

Brazil Illustration: Shift to Digital

Reasons Behind the Shift to Digital in Brazil in the Early 2000s



Pressure from the Government to avoid misuse by the beneficiaries
(*vouchers are easier to sell*)



Pressure from supermarket operators to avoid vouchers theft
(*online card transactions are safe*)



Process optimization and cost savings in the medium term
(*economies of scale*)



Differentiation from competitors
(*"first mover"*)



Practicality for the client, user and merchant



Migration Timeline



Launch of
Ticket Alimentação (TA)
Migration Project



Launch of
Ticket Alimentação
Electronic (TAE)



Launch of
Ticket Restaurante
Electronic (TRE)



Migration to WATTS
Platform
(Worldwide Application
for Transactional Ticket
Services)

1997

1998

1999

2002

2003

2006

2007

TA Pilot
started



SGC Platform

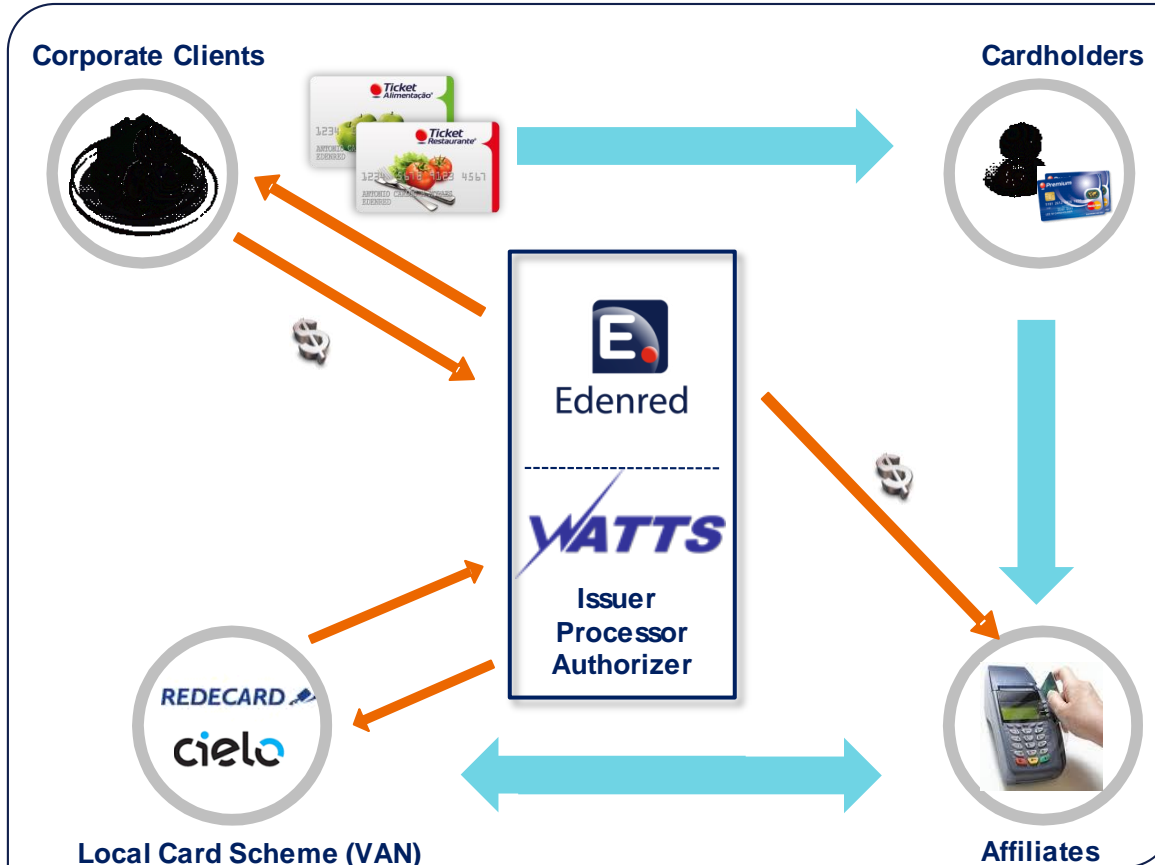
Electronic card
authorization and
processing taken in-house

