

T4F Entretenimento S.A.

1Q18 Earnings Release

T4F Entretenimento S.A.

B3: SHOW3

Quotation

Closing on March 31, 2018: R\$10.60

1Q18 Average Volume: 273.4 thousand
(0.77% of the *free float*)

Price on May 9, 2018: R\$9.90

Market Cap: R\$668.3 million

Earnings presentation through webcast

Date: May 10, 2018

English

10:00 a.m. (US EDT) | 11:00 a.m. (BR)

www.t4f.com.br/ri

Portuguese

09:00 a.m. (US EDT) | 10:00 a.m. (BR)

www.t4f.com.br/ri

Investor Relations

ri@t4f.com.br

+ 55 (11) 3576-1200



T4f
TIME FOR FUN

Sao Paulo, May 9, 2018 – T4F Entretenimento S.A. (“T4F” or “Company”) (B3: SHOW3), leading live entertainment company in South America, announces the revised results for the first quarter of 2018 (1Q18). The financial and operational information herein were prepared according to International Financial Reporting Standards (IFRS) and the accounting practices adopted in Brazil.

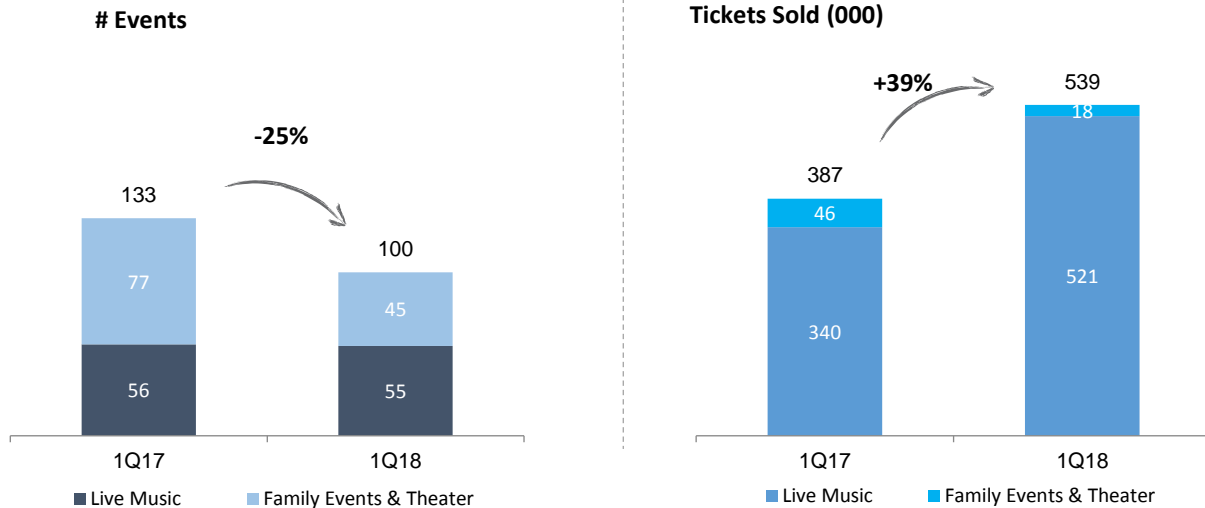
1Q18 Highlights

- Net revenue of R\$194.3 million (+41% vs. 1Q17);
- Gross profit of R\$35.0 million (+22% vs. 1Q17);
- EBITDA of R\$16.1 million (+32% vs. 1Q17);
- Net income of R\$4.9 million (-16% vs. 1Q17);
- Net cash of R\$226.3 million (+155% vs. 1Q17 and +31% vs. 4Q17).

