



# 1Q20 Earnings Presentation



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Market data and industry information used throughout this presentation are based on management’s knowledge of the industry and the good faith estimates of management. The Company also relied, to the extent available, upon management’s review of industry surveys and publications and other publicly available information prepared by a number of third party sources. All of the market data and industry information used in this presentation involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Although the Company believes that these sources are reliable, there can be no assurance as to the accuracy or completeness of this information, and the Company has not independently verified this information.

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This presentation also includes certain non-GAAP financial information. We believe that such information is meaningful and useful in understanding the activities and business metrics of the Company’s operations. We also believe that these non-GAAP financial measures reflect an additional way of viewing aspects of the Company’s business that, when viewed with our International Financial Reporting Standards (“IFRS”) results, as issued by the International Accounting Standards Board, provide a more complete understanding of factors and trends affecting the Company’s business. Further, investors regularly rely on non-GAAP financial measures to assess operating performance and such measures may highlight trends in the Company’s business that may not otherwise be apparent when relying on financial measures calculated in accordance with IFRS. We also believe that certain non-GAAP financial measures are frequently used by securities analysts, investors and other interested parties in the evaluation of public companies in the Company’s industry, many of which present these measures when reporting their results. The non-GAAP financial information is presented for informational purposes and to enhance understanding of the IFRS financial statements. The non-GAAP measures should be considered in addition to results prepared in accordance with IFRS, but not as a substitute for, or superior to, IFRS results. As other companies may determine or calculate this non-GAAP financial information differently, the usefulness of these measures for comparative purposes is limited. A reconciliation of such non-GAAP financial measures to the nearest GAAP measure is included in this presentation.

For purposes of this presentation:

“Active Clients” means the total number of retail clients served through our XP Investimentos, Rico, Clear, XP Investments and XP Private (Europe) brands, with an AUC above R\$100.00 or that have transacted at least once in the last thirty days. For purposes of calculating this metric, if a client holds an account in more than one of the aforementioned entities, such client will be counted as one “active client” for each such account. For example, if a client holds an account in each of XP Investimentos and Rico, such client will count as two “active clients” for purposes of this metric.

“Assets Under Custody (AUC)” means the market value of all client assets invested through XP’s platform, including equities, fixed income securities, mutual funds (including those managed by XP Gestão de Recursos Ltda., XP Advisory Gestão Recursos Ltda. and XP Vista Asset Management Ltda., as well as by third-party asset managers), pension funds (including those from XP Vida e Previdência S.A., as well as by third-party insurance companies), exchange traded funds, COEs (Structured Notes), REITs, and uninvested cash balances (Floating Balances), among others.

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# **1 Opening Remarks**

# Opening Remarks

Sustained by our competitive advantages, crises create opportunities for improvement



## EDUCATION DNA

Increased interest for investments in Brazil reflected in record audience in our platforms in Mar-Apr



## CLOSER TO CLIENTS

Supported by our network, we are closer than ever to clients, providing specialized advisory in an efficient and recurring manner



## UNIQUE PLATFORM

Our ecosystem embraces all profiles of clients and offers the best investment options



## ADDRESSABLE MARKET

Massive and concentrated industry coupled with all-time low interest rates



## LONG-TERM VIEW

Although we recognize the challenges ahead, we remain confident about the long-term prospects for XP

