

# RESULTS 1Q21

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

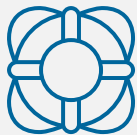
May 12<sup>th</sup>, 2021



# 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



# SOLID UNDERLYING OPERATING TRENDS DRIVING THE ACCELERATION OF CORE REVENUES, RESULTING IN TOTAL REVENUE GROWTH IN 1Q21

96 million total accesses

**46mn**  
Mobile Postpaid  
Accesses

+1.1 million postpaid net  
adds, the highest since  
2017

**3.7mn**  
FTTH<sup>1</sup>  
Homes Connected

+41% YoY, with a record of  
368 thousand net adds

  
Customer Base  
Growth

  
Revenue  
Generation

Profitability



Shareholder  
Remuneration



**88.1%**  
Core Revenues/  
Total Revenues<sup>2</sup>

growing +4.7% YoY, resuming  
Total Revenue growth (+0.2%)

R\$  
**1.0bn**  
FTTH<sup>1</sup>  
Revenues 1Q21

+61.2% YoY

R\$  
**4.5bn**  
Recurring  
EBITDA<sup>3</sup> 1Q21

+0.5% YoY

R\$  
**2.2bn**  
Free Cash Flow<sup>4</sup>  
1Q21

+3.7% YoY

R\$  
**700mn**  
Shareholder Remuneration  
Declared YTD21<sup>5</sup>

7.9% Dividend Yield in LTM<sup>5</sup>

**5.4mn**  
Shares in  
treasury<sup>6</sup>

0.32% of Total Capital

1 – Fiber-to-the-Home.

2 – Core Revenues include Total Revenues ex-Fixed Voice, xDSL and DTH.

3 – Excluding non-recurring effects of R\$75.7 from the sale of towers and rooftops in 1Q20.

4 – Free Cash Flow after Leases.

5 – Up to April 2021. LTM considers the remuneration of preferred shares before the unification of share classes on November 23<sup>rd</sup>, 2020.