Financial Indicators (R\$ million)	LTM (Apr/16 - Mar/17)	LTM (Apr/17 - Mar/18)	Chg. %	1Q17	1Q18	Chg. %
Net Revenue	596.0	709.7	19%	137.5	194.3	41%
Events Promotion	385.2	455.0	18%	82.3	130.7	59%
Live Music	340.9	406.2	19%	75.7	126.8	67%
Family Events and Theater	36.5	36.3	-1%	5.5	1.9	-65%
Sports Events	7.8	12.5	61%	1.1	2.0	83%
Ticketing, F&B and Venues Operation	131.8	146.5	11%	32.8	25.5	-22%
Sponsorship	79.0	108.2	37%	22.449	38.1	70%
Events Promotion	61.9	93.2	50%	16.9	35.4	109%
Ticketing, F&B and Venues Operation	17.0	15.0	-12%	5.5	2.7	-50%
Cost	(476.6)	(568.7)	19%	(108.8)	(159.3)	46%
Gross Profit	119.4	141.0	18%	28.7	35.0	22%
<i>Gross Margin (%)</i>	20.0%	19.9%	-0.2 p.p.	20.9%	18.0%	-2.9 p.p.
SG&A	(78.6)	(67.8)	-14%	(19.2)	(20.4)	6%
EBITDA	51.8	79.0	52%	12.2	16.1	32%
<i>EBITDA Margin (%)</i>	8.7%	11.1%	2.4 p.p.	8.8%	8.3%	-0.6 p.p.
Financial Result	(3.7)	(1.0)	-72%	1.5	(1.2)	n.a.
Net Income	21.4	44.3	107%	5.8	4.9	-16%
<i>Net Margin (%)</i>	3.6%	6.2%	2.7 p.p.	4.2%	2.5%	-1.7 p.p.
Operational Indicators	LTM (Apr/16 - Mar/17)	LTM (Apr/17 - Mar/18)	Chg. %	1Q17	1Q18	Chg. %
Live Music						
Events Promoted	286	300	5%	56	55	-2%
Tickets Sold (000)	1,548	1,738	12%	340	521	53%
Average Ticket Price (R\$)	221	230	4%	220	245	11%
Family Events and Theater						
Events Promoted	342	421	23%	77	45	-42%
Tickets Sold (000)	327	366	12%	46	18	-61%
Average Ticket Price (R\$)	123	119	-3%	130	109	-16%
Total						
Events Promoted	628	721	15%	133	100	-25%
Tickets Sold (000)	1,875	2,104	12%	387	539	39%
Average Ticket Price (R\$)	204	211	3%	210	241	15%

We report below comments on the financial statements related to the quarter ended on March 31, 2018 (1Q18). We recommend reading this material together with the Quarterly Financial Statements ("ITR").

Comments on the Consolidated Financial Performance



Operating Indicators

In 1Q18, we promoted 100 live music, theater and family events with 539 thousand tickets sold. Compared to 1Q17, the number of events decreased 25%; however, the number of tickets sold increased 39%.

In live music, we promoted 55 concerts with 521 thousand tickets sold. Even with practically the same number of shows, we sold 53% more tickets year-on-year both in indoor and outdoor events. In outdoor shows, in 1Q18, we highlight the promotion of 3 days of the Lollapalooza Brazil Festival at the Interlagos Circuit, 1 concert of Pearl Jam at the Maracanã stadium and 1 concert of Gorillaz at the Jockey Club in Sao Paulo, while in 1Q17 we promoted only 2 days of the Lollapalooza Brazil Festival, 1 concert of Justin Bieber’s tour in Rio de Janeiro and 1 show of Elton John & James Taylor’s tour in Curitiba.

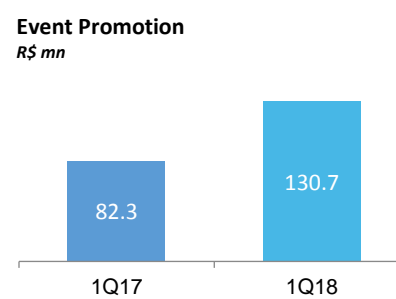
In family and theater, the number of events and tickets sold decreased 42% and 61%, respectively, mainly as a result to the fact that this year, due to logistics, we will premiere the musical The Phantom of the Opera in August. Thus, we presented in 1Q18 only the show Fuerza Bruta in Sao Paulo, while in 1Q17 we premiered the musical Les Misérables and promoted Fuerza Bruta in Rio de Janeiro.

