

## PagSeguro Reports Third Quarter Results

**Total Revenue and Income of R\$1,781.5 million, up 21.8% compared to 3Q19.  
3Q20 Non-GAAP Net Income of R\$330.4 million.**

São Paulo, November 18, 2020 – PagSeguro Digital Ltd. (“PagSeguro” or “we”) announced today its third quarter results for the period ended September 30, 2020. Our consolidated financial statements are presented in Reais (R\$) and prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

### Third Quarter 2020 Financial & Operational Highlights:

- R\$44.8 billion in total payment volume (“TPV”), up **52.5%** compared to 3Q19;
- **6.3** million active merchants, growth of **474** thousand in 3Q20 and **1.3** million in the last twelve months;
- **6.7** million active PagBank users<sup>2</sup>, growth of **1.8** million in 3Q20 and **4.8** million in the last twelve months;
- R\$**263.4** million in Net Income, down **23.1%** compared to 3Q19;
- R\$**330.4** million in non-GAAP Net Income, down **15.3%** compared to 3Q19;
- Total Revenue and Income of R\$**1,781.5** million, up **21.8%** compared to 3Q19; and
- Operational Revenue and Income<sup>3</sup> of R\$**1,719.3** million, up **22.8%** compared to 3Q19.

Main Operational and Financial Indicators (R\$ millions, except otherwise indicated)	At and for the Three Months Ended September 30,		Var. %
	2020	2019	
TPV	44,813.4	29,383.7	52.5%
Active Merchants (last 12 months) - (millions)	6.3	5.0	26.0%
Total Net Revenue	1,781.5	1,463.0	21.8%
<b>Net Income</b>	<b>263.4</b>	<b>342.6</b>	<b>(23.1)%</b>
Net Margin (%)	14.8%	23.4%	(8.6)%
Basic earnings per common share (EPS) <sup>1</sup> - (R\$)	0.8001	1.0685	
Diluted earnings per common share (EPS) - (R\$)	0.7988	1.0352	

  

Non-GAAP Main Financial Indicators (R\$ millions, except otherwise indicated)	2020	2019	Var. %
Non-GAAP Total Net Revenue	1,781.5	1,463.0	21.8%
<b>Non-GAAP Net Income</b>	<b>330.4</b>	<b>390.2</b>	<b>(15.3)%</b>
Non-GAAP Net Margin (%)	18.5%	26.7%	(8.2)%
Non-GAAP Basic earnings per common share (EPS) <sup>1</sup> - (R\$)	1.0035	1.2171	
Non-GAAP Diluted earnings per common share (EPS) - (R\$)	1.0019	1.1791	

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures, see page [16] of this earnings release.

1. Weighted average number of common shares of 320.3 million at September 30, 2019 and 329.0 million at September 30, 2020.

2. Active PagBank users are active merchants using one additional PagBank digital account feature / service beyond acquiring and PagBank consumers with at least one transaction in the last twelve months.

3. Operational Revenue and Income = Revenue from Transaction Activities and Other Services + Financial Income – membership fee income.

## I - Statement of Income

### Non-GAAP disclosure

This press release includes certain non-GAAP measures. We present non-GAAP measures when we believe that the additional information is useful and meaningful to investors. These non-GAAP measures are provided to enhance investors' overall understanding of our current financial performance and its prospects for the future. Specifically, we believe the non-GAAP measures provide useful information to both management and investors by excluding certain expenses, gains and losses, as the case may be, that may not be indicative of our core operating results and business outlook.

These measures may be different from non-GAAP financial measures used by other companies. The presentation of this non-GAAP financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered separately from, or as a substitute for, our financial information prepared and presented in accordance with IFRS as issued by the IASB. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with IFRS. These measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures.

Our non-GAAP results consist of our GAAP results as adjusted to exclude the following items:

**Stock-based compensation expenses and related employer payroll taxes:** This consists of expenses for equity awards under our long-term incentive plan (LTIP). We exclude stock-based compensation expenses from our non-GAAP measures primarily because they are non-cash expenses and the related employer payroll taxes depend on our stock price and the timing and size of exercises and vesting of equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business.

**Income tax and social contribution on non-GAAP adjustment:** This represents the income tax effect related to the non-GAAP adjustment mentioned above.

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, see the tables elsewhere in this press release under the following headings: "Reconciliation of Expenses to non-GAAP Expenses," "Reconciliation of Income Tax and Social Contribution to non-GAAP Income Tax and Social Contribution," "Reconciliation of Net Income to non-GAAP Net Income," "Reconciliation of Basic and diluted EPS to non-GAAP Basic and diluted EPS," and "Reconciliation of GAAP Measures to non-GAAP Measures."

### ***Total revenue and income***

Our Total revenue and income amounted to R\$1,781.5 million in the three months ended September 30, 2020, an increase of 21.8% from R\$1,463.0 million in the three months ended September 30, 2019. This increase was primarily due to increase in our TPV.