6 – Up to April 2021



# VIVO IS TRANSFORMING ITS REVENUE PROFILE AS CORE BUSINESSES REPRESENT ALMOST 90% OF REVENUES

## Core Businesses



Mobile



Handsets



FTTx



IPTV



Digital Services



Data and ICT

## Non-Core Businesses



Fixed Voice



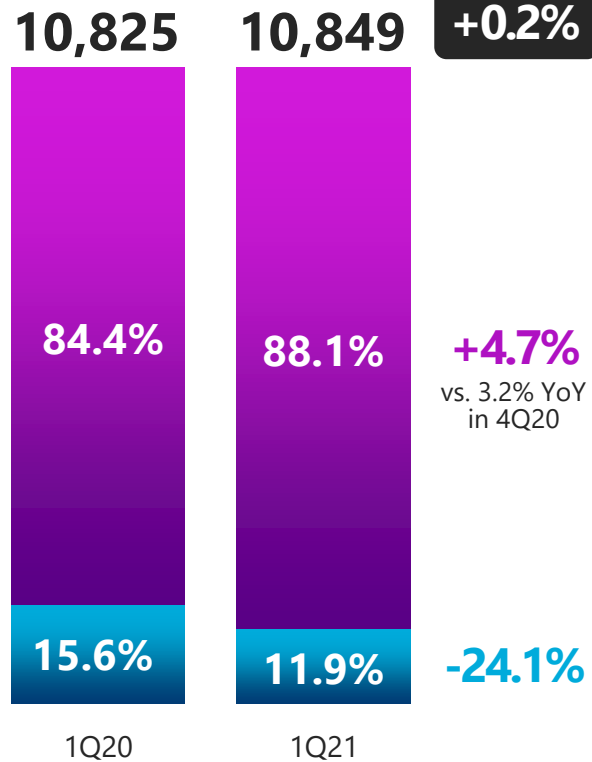
ADSL



DTH

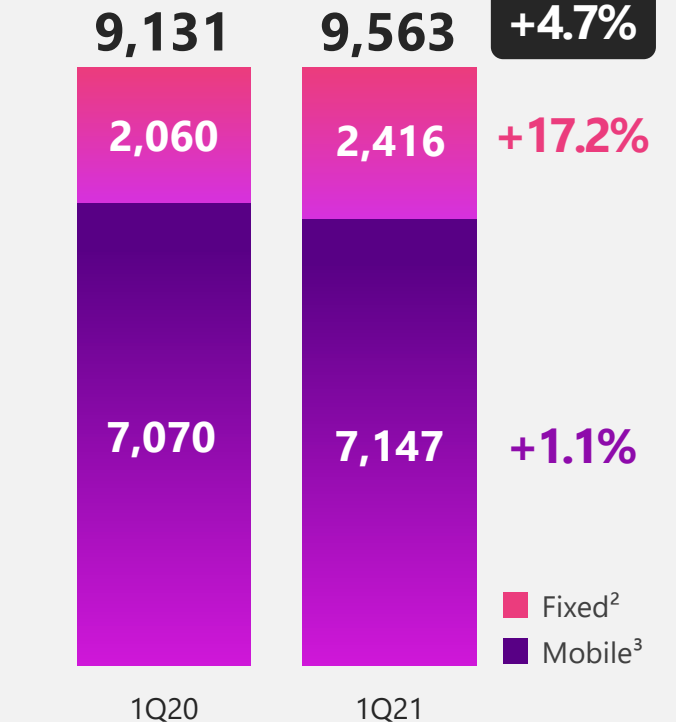
## Total Revenues<sup>1</sup>

R\$ million, %



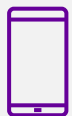
## Revenues from Core Businesses

R\$ million



Core Businesses Non-Core Businesses

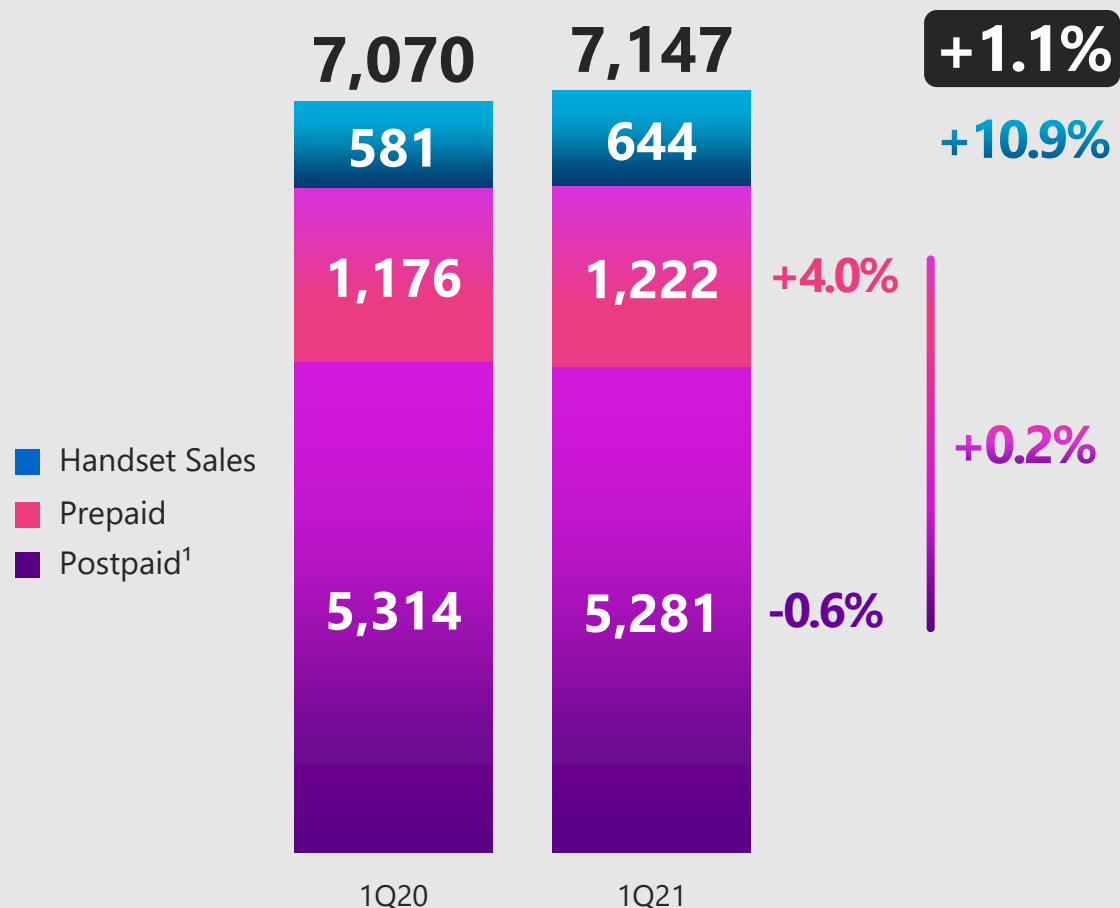
4  
1 – Mobile Revenues: +1.1% YoY, Fixed Revenues: -1.4% .  
2 – Includes FTTH, FTTC, IPTV, Data & ICT, Wholesale Revenues and others.  
3 – Mobile Revenues includes Handset Sales.



# SUSTAINING MOBILE REVENUE GROWTH DRIVEN BY STRONG PREPAID COMMERCIAL ACTIVITY AND HANDSET SALES

## Mobile Revenues

R\$ million



## Postpaid



**ARPU improvement** through Vivo Selfie co-branded plans, offering digital content and increasing **customer loyalty**

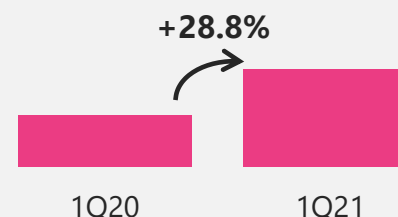
## VIVO EASY



Co-creation of **Vivo Easy**, a **100% digital plan** focused on younger audiences, with **DJ Alok**

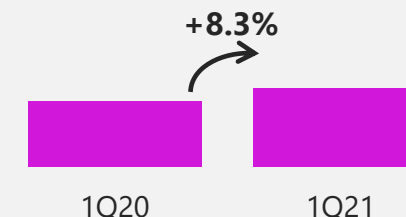
## Prepaid

### Digital Top-ups



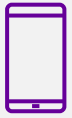
**More intense use of digital channels** through **customer base incentives** and increasing adoption of **Meu Vivo** (e-Care app)

### # of Customers topping-up



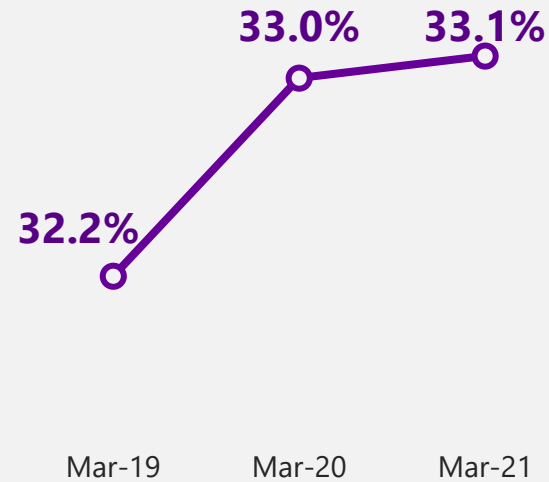
**Increased demand** for connectivity and the recognition of Vivo's **superior quality** driving **higher customer base activation**





