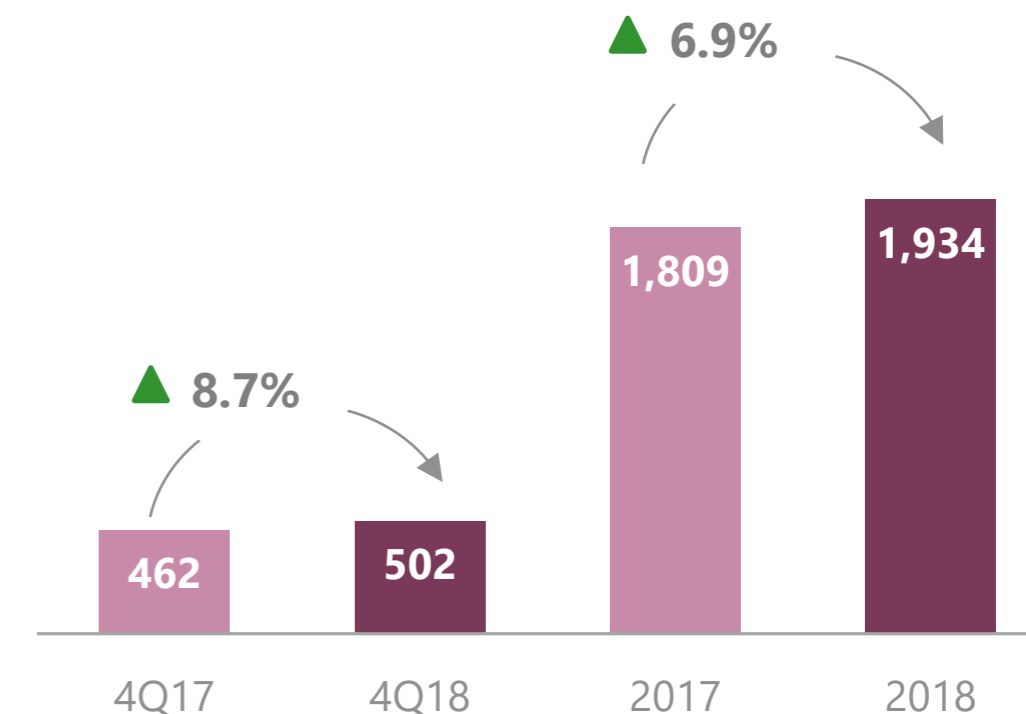


# Highlights of subsidiaries

Results | 2018



**Net income**  
R\$ million

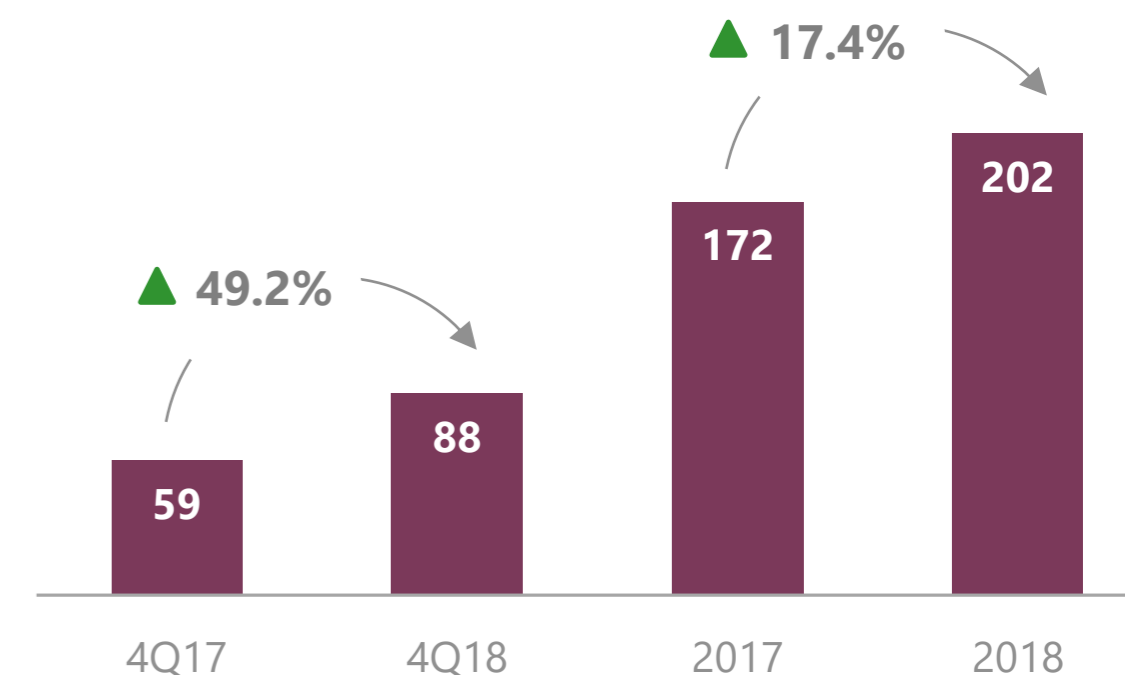


## Highlights of the year

- Debt restructuring, getting more attractive financing to the company. Debentures redeemed in advance, of which Itaúsa was creditor, has generated cash inflow of R\$ 442 million to Itaúsa
- On August 6, 2018, capital decrease of NTS was approved, in the amount of R\$ 694 million. Itaúsa received cash inflow of about R\$ 53 million
- In 2018 net revenue totaled R\$ 4,041 million and EBITDA R\$ 3,618 million



**Proceeds paid to Itaúsa**  
R\$ million  
Dividends,  
Interest on capital  
and Capital  
decrease



# ITAÚSA

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Parent Company's Results

Results | 2018

# Main events

In 2018



## Dividends and Interest on capital<sup>1</sup>

- **R\$8.4 billion** paid and to be paid for 2018 (R\$1.0/share), up~**28%** from 2017
- A **94% payout** and **7.4% dividend yield** (Dec'18)
- **No capital call forecast** in 2019

(1) Interest on capital, net of withholding income tax.



## Interest in Elekeiroz sold

- Amount of **R\$ 160 million** attributed to Elekeiroz, based on Enterprise Value



