

**Fernando Alterio:**

Good morning and thank you very much for joining our first quarter earnings presentation.

Before I talk about our operational and financial performance, I will comment on the non-recurring effects that affected our results in this first quarter.

First, we had the impact of the provision for probable loss resulting from the decision of the appellate court on the lawsuit in which we are involved in Argentina, according to the material fact we disclosed on May 6.

This lawsuit is a result of a corporate discussion in Argentina which began in 2007 and is described in the item 7.9 – Other Relevant Information of our Reference Form since our IPO.

Roberto Costa, former partner of Pop Art in Argentina, ceded his rights to LRPB, which opened a lawsuit requesting 6.7 million dollars plus interest, moral damages and procedural costs. In May, 2018, the sentence at the lower court was pronounced, and the Company was held liable to 1.2 million dollars. This was around 15% of what was requested by LRPB, which totaled USD 7.6 million adjusted by interest at that time. The Company appealed against certain points of the decision, and LRPB also appealed.

Considering Argentina's accounting rules (in which the probability of loss is "low" or "high", and the "medium" probability does not apply), the Company's decision was not to make the provision, since the amount was not materially relevant and, based on the opinion of the lawyers, the chances of loss would be low.

The recent judgment of the appellate court radically and surprisingly changed the decision of the lower court and it was against the proof that the non-compete obligation was infringed and neither the minimum period of 5 years of exclusivity nor the 8 years period of non-compete was respected, reason why no type of indemnification by the Company is justified. Against the second decision, the Company filed another appeal to the Argentine Supreme Court. However, despite this new appeal, the Company decided to make a provision in the amount of USD8.8 million considering that, in the opinion of our legal counsel, the chances of success of this appeal are low.

In second place, this quarter we also had the non-recurring effect of the termination of our agreement of incorporation of Bizarro's operations in Chile, signed in September 2015.

Through this agreement, while Bizarro was responsible for promoting the latin concerts, T4F promoted the "anglo" content. After three years, the agreement offered the possibility of a merger between the parties which did not happen by the decision of the partners. As a result, in the first quarter, we registered the write-off in the amount of R\$7.4 million and as of January we have not promoted latin content in Chile, but we maintain the ticketing operations and the promotion of Anglo shows.

Disregarding the effects in deferred taxes, these two non-recurring events negatively impacted the Company's result in approximately R\$41 million. Considering the changes in taxes, the impact was of around R\$30 million.

Now I will talk about our operational performance and the event pipeline.

In live music, in the first quarter of 2019, we held 22 shows with 232 thousand tickets sold versus 55 shows with 521 thousand tickets sold in the first quarter of 2018. This decrease is a consequence of the change of the Lollapalooza Brazil Festival date, which was held in March in 2018 while it was promoted in April this year, as well as its sideshows and Lollaparties. While in 1Q18 we presented 3 days of Lollapalooza, 1 show of Pearl Jam and 1 of Gorillaz, in 1Q19 we promoted only 4 concerts of Paul McCartney. Besides, as of January, we have not promoted Latin concerts in Chile, which results in a reduction in the number of indoor shows.

In Family and Theater, the significant growth in the number of events and in tickets sold is a consequence of the promotion of the musical The Phantom of the Opera, which had its premiere in August of 2018, while in 1Q18 we promoted only the show Fuerza Bruta.

On slide 5 you can see our event pipeline.

In outdoor live music, we held in April the show of Arctic Monkeys in Rio de Janeiro and the seventh edition of Lollapalooza Brazil with 3 days of festival. It is important to note that the revenue of sponsorship and service charge, which are our lines with the highest margins, have been recognized in our results since the sales opening,

while the box office revenue and all costs related to the promotion of the festival will be recognized only in the quarter of the event.

Also in outdoor music, in July we will promote two days of the Villa Mix festival at the Interlagos Circuit in Sao Paulo with Maroon 5 as headliner, as well as Alok and many other local artists.

In november, we will promote the Popload Festival in Sao Paulo, with attractions to be announced soon.

In indoor music, we have already booked around 40 shows for the second quarter, including local and international artists like Aurora, Snow Patrol, Djavan and Nando Reis.

In Family and Theater, we will continue to present the original Broadway musical The Phantom of the Opera at Teatro Renault in Sao Paulo.

And, in sports events, we will keep promoting the car racing categories Stock Car and Stock Light.

Moving to slide 6 of the presentation, you can see that net revenue in the first quarter decreased 38% compared to the same period last year, totaling R\$120.6 million, due mainly to the fact that the Lollapalooza festival happened in the second quarter this year. As a consequence, net revenue in event promotion of live music events decreased 42%.