# BEST-IN-CLASS CONNECTIVITY AND CUSTOMER CARE DRIVING CHURN TO RECORD LOW LEVELS IN 1Q21, COMBINED WITH SOLID POSTPAID NET ADDITIONS

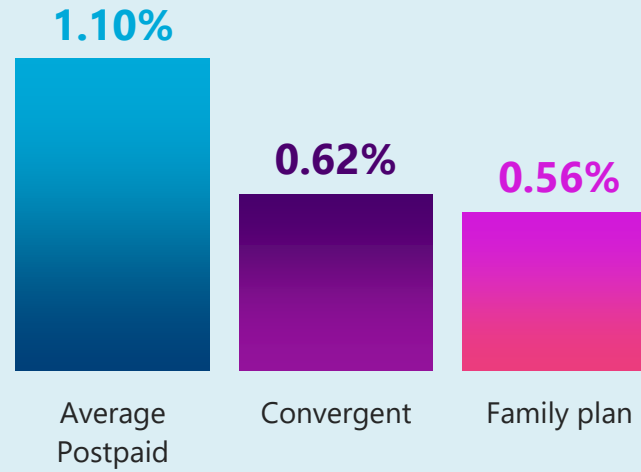
## Mobile Market-share<sup>1</sup>



Quality of service paying off as **Vivo reaffirms its leadership** in mobile

## Postpaid Churn

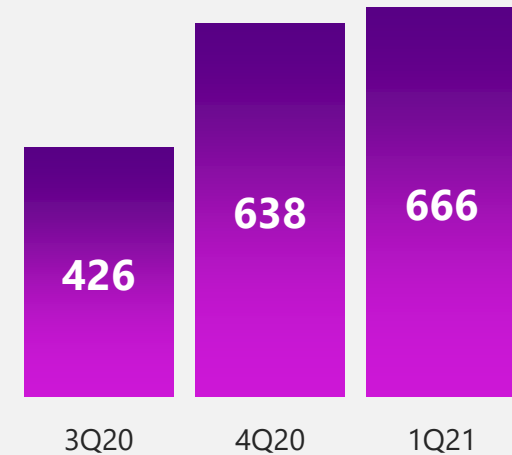
ex-M2M



**Customer loyalty further expanded** by offering a complete portfolio of co-branded plans with recognized digital players

## Postpaid Net Additions

thousands, ex-M2M

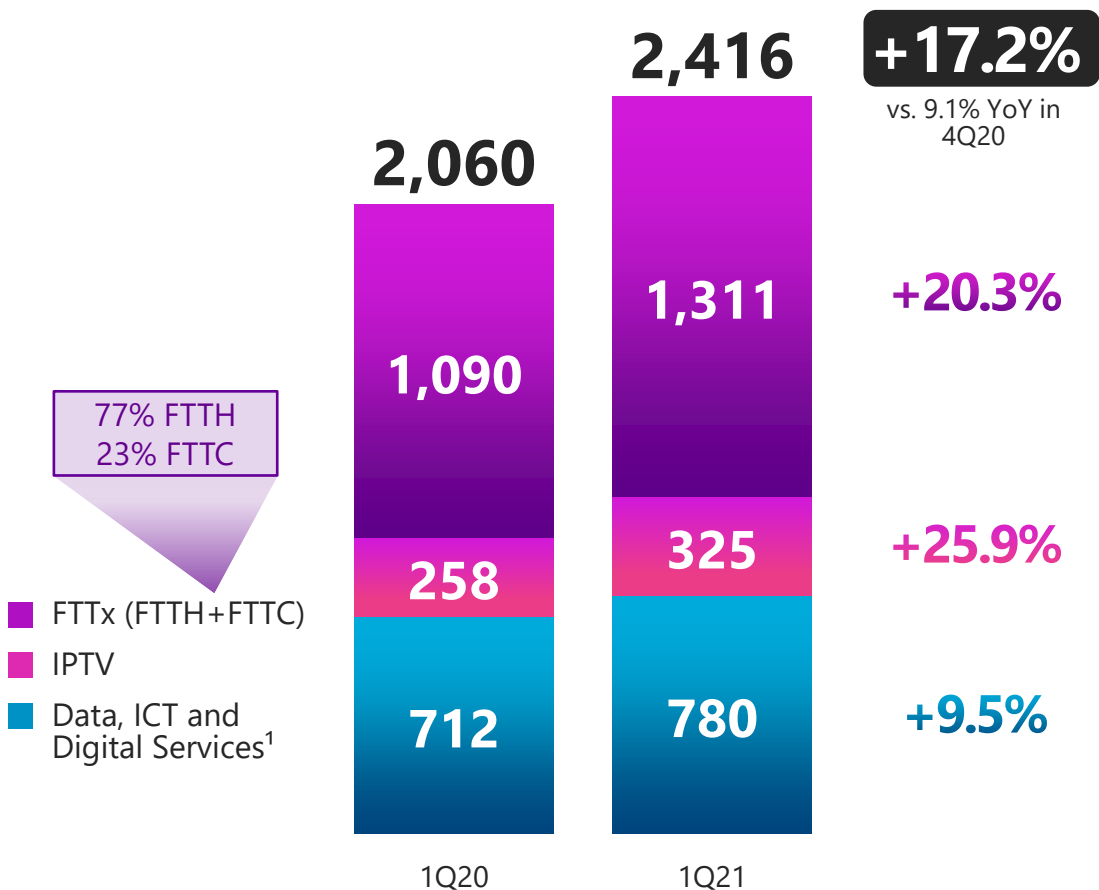


**Strong postpaid net additions** for the third quarter in a row, the highest since 2017



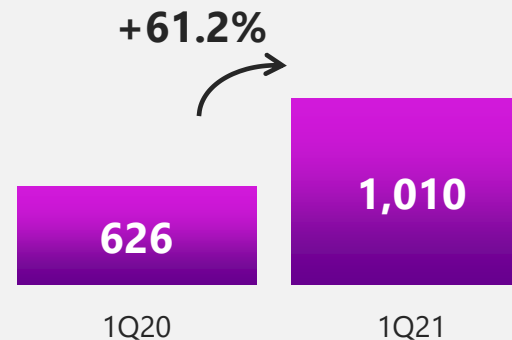
# ROBUST CORE FIXED REVENUE GROWTH DRIVEN BY INCREASING DEMAND FOR HIGH-SPEED CONNECTIVITY AND RELEVANT DIGITAL SERVICES