### ***Revenue from transaction activities and other services***

Our Revenue from transaction activities and other services in the three months ended September 30, 2020 amounted to R\$1,212.0 million, an increase of R\$332.6 million, or **37.8%**, from R\$879.4 million in the three months ended September 30, 2019, as a result of the factors described below.

Our Gross revenue from transaction activities and other services in the three months ended September 30, 2020 amounted to R\$1,359.7 million, an increase of R\$351.4 million, or **34.9%**, from R\$1,008.3 million in the three months ended September 30, 2019.

This increase in Gross revenue from transaction activities and other services was principally due to a continued increase in our active merchant base and TPV. In addition, in the three months ended September 30, 2020, we recognized R\$41.2 million in membership fees, compared to R\$18.6 million in the three months ended September 30, 2019.

Our Gross revenue from transaction activities and other services during the three months ended September 30, 2020 increased by a lower percentage than the growth of our TPV, which increased to R\$44.8 billion from R\$29.4 billion in the three months ended September 30, 2019. This difference in the growth rate was driven by the mix of processed debit and credit card payments containing a higher percentage of debit card payments and, within the processed credit card payments, a lower percentage of credit card transactions made in installments in the three months ended September 30, 2020 compared to the three months ended September 30, 2019. These trends are explained by consumer behavior during the period, reflecting (i) a slowdown in consumption and transactional activities made in installments, in part resulting from the COVID-19 pandemic, which affected sectors of the economy involving significant purchases in installments, such as general merchandise retailers (e.g., apparel, white goods and electronics), and (ii) the prevalence of the “coronavoucher,” representing financial assistance from the Brazilian government for economically vulnerable people, providing them with cash for debit card payments.

Our Deductions from gross revenue from transaction activities and other services, which consist principally of taxes, amounted to R\$147.7 million in the three months ended September 30, 2020, or **10.9%** of our Gross revenue from transaction activities and other services for the quarter. In the three months ended September 30, 2019, Deductions from gross revenue from transaction activities and other services totaled R\$129.0 million, or **12.8%** of our Gross revenue from transaction activities and other services for the quarter. The R\$18.7 million, or **14.5%**, increase in these Deductions is directly related to our higher TPV, and the decrease in the percentage that such Deductions represent in relation to our gross revenue is due to our new revenue initiatives that result in lower tax deductions. Additionally, in the three-month period ended September 30, 2020, R\$3.9 million of these Deductions correspond to membership fee taxes, compared to R\$1.7 million in the three-month period ended September 20, 2019.

### ***Revenue from sales***

Starting on September 1, 2019, instead of selling our POS devices to our clients, we began to charge a non-refundable set-up fee for the use of our POS devices. Therefore, in 3Q20 we did not have any amount classified as revenue from sales.

### **Financial income**

Our Financial income, which represents the discount fees we withhold from credit card transactions in installments for the early payment of accounts receivable, amounted to R\$**544.8** million in the three months ended September 30, 2020, an increase of R\$**7.0** million, or **1.3%**, from R\$**537.8** million in the three months ended September 30, 2019. The increase in Financial income was driven by higher TPV, on the one hand, and fewer credit card transactions in installments and higher debit card transactions, on the other hand, in the three months ended September 30, 2020.

### **Other financial income**

Our Other financial income amounted to R\$**24.7** million in the three months ended September 30, 2020, a decrease of R\$**6.1** million, or **19.8%**, from R\$**30.8** million in the three months ended September 30, 2019. This decrease was mainly related to the reduction of Brazilian basic interest rate (SELIC).

### **Expenses**

Our total expenses amounted to R\$**1,429.3** million in the three months ended September 30, 2020, an increase of R\$**434.5** million, or **43.7%**, from R\$**994.8** million in the three months ended September 30, 2019.

As a percentage of our Total revenue and income, our total expenses in the three months ended September 30, 2020 increased by **12.2** percentage points, to **80.2%** in the three months ended September 30, 2020 from **68.0%** in the three months ended September 30, 2019.

Our non-GAAP total expenses amounted to R\$**1,327.9** million in the three months ended September 30, 2020, an increase of R\$**405.3** million, or **43.9%**, from R\$**922.6** million in the three months ended September 30, 2019.

Reconciliation of Expenses to non-GAAP Expenses (R\$ millions):	At and for the three months ended September 30, 2020	At and for the three months ended September 30, 2019	Var. %
Expenses	(1,429.3)	(994.8)	43.7%
(-) Share-based long-term incentive plan (LTIP) [1]	101.4	72.2	40.4%
<b>Non-GAAP Expenses</b>	<b>(1,327.9)</b>	<b>(922.6)</b>	<b>43.9%</b>

**[1] Share-based long-term incentive plan (LTIP):** Stock-based compensation expenses and related employer payroll taxes. This consists of expenses for equity awards under our long-term incentive plan (LTIP). We exclude stock-based compensation expenses from our non-GAAP measures primarily because they are non-cash expenses and the related employer payroll taxes depend on our stock price and the timing and size of exercises and vesting of equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business. In the three months ended September 30, 2020 and 2019, the amounts of R\$**101.4** million and R\$**72.2** million, respectively, were mainly related to new shares issued to preexisting LTIP beneficiaries as well as the recurrent quarterly provision and expenses related to shares vested in this period, including the update of our stock price and appreciation of the US\$ dollar exchange rate.