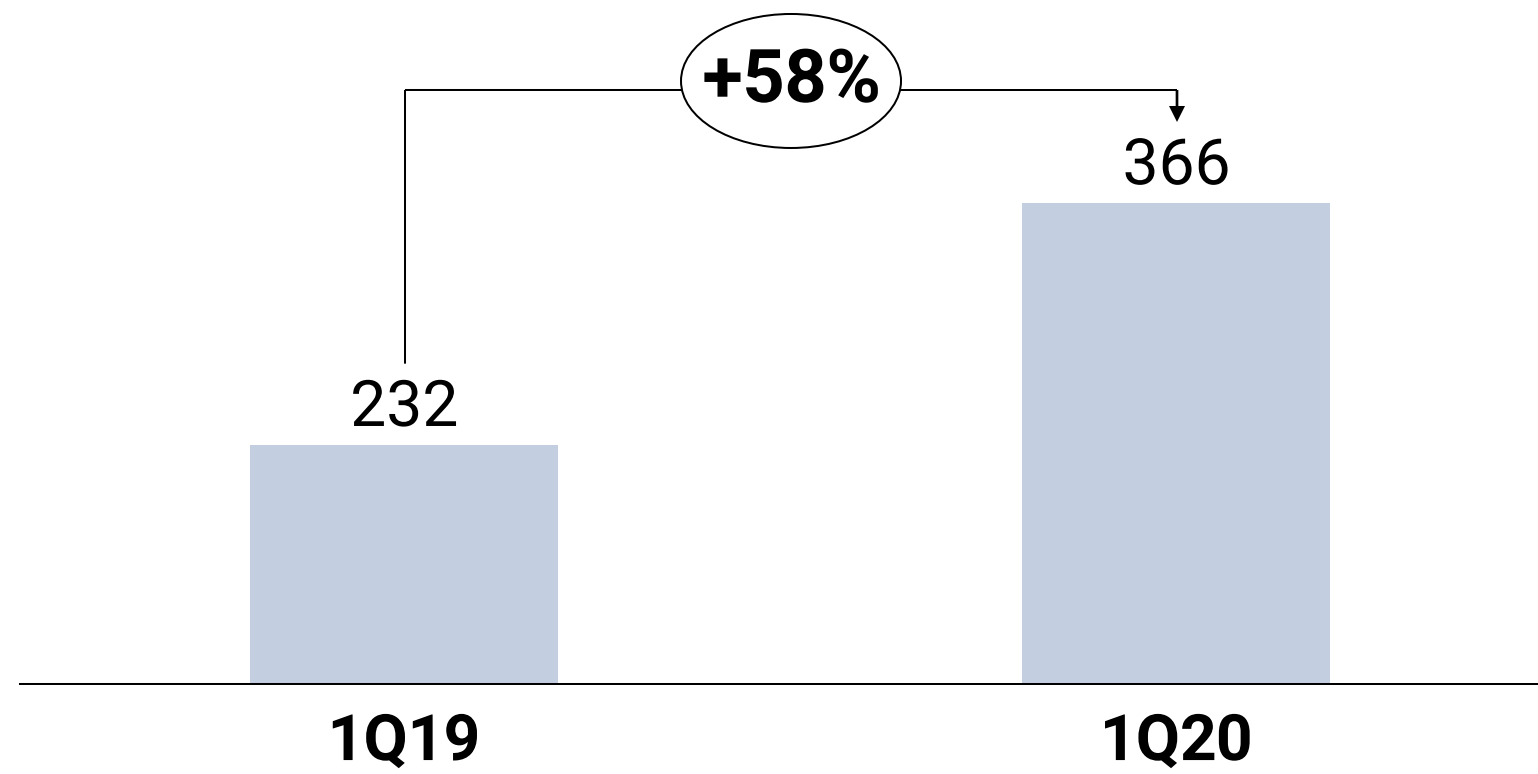


# **2 1Q20 KPIs and Financials**

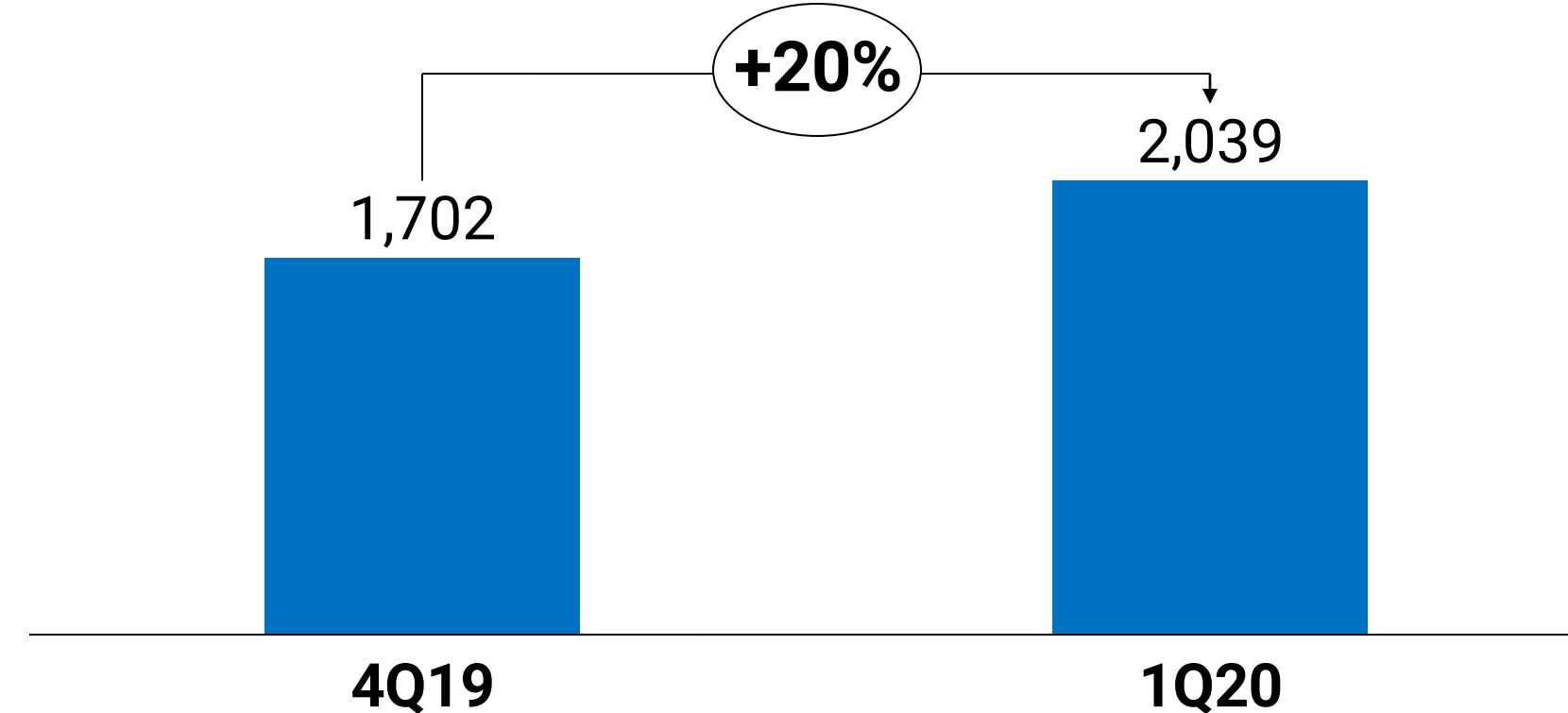
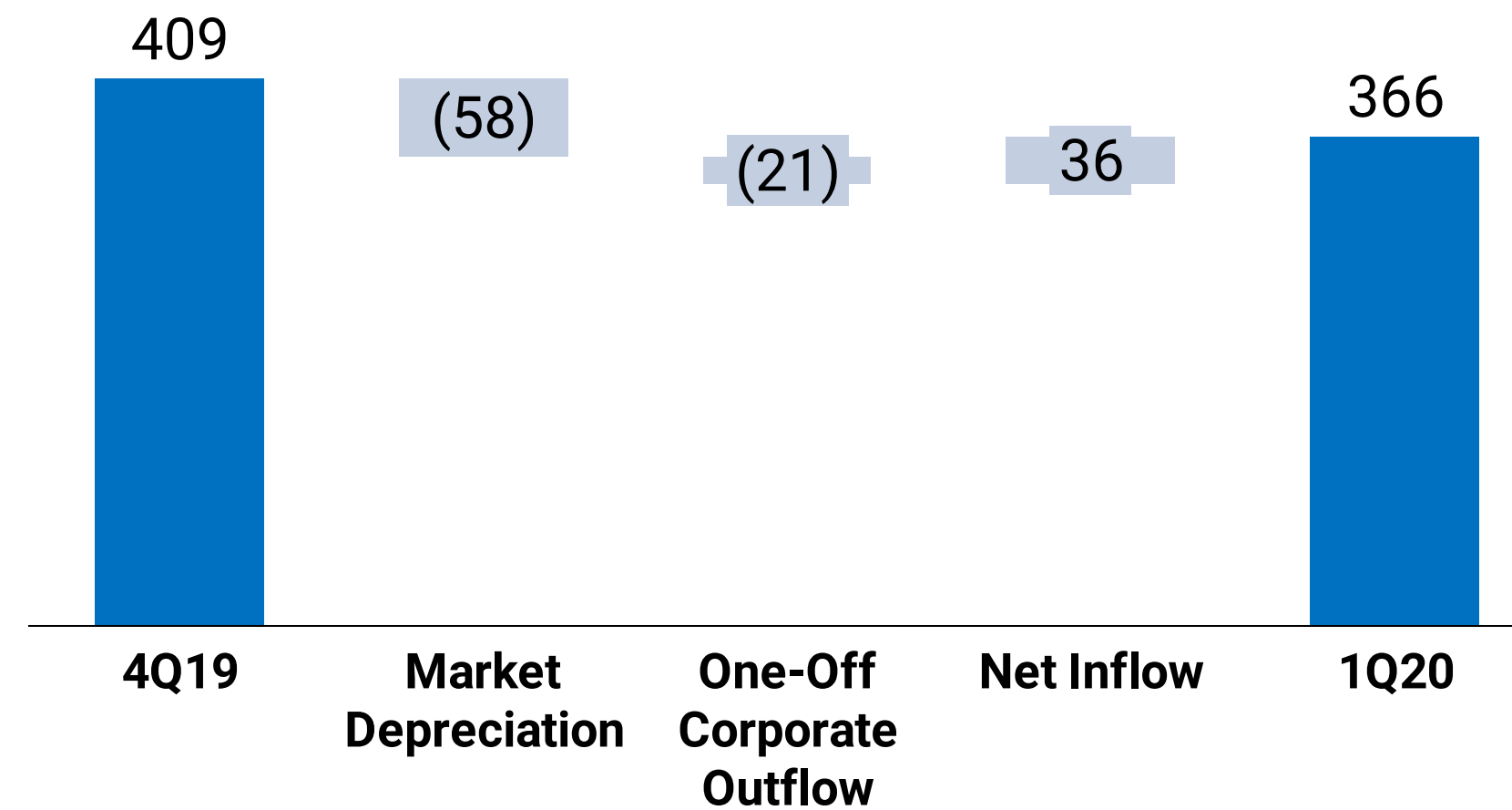
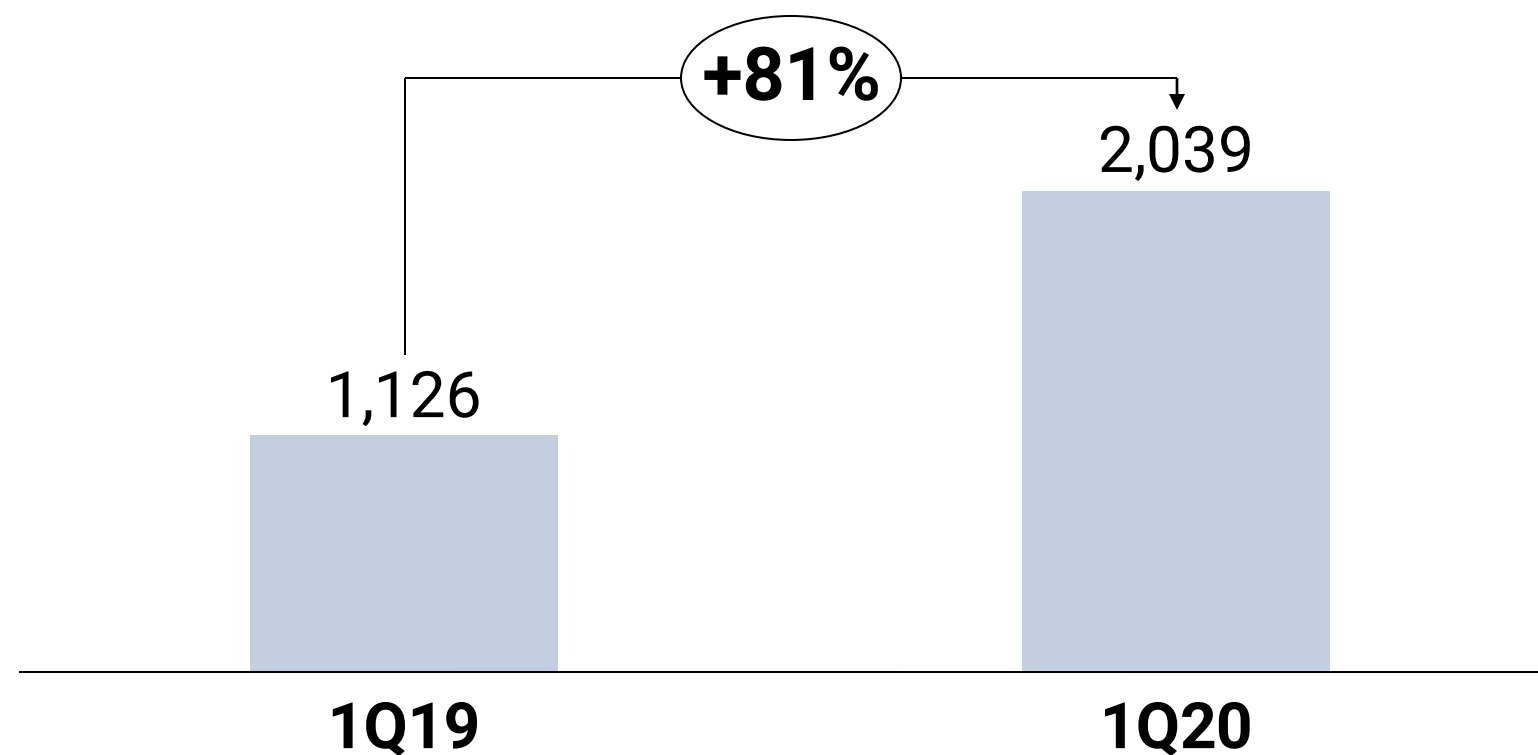
# KPIs

AUC, Active Clients and NPS

## Assets Under Custody (AUC) (R\$ in bn)



## Active Clients ('000)



### Highlights

- AUC decrease versus 4Q19 was mainly driven by market depreciation and a single one-off corporate outflow;
- R\$12 billion monthly net inflow pace in 1Q20 vs R\$11 billion in 4Q19.

### Highlights

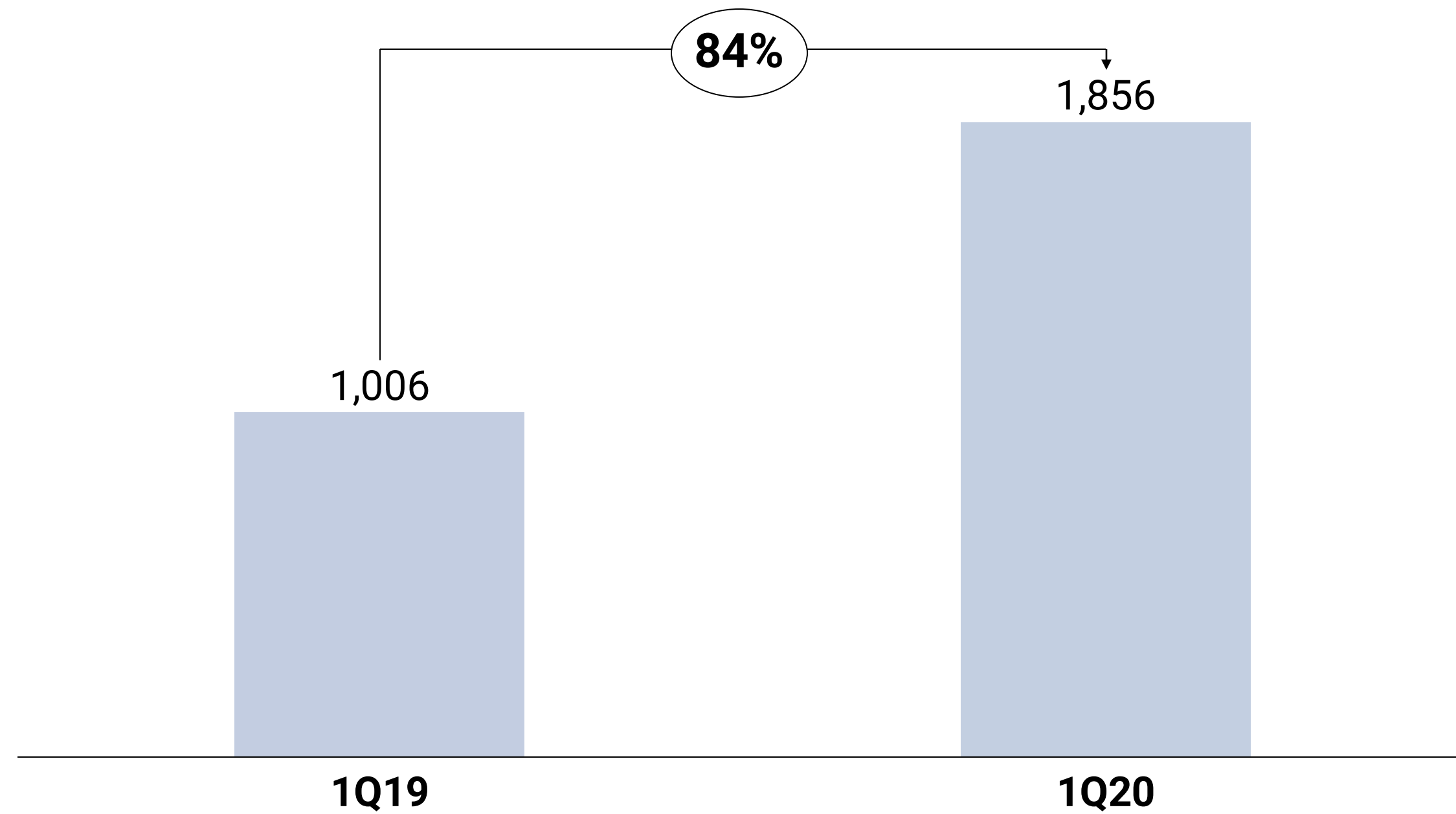
- Growth was driven by expansion across all our channels and brands, particularly Clear.

