

## Q4 2021 Earnings Call

### Company Participants

- Fernando Biancardi Cirne, Chief Executive Officer
- Rafael Chamas Alves, Chief Financial and Investor Relations Officer
- Unidentified Speaker
- Willians Marques, Director, Retail Commerce

### Other Participants

- Andre Salles, Analyst
- Enrico Trotta, Analyst
- Marcelo Santos, Analyst
- Unidentified Participant

### Presentation

#### Operator

(foreign language) -- Results of Quarter Four, 2021. Today, we have here with us, Fernando Cirne, CEO; Rafael Chamas, CFO and IRO; Higor Franco, BeOnline and SaaS Director; Willians Marques, Retail Commerce Director; and Alessandro Gil, Enterprise, Commerce, and SaaS Director. This meeting is also being simultaneously broadcast on the Internet via webcast and can be accessed at [www.ri.locaweb.com.br](http://www.ri.locaweb.com.br), by clicking on the link, Webcast Q4 '21. The slide presentation is also available for download on the webcast platform. This conference is also being simultaneously translated into English for the convenience of our foreign investors.

Before proceeding, we would like to mention that any forward-looking statements made during this conference call relative to the prospects of Locaweb and the company's projections and operating and financial targets are based on beliefs and premises of the company's management, as well as on information currently available to the company. These forward-looking statements are not a guarantee of performance. They involve risks, uncertainties, and premises since they refer to future events, and therefore, they depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions, and other operating factors may affect the future performance of Locaweb and may lead to results that differ materially from those expressed in such forward-looking statements.

For the Q&A session, please send your questions using the Q&A icon on the bottom of your screen. Your name will be announced and you can ask your question live. At that point, you will be prompted to activate your microphone.

Now, I would like to turn the conference over to Mr. Fernando Cirne to start his presentation. Mr. Cirne, you may proceed.

## **Fernando Biancardi Cirne** {BIO 22072821 <GO>}

Hello, everyone. Welcome to our conference call for the results of quarter four, 2021. I'd like to thank all the analysts and all the associates of Locaweb who helped us deliver these results.

So let's start with the quarter highlights and the highlights for 2021. The first important point is that the company's net revenue posted a stronger growth than that posted in the third quarter; 65.7% for quarter three and in quarter four, it went up to 75%. We also saw an acceleration in the organic net revenue growth of the Commerce segment in quarter three; the growth was 34% and in quarter four, it was 42%. This indicator is very important, because it's an organic indicator not affected by the acquisitions.

And despite the reopening of the economy, we -- after quarter two, '21, we were able to keep the same pace of customer addition in the Commerce segment. So, quarter three and quarter four were very interesting to us due to our higher investments in marketing and due to the evolution of our products, and you're going to hear more about that later on. And finally, as a consequence of the addition of new customers, our recurrent customer base, including Tray, Bagy, Dooça, and Bling, showed a constant growth throughout the year 2021, reaching 123,200 subscriptions.

On the next slide, we see on a Base 100 for quarter one, 2020, when we already saw some influence at the start of the pandemic, we see that since the second quarter of '21, we continued to present a slight growth; and after the reopening of the economy in quarter three and quarter four last year, we have stable addition of new customers. Our operation in Commerce is totally stable and we continue to bring on new customers very consistently, because starting quarter three -- so in quarter three and quarter four, we increased our investment in marketing. This is very interesting and the direct consequence can be seen here in the evolution of our customer base.

So since quarter one, 2020, we went from 50,000 subscribers to 123,200 subscribers in quarter four last year. So from quarter four, 2020 to quarter four, 2021, we saw an increase of 53% in our paying subscriber base, which is very interesting. And if we look at this data quarter-by-quarter, we see that we have very steady, very consistent growth. This shows that our strategy to continue growing through higher investments is a very interesting strategy.