## Sale of Itaotec's interest in Oki Brasil

- In December 2018, Itaotec **completed the sale** of the remaining 10.3% stake held by Itaotec in Oki Brasil, and now no longer operates in the commercial and banking automation and technology services



## Terminated usufruct on Itaú Unibanco's shares

- **2008:** Itaúsa grants shares of IU in IUPAR as usufruct of dividends/interest on capital **for 10 years**
- **November 2018:** usufruct of Itaú Unibanco's shares equal to 15.3% indirect interest in IU terminated
- Estimated increase in the PIS/COFINS payment of ~R\$ 120 million/year (cash effect)



## Capital markets

- **130,000 individual stockholders**, up **83%** from 2017
- **Market value: R\$101.6 billion** (up 26% in the year)
- **Buyback of 3.5 million preferred shares** (total R\$ 32.3 million)

# Main indicators of income and balance sheet

Parent Company: under IFRS

	R\$ million (IFRS)			R\$ per share	
	2018	2017	Change	12/31/18	12/31/17
<b>Profitability</b>					
Net income	9,436	8,144	+15.9%	1.13	0.99
Recurring net income	9,366	8,861	+5.7%	1.12	1.08
<b>ROE</b>					
Return on equity	18.2%	16.6%	+160bps		
Recurring ROE	18.1%	18.1%	-		
<b>Dividends/IOC</b>					
Payout	94.0%	82.7%	+1,130bps		
Dividend yield	7.4%	4.4%	+300bps		