### **Cost of sales and services**

Our Cost of sales and services amounted to **R\$1,057.2** million in the three months ended September 30, 2020, an increase of **R\$372.9** million, or **54.5%**, from **R\$684.3** million in the three months ended September 30, 2019. As a percentage of the total of our Revenue from transaction activities and other services and our Revenue from sales, our Cost of sales and services increased **10.7** percentage points, to **87.2%** in the three months ended September 30, 2020 from **76.5%** in the three months ended September 30, 2019.

Within our Cost of sales and services line item, our Cost of services, expressed as a percentage of our Revenue from transaction activities and other services, increased to **87.2%** in the three months ended September 30, 2020 from **66.9%** in the three months ended September 30, 2019, due to the implementation of our membership fee model for POS devices, under which all costs are classified as costs of service, instead of costs of sales, including maintenance of POS and freight, as explained below.

As explained in the discussion of “Revenue from sales” above, on September 1, 2019, we changed the way we provide POS devices to our clients. The introduction of this membership fee model impacted our Cost of sales and services in the following ways in the three-month period ended September 30, 2020:

i) we incurred ICMS and PIS/COFINS taxes in the amount of **R\$57.7** million in the three-month period ended September 30, 2020, compared to **R\$28.2** million in the three-month period ended September 30, 2019, on the transfer of inventory from Net+Phone (a PagSeguro subsidiary 100% owned by PagSeguro that buys and sells POS devices) to PagSeguro, ii) as a result of our reclassification of the POS devices from inventory to fixed assets, we began to depreciate the POS devices, with our depreciation related to the POS devices in the three months ended September 30, 2020, amounting to **R\$48.5** million, compared to **R\$2.7** million in the three-month period ended September 30, 2019, and iii) as a result of our reclassification of certain costs of sales to costs of services, such as maintenance of POS and freight, in the three-month period ended September 30, 2020, our costs of services increased by **R\$79.7** million.

Additionally, in the three-month period ended September 30, 2020, (i) the interchange with card issuers costs amounted to **R\$475.8** million, compared to **R\$353.6** million in the three-month period ended September 30, 2019, an increase of **R\$122.2** million, and (ii) the costs related to card scheme fees in the three-month period ended September 30, 2020 amounted to **R\$121.9** million, compared to **R\$83.3** million in the three-month period ended September 30, 2019, an increase of **R\$38.6** million. These increases in costs relating to interchange with card issuers and card scheme fees are mainly related to our higher TPV and, consequently, our increase in revenues from transactions and other services.

In the three months ended September 30, 2020, our non-GAAP Cost of sales and services amounted to **R\$1,052.0** million (reflecting the exclusion of the LTIP adjustment of **R\$5.3** million in the three months ended September 30, 2020), an increase of **R\$387.2** million, or **58.2%**, from **R\$664.8** million in the three months ended September 30, 2019 (reflecting the exclusion of the LTIP adjustment of **R\$19.5** million in the three months ended September 30, 2019). For a reconciliation of our non-GAAP Cost of sales and services to our Cost of sales and services, see page [16] of this earnings release.

### ***Selling expenses***

Our Selling expenses amounted to R\$**151.6** million in the three months ended September 30, 2020, a decrease of R\$**13.0** million, or **7.9%**, from R\$**164.6** million in the three months ended September 30, 2019. As a percentage of our Total revenue and income, our Selling expenses decreased by **2.7** percentage points, to **8.5%**, in the three months ended September 30, 2020, from **11.2%** in the three months ended September 30, 2019. This decrease in our Selling expenses as a percentage of our Total revenue and income was mainly due to lower marketing expenses in the three months ended September 30, 2020.

### ***Administrative expenses***

Our Administrative expenses amounted to R\$**197.1** million in the three months ended September 30, 2020, an increase of R\$**62.5** million, or **46.4%**, from R\$**134.6** million in the three months ended September 30, 2019. As a percentage of our Total revenue and income, our Administrative expenses increased by **1.9** percentage points, to **11.1%** in the three months ended September 30, 2020 from **9.2%** in the three months ended September 30, 2019. This increase was mainly due to an increase in our Share based long term incentive plan (LTIP) expenses in the amount of R\$**43.0** million.

For the three months ended September 30, 2020 our non-GAAP Administrative expenses amounted to R\$**101.4** million, an increase of R\$**19.5** million, or **23.8%**, from R\$**81.9** in the three months ended September 30, 2019, which figures exclude the LTIP adjustment of R\$**95.7** million in the three months ended September 30, 2020 and R\$**52.7** in the three months ended September 30, 2019. As a percentage of our Total revenue and income, our non-GAAP Administrative expenses were **5.7%** in the three months ended September 30, 2020, compared to **5.6%** in the three months ended September 30, 2019. For a reconciliation of our non-GAAP Administrative expenses to our Administrative expenses, see page [16] of this earnings release.