Net Revenue

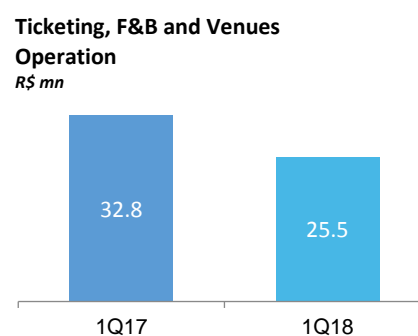
Net Revenue (R\$ million)	LTM (Apr/16 - Mar/17)	LTM (Apr/17 - Mar/18)	Chg. %	1Q17	1Q18	Chg. %
Events Promotion	385.2	455.0	18%	82.3	130.7	59%
Live Music	340.9	406.2	19%	75.7	126.8	67%
Family Events and Theater	36.5	36.3	-1%	5.5	1.9	-65%
Sports Events	7.8	12.5	61%	1.1	2.0	83%
Ticketing, F&B and Venues Operation	131.8	146.5	11%	32.8	25.5	-22%
Sponsorship	79.0	108.2	37%	22.4	38.1	70%
Events Promotion	61.9	93.2	50%	16.9	35.4	109%
Ticketing, F&B and Venues Operation	17.0	15.0	-12%	5.5	2.7	-50%
TOTAL	596.0	709.7	19%	137.5	194.3	41%

Net revenue in 1Q18 totaled R\$194.3 million, up 41% from 1Q17.

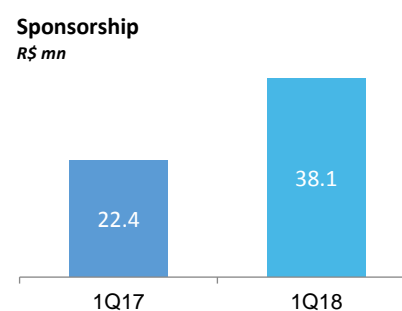
Net revenue in event promotion grew 59% compared to 1Q17, amounting to R\$130.7 million. This better performance is a result of a higher occupancy rate per show in live music, which experienced growth of 53% in tickets sold and of 11% in the average ticket price, which increased from R\$220 to R\$245 year-on-year.



Net revenue of ticketing, F&B and venues operations decreased 22% in 1Q18 compared to 1Q17, due mainly to the fact that the tickets for the shows promoted in 1Q18 were sold in 2017, and we did not start sales for future shows in 1Q18.



Net revenue of sponsorship totaled R\$38.1 million in 1Q18, up 70% from 1Q17, due mainly to the better performance in event promotion with the festival segment.



Gross Profit

Gross Profit (R\$ million)	LTM (Apr/16 - Mar/17)	LTM (Apr/17 - Mar/18)	Chg. %	1Q17	1Q18	Chg. %
Events Promotion	11.2	(9.6)	n.a.	0.0	(8.2)	n.a.
Ticketing, F&B and Venues Operation	29.2	42.4	45%	6.2	5.1	-18%
Sponsorship	79.0	108.2	37%	22.4	38.1	70%
Gross Profit	119.4	141.0	18%	28.7	35.0	22%
<i>Gross Margin (%)</i>	<i>20.0%</i>	<i>19.9%</i>	<i>-0.2 p.p.</i>	<i>20.9%</i>	<i>18.0%</i>	<i>-2.9 p.p.</i>

Gross profit reached R\$35.0 million in the quarter, up 22% from 1Q17. The higher gross profit is a result mainly of the performance of sponsorship in event promotion. As previously described, this expressive increase comes mainly from the festival segment.

Operating Expenses (Revenue)

SG&A (R\$ million)	LTM (Apr/16 - Mar/17)	LTM (Apr/17 - Mar/18)	Chg. %	1Q17	1Q18	Chg. %
Sales	(1.6)	(1.5)	-8%	(0.4)	(0.4)	5%
General and Administrative	(63.7)	(62.8)	-1%	(15.5)	(17.3)	11%
Management Compensation	(9.3)	(7.8)	-16%	(3.5)	(2.3)	-33%
SG&A	(74.6)	(72.0)	-3%	(19.4)	(20.0)	3%
Other Operating Revenues (Expenses)	(4.0)	4.2	n.a.	0.2	(0.4)	n.a.
Total	(78.6)	(67.8)	-14%	(19.2)	(20.4)	6%
<i>% Total/Net Revenue</i>	<i>13.2%</i>	<i>9.6%</i>	<i>-3.6 p.p.</i>	<i>14.0%</i>	<i>10.5%</i>	<i>-3.4 p.p.</i>

SG&A expenses and management compensation increased 3% from 1Q17, in line with inflation in the countries we operate. The growth of 6% in total expenses reflects provisions for non-recurring contingencies in 1Q18.