**NPS Mar/2020: 72**

Note: NPS, is an independent widely known survey methodology that measures the willingness of customers to recommend a Company's products and services. The NPS calculation as of a given date reflects the average of the answers in the previous six months

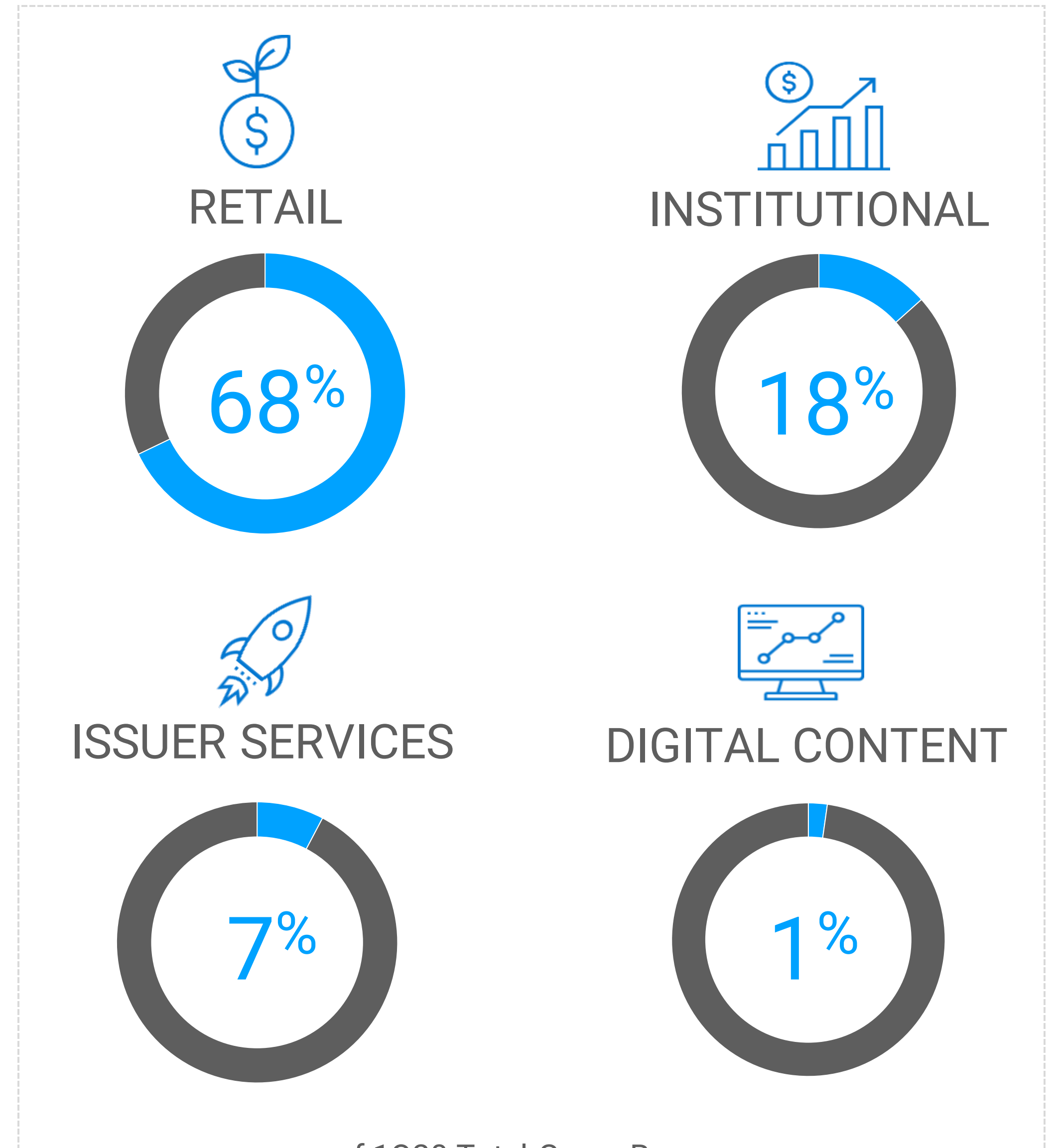
# 1Q20 Revenue and Breakdown

Total Gross Revenues (in R\$ mn)



## Highlights

- Growth was driven by: (1) increased trading volume in equity and derivatives, impacting Retail and Institutional revenues; (2) YoY increase in average AUC and (3) capital market deals, especially in January and February.



of 1Q20 Total Gross Revenue

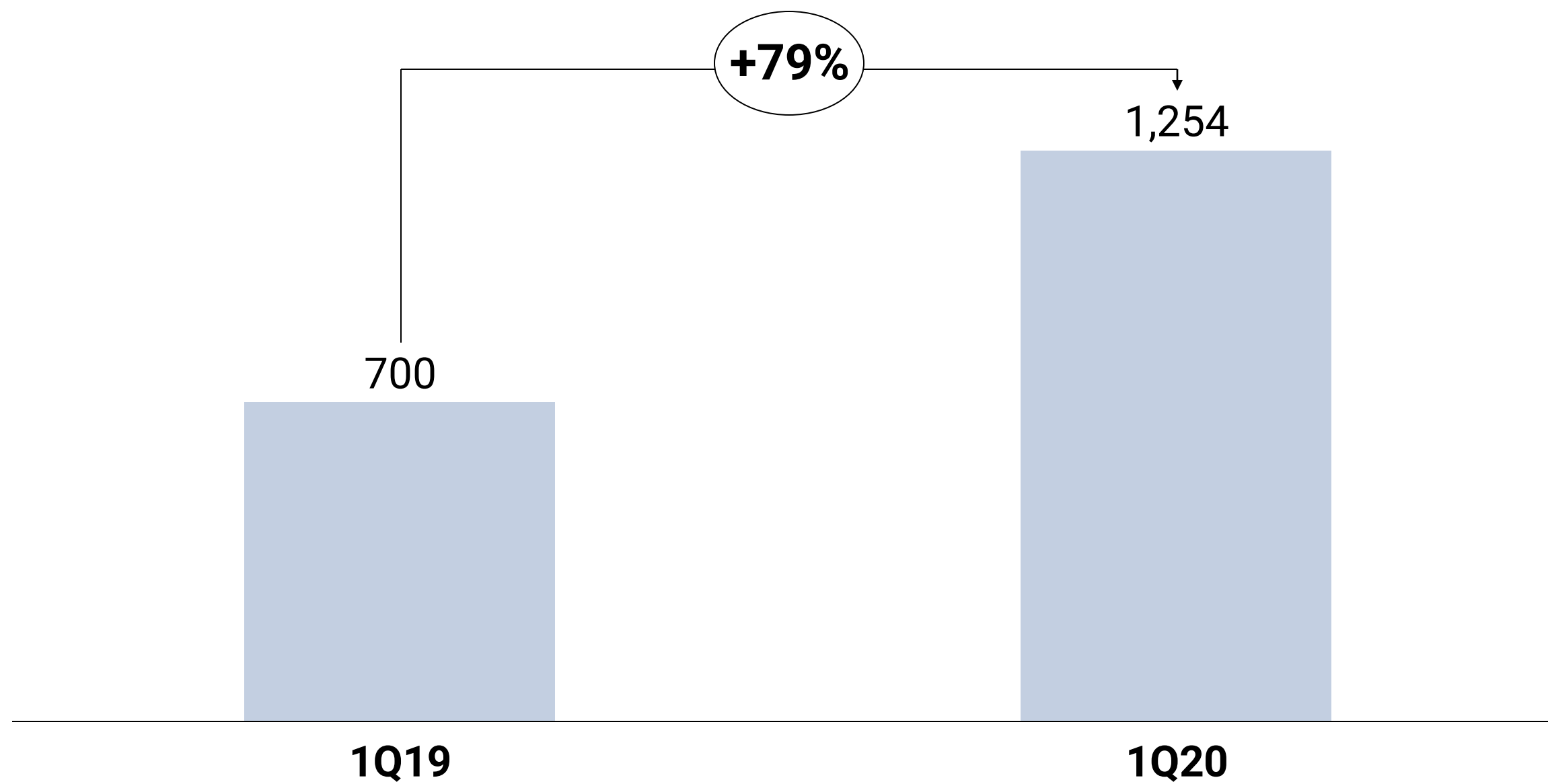
Other Revenue represented 6% of Total Gross Revenues



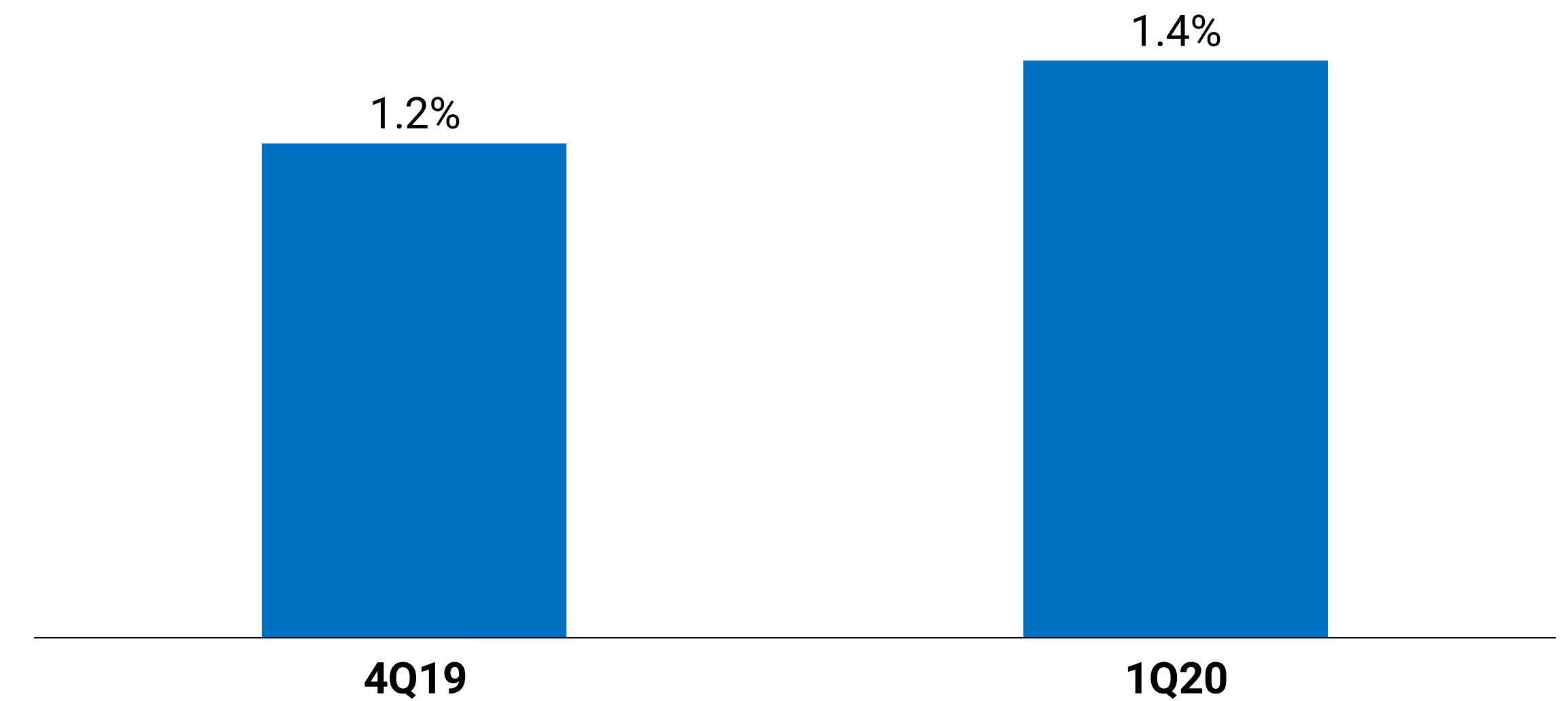
# Retail Revenue and Take Rate

Strong performance driven by record volumes in equities and higher management fees following AUC growth

Retail Revenue (in R\$ mn)



LTM Take Rate (LTM Retail Revenue / Average AUC)



## Highlights

- Key revenue growth drivers were: (1) Equities; (2) Funds; (3) REITs and (4) Fixed Income.