### ***Financial expenses***

Our Financial expenses amounted to R\$**16.3** million in the three months ended September 30, 2020, an increase of R\$**9.8** million, or **150.8%**, from expenses of R\$**6.5** million in the three months ended September 30, 2019. This increase in our Financial expenses expressed as a percentage of our Financial income was mainly driven by the accrual of interest related to Certificates of Deposits issued in 2020.

### ***Other income (expenses), net***

Our Other income (expenses), net recorded expense of R\$**7.1** million in the three months ended September 30, 2020 an increase of R\$**2.2** million, or **44.9%**, from an expense of R\$**4.9** million in the three months ended September 30, 2019.



### **Profit before income taxes**

Our Profit before income taxes amounted to R\$**352.2** million in the three months ended September 30, 2020, a decrease of R\$**115.9** million, or **24.8%**, from R\$**468.1** million in the three months ended September 30, 2019.

Our non-GAAP Profit before income taxes amounted to R\$**453.6** million in the three months ended September 30, 2020, a decrease of R\$**86.8** million, or **16.1%** from R\$**540.4** million in the three months ended September 30, 2019. For a reconciliation of our non-GAAP Profit before income taxes to our Profit before income taxes, see page [16] of this earnings release.

### **Income tax and social contribution**

Income tax and social contribution amounted to an expense of R\$**88.8** million in the three months ended September 30, 2020, a decrease of R\$**36.7** million, or **29.2%**, compared to R\$**125.5** million in the three months ended September 30, 2019. This item consists of current income tax and social contribution and deferred income tax and social contribution.

Our effective tax rate decreased by **1.6** percentage points to **25.2%** in the three months ended September 30, 2020 from **26.8%** in the three months ended September 30, 2019. In both periods, the difference between the effective income tax and social contribution rate and the rate computed by applying the Brazilian federal statutory rate was mainly related to the Technological Innovation Law (*Lei do Bem*), which reduces income tax charges based on investments made in innovation and technology, such as those made by PagSeguro Brazil, our Brazilian operating subsidiary.

Our non-GAAP income tax and social contribution expense for the three months ended September 30, 2020 amounted to R\$**123.2** million, a decrease of R\$**26.9** million, or **17.9%**, compared to R\$**150.1** million in the three months ended September 30, 2019.

The effective tax rate on our non-GAAP income tax and social contribution decreased by **0.6** percentage points to **27.2%** in the three months ended September 30, 2020, from **27.8%** in the three months ended September 30, 2019. The difference of **0.6** percentage points between the non-GAAP effective income tax and social contribution rate and the rate computed by applying the Brazilian federal statutory rate was the same explained above in our GAAP measures.

Reconciliation of Income Tax and Social Contribution to non-GAAP Income Tax and Social Contribution (R\$ million):	At and for the three months ended September 30, 2020	At and for the three months ended September 30, 2019	Var.%
Income tax and social contribution	(88.8)	(125.5)	(29.2)%
(-) Income tax and social contribution on non-GAAP adjustments [1]	(34.4)	(24.6)	39.8%
<b>Non-GAAP Income tax and social contribution</b>	<b>(123.2)</b>	<b>(150.1)</b>	<b>(17.9)%</b>

**[1] Income tax and social contribution on non-GAAP adjustment:** the amounts of R\$**34.4** million and R\$**24.6** million, respectively, consist of income tax at the rate of 34% calculated on the non-GAAP adjustments.

### **Net income for the period**

Our Net income for the period in the three months ended September 30, 2020 amounted to R\$**263.4** million, a decrease of R\$**79.2** million, or **23.1%**, from R\$**342.6** million in the three months ended September 30, 2019.

As a percentage of our Total revenue and income, our Net income for the period decreased by **8.6** percentage points, to **14.8%** in the three months ended September 30, 2020 compared to **23.4%** in the three months ended September 30, 2019.

Our non-GAAP Net income for the three months ended September 30, 2020 amounted to R\$**330.4** million, a decrease of R\$**59.9** million, or **15.3%**, from R\$**390.3** in the three months ended September 30, 2019, reflecting the sum of the non-GAAP adjustments described below.

Reconciliation of Net Income to non-GAAP Net Income:	At and for the three months ended September 30, 2020	At and for the three months ended September 30, 2019	Var. %
<b>Net Income</b>	<b>263.4</b>	<b>342.6</b>	<b>(23.1)%</b>
Share-based long-term incentive plan (LTIP) [1]	101.4	72.2	40.4%
Income tax on non-GAAP adjustments [2]	(34.4)	(24.6)	39.8%
Total non-GAAP net income adjustments	67.0	47.6	40.8%
<b>Non-GAAP Net Income</b>	<b>330.4</b>	<b>390.2</b>	<b>(15.3)%</b>

**[1] Share-based long-term incentive plan (LTIP):** Stock-based compensation expenses and related employer payroll taxes. This consists of expenses for equity awards under our long-term incentive plan (LTIP). We exclude stock-based compensation expenses from our non-GAAP measures primarily because they are non-cash expenses and the related employer payroll taxes depend on our stock price and the timing and size of exercises and vesting of equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business. In the three months ended September 30, 2020 and 2019, the amounts of R\$**101.4** million and R\$**72.2** million, respectively, were mainly related to new shares issued to preexisting LTIP beneficiaries as well as the recurrent quarterly provision and expenses related to shares vested in the period including the update of our stock price and appreciation of the US\$ dollar exchange rate.