## Core Fixed Revenues<sup>1</sup> R\$ million



## FTTH

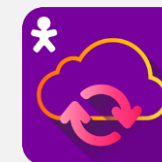
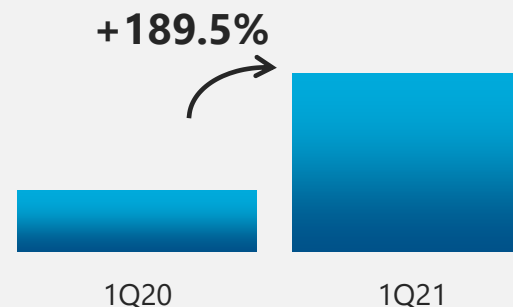
Revenues, R\$ million



Consistent FTTH revenue growth driven by **ARPU** increase, **OTT<sup>2</sup>** bundles and **higher net additions**

## Cloud

Revenues, R\$ million



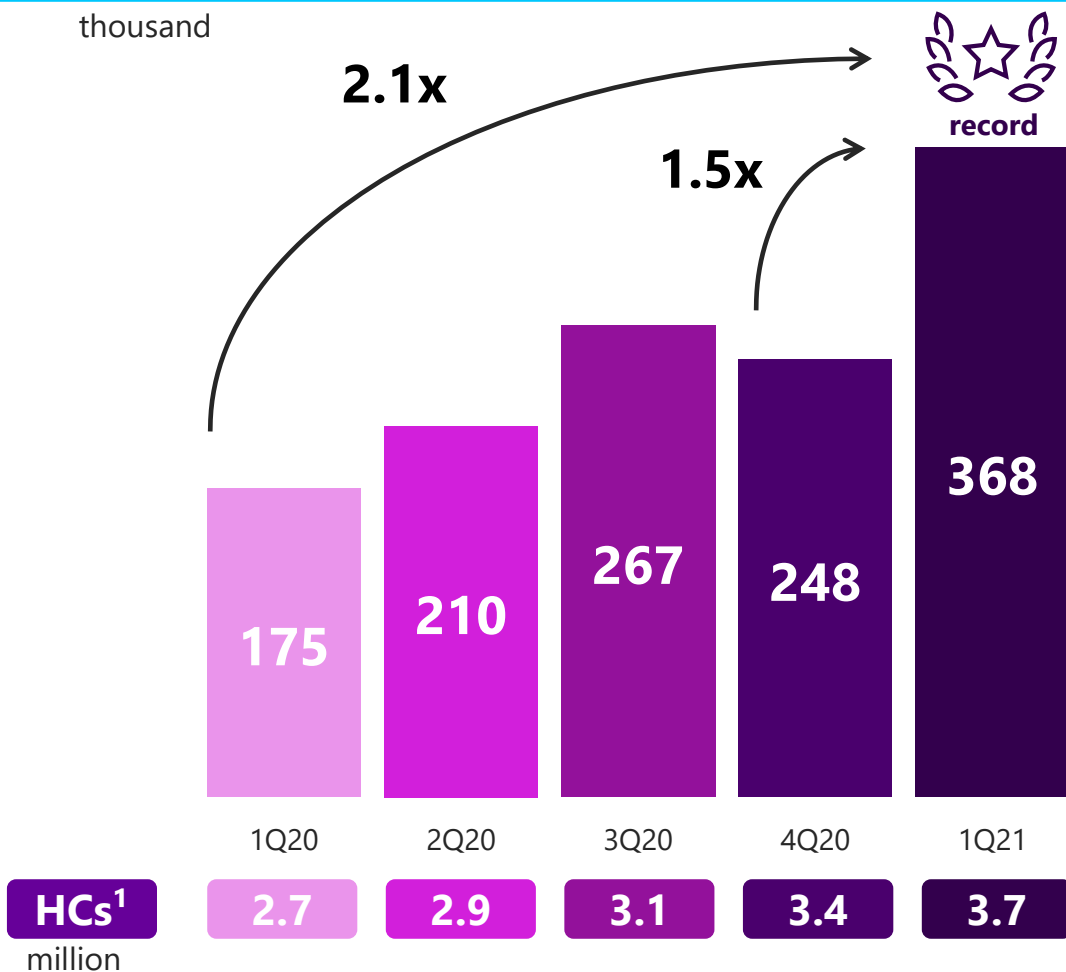
**Convergence** of Telco services with a **complete portfolio of business solutions**, as Vivo pushes to meet B2B customer needs