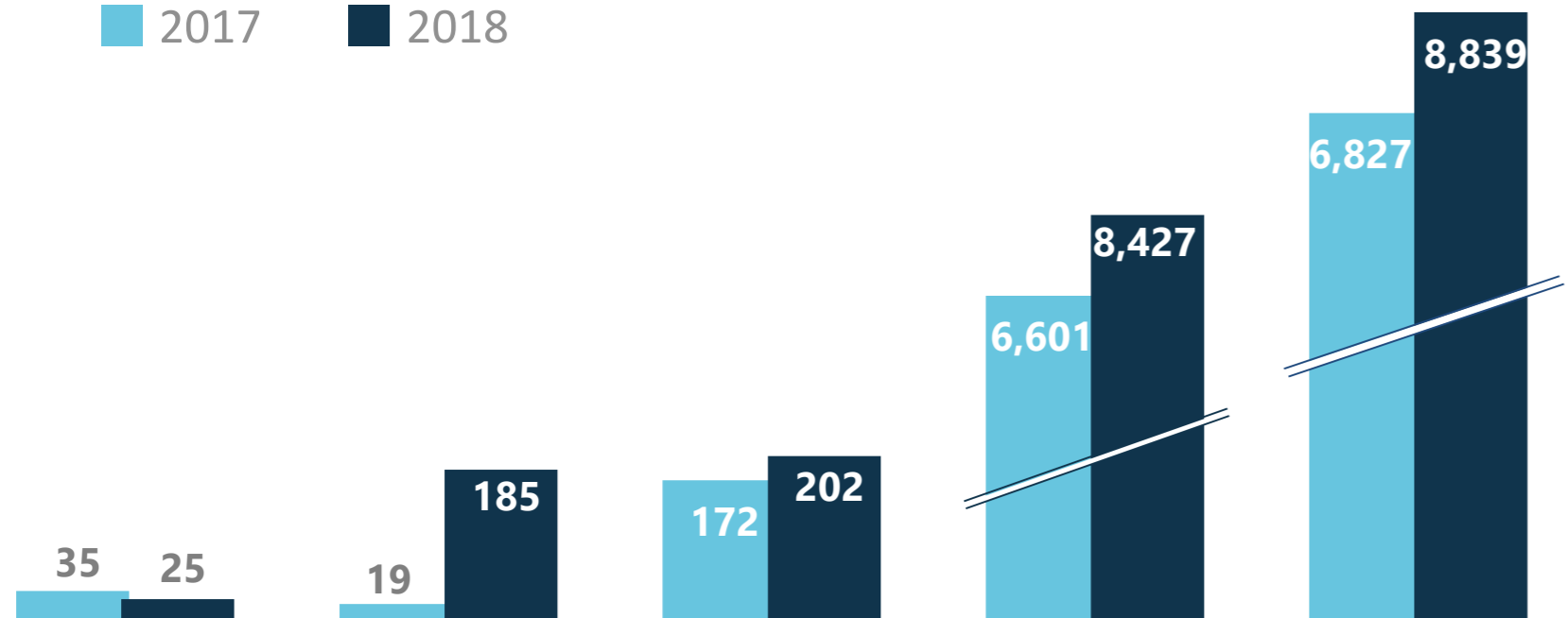


# Dividends and Interest on Capital<sup>1,2</sup>

In R\$ million

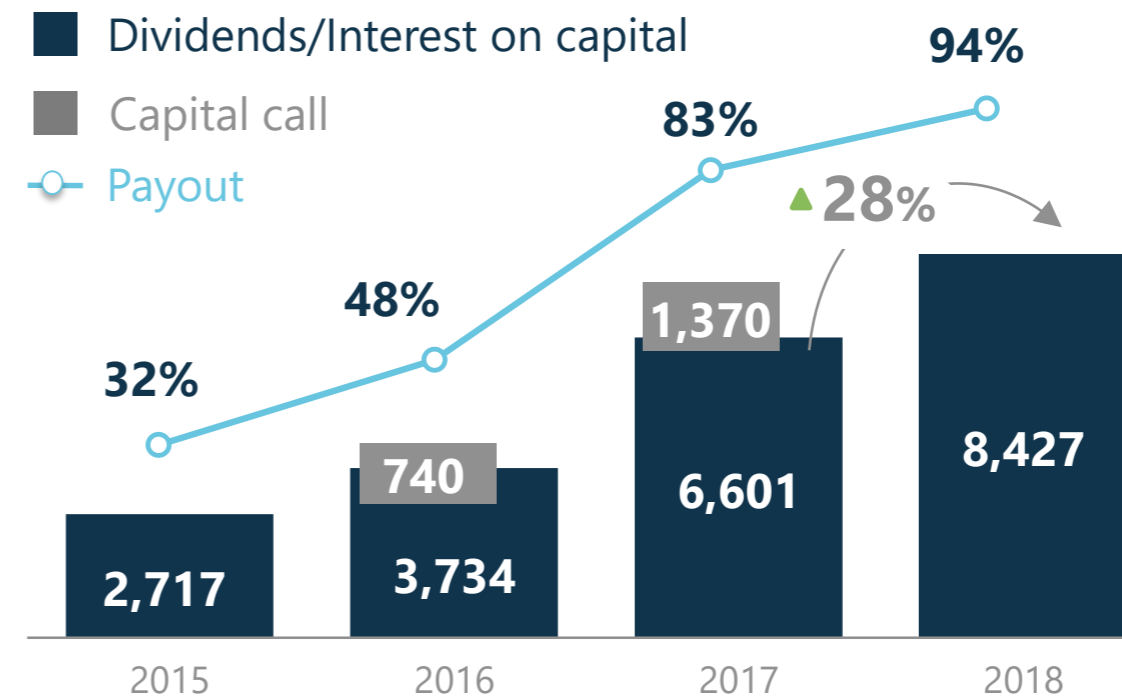