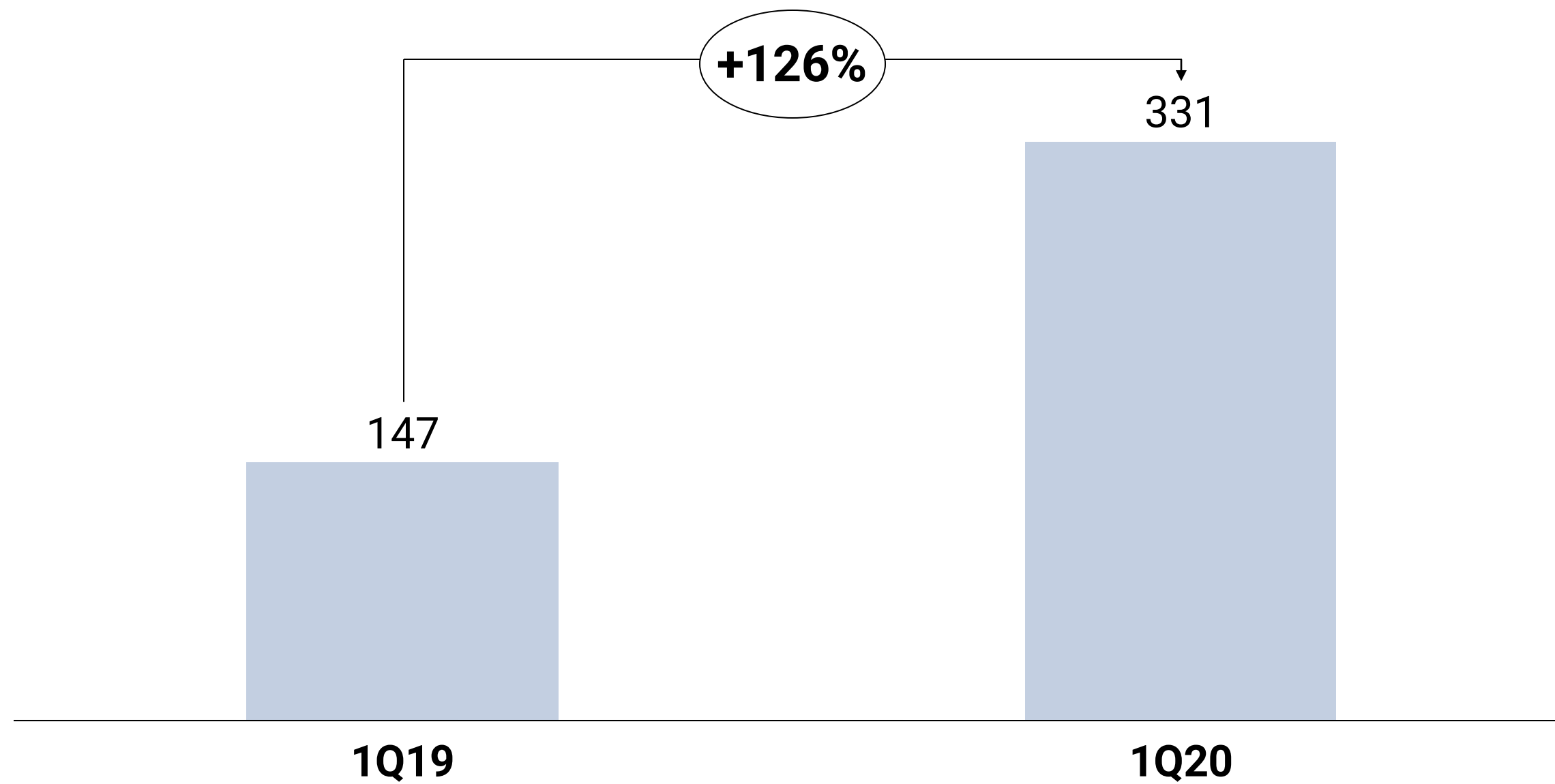
## Highlights

- The increase in sequential LTM take rate reflects: (1) record retail volumes in equities and derivatives, which boosted revenue and (2) AUC growth lagging revenue growth in the 4Q19-1Q20 period.

# Institutional and Issuer Services

Strong volumes persist and intense deal activity until late February

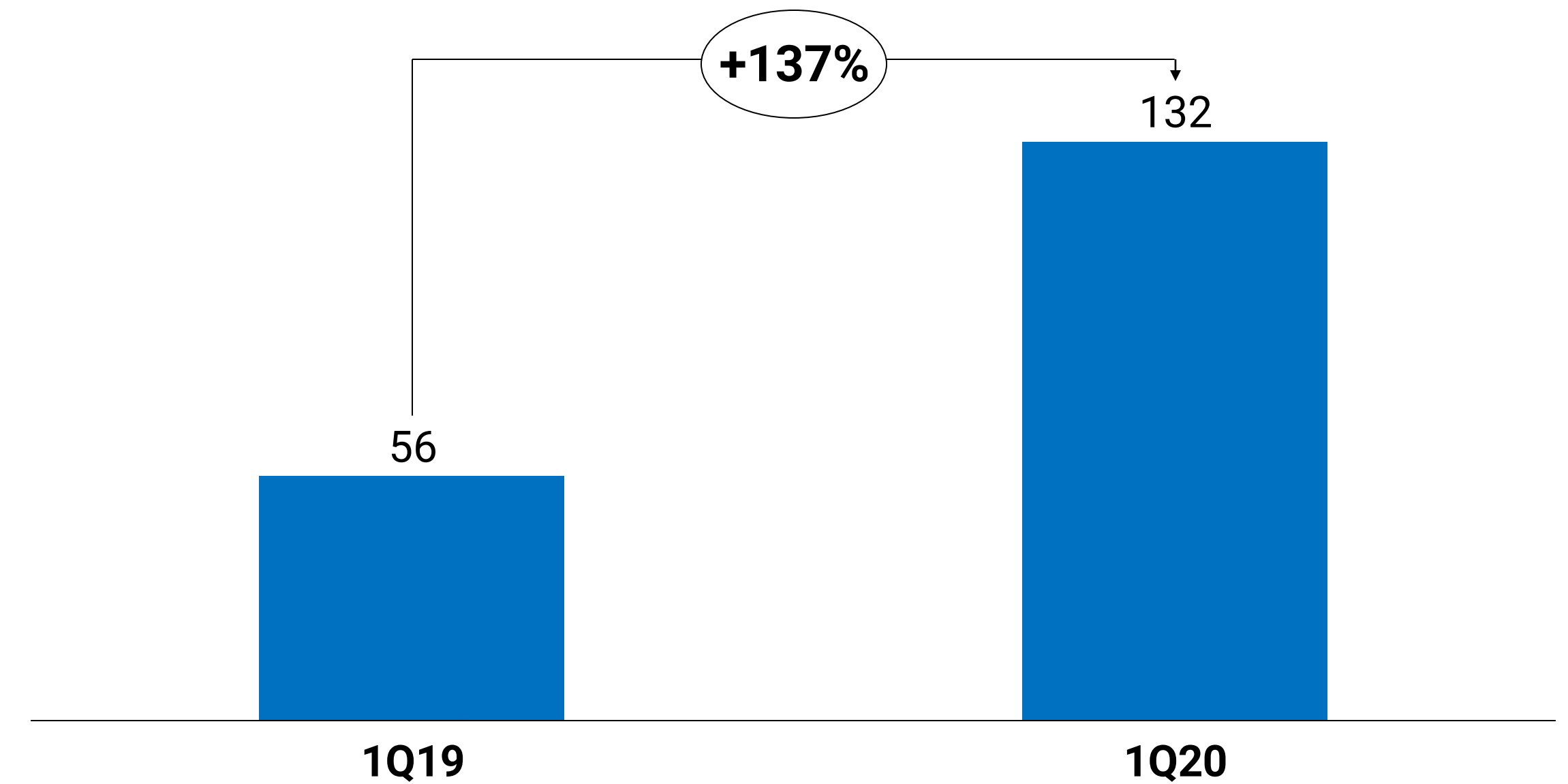
Institutional Revenue (in R\$ mn)



## Highlights

- (1) Rising volumes across our Brazilian trading desks, following the overall expansion in B3 volumes.

Issuer Services Revenue (in R\$ mn)