The decision to start with Ticket Alimentação was due to the product's characteristics (fewer transactions) and number of merchants

Technology Shift: A New Value Chain



Card Value Chain



Edenred Private Model

- ✓ Full control of the key elements of the digital value chain by Edenred:
 - Card issuance
 - Transaction authorization
 - Clearing & Settlement
- ✓ Redecard and Cielo, two Value-Added Networks used by Edenred to gain quick access to merchants' POS



Partnership between Edenred and Value-Added Networks: a win-win solution

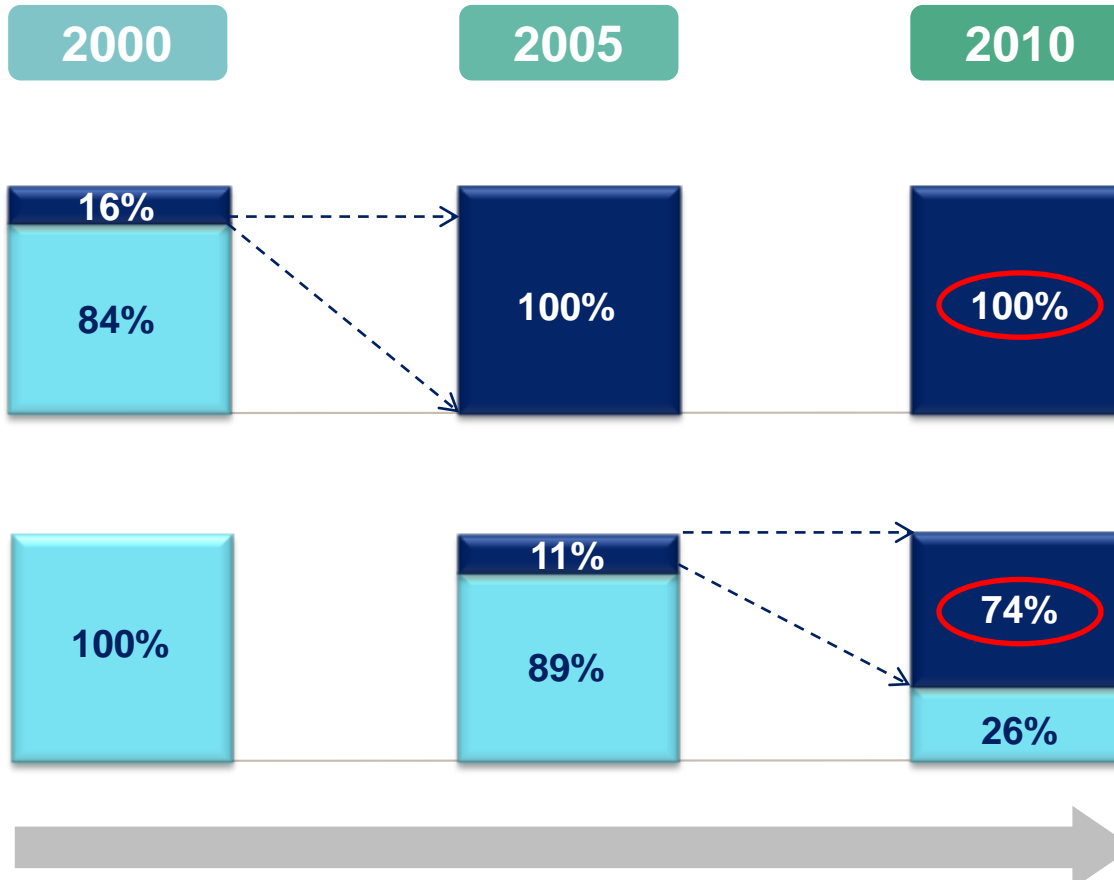
Edenred, a program manager bringing additional volume to Redecard & Cielo