Let's continue with the quarter highlights. Along with the higher investments in marketing, we are also investing more in R&D. We saw an acceleration of the integration of the acquired companies. The integration of the acquired companies is a very important process for us; also, the onboarding process. We know that when we have so many new customers and when we have so much complexity in the Commerce environment, we really need to help our customers use our tools in a more friendly and an easier way and finally, we have integrations with big techs. Locaweb had very large integrations, for

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example, with Instagram, Facebook, WhatsApp, and we will continue to invest in these very important integrations. Another important point was the stabilization of our organic margins. For Commerce, we have had, for two consecutive quarters, levels of 35%; and for BeOnline and SaaS, in quarter three, we had 70% and now, we are close to 20%. So we had oscillated close to these two numbers here.

We can't really say that we saw growth, but these are natural observations of our operations. Consolidation of our leadership in the SME market as the best product, despite a more capitalized competitive environment, we were able to build the most complete ecosystem for SMEs. We are now working with payment, logistics, lead generation, ERP. Today, our customers can have most of their needs met in order to operate in this ecosystem. And this ecosystem is increasingly complete. This environment -- this Commerce environment is increasingly complete and we can solve all our customers' end user demands with this ecosystem. And we also have a very agnostic platform and we offer a great number of integrations if the customer doesn't want to use our own solutions. To date, we have integrations with more than 600 other solutions.

And you're going to hear more about this later, but an important point is that we started to build a unified vision for our customer, integrating all the acquired companies into one single dashboard. So, it's much more than just an integration. Our customers will be able to find what they need in one single dashboard, and that's what I always tell our investors. The Commerce environment is becoming more and more complex. In order to be present online, you need different tools, and we need to make this more and more friendly to our customers. That's why we are building this unified vision for the customer within our environment.

Now, moving on to the next slide. We are now talking about what we call the Rule of 40. This is an indicator that we often used for self-growing companies and it is the sum of the growth of the net revenue and the EBITDA margin. Considering all our organic operations, we have reached 46% in quarter four. Now, when we look at the organic Commerce operation only, that revenue grew by 42% and EBITDA margin increased by 34%. So, Rule of 40 reached 76% in quarter four, '21, and this is always comparing year-over-year. 76% is a very interesting figure.

And now, I'll hand it over to Willians, and he is going to take you more about our unique view of the customer. Willians?

### **Willians Marques**

Good afternoon. Here on slide number 9, we have our unified view of our ecosystem and on a three-layer view. So what we are showing here, as the effort that we are making to build this ecosystem, focusing mostly on SME companies and their need, and we came up with this unified solution to offer them. We are ranking [ph] the best solutions of the market, including solutions from acquired companies and also solutions from other units that Locaweb has and we are offering these solutions to our customers in one single dashboard.

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So here on the right, we have three layers. We have our unified solution, partners, and education, and I'm going to focus on this first layer, which is our unified solution. (inaudible) to offer our customers all solutions they need, from support, logistics, customer service, marketing and sales, by integrating with critical media [ph], omnichannel, online payment, financial services, and the management of their business. So ERP is a great churn [ph] and insurance [ph] of employees, our customers will find on our platform all their basic needs, all the basic needs that they have in order to manage their business and grow their skills.

(inaudible) as an example, we are going to focus on one of these points here, marketing and sales. But for each of these points, we are advancing the results. But looking specifically at marketing and sales, which is the area we are -- where we're putting the most (inaudible) today, because we want to help our customers sell more in their own business and also sell more through different channels.

So within marketing and sales, we have our integration with marketplaces. So here, we have the Tray platform, which has always had a native marketplace as a core, and we are increasingly connected with new marketplaces that are now upgrading in Brazil, and our solution is always listed among the top solutions by all these marketplaces, both in terms of number of customers and also the quality of the integration.

And also, we have two highlights here in terms of innovation and technology. These highlights show how much Locaweb is in the forefront, bringing its customers the latest novelties and the latest innovation, which include our integration with Facebook and WhatsApp. Ours was the first platform in Latin America to make this integration available and in the case of Facebook, it really makes the lives of our customers here so that they can run campaigns on Facebook and they are able to measure the results.

