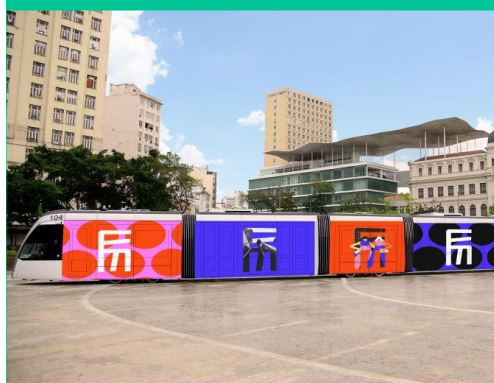


DEEP DIVE

ON ELETROMIDIA



May 2022

EQUITAS

SUMMARY

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1. Investment Summary

Company Description

Founded in 1993, Eletromidia (ELMD) is the leader in the Out-of-Home media (“OOH”) sector in Brazil, with 40% market share and near 65k screens spread out in the country.

The company has carried out an industry consolidation, supported by a private equity sponsor, and merged with Elemidia in 2020, forming the largest OOH platform in Brazil. ELMD successfully IPOed in 2021 and concluded strategic acquisitions and partnerships. It put the company in a privileged position, amid an extremely challenging scenario due to the COVID-19 outbreak, which led to a dramatic drop in revenues.

Currently, Eletromidia offers the most complete OOH solution in Brazil, serving the major advertisers and partnering with a wide array of real estate owners and content developers. Its OOH platform is widespread across 18 Brazilian states and impacts over 22 million people daily.

The company is led by the most experienced OOH professionals in the country and is substantially investing in technology and engaging in initiatives to promote the OOH media and spread their many benefits.

The technology evolution has the potential to reshape the OOH industry dynamics in the coming years, by providing to advertisers (i) data and metrics to support a better evaluation of a campaign performance; (ii) flexibility to advertise in a large inventory of available screens through a self-service and user-friendly online platform; and (iii) the possibility to thoroughly understand the impacted audience profile and to be more assertive in the development of a marketing campaign.

Why We Invest in Eletromidia

Eletromidia has multiplied its revenues by almost 3x since 2017, creating a scalable platform. It is positioned in a resilient sector, which has grown around 20% per year in the past decade (Digital Out-of-Home revenue CAGR in Brazil from 2010 to 2019).

Eletromidia combines a series of competitive advantages that place the company way ahead of its competitors in Brazil. Its platform enables advertisers to concentrate their OOH media purchases into a single supplier, rather than demanding them to manage dozens of OOH players nationwide.

The company has 72% of its inventory comprised by digital panels (versus global average below 40%) and the most experienced management team in the

industry, which contributed to an accelerated market share gain over the past years.

Moreover, its data-driven approach and pioneering technology in the sector are key capabilities that should allow Eletromidia to disrupt its sector and consolidate as the leader in the upcoming future.

We believe the digital transformation in the industry has the potential to drive the OOH share in the Brazilian media spending from 3% in 2021 to 7% in the next 10 years (implied 14% CAGR). The OOH should take space from traditional media channels and could be seen by major advertisers as a fundamental marketing tool in addition to the currently dominant digital media.

5 YEAR SUCCESS SCENARIO

Full integration and synergy extraction of Elemidia and Otima, the largest acquisitions carried out by Eletromidia in the past 2 years. The company continues its expansion plan in the street (Tembici Project, Otima and MOOHB acquisitions) and residential building verticals, innovating in the creation of new growth avenues and competing in relevant bids that should be announced in the next years.

Full launch of Eletromidia Ads and complete integration of its data layer into the sales process, reshaping the OOH sector logic and generating relevant campaign KPIs and metrics to advertisers. This would enable ELMD to not only impact an even higher audience, but also a more segmented and target public, consequently expanding its base of advertisers and business partners.

The company reaches a BRL 1.8 billion net revenue in 2026 (from BRL 0.4 billion in 2021), with a 24% per year organic CAGR and BRL 800 million EBITDA (from BRL 129 million in 2019 – a pre COVID level as a reference) in the same period (44% margin). In this scenario, Eletromidia should be worth around 4x its current market capitalization.

10 YEAR SUCCESS SCENARIO

Current conversations with clients about screen formats and locations shift to the selection of audience profile and analysis of reach, impact, and many other metrics generated by Eletromidia Ads.

The intense use of data and the development of metrics and KPIs to track the media performance lead advertisers to enhance the OOH share in the campaign media mix. The OOH media reaches 7% of media spending in Brazil, with ELMD surpassing 50% market share. In this scenario, ELMD should expand its platform and reach a higher monetization.

With its consolidated leadership in the sector and, supported by using data, the company continues innovating and creating additional growth avenues, such as the offering of Eletromidia Ads to small and micro merchants and the business internationalization.

We expect that Eletromidia could be worth near 8.0x its current valuation in 10 years.

What Could Go Wrong

In our view, the main risk for the company going forward is a slower-than-expected evolution in the data adoption, led by possible challenging shifts in the industry logic and sales model that should be incorporated by the company's commercial team.

Eletromidia has been engaged in educating the market (advertisers, marketing agencies and other media companies) on (i) the benefits of combining different media channels; and (ii) the OOH contribution to the result of a marketing campaign. This process has been highly leveraged by the development of data and metrics for the industry, led by Eletromidia's technology initiatives.

Nevertheless, the industry reshape is already taking place and we deem it as an irreversible process, which will position the OOH segment closer to the digital media soon.

How Eletromidia Fits in Our Portfolio

Eletromidia adds an exposure to the growth and size factors. As ELMD is the only advertising company with publicly traded stocks in Brazil, we do not invest in any comparable player. However, we consider the retail, tourism and aviation sectors influenced by similar factors to the advertising industry, such as the consumption growth and population flow / urban mobility.

- 1 **Can Revenues double in the next 5 years?** Yes, ELMD could multiply its revenues by almost 3.0x from 2022e to 2027e, based primarily on the (i) organic growth; and (ii) full integration of its recent acquisitions.
- 2 **10 Years and beyond?** Revenues could grow by more than 4.0 times from 2022e to 2030e, based primarily on the (i) organic growth; (ii) full integration of its recent acquisitions; (iii) OOH market expansion; and (iv) monetization of its impacted audience rather than a per-screen billing.
- 3 **What are ELMD competitive advantages?** ELMD is the largest OOH platform in Brazil, offering a one-stop-shop solution with 72% of its screens in a digital format. It has the most experienced management team in the industry and a technology-driven approach.
- 4 **Does it have a unique culture?** Yes, its management team has been working together for over 10 years, with a long-term view for the OOH sector, aiming to reshape the way advertisers interact with the media.
- 5 **Do clients like it? Does ELMD contribute to the Society?** Our interviews with clients and information shared by ELMD bring evidence of great customer experience. Some of which is: (i) positive feedbacks from clients; (ii) high client recurrence; (iii) low churn rate; and (iv) constant increases in OOH spending by ELMD's major clients.
- 6 **Are returns attractive?** ELMD was highly affected by the effects of COVID-19 outbreak, whose main effects were felt until 3Q21 results. Its normalized ROIC ranges near 20%, a level we expect to be reached by 2022.
- 7 **Are returns expected to increase?** We expect ELMD's ROIC to run above 30% in the coming years.
- 8 **How is capital allocation?** The company has been allocating capital in accretive projects in the past years, aiming (i) the enhancement of its data capabilities; and (ii) the expansion of its footprint in strategic business verticals.
- 9 **Can we multiply our investment by 5x in the next 10 years?** Yes, we estimate Eletromidia could be worth 8.0x more in 10 years.
- 10 **What does the market not understand?** Stock performance struggled in the past years due to significant COVID-19 impact on ELMD's operating dynamics, which significantly impacted its revenues and profitability. However, the company's size and the stock's lack of liquidity precludes many investors from considering investing in ELMD, especially in the uncertain macroeconomic scenarios we have weathered since its IPO.

Nevertheless, in our view the market has yet to fully assess the magnitude of the opportunity and the impact ELMD may cause in the OOH industry by evolving in its technology initiatives.

2. Industry Overview




The OOH industry is part of the sizable advertising industry, which accounted for a BRL 712 billion spending worldwide in 2021. The OOH media comprise important brand awareness tools, and despite a very diverse adoption across regions, the sector is highly resilient compared to many of its media channel competitors. The upcoming OOH growth should be driven by the promising digital OOH media, which have been substituting analog formats in the past years.

2.1. Introduction

The advertising industry is sizable and has been growing at a stable pace, being extremely important to the economy. However, a mix shift towards digital media has been on its way, with internet tools continuously gaining market share from more traditional channels, such as television, the radio, and the newspapers. The Out-of-home sector has been resilient, showing many synergies with other media channels and is pulled by the digital OOH segment.

The advertising industry, which is dynamic across regions, is very diverse in terms of market players and media channels, being impacted by virtually all sectors in the economy. Companies in a wide spectrum of size engage in marketing strategies and advertising campaigns aiming to influence their target audience and to promote their products and services. Investments in advertising campaigns encompass a creative process involving advertising agencies and the use of a wide array of media tools based on (i) the purpose of the campaign (to boost sales, to promote a newly launched product, to attract more traffic to a new store, etc.); (ii) the target audience; (iii) the desired result; (iv) frequency of impact; (v) budget size (vi) campaign schedule and so on. A second stage of the process, which is as important or even more so is to measure the effectiveness of the campaign and to determine the return on investment ("ROI") achieved after the strategy implementation.

Main Industry Stakeholders

Advertisers	Advertising Agencies	Technology Platforms	Media Companies
<p>Normally large companies that engage in advertising campaigns to promote products and services across virtually all industries, especially those with a B2C approach.</p>	<p>Important players in the chain, hired by the advertisers. Those players typically occupy an important role in the strategy development, building of contents, media planning, and coordination of all involved suppliers.</p>	<p>One example, whose use has been increasing in the context of programmatic advertising, is the supply-side platform (SSP). It is used to coordinate and manage the supply and distribution of ad inventories, helping digital media owners and publishers to sell ad space</p>	<p>Many different media companies are engaged in large advertising campaigns, encompassing internet ad companies, Out-of-Home media, television, magazines, radio, etc.</p>
			

Source: Equitas Investimentos

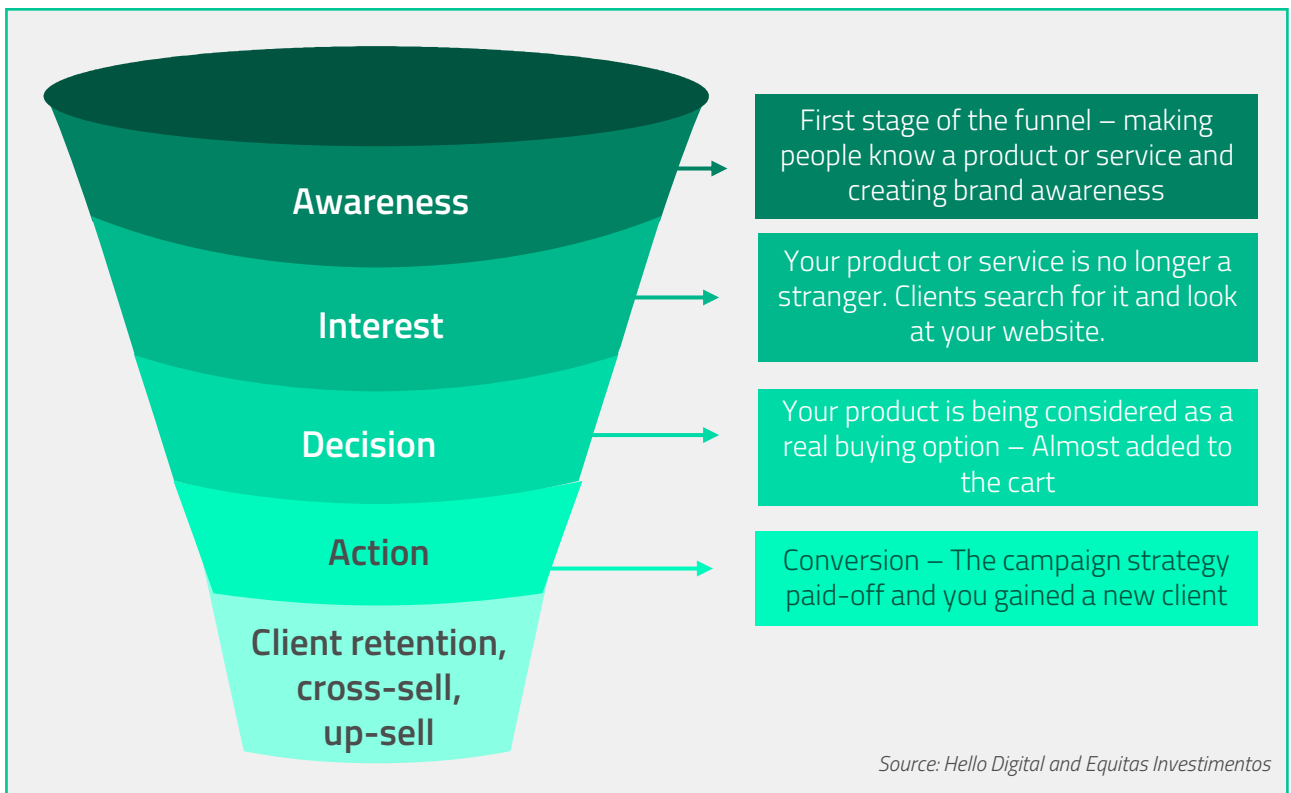
By the end of each year, advertisers spend important time planning their main marketing campaigns to be rolled out in the coming year, in connection with new product launching and the general business strategy. The planning yields an advertising budget that will be applied during the next year, broken-down by specific media sources and geographies. Despite being planned for a 1-year period, each campaign is deployed throughout the year and the media providers are hired some weeks or a few months before the effective campaign begins. This description refers to a general purchase cycle, with variations across industries and regions.

Advertising agencies have an important role in developing and coordinating each campaign, alongside the advertiser's marketing team, being compensated by the advertiser through a variable fee based on the total invested capital of each campaign. However, large media companies generally have direct contact and relationship with the advertiser's marketing team, participating in all discussions related to the campaign development.

An advertising campaign goes well beyond the development of the advertisement itself, comprising a series of stages and key definitions before media are chosen. An important part of the planning stage, despite appearing simplistic, is the set of the campaign goal, which determines the selection of proper capital allocation across different media types, coupled with the target audience segmentation, desired moment to impact the audience and geographic focus. A distinction among possible campaign objectives based on the concept of the sales funnel is used to illustrate our example.

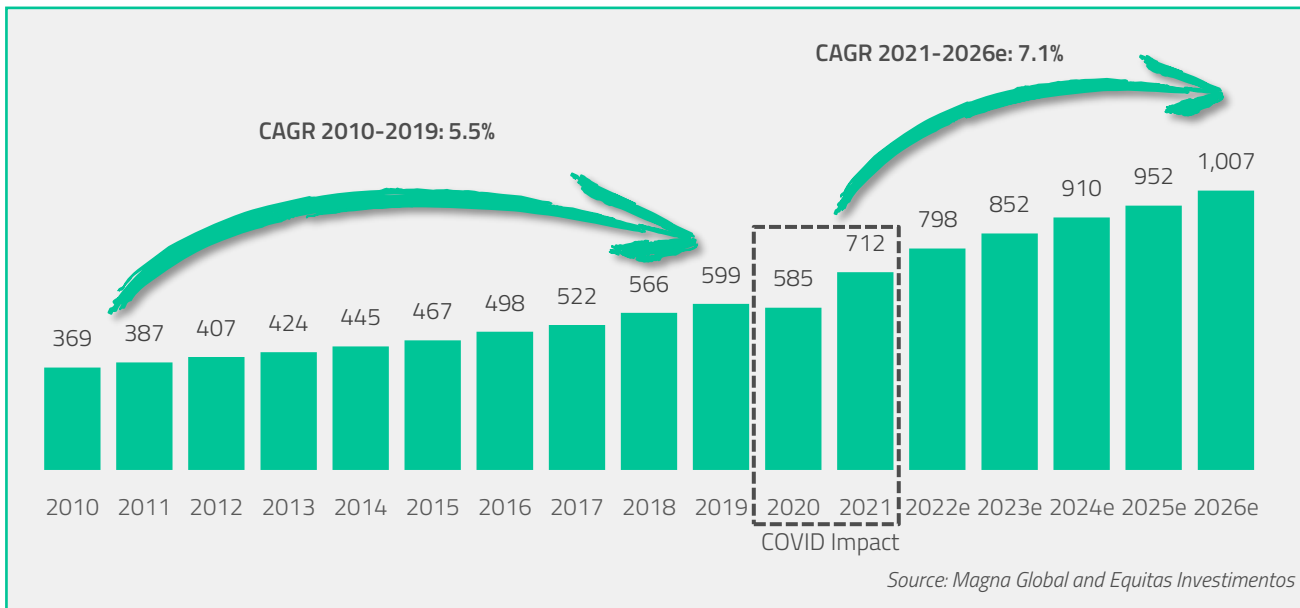
Based on a specific goal, the advertiser may direct more resources into specific media channels, should digital media in case sales conversion be the focus, or out-of-home media when brand awareness enhancement is the main goal. However, the different medial channels are not meant to be used alone, since there are many advantages of combining a series of them to achieve better results and optimize the campaign output.

Sales Funnel – Different goals for marketing strategies



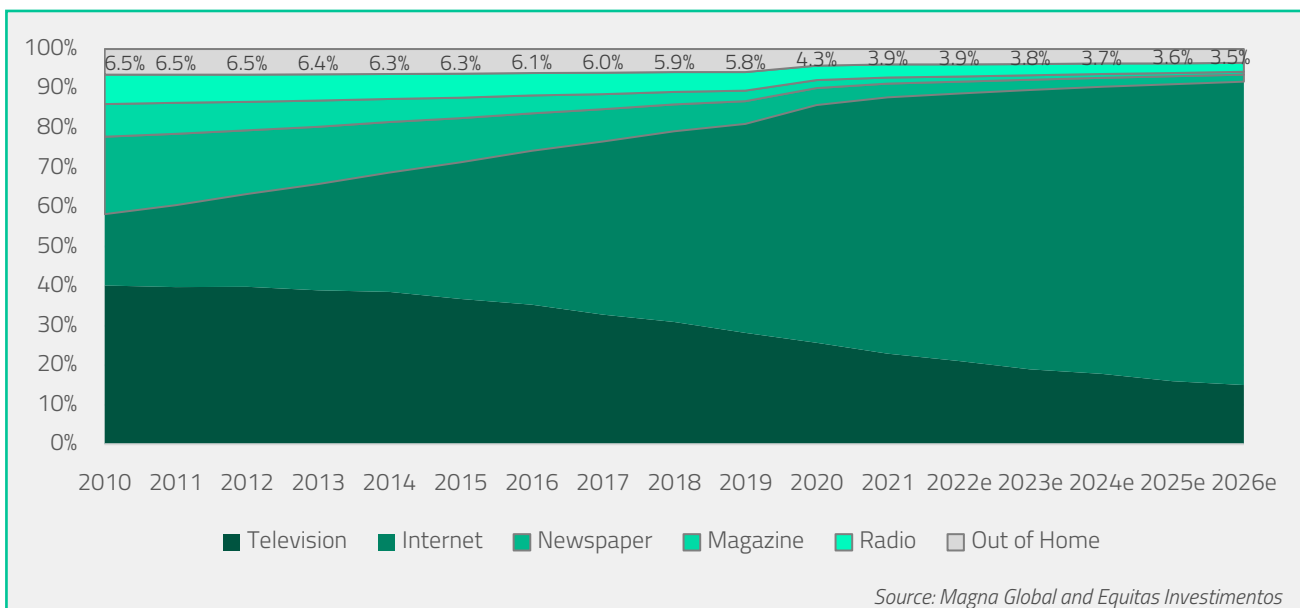
The global advertising industry has posted a USD 712 Billion revenue in 2021, recovering from a downfall during the pandemic, when many companies dramatically reduced their advertisement spendings across all media channels amidst extreme uncertainties. The sector has been growing steadily in the past decade at a 5.5% per year from 2010 to 2019. From 2021 to 2026, the sector is expected to grow at a faster pace, driven mainly by internet / digital media, as it will be detailed further.

Global Advertising Spending – In Billion USD



Allocation across different types of media and evolution over the years provide a myriad of insights on how the sector has been changing, with internet ("digital") media gaining much relevance worldwide, due primarily to: (i) its high reach (and possibility to impact a targeted audience); and (ii) availability of metrics to accurately measure the return of all campaigns. Digital media include search internet advertising, in-stream video advertising and mobile internet advertising, which have been massively taking market share mainly from television, the newspaper, and the radio.

Global Advertising Spending Breakdown by Media

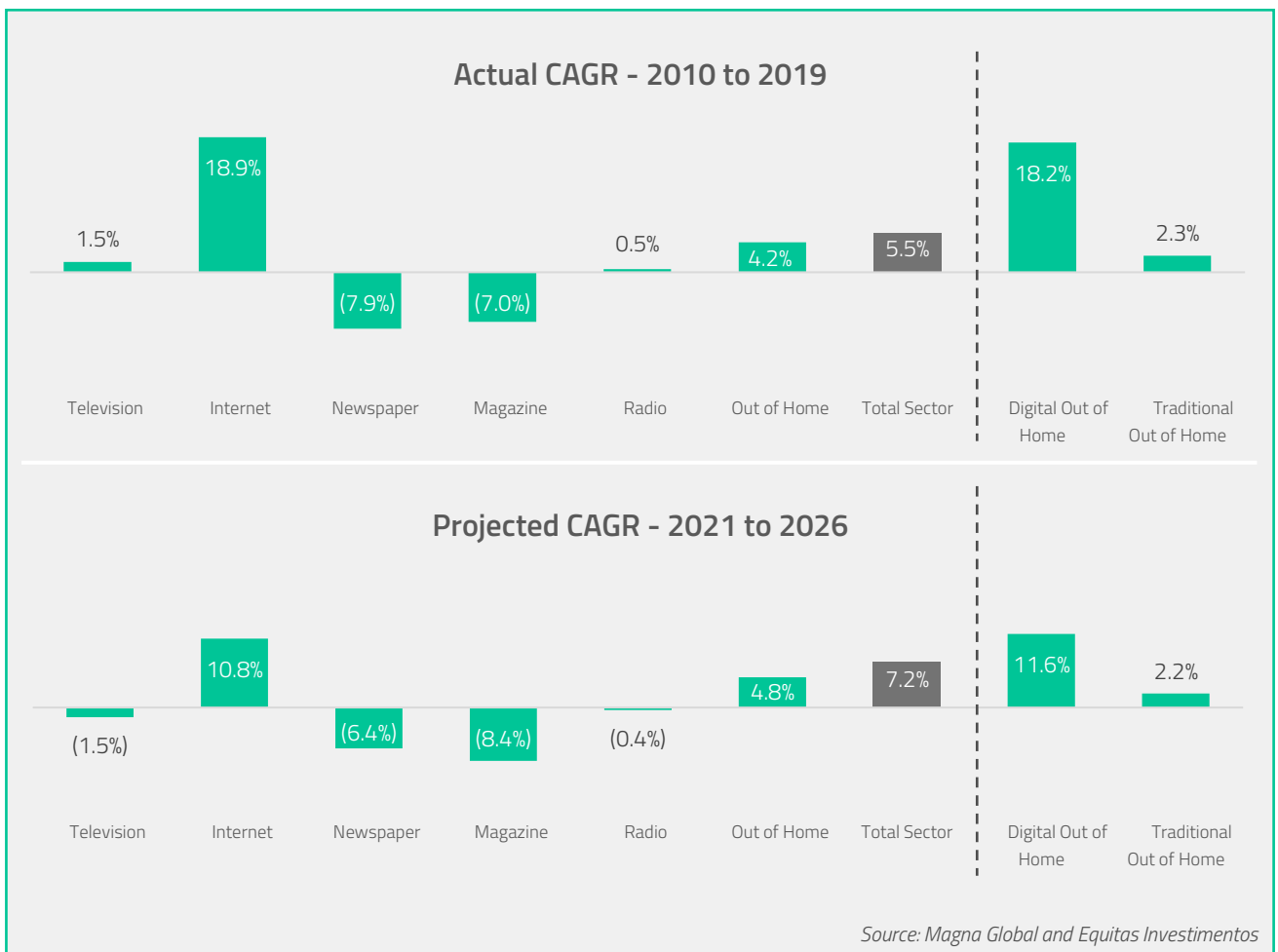


As we can see above, digital media have been gaining ground in the past years and is expected to continue the same trend going forward. The Out-of-home (“OOH”) segment has been extremely resilient in the past decade due to many reasons that will be detailed further. However, it was the most affected segment by the COVID-19 pandemic, with lockdowns significantly reducing the flow of people in public locations, leading to a dramatic drop on investments by advertisers. As we may observe above, OOH penetration shrank both in 2020 and 2021, reaching 3.9%, and Magna Global (a global media intelligence company) has conservatively forecasted this lower standard going forward. In our understanding, the OOH media may recover its share on advertising mix to pre-COVID levels as of 2022-2023, with slight reductions in the next 5 years, but remaining as the most resilient media in the future. We have already noticed this trend by the 4Q results posted by Eletromidia and other OOH players.