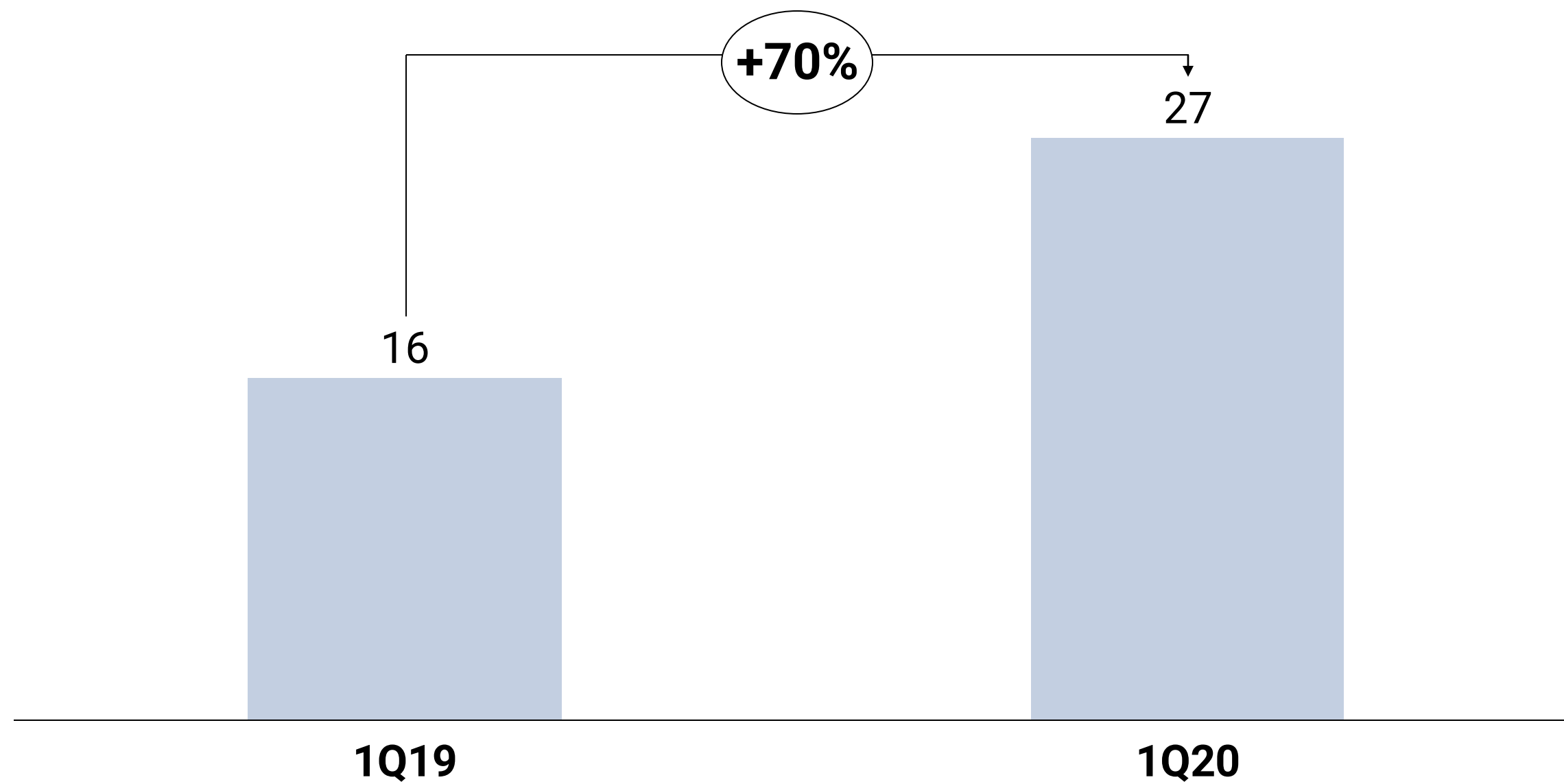
## Highlights

- (1) REITs; (2) DCM and (3) ECM, with deals concentrated especially in January and February.

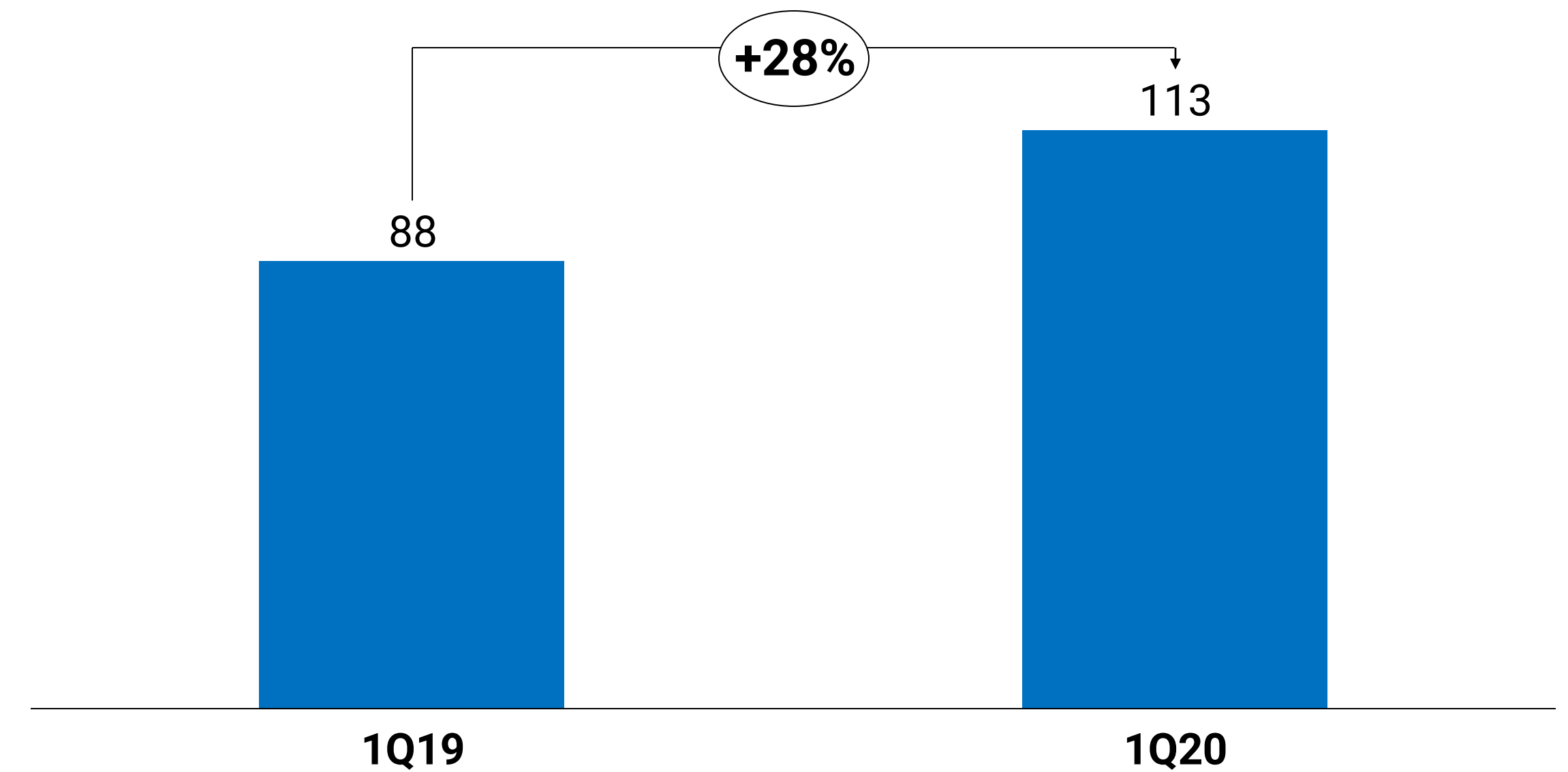
# Digital Content and Other

Solid growth following the expansion of XP's platforms and ecosystem

Digital Content Revenue (in R\$ mn)



Other Revenue (in R\$ mn)



## Highlights

- Increase in students accessing our online courses and MBA programs.

## Highlights

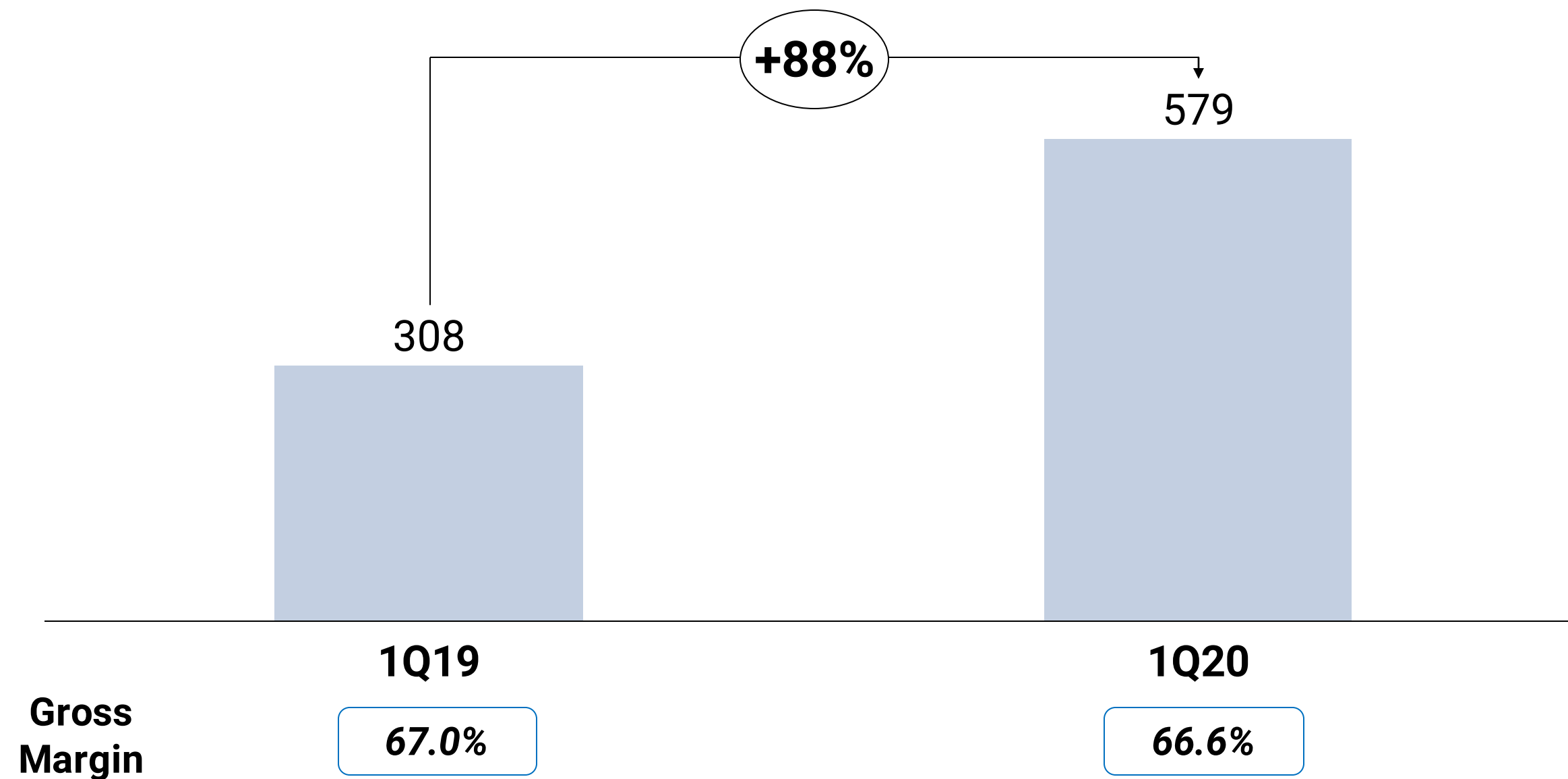
- Mainly driven by increase in adjusted gross financial assets from R\$2.3 billion at the end of 1Q19 to R\$8.1 billion at March 31, 2020<sup>1</sup>.

1 – We calculate Adjusted Gross Financial Assets as the sum of (1) Cash and Financial Assets (comprised of Cash plus Securities – Fair value through profit or loss, plus Securities – Fair value through other comprehensive income, plus Securities – Evaluated at amortized cost, plus Derivative financial instruments, plus Securities purchased under agreements to resell), less (2) Financial Liabilities (comprised of the sum of Securities loaned, Derivative financial instruments, Securities sold under repurchase agreements and Private pension liabilities), and (3) less Floating Balance. See appendix for a reconciliation of Adjusted Gross Financial Assets.