And for WhatsApp, we are also the official API -- WhatsApp API for a company that previously couldn't work in an automated manner. So now, with all the integration that we have within Locaweb, we are able to deliver for our customers through WhatsApp smart and automatic tools for shopping cart recovery, for increasing customer loyalty, and increasing sales using the main direct communication channel that we today in the world, which is WhatsApp.

We also saw many developments in our integrations with other social networks, such as Instagram, and we are soon to launch our integration with TikTok and we are also opening new sales fronts, new ways of selling online that we are going to offer to our customers. One of them is dropshipping, which means that our customers no longer need to have stocks of their products in order to sell, and we manage the integration with suppliers and all the technology required for integration.

Also, conversational commerce, which is another trend that we have today and we have supported the Group, support from Octadesk, which has been supporting us towards this integration to converge commerce and conversation. And we also have our operations with Squid, which today is the dominant player among influencers, and we are also create a solution for SMEs, which so far couldn't access this way -- or this marketing way, which is

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so string today. And through email marketing, we are adding intelligence to a traditional tool that still works very well today.

Now, moving on to the second layer, it's important to stress that even with all of these solutions offered in a very transparent way, our platform continues to be open and continues to be connected to all the companies in our ecosystem. This is very important, because on one side, we are delivering a simpler solution to our customers and on the other side, we are maintaining an agnostic platform, which allows us to work with more than 600 solutions and products from other companies. So, partners is a very important layer in what we do, and we are always being (inaudible) this part of the solution, always investing in new API, also offering services and themes and really strengthening our network of partners. And our partners also are able to make a lot of money working with this. This is a very positive, mutual relationship that generates revenue for all the companies involved.

And finally, we have our education layer. We have always had a very strong focus on the development of our clients and the success of our clients, and education plays a key role here, in our opinion. We want to inform our customers -- customers that are not digitalized, customers that are still much more present in the physical world, how they can be present online and which strategies they can use sell online. So, education has always been an important pillar for us and it is now in an integral part of our ecosystem strategy.

Now, moving on slide number 10. Here, we have in a more materialized view this unified solution that we are offering. This is so that you can compare this with traditional solutions, conventional solutions, because most of our competitors today use API integration, and having this unified solution makes much more sense to us, because our customer has one single dashboard. They don't have to switch between dashboards, they don't have to log into other spaces; they have to have different subscriptions; and we have one single interface, one single platform with integrated elements, so our customers feel like they are in one single environment, they can use all these solutions.

And here, we have some examples of companies that we acquired in our M&A process and how these companies also offer solutions within our ecosystem. So for example, Squid, Etus, and Social Miner are already offering marketing and sales solutions; Octadesk with marketing and sales solutions and conversational e-commerce, and also customer support. And everything related with payments and financial services is also being offered transparently and unified view for Vindi, our online payment solution, and Credisfera with credit solutions that we're already offering to our customer base.

In logistics, we have Melhor Envio, which is totally integrated with Tray and all our customers are already using Melhor Envio in a very transparent way, like all the other solutions. And for omnichannel, we have integration with the physical world. We are advancing ConnectPlug to bring our physical customers in POS so that they can sell online using the Tray technology and still retain their offline sales in connection with their online sales. So this will open a world of possibilities in terms of reconciliation and in terms of bringing our customers more real and accurate information about their (inaudible).

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Also, integration through APIs. I try to give the example of Bling, which is one of our acquired companies, which is in our M&A portfolio. For the context here is that Bling will be much more sensitively used. So in this case, it doesn't make sense for customers to use Bling in a transparent manner, because they will use it very sensitively, and Bling offers all the tools the customer needs for a superior management level. So here, we have all the information being synchronized, but the customer will access Bling through their dashboard. And here, we also have other online (inaudible) Locaweb. Also, all our ERP integration, we have more than 430 ERP solutions integrated; also, marketing and sales support. And in total, we have more than 600 other companies connected with the ecosystem and our platform.