## Received | accrual basis

2017 2018



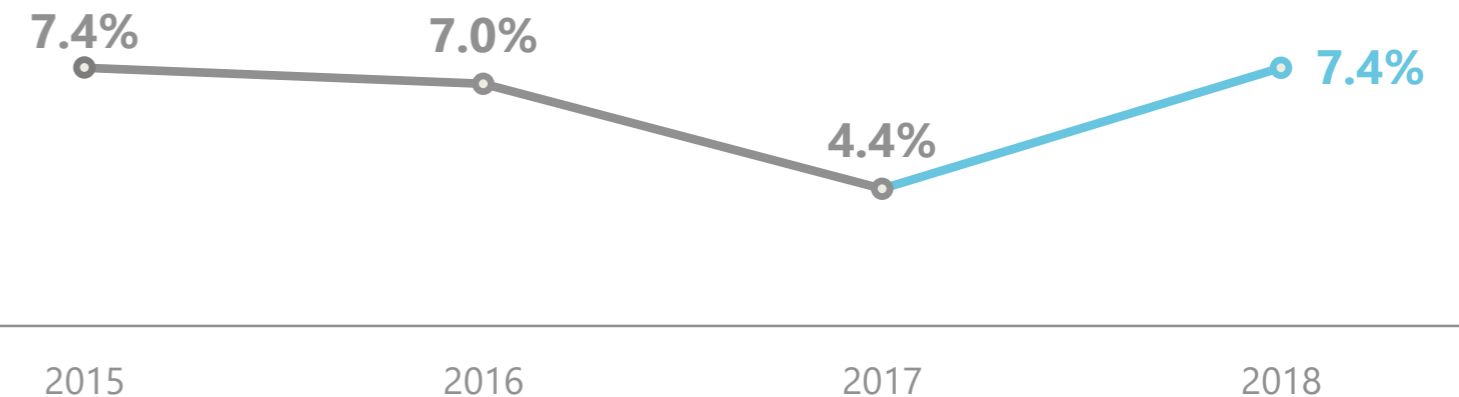
**Non-financial sector**  
**2017: R\$226 million**  
**2018: R\$412 million**