EBITDA

EBITDA Reconciliation (R\$ million)	LTM (Apr/16 - Mar/17)	LTM (Apr/17 - Mar/18)	Chg. %	1Q17	1Q18	Chg. %
Net Result	21.4	44.3	107%	5.8	4.9	-16%
(+) Income Tax and Social Contribution	15.7	27.8	77%	5.2	8.5	63%
(+) Net Financial Result	3.7	1.0	n.a.	(1.5)	1.2	n.a.
(+) Depreciation	11.0	5.8	-48%	2.6	1.5	-43%
=EBITDA	51.8	79.0	52%	12.2	16.1	32%
<i>EBITDA Margin (%)</i>	<i>8.7%</i>	<i>11.1%</i>	<i>2.4 p.p.</i>	<i>8.8%</i>	<i>8.3%</i>	<i>-0.6 p.p.</i>

As a consequence of the aforementioned reasons, EBITDA in 1Q18 grew 32% from the same period last year, reaching R\$16.1 million.

Financial Result

Financial Result (R\$ million)	LTM (Apr/16 - Mar/17)	LTM (Apr/17 - Mar/18)	Chg. %	1Q17	1Q18	Chg. %
Financial Income	16.1	15.0	-7%	3.8	3.6	-5%
Interest Income	4.4	3.0	-33%	0.5	0.5	-8%
Income over Financial Investments	11.3	11.9	5%	3.2	3.0	-5%
Others	0.4	0.2	-56%	0.0	0.0	-7%
Financial Expenses	(19.4)	(12.9)	-33%	(4.1)	(2.4)	-42%
Interest Cost	(7.1)	(5.2)	-28%	(0.9)	(0.8)	-11%
Interests with Borrowings - Debentures	(7.3)	(3.2)	-56%	(1.6)	(0.5)	-65%
Losses with Swap Operations	(0.7)	-	-100%	(0.7)	-	-100%
Tax on Financial Transactions	(3.2)	(3.4)	4%	(0.5)	(0.8)	58%
Taxes and Others	(1.0)	(1.2)	16%	(0.5)	(0.3)	-49%
Exchange Variance	(0.5)	(3.1)	570%	1.9	(2.4)	n.a.
Net Financial Result	(3.7)	(1.0)	-72%	1.5	(1.2)	n.a.

In 1Q18, net financial result was negative in R\$1.2 million versus positive R\$1.5 million in 1Q17, due mainly to the negative result with the exchange variation in the hedge operations of Brazil and Argentina.

Net Result

Net Income (R\$ million)	LTM (Apr/16 - Mar/17)	LTM (Apr/17 - Mar/18)	Chg. %	1Q17	1Q18	Chg. %
Result Before Taxes	37.1	72.1	95%	11.0	13.4	21%
(-) Income Tax and Social Contribution (Current)	(8.8)	(16.9)	92%	(2.5)	(8.5)	239%
(-) Income Tax and Social Contribution (Deferred)	(6.9)	(11.0)	58%	(2.7)	0.0	-101%
Net Income	21.4	44.3	107%	5.8	4.9	-16%
Net Margin (%)	3.6%	6.2%	2.7 p.p.	4.2%	2.5%	-1.7 p.p.

As a consequence of the aforementioned reasons, the quarter ended on March 31, 2018, posted net income of R\$4.9 million.

Working Capital

Working Capital (R\$ million)	1Q17	4Q17	1Q18	Chg. % (1Q18/4Q17)	Chg. % (1Q18/1Q17)
Assets	169.6	224.0	184.1	-18%	9%
Accounts Receivable	90.9	174.2	133.5	-23%	47%
Inventories	1.8	1.0	0.9	-9%	-47%
Advances to Suppliers and Anticipated Costs	77.0	48.8	49.6	2%	-36%
Liabilities	193.3	265.0	237.3	-10%	23%
Accounts Payable (Suppliers)	80.7	69.1	115.3	67%	43%
Advances from Clients	112.6	196.0	122.0	-38%	8%
Net Working Capital	(23.7)	(41.1)	(53.2)	30%	125%

In 1Q18, we posted negative working capital of R\$53.2 million, versus R\$41.1 million in 4Q17 and R\$23.7 million in 1Q17. The maintenance of negative working capital is due mainly to our business model, in which we register sale of tickets and sponsorship in advance (in advances from clients), while payments to suppliers are mostly concentrated on dates close to the related events.