Next slide. This is to show you the Octadesk. So how dose this transparent connection appear to our customers? So on this screen, we see the virtual store inside Tray. And in this white area, the Octadesk software is running for a sales application or a customer service application. So within the same environment, within -- in -- on the same dashboard, without a customer having to log into a different environment. So this is our idea of an integrated ecosystem and this is how we believe we're going to deliver much better experience to our customers so that they can have greater success in their sales and continue growing their business, and this is how we improve the company's profitability in the long term.

Now, I'm going to hand it over to Fernando, and I will be available in the question-and-answer session.

### **Fernando Biancardi Cirne** {BIO 22072821 <GO>}

Thank you, Willians. That was a very clear explanation. We have this requirement in the market which shows how we are evolving in our integration and unified view of our customer.

So now, let's continue. We -- now, we have -- we -- this slide shows the acquired companies. Most of the acquired companies are moving according to the business plan. So the acceleration of our growth and profitability should be achieved within a four-year period. So these are companies that are starting with us, so we are focusing on growth and betterment of profitability. This is this part of the business plan that we are building with the acquired companies and you're going to hear more about this shortly. So the performance of our acquired companies, we have some data already from the three large acquired companies, Bling, Melhor Envio, and Squid.

Bling and Melhor Envio are showing a performance above what was planned. These two companies together account for 50% of the revenues of the acquired companies. And quarter-over-quarter, the growth levels are above 75%, which is very interesting. Squid suffered a little bit in quarter four, '21, but it is already recovering really well and it actually recovered really well in quarter one, '22 and it is now at 40% growth year-over-year compared with quarter one, '21.

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Now, some indicators of our acquired companies. In Bling, we like to look at the GMV of the invoices issued. And when we compare quarter four, '20 with quarter four, '21, there was a 60% increase. And this is an important piece of data, because we're talking of quarter four, '21 with BRL21 billion in invoices issued by Bling. So this shows how important Bling is within our Commerce ecosystem.

And in the case of Melhor Envio, we like to work with a number of labels issued. So it's important to show this constant growth curve. We have an increase of 79% year-over-year. Now, as for the GMV of our Commerce platform, which includes Tray, Tray Corp, and Dooca, we saw a growth of 26% year-over-year. And another very interesting indicator is the TPV, for which we saw an increase of 59% year-over-year. We also have another indicator here, which is the TPV generated in synergies, and this has reached 19% of the total TPV. This is an indicator that shows the evolution of the synergies within the Group. This means that we are advancing really well and that we have been able to really capture these synergies and generate the results that we expected. And one of the forms to measure that is through the TPV indicator.

And finally, in addition to investing in marketing and technology, we are also strengthening our Commerce team. The Commerce division -- the Commerce segment is gaining representativeness within the Group, so besides Willians -- and Willians is now celebrating 10 years of Tray, 10 years with us in the Group. But also, earlier this year, we added Alessandro Gil to our team. He's going to be the Enterprise, Commerce, and SaaS director; and Rodrigo Dantas, who came from Vindi and will be managing our payment solutions. We made a change now and we combined Yapay and Vindi and Dantas and Willians will be responsible -- and this shows how the acquired companies are a force of very talented executives, very talented professionals to the company. And today, we have this very big representativeness of Commerce inside our business, and this is thanks to Willians and his team.

And the result of all this is this exponential growth of the share that the Commerce net revenue has in our business. When we had our IPO in quarter one, 2020, Commerce accounted for 22% of the consolidated net revenues of the Group. And in two years, we have a lot to celebrate, because today, Commerce -- well, it's less than two years actually, but today, Commerce accounts for 57% of the net revenues of the Group. So this was an exponential growth over these two years and this is a consequence of our investment in physical [ph] products, marketing, acquisitions, and we are sure we are on the right track.

And now, I hand it over to our CFO, Rafael, and he is going to talk about the financial results of quarter four and the year 2021. Thank you.

**Rafael Chamas Alves** {BIO 21792610 <GO>}

Thank you, Fernando. Good afternoon, everyone. On Slide 19, this is a summary of the highlights that we had in quarter four from the operational and financial standpoints. So, some important numbers here. Fernando already talked about growth.