## Paid and to be paid | accrual basis



**Cash of R\$936 million**  
 (Dec'18)  
**No capital call forecast in relation to 2018**

## Dividend Yield<sup>3</sup> (%)



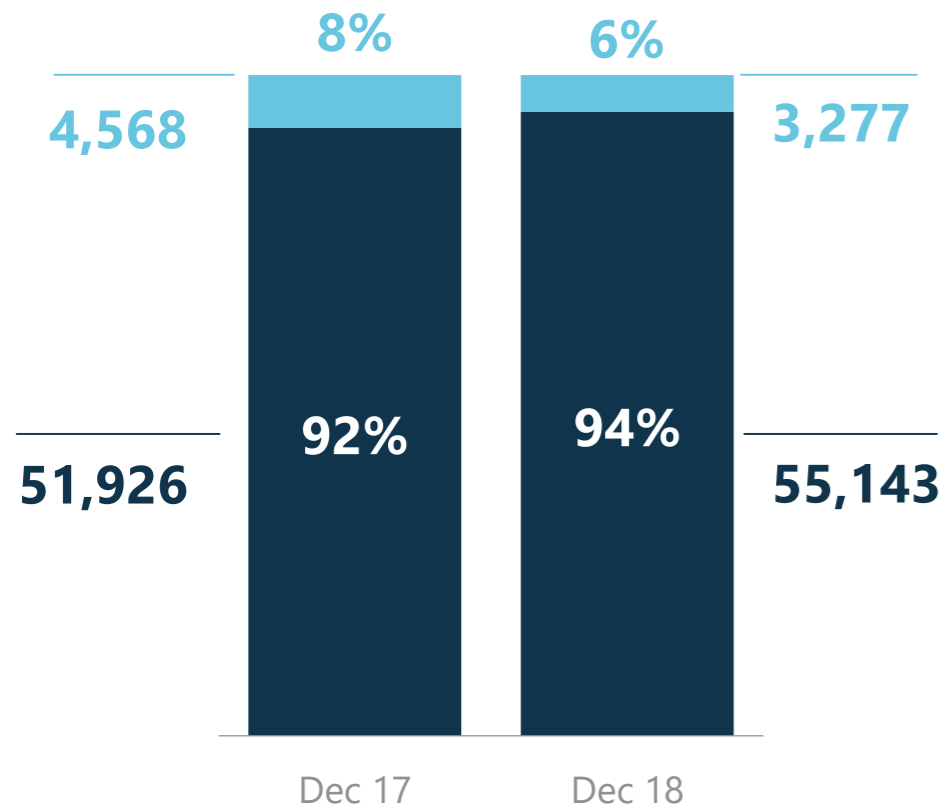
(1) Refers to individual balance sheet.  
 (2) Interest on capital, net of withholding income tax.  
 (3) Dividend yield includes gross dividends / interest on capital paid in the last 12 months divided by the closing price.  
 (4) Includes capital decrease approved at NTS stockholders' meeting of August 6, 2018. Does not include redemption in advance of debentures, which generated cash inflow of R\$ 442 million to Itaúsa

# Debt<sup>1</sup>

In R\$ million



## Capital composition



Stockholders' equity

Current and non-current liabilities



## Third-party funds

Dec'18

**Total liabilities 3,277**

Dividends/interest on capital payable	408
Debt	1,208
Provisions/Other obligations	1,661

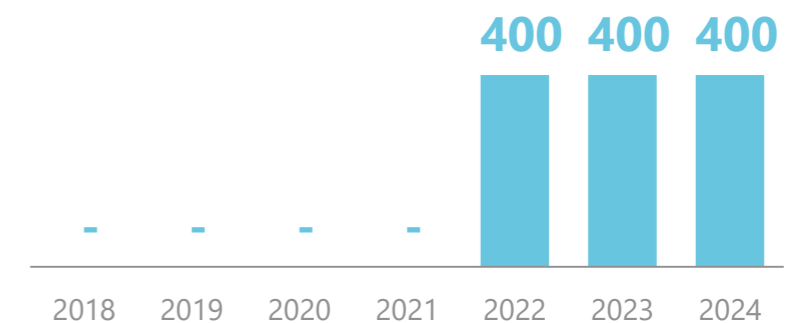
**(-) Cash 936**

**Net liabilities 2,341**



## Debtures detailed

- **Issued:** May 2017
- **Amount:** R\$1.2 billion
- **Rate:** 106.9% of DI rate
- **Interest:** semi-annual
- **Amortization schedule**



(1) Refers to Individual Balance Sheet.

# Capital Markets

## Itaúsa's Portfolio – market value<sup>1</sup>

R\$ billion – on 02/15/19

Market value of Itaúsa's portfolio

136.9 

3.1  Duratex

2.5  ALPARGATAS

1.0  nts<sup>(2)</sup>

-0.2 Other assets and liabilities

Sum of the parts (a)