Redecard & Cielo, two acquirers offering quick and standardized access to a large network of POS

Migration Pace by Type of Solution



 Paper issue volume (%)
 Digital issue volume (%)



Ticket Alimentação®



Ticket Restaurante®



The Shift to Cards: Impact on Costs



Paper cost drivers

- *Printing*
- *Delivery*
- *Recycled security paper voucher*
- *Voucher cover*
- *Reimbursement*





Card cost drivers

- *Card embossing*
- *Delivery*
- *Acquiring*
- *Processing*
- *Average cost per call*
- *PIN number reissuance*

Acquiring fees: a clear competitive edge for Edenred



The only player to have partnerships with the two main local acquirers giving access to 95% of Brazilian POS

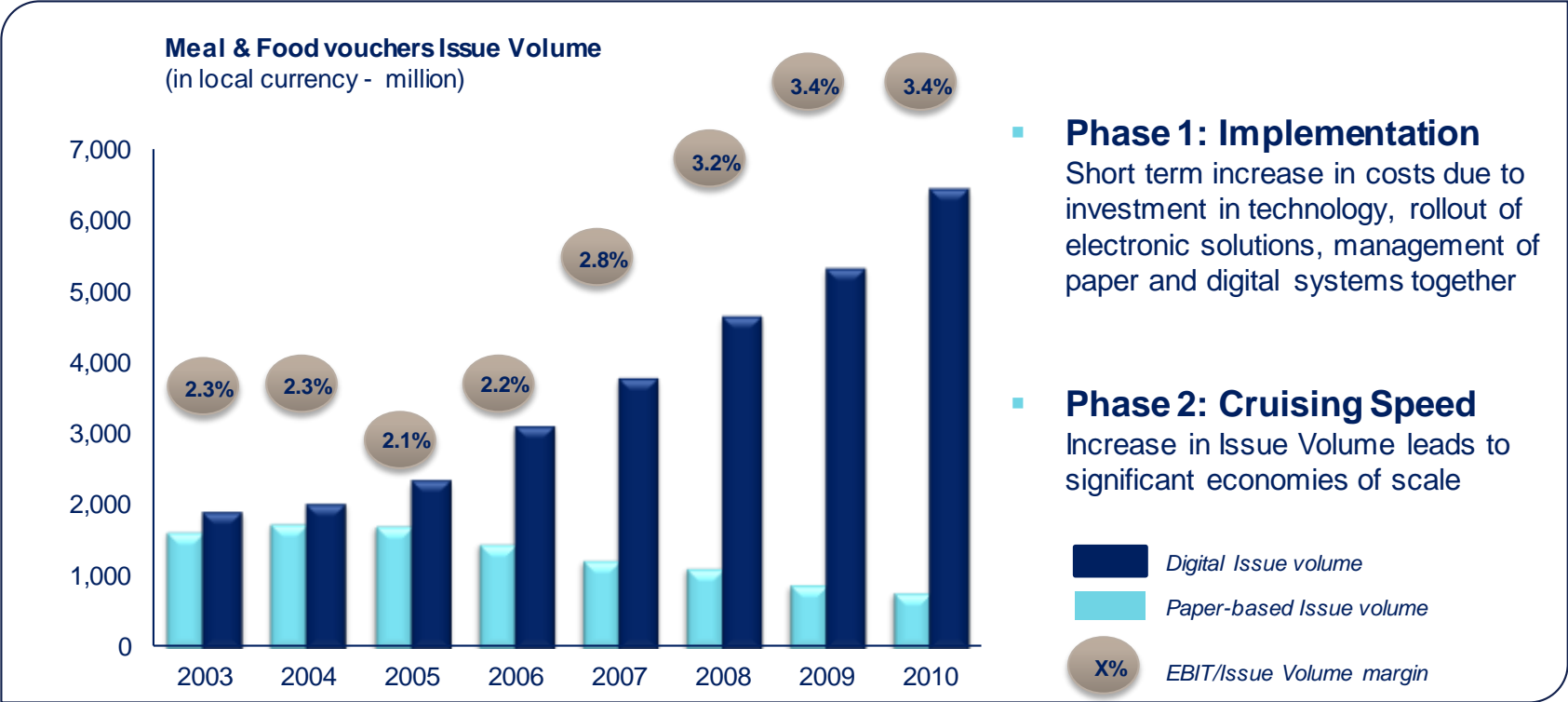
- **REDECARD** , our historical partner
- **Cielo** , a new partner (historically the exclusive acquirer of Visa Vale)