**[2] Income tax and social contribution on non-GAAP adjustment:** In the three months ended September 30, 2020 and 2019, the amounts of R\$**34.4** million and R\$**24.6** million, respectively, consist of income tax at the rate of 34% calculated on the non-GAAP adjustments.



## II - Cash Flow

Our Cash and cash equivalents at the beginning of the nine months ended September 30, 2020 amounted to R\$**1,404.0** million.

Our Profit before income taxes in the nine months ended September 30, 2020 was R\$**1,260.8** million.

The adjustments for revenue, income and expenses recorded in our statement of income in the nine months ended September 30, 2020 but which did not affect our cash flows totaled the positive amount of R\$**533.4** million, mainly due to R\$**47.5** million of Share-based long-term incentive plan (LTIP) expenses, R\$**213.0** million in Chargebacks, R\$**242.5** million of Depreciation and amortization recorded in our statement of income and R\$**84.3** million of Reversal of taxes and contributions. LTIP expenses relate to equity awards under our LTIP, Chargebacks relate to amounts that we initially recorded as revenues but for which we did not receive the related cash payment due primarily to fraud and delinquency on unsecured loans.

The adjustments for changes in our operating assets and liabilities in the nine months ended September 30, 2020 amounted to negative cash flow of R\$**963.9** million:

- Our Accounts receivable item, mainly related to receivables derived from transactions where we act as the financial intermediary in operations with the issuing banks, which is presented net of transaction costs and financial expenses we incur when we elect to receive early payment of the accounts receivable owed to us by card issuers, consists of the difference between the opening and closing balances of the Accounts receivable item of Current Assets and Non-current assets on our balance sheet (R\$**13,566.4** million at September 30, 2020 compared to R\$**10,507.1** million at year-end 2019) excluding interest income received in cash and Chargebacks, which are presented separately in the statement of cash flows. Accounts receivable represented negative cash flow of R\$**3,446.7** million in the nine months ended September 30, 2020.
- Our Payables to third parties item, which is presented net of revenue from transaction activities and financial income we receive when merchants elect to receive early payments, consists of the difference between the opening and closing balances of the Payables to third parties item of Current Liabilities on our balance sheet (R\$**7,660.0** million at September 30, 2020 compared to R\$**5,326.3** million at year-end 2019). Payables to third parties represented positive cash flow of R\$**2,307.6** million in the nine months ended September 30, 2020.
- Our Receivables from (payables to) related parties item consists of the difference between the opening and closing balances of the Payables to related parties item mainly with UOL of Current Liabilities on our balance sheet (R\$**130.8** million at September 30, 2020 compared to R\$**22.2** million at year-end 2019). Receivables from (payables to) related parties represented positive cash flow of R\$**107.4** million in the nine months ended September 30, 2020.
- Our Salaries and social charges item consists of the amounts that were recorded on our statement of income, but which remained unpaid at the end of the period. This item represented positive cash flow of R\$**14.0** million in the nine months ended September 30, 2020 as we changed our employees' pay day from the fifth day of the following month to the last day of the current month.
- Our Trade payables item consists of the difference between the opening and closing balances of the trade payables (R\$**214.7** million on September 30, 2020 compared to R\$**256.3** million at year-end 2019). Trade payables represented negative cash flow of R\$**44.9** million in the nine months ended September 30, 2020.

- Our Taxes and contributions item consists of sales taxes (ISS, ICMS, PIS and COFINS). This item represented negative cash flow of **R\$26.1** million in the nine months ended September 30, 2020.
- Our financial investments (mandatory guarantee) item consists of the minimum amount that we need to maintain as required by the Brazilian Central Bank. This item represented negative cash flow of **R\$127.8** million in the nine months ended September 30, 2020.
- Our deposits item consists of issued certificates of deposit. This item represented positive cash flow of **R\$193.6** million in the nine months ended September 30, 2020.

We paid income tax and social contribution in cash totaling **R\$26.1** million and recorded positive cash flow of **R\$175.5** million related to interest income received in cash in the nine months ended September 30, 2020.

As a result of the above, our Net Cash generated by operating activities in the nine months ended September 30, 2020 totaled **R\$895.5** million.

Our Net cash used in investing activities in the nine months ended September 30, 2020 totaled **R\$659.8** million. This amount consisted of **R\$373.6** million in purchases and development of intangible assets, which represent purchases of third-party software and salaries and other amounts that we paid to develop internally software and technology, which we capitalize as intangible assets, **R\$917.3** million in purchases of property and equipment, mainly related to POS device purchases and **R\$636.4** million related to the redemption of financial investments.