# INCREASING VOLUME OF FTTH NET ADDITIONS WITH SUPERIOR ARPU SUPPORTED BY ACCELERATED FIBER DEPLOYMENT

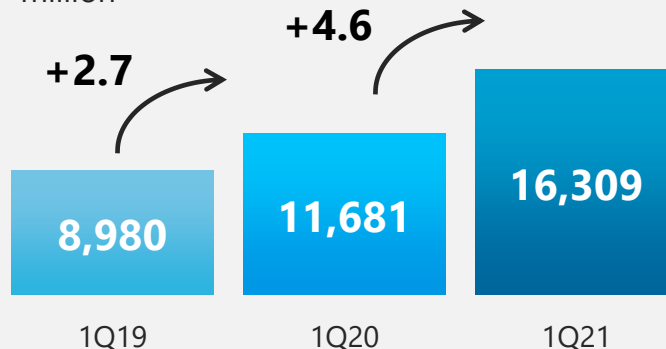
## FTTH Net Additions

thousand



## FTTH Homes Passed

million



Fiber deployment enhanced by organic expansion and implementation of alternative, Capex light, models

## Addition of high-value customers, improving ARPU

≈30% of Gross additions with:



300Mbps speeds



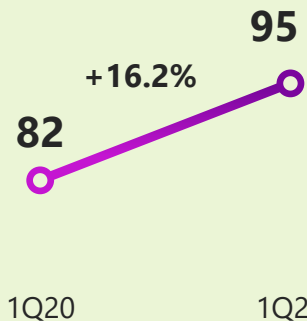
Video OTTs<sup>2</sup>

>35% of Net adds are:



Convergent customers

ARPU, R\$





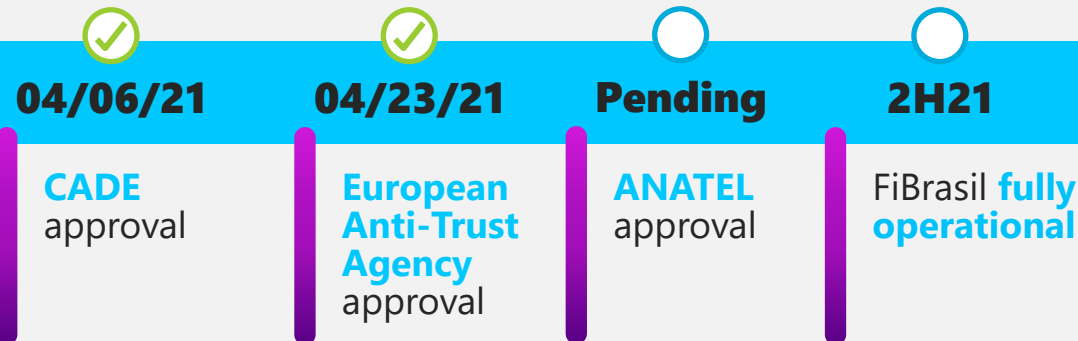


# FIBRASIL: NEUTRAL FIBER NETWORK WILL BE OPERATIONAL BY 2H21, ACCELERATING FIBER DEPLOYMENT AND REDUCING TIME-TO-MARKET



CDPQ is a Canadian **long-term institutional investor**, with **investments in >65 countries**, including Latin America.

## Milestones



## FiBrasil Overview



Aim is to **accelerate fiber deployment** and **capture value through wholesale to third-parties**



Vivo to **carve out 1.6 million** brownfield HPs outside the state of São Paulo



**Capex light model** where Vivo **manages the relationship with the customer** and remunerates FiBrasil for the use of network



**Expansion** of the present footprint to **>5 million FTTH HPs in 4 years**



Deployment in **greenfield cities** and **organic expansions in brownfield cities**



# VIVO IS EXPANDING ITS PORTFOLIO AND CREATING A DIGITAL ECOSYSTEM, TEAMING UP WITH THE TOP PLAYERS OF THESE SEGMENTS

## Launch of e-Health Platform

# VIDA V

Powered By  TELADOC

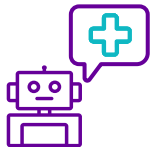
**Binding agreement** with **Teladoc**, one of the largest telemedicine companies in the world, as another step towards building a **health and wellness hub around Vivo**



**Immediate and scheduled** doctors' appointments



**Discount in >27k drugstores** throughout Brazil



**Pre-screening of symptoms** through AI



**Digital** certificates, exam requests and prescriptions



- Focus on **population without private health plans**
- **Not exclusive to Vivo Customers**
- Platform to include **other health players & partners**

## Equity Stake Partnerships

**Agreements with top players** in their segment, generating value to Vivo:

- Leveraging on combined capabilities **resulting in increased ARPU and engagement**
- **Minority stake** in high-potential businesses



**Engagement platform** with **48 million** customers

- Increasing customer preference through Dotz loyalty program
- Acceleration of Vivo's digital services, such as Vivo Money
- Entry in new ecosystem with >5,000 POS and 100 partners

# CDF.

B2B2C **marketplace** for **Home Service** and **Premium Tech Support**

- Expansion Vivo Guru's portfolio of services
- Address the Smart Home opportunity
- Higher customer loyalty and monetization



# LAUNCH OF VIVO PAY AND EXPANSION OF VIVO MONEY GENERATE MORE BENEFITS AND ENHANCE LIFETIME VALUE

## vivo PAY

### Vivo's free digital account



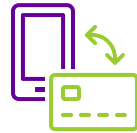
**Virtual Prepaid Card**  
for online shopping



**Cash transfers** to other  
banks via PIX



**Prepaid top-ups**



**Credits** for mobile apps  
like Google Play, Uber,  
Spotify and iFood



**Payment of  
bills**



**Gigaback: Up to 20GB** in  
extra data for customers  
that open their account

- **Not exclusive to Vivo customers**
- Focus on **hybrid and prepaid customers** with top-up recurrency and low bankarization
- **Cross-benefits** with other financial services initiatives