Cash and Indebtedness

Cash and Indebtedness (R\$ million)	1Q17	4Q17	1Q18	Chg. % (1Q18/4Q17)	Chg. % (1Q18/1Q17)
Operating Cash Flow	(0.5)	(19.1)	51.7	n.a.	n.a.
Investment Cash Flow	10.3	(0.3)	(0.4)	19%	n.a.
Financing Cash Flow	(10.8)	(4.5)	(7.1)	59%	-34%
Exchange Variance	0.2	3.9	0.8	-80%	266%
Increase (Reduction) in Cash and Equivalents	(0.8)	(20.0)	45.0	n.a.	n.a.
Balance in Cash and Financial Investments	122.3	198.0	243.0	23%	99%
Borrowings and Financing - Short Term	16.8	17.4	16.7	-4%	-1%
Borrowings and Financing - Long Term	16.7	8.3	-	-100%	-100%
Total Indebtedness	33.5	25.7	16.7	-35%	-50%
Net Cash (Debt)	88.8	172.3	226.3	31%	155%

We ended 1Q18 with R\$243.0 million in cash (R\$245.7 million considering restricted cash), versus R\$122.3 million in 1Q17 and R\$198.0 million in 4Q17:

- Operating cash: we generated R\$51.7 million, since there was receipt related to ticket sales for Roger Waters' tour, which began in December 2017, as well as an increase in the payment term for outdoor shows held in 1Q18.
- Investments: we spent R\$412 thousand in maintenance capex.
- Financing: we spent R\$9.5 million with the semi-annual amortization and interest payment of the second issue of debentures and R\$744 thousand with the acquisition of our own shares, while we received R\$3.1 million from related parties.

We ended the quarter with: (i) total indebtedness of R\$16.7 million (-50% vs. 1Q17 and -35% vs. 4Q17) and (ii) net cash of R\$226.3 million (+155% vs 1Q17 and +31% vs. 4Q17).

Event Pipeline

- Live Music

Outdoor

In May, we will present Ozzy Osbourne's farewell tour in the cities of São Paulo, Rio de Janeiro, Belo Horizonte, Curitiba, Buenos Aires and Santiago.

In October, we will promote 11 shows of Roger Waters' tour: 8 concerts in 7 Brazilian Capitals and 3 in Buenos Aires.

Indoor

In indoor music, we have already scheduled around 60 concerts for 2Q18, including important international and national artists, like: Erasure, Bad Bunny, Jorge Vercillo, Lulu Santos, Simone encontra Ivan Lins, Chitãozinho & Xororó, Maria Bethânia & Zeca Pagodinho, among others.

- **Family Events and Theater**

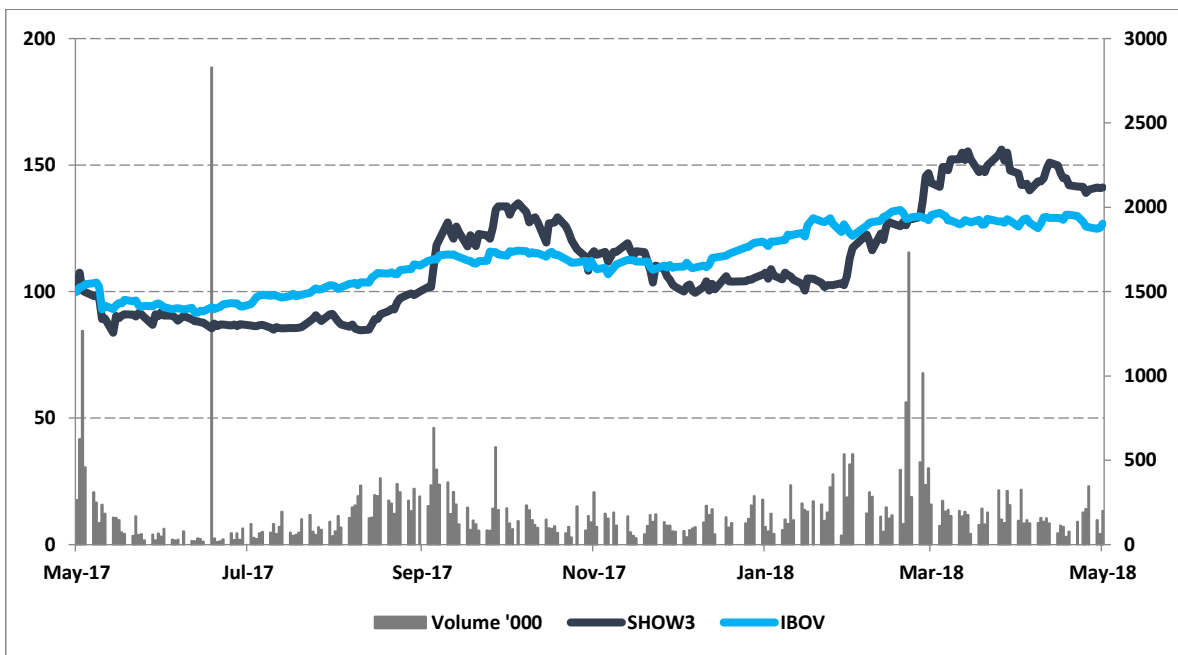
In 2H18, we will hold the première of the original Broadway musical, The Phantom of the Opera, which was an attendance record among all musicals when presented in 2005/2006.