Digital media growth has been quite accelerated, based on powerful reports and KPIs and its effectiveness on client conversion. However, many studies that will be presented in the next sections show that a combination of media channels can optimize an advertiser conversion rate and its total investments in a campaign. Despite its great impact, digital media is indeed expensive, and we envision a saturation on its future growth rate, with advertisers pursuing more cost-effective campaigns and a media mix that delivers the best return on investment.

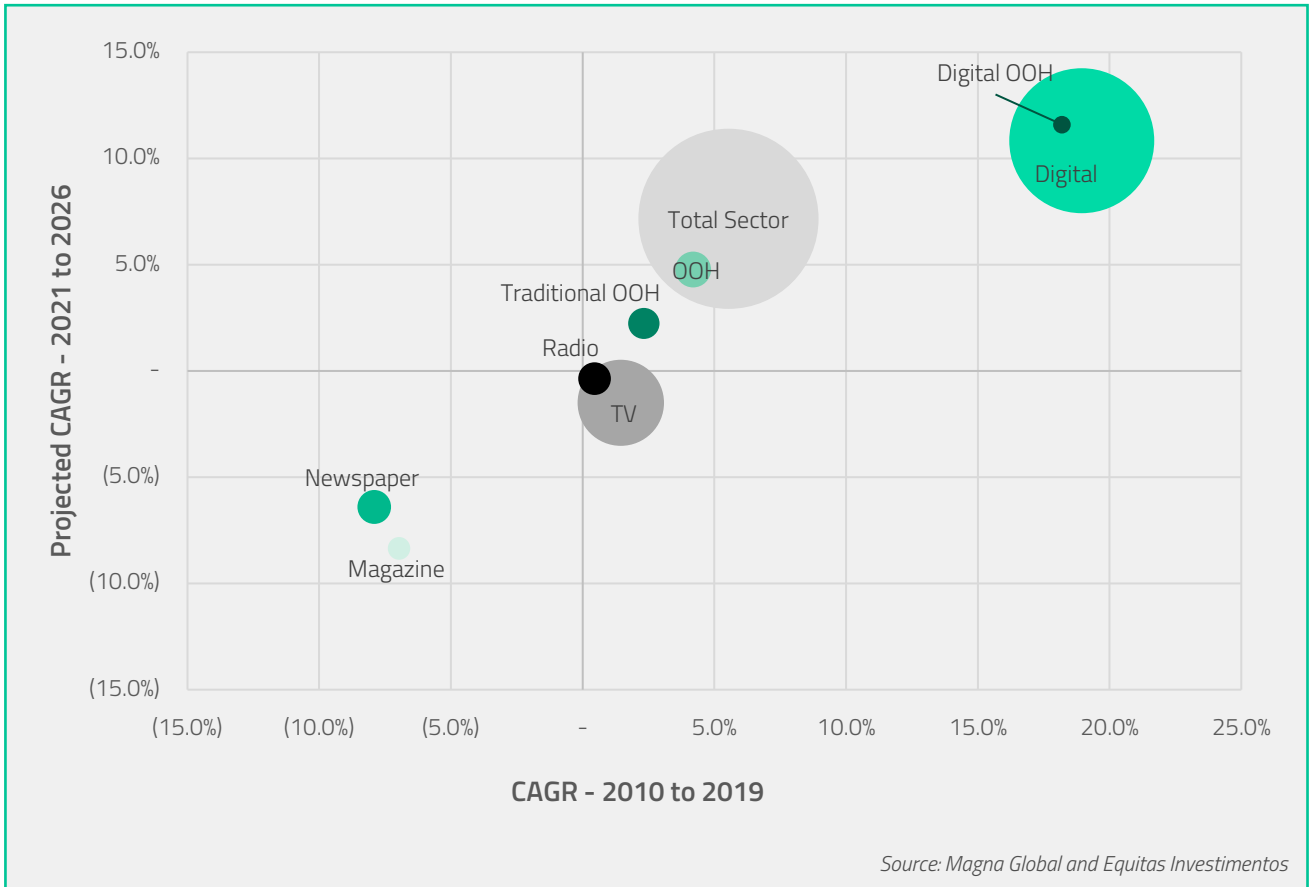
The OOH media can be divided into: (i) Traditional OOH, including physical static formats such as billboards, street furniture, transit displays, sports arena displays and captive advertisement networks (e.g., elevators); and (ii) Digital OOH, which includes any out-of-home advertising media that is Internet-connected (e.g., smart billboards). As we can see below, on the right side of the graph, the Digital OOH spending has behaved in similar fashion to digital media and is expected to continue driving the OOH media growth going forward.

Global Advertising Spending Growth by Media



To visually illustrate it, we plotted the historic and forecasted growth figures for each medium in the following image. As we can see, digital OOH spending behaves quite similarly to the digital media, driving the OOH sector and offsetting the more stable performance of traditional OOH.

Global Advertising Spending Growth by Media

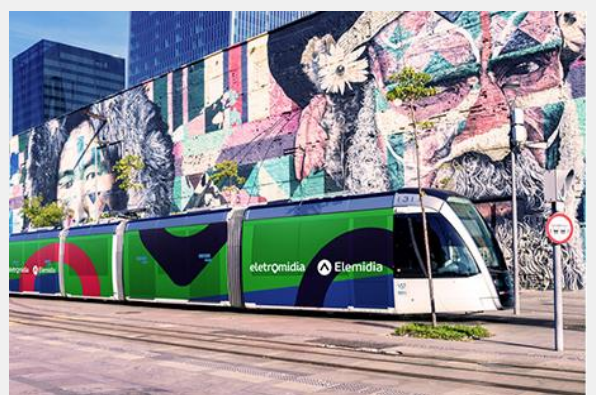


2.2. Out-of-Home (OOH) Media

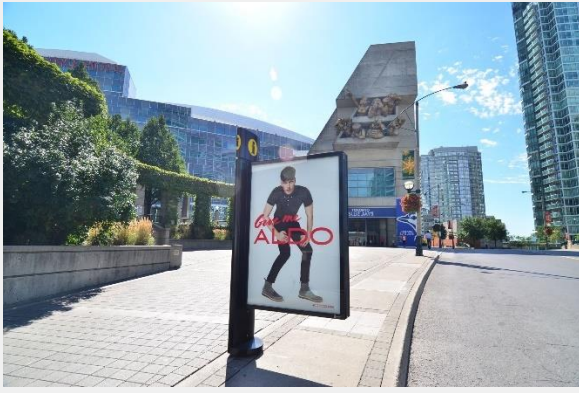
Despite being the most antique media format, OOH is innovative and brings a large number of benefits to the advertising industry. Its penetration and growth prospects are very distinct across countries due to several reasons, especially, the presence of consolidators that contribute to the market development. Digital Out-of-home has been the industry growth driver and the focus of the leading players in the industry.

Out-of-home advertising is the oldest medium worldwide and is strategically used by major advertisers from a wide range of industries, in the form of digital and static panels. Also, a diverse range of formats and locations can be adopted, such as road billboards, street furniture, shopping malls, airports, means of transportation and commercial and residential elevators. Even after the advent of digital media and its great success over the past years, OOH media has remained resilient and ended up showing many synergies when combined with digital and other types of media.

SELECTED EXAMPLES OF OOH PANELS



SELECTED EXAMPLES OF OOH PANELS



Source: Public images and Equitas Investimentos

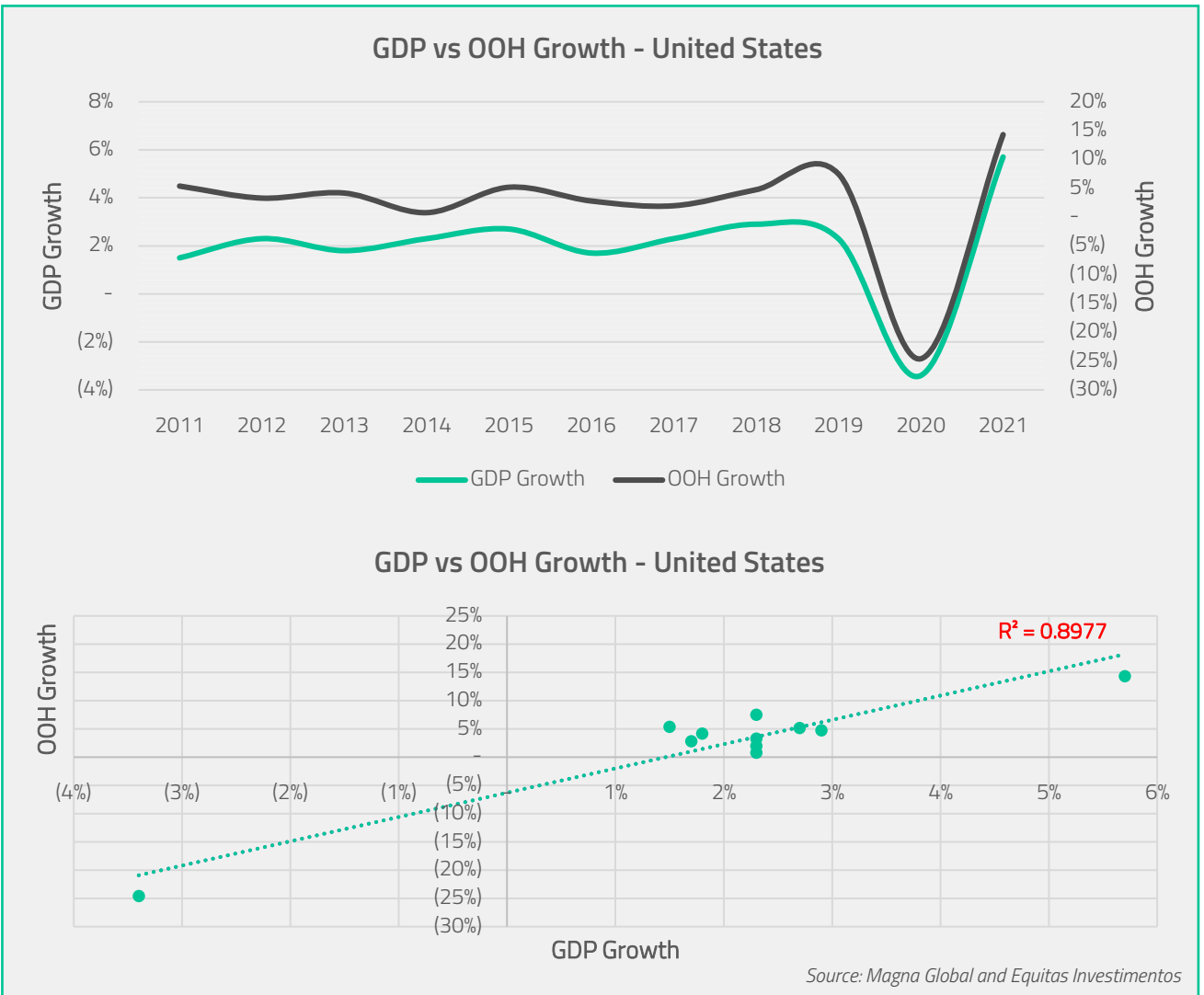
OOH media present a number of advantages and benefits that reinforce the importance of their use in advertising campaigns, as outlined below.

- **High Reach:** OOH advertising can reach the targeted audience in all moments of the day, in places and moments in which other media are not necessarily in use by the audience, such as during commute time, when walking in the street, taking the elevator or driving. A complete and diversified network of OOH panels can impact someone in all moments of the day until the way back home. Additionally, unlike most advertisements, OOH ads cannot be skipped, blocked, viewed by bots, or deleted.
- **Highly Targeted:** OOH advertisements can be strategically placed in locations to precisely impact the audience the advertiser is seeking to influence. Also, the specific type of panel and time during the day the advertisement is aired may maximize the desired impact.
- **Well Perceived:** OOH advertisements are well perceived, especially among younger generations, a conclusion of a consumer survey conducted by the Out of Home Advertising Association and The Harris Poll, in which 67% of Gen Z and Millennials recalled seeing OOH advertising on social media and 91% of Gen Z and 82% of Millennials said they would reshare OOH ads on social media.
- **Creative Impact:** OOH allows marketing teams and advertisers to be creative, having the opportunity to make loud, interactive, and eye-catching advertising, using the billboard, or panel, as big canvasses for brand innovation.

- **OOH Drives Online Engagement:** OOH advertisements have the power to amplify the effect of other media, especially digital. Studies from ARF (The Advertising Research Foundation) and Omnicom Media Group concluded that increasing the allocation of OOH to a multi-channel media program increases the return on investment of the whole campaign.
- **OOH Generates Consumer Reaction:** According to a study conducted by Nielsen, after viewing an OOH advertisement: (i) 21% of the interviewees visited a restaurant advertised; (ii) 16% immediately visited the business advertiser with directional advertisement; (iii) 20% watched a movie at the theater; (iv) 19% tuned into a TV show; (v) 26% talked about the advertisement or product with others; (vi) 23% interacted with the advertisement via NFC or QR codes; and (vii) 35% looked for more information about the advertisers through their mobile search resources.

Despite the many outlined benefits, OOH media is highly subject to a country's economic performance, with planned budget to the media being severely affected in periods of economic slowdown, since large advertisers are more cautious and tend to reduce investments for the next year. As we can see below, we have identified high positive correlation between OOH spending growth and GDP growth in the United States over the past 10 years (0.89 coefficient of determination). When we run the same exercise to digital media, despite a noticeable positive correlation, the regression coefficient of determination falls to 0.44, showing this channel suffers less during economic downturns.

Comparison between OOH and GDP Growth in the United States

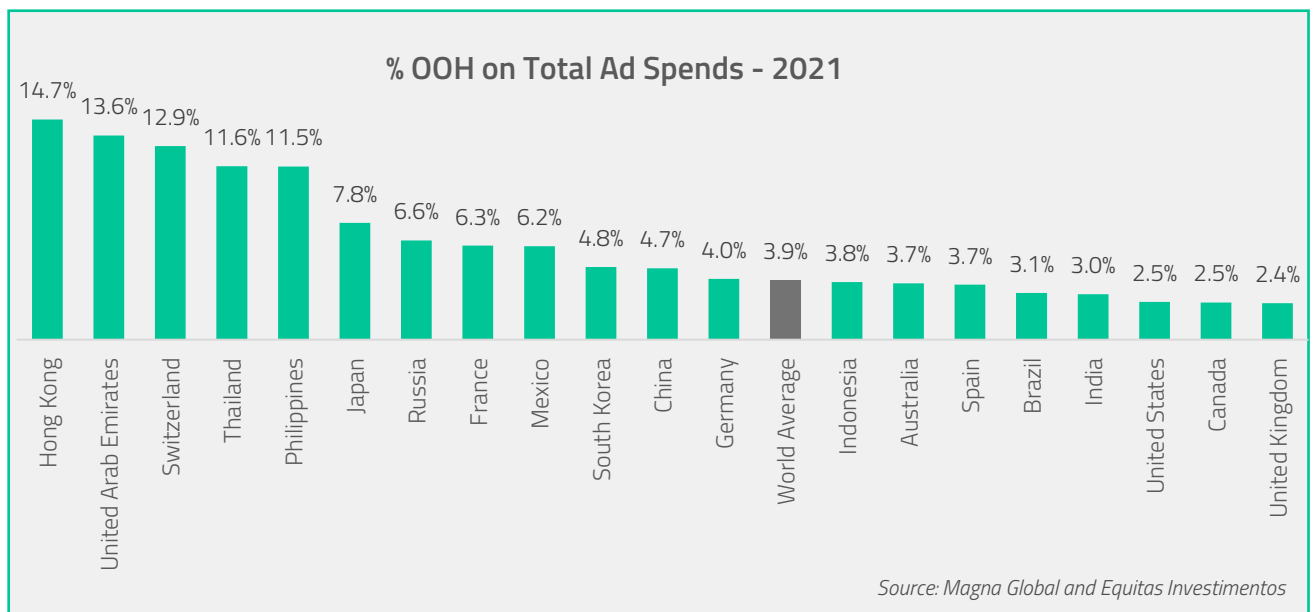


As per our analysis, OOH higher volatility can be justified by its low available data to measure campaign return and impacted audience as compared to digital media, very rich in the generation of countless KPIs and metrics during and after a campaign deployment. The use of data and technology in the OOH industry will be reviewed in the next sections.

Another interesting characteristic that brings more complexity to the OOH sector is the different media penetration in the advertising spending across the main markets, as shown in the graph below. The heterogeneous penetration level is explained by various specific nuances in each country, but we could observe that part of the development in the industry is put down to the presence of a strong consolidator, which typically fosters the segment and strongly invests in its local development. In Switzerland's case, besides its high average income per capita (which means it is a favorable location to invest in advertisements), the presence of JCDecaux ("JCD"), one of the largest operators in the world, through an indirect investment in the region, has contributed to the OOH growth in the past years. JCD is a French publicly listed company, which influences the above-average OOH penetration in France as well.

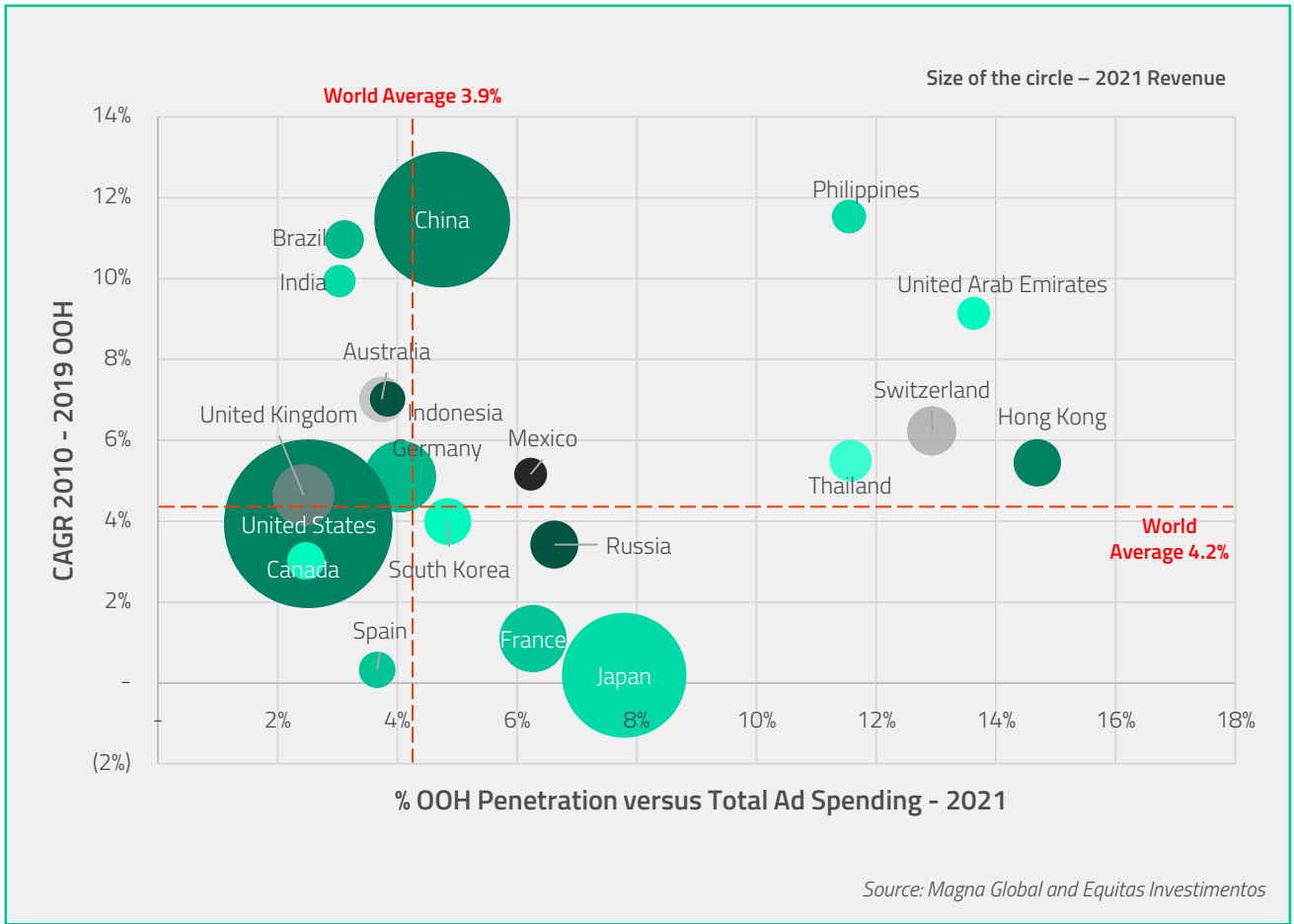
Besides the presence of large consolidators, overall, higher city verticalization, average income and urbanization degree are great inductors to the OOH market in a country. In the United States, despite having the largest OOH market in the world (USD 7.1 billion spending in 2021), we observe a below-average OOH penetration, with investments more concentrated in digital media. We attribute the lower OOH penetration in the US to its characteristic of large cities with low population density, favoring other types of media. Nevertheless, the largest global OOH operators have massive presence in the US market.

% OOH on Total Advertising Spends - 2021



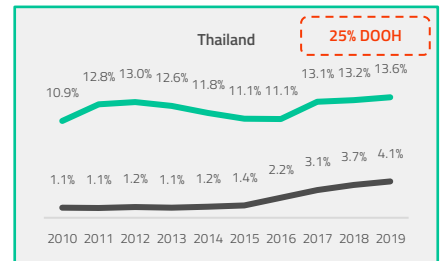
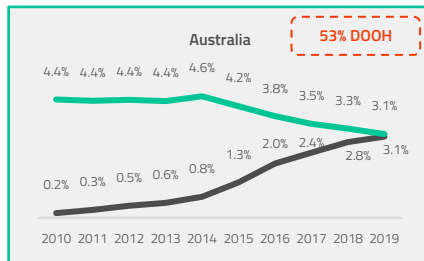
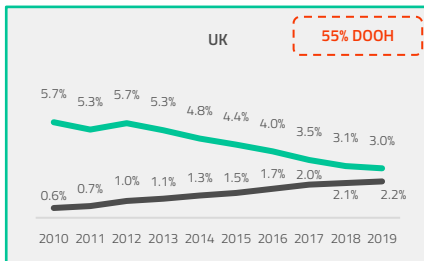
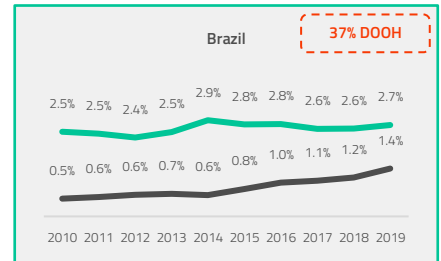
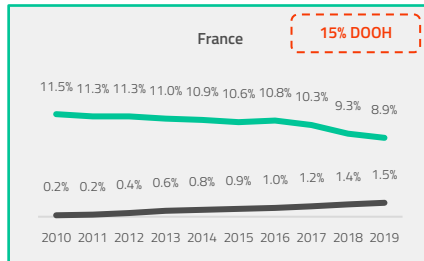
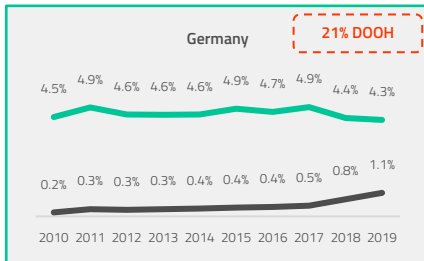
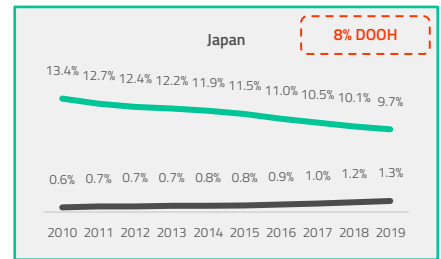
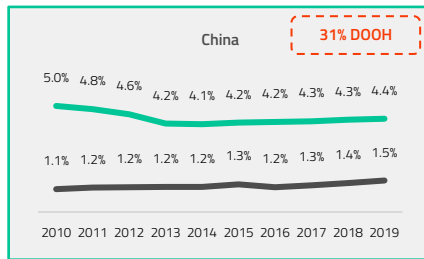
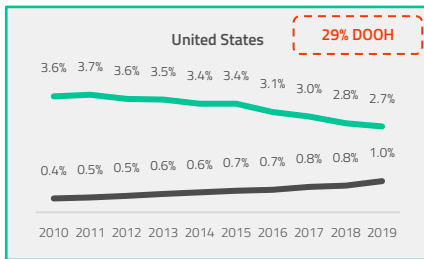
To obtain a better look on the main OOH markets, we plotted the penetration of OOH in 2021 versus the industry CAGR from 2010 to 2019. As we can see, despite Brazil's below-average OOH penetration, the country has been growing at an accelerated pace, just below the Philippines and China, which may contribute to a mix change over the next years.