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We closed the quarter with a 75.4% increase in the consolidated net revenue of the company and 200% increase in Commerce. If we look at the organic Commerce growth, we're talking of 42%, which is very robust and accelerated compared to -- we have quarter three, so 35% against quarter two. The platform is showing a very healthy growth of its customer base via its subscription business and via also (technical difficulty) with ecosystem and (inaudible) but the foundational part of the business are subscriptions and we have, to date, 123,000 subscribers. The TPV, we already heard about the TPV, but 59.2% increase. This results from the main primary energy source of the Group, which is being able to monetize the payment of everything that we acquired. That's why we see this 59% is in our TPV, which reached nearly BRL1 billion this quarter. The BeOnline/SaaS growth was 12%. Our adjusted net income also grew by 80% -- or 79.9% year-over-year. And our cash position is very healthy, BRL1.6 billion at cash position. So, these were the main highlights.

Now, let's go into the numbers. The 75% growth of our consolidated net revenue, reaching BRL245.9 million. Now, breaking it out by segment, in Commerce, we went from BRL46.5 million to BRL141 million, so a 203% increase; and in BeOnline and SaaS, as you heard from Fernando, Commerce has a much higher representativeness, so more than half of our revenue, and we still see room for expansion.

Still focusing on the Commerce segment, we went from BRL22 million in 2019, 46% [ph] in 2020, and BRL141 million in 2021. So this is the breakdown of the revenue. I talked about how subscriptions are important for us. So, they are the darker part of this chart. And this shows how much we are still able to boost our results by using our ecosystem. It is a good, balanced -- a good (inaudible) balanced. We are acquiring customers through our subscription and we can have a very good level of monetization of everything that is running in our environment, so payment, logistics. So this shows how we are capturing, financially speaking, results of the company and how this balance is very healthy.

Our consolidated net revenue, in our IPO in 2019, BRL386 million; we closed 2020 with BRL488 million; and in 2021, a 63.9% increase, BRL800 million in consolidated revenue. And consolidated adjusted EBITDA, the Group is still very profitable. We have always been a cash generating company with positive EBITDA. So this year, we had a 10% -- 10.5% increase. So, very healthy numbers and we are a business with a very healthy cash generation, and Commerce contributed substantially for this growth. We had BRL30 million in EBITDA in 2019. So our EBITDA more than doubled in Commerce, a 23% increase year-over-year.

I talked about the profitability of the company, and this slide is very helpful for you to understand the margin dynamics of the company. This is the EBITDA for the quarter. There was a decrease ensure in the quarterly EBITDA when we look at the consolidated numbers and also the breakdown by segment. But on the bottom of this slide, I highlight the impact of the inorganic effect on this result.

So the first line, organic, doesn't consider any of our acquisitions. And as you can see, we had growth in all our operations. The consolidated business would close [ph] with BRL41.8 million, a 20% increase; a 33% increase in the organic EBITDA for Commerce and an 8% increase for BeOnline and SaaS. So the decrease that we see on consolidated results for



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the company and for the segment has an inorganic effect here. We had BRL10 million negative EBITDA for the consolidated inorganic and minus BRL8 million for Commerce.

So there are two points here that I would like to go into detail, our organic operations are growing, but the EBITDA is growing at a lower pace than that of the revenue, which means there was a margin compression and Fernando already shared this with you. There was a depreciation from quarter three to quarter four. And I'm going to put this into perspective and the inorganic effect, which had a negative dynamic in our operations.

This chart shows a timeline of the behavior of the EBITDA margins of the company, organic. So in blue, we have Commerce; and red, we have BeOnline and SaaS; and the dotted line is the consolidated for the Group, organic; and in yellow, we have our acquisitions. So, let's go into details here. For organic Commerce, up to quarter two, 2021, we were at about 41%, 42% margin for the segment and due to the reopening of the economy and due to our need to maintain our sales levels, we had a margin compression to be able to sustain same levels of store addition and also the investments that we made in all these integrations brought the business down to a margin of 35%, and it's stable now for quarter four. And we already made clear that -- and we really want to be very transparent with our investors. Our expectation is that over the three first quarters of 2022, the margin will have a very similar dynamic to that we saw in quarter three and four this year, and for quarter four, '22, we'll start to see our margin recovering.

