

# PPLA Participations – PPLA11

## Earnings Release

### First Quarter 2020

*June 03, 2020*

#### **Performance PPLA Participations**

Rio de Janeiro, Brazil, June 03, 2020 - PPLA Participations Ltd. (PPLA Participations), reported losses of R\$0.03 million and a total comprehensive loss of R\$0.03 million for the quarter ended March 31, 2020 (1Q2020).

During the quarter PPLA Participations marked its investment in PPLA Investments (PPLAI) at zero, since PPLA Participations does not have contractual commitments with the the payment or the settlement of its investees, including that of PPLAI.

PPLAI, in turn, posted losses mainly due to negative fair value adjustments in Uniao de Lojas Leader .

## Relevant Event

On February 28, 2020 PPLAI entered into a Loan Agreement with BTG MB Investments LP ("BTG MB") in which PPLAI received US\$72 million with one year maturity starting that same date, paying interest indexed to the 3 (three) month LIBOR added of 2.85% spread per year. This loan agreement includes the possibility of being totally or partially converted into capital, once certain conditions are met.

Also on March 17, 2020 PPLAI entered into another Loan Agreement with BTG MB in which PPLAI received US\$29 million with one year maturity starting that same date, paying interest indexed to the 3 (three) month LIBOR added of 2.85% spread per year. This loan agreement includes the possibility of being totally or partially converted into capital, once certain conditions are met.

In addition on May 5, 2020 PPLAI entered into another Loan Agreement with BTG MB in which PPLAI received US\$43 million with one year maturity starting that same date, paying interest indexed to the 3 (three) month LIBOR added of 2.85% spread per year. This loan agreement includes the possibility of being totally or partially converted into capital, once certain conditions are met.

On May 14, 2020, BTG MB, a company that has an indirect participation in PPLA Participations, converted R\$144.7 million of the loans granted this year to PPLAI into equity – PPLAI issued 91,805,085,836 Class D shares, equivalent to R\$0.00872735 per share. As a consequence of the capitalization, PPLAI shareholders were diluted in their participation, in such a way that: (i) the Company indirectly holds, through PPLA Bermuda LP Holdco Ltd, 0.003% of PPLAI and (ii) BTG MB directly holds a approximately 99.990% of PPLAI shares

## Reverse Stock Split

At the general meeting held on March 18, 2020, the reverse stock split between shares class A and B issued by the Company was approved in the proportion of 30 shares for 1 share.

## COVID-19

The Company's management is tracking the effects COVID-19 may have on its business. Any outcome prediction is hampered due to the situation's rapid and fluid development, which can lead to a fallout in economic and market conditions, triggering a decline in global economic activity. The Company is monitoring all developments related to COVID-19 and coordinating its operating response, taking into account the continuity plans from preexisting business ventures and on the guidelines exposed by global health organizations, governments and general best practices in response to this pandemic. The COVID-19 pandemic has had, and continues to have, a material impact on businesses around the world, including ours, and the economic and political environments in which businesses operate. There are a number of factors associated with the ongoing COVID-19 pandemic and its impact on global economies that could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and the market price of our securities. In particular, the COVID-19 pandemic has affected business and economic sentiment, causing significant volatility in global markets and affecting the outlook of the Brazilian economy and that of other countries in which we maintain investments, may in the future make investments and conduct business through our subsidiaries.

## Discontinuation of the BDR Program

During the quarter ended December 31, 2018 PPLA Participations Ltd. submitted to B3 S.A. - Brasil, Bolsa, Balcão ("B3") a voluntary discontinuation formal request of its BDRs Program, along with the termination of its Units listing and negotiation with B3 and the termination of its registration as a category "A" foreign issuer, held with the Brazilian Securities and Exchange Commission – Comissão de Valores Mobiliários ("CVM"), pursuant to the Issuer Manual, issued by B3 and the CVM Instruction 332, of April 4, 2009.

On April 25, 2019, the Company received from investors, representing more than 10% of PPLA Participations Units and BDR's in circulation in the market, a request to call a Special Shareholders' Meeting ("AGE") to resolve on the realization of a new valuation to determine the value of the Units and BDRs.

Additionally, on May 2, 2019, as part of the tender offer for the purchase of Units and BDRs ("OPA" or "Offer"), CVM made the following requests: (i) an amendment of the tender offer to include information on related party transactions, loan and capitalization as disclosed in Material Fact of April 9, 2019, (ii) updating the Company's valuation by the appraiser, based on the latest financial statements made available by the Company, as of June 3, 2019. In addition, CVM announced that the Extraordinary Shareholders' Meeting requested by the minority shareholders may only occur fifteen days after the valuation report is made available.

The procedure for discontinuation, including its terms and conditions, is subject to (i) the approval that shall be issued by B3, (ii) the ratification by CVM, and (iii) the applicable corporate approvals.