OOH Penetration and 10-Year CAGR in the Main Economies



Looking from a distinct angle, we also observe a significant heterogeneity regarding the penetration of Digital OOH versus the total OOH industry, as shown in the graphs below. Digital penetration degree is highly dependent on the main OOH player's strategy in each region. As an example, Brazil has a 37% digital penetration, much higher than the global average, due to the position of its main OOH operator, Eletromidia, which has been constantly investing in its digitization over the past years and currently has 72% of its panels already digitized. Nevertheless, the trend of DOOH gaining share versus traditional OOH, in relation to total advertisement spendings, is noticed in all major economies over the past decade.

OOH Penetration and 10-Year CAGR in the Main Economies



Source: Magna Global and Equitas Investimentos

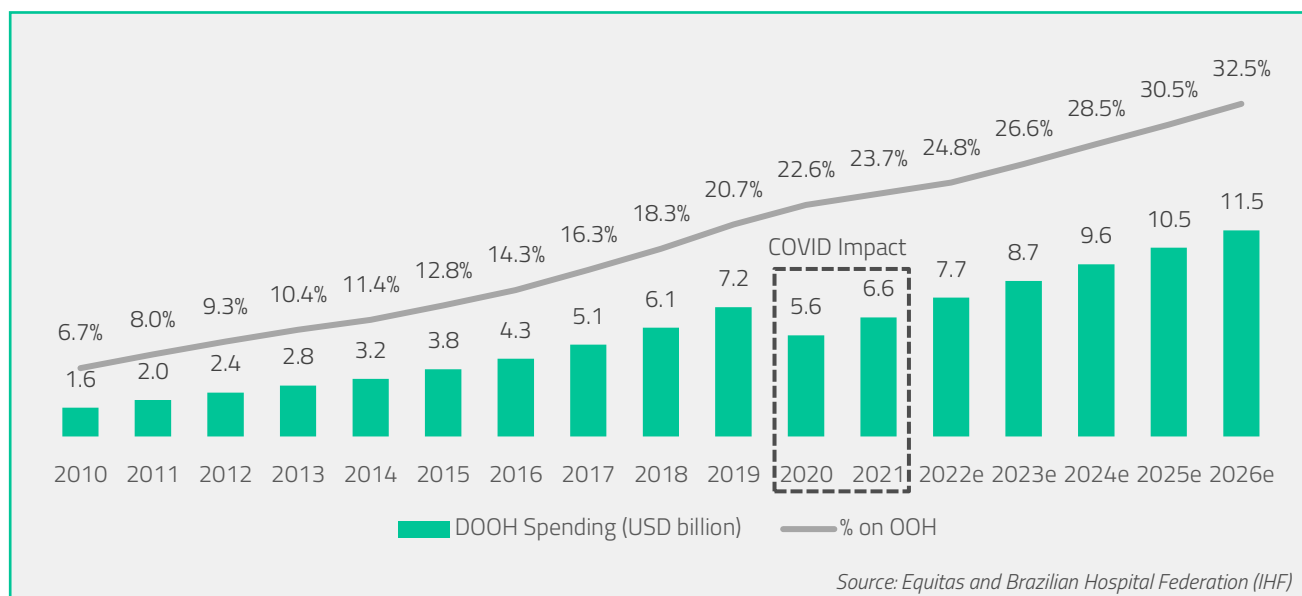
- % of Traditional (Analog) OOH on Total Ad Spending
- % of Digital OOH on Total Ad Spending
- DOOH penetration on OOH Spending in 2021

2.3. Digital Out-of-Home Media and Programmatic Media

The Digital Out-of-Home segment is a game changer to the industry, bringing scale gains, better economics, more flexibility, and the possibility to boost the OOH perspectives going forward. It represented 23.7% of global OOH spending in 2021 and is expected to reach 32.5% in 2026, growing at a 11.6% CAGR in the period.

The Digital OOH ("DOOH") is the combination of the traditional OOH media with the use of technology, which has been widely adopted due to its many additional benefits to the advertisers and to the OOH operators. It already accounts for around 24% of the OOH sector, but projections indicate an increasing gain of share over the next 5 years, with DOOH growing at an 11.6% CAGR from 2021 to 2026 while the traditional OOH media is expected to grow at a 2.2% annual rate in the same period.

Global DOOH Spending and % on OOH Industry

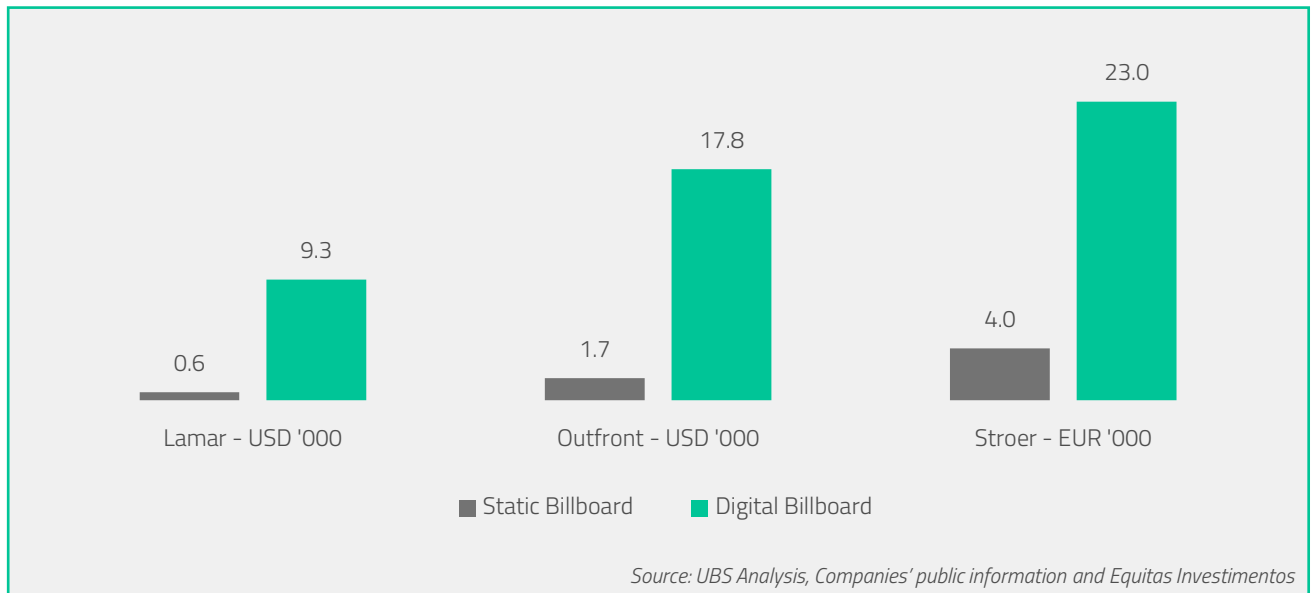


The advent of DOOH has changed the OOH media standard, increasing its value proposition even more, by enabling advertisers to publish dynamic ads in digital screens and activate specific messages to the right target in the desired location. Every individual screen can be remotely activated, has a lower need of in-person maintenance and, if the properly tools are adopted, can measure the impact of the advertising in the audience.

As a result, by adopting DOOH the advertisers can better segment its audience and reach a larger target public, have a greater impact on its audience, refine campaign strategies and measure results. This is key to the continuing development of OOH across industries.

From the OOH operator perspective, other than the scale benefits provided by the technology use and the development of the industry itself, Digital OOH provides better unit economics. Since an optimized allocation of multiple ads can be aired in an individual screen, the company's average revenue per screen significantly increases, with an average payback of 2 to 3 years for its invested capital.

Average Revenue per Screen – 2018 A benchmark from international players



With printed media, the marketing agencies, on behalf of the advertisers, must contact many OOH providers and negotiate the financial conditions and operating details of each campaign, with ads being individually distributed across the screen network.

Besides easy deployment of ads throughout the DOOH's network, OOH providers can connect their digital screen inventory to Programmatic Advertising Platforms, such as Google, Magnite and Yahoo, selling advertisement spaces online and real-time to global companies, the same way digital media commercialization occurs. This possibility is in its early adoption by most OOH providers, but may bring even more efficiency gains, by granting access to more clients and increasing the average revenue per screen, with a high number of ads per hour.

Below we present some remarkable cases on DOOH uses across the world, to illustrate the many possibilities that have already been explored by major advertisers in partnership with OOH operators.



E-bay Weather-driven Campaign

It created a weather-driven advertising campaign featuring messages and images selected based on the specific day weather. In sunny days, ads for gardening and beach products were exposed, while in rainy or cloudy days, rain gear or indoor DIY (Do it yourself) products were displayed.



National Geographic - #SaveTogether Campaign

National Geographic created a user-generated content campaign, in which people could take selfies with an image of an endangered animal and post it on Twitter and Instagram. The National Geographic team selected several images to be displayed on a Billboard at Time Square.



GMC's Personalized Interactive Content with Facial Recognition

With cameras installed in the screen and AI machine learning for facial recognition, GMC developed an interactive advertisement that changed based on the audience reaction to 30 possible video displays.



The Economist

To increase its subscribers database and enhance its brand awareness, The Economist started a programmatic advertising campaign in 2014 that has been quite successful. Based on its data lake, the company selected the type of content that attracted each kind of audience and created audience segments for different content areas. Based on this data, the company aired personalized ads for different locations and in specific times of the day, leading it to obtain 650k new prospective clients in the period, which were converted into new 9,5k subscribers with a USD 15mm LTV.

Source: WebFX Digital Marketing, The Neuron Intelligent Connections and Equitas Investimentos

2.4. OOH Power - Impact on ROI Campaigns

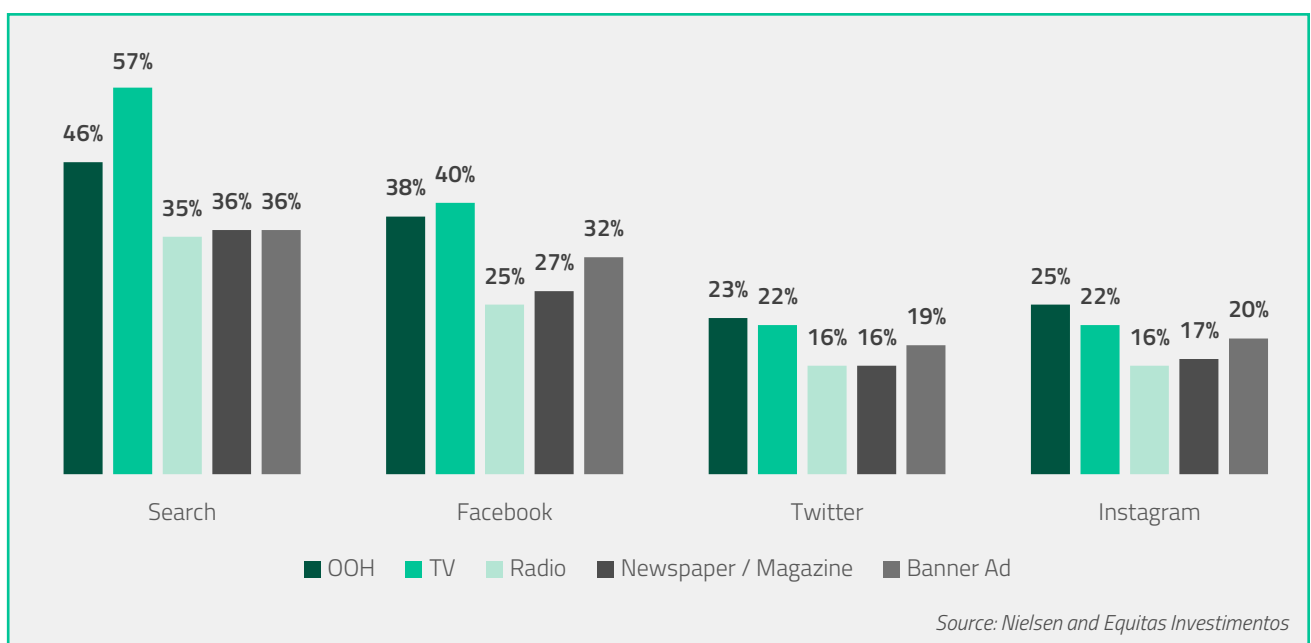
Many studies illustrate the positive impact caused by the addition of OOH in the media mix of a campaign, contributing to a higher online activation, at a low cost and optimizing the ROI of a marketing campaign. OOH has been increasingly adopted by major companies, especially digitally native players, albeit a lack of consensus among advertisers. Yet, despite already being addressed by industry leaders, the lack of metrics and KPIs is still a headwind for the sector to take off, preventing major traditional advertisers to increase OOH spending worldwide.

Since we have started studying the OOH market, we have obtained massive qualitative and quantitative evidence that this media is quite synergetic with other channels, especially with digital advertising. However, data exploration, return measurement and KPIs are not very widespread terms in the industry yet, due to its historic reliance on offline, static panels, and to the challenge in measuring impacted audience even in digital screens.

The development of sources to better explore data in the OOH market is a key topic and there is an enormous opportunity to use it to leverage the sector by allowing every advertiser to easily evaluate the impact of OOH media in all its marketing campaigns (many of the advertisers we interviewed state that they would invest more in OOH if there were more available data).

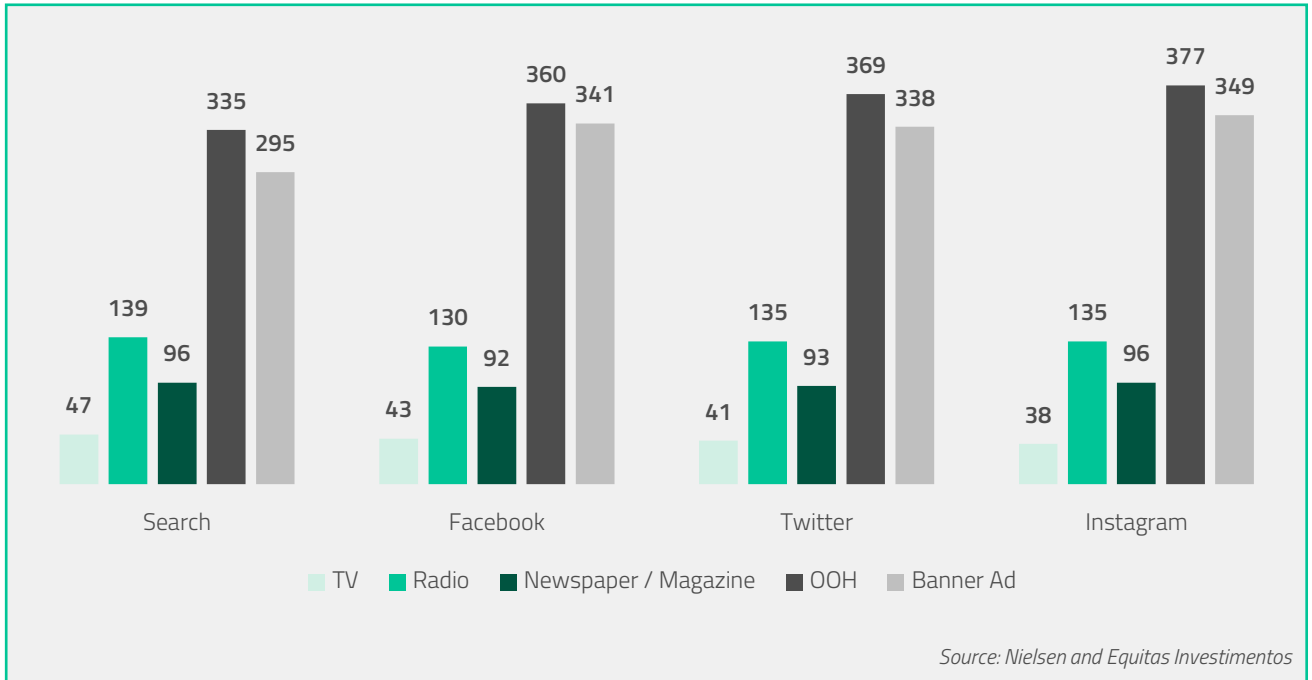
A study released by Nielsen in 2017 shows that OOH and television are the media channels that present better online activation, translating in a higher % of people that search for a product or advertiser after being impacted by an advertisement in those media channels. In this metric, television media presents the best performance in search engines and Facebook activation.

% of Online Activation by Media Channel that Aired the Advertisement



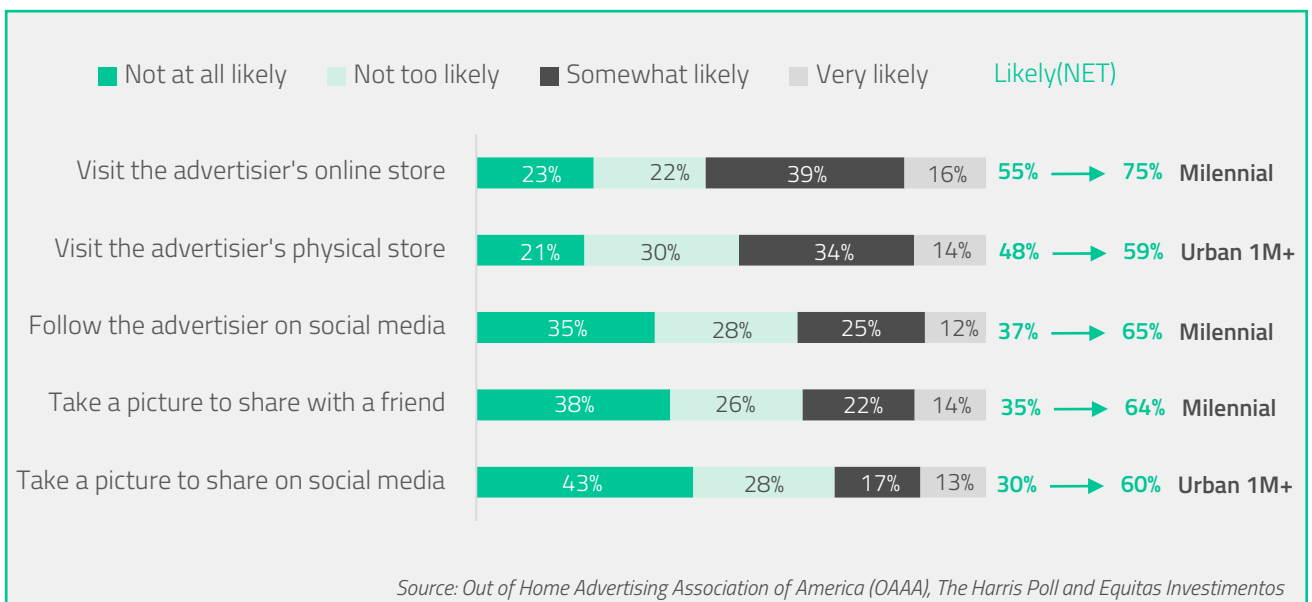
However, after weighting the % of online activation by the respective media spending, Nielsen created an index depicted in the graph below, concluding that OOH over-performs other media channels, generating considerably more online activity per dollar spent. A poll conducted in the United States by the Out of Home Advertising Association of America (OAAA) and The Harris Poll reinforces the online activation power of OOH media, as we can see in the image below.

Index of Online Activations Weighted by Media Spend



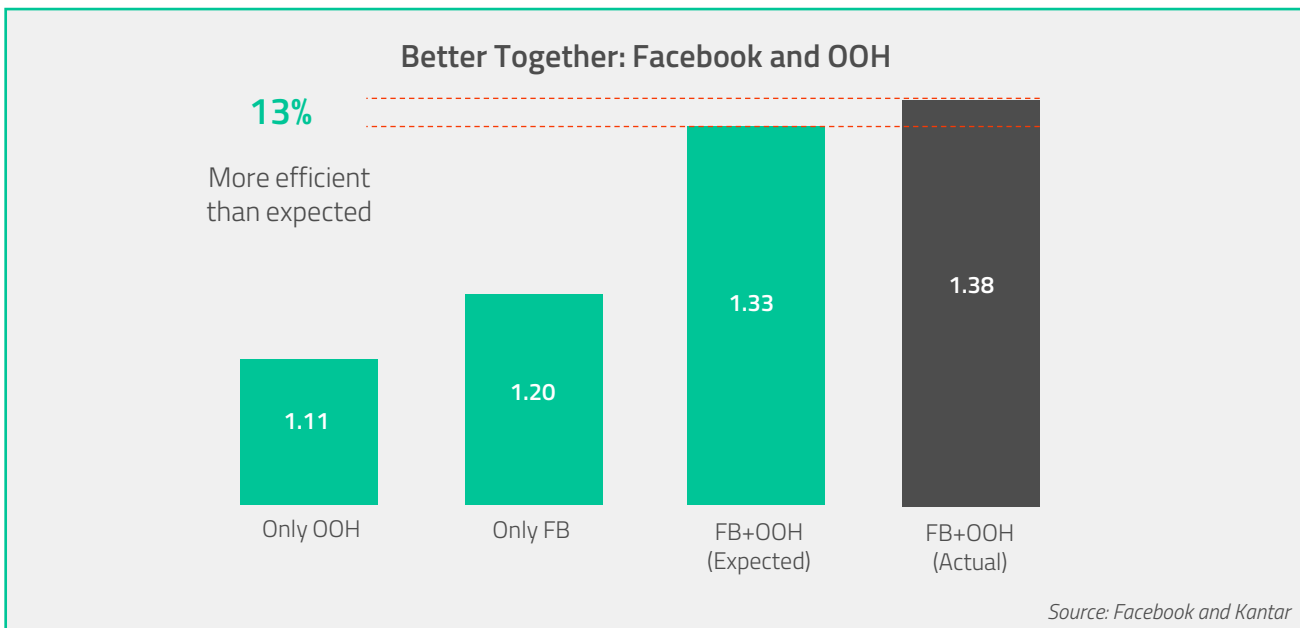
Online Activations After Seeing OOH Advertisements

After seeing an out-of-home advertisement such as billboards, outdoor video screens, posters, and other signage that you really liked or found to be interesting, how likely would you be to do the following?