Our Cash flows used in financing activities in the nine months ended September 30, 2020 totaled **R\$44.5** million, principally related to our acquisition of treasury shares.

After accounting for the total increase in Cash and cash equivalents of **R\$191.2** million discussed above, our Cash and cash equivalents on September 30, 2020 amounted to **R\$1,595.1** million.

## Earnings webcast

PagSeguro (NYSE: PAGES) will host a conference call and earnings webcast on November 18, 2020 at 5:00 pm ET.

## Event Details

**HD Web Phone:** [Click here](#)

Dial-in (Brazil): +55 (11) 4210-1803 or +55 11 3181-8565.

Dial-in (US and other countries): +1 (412) 717-9627 or +1 (844) 204-8942

Password: PagSeguro

**Webcast:** <http://choruscall.websiteseuro.com/pagseguro/3q20.htm>

## About PagSeguro:

PagSeguro is a disruptive provider of financial technology solutions focused primarily on consumers, individual entrepreneurs, micro-merchants, small companies and medium-sized companies in Brazil. Among its peers, PagSeguro is the only financial technology provider in Brazil whose business model covers all of the following five pillars:

- Multiple digital banking solutions
- In-store and online payments
- Free digital account to its consumers and merchants with functionalities such as bill payments, top ups, free wire transfers, peer to peer cash transfers, prepaid credit cards, cash cards, credit cards, loans, investments, QR code and NFC payments, payroll portability, and super app features, among other digital banking services
- Issuer of prepaid, cash and credit cards
- Operate as a Full acquirer

PagSeguro is an UOL Group Company that provides an easy, safe and hassle-free way of owning a free PagBank digital account, which is similar to a regular checking account linked to the Brazilian Central Bank's platform, with the feature of accepting payments, where its clients can transact and manage their cash, without the need to open a regular bank account. PagSeguro's end-to-end digital banking ecosystem enables its customers to accept a wide range of online and in-person payment methods, including credit cards, debit cards, meal voucher cards, *boletos*, bank transfers, bank debits and cash deposits.

PagSeguro's mission is to disrupt and democratize financial services in Brazil, a concentrated, underpenetrated and high interest rate market, by providing an end-to-end digital banking ecosystem that is safe, affordable, simple and mobile-first for both merchants and consumers.

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[investors.pagseguro.com](http://investors.pagseguro.com)

### Forward-Looking Statements:

This press release includes “forward-looking statements” within the meaning of the U.S. federal securities laws. Statements contained herein that are not clearly historical in nature are forward-looking, and the words “anticipate,” “believe,” “continues,” “expect,” “estimate,” “intend,” “project” and similar expressions and future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “can,” “may,” or similar expressions are generally intended to identify forward-looking statements. We cannot guarantee that such statements will prove correct. These forward-looking statements speak only as of the date hereof and are based on our current plans, estimates of future events, expectations and trends (including trends related to the global and Brazilian economies and capital markets, as well as the continuing economic, financial, political and public health effects of the coronavirus, or the COVID-19, pandemic.) that affect or may affect our business, financial condition, results of operations, cash flow, liquidity, prospects and the trading price of our Class A common shares, and are subject to several known and unknown uncertainties and risks, many of which are beyond our control. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ significantly from those expressed in any forward-looking statements in this press release. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented. In light of the risks and uncertainties described above, the future events and circumstances discussed in this press release might not occur and are not guarantees of future performance. Because of these uncertainties, you should not make any investment decision based upon these estimates and forward-looking statements. To obtain further information on factors that may lead to results different from those forecast by us, please consult the reports we file with the U.S. Securities and Exchange Commission (SEC) and in particular the factors discussed under “Forward-Looking Statements” and “Risk Factors” in our annual report on Form 20-F.

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME

	<b>Three months ended September 30, 2020</b>	<b>Three months ended September 30, 2019</b>	<b>%</b>
	<i>(Amounts expressed in R\$ millions)</i>		
Revenue from transaction activities and other services	1,212.0	879.4	37.8%
Revenue from sales	-	14.9	(100.0)%
Financial income	544.8	537.8	1.3%
Other financial income	24.7	30.8	(19.8)%
<b>Total revenue and income</b>	<b>1,781.5</b>	<b>1,463.0</b>	<b>21.8%</b>
Cost of sales and services	(1,057.2)	(684.3)	54.5%
Selling expenses	(151.6)	(164.6)	(7.9)%
Administrative expenses	(197.1)	(134.6)	46.4%
Financial expenses	(16.3)	(6.5)	150.8%
Other income (expenses), net	(7.1)	(4.9)	44.9%
<b>PROFIT BEFORE INCOME TAXES</b>	<b>352.2</b>	<b>468.1</b>	<b>(24.8)%</b>
Current income tax and social contribution	(13.4)	12.5	(206.4)%
Deferred income tax and social contribution result	(75.4)	(138.1)	(45.4)%
<b>INCOME TAX AND SOCIAL CONTRIBUTION</b>	<b>(88.8)</b>	<b>(125.5)</b>	<b>(29.2)%</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>263.4</b>	<b>342.6</b>	<b>(23.1)%</b>