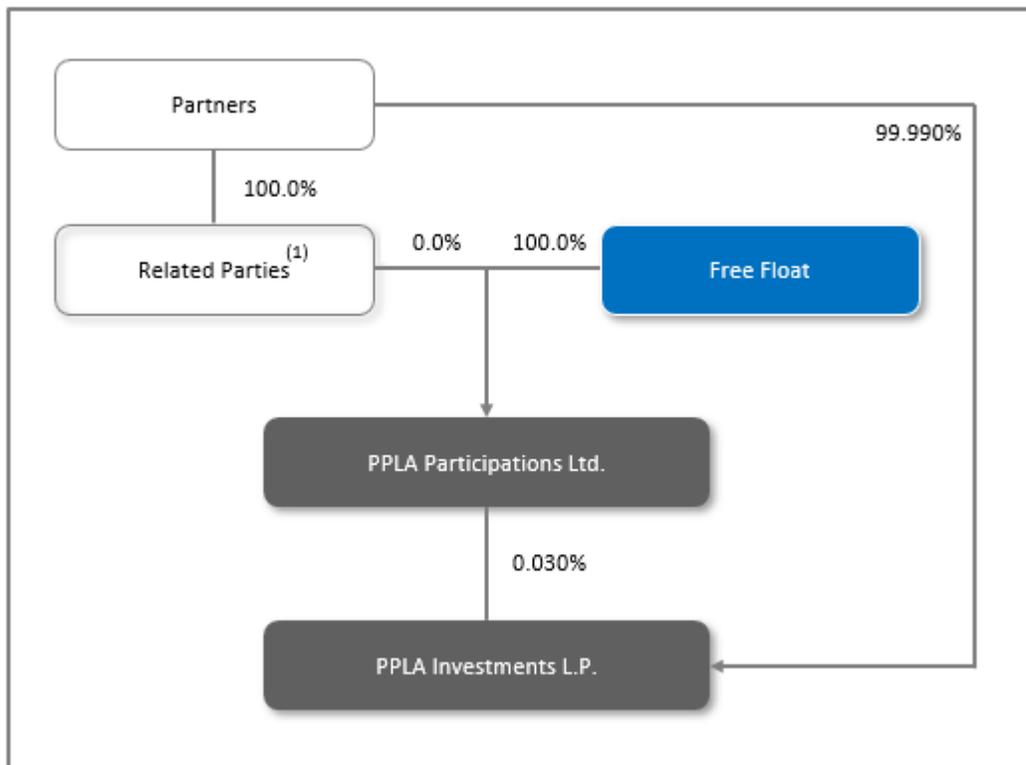
On July 19, 2019, the Company received from investors representing more than 10% of the Company's Units and BDR's in circulation in the market, a request to call a Special Shareholders' Meeting, for a new resolution and appraisal of the value of the Company's units and BDRs on August 20, 2019.

On September 30, 2019, the Company received the Company's appraisal report, dated December 31, 2018, to determine the value of Units and BDRs under the voluntary discontinuation of the share deposit certificate program.

On October 4, 2019, BTG Pactual Holding SA, as the offerer for the Acquisition of Units and BDRs for Voluntary Discontinuation of the PPLA Participations Ltd. Issuance Certificate Program ("Offer"), expressed its withdrawal from the execution of the Offer and, therefore, from the discontinuation procedure of the BDR program, the cancellation of its listing and the trading of units with B3 SA - Brasil, Bolsa, Balcão and the registration as a foreign "A" issuing company, held with the Brazilian Securities Commission. The withdrawal results from the realization of a new valuation requested by an investor in the scope of the Offering has found a value higher than the initial value of the Offering, due to material errors that distort the result of the valuation.

## Shareholding Structure

PPLA Participations owns through its wholly-owned subsidiary BTG Bermuda LP Holdco Ltd. a stake corresponding to 0.003% of PPLA Investments' capital. PPLA Participations indirectly holds equity interest in PPLAI and accounts for it as investment entity in accordance with IFRS 10 - Consolidated Financial Statements where assets and liabilities are measured at fair value.



(1) if applicable, it may include units acquired by investment vehicles owned by certain partners individually or collectively and vehicles under common control of the *Partnership*. The shareholding of the Partners in PPLAI takes place mainly through BTG MB Investments L.P.

## Financial Information

The financial information presented in the tables below consists of the financial position and results of operations from PPLA Investments as we believe they are more meaningful than those from PPLA Participations in order to understand the results of PPLA Participations.

Income Statement (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	PPLA Investments	
	4Q 2019	1Q 2020
Financial income	(67)	(908)
Financial expenses	6	46
<b>Gross financial income</b>	<b>(62)</b>	<b>(861)</b>
Other operating income (expenses)	(2)	(2)
<b>Operating income</b>	<b>(64)</b>	<b>(864)</b>
Non-operating income/(expenses)	-	-
<b>Income before taxes and profit sharing</b>	<b>(64)</b>	<b>(864)</b>
Income and social contribution taxes	-	-
Statutory profit sharing	-	-
Non-controlling interest	-	-
<b>Net income</b>	<b>(64)</b>	<b>(864)</b>

Note: As PPLA Investments is accounted in USD, the adjusted financial statements do not consider the effect of exchange variation of the assets, reporting the net income in BRL. The income statement disclosed above is pro forma, excluding foreign exchange translation effects impacts between lines. Includes adjustments to normalize hedge effects.