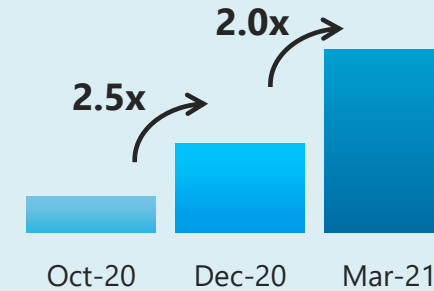
**vivo  
PAY**  
GANHE  
GIGABACK  
10GB+10GB



## vivo MONEY

### Credit origination

R\$ million



**Personal loan service**, initially focused on postpaid and hybrid customers. **Easy and 100% digital loans**, with extremely competitive interest rates offered

## vivo ITAUCARD



Co-branded credit card with **Itaú Bank** to stimulate sales in **Vivo's stores** and **digital marketplace**

Allows for payments in 21 monthly installments and offers **Cashback of up to 10% on products and services**



## VIVO'S ESG INITIATIVES ARE AN IMPLICIT COMPONENT OF OUR PURPOSE, "DIGITALIZE TO BRING CLOSER", AND WILL CONTINUE TO EVOLVE IN 2021

### Launch of the Campaign **'United against hunger'**

in partnership with the NGO *Gerando Falcões*, and support of the *Movimento Panela Cheia*, with **Fundação Telefônica Vivo donating two food kits for each one that is donated.**



### **1<sup>st</sup> Brazilian company of the sector** with **ISO 26000** certificate

with **Social Responsibility guidelines** that reinforce our responsible performance, from employees to suppliers and society as a whole



### **1<sup>st</sup> Solar Power Plant** of the Company in the Northern Region

in Marabá-PA, generating up to 2.190 MWh per year, **destined to serve 632 of Vivo's consumption units**

**100% Renewable Energy**



### **Vivo: best reputation in the sector**

**jumping 13 positions** in Merco's national scale (vs. 2019)

More information about our ESG initiatives is available in our 2020 Sustainability Report, available at our [Investor Relations website](#)





# THE ACCELERATION OF VIVO'S REVENUES AND SHIFT TOWARDS BECOMING A DIGITAL HUB IS TRANSFORMING THE COST BASE

## Total Costs<sup>1</sup> R\$ million

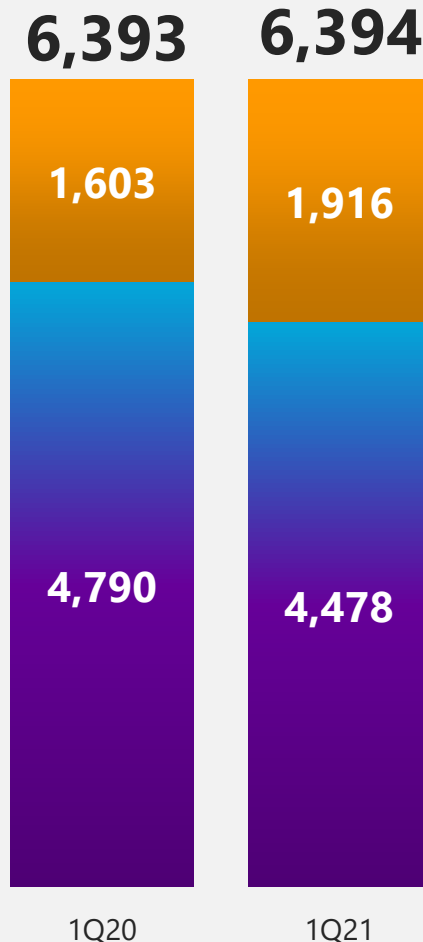
ex-Cogs:  
-2.5%

0.0%

+19.5%

-6.5%

Cost of Services and Goods Sold  
Cost of Operations

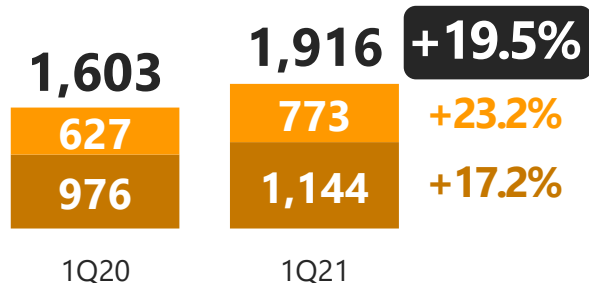


30% of costs

Cost of Goods Sold  
Cost of Services

## Cost of Services and Goods Sold

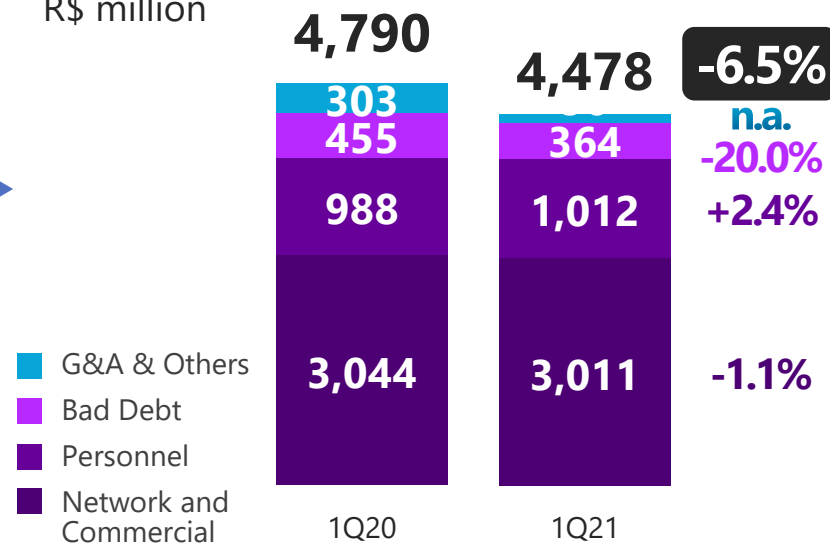
R\$ million



- COGS impacted by acceleration of B2C and B2B equipment sales
- Cost of Services driven by gradual B2B recovery, FISTEL related to increased customer base, digital content and services