# COGS and SG&A

Gross margin stability and efficiency gains on G&A

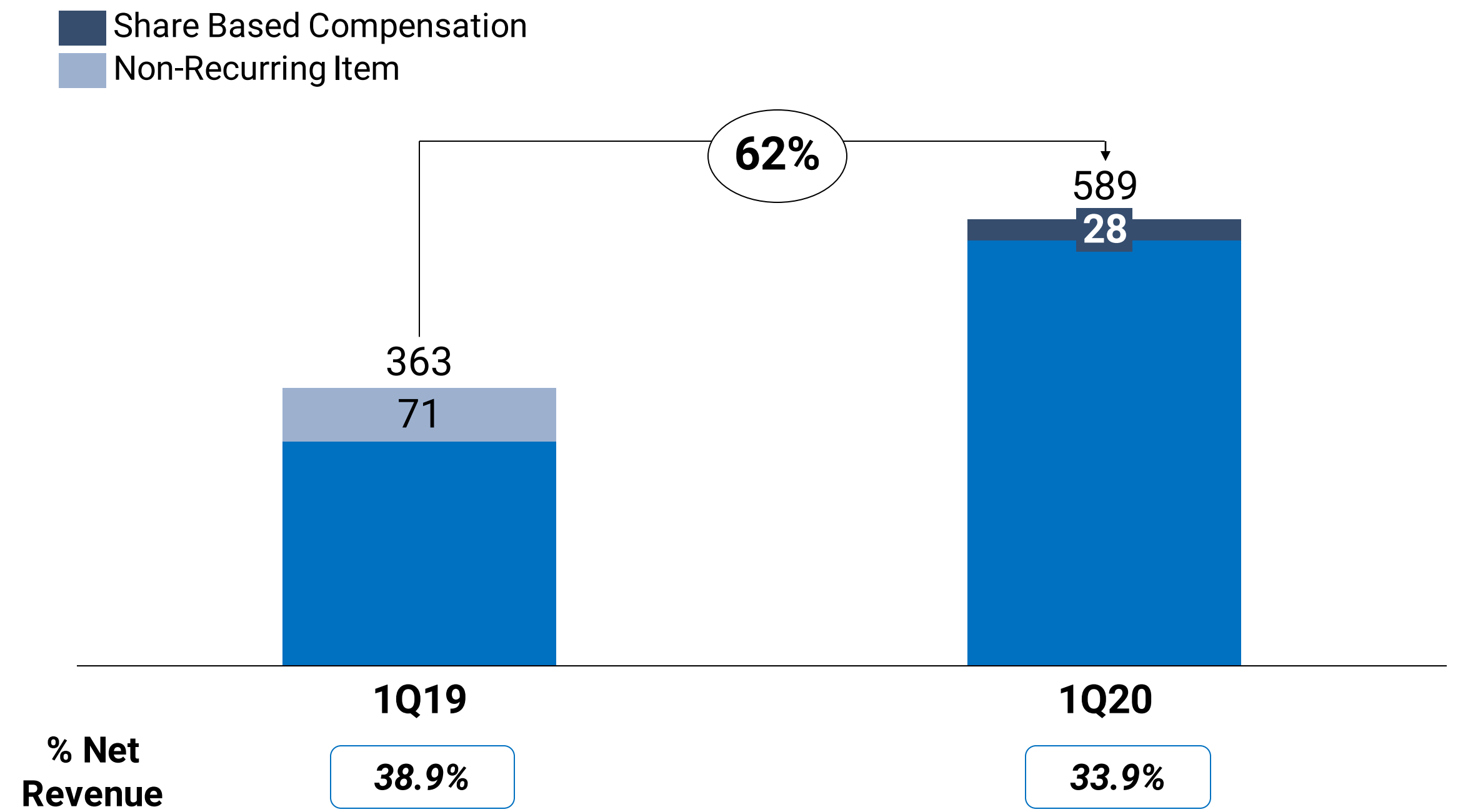
## COGS (in R\$ mn)



### Highlights

- Gross margin stability reflecting the absence of meaningful changes in product mix.

## Operating Expenses (in R\$ mn)



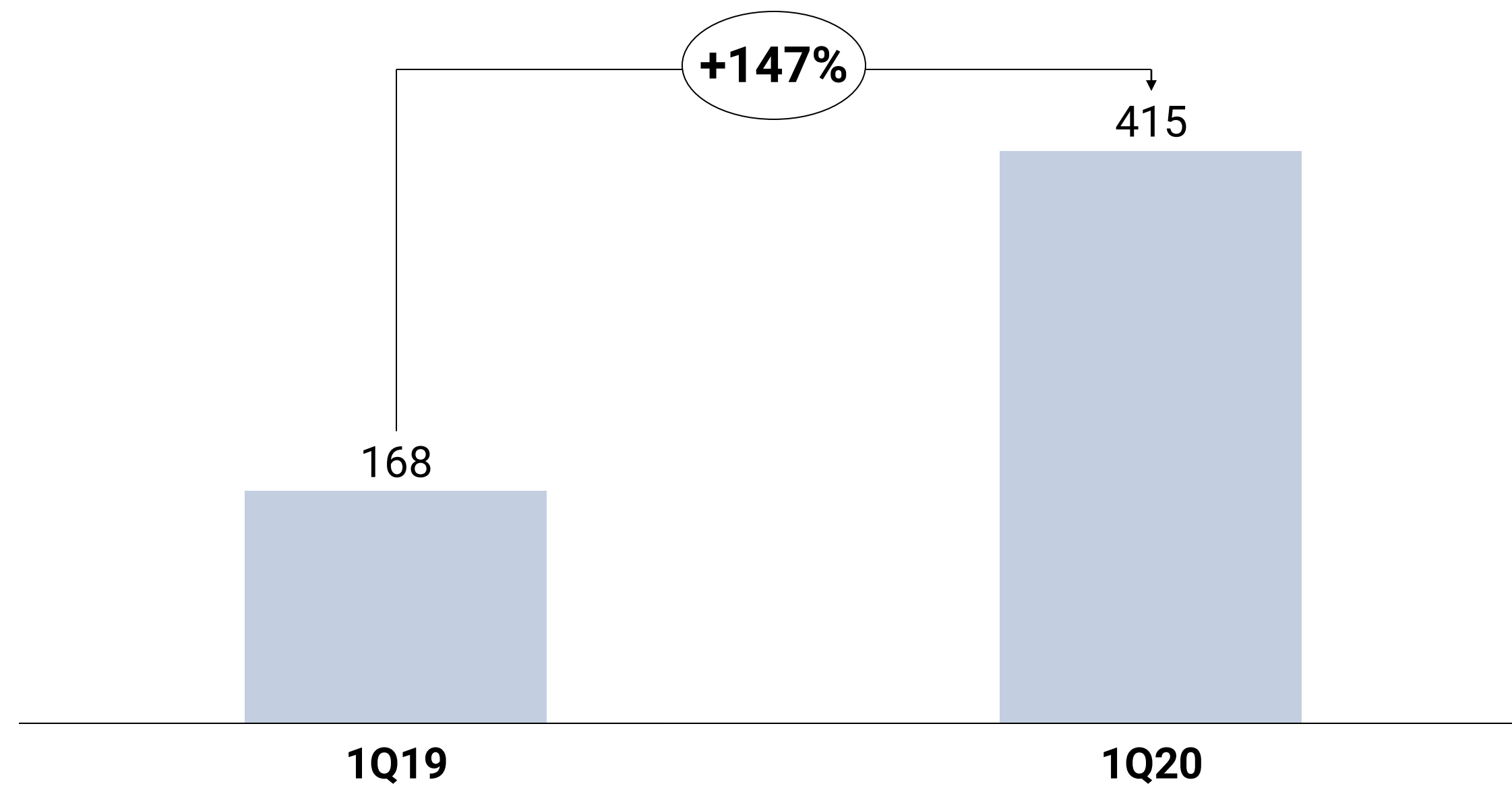
### Highlights

- Adjusting for the non-recurring tax claim recognition (R\$71 million) in 1Q19, there were efficiency gains recognized across most expense lines.

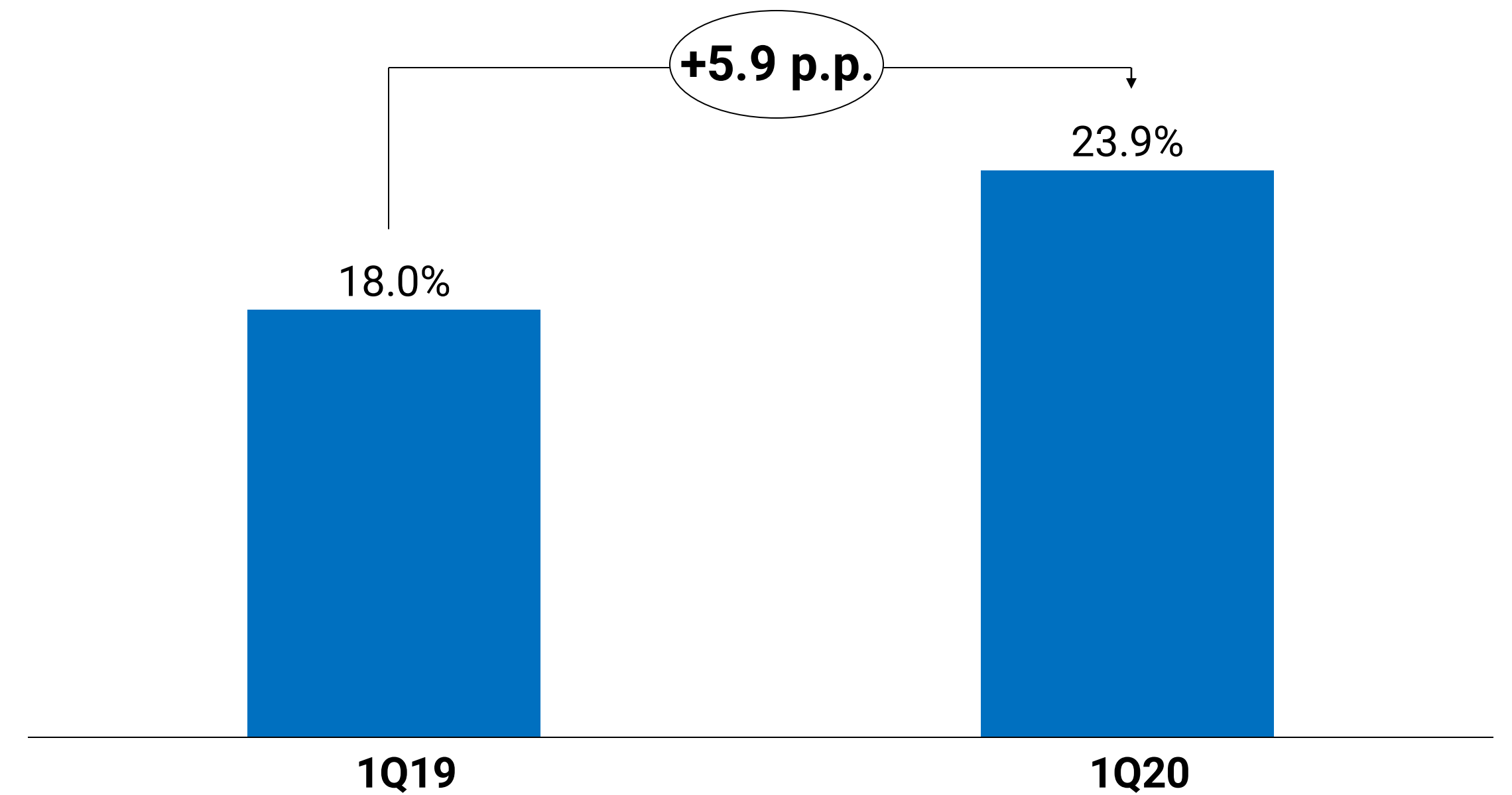
# Adjusted Net Income and Margin

Strong margin expansion in 1Q20 vs 1Q19

Adjusted Net Income (in R\$ mn)



Adjusted Net Margin



## Highlights

- Growth in Adjusted Net Income driven by (1) accelerating increase in total revenues, especially brokerage in Retail and Institutional businesses and (2) lower consolidated tax rate.