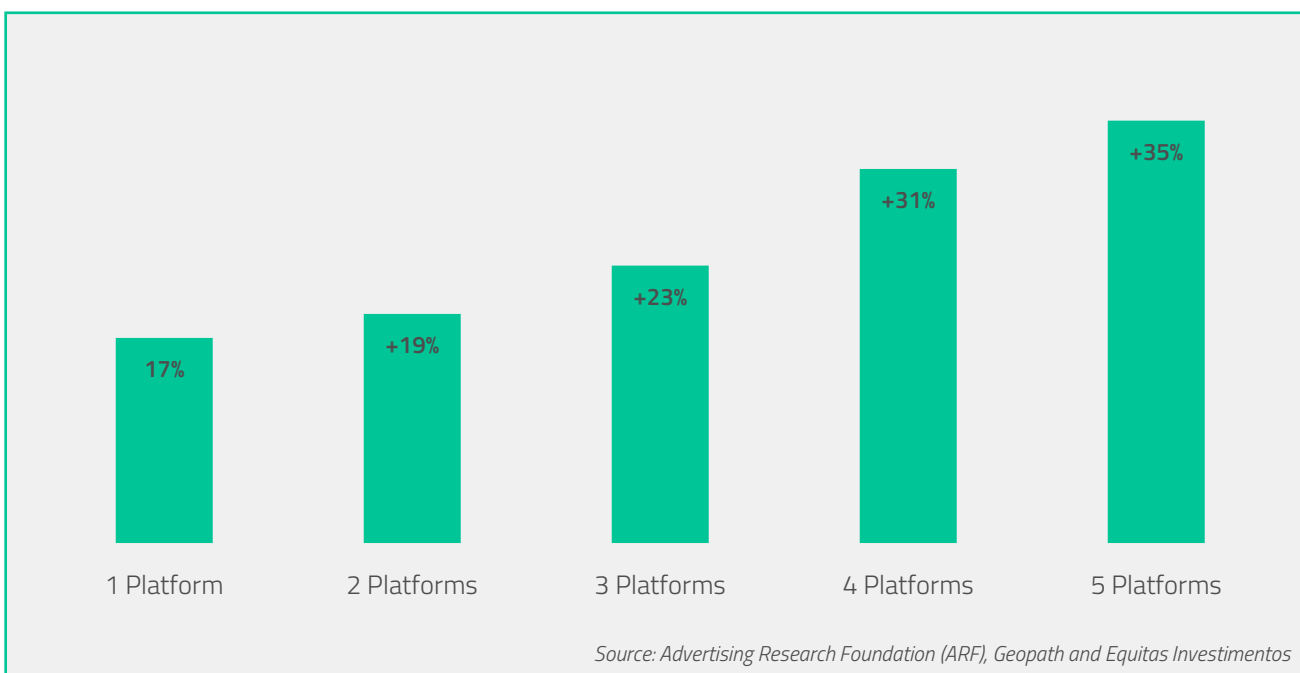
Facebook corroborates these findings itself, which published a study in partnership with Kantar, presenting the contribution of OOH in a Danone's campaign for Les 2 Vaches, a French organic yogurt brand. The conclusion was that OOH addition in the campaign provided a 13% uplift in the consumer likelihood to purchase, as presented below.

Likelihood to Purchase – Danone's Campaign



In another study, performed by the Advertising Research Foundation (ARF) in partnership with Geopath in 2019, data on more than 3,000 marketing campaigns worldwide were explored and remarkable insights were extracted. The addition of media channels to the media mix significantly increased the campaign ROI, since they tend to reinforce the impact of each other.

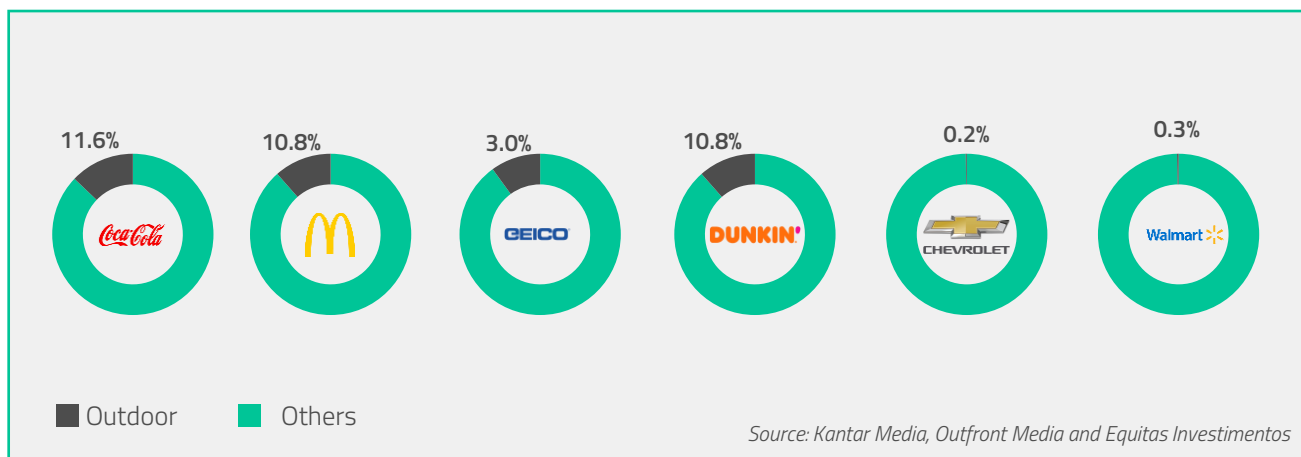
Incremental ROI of Additional Platforms



Additionally, the group performed neuroscience studies with a selected audience and concluded that the use of a coordinated strategy among different media channels (advertisements aired simultaneously) is fundamental to obtain a brand's high audience recall. Moreover, as for OOH, each panel's location must be aligned with the brand being announced to generate greater impact (i.e., announcing a new beer brand far from any supermarket or pub would generate a negative impact in the audience). In other words, coupled with creative advertisement, the proper use of media channels and the strategy development is key to optimize the campaign results.

However, the many benefits of OOH media are not widely known by marketing teams and the lack of campaign metrics availability and ROI measures, especially for traditional screens, preclude many large advertisers from directing more investments to the OOH channel. This information asymmetry and difference in perception is easily observed when comparing the media mix across different companies, as depicted below.

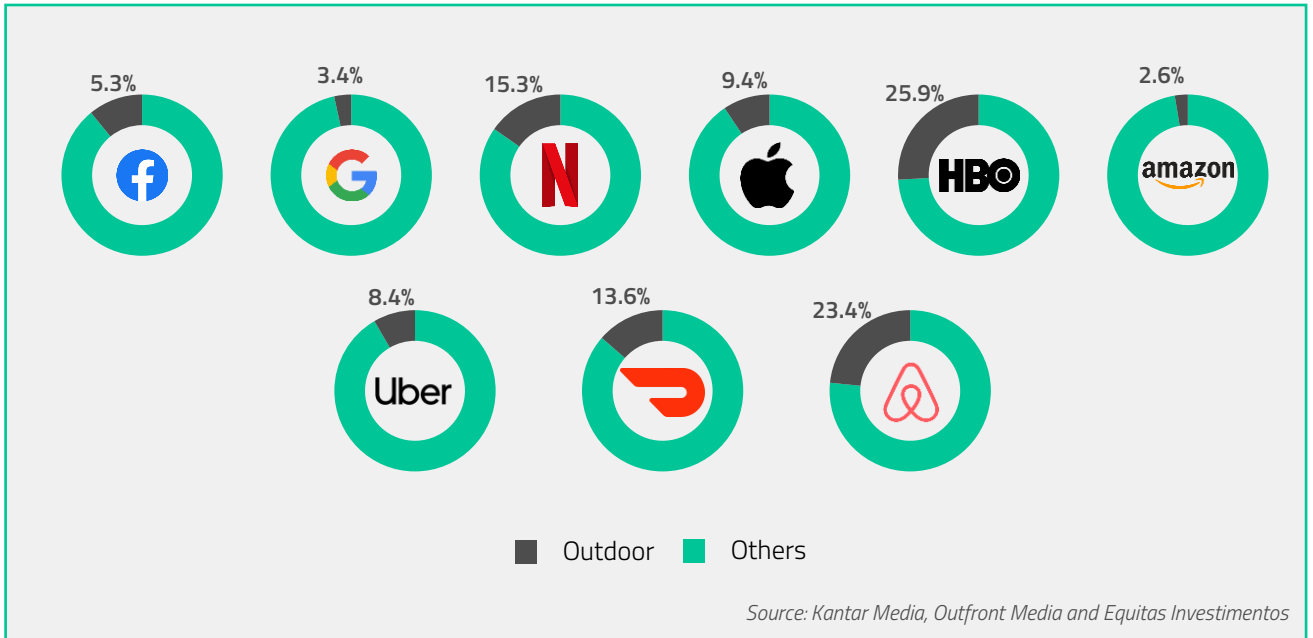
Marketing Budget by Media in 3Q2020



Unequal OOH allocation is noticeable even within the same industry, which is explained by the still early dissemination of quantitative data to support the benefits of OOH and the reasons mentioned earlier. An important focus of OOH operators worldwide has been to better convey to clients and prospective partners what is the power of OOH coupled with other media channels, and to create ways to extract more granular information to support advertisers in their campaign analysis.

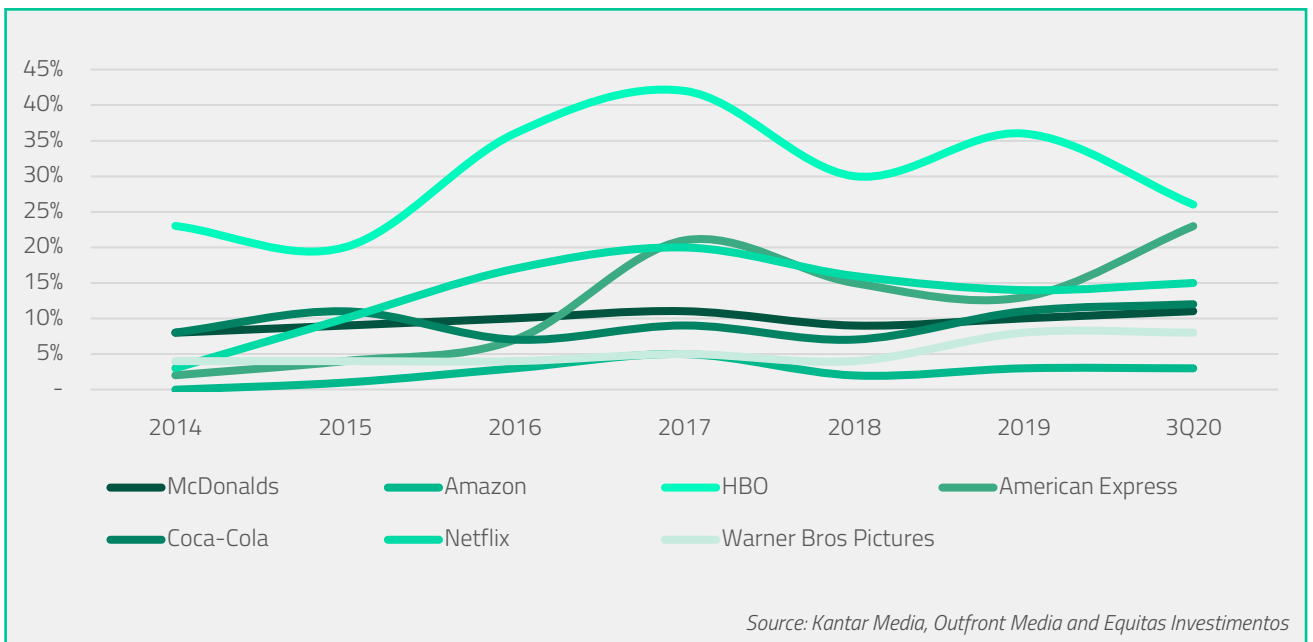
Nevertheless, besides the great proportion of OOH in the media spending of major traditional American companies, illustrated above, the proportion of OOH for large digital companies as Netflix, Uber, Airbnb, and HBO show how the OOH synergies have already been validated by those players that were born as digitally native companies. Even the companies with lower OOH spending such as Google, Amazon, Facebook and Geiko have a greater penetration than the US average, which provides us insightful information.

Marketing Budget by Media in 3Q2020



Additionally, most relevant advertisers in the US have been increasing their OOH share on total advertising spending in the past years, with traditional media such as radio, television and newspaper being the market share donors since 2014. Even with the increasing trend depicted in the graph below for all companies, it could look even better, since 3Q20 (last available data point) picture has been impacted by COVID-19, which reduced overall investments in OOH worldwide.

Evolution of OOH Penetration for Major Advertisers

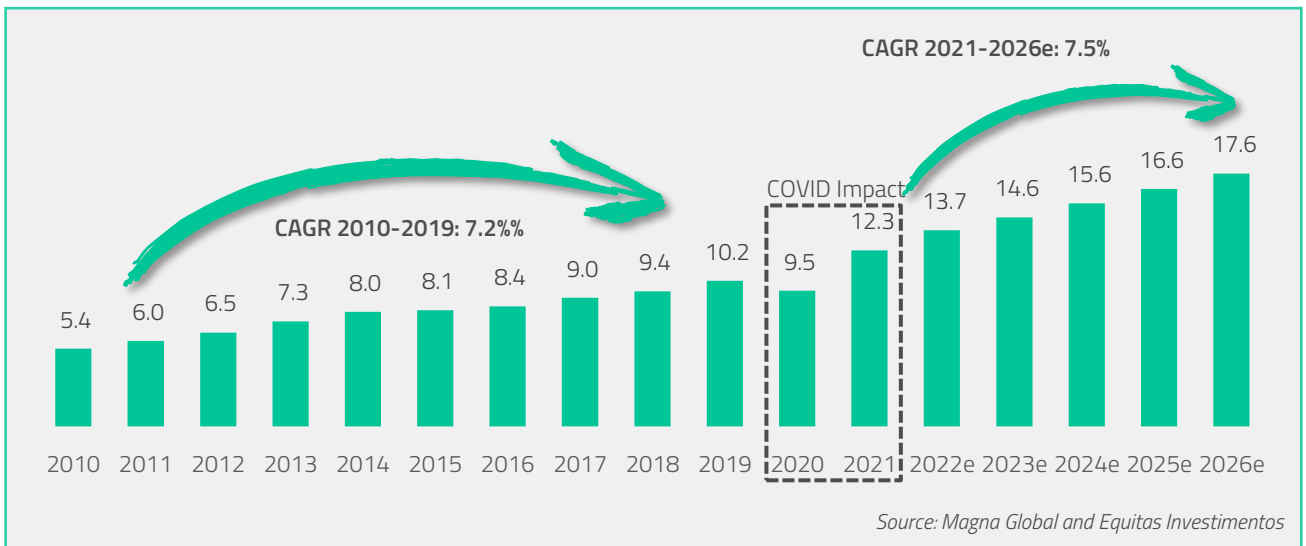


2.5. Brazil Outlook

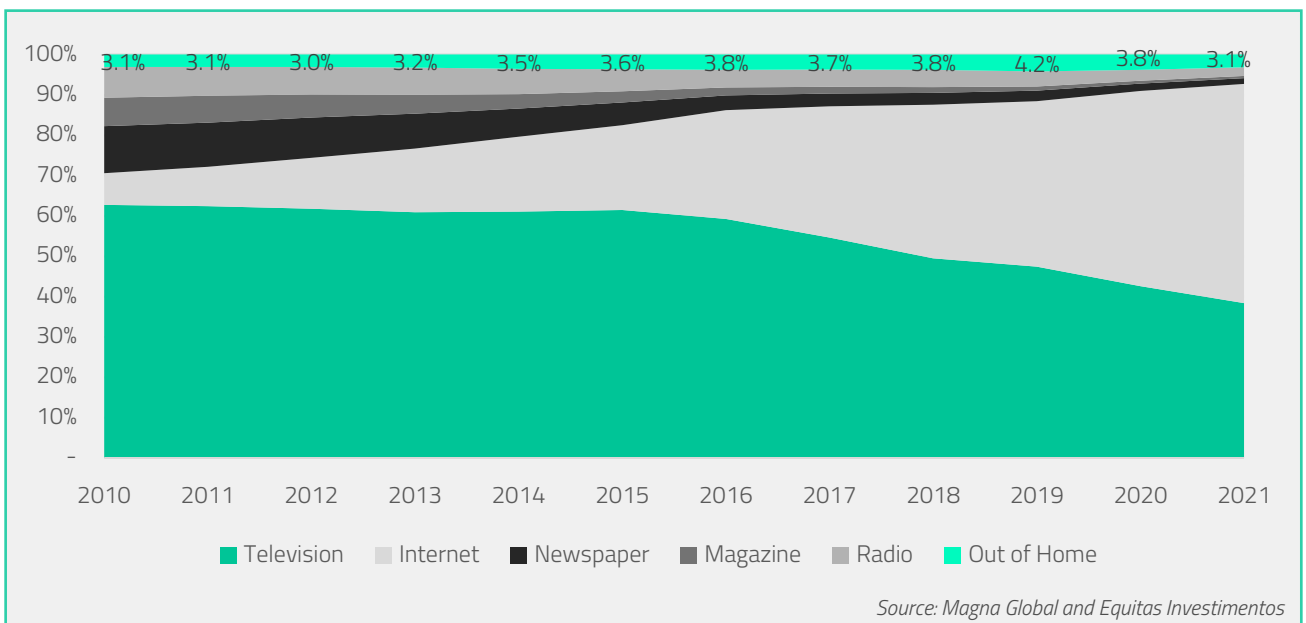
The Advertising sector in Brazil has grown at 7.2% per year from 2010 to 2019, above the global average, and is expected to continue growing at an accelerated pace. As in the global scenario, the OOH sector has been resilient and driven by the DOOH, which has grown at almost 20% per year in the past decade and is forecasted to grow near 9% per year in the coming years. However, we expect the sector to grow even faster, at 14% per year in the next 10 years, due to a virtuous cycle being created by sector leaders, remarkably, Eletromidia.

In Brazil the advertising industry has been growing above the global market, at a 7.2% CAGR from 2010 to 2019, versus a 5.5% global average, summing USD 12.3 billion in sales in 2021. The forecast scenario for the next years comprises a slightly higher CAGR of 7.5% per year. In addition, as we can see in the graph in the bottom of the page, a significant mix shift has been occurring, with the increase in digital penetration, and OOH figuring as the most resilient media channel.

Advertising Spending in Brazil – In Billion USD

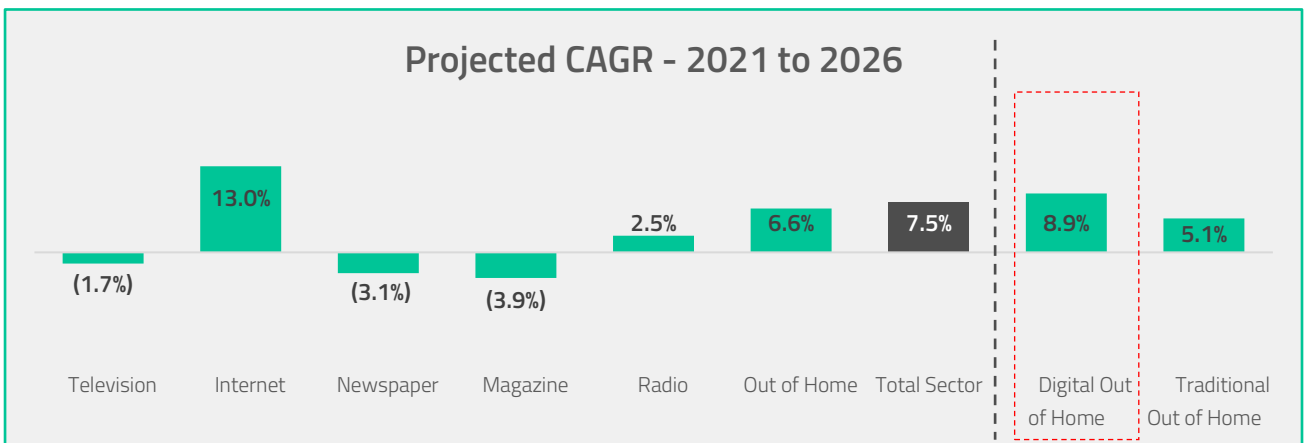
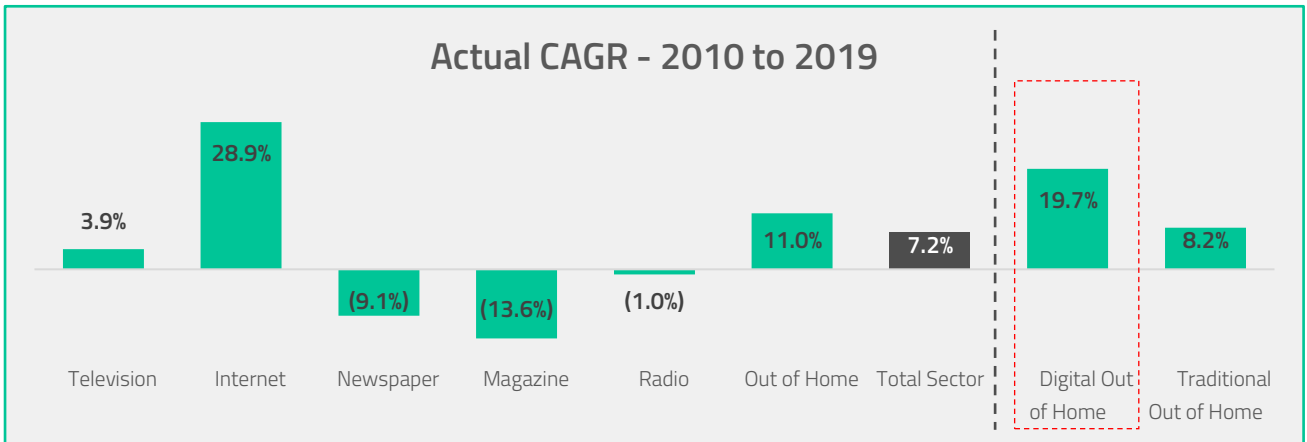


Advertising Spending in Brazil – Breakdown by Media



Following the same behavior observed for global data, the OOH resilience in Brazil has been driven by Digital OOH, which grew by almost 20% per year from 2010 to 2019 and, according to Magna Global's forecasts, is expected to continue growing at an average rate of around 9% per year until 2026. The sector total revenue is forecasted to evolve from USD 380mm in 2021 to USD 530mm in 2026. At different degrees, all traditional media have been market share donators for OOH in the period and should continue doing so going forward.

Advertising Spending Growth in Brazil



Source: Magna Global and Equitas Investimentos

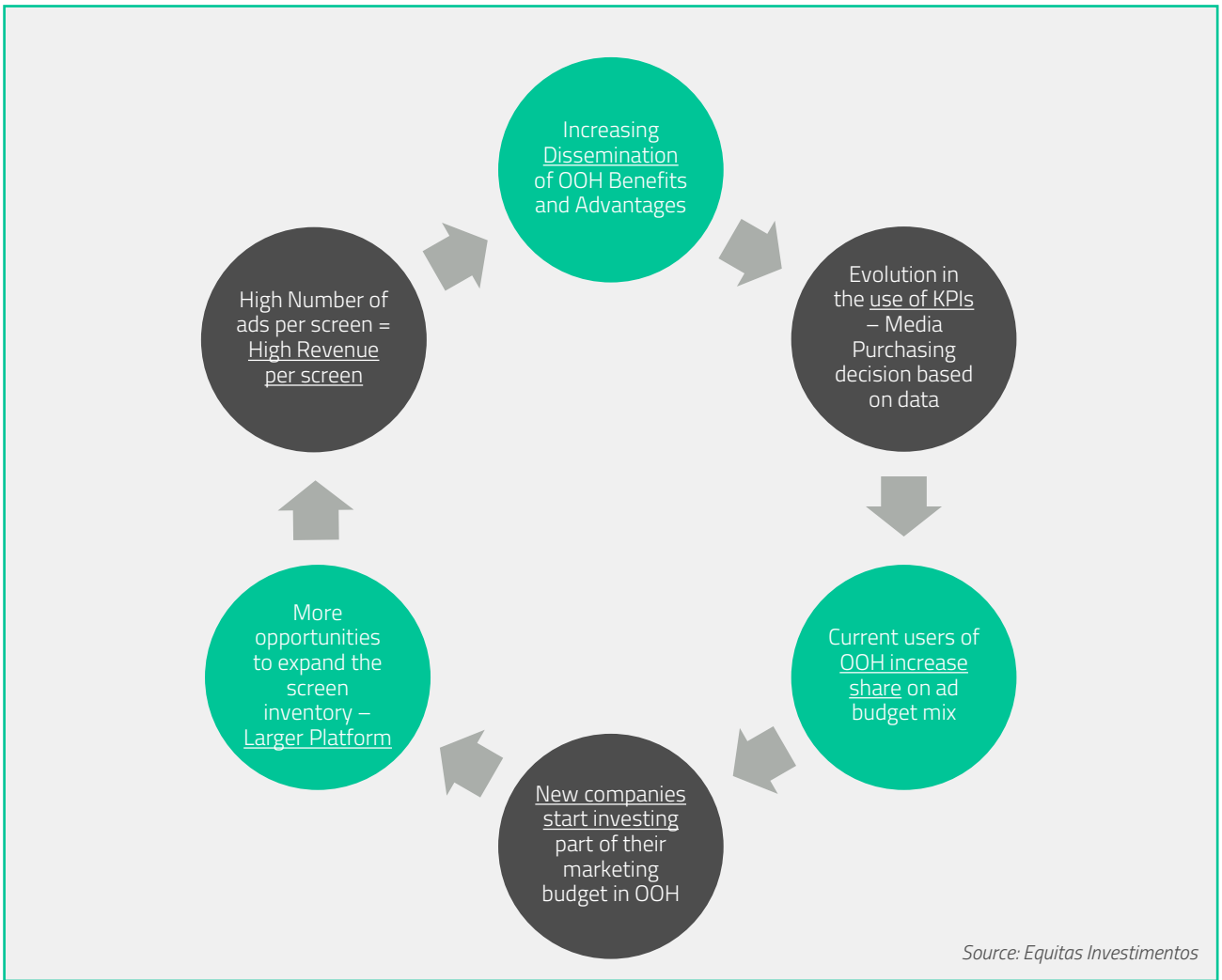
After a number of discussions with Eletromidia senior management and our proprietary research, we understand that the OOH industry growth is quite underestimated by Magna Global and we are confident that it should grow at a more accelerated pace. By looking at various foreign markets, we conclude that an important factor that contributes to OOH high penetration is the presence of key players consolidating the sector.