### Reconciliation of Basic and diluted EPS to non-GAAP Basic and diluted EPS

	<b>Three months ended September 30, 2020</b>	<b>Three months ended September 30, 2019</b>
	<i>(Amounts expressed in R\$ thousands, except share quantities and amounts per share)</i>	
Net income attributable to:		
Owners of the Company	263,304	342,243
Non-controlling interests	125	354
Weighted average number of outstanding common shares	329,090,226	320,287,930
Weighted average number of common shares diluted	329,637,691	330,603,247
Basic earnings per common share - R\$	0.8001	1.0685
Diluted earnings per common share - R\$	0.7988	1.0352
Net income non-GAAP	330,257	389,811
Weighted average number of outstanding common shares	329,090,226	320,287,930
Weighted average number of common shares diluted	329,637,691	330,603,247
Non-GAAP Basic earnings per common share - R\$	1.0035	1.2171
Non-GAAP Diluted earnings per common share - R\$	1.0019	1.1791

## UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	<b>As of September 30, 2020</b>	<b>As of December 31, 2019</b>
	<i>(Amounts expressed in R\$ thousands)</i>	
Cash and cash equivalents	1,595,148	1,403,955
Financial investments	863,311	1,349,666
Accounts receivable	13,538,587	10,477,179
Inventories	34,890	61,936
Taxes recoverable	285,086	171,561
Other receivables	66,223	84,099
<b>Total current assets</b>	<b>16,383,245</b>	<b>13,548,396</b>
Judicial deposits	6,800	5,651
Accounts receivable	27,847	29,943
Deferred income tax and social contribution	97,610	
Prepaid expenses	12,075	7,215
Investment	1,500	1,500
Property and equipment	1,275,072	399,990
Intangible assets	820,414	589,553
<b>Total non-current assets</b>	<b>2,241,318</b>	<b>1,033,852</b>
<b>TOTAL ASSETS</b>	<b>18,624,563</b>	<b>14,582,248</b>
Payables to third parties	7,660,026	5,326,290
Trade payables	214,686	256,281
Payables to related parties	130,836	22,187
Deposits	133,688	-
Salaries and social charges	107,213	106,812
Taxes and contributions	28,227	124,004
Provision for contingencies	14,553	11,849
Other liabilities	198,644	45,640
<b>Total current liabilities</b>	<b>8,487,873</b>	<b>5,893,063</b>
Deferred income tax and social contribution	1,035,012	630,950
Other liabilities	90,992	43,287
Deposits	61,617	-
<b>Total non-current liabilities</b>	<b>1,187,621</b>	<b>674,237</b>
Share capital	26	26
Capital reserve	5,773,200	5,781,503
Other comprehensive income	175	(190)
Equity valuation adjustments	(22,372)	(22,372)
Retained earnings	3,190,974	2,274,864
Treasury shares	(15,598)	(41,267)
	<b>8,926,405</b>	<b>7,992,564</b>
Non-controlling interests	22,664	22,384
<b>Total equity</b>	<b>8,949,069</b>	<b>8,014,948</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>18,624,563</b>	<b>14,582,248</b>



## UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOWS STATEMENT

	<b>Nine months ended September 30, 2020</b>	<b>Nine months ended September 30, 2019</b>
<i>(Amounts expressed in R\$ thousands)</i>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before income taxes</b>	1,260,781	1,378,637
<b>Expenses (revenues) not affecting cash:</b>		
Depreciation and amortization	242,513	82,208
Chargebacks	212,969	136,741
Accrual of provision for contingencies	1,971	848
Reversal of taxes and contributions	(84,294)	-
Share based long term incentive plan (LTIP)	47,499	72,099
Inventory provisions	-	(30,031)
Other financial cost, net	28,487	(51,552)
<b>Changes in operating assets and liabilities</b>		
Accounts receivable	(3,446,658)	(2,322,955)
Financial investments (mandatory guarantee)	(127,832)	-
Inventories	27,046	59,497
Taxes recoverable	(103,693)	(18,763)
Other receivables	16,785	(21,617)
Other liabilities	119,969	(5,767)
Payables to third parties	2,307,596	84,128
Trade payables	(44,914)	19,758
Receivables from (payables to) related parties	107,376	4,078
Deposits	193,642	-
Salaries and social charges	14,038	42,226
Taxes and contributions	(26,143)	13,917
Provision for contingencies	(1,100)	-
	<b>746,039</b>	<b>(556,548)</b>
Income tax and social contribution paid	(26,053)	(65,735)
Interest income received	175,500	394,966
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>895,486</b>	<b>(227,317)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Amount paid on acquisitions, net of cash acquired	(5,351)	(18,047)
Purchases of property and equipment	(917,255)	(206,961)
Purchases and development of intangible assets	(373,605)	(256,741)
Redemption (acquisition) of financial investments	636,432	(1,724,877)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(659,779)</b>	<b>(2,206,626)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Acquisition of treasury shares	(44,774)	-
Transaction with non-controlling interest	-	(15,992)
Capital increase by non-controlling shareholders	261	969
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(44,513)</b>	<b>(15,024)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>191,194</b>	<b>(2,448,966)</b>
Cash and cash equivalents at the beginning of the year	1,403,955	2,763,050
Cash and cash equivalents at the end of the year	1,595,148	314,082

## RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES

	<b>Three Months Ended September 30, 2020</b>	<b>Three Months Ended September 30, 2019</b>
	<i>(Amounts expressed in R\$ millions, except amounts per share)</i>	<i>(Amounts expressed in R\$ millions, except amounts per share)</i>
<b>Total revenue and income</b>	<b>1,781.5</b>	<b>1,463.0</b>
<b>Non-GAAP total revenue and income</b>	<b>1,781.5</b>	<b>1,463.0</b>
<b>Total expenses</b>	<b>(1,429.3)</b>	<b>(994.8)</b>
Less: Share-based long-term incentive plan (LTIP)	101.4	72.2
<b>Non-GAAP total expenses (1)</b>	<b>(1,327.9)</b>	<b>(922.6)</b>
<b>Profit before taxes</b>	<b>352.2</b>	<b>468.1</b>
Plus: Total non-GAAP adjustments	101.4	72.2
<b>Non-GAAP profit before taxes (2)</b>	<b>453.5</b>	<b>540.4</b>
<b>Income tax and social contribution</b>	<b>(88.8)</b>	<b>(125.5)</b>
Less: Income tax and social contribution on non-GAAP adjustments	(34.4)	(24.6)
<b>Non-GAAP deferred income tax (3)</b>	<b>(123.2)</b>	<b>(150.1)</b>
<b>Net income</b>	<b>263.4</b>	<b>342.6</b>
Plus: Total non-GAAP adjustments	67.0	47.6
<b>Non-GAAP net income (4)</b>	<b>330.4</b>	<b>390.3</b>
Basic earnings per common share - R\$	0.8001	1.0685
Diluted earnings per common share - R\$	0.7988	1.0352
Non-GAAP basic earnings per common share - R\$ (5)	1.0035	1.2171
Non-GAAP diluted earnings per common share - R\$ (5)	1.0019	1.1791

- (1) Non-GAAP total expenses excludes: Stock-based compensation expenses in the total amount of R\$101.4 million (R\$72.2 million in the three months ended September 30, 2019), consisting of expenses for equity awards under our LTIP. We exclude stock-based compensation expenses from our non-GAAP measures primarily because they are non-cash expenses and the related employer payroll taxes depend on our stock price and the timing and size of exercises and vesting of the equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business. The total of stock-based compensation expenses is allocated mainly between Cost of sales and services and Administrative expenses. Excluding the stock-based compensation expenses, Cost of sales and services in the amount of R\$1,057.2 million (R\$684.3 million in the three months ended September 30, 2019) is adjusted by R\$5.3 million (R\$19.5 million in the three months ended September 30, 2019) resulting in non-GAAP Cost of sales and services of R\$1,052.0 million (R\$664.8 million in the three months ended September 30, 2019); and Administrative Expenses in the amount of R\$197.1 million (R\$134.6 million in the three months ended September 30, 2019) is adjusted by R\$95.7 million (R\$52.7 million in the three months ended September 30, 2019) resulting in non-GAAP Administrative expenses of R\$101.4 million (R\$81.9 million in the three months ended September 30, 2019).
- (2) Non-GAAP profit before taxes is equal to the adjustment described in footnote (1) above.
- (3) Non-GAAP income tax and social contribution consists of income tax at the rate of 34% calculated on the non-GAAP adjustment described in footnote (1) above.
- (4) Non-GAAP net income is equal to the sum of the adjustments described in footnotes (1) and (3) above.
- (5) Non-GAAP basic earnings per common share and non-GAAP diluted earnings per common share reflect the adjustments to non-GAAP net income, which is allocated in full to Equity holders of the parent.

## ACCOUNTING EFFECTS - MEMBERSHIP FEE

	<b>Nine Months Ended September 30, 2020</b>	<b>Nine Months Ended September 30, 2019</b>
<i>(Amounts expressed in R\$ millions)</i>		
Revenue from transaction activities and other services	(78.5)	(16.9)
Revenue from sales	153.9	13.9
Financial income	-	-
Other financial Income	-	-
<b>Total revenues and Income</b>	<b>75.3</b>	<b>(3.0)</b>
Cost of sales and services	(205.9)	(28.1)
Selling expenses	-	-
Administrative expenses	-	-
Financial expenses	-	-
Other Income (expenses), net	-	-
<b>Total costs and expenses</b>	<b>(205.9)</b>	<b>(28.1)</b>
<b>Profit before Income Taxes</b>	<b>(130.6)</b>	<b>(31.1)</b>
Current income tax and social contribution	44.4	10.6
Deferred income tax and social contribution result	-	-
<b>Net income</b>	<b>(86.2)</b>	<b>(20.5)</b>