Note:.

1 – We calculate Adjusted Net Income as net income, plus Itaú Transaction and deal related expenses, plus IPO process related expenses, plus our Share Based Plan expenses, minus one-time tax claim recognition (2010-2017) plus/minus taxes. See appendix for a reconciliation of Adjusted Net Income.

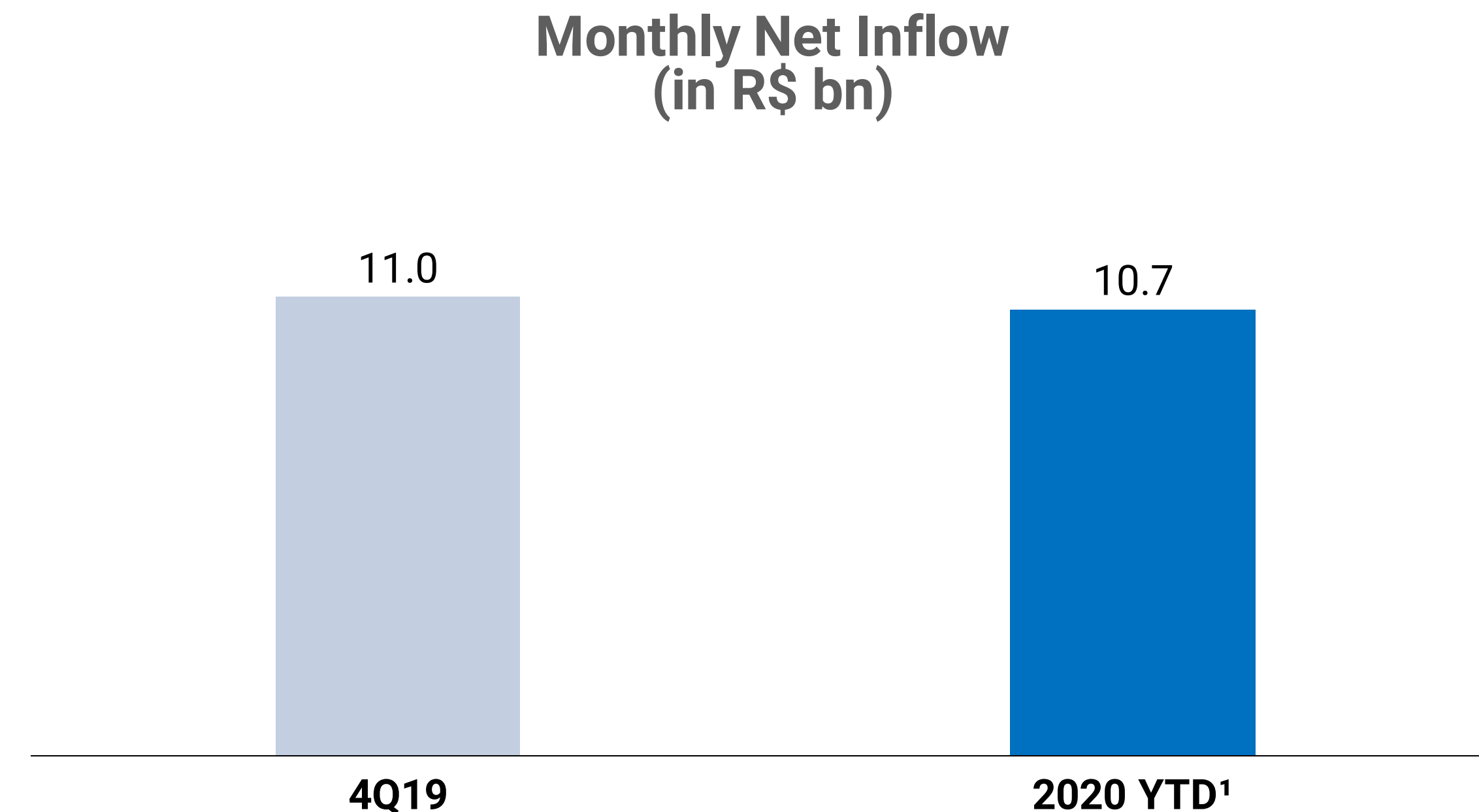
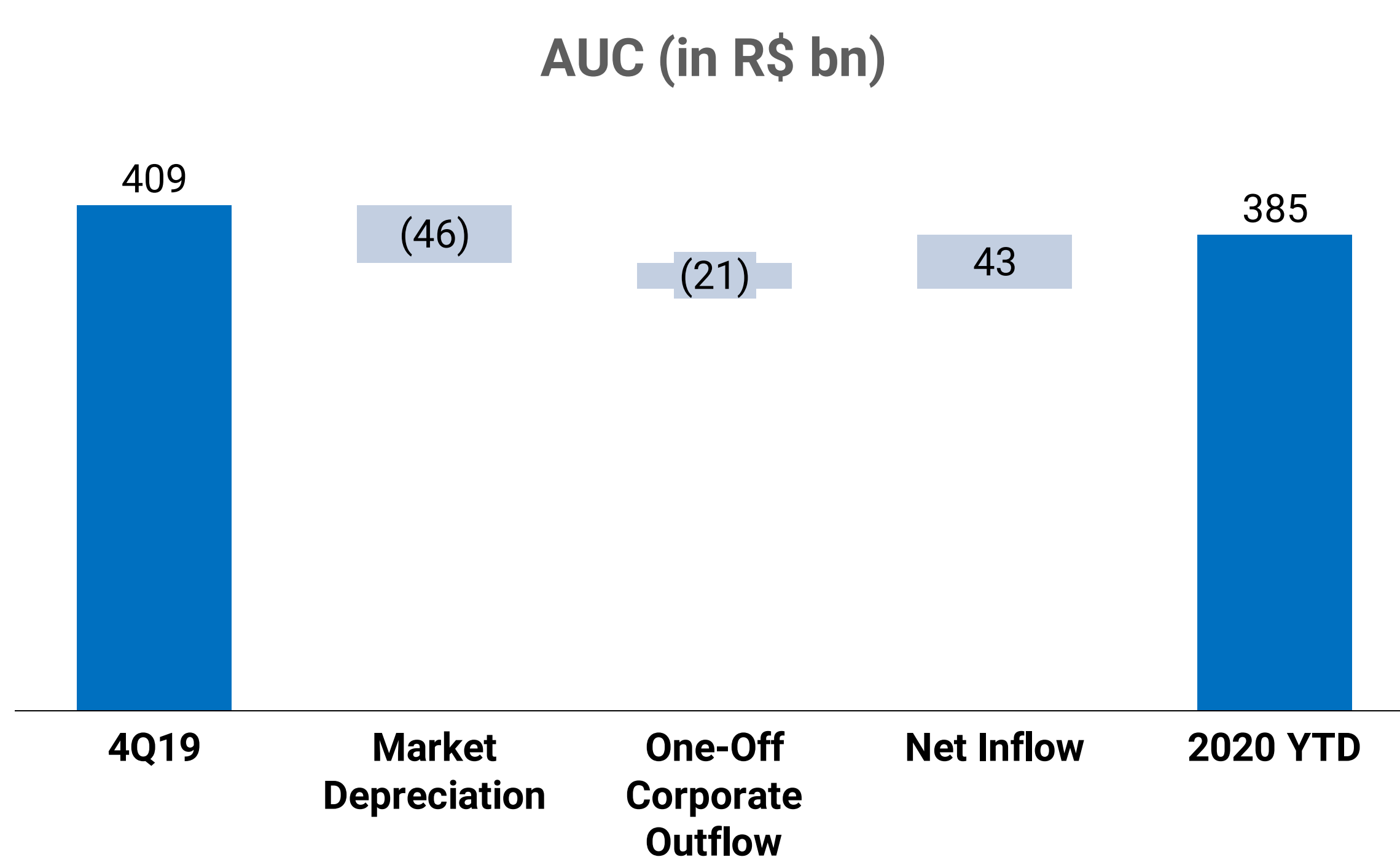
2 – Adjusted Net Margin is calculated as Adjusted Net Income divided by net revenue. See appendix for a reconciliation of Adjusted Net Margin..



# **3 COVID-19 Update**

# COVID-19 Update | April 2020

Despite challenging scenario in April, growth remained healthy



- R\$19 billion increase in AUC in April-2020 was driven by R\$7 billion net inflow and R\$12 billion market appreciation.

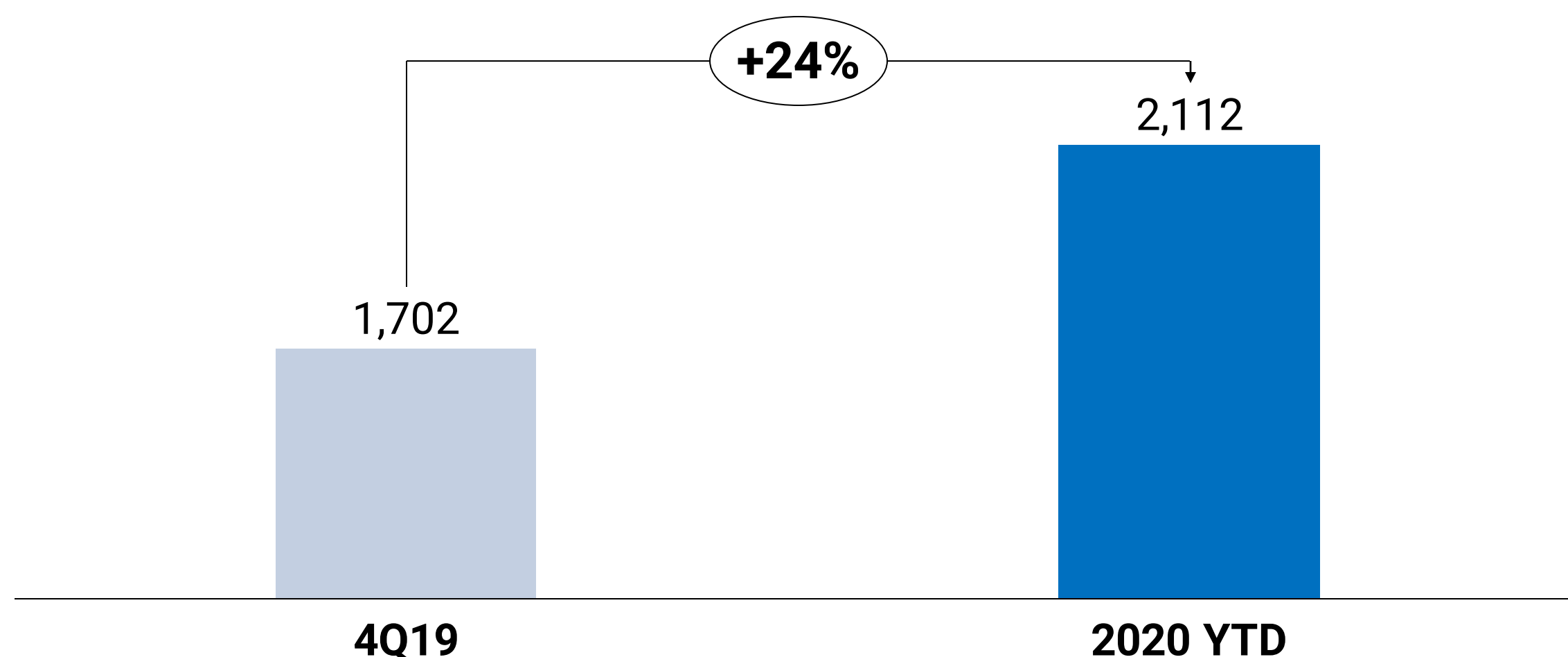
- As expected, monthly net inflow pace decelerated in April relative to 1Q20;
- Result was mainly a consequence of the operational bottlenecks from a prolonged lockdown.