In Brazil, Eletromidia has demonstrated in the past few years that there are several opportunities to create new OOH revenue streams in locations yet to be explored, such as in train stations, bike sharing stations and elevators in residential buildings. Also, a high dissemination of OOH benefits to a marketing campaign and the development of data and metrics that ELMD is focusing on, should attract new advertisers to the OOH industry and enable current

clients to increase their OOH spending. This may promote a continuous increase in revenue per screen, ultimately leading to a larger sector and better profitability for major players in the future.

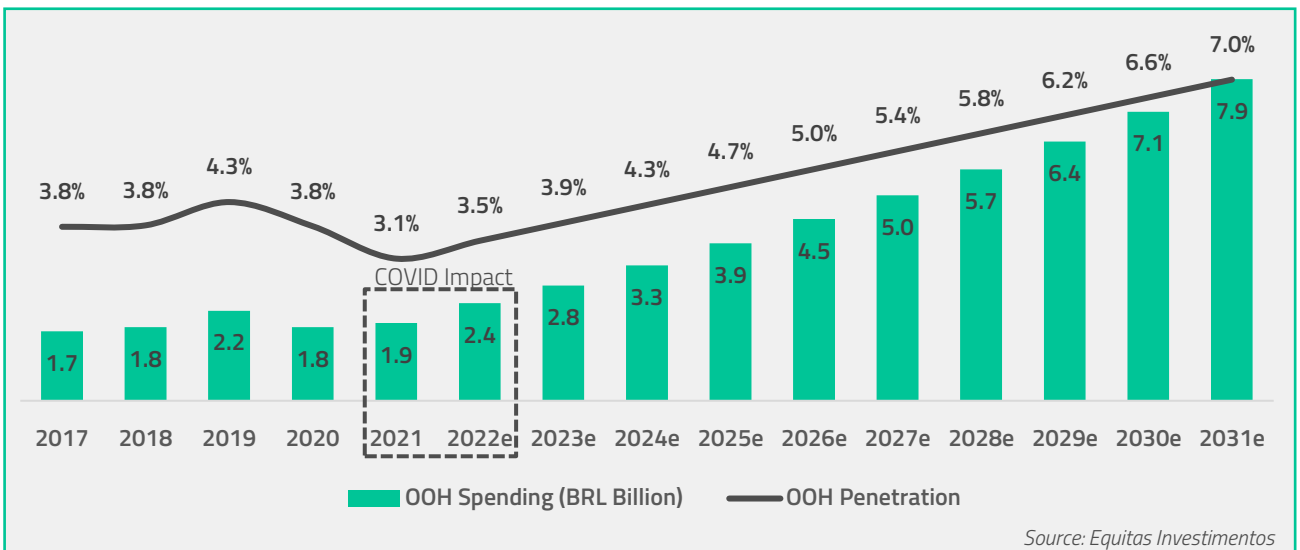
Moreover, as the use of data in OOH campaigns gains traction, the monetization logic should shift from an inventory model to an audience model. This may increase ELMD's bargain power and profitability, with conversations with clients being focused on the selection of audience profile and the analysis of reach, impact, and many other metrics generated by Eletromidia platform. A specific screen location may lose importance in the sales process, which may be grounded on a screen bundle and the audience profile that should be impacted. Therefore, we expect the OOH industry to work in a similar way to the digital media.

How Equitas expects the OOH industry should grow faster



We expect that the OOH sector should grow at 14% per year in the next decade, reaching a 7% share in the Brazilian advertising spending.

OOH Spending in Brazil – Equitas' Forecasts



2.6. Main OOH Players in Brazil

The OOH industry in Brazil is dominated by Eletromidia (40% market share) and JCDecaux (22.5% market share). Eletromidia has been able to build a one-stop-shop OOH platform in the country and lead all segments it operates, except for the airport vertical, led by JCDecaux, a French conglomerate with operations in more than 80 countries.

The Brazilian OOH ecosystem is dominated by 2 large players, namely Eletromidia and JCDecaux, whose revenues represent more than 60% of the sector revenue pool, with the remaining 40% stake being extremely pulverized in the hands of small regional players. The exception for the last statement refers to Clear Channel, an American publicly listed company with a minor operation in Brazil and Grupo Kallas, owned by a real estate family-run national group.

Brazilian Players Outlook





Players	Status	Market Share Brazil 2022e	Screens Share by Vertical				
			Transport	Elevators	Malls	Airports	Street
Eletromidia	Publicly listed	40.0%					
JCDecaux	Publicly listed	22.5%					
Clear Channel	Publicly listed	2.7%					
Grupo Kallas	Family-owned	2.7%					
Others	Family-owned	32.1%					

Source: Equitas Investimentos estimates

The sector growth and development in Brazil has been led by Eletromidia, which is the result of a consolidation process that will be described in detail further. The company has achieved the capillarity and business diversification to offer a one-stop-shop solution to advertisers in the country, a major distinction compared to its peers. JCDecaux, the second largest player in Brazil, despite owning important contracts, such as the advertising digital

clock contract in Sao Paulo and Rio de Janeiro and the Guarulhos airport contract, has been losing market share over the years and is not present in all main OOH verticals in the country. Below we present a summary on the main players in the OOH space in Brazil and a few large international players that, albeit not operating in Brazil, are worth mentioning for reference.

Players Operating in Brazil

Players Operating in Brazil	
<p>Eletromidia </p> <p>Main Brazilian player, originated from the consolidation process led independently by two distinct private equity firms, HIG Capital and Principia Capital. The 2 investment projects ended up in the merger of Eletromidia (HIG backed) and Elemidia (Principia backed) in the beginning of 2020.</p> <p>Eletromidia IPOed in early 2021 and has acquired Otima and other players since then, consolidating itself as the most complete OOH player in Brazil, with a current market cap of near USD 430 million. The company owns around 65k screens, 72% in digital format, the highest digital ratio in the global industry.</p>	<p>JCDecaux </p> <p>Largest OOH player in the world, with 957k screens in more than 80 countries. JCDecaux is a French publicly listed company operating in Brazil for more than 20 years, with a sizable operation in the street and airport verticals in the country.</p> <p>JCDecaux is the largest street OOH company in the world, with 530k panels and the largest airport operator, providing advertisement in 154 airports worldwide.</p> <p>Digital OOH represented 27% of the company's revenues in 2021 and it is worth around USD 4.0 billion.</p>
<p>Clear Channel Outdoor </p> <p>Clear Channel is an American media company focused on the US market, but with sizable operations abroad. It operates primarily in the road billboard and airport segments, with minor businesses in transit and street furniture. The company was originated after a spin-off of OOH operations from iHeart Media Group and operates in 26 countries with more than 500k screens and 17% market share in the US. Clear Channel has 40% of its revenues coming from DOOH and has a market cap of USD 0.8 billion.</p>	<p>Kallas Mídia OOH </p> <p>Kallas Mídia OOH is owned by Grupo Kallas, a family-owned real estate group with publicly traded shares in Brazil.</p> <p>The OOH operation has offices in 18 cities in the country and operations in airports, street furniture, transport, and other verticals. The company has no public available information, but we estimate it has less than 3% market share in the OOH sector in Brazil.</p>
<p>Hello </p> <p>Hello is a mid-sized OOH operator focused on residential elevators, with 5k digital screens nowadays. The company was founded by Felipe Forjaz, a former partner of Elemidia who sold its stake many years ago.</p> <p>The company has an aggressive expansion plan to reach 30k screens by the end of 2024, partly supported by its innovative franchise model in Brazil.</p>	<p>NEOOH </p> <p>NEOOH is a mid-sized OOH operator that has more than 10k screens in many states of Brazil, focused on airports and bus stations. The group is present in more than 30 airports and 40 bus stations in the country, working with several distinct screen formats.</p>
Foreign OOH Players	
<p>Focus Media </p> <p>Focus Media is the largest Chinese OOH operator, with Alibaba as one of its main shareholders. The group has more than 750k elevator displays, with around 60% market share in the country.</p> <p>Focus Media has around 40% of its revenues already coming from DOOH and is worth USD 12.2 billion.</p>	<p>Lamar Media </p> <p>Lamar Media is an outdoor company operating in the US and Canada, with one of the most significant billboard operations in the US.</p> <p>The company has an inventory of near 350k displays distributed in the form of billboards, interstate logo, transit and airport advertising formats and is the largest US OOH player, with 23% market share in 2019.</p> <p>Lamar has around 20% of its revenues originated from digital screens and is currently worth near USD 9.6 billion.</p>
<p>oOh! Media </p> <p>Australian leading OOH operator, with more than 35k screens, and important presence in New Zealand. The group is a public listed company in Australia and has operations divided into street furniture and rail, road, retail and airport divisions, with almost 70% of its revenue coming from street furniture, rail and road displays. In 2021, digital OOH represented 57% of oOh! revenues and the company is currently worth USD 640 million.</p>	<p>Ströer </p> <p>Ströer is one of the main advertising and OOH players in Germany, with over 300k advertising digital and analogic displays.</p> <p>The company is the leading digital OOH player in its home country, with around 25% of revenues from digital out-of-home, more than 50% of which comes from programmatic media.</p> <p>Ströer has a market capitalization of USD 3.1 billion.</p>
<p>Outfront Media </p> <p>With more than 500k displays, Outfront operates in more than 70 US markets primarily throughout billboards (accounts for +75% of revenues) and transit panels, being the 2nd largest OOH player in US, with 21% market share.</p> <p>In the 4th quarter of 2021, 34% of its revenues were obtained via digital panels, moving toward its screen digitization plan. Outfront has a market capitalization of USD 3.6 billion.</p>	

Source: Equitas Investimentos, Bloomberg and public information.
Valuation figures as of the 18th May 2022.

3. Company Description

OOH leader in Brazil and the most digitized operator worldwide, with 72% of its screens in a digital format. The company offers a one-stop-shop OOH platform, providing ample media coverage within the country throughout its 5 business verticals. Led by a highly seasoned management team, Eletromidia is leading a transformation in the OOH sector, advancing and shifting its dynamics toward the use of data and metrics in the digital media industry.

3.1. Overview

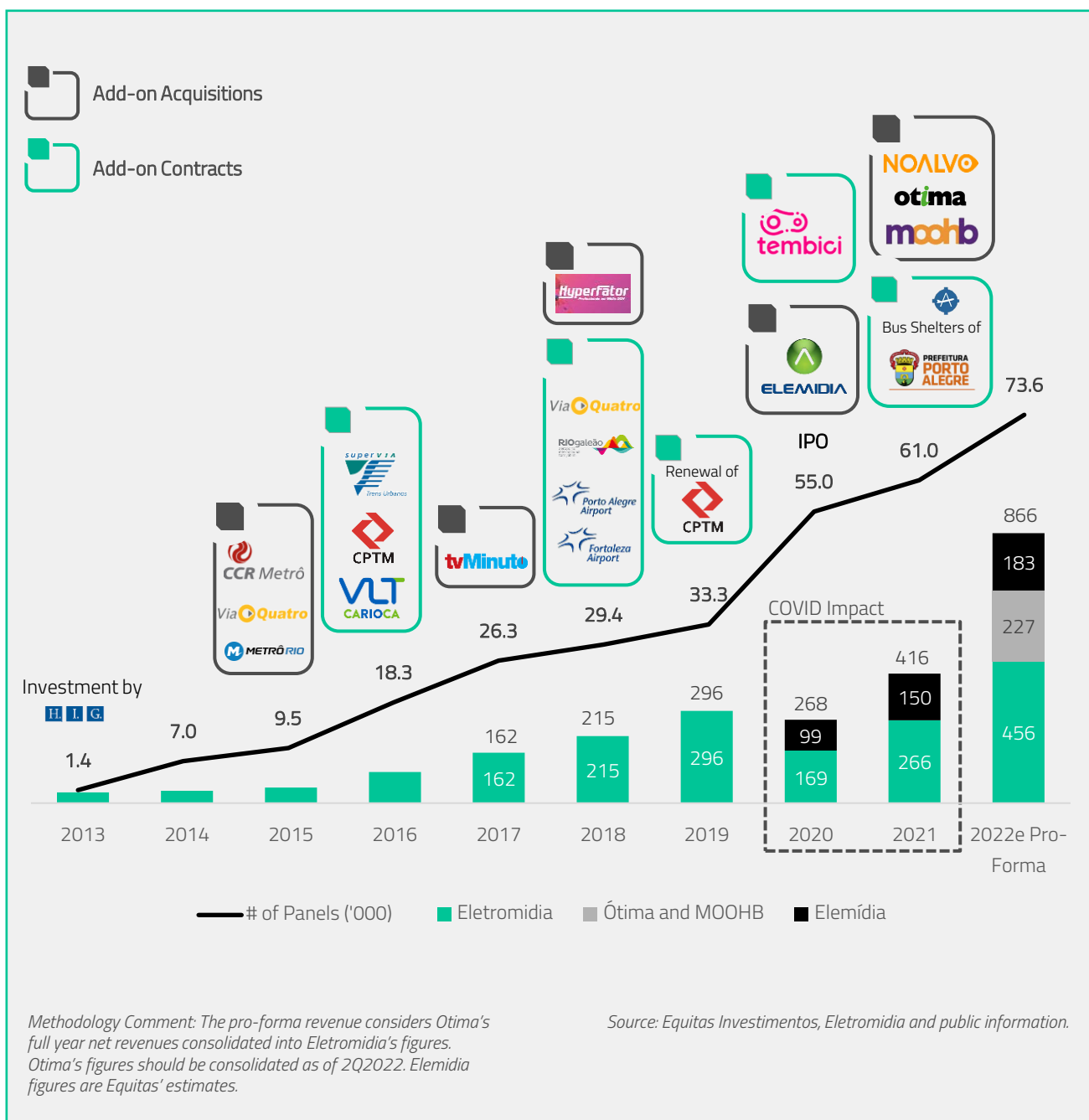
Eletromidia (“ELMD”) is the leading OOH player in Brazil, being the result of a long-term project developed by 2 private equity firms (HIG Capital and Principia Capital, previously called Victoria Capital) and a team of seasoned and hands-on professionals engaged in the advertising and OOH industry for decades. Eletromidia was founded in 1993 and raised capital with HIG Capital 10 years later, at an early stage of its development, when the company had only 1.4 thousand screens. The capital raise and support from an experienced investor were instrumental to the company, which underwent an accelerated growth phase in the following years.

The history of Eletromidia confuses itself with that of Elemidia, which was founded in 2003 and later in 2020 would merge with Eletromidia to form the group as we know. In 2010, Elemidia had 70% of its shares acquired by Grupo Abril, a Brazilian media conglomerate, and the remaining 30% in 2012, transforming the company in its OOH internal arm. The company was run by Eduardo Alvarenga, a visionary professional that joined Elemidia in 2004 through an “acquire” deal, and became its CEO, being fundamental to the development of the company and the OOH sector in Brazil.

In 2014 Elemidia was acquired by Principia Capital, which led it through a growth phase that ended up in the merger with Eletromidia, followed by the group IPO, marking the beginning of a new phase that we are so enthusiastic about. The company management team, which will be presented in detail further, was formed by the most talented professionals from both companies. Eduardo Alvarenga, as its CEO, took the company through a successful IPO process and led many strategic movements afterwards.

Eletromidia’s IPO took place in Feb 2021 and granted a BRL 700 million capital raise to the company, anchored by Equitas Investimentos.

Company History – Net Revenue (In BRL Million) and # of Panels Evolution

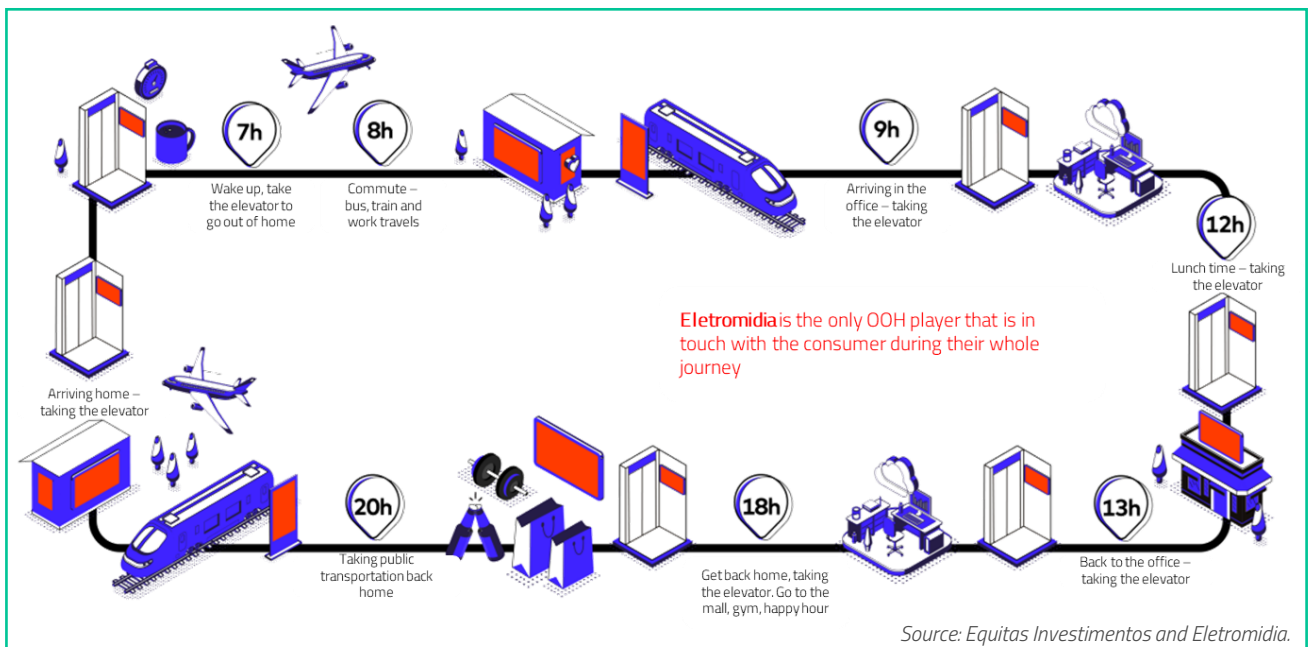


In March 2022, Alexandre Guerrero, former ELMD's Chief Commercial Officer and a company's executive and partner for more than 16 years, was appointed CEO, whose agenda was set to continue executing its expansion plan and integrating its many recent acquisitions. With its commercial DNA, an important step will be to transform the way Eletromidia sells its inventory and change the sector culture, supported by the use of data generated by NoAlvo. Eduardo Alvarenga will sit on the company's board of directors and lead the newly created Strategy and Innovation Committee, to focus on these key themes that will drive the industry going forward.

Before the IPO, HIG Capital had 74.7% of Eletromidia's shares, with the remaining stake owned by its management and part in the form of a Share Option Plan (SOP). Currently HIG owns 55.3% of Eletromidia's stocks and 44.7% of them are publicly traded at B3, the Brazilian stock exchange. In the date hereof, Equitas Investimentos owns a 7.7% stake on the company's total equity, being a reference shareholder alongside HIG Capital.

3.2. Footprint and Main Verticals


A fundamental competitive advantage for an OOH operator is to have what ELMD's management call "city domination". This means being present in many distinct locations in the city, in a variety of verticals (train stations, street furniture, airport, bus stations, elevators, etc) and with capillarity, to achieve a higher audience throughout the day. In other words, the OOH operator must be everywhere, have a high impact on its target audience and touch the public in different moments of its daily routine. Eletromidia is the only player in Brazil that has been able to reach this condition in major cities, creating a powerful one-stop-shop platform that will continue to expand in the coming years.




Besides having this extensive footprint within a large city, the presence in a wide array of other states and municipalities is key to offer a complete network of screens to large advertisers. This is so important as advertisers have historically faced a massive work to coordinate a national OOH campaign, hiring, negotiating with, and tracking the jobs of dozens of OOH operators in different states to have the desired impact. Each OOH provider offers different service level and unequal degree of digitization, which, coupled with a disconnected campaign, cause great friction during the process.


Eletromidia has envisioned to solve this turmoil, by creating a one-stop-shop national platform, with a high level of digital screens and focus on the client which, after having positive experience, is more open to consider incremental investments in OOH for future campaigns. The end game should be a faster-growing sector, which may be even boosted by the use of data and technology. Below we describe the company's main operating verticals.

Eletromidia Operating Verticals


Transport  25.0k Screens 2022e


100% rail transport, with major operations in the cities of Sao Paulo, Rio de Janeiro and Salvador.




Elevators  35.5k Screens 2022e


Absolute leader in the residential and commercial buildings.




Malls  5.8k Screens 2022e


Presence in 95 shopping malls in Brazil.




Street  1.8k Screens 2022e

Street furniture and bus shelter contracts in the cities of Rio de Janeiro, Sao Paulo, Belo Horizonte, Curitiba, Recife, Brasília and Campinas.



Airports  8.5k Screens 2022e

Contracts in Congonhas, Riogaleão, Porto Alegre and Fortaleza airports.



Source: Facebook and Kantar

Eletromidia has made a number of strategic movements in the past 2 years to create its platform as it is today and both the exploration of many synergies and proper integration of the companies are still underway. Below we present with more granularity each recent acquisition and the strategic value it added to the company.