143.2

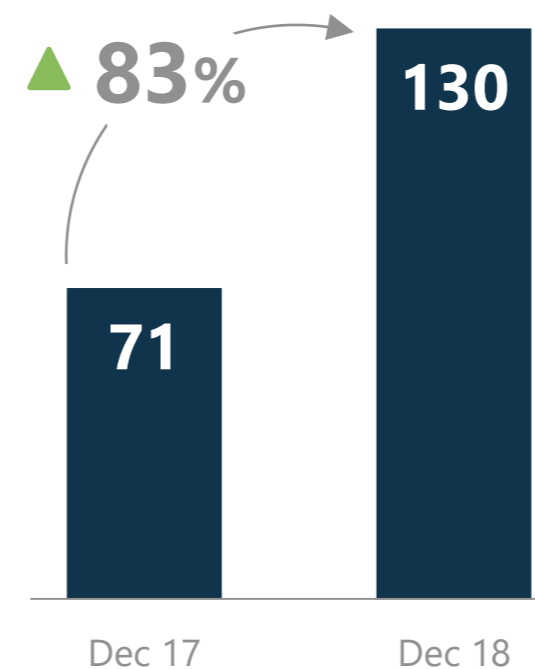
Market value of Itaúsa (b)

ITAÚSA  
111.3

Discount  
(b/a)-1  
**22.3%**

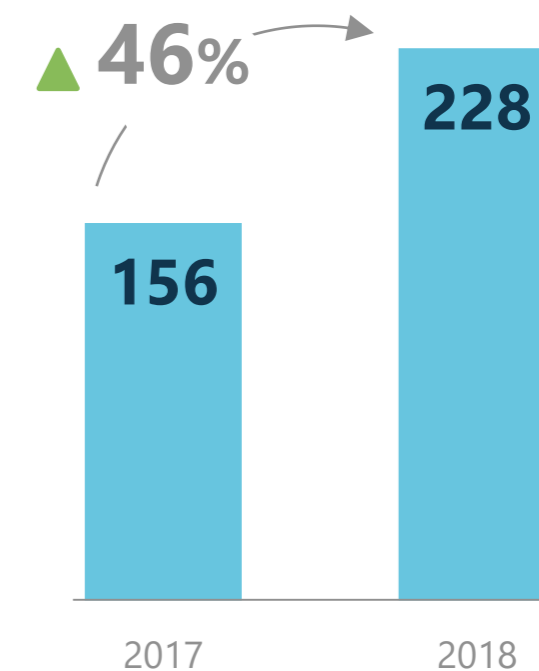
## Evolution of Individual stockholders base

Thousands of stockholders

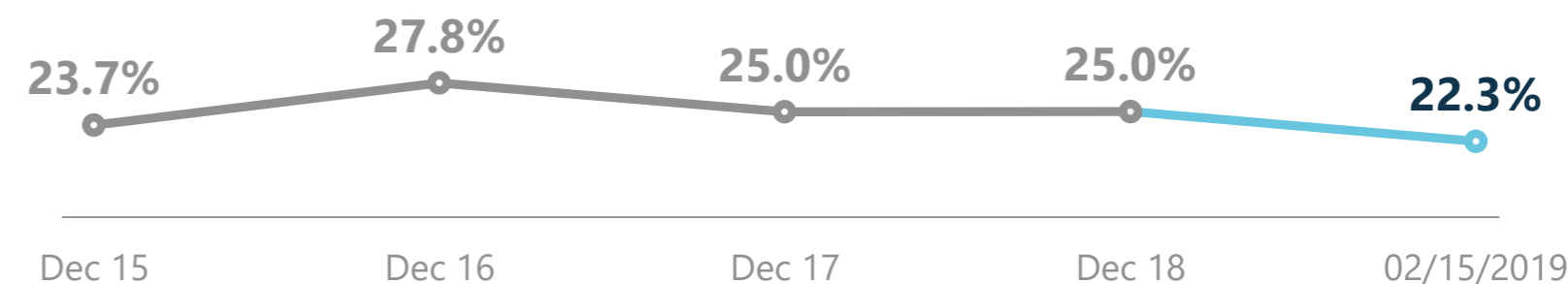


## Average daily traded volume

ITSA4 - R\$ million



## Discount history



(1) Calculated based on price of preferred shares.

(2) Effects of fair value of asset on 12/31/18 on Itaúsa's balance sheet

# Sustainability and Corporate Governance

Developments in **ITAÚSA**



**Ongoing corporate governance improvements** through ethical values, caring for transparency and good international practices.