## Cost of Operations<sup>1</sup>

R\$ million



- Cost reduction bound to call center, billing and collections efficiencies
- Decrease of commercial costs due to higher usage of digital channels



# AN EFFICIENCY-ORIENTED MINDSET IS FAST-TRACKING THE DIGITALIZATION AND SIMPLIFICATION JOURNEY, IMPROVING CUSTOMER EXPERIENCE AND REDUCING COSTS

## Automation



VIVO BOTS

# 917

Robots executing  
Automated  
Processes

# 91%

Assertiveness

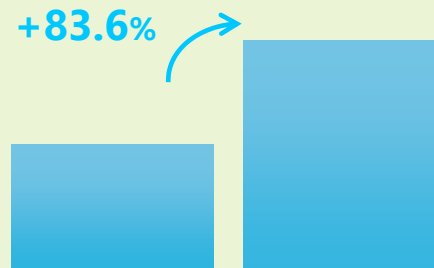


More **than R\$200 million** in savings of front and back-office processes since Dec-20

## e-Commerce

### Digital FTTH Sales

+83.6%

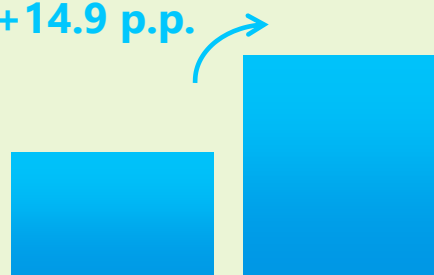


1Q20

1Q21

### Share of digital pre to postpaid migrations

+14.9 p.p.



1Q20

1Q21

## e-Care



# 19.4mn

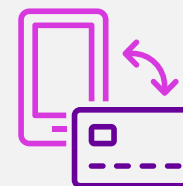
Unique Users  
Meu Vivo

+2.7 million YoY

# 88%

e-Billing

+13.6 p.p. YoY



# 65%

Payments  
using digital  
platforms



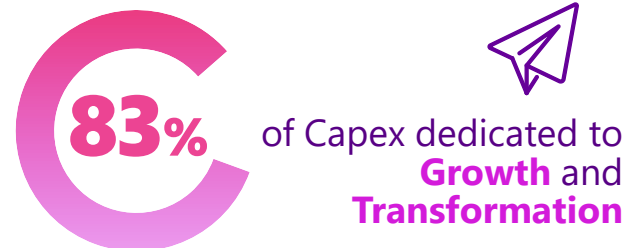
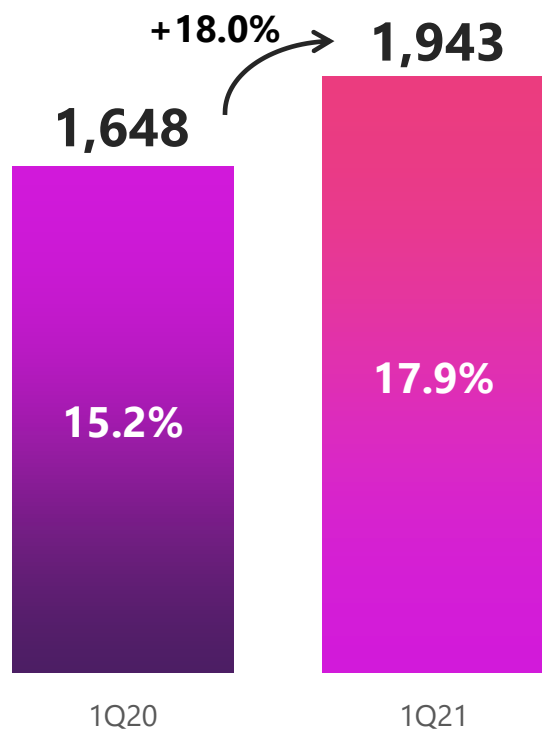


# INVESTMENTS IN UPGRADED MOBILE COVERAGE AND FIBER DRIVEN BY INCREASED DATA CONSUMPTION AND FTTH NET ADDITIONS

## CAPEX

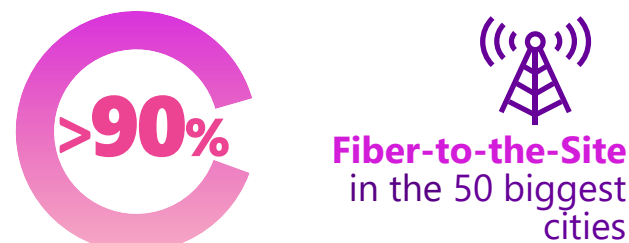
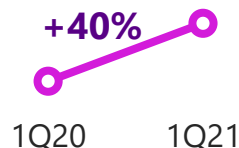
■ Capex, R\$ Million

■ Capex/Sales, %



Higher investment in FTTH driven by **accelerated fiber deployment** and **net additions**

FTTH Capex YoY %



## Preparation for 5G



- **Solid competitive advantage** from the start as Vivo has the **country's largest fiber footprint**



- **Initial launch** 5G DSS in 8 major Brazilian cities

## RAN Sharing with Tim



### Single Grid

- 4G Coverage Expansion: **348 cities each already implemented**
- Consolidation: **pilot is positively progressing in 50 cities (25 each)**