Transformational Acquisitions

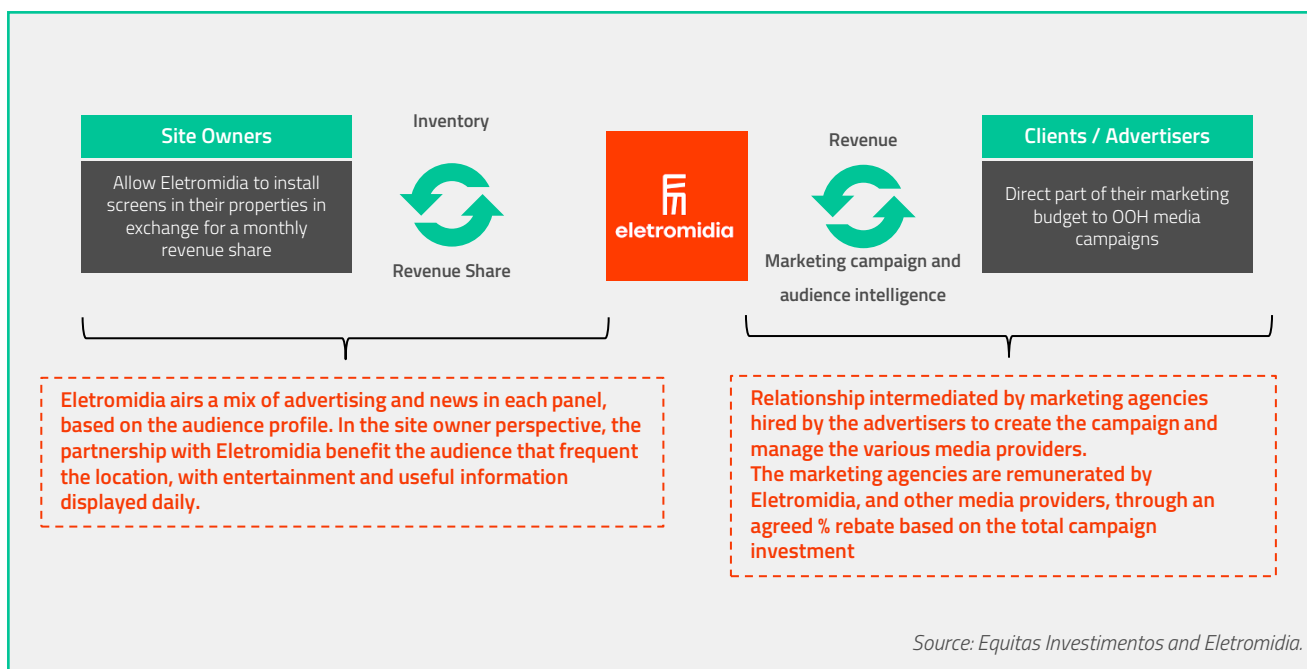
<p>Elemidia</p>		<p>Merger with Eletromidia in early 2020, bringing a strong elevator vertical, that was the main business area of Eletromidia. Also, Eletromidia added an important technology capability to the group, with many of its management systems being adopted by Eletromidia after the transaction. Another relevant aspect of the transaction was the seasoned management team that joined the group, remarkably, Eduardo Alvarenga, who became the company's CEO, holding the position until mar/22.</p> <p>Currently Eletromidia management is working on delivering the estimated synergies between the 2 companies and integrating the processes and commercial area, which is advancing well.</p>
<p>Otima</p>		<p>Eletromidia acquired 74.65% of Otima's shares for BRL 416.8 million and the transaction has been approved by CADE (Brazilian antitrust authority) and being closed in 2Q22. Otima reinforces Eletromidia street vertical, with one of the most valuable OOH contracts in Brazil, related to the bus shelters advertising rights in the city of Sao Paulo, with 4k screens (only 180 digital panels, posing great upside potential on company's financials).</p> <p>The management expects Otima's operation to run at BRL 108 million EBITDA, with almost 60% margin. The acquisition is extremely relevant to Eletromidia, strengthening a relevant vertical that makes its platform even more distinctive to large advertisers.</p>
<p>MOOHB</p>		<p>With 100% of its shares acquired in 2021 for BRL 40 million, MOOHB brings a relevant agreement to the group, for installation and maintenance of advertising screens in the bus shelters of Campinas, important hub in the countryside of Sao Paulo. The company has 605 screens and is expected to post in 2022 BRL 12.5 million EBITDA.</p>
<p>NoAlvo</p>		<p>Technology start-up focused on the OOH market and fully acquired by Eletromidia in 2021 for BRL 10.1 million. NoAlvo acquisition is extremely transformational for Eletromidia, bringing the know how, management team and a technology layer to its core business that will change the way OOH advertising is sold and managed in the country.</p> <p>Through partnerships with social media and other data companies, NoAlvo has developed a data lake updated on a daily basis with audience profile and metrics. That information has been linked with geolocation data of more than 80k OOH screens of several players in Brazil, providing real time behavior and preference information for the audience near each mapped OOH screen. The platform will be fully dedicated to Eletromidia inventory and will allow advertisers to create an OOH campaign strategy based on audience data and evaluate its results with an array of metrics and KPIs</p>

Source: Equitas Investimentos and Eletromidia.

3.3. How Eletromidia is disrupting the OOH sector with the use of technology

The company's business model encompasses the close management and relationship with advertisers, content providers (such as Reuters, CNN, ESPN, influencers, etc, whose content is displayed throughout the day) and site owners, such as residential and commercial buildings managers, shopping mall conglomerates and airport groups.

Eletromidia's Business Model



As previously explained, the OOH media is a key component of any advertiser's marketing campaign and the evolution toward digitization provided many scale gains and advantages in the media placement across the entire screen inventory. From the site owner's perspective, the partnership with an OOH player brings several benefits, outlined below, ultimately improving its client experience:

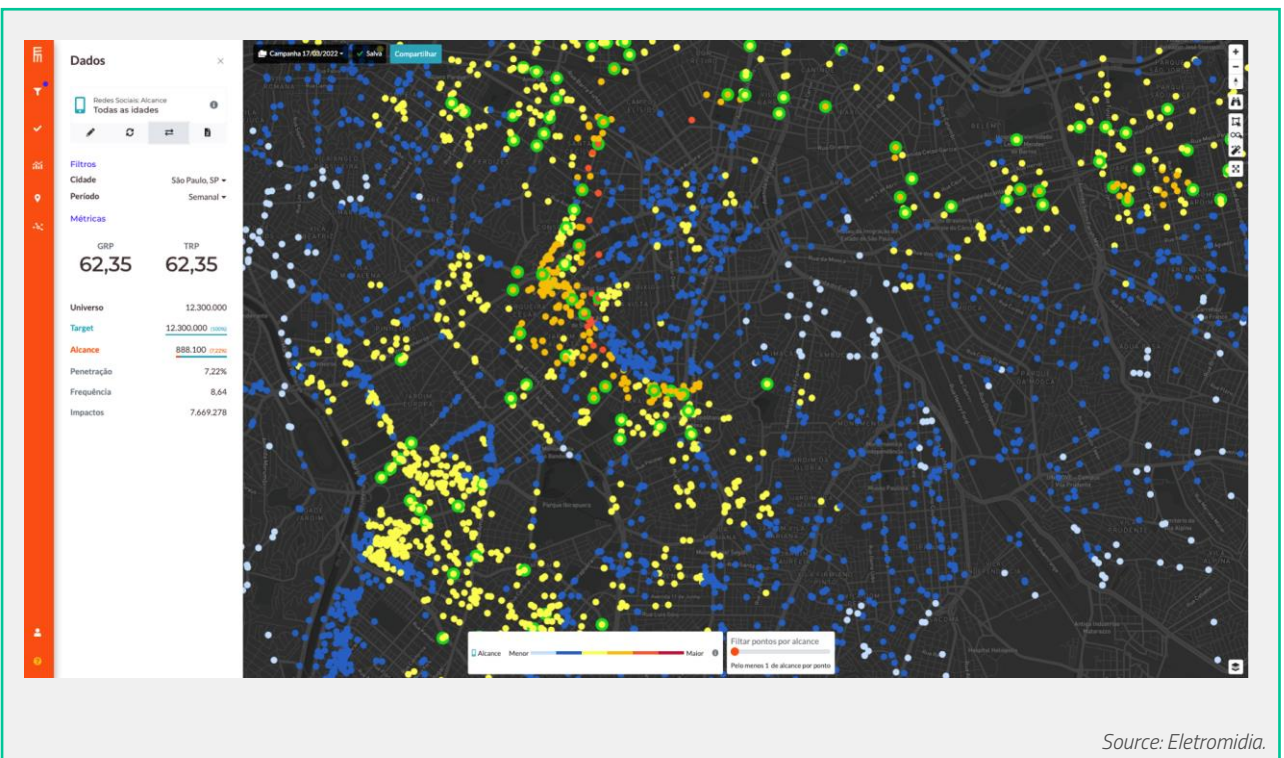
- Better monetization of its facilities, earning a monthly revenue share while Eletromidia team is responsible for the daily maintenance of panels and management of advertisers.
- Enhanced client experience, especially at train stations, airports, and other locations where the audience is commuting and have access to news, updated information and advertising that are adequate to their profile.
- In many cases, Eletromidia provides free Wi-Fi connection to site owners' clients, such as in train stations, generating a new touchpoint with the audience and new layers of data. In residential building condos, Eletromidia offers a proprietary app called "Meu Condomínio", or "My Condo", in English, in which the building managers can communicate important dates, delivery arrivals, common area reservations and other useful information to their residents.

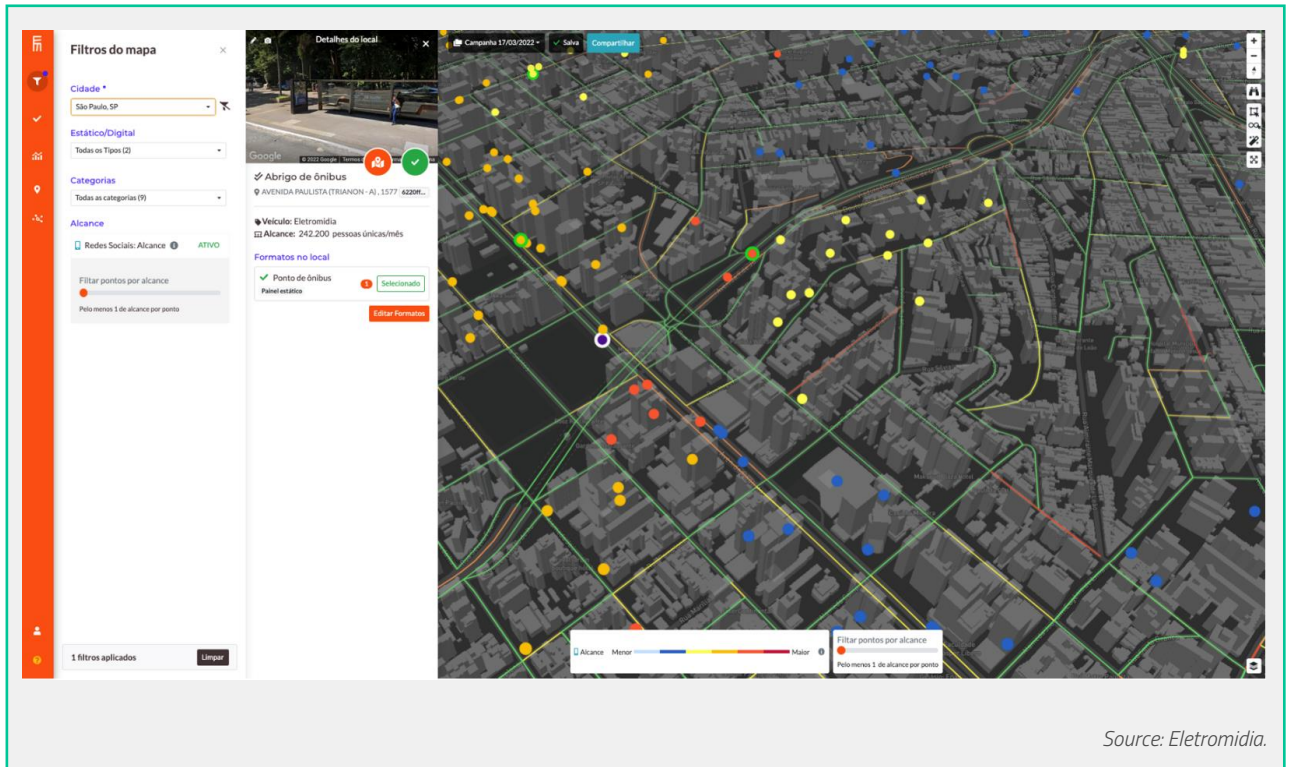
Besides these added value services Eletromidia provides and its well-recognized value proposition, the company is focusing intensively on data and metrics generation. As already discussed, relevant advertisers are unable to increase investments in OOH due to the lack of audience information and campaign results compared to the digital media, which has been gaining share globally over the years. Eletromidia, as the industry leader in Brazil and the most digitized OOH player worldwide, is well positioned and engaged in this matter, and in our view will transform the sector to induce a much higher growth than expected in the coming years.

Currently the OOH market in Brazil relies on several research initiatives that estimate the audience, frequency, and campaign impact in major locations in the country, such as Mapa OOH, IBOPE and Geofusion. However, the information is static and extremely limited, still posing a huge gap when compared to the powerful data analytics generated within a fully digital campaign.

The acquisition of NoAlvo is a game changer for the OOH industry in Brazil and an important driver for ELMD future success. NoAlvo has connected its platform to several digital and social media companies and worked deeply to link and geolocate the audience database with more than 80k digital and analog screens in Brazil, from Eletromidia and other OOH players. Before being acquired by Eletromidia, NoAlvo had been acting as an OOH marketplace, selling a diversified screen inventory to large advertisers, anchored in an extensive use of data, such as the audience profile, preference, and behavior. NoAlvo's platform is being adapted to encompass all ELMD's locations and is now called Eletromidia Ads.

Eletromidia Ads





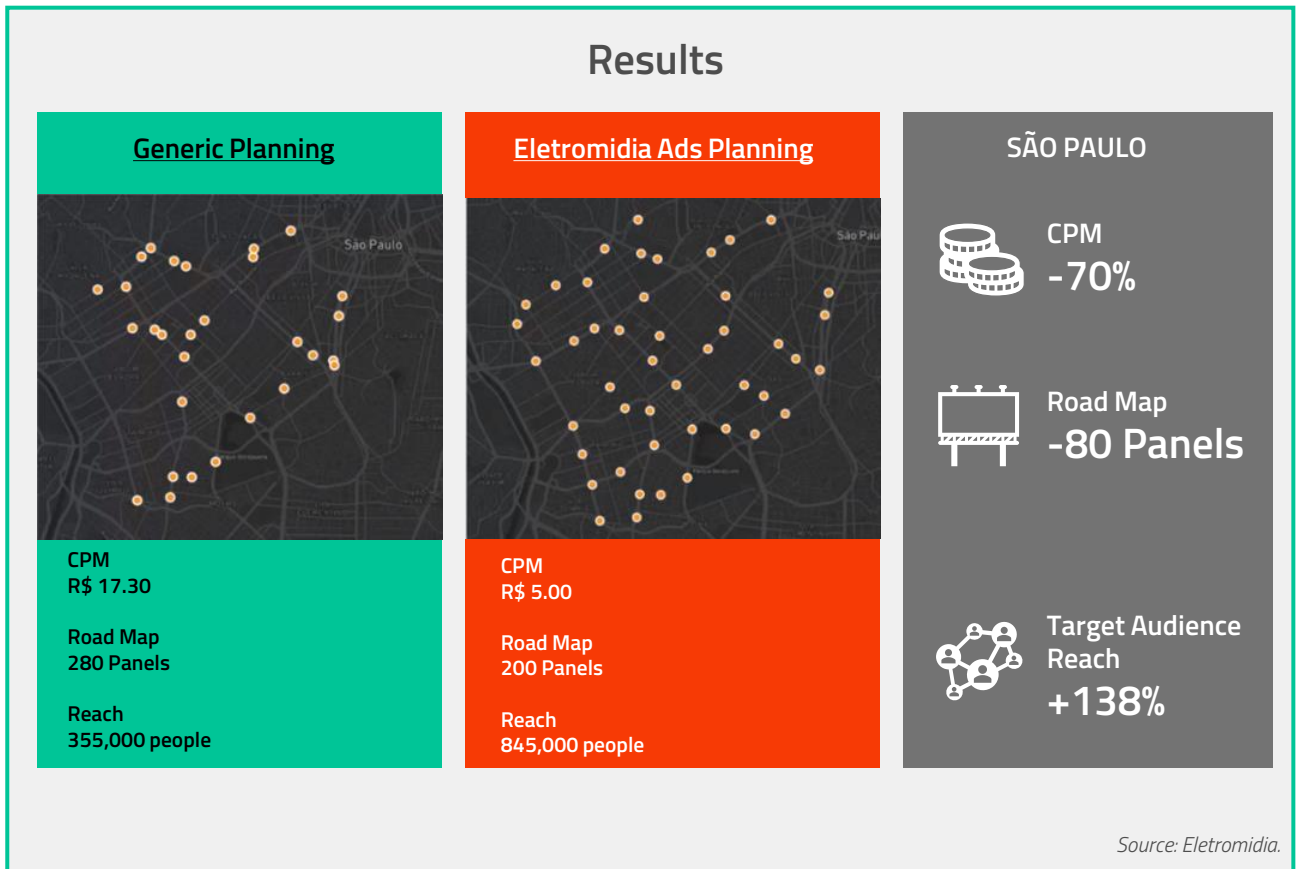
Source: Eletromidia.

As Illustrated above in a generic screen of Eletromidia Ads platform, its proprietary technology completely changes the way OOH inventory is commercialized. Advertisers select the income bracket it wants to achieve, region, age, and customer profile (based on preferences and behavior), in a self-service platform. As an output, they obtain the optimized screen mix and many metrics such as GRP (Gross Rating Points – estimate of the campaign reach), TRP (Target Rating Point – estimate of a campaign reach based on the segmented audience), estimated audience flow, target audience, etc. Additionally, the information is daily updated by NoAlvo and the evolution of those KPIs can be followed by the advertisers.

Note that the map depicts a large set of screens, which despite being comprised by different business verticals (elevators, shopping malls, street, etc), they are seen as a unique campaign. This detail is quite relevant, since the use of data in the OOH sector tends to shift the focus from business verticals to audience, which may place Eletromidia in an even better position. Advertisers may no longer be interested in whether their ads are displayed in the JK Iguatemi shopping mall (most premium shopping mall in São Paulo) or in an elevator display that reaches the same target public, but in the audience profile they will reach. This dynamics change will increase Eletromidia bargain power with site owners and allow a better cost management for the company, that currently is obliged to pay large sums of revenue share to be granted an important location.

Another relevant improvement the use of data may bring to the OOH sector is the optimization of a campaign, both in terms of cost and impacted audience. An OOH campaign strategy based on Eletromidia Ads platform may accurately select the type of screens and locations that reach a higher target audience while reducing the average CPM, which will be another tailwind for Eletromidia to continue leading and developing the industry. Below we show the result of a real campaign carried out through Eletromidia Ads by a large client, which illustrates the huge impact of technology in the optimization of media campaign costs and reach on desired target audience. The generic planning, on the left, refers to a screen mix created based on the advertiser's feeling and desired locations, aiming to reach a specific target audience. This plan led to a 280-screen set, which would reach 355k people on its target audience, with a BRL 17.30 CPM. On the right, we can see the automatic campaign plan generated by Eletromidia Ads after the advertiser inputs of genre, age range and preferences of its target audience. As illustrated below, Eletromidia platform automatically selected a 200-panels plan, which would reach 845k people (138% higher than the generic planning) on the target audience, with a BRL 5 CPM (70% lower than the generic planning).

Real Campaign Result Carried Out by an Important Client of Eletromidia



An important fact that corroborates the potential we see for Eletromidia, coupled with NoAlvo's capabilities, is a group of large multinational advertisers that have no relationship with Eletromidia but has already purchased advertisement slots within its inventory through NoAlvo's platform (before its acquisition by ELMD). This reinforces the point that the lack of data prevents many players to materially invest in OOH and shows the great commercial synergy that Eletromidia has in its hands to significantly increase the size of the pie in the future.

Eletromidia Ads will initially enable medium and large-sized advertisers to remotely select a set of Eletromidia's digital screens, upload an advertisement and instantly air it, through a self-service online platform. A significant number of

large companies are willing to purchase OOH media in an online, self-service model, not requiring direct constant support. Eletromidia has already developed a customized platform for Netflix to remotely manage its OOH campaigns, but Eletromidia Ads will allow the entire market to work in this model.

As a second step, the platform will allow small companies and merchants to remotely promote their products and services in a few screens in the neighborhood, in residential buildings elevators for example. The company's ultimate goal is to really widespread the OOH culture among companies in a range of sectors, sizes and location in Brazil, which may be replicable to other regions in the future, such as other countries in Latin America and the US.

3.4. Leadership

Eletromidia's management team is composed by a mix of executives from both Eletromidia and Elemidia, all of whom with extensive experience in the Out-of-Home and advertising industry in Brazil. As previously explained, until February 2022 the company was led by Eduardo Alvarenga, a highly seasoned and visionary executive in the OOH space. In March 2022, Alexandre Guerrero, Eletromidia's former Chief Sales Officer, was appointed the company's CEO, and Eduardo Alvarenga will sit on the company's board of directors and lead the newly created Strategy and Innovation Committee. The management change had been under study for 6 months and Guerrero has been considered the most prepared professional to lead the company toward this huge challenge going forward.

Management Team Summary

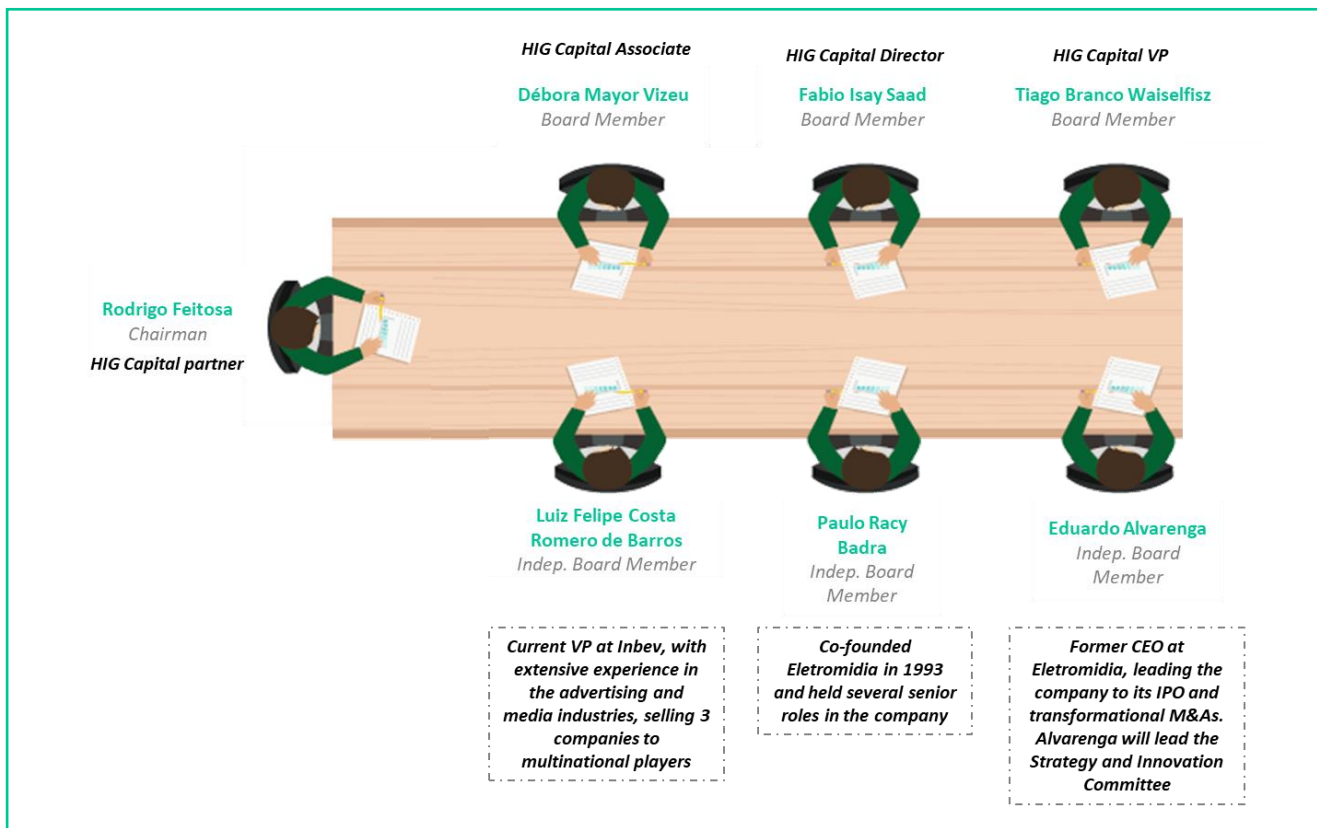
Executive	Position	Years of Experience	Years at Eletromidia	Experience
Alexandre Guerrero Martins	Chief Executive Officer	26	17	Founder and commercial director of Techmidia and former Commercial Director at Eletromidia.
Marcelo Pacheco	Chief Commercial Officer	22	Recently hired	Former advertising sales and innovation vice president at Warner Media. Past experiences at Facebook, RBS and ESPN.
Ricardo Winandy	Chief Financial Officer and Director of IR	14	9	Former executive of MTV and Abril Media. Winandy is a CFA Charterholder and Eletromidia's CFO since 2015.
Rodrigo Cadena	Technology Director	18	16	Entire career developed at Eletromidia, Cadena is the company's CTO.
Gilberto Zurita	Institutional Relations Director	13	6	Former executive at Telefonica's DOOH business and Terra Networks.
Lucio Schneider	Chief Marketing Officer	24	6	Former executive at Telefonica's DOOH business and Terra Networks.
Paulo Badra	Chief Operating Officer	22	22	Entire career developed at Eletromidia, Badra is the company's COO.