- **Sports Events**

In 2Q18, we will promote 4 of the 12 series of Stock Car, 3 of the 8 series of Campeonato Brasileiro de Marcas and 2 of 8 races of Stock Car Light.

SHOW3 Performance

SHOW3 closing price on May 9, 2018 was R\$9.90, which represents growth of 39.0% year to date and 44.6% in the last 12 months.



Income Statement

(R\$ 000)

	1Q17	1Q18
NET OPERATING REVENUE	137,517	194,347
COST OF SERVICES PROVIDED AND PRODUCTS SOLD	(108,789)	(159,320)
GROSS PROFIT	28,728	35,027
OPERATING INCOME (EXPENSES)		
Sales	(397)	(418)
General and administrative	(15,496)	(17,268)
Management compensation	(3,490)	(2,337)
Other operating income (expenses), net	194	(408)
OPERATING PROFIT (LOSS) BEFORE FINANCIAL (EXPENSES) INCOME	9,539	14,596
FINANCIAL RESULT		
Financial expenses	(4,119)	(2,375)
Financial income	3,758	3,553
Net exchange rate and monetary variation	1,862	(2,415)
OPERATING PROFIT (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	11,040	13,359
INCOME TAX AND SOCIAL CONTRIBUTION		
Current	(2,515)	(8,521)
Deferred	(2,718)	17
NET RESULT	5,807	4,855

	LTM (Apr/16 - Mar/17)	LTM (Apr/17 - Mar/18)
NET OPERATING REVENUE	595,983	709,725
COST OF SERVICES PROVIDED AND PRODUCTS SOLD	(476,576)	(568,702)
GROSS PROFIT	119,407	141,023
OPERATING INCOME (EXPENSES)		
Sales	(1,617)	(1,491)
General and administrative	(63,671)	(62,755)
Management compensation	(9,278)	(7,768)
Other operating income (expenses), net	(4,038)	4,168
OPERATING PROFIT (LOSS) BEFORE FINANCIAL (EXPENSES) INCOME	40,803	73,177
FINANCIAL RESULT		
Financial expenses	(19,364)	(12,895)
Financial income	16,116	15,003
Net exchange rate and monetary variation	(468)	(3,136)
OPERATING PROFIT (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	37,087	72,149
INCOME TAX AND SOCIAL CONTRIBUTION		
Current	(8,795)	(16,879)
Deferred	(6,923)	(10,956)
NET RESULT	21,369	44,314

Balance Sheet

(R\$ 000)