## Sustainability

- **DJSI:** selected for the 15<sup>th</sup> year, ranked among the world's top10 companies in the sector
- **CDP:** leader in transparency, with score A-
- **ISE:** selected for the 12<sup>th</sup> year

## Corporate Governance

- Now with a **permanent Fiscal Council**
- **New Policies**, with highlights going to *Transactions with Related Parties and Relationship with Private Entities and Public Agents and for Corruption Prevention*
- **Code of Conduct** relaunched and an **independent reporting channel implemented**



# Sustainability and Corporate Governance

Latest development in the subsidiaries



The participation of Itaúsa's members in Boards of Directors and/or Committees of subsidiaries encourages the **adoption of good** sustainability and corporate governance **practices** in these companies



## Sustainability

- **DJSI:** 19<sup>th</sup> consecutive year
- **CDP:** leader in transparency, with score A-
- **ISE:** selected for the 14<sup>th</sup> year

- **CDP:** leader in transparency, with score A- in efficient water management
- **ISE:** selected for the 11<sup>th</sup> year

- Developing the **1<sup>st</sup>** carbon emissions **inventory**



## Corporate Governance

- Now with a permanent Fiscal Council
- Digital Advisory Board, LatAm Strategic Council and the Social Responsibility Committee organized

- Internal restructuring aimed at operational efficiency
- IT and Digital Innovation Committee organized

- Election of a new CEO and independent members of the Board of Directors working as coordinators in the committees
- Advisory on strategy and management support



# Itaúsa in Capital Markets



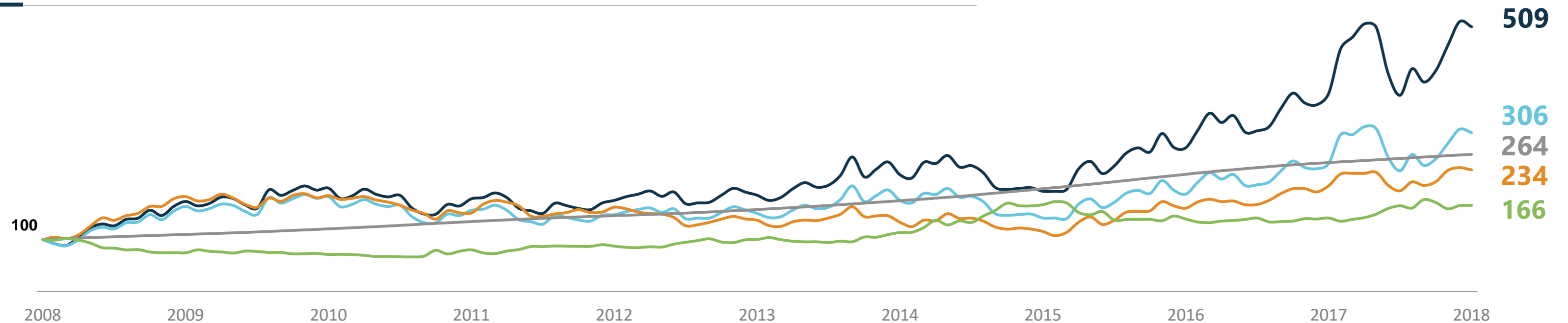
**CAGR** (in Reais)

	Itaúsa total return <sup>1</sup>	Itaúsa without reinvestment	Ibov.	CDI	Dollar
<b>10 years</b>	17.7%	11.8%	8.9%	10.2%	5.2%
<b>5 years</b>	22.4%	15.2%	11.3%	10.8%	10.6%
<b>In 2018</b>	33.7%	24.0%	15.0%	6.4%	17.1%

(1) With reinvestment of dividends / interest on capital



Evolution of **R\$100 invested** between 12/30/2008 and 12/28/2018



# Q&A

**Henri Penchas**

Chairman of the Board of Directors

**Alfredo E. Setubal**

CEO and Investor Relations Officer

**Priscila G. Toledo**

CFO

**Bruno S. Brasil**

Investor Relations Manager

# ITAÚSA

**Alexsandro Broedel**

Executive Finance Director and IR Officer



**Guilherme S. Silva**

IR and New Business Manager



**Julian Garrido**

CFO and IR Officer



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