In 1Q 2020 PPLAI had an operating losses of R\$864 million, mostly related to negative fair value adjustments in Uniao de Lojas Leader.

As PPLAI is an investment entity, it does not have significant operating expenses and administrative costs. As a result of the foregoing, net income was negative in R\$864 million in line with operating income.

## Main Assets

The table presents a summary of PPLAI' assets and liabilities. The balance sheet below is pro-forma because it considers certain adjustments, such as intercompany eliminations.

Balço Patrimonial pro-forma não auditado (em R\$ milhões)					
	4T 2019	1T 2020		4T 2019	1T 2020
<b>Ativos</b>	<b>1.699,8</b>	<b>1.152,3</b>	<b>Passivo + Patrimônio</b>	<b>1.699,8</b>	<b>1.152,3</b>
Caixa e Equivalentes	29,7	27,4	Passivos Financeiros	1.556,4	1.701,7
Portfolio Entidade de Invest.	854,1	270,1	- Instituições Financeiras <sup>(1)</sup>	1.319,2	1.461,8
Merchant Banking	854,1	270,1	- Programa de Notas	237,2	239,9
- Lojas Leader	591,7	-			
- B&A	12,1	22,8	Outros Passivos	50,2	291,9
- Fazendas Timber	140,8	141,8			
- BR Pec	87,5	78,7			
- Outros Ativos	22,0	26,9			
Global Markets	-	-			
Invest. Ao Valor Justo - OCI	547,2	524,7			
Crédito	119,7	115,2			
- Empréstimos sócios	109,5	115,2			
- Outros	10,2	-			
Outros Ativos	149,1	214,8	<b>Patrimônio Líquido</b>	<b>93,2</b>	<b>(841,3)</b>

(1) Inclui Eliminações Intercompany

- (i) **Cash & Equivalents** were R\$27.4 million in the end of the 1Q 2020, compared to R\$29.7 million in the 4Q 2019. The impact mostly reflects the debt prepayment with financial institutions partially offset by new loans from BTG MB.
- (ii) **Investment Entity Portfolio.**
  - a. Corporate loan to União de **Lojas Leader**, a retail company undergoing operational turn-around. During the quarter the totality of assets were impaired due to the company's lack of operational continuity perspective in light of the ongoing COVID-19 pandemic and in connection with the judicial reorganization.
  - b. **B&A** is a mining company that develops and explores opportunities in this sector. Total assets of R\$22.8 million increased during the quarter, from R\$12.1 million in the 4Q 2019.
  - c. **Fazendas Timber** consists of land properties, dedicated to management and commercial activities inherent to eucalyptus and pine plantation. The total assets remained stable during the quarter.
  - d. Equity investment of R\$78.7 million in **BR Pec**, an agricultural/ranching company that is focused on production of soy, corn and cattle. The operations are focused on improving productivity levels. PPLA Investments owns 100% of the asset. The decrease in asset value from 4Q 2019 was mostly due to the interest accrual in the company's debt.
  - e. **Other Assets** under Merchant Banking portfolio consist of over ten smaller investments across different sectors.

- (iii) PPLA Investments also carries other private equity assets, under **Invest at Fair Value – OCI**, which are mainly held via investment funds, such as UOL and CCRR, among other investments. The total balance decreased from R\$547.2 in the 4Q 2019, to R\$524.7 in the 1Q 2020.
- (iv) **Loans and Receivables** consists of R\$115.2 million of partnership loans.
- (v) **Financial Liabilities**
  - a. Liabilities to Financial Institutions consist in several long-term loans, most of them with Brazilian financial institutions. The total amount increased during the quarter due to new loans from BTG MB as explained in the “relevant events” section, partially offset by one loan prepayment.
  - b. Medium Term Notes: PPLAI has issued notes to finance its operations over the last couple of years. The total amount remained stable during the quarter.

## **Basis for Presentation**

Except where otherwise noted, the information concerning our financial condition presented in this document is based on our Balance Sheet and Income Statement, which is prepared in accordance with IFRS.

## **Forward-looking statements**

This document may contain estimates and forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements may appear throughout this document. These estimates and forward-looking statements are mainly based on the current expectations and estimates of future events and trends that affect or may affect the business, financial condition, and results of operations, cash flow, liquidity, prospects and the trading price of the units. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to many significant risks, uncertainties and assumptions and are made in light of information currently available to us. Forward-looking statements speak only as of the date they were made, and we do not undertake the obligation to update publicly or to revise any forward-looking statements after we distribute this document as a result of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this document might not occur and future results may differ materially from those expressed in or suggested by these forward-looking statements. Forward-looking statements involve risks and uncertainties and are not a guaranty of future results. As a result, you should not make any investment decision on the basis of the forward-looking statements contained herein.

## **Rounding**

Certain percentages and other amounts included in this document have been rounded to facilitate their presentation. Accordingly, figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them and may differ from the financial statements.