In Family and Theater, revenue increased more than 500% given that in the first quarter of 2018 we did not promote any Broadway musicals, while in the first quarter of 2019 we presented The Phantom of the Opera.

In sports events, the car racing championship began in April this year, while last year it began in March.

The reductions of 40% in the revenue of Ticketing, F&B and Venues Operations and of 50% in sponsorship are also a consequence of the change of the date of the Lollapalooza festival to the second quarter in 2019, when we will register the full revenue of the F&B operation and a large part of the sponsorship. In addition to that, while in the first quarter of 2018 we had 14 outdoor concerts on sale of further quarters (consequently recognizing service charge revenue), this quarter we had only 4 outdoor concerts on sale for the second quarter.

**On slide 7**, we show that gross profit posted a reduction of 44%, reaching R\$19.5 million due to the lower activity in the period. The line of event promotion, which has the lowest margins, registered an improvement of R\$6.8 million, while the lines of Operations and Sponsorship decreased 61% and 50%, respectively.

SG&A had a reduction of 34% from the first quarter of 2018, coming to R\$13.3 million, due mainly to the reversal of provision related to bonuses to the management due to the non-achievement of the 2018 goals. The increase of 91% in total expenses reflects the write-off of Bizarro's operations in Chile in the amount of R\$7.4 million and the provision of probable loss related to the lawsuit in Argentina, which impacted other operating expenses in R\$17 million.

As a consequence, EBITDA was negative in R\$8.1 million. Excluding the non-recurring effects, adjusted EBITDA reached positive R\$8.6 million with margin of 7.1%.

**On the next slide**, you can see that the financial result was negative in R\$25.7 million due mainly to the provision of R\$17 million related to the interest on the lawsuit in Argentina, registered in Monetary Variation. The line of other operating expenses was negatively impacted in R\$3.9 million by the hyperinflation adjustment in Argentina, according to the accounting rules adopted in the end of 2018. Excluding those effects, net financial result would be negative in nearly R\$4.5 million versus negative R\$1.2 million in the same period last year.

With that, we ended the quarter with negative net result of R\$34.3 million. Excluding the non-recurring events and the adjustment of hyperinflation in Argentina, net result would be negative in R\$900 thousand versus net income of R\$4.9 million in the first quarter of 2018.

**On the last slide**, I will comment on our cash flow and cash position.

We generated R\$64 million of operating cash in the period as we received payments related to the tickets sold for the Lollapalooza Festival, held in April, and to the Paul McCartney's tour, which began in December and whose artist fee had already been paid, for the most part, in the fourth quarter.

In investment, we spent R\$370 thousand in maintenance capex and R\$3.0 million in goodwill on investments acquisitions.

In financing, due to the new accounting rules, we registered R\$3.3 million with the payment of lease liabilities related to long term rental contracts of our venues, which were previously recognized in the operating cash flow. Also, in financing, there was consumption of R\$5.0 million with related parties mainly due to exchange variation in the period.

As a result, we concluded the quarter with total indebtedness of R\$158 million, an increase of 31% from the fourth quarter, and net cash of R\$103.0 million, an increase of 27% from the fourth quarter.

## CONCLUSION

In summary, our results for the first quarter were strongly affected mainly by the non-recurring effect of the unexpected conviction of USD8.8 million in the appellate court of the lawsuit in Argentina, given that the decision from the lower court had established the amount of USD1.2 million with the possibility of reversion in our favor.

Disregarding the non-recurring events, our figures still reflect a low artist flow to the region at the beginning of this year, which should be extended throughout the first half, since in outdoor shows in the second quarter we will present the 3 days of Lollapalooza festival and the show of Arctic Monkeys, which were already held.

In the Family and Theater segment, we will continue with the musical The Phantom of the Opera until the end of the year, as originally planned. From 2020, the new normative instruction of the culture incentive law, which reduces the cap of sponsorship for musicals from R\$60 million to R\$1.0 million per project, in addition to establishing new restrictions, should impact our margins for new musicals, that historically capture about R\$14 million per year.

And, in live music, still in 2019, there is an important challenge in booking new content for the fourth quarter and for the beginning of 2020, with sales opening in the third and fourth quarters of this year, when we expect results with better margins.



Conference Call Transcript  
1Q19 Results  
T4F (SHOW3 BZ)  
May 08, 2019

From this moment the IR team is available to answer any questions.

Thank you!