ASSETS	1Q17	4Q17	1Q18
CURRENT			
Cash and Cash Equivalent	122,336	198,015	242,991
Financial Investments	3,415	-	-
Restricted Cash	4,350	6,773	2,669
Accounts Receivables	90,853	174,193	133,544
Inventories	1,755	1,019	931
Recoverable Taxes	27,830	24,576	24,502
Advances to Suppliers	11,535	11,379	14,437
Anticipated Costs	65,491	37,372	35,195
Other Receivables	15,736	19,171	23,499
Total Current Assets	343,301	472,498	477,768
NON-CURRENT			
Deferred Income Tax and Social Contribution	70,353	59,527	59,705
Judicial Deposits	25,120	24,698	24,478
Related Parties	5,756	7,957	5,043
Total Long Term Assets	101,229	92,182	89,226
Fixed Assets (Property, Plant and Equipment)	30,312	15,697	15,176
Intangible:			
Goodwill on investments acquisition	113,609	113,008	112,861
Other intangibles	4,939	4,099	3,781
Total Non-Current Assets	250,089	224,986	221,044
TOTAL ASSETS	593,390	697,484	698,812
LIABILITIES AND SHAREHOLDERS' EQUITY	1Q17	4Q17	1Q18
CURRENT			
Suppliers	80,679	69,077	115,328
Borrowings, financing and debentures	16,826	17,376	16,740
Payroll, Provisions and Social Contributions	7,374	5,321	6,889
Taxes Payable	15,649	15,104	27,945
Advances from Clients	112,637	195,959	121,993
Sponsorships - Culture Incentive Law (Rouanet Act)	1,300	4,282	2,004
Dividends Payable	6,315	10,534	21,068
Other Payables	7,155	11,509	30,549
Total Current Liabilities	247,935	329,162	342,516
NON-CURRENT			
Borrowings, financing and debentures	16,717	8,333	-
Provision for Tax, Civil and Labor Contingencies	23,336	23,885	26,609
Deferred Income Tax and Social Contribution	421	203	198
Taxes Payable	6,196	5,752	5,550
Other Payables	5,891	3,364	3,282
Total Non-Current Liabilities	52,561	41,537	35,639
SHAREHOLDERS' EQUITY			
Capital Stock	243,022	243,022	243,022
Costs with Shares Issuance	(9,665)	(9,665)	(9,665)
Capital Reserve	3,924	4,853	5,305
Revaluation Reserve	975	935	912
Earnings Retention Reserve	43,049	70,510	64,012
Treasury Stocks	-	(263)	(1,007)
Comprehensive Results	9,599	14,131	13,906
Controlling Shareholders' Stake	290,904	323,523	316,485
Non-controlling Interests in Equity of Subsidiaries	1,990	3,262	4,172
Total Consolidated Shareholders' Equity	292,894	326,785	320,657
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	593,390	697,484	698,812

Cash Flow

(R\$ 000)

	1Q17	4Q17	1Q18
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period	5,807	18,950	4,855
Adjustments to reconcile profit for the period to net cash provided by (used in) generated by operating activities:			
Depreciation and amortization	2,616	1,771	1,502
Result on the merger of the subsidiary company Aurolights	-	(459)	-
Residual value of property, plant and equipment written-off	9	5,008	(308)
Deferred income tax and social contribution	1,824	1,494	(17)
Financial charges and exchange differences on balances with subsidiaries, financing, borrowings and taxes payable	1,572	232	(731)
Share-based payments	191	476	452
Recognition (reversal) of tax, civil and labor contingencies	151	394	2,939
Constitution (reversal) of allowance for doubtful accounts	75	509	(18)
(Increase) Decrease in operating assets and liabilities:			
Trade accounts receivables	(22,737)	(51,172)	40,466
Inventories	(411)	25	52
Financial Investment	-	-	-
Recoverable taxes	(3,777)	(820)	(739)
Advances to suppliers	2,962	25,805	(3,077)
Other receivables	(8,991)	(3,760)	(4,702)
Escrow deposits	(340)	(431)	212
Prepaid expenses	(40,058)	2,604	2,184
Trade payables	27,707	(4,495)	47,242
Taxes payable	4,847	1,800	12,925
Accrued payroll and related taxes	1,910	(1,899)	1,612
Advances from customers	16,146	28,373	(73,966)
Payments of tax, civil and labor lawsuits	-	(179)	(435)
Other payables	9,984	(43,322)	21,281
Payments of income tax and social contribution	-	-	-
Cash generated by (used in) operating activities	(513)	(19,096)	51,729
CASH FLOWS FROM INVESTING ACTIVITIES			
Financial Investments	10,899	-	-
Goodwill on acquisition of investments	-	139	-
Acquisition of property, plant and equipment and intangible assets	(630)	(485)	(412)
Net cash generated y (used in) investing activities	10,269	(346)	(412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Aquisition of own shares	-	(217)	(744)
Related parties	743	(4,172)	3,085
Payment of debentures - principal	(8,333)	-	(8,333)
Payment of debentures - interests	(3,193)	(86)	(1,140)
Net cash generated by (used in) financing activities	(10,783)	(4,476)	(7,132)
Exchange Variance on Cash and Cash Equivalents	216	3,891	791
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(811)	(20,027)	44,976
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period	123,147	218,042	198,015
Cash and cash equivalents at end of period	122,336	198,015	242,991
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(811)	(20,027)	44,976