<sup>1</sup> Excludes one-off outflow from corporate client

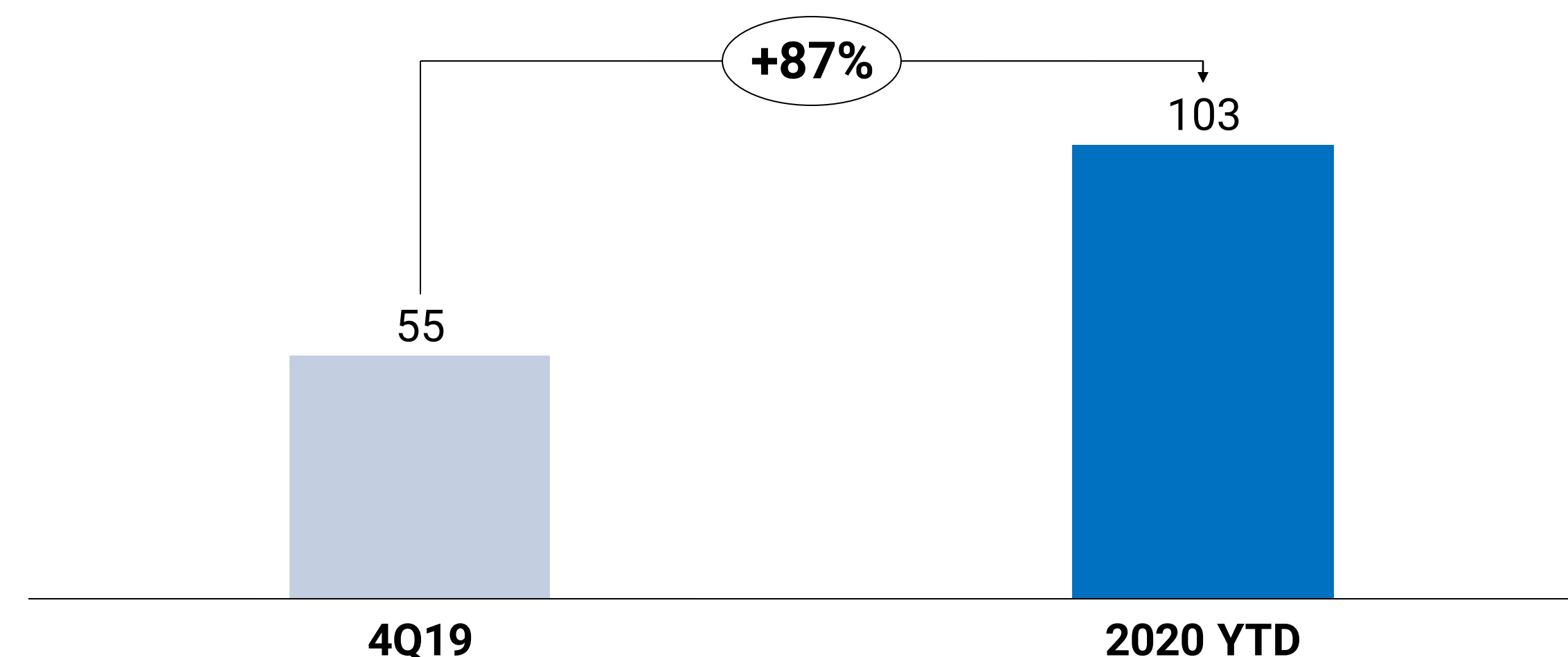
# COVID-19 Update | April 2020

Client base kept growing consistently in April

### Active Clients ('000)



### New Active Clients per month ('000)



- Active Clients totaled **2.1 million** in April, up 24% vs 4Q19.

- New Active Clients per month accelerated in 2020 versus 4Q19.

**NPS Apr-20: 72**

Note: NPS, is an independent widely known survey methodology that measures the willingness of customers to recommend a Company's products and services. The NPS calculation as of a given date reflects the average of the answers in the previous six months



# COVID-19 Update | April 2020

XP Inc. continues to reinforce its competitive advantages



## RECORDS

- ✓ Retail Equity Custody Market Share
- ✓ Retail Equity Volume Market Share
- ✓ Research Platform Audience
- ✓ Organic Social Media Leads



## RANKINGS

- #1 retail equity custody in April
- #1 retail equity volume in April
- #1 retail derivatives volume in April



## AWARDS

- ✓ XP elected **best investment advisory** company by São Paulo residents (DataFolha)



XP Investimentos.  
Eleita pelo 2º ano consecutivo como  
melhor assessoria de investimentos.

Resultado da dedicação de cada  
assessor, que trabalha todos os dias  
de forma transparente, próxima  
e em constante evolução, para fazer  
a diferença na vida de cada cliente.

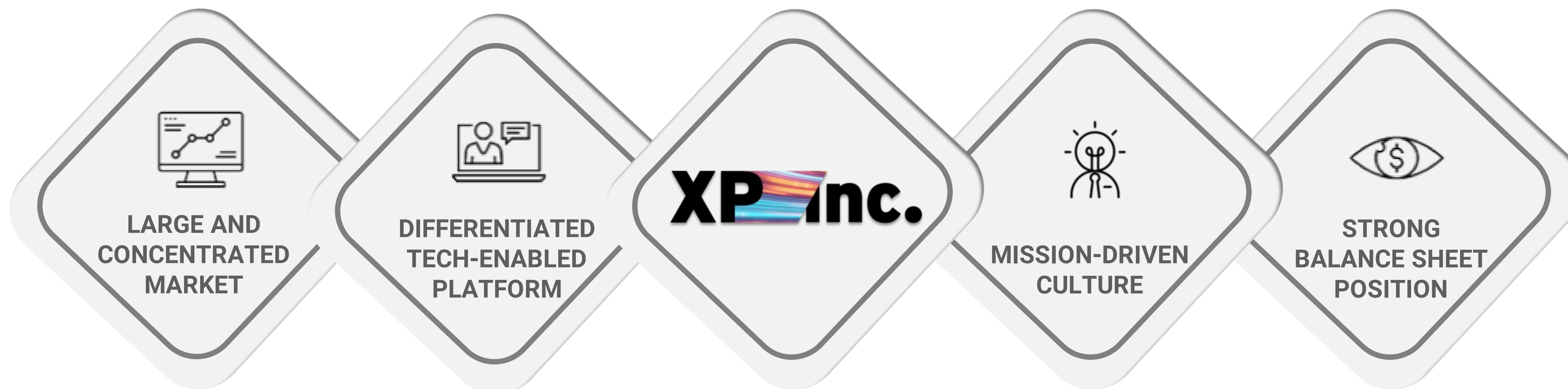
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# **4 Closing Remarks**

# Closing Remarks

XP Inc. will continue its mission to transform the financial markets in Brazil



**LARGE AND  
CONCENTRATED  
MARKET**

Investment assets of over R\$8 trillion<sup>1</sup> with ~90% controlled by 5 banks

**DIFFERENTIATED  
TECH-ENABLED  
PLATFORM**

Customer centric model with a broad portfolio of products and IFA network

**XP Inc.**

**MISSION-DRIVEN  
CULTURE**


Entrepreneurial and long-term vision in a meritocratic environment

**STRONG  
BALANCE SHEET  
POSITION**

Although we recognize the challenges ahead, we remain confident about the long-term prospects for XP

**We are only in the beginning of our journey!**

<sup>1</sup> Oliver Wyman Report - December 2019



**Q&A**

# Closing Remarks



XP's first office in Porto Alegre, Brazil



# Investor Relations

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# Appendix

# Non-GAAP Financial Information

Adjusted Net Income and Adjusted Gross Financial Assets

## Adjusted Net Income (in R\$ mn)

	1Q20	1Q19	YoY	4Q19	QoQ
<b>Net Income</b>	<b>398</b>	<b>210</b>	<b>89%</b>	<b>390</b>	<b>2%</b>
(+) Share Based Compensation	28	-	-	8	278%
(+) IPO expenses	-	-	-	22	-100%
(-) One-time tax claim recognition	-	(71)	-	-	0%
(+/-) Taxes	(11)	28	-140%	-3	279%
<b>Adj. Net Income</b>	<b>415</b>	<b>168</b>	<b>147%</b>	<b>417</b>	<b>-1%</b>

## Adjusted Gross Financial Assets (in R\$ mn)

<b>Floating Balance (=net uninvested clients' deposits)</b>	1Q20	4Q19
<b>Assets</b>	<b>(1,016)</b>	<b>(505)</b>
(-) Securities trading and intermediation	(1,016)	(505)
<b>Liabilities</b>	<b>13,334</b>	<b>9,115</b>
(+) Securities trading and intermediation	13,334	9,115
<b>(=) Floating Balance</b>	<b>12,318</b>	<b>8,610</b>
<b>Adjusted Gross Financial Assets (=cash and equivalents, net of floating)</b>	<b>1Q20</b>	<b>4Q19</b>
<b>Assets</b>	<b>54,937</b>	<b>41,011</b>
(+) Cash	250	110
(+) Securities - Fair value through profit or loss	25,092	22,443
(+) Securities - Fair value through other comprehensive income	4,896	2,616
(+) Securities - Evaluated at amortized cost	1,268	2,267
(+) Derivative financial instruments	8,515	4,085
(+) Securities purchased under agreements to resell	14,917	9,490
<b>Liabilities</b>	<b>(34,514)</b>	<b>(24,648)</b>
(-) Securities loaned	(721)	(2,022)
(-) Derivative financial instruments	(7,526)	(3,229)
(-) Securities sold under repurchase agreements	(21,111)	(15,638)
(-) Private Pension Liabilities	(5,155)	(3,759)
<b>(-) Floating Balance</b>	<b>(12,318)</b>	<b>(8,610)</b>
<b>(=) Adjusted Gross Financial Assets</b>	<b>8,106</b>	<b>7,753</b>