Source: Equitas Investimentos and Eletromidia.

Alexandre Guerrero has been Eletromidia's executive and partner for more than 16 years and is highly respected in the national OOH and advertising industry, being an active member in the Brazilian Out-of-Home Association (ABOOH). Guerrero has carefully conducted a process to select Marcelo Pacheco for the CSO chair, which will be a relevant position for the company to reach its mid-to-long-term goals. Due to its commercial DNA and the relevance of the commercial area to the company success, Guerrero will work closely to Marcelo to achieve the many existing goals, especially those related to integration with the technology layer.

Eletromidia's digital transformation is being carried out by its commercial team alongside Rodrigo Cadena and the technology professionals that came from NoAlvo's acquisition. Heitor Estrela and Gustavo Gondim, NoAlvo co-founder's, have joined ELMD as technology leaders and are aligned through a long-term stock option plan. Heitor and Gustavo have more than 10 years of experience as developers and technology architects, with relevant exposure to the digital media industry.

We consider Eletromidia's top management to be highly aligned with the company's long-term project. In 2021, 88% of the management team compensation was based on stock options granted on Eletromidia's 1st and 2nd stock option plan, 4.8% on fixed wages and 7.2% on variable bonuses.



Source: Eletromidia.

3.5 Environmental, Social and Corporate Governance (ESG) Evaluation

Eletromidia business model has low, if any, negative environmental impact to the society. Irrespective of that, the company has hired a specialized consulting firm to better communicate its many ESG initiatives and to develop KPIs and metrics to be disclosed to the market, as a best practice for publicly listed companies. The result of this initiative is to be released soon.

Eletromidia is highly engaged in ESG projects. A remarkable feature is the “Green Rail Project” (“Projeto Trilhos Verdes”), in which Eletromidia develops, in partnership with a large advertiser, a sustainable project for a selected train station in the country. The project comprises the redesign of the entire station, building a smart water collection system, installation of vertical gardens, deployment of photovoltaic energy panels and mural paintings, and many other features. Eletromidia already manages 2 sustainable stations, in partnership with Santander and Bradesco, two of the largest banks in Brazil, and has many other interested groups to discuss future projects.

First Green Rails Project – Vila Olímpia Train Station, in Partnership with Santander



Source: Eletromidia.

Another important project that it is worth highlighting refers to its recently signed contract to manage Porto Alegre's street furniture advertising. The project comprises the installation of 70 sustainable bus shelters in the city, which may occur during 2022.

4. Why We Invest in Eletromidia

Eletromidia combines a series of differentials that place the company much ahead of its competitors in Brazil. Its one-stop-shop platform and experienced management team have been contributing to an accelerated growth and market share gain over the years, operating in all sector verticals, with an estimated 40% market share in the country. Its data-driven approach and technology pioneering are key capabilities that may support Eletromidia to disrupt the sector and consolidate itself as its undisputable leader. The company is expected to grow its revenues at a 24% organic CAGR and EBITDA at 30% organic CAGR in the next 5 years, multiplying its market valuation by 4.0x.

4.1. Competitive Advantages

During our due diligence process, we were able to identify, and validate, a series of differentials and competitive advantages that have been built over the years by the company's shareholders and management team. Those pillars contributed to the construction of Eletromidia's top-notch platform and recognition among market participants. Below we describe the main competitive advantages and opportunities we identified for Eletromidia.

- **One-Stop-Shop Platform**

Eletromidia has the biggest footprint in terms of number of screens and vertical diversification in Brazil, which is a major distinction in the OOH sector, proving a better value proposition for advertisers and many scale gains versus competitors. In the OOH sector, city domination is a key advantage, easing the campaign management and allowing a better reach and impact on the target audience. We estimate the company reaches almost 40% of the country's GDP and 26% of its population, considering its current footprint. Additionally, there are many expansion opportunities that may be explored by the company, with some of them depicted in the table below.

Possible Future Expansion

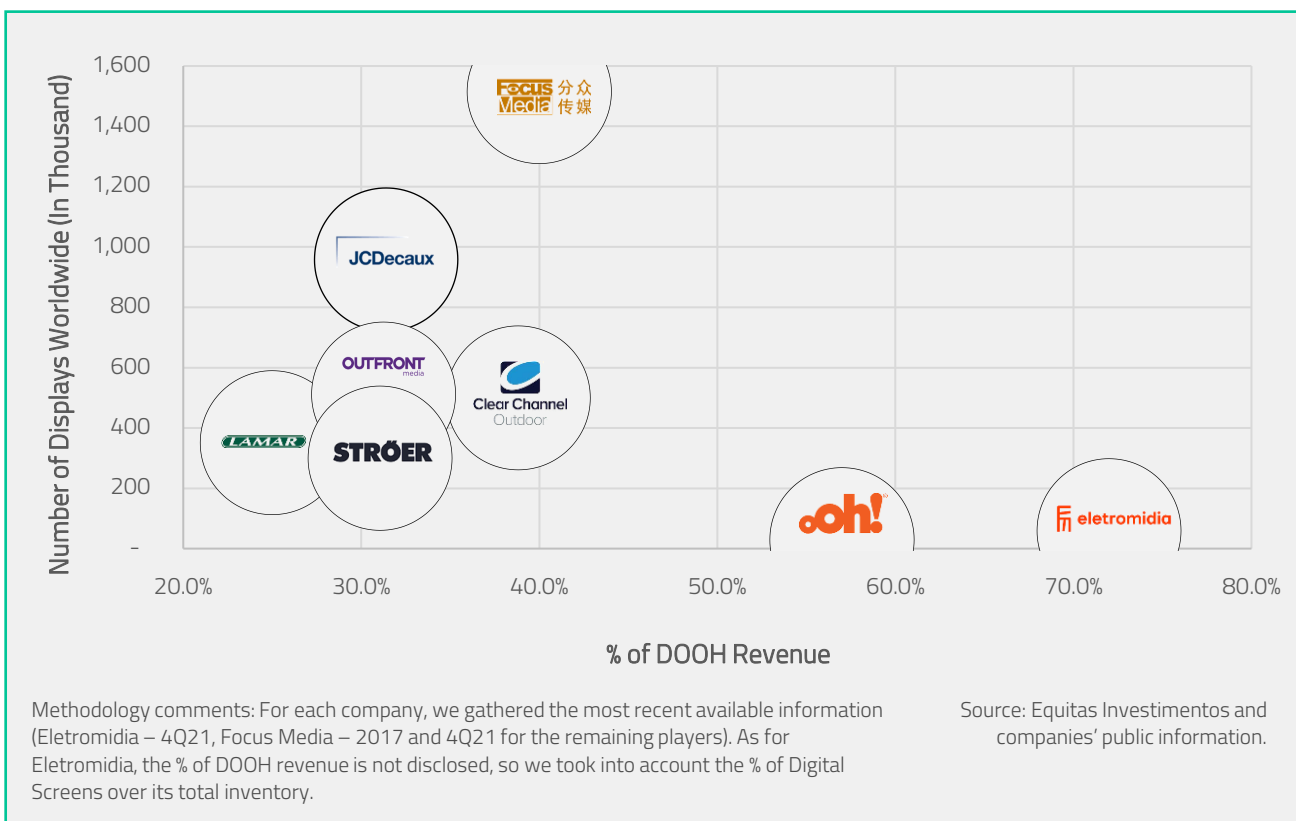
City	State	Business Vertical							% of Brazil GDP Accumulated	% of Total Population Accumulated
		Transport	Street Tem Bici	Street Newsstand	Street (Bus shelters and clocks)	Elevators	Malls	Airports		
Rio de Janeiro	RJ	ok	ok	ok	Pipeline	ok	ok	ok	4.9%	3.2%
Belo Horizonte	MG	-	Pipeline	ok	Pipeline	ok	ok	Pipeline	6.2%	4.4%
Curitiba	PR	-	Pipeline	ok	Pipeline	ok	ok	Pipeline	7.5%	5.3%
São Paulo	SP	ok	-	-	ok	ok	ok	ok	17.9%	11.1%
Porto Alegre	RS	-	Pipeline	-	ok	ok	ok	ok	19.1%	11.8%
Salvador	BA	ok	-	-	Pipeline	ok	ok	Pipeline	19.9%	13.2%
Fortaleza	CE	-	-	-	Pipeline	ok	ok	ok	20.9%	14.5%
Brasília	DF	-	ok	-	Pipeline	ok	ok	-	24.6%	15.9%
Santos	SP	-	-	ok	-	ok	ok	-	24.9%	16.1%
Recife	PE	-	ok	-	Pipeline	ok	-	-	25.7%	16.9%
Campina Grande	PB	-	-	-	-	ok	-	Pipeline	25.8%	17.1%
Campinas	SP	-	-	-	ok	ok	ok	-	26.7%	17.7%
Guarulhos	SP	-	-	ok	-	ok	-	-	27.6%	18.3%
Osasco	SP	-	-	-	-	ok	ok	-	28.7%	18.7%
Goiânia	GO	-	-	-	-	ok	ok	-	29.4%	19.4%
Diadema	SP	-	-	-	-	ok	ok	-	29.6%	19.6%
Ribeirão Preto	SP	-	-	-	-	ok	ok	-	30.1%	19.9%
Santo André	SP	-	-	-	-	ok	-	-	30.5%	20.3%
São Bernardo do C.	SP	-	-	-	-	ok	ok	-	31.2%	20.7%
São José dos Campos	SP	-	-	-	-	ok	ok	-	31.8%	21.0%
Sorocaba	SP	-	-	-	-	ok	ok	-	32.3%	21.3%
João Pessoa	PB	-	-	-	-	ok	ok	-	32.6%	21.7%
Natal	RN	-	-	-	-	ok	ok	-	33.0%	22.1%
Santana de Parnaíba	SP	-	-	-	-	ok	-	-	33.1%	22.2%
São Vicente	SP	-	-	-	-	ok	-	-	33.2%	22.4%
Barueri	SP	-	-	-	-	ok	ok	-	33.9%	22.5%
Guarujá	SP	-	-	-	-	ok	-	-	34.0%	22.7%
Jundiaí	SP	-	-	-	-	ok	-	-	34.7%	22.9%
Valinhos	SP	-	-	-	-	ok	-	-	34.7%	22.9%
Votorantim	SP	-	-	-	-	ok	-	-	34.8%	23.0%
Nova Lima	MG	-	-	-	-	ok	-	-	35.0%	23.0%
Campo Grande	MS	-	-	-	-	ok	-	-	35.4%	23.5%
São José dos Pinhais	PR	-	-	-	-	ok	-	-	35.8%	23.6%
Florianópolis	SC	-	-	-	-	ok	-	-	36.1%	23.8%
Maracanaú	CE	-	-	-	-	ok	ok	-	36.2%	24.0%
Aparecida de Goiânia	GO	-	-	-	-	ok	-	-	36.4%	24.2%
Cabedelo	PB	-	-	-	-	ok	-	-	36.4%	24.3%
Maceió	AL	-	-	-	-	ok	-	-	36.8%	24.7%
Niterói	RJ	-	-	-	-	ok	-	-	37.4%	25.0%
Duque de Caxias	RJ	-	-	-	-	ok	-	-	38.0%	25.4%
Vitória	ES	-	-	-	-	ok	-	-	38.3%	25.6%
Taboão da Serra	SP	-	-	-	-	ok	ok	-	38.4%	25.7%
Nova Iguaçú	RJ	-	-	-	-	-	ok	-	38.7%	26.1%
Cuiabá	MT	-	-	-	-	-	ok	-	39.0%	26.4%
Porto Velho	RO	-	-	-	-	-	ok	-	39.3%	26.7%

Source: Equitas Investimentos and Eletromidia.

- **Technology-driven approach**

In our view, Eletromidia’s platform built so far already represents an attractive investment thesis, but the upcoming possible reshape of the OOH sector through technology is the major opportunity, which may revolutionize the industry in the future. Eletromidia has been able to get a head start due to its high digitization level, which is the result of its leadership’s long-term view and strategic investments over the years. Currently the company has the highest share of DOOH comparing to the global leaders, which enables it to focus on data and metrics generation while its peers are massively investing to convert their enormous analog screens into digital displays.

Global Competitor Positioning



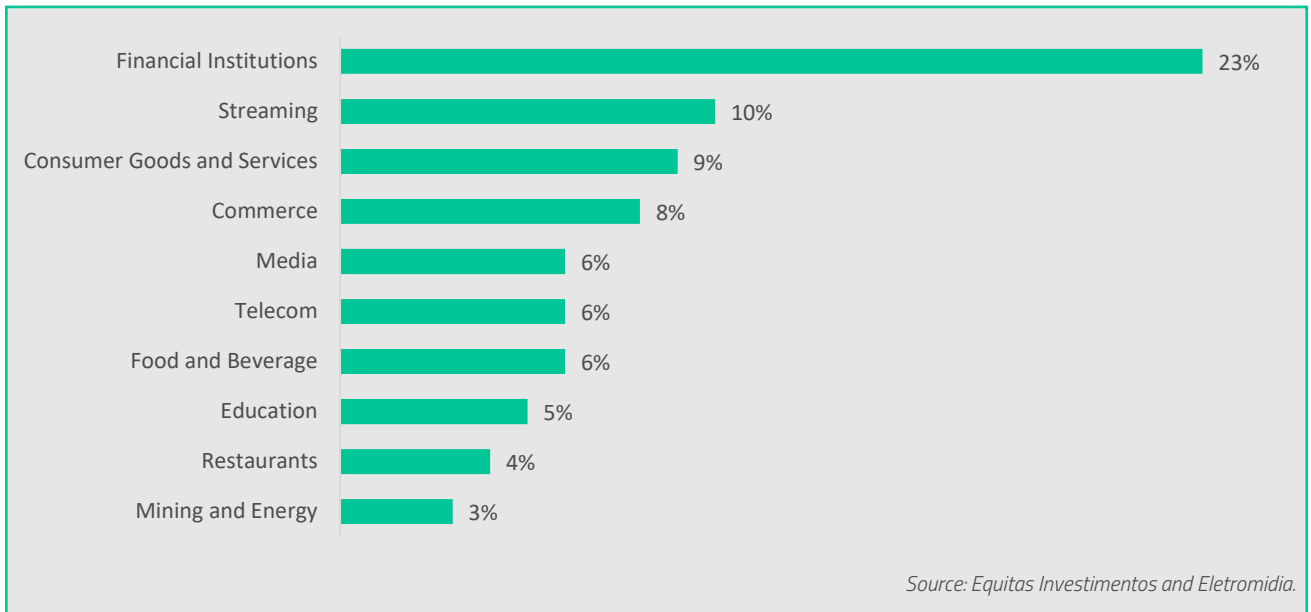
- **Experienced Management Team**

As said earlier, Eletromidia’s management team and board of directors is formed by highly experienced professionals from the advertising, media, and investment industries. The company has been able to attract the most talented executives in the past years due to its aggressive expansion plan, significant capital raised with private equity firms, well-recognized leadership, and innovative culture. Currently, as the first publicly listed company in the sector in Brazil and due to its market dominance, Eletromidia’s ability to attract talents is even higher.

- **Robust Client Base**

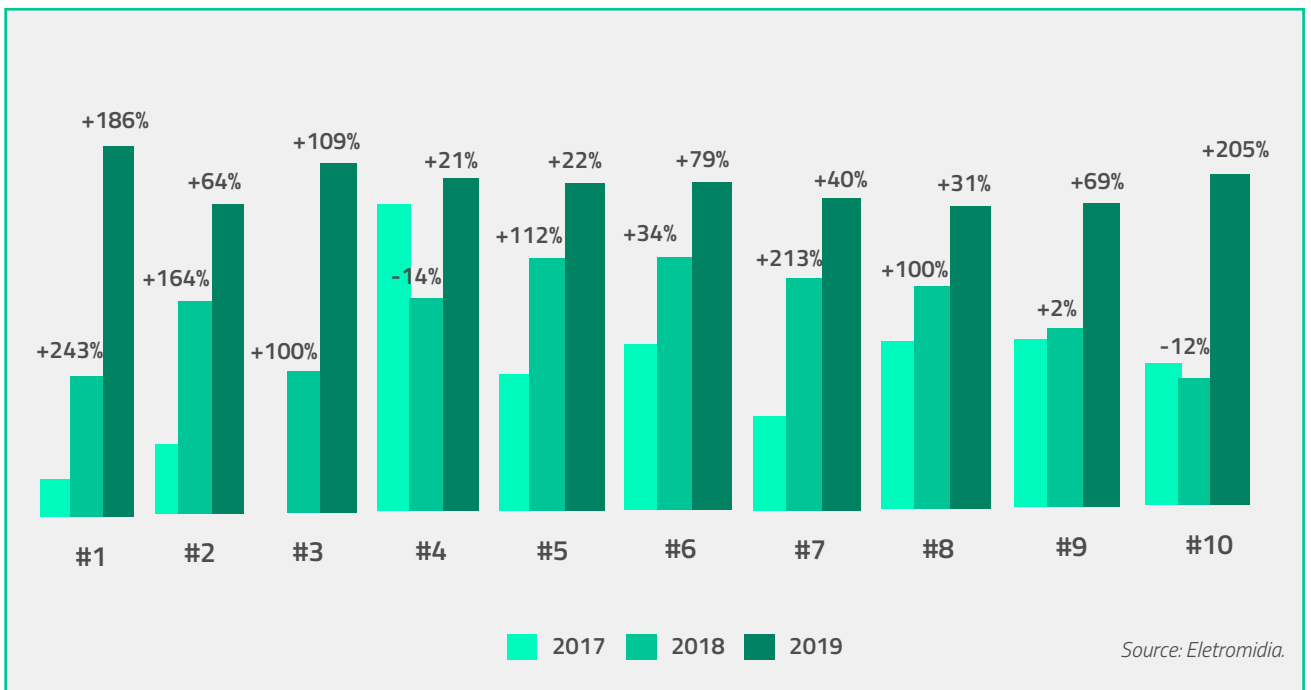
The company has a solid client base composed primarily by sizable companies across a wide variety of sectors. The high share of revenues coming from streaming companies reinforces previous evidence that OOH media optimizes digital campaign results.

Gross Revenue Breakdown by Client Sector



We also observe a high recurrence among top clients and a continuous increment in OOH media spending over the years. It is common to see changes in the ranking of top clients year over year due to different dynamics in their respective sectors, but churn and significant revenue reduction hardly ever occur.

Top 10 Clients: Evolution of the Investments in OOH with Eletromidia



In our view and according to interviews with market experts, the data layer addition to Eletromidia's business model may significantly contribute to the continuity of OOH investments increase by major clients. Additionally, it may also enable the attraction of many new relevant clients, which need more data and metrics to justify a relevant allocation of their marketing budget to the OOH media.

- **International Opportunity**

Despite it being a long-term opportunity due to the many existing growth avenues in Brazil, a possible international expansion has been mentioned in many discussions with the management team. There are many underpenetrated countries in terms of OOH investments, coupled with highly urbanized, verticalized and populous metropolis to be explored. Additionally, the lack of relevant consolidators poses an attractive opportunity to develop other markets as Eletromidia has been doing in Brazil, in regions such as Latin America and even the United States.

The expansion may be carried out through M&A since the management has already identified and dialogued with many possible targets in those regions. Moreover, the opportunity to develop the elevator vertical and the concept of one-stop-shop model in other geographies is clear, in addition to Eletromidia's widespread technology layer, which may disrupt the sector in the future and whose area is currently underexplored by other players.

4.2. Channel Checks – Interviews with Market Specialists

Our sources reinforced the power of OOH media when coupled with digital campaigns. Negative feedback regarding the lack of data shows that the technology evolution will be key to grant future OOH sustainability. The sector consolidation brings several benefits to the advertisers and marketing agencies.

During our due diligence, we interviewed several specialists to cross-check some thoughts and help in the validation of certain hypotheses and assumptions. As part of Equitas's investment process, after Eletromidia's IPO we have continued investigating those assumptions and we are constantly discussing and reevaluating our investment thesis. In this section we bring pieces of our latest interviews and highlight what we judge relevant to the case, either as a positive sign or point to be cautious (we omit the identity of the professional to preserve the confidentiality of each talk, as agreed with them).

- **Former executive at Netflix, Coca Cola, and other companies in Brazil**

"The combination of OOH and digital media works very well, and I think the OOH media may gain share in the coming years [...] Nowadays, the pure static OOH campaign has lost its appeal, with digital OOH campaigns being richer and more interactive [...] The main challenge for the industry is the lack of data, that jeopardizes the return estimation of each individual campaign, which is the opposite reality of digital media platforms [...] Netflix has been using OOH media for the so-called cultural awareness, similar to the first advertising of a newly launched movie, whose conversion and return may not be calculated [...] Eletromidia is the best OOH player, with the most sizable impacted audience, and a very close sales and post sales team, providing many insights to improve our campaigns"

- **Former executive at 99Food and other technology companies in Brazil**

"30% of our marketing budget is directed to OOH media, invested via Eletromidia and JCDecaux [...] We have noticed the power of OOH to brand consideration among the target audience, with low effect on brand development or client conversion [...] Digital media is unparalleled, providing valuable campaign reports [...] In cities where we have invested in OOH for a longer period, we have a higher and more loyal client base [...] In another technology company I have worked at, we used to strongly engage in OOH media after a noticeable client conversion saturation in certain regions and the result has always been as expected [...] I feel Eletromidia's team is quite flexible and creative compared to JCDecaux's, which only signs long-term contracts and with many non-negotiable terms"

- **Executive at Publicis, a global advertising agency, in Brazil**

"The traditional (analogic) OOH sector is stagnated due to its low availability of data in a period in which digital media has been continuously gaining relevance [...] The sector has evolved through DOOH, but the high sector fragmentation is a great drawback that many times precludes large advertisers from increasing investments in this media"

- **Former executive at Rappi and other companies in the food and beverage sector in Brazil**

"OOH campaigns only make sense and work well if deployed at high scale, achieving a considerable audience [...] In digital campaigns it is common to reach a point at which marginal conversion is extremely low and OOH fits perfectly to fill the funnel [...] We always work together with an advertising agency that develops the investment plan, hires, and coordinates the media providers [...] For us, large OOH campaigns may occur from time to time, to present a new product or concept. After that, strategic campaigns may be carried out in regions where the brand is still being developed [...] When selecting an OOH partner, we primarily take into consideration the number of digital screens and its scale, since it is troublesome and demanding to manage multiple providers"

- **General Manager at a business unit in a large Shopping Mall group in Brazil**

"Before hiring Eletromidia some years ago, we considered the possibility to run our proprietary OOH operation in the shopping mall I manage. However, besides the relevant investment in digital screens, the complexity of the business model led us to outsource this service. The OOH platform demand expertise to build a relationship and manage dozens of advertisers and content providers, run a technology platform to manage all screens in real time and have a considerable staff. [...] The screens installation by Eletromidia in our facilities was smooth and fast, and we are very satisfied with our relationship with the company."