### 2G Switch-off

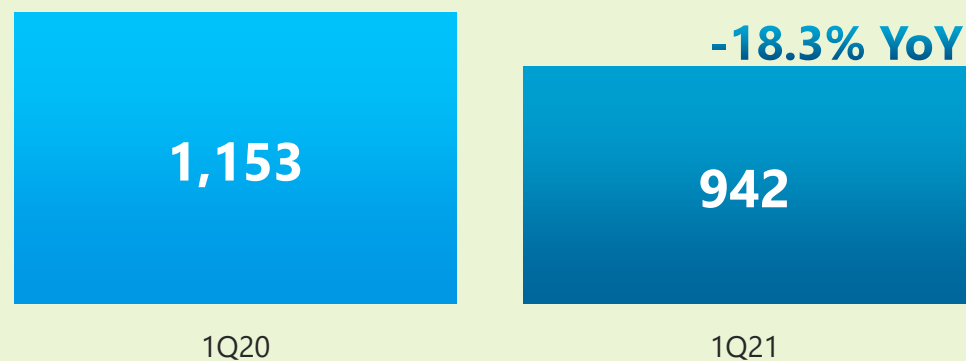
- **Tests advancing as planned** and rollout expected by 3Q21



# ELEVATED SHAREHOLDER REMUNERATION SUPPORTED BY NET PROFIT GENERATION AND ESCALATED SHARE BUYBACK PROGRAM

## Net Income

R\$ million



## Payment Schedule based on 2020 Net Income

### First Tranche

**R\$2.6 billion**

Jul 13<sup>th</sup>, 2021

### Second Tranche

**R\$2.8 billion**

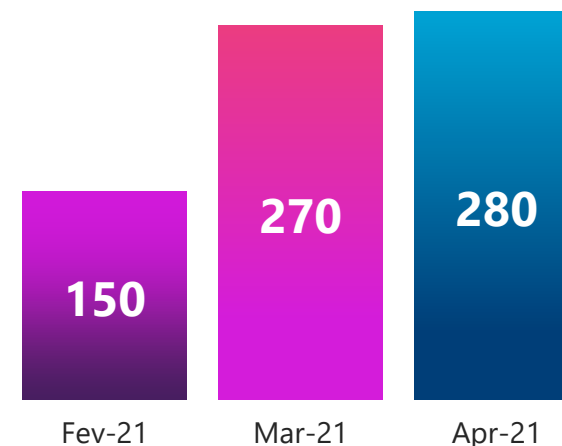
Oct 05<sup>th</sup>, 2021



DPS<sup>1</sup>:  
**R\$3.25<sup>2</sup>**

## Shareholder Remuneration

R\$ million



**R\$0.7 billion**  
declared as of  
April 2021

Dividend  
Yield LTM:  
**7.9%**

## Share Buyback



**5.4mn**  
**Shares in**  
**treasury<sup>3</sup>**



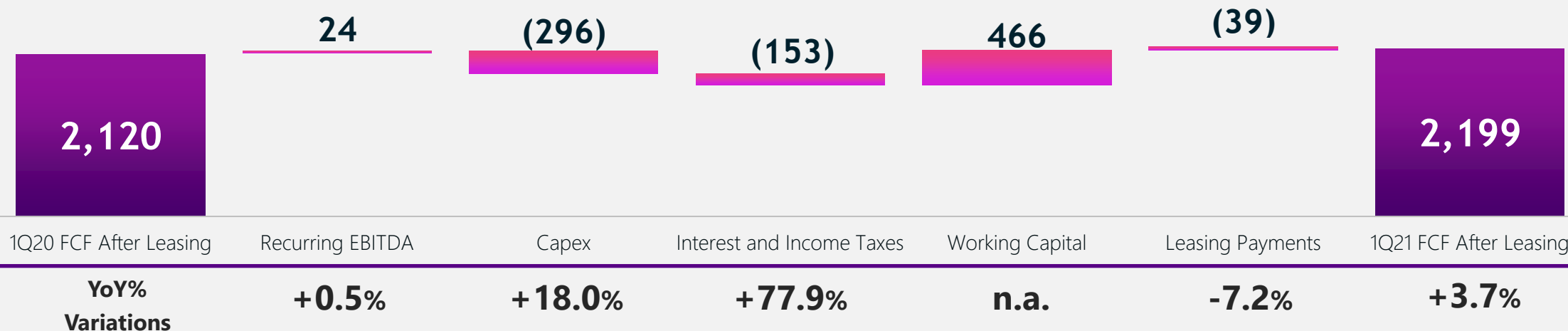
**0.32%**  
**of the Total Capital**



# FREE CASH FLOW ROSE 3.7% YOY IN 1Q21 DUE TO VIVO'S ROBUST OPERATING AND FINANCIAL MANAGEMENT RESULTING IN SOLID BALANCE SHEET AND IMPROVED METRICS

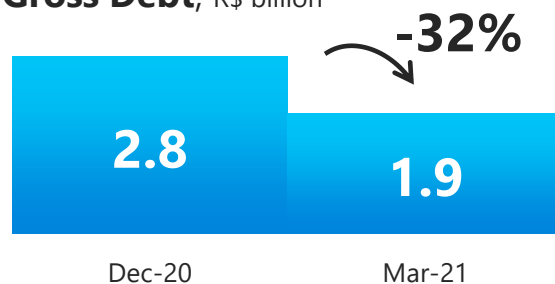
## Free Cash Flow<sup>1</sup>

R\$ million, Δ a/a



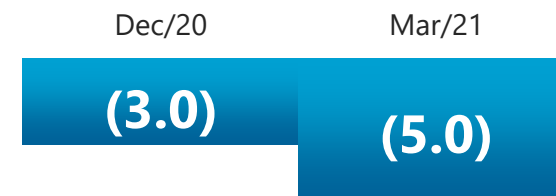
## Leverage

Gross Debt, R\$ billion



Strong **net cash position** reinforcing Vivo's sound financials

Net Debt (Cash), R\$ billion





For further information:

## Investor Relations

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[B]<sup>3</sup>  
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