Leverage on cost structure

Strategic partnership with acquirers: a key element of the electronic value chain



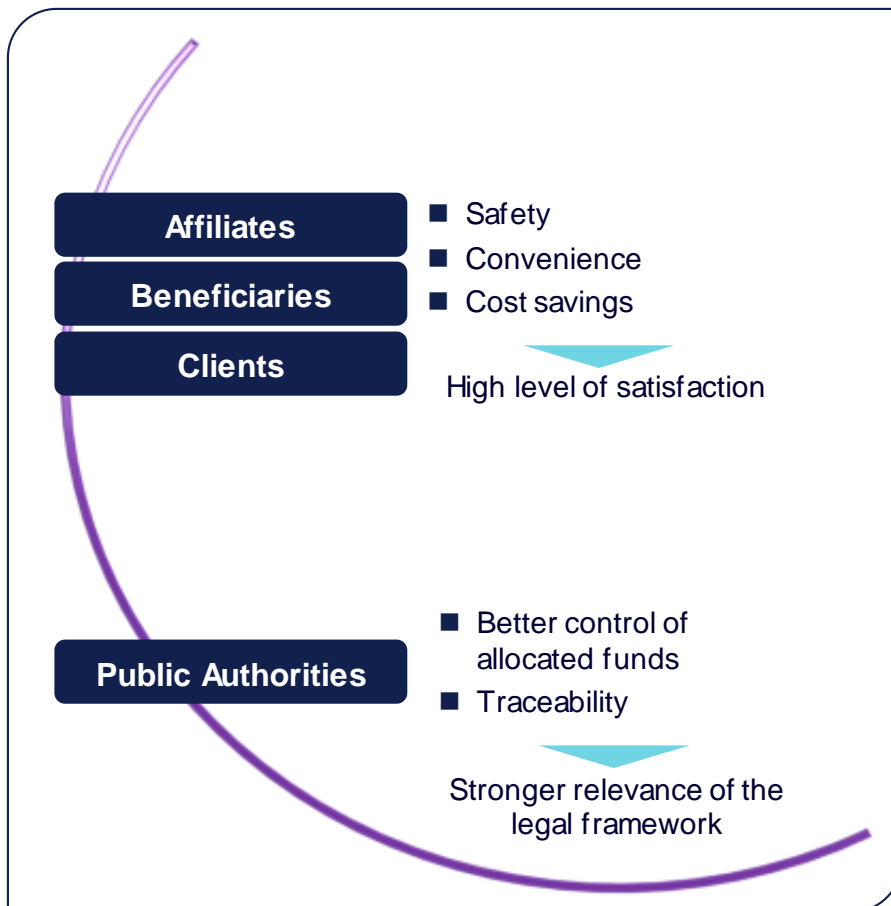
Food & Meal voucher margin growth



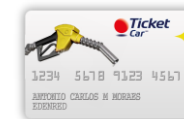
Short-term pressure on margins (transition period)
Significant margin improvement in the long-term



A relevant shift for all stakeholders



After initial development stage with renewed processes and technologies, positive economic outcome for Edenred



Brazil is a pioneer and a benchmark case for paper to card migration