- **Former Sr. Executive at Uber in Brazil**

"The company has always focused its marketing efforts on digital media campaigns, which allow easy measurement of CAC and KPIs per cohort. [...] We carried out many TV campaigns worldwide to attract more drivers and have faced challenges to evaluate the impact of OOH campaigns, both in the attraction of new users or app users. [...] In Brazil we aired an OOH campaign at Congonhas Airport, in São Paulo, and our impression was that the conversion result was unsatisfactory [...] when a company needs to cut a media budget, it starts by the one with lower available metrics"

- **Executive at Heineken in Brazil and former executive at other consumer goods multinational**

"The marketing agencies we work with suggest a media mix for our campaigns and we have an internal area that evaluates it based on data and statistics gathered from previous campaigns [...] we deem TV campaigns very easy to measure return on investment and digital media even easier [...] Mass media is more suitable to reach large audiences at a lower cost. To reach a targeted audience, digital media offers better results"

- **Partner at Tembici, a mobility Brazilian start-up and Eletromidia's business partner**

"In our own marketing campaigns, after making sense of the sector rationale, we started to direct part of the media budget to be allocated in OOH [...] Eletromidia has been selected as our business partner to install screens in each of our bike stations due to its superior flexibility, agility, and ambition [...] All Eletromidia competitors that we spoke with wanted to install part of the screens in a static format, while Eletromidia agreed to have 100% of digital screens in our project"

- **Marketing Director at a large shopping mall group in Brazil**

"We have been working with Eletromidia for many years and the high level of control and operating KPIs they have in place for all its inventory is impressive [...] For us it is unimaginable to run an in-house OOH operation due to its high complexity [...] We allocate part of our marketing budget to OOH media, hiring companies such as Eletromidia, JCDecaux and Otima to run ads in street furniture screens in São Paulo"

- **Executive at Burger King in Brazil**

"We define our marketing campaign and budget allocation alongside our partner marketing agencies. We always divide the budget into several media channels, most remarkably digital media, TV, and OOH. We see the digital and OOH media gaining share over other channels in the next years [...] The consolidation in the OOH sector would benefit larger advertisers, which would execute larger and more customized agreements"

- **Media executive at a multinational Beverage company**

"Eletromidia's commercial team is highly experienced and flexible in our negotiations [...] I manage a global media budget of near USD 2 billion and the OOH channel has an important role in our campaigns. We have proprietary statistical analysis that shows the positive impact that OOH generates when combined with digital media [...] We want to increase our OOH share in the media mix, but the lack of data has always been a restriction. [...] I have already been introduced to ELMD's new data platform and it works really well. I have recommended that our Brazilian media team test it, because I think it will be a game changer for the Brazilian OOH market"

5. Valuation and Financials

Given its growth potential and existing synergies, we see Eletromidia multiplying its revenues by almost 3.0 times in the next 5 years, reaching BRL 800 mm EBITDA by 2026. In this scenario, we estimate a 42% per year nominal IRR in the next 4 years.

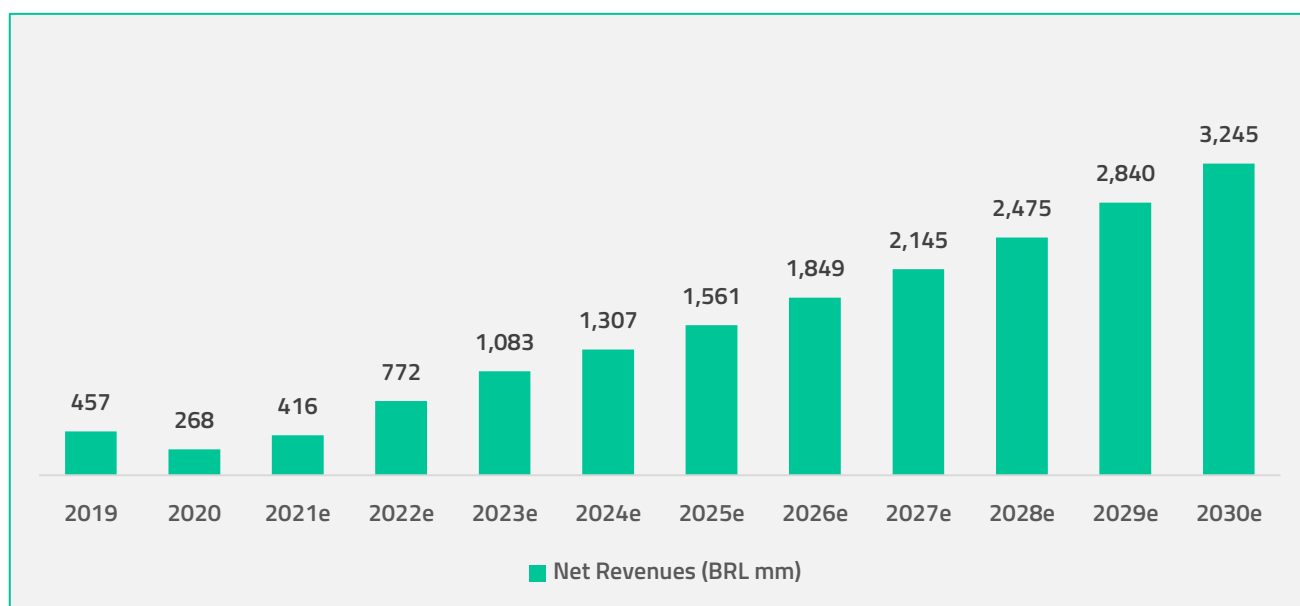
5.1. Projection Assumptions

We built an in-depth financial model per vertical and business unit (Eletromidia, Ótima and MOOHB) to better reflect the impact on revenue per screen and margins of each new operation consolidated in the group, weighed by their distinct growth profile and competitive dynamics. We start this section by presenting our success scenario, whose main assumptions are outlined below, and then discuss other scenarios and our estimated internal rate of return analysis.

- Our forecasts do not take into consideration a possible international expansion, with all figures relating to ELMD's Brazilian operations.
- Inventory growth in the buildings vertical, following the company's aggressive expansion plan within the residential elevators segment. We expect the company to more than double its elevators screens in the next years, reaching near 60k screens by 2030.
- Integration of Otima and MOOHB operations into ELMD's street vertical and implementation of their digitization and expansion plan. Moreover, we estimate additional 1.6k screens coming from Tembici project in the next years, which may have an even larger potential. We expect the company to reach 9.0k screens by 2026 in the street vertical and remain flattish going forward.
- In the airport vertical, we estimate the maturation of Congonhas agreement with no additional screens in the future, despite the existing possibility of increasing the contract going forward.
- We consider the transport and malls verticals displaying minor growth over the next years.
- In terms of pricing, we estimate revenue per screen growing in an accelerated pace in the next years, driven by (i) the recovery on people flow and urban mobility; (ii) a higher occupancy rate per screen, meaning more advertisements displayed per day; (iii) a shift in the industry monetization rationale, valuing audience instead of screens. These assumptions reflect the impact of more advertisers using ELMD's platform and a more widespread OOH culture, fostered by the intense use of data and metrics.
- We forecast the OOH market reaching 7% of the media spending in Brazil, implying a 14% CAGR in the next 10 years. Eletromidia should reach over 50% market share, having additional revenues stream from its marketplace and from the monetization of its technology capabilities applied to the OOH market.
- We see the company diluting its administrative expenses as the business ramps up and extracting synergies primarily from Elemidia and Otima acquisitions, surpassing the 40% EBITDA margin level until 2030.
- Significant expansion, digitization, and maintenance capex are forecasted over the next years, including the consideration related to ELMD's recent acquisitions. We forecast Capex to run around 10% on net revenues in the next decade, reflecting high investments related to digital screens maintenance and to technology development.

With the described assumptions, Eletromidia is expected to reach more than 100k screens in the next 8 years, driven mainly by the residential building and street verticals. However, as technology capabilities are developed in the sector, the inventory expansion should become less relevant, with monetization coming from audience segmentation, marketplace take rate and data intelligence.

Revenues Evolution



Source: Equitas Investimentos estimates

Taking into consideration our assumptions for each vertical, its growth profile, average revenue per screen, profitability margins and capex needs (impact on depreciation) we display, below, ELMD's forecasted consolidated P&L for the coming years. Please note that we expect an increase in EBITDA margins coming from the consolidation of Otima and Elemidia operations and the significant growth in the residential business vertical, whose lower levels of revenue share with site owners positively impact the company profitability.

Also, the company's revenue growth significantly outpaces its inventory evolution, due to a shift in the monetization dynamic and additional revenue streams related to its technology platform.

Eletromidia's Forecasted Consolidated Income Statement

Income Statement - BRL mm	2019	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Gross Revenue	546	346	488	906	1,271	1,535	1,833	2,170	2,518	2,905	3,334	3,809
YoY Growth	123.4%	(36.8%)	41.2%	85.7%	40.3%	20.7%	19.4%	18.4%	16.0%	15.4%	14.8%	14.3%
OOH Market Share	24.8%	25.0%	25.7%	38.0%	45.0%	46.3%	47.5%	48.8%	50.0%	51.3%	52.5%	53.8%
Net Revenue	457	268	416	772	1,083	1,307	1,561	1,849	2,145	2,475	2,840	3,245
YoY Growth	113.0%	(41.3%)	54.9%	85.7%	40.3%	20.7%	19.4%	18.4%	16.0%	15.4%	14.8%	14.3%
Cost of Services Provided	(203)	(179)	(247)	(447)	(562)	(658)	(752)	(866)	(995)	(1,140)	(1,306)	(1,495)
Gross Profit	255	89	169	324	521	649	810	983	1,150	1,334	1,534	1,750
% Gross Margin	55.7%	33.1%	40.6%	42.0%	48.1%	49.6%	51.9%	53.1%	53.6%	53.9%	54.0%	53.9%
Operating Expenses	(149)	(152)	(160)	(160)	(196)	(227)	(263)	(304)	(348)	(399)	(458)	(527)
Operating Profit	106	(63)	9	165	325	422	547	679	802	935	1,076	1,223
(+) Depreciation	26	65	72	96	101	116	118	124	136	149	164	181
Adjusted EBITDA	129	22	87	261	427	539	665	803	938	1,084	1,241	1,404
Adjusted EBITDA Margin	28.2%	8.2%	20.9%	33.9%	39.4%	41.2%	42.6%	43.4%	43.7%	43.8%	43.7%	43.3%
Financial Results	(14)	(30)	(25)	(51)	(74)	(66)	(56)	(46)	(29)	(18)	(5)	8
EBT	91	(94)	(16)	114	251	357	491	633	773	917	1,071	1,231
Corporate Taxes	(33)	24	5	(39)	(86)	(121)	(167)	(215)	(263)	(312)	(364)	(418)
Net Profit	58	(70)	(11)	75	165	235	324	418	510	606	707	812
Net Margin	12.8%	(26.0%)	(2.8%)	9.8%	15.3%	18.0%	20.8%	22.6%	23.8%	24.5%	24.9%	25.0%

Source: Equitas Investimentos forecasts

We present, below, the free cash flow analysis, considering the assumptions already stated as well as estimates for infrastructure maintenance, M&A payables and working capital investments that will be required in the coming years.

Projected Cash Flow

BRL mm	2019	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Adjusted EBITDA	129	22	87	261	427	539	665	803	938	1,084	1,241	1,404
Non Recurring Expenses	2	(20)	(5)	(1)	-	-	-	-	-	-	-	-
Corporate Taxes (ex Tax Shield)	(38)	16	(3)	(56)	(111)	(144)	(186)	(231)	(273)	(318)	(366)	(416)
Working Capital	(17)	71	(91)	(117)	(127)	(94)	(113)	(123)	(123)	(145)	(166)	(190)
Capex	(44)	(606)	(102)	(481)	(152)	(219)	(175)	(146)	(180)	(211)	(264)	(323)
PP&E	(44)	(32)	(78)	(88)	(121)	(188)	(160)	(132)	(166)	(211)	(264)	(323)
Intangible and M&A	-	(574)	(24)	(393)	(31)	(31)	(15)	(15)	(14)	-	-	-
FCFF	32	(517)	(114)	(393)	37	81	192	303	361	410	445	475
Tax Shield - Corporate Taxes	5	8	8	17	25	22	19	16	10	6	2	(3)
Capital Raise (Equity and Debt)	94	484	(60)	(81)	-	-	-	-	-	-	-	-
Financial Results	(14)	(30)	(25)	(51)	(74)	(66)	(56)	(46)	(29)	(18)	(5)	8
Dividends	-	-	-	-	-	-	(59)	(81)	(209)	(255)	(303)	(354)
IPO Proceeds	-	-	700	-	-	-	-	-	-	-	-	-
Other Equity Variations	(58)	91	(13)	6	(0)	-	-	-	-	-	-	-
FCFE	58	35	495	(502)	(12)	38	96	192	133	143	139	127

Source: Equitas Investimentos estimates.

5.2. Valuation and Sensitivity Analysis

Based on a current nominal WACC, in BRL terms, calculated as 12.5% per year, we estimate a fair value ("Equitas Valuation" in the table below) of BRL 5.5 billion, 164% above current market cap of BRL 2.1 billion, as per ELMD share price in the May 18, 2022. The presented forecasts imply a 42% per year nominal Internal Rate of Return (IRR) and we estimate the company can be worth 8.0x more in 10 years.

Refer to the summary below that includes the valuation estimates as well as multiple analysis

Valuation Summary

Valuation - BRL million	Equitas Valuation	Market Value 18/05/2022
Enterprise Value	6,273	2,818
(-) Net Debt 4T22e	(710)	(710)
Equity Value (Market Cap)	5,563	2,108
BRL per Share	39.74	15.06
Upside	163.9%	
EV / EBITDA 2022 (Ex Minorities)	26.6x	11.7x
EV / EBITDA 2023 (Ex Minorities)	16.1x	7.1x
Adjusted P/E 2022 (Ex Minorities)	57.2x	21.7x
Adjusted P/E 2023 (Ex Minorities)	32.0x	12.1x

Methodology comment: For the P/E Multiple calculation we take into consideration an adjusted Earnings estimated by Equitas Investimentos. The adjustment comprises the exclusion of part of the company intangible amortization, which relates to internally developed software originated from Elemidia acquisition. The adjustment ranges near BRL 17 million in 2022 and BRL 13 million in 2023. We deem most accurate to look at ELMD's multiples this way since the software amortization does not represent future reinvestment needs and will decay to zero in the next few years, representing, in our view, a non-recurring non-cash expense.

Source: Equitas Investimentos estimates.

5.3.Comparable Multiples Analysis

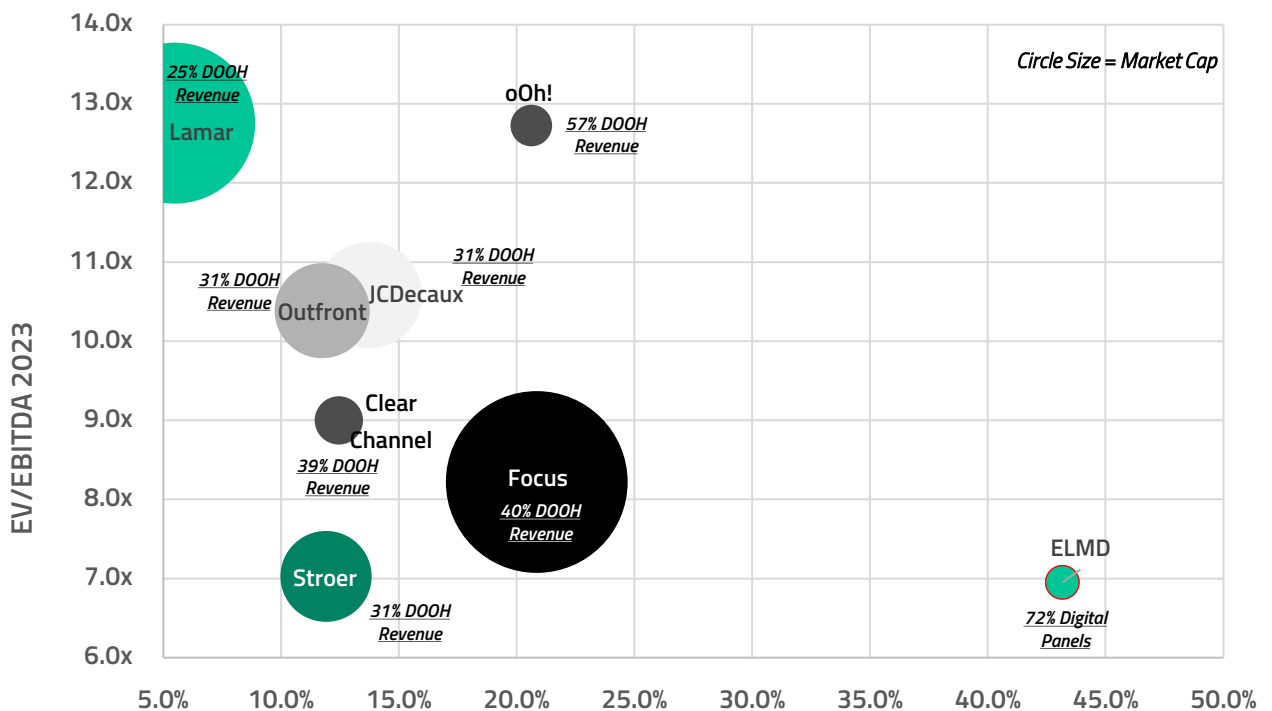
Below we present a comparable multiples table with data gathered at Bloomberg for major listed healthcare players abroad (For Eletromidia figures, we adopted our estimates, as indicated). We highlight that ELMD presents the highest expected EBITDA growth for the next 2 years among its peers and the most attractive PEG ratio for 2022e. Also, the company trades at a discount to global average in terms of EV/EBITDA. In relation to the P/E multiple, ELMD trades at a premium to global average, but we do not think this is the best metrics to compare global players in the OOH space due to i) different corporate tax structure among countries; ii) distinct level of financial leverage among peers; and iii) Eletromidia greatest digitization level leads to higher PP&E, annual depreciation and, consequently, net profit margin.

Group	Country	Source	Currency	Market Cap	EBITDA				P/E		EV/EBITDA		
					2022e	2023e	2024e	CAGR	2022e	2023e	2022e	2023e	PEG 23
Focus Media	China	Bloomberg	USD mm	12,242	1,336	1,377	1,952	20.9%	11.0x	10.8x	8.5x	8.2x	0.4
Lamar Advertising	USA	Bloomberg	USD mm	9,589	911	986	1,014	5.5%	19.6x	18.1x	13.8x	12.8x	2.3
JCDecaux	France	Bloomberg	USD mm	4,188	638	848	826	13.7%	26.6x	17.0x	14.1x	10.6x	0.8
Oufont Media	USA	Bloomberg	USD mm	3,363	472	552	589	11.7%	21.9x	15.5x	12.2x	10.4x	0.9
Stroer	Germany	Bloomberg	USD mm	3,086	601	678	753	11.9%	15.4x	12.5x	7.9x	7.0x	0.6
Clear Channel	USA	Bloomberg	USD mm	867	576	672	729	12.5%	n.a.	14.8x	10.5x	9.0x	0.7
oOh! Media	Australia	Bloomberg	USD mm	641	86	98	125	20.6%	17.4x	14.2x	14.5x	12.7x	0.6
Eletromidia	Brazil	Equitas	USD mm	434	53	87	110	43.5%	21.7x	12.1x	11.7x	7.1x	0.2
Industry Average (ex Eletromidia)									18.7x	14.7x	11.6x	10.1x	

Methodology comment: For the PEG calculation, we multiply the 2023 EV/EBITDA by the 2-year EBITDA CAGR of each company.

Source: Equitas Investimentos and Bloomberg Data for the 18th May 2022.

2 - Year EBITDA CAGR vs EV/EBITDA 2023



2 - Year EBITDA CAGR - % per year

Source: Equitas Investimentos and Bloomberg Data.

Methodology comment: For % of DOOH Revenue and Digital Panels, the most recently disclosed figure have been adopted.

6. Investment Risks and Downside Analysis

The main risk for the company going forward is a slower-than-expected evolution in the development of metrics and KPIs. It could be caused by possible challenging shifts in the industry logic and sales model that should be incorporated by the company's commercial team and by the major advertisers.

Below we list the main risk factors that could negatively impact the company's success story in the years to come, which are predominantly connected to the execution of its growth strategy and integration of key acquired assets.

- **Execution Risk:** Eletromidia has been successfully providing a world class OOH service to its vast client portfolio, but will undergo a challenging period of integration of sizable, acquired assets and execution of an aggressive inventory expansion. The test will be even harder coupled with the many obligations as a publicly listed company and the management of more than 60k screens across the country. The current growth plan is fundamental to the company success and many new business opportunities may emerge in the future, which will be easily captured by Eletromidia should it be in good shape after those big tasks to be delivered in the coming years.
- **Technology Evolution:** The technology opportunity ELMD has on its hands is, in our view, the most relevant optionality in the investment case, which could reshape the OOH industry in Brazil and abroad, placing ELMD at the industry forefront. In this scenario, we understand the company's growth projections may be even steeper and many new opportunities may be triggered in the long-term. However, in case the company's technology development loses traction and Eletromidia is unable to innovate and create a full-scale technology layer in the OOH industry, the investment case can be compromised, and Eletromidia may become a large dominant player in a declining and obsolete sector.
- **Future of OOH:** Historic data shows that the traditional OOH sector is losing ground to digital media and the DOOH formats will be the sector's future. We think the OOH sector may face 2 possible scenarios in the coming years and the sector leaders, especially ELMD, will have a key role to determine what will be the industry future: (a) with low innovation and difficulty to convert the massive analogic inventory, the OOH media loses market share in the advertising budget to digital media and becomes an irrelevant and declining media channel, such as the case of radio and newspapers; (b) with the successful data layer implementation and widespread of OOH advantages and benefits when added in a marketing campaign, the advertisers start increasing their allocation of OOH media. As detailed in the "Brazil Outlook" section, we think we could face a virtuous cycle, which would benefit the entire OOH industry and improve the advertiser's capital allocation and campaign results.
- **COVID-19:** Despite having a short-term impact in the sector, not compromising its long-term prospects, COVID-19 significantly affected urban mobility and put many OOH players in financial stress. This was not the case for ELDM, the most capitalized player in the industry, but a possible third COVID-19 wave would delay ELMD's plans and preclude new investors from evaluating a possible investment in the company.

A combination of the above-mentioned factors may lead the company to remain overlooked by major investors in Brazil and abroad and having a lower market liquidity in the Brazilian stock exchange, ending up providing low return to invested capital by its investors.

Below we present a sensitivity analysis on our estimated 4-year IRR based on the 2 main assumptions that affect the investment case:

- (i) the OOH share in the media mix that Brazil will reach in the next 10 years. Based on the technology disruption that Eletromidia is leading and on successful international benchmarks, we estimate the country should achieve a 7% share by 2031; and
- (ii) Eletromidia’s market share evolution in the OOH industry over the next decade. Currently the company has near 40% market share and we estimate it should surpass 50% by 2031.

Nominal 4-Year IRR - % per year

		% OOH Share in the Media Industry - 2031						
		4.0%	5.0%	6.0%	7.0%	7.5%	8.0%	8.5%
Market Share ELMD 2031	40.0%	14.7%	19.5%	23.8%	27.7%	29.5%	31.3%	33.0%
	45.0%	18.2%	23.4%	28.1%	32.4%	34.4%	36.3%	38.1%
	50.0%	21.7%	27.4%	32.5%	37.2%	39.3%	41.4%	43.4%
	55.0%	25.1%	31.4%	37.0%	42.0%	44.4%	46.7%	48.9%
	57.5%	26.8%	33.3%	39.2%	44.5%	47.0%	49.4%	51.6%
	60.0%	28.4%	35.3%	41.5%	47.0%	49.6%	52.1%	54.5%
	62.5%	30.1%	37.3%	43.7%	49.5%	52.3%	54.9%	57.4%

Source: Equitas Investimentos forecasts and Bloomberg data

7. Why we are Different from Consensus

We observe some huge information asymmetry regarding what the overall investor knows about the investment case and the bright future and many opportunities we see for the Eletromidia going forward. Additionally, the stock’s low average liquidity and company’s size are also factors that reduce the number of investors looking at the company.

Eletromidia has faced a “perfect storm” since its IPO, held in early 2021, amidst the COVID-19 outbreak that raised many questions regarding the recovery pace of its revenues and for how long the pandemic would negatively impact urban mobility. Additionally, many technology companies that IPOed in the past market window had their market price strongly devalued after market concerns on their real technology capabilities and ability to turn profitable in a foreseeable future. In our view, this factor coupled with a challenging macro scenario presidential election period, increased investors risk aversion and precluded them from evaluating new investment opportunities, especially those companies that have technology initiatives.

The described scenario and ELMD’s BRL 2.1 billion market capitalization led the stock to have a low liquidity (around BRL 2 million average daily trading volume) and to be covered by few equity research and buy-side analysts in Brazil. In many of our past interactions with those market participants we have observed a huge knowledge gap about the investment opportunity, the OOH sector and especially, the relevant technology initiatives ELMD is putting efforts. Additionally, the few investors that had a basic knowledge about the company knew about its market leadership but described the OOH sector as being highly commoditized and associated it with the installation of digital screens in elevators.

Therefore, in our view there is huge information asymmetry regarding Eletromidia and part of its price dynamics after its IPO is explained by the pure unfamiliarity of other market participants.

EQUITAS



Equitas Investimentos

Rua Funchal - n. 375 ■ Conjuntos 151 e 152
CEP. 04551-060 - Vila Olímpia - São Paulo