But as you could see, the Rule of 40, considering the growth of these operations, we still have a very healthy balance for our margin and very healthy profitability and growth. BeOnline and SaaS, which was 18% and 21% now in quarter four, and will always be close to these numbers. We expect it to be stable in the mid and long term for this segment. And the consolidated organic margin, which is at 26.2% and could expand, because BeOnline and SaaS has as a lower margin and those have this [ph] mixed impact over this dotted line increased dramatically.

So now, I'm going to discuss the dynamics of our acquisition (technical difficulty) did bring a negative contribution, but that's because of what Fernando already explained, because when we make an acquisition, we're looking for high growth and high growth potential assets and operations in which we (technical difficulty) best so that we can integrate into our ecosystem. So the first -- the early period of an acquisition, the first two or three years is a period in which we are not prioritizing profitability. We are prioritizing structuration of the company to support growth and to support its integration.

So these are levels that are expected in our business and of course, as these companies get growing and gaining maturity, we will start looking for profitability and that will take basically between three and four years after the acquisition. But this is totally in line with what we have planned in our M&A strategy and how we have been doing M&A in our history. If you looked at Locaweb's (inaudible) numbers, the case of Tray is a very (technical difficulty). Tray (inaudible) the years with a company that was burning cash, because we were structuring the company so that it could be somewhere where it [ph] is today. So this is something that has happened before and this is part of our M&A strategy.

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And finally, I'm going to talk about the adjusted net income. Here, first, I have the numbers of quarter four and then for the year 2021. So, let's start with the accounting net income. We had a loss last year, and with composition of the adjusted net income, it's very important to understand the operational leverage of the business. There are some (technical difficulty), but I'm going to highlight some points here, which are the impacts of the amortization of intangibles and the acquisitions that we do with the PPA or purchase price and the adjustment to present value of the acquisition earnouts.

These are impacts that will affect the company's (inaudible). They are not operational (technical difficulty). They are part of the CapEx form [ph] of the company (technical difficulty). But they have a direct effect on the (technical difficulty). We adjusted that to make it very clear what is the leverage of the business in terms of results generated and what are the compositions here. We closed the quarter at BRL27.2 million, a growth of practically 80% in the adjusted net income and the net margin grew by 12.1 -- 11%. So we closed at BRL86 million and in 2019, we had BRL28 million. So this chart's showing the leverage the company still has with its adjusted net income and its operational growth dynamics.

Thank you very much for your attention. And we will now open the floor for questions. Thank you.

## Questions And Answers

### Operator

(Operator Instructions) The first question is from Marcelo Santos, sell-side analyst at JP Morgan. Mr. Marcelo, you can turn on your microphone now.

### Q - Marcelo Santos {BIO 20444938 <GO>}

Good afternoon, everyone. Thank you for hearing my question. I have the first question about (technical difficulty). You mentioned that in quarter one, 2022, it would grow 40% year-over-year. So how will this growth (technical difficulty) in quarter four, '21, when you had a slight freeze [ph]. Can you please clarify? And the second question is on (technical difficulty). What level of margin are you expecting? I don't think you'll give me an exact number. But what is the level of margin that you are expecting for (technical difficulty), and what happens with the -- if the margin seasonally between quarters, because I understand this is a more seasonal business? Can you hear me?

### A - Unidentified Speaker

Yes. I hear you. We cannot disclose numbers that are not in our (technical difficulty). But quantitatively, we can talk about Squid's business.

Marcelo, thank you for your question. So basically, what we explained and actually we have another question here (technical difficulty) about the same thing. But where we saw some seasonality in the end of quarter four is that we have basically (technical difficulty) with some of the main (technical difficulty) in the last quarter last year, which affected the

business. But what I can tell you is that we continue in a very optimistic way and very consistent with what we reported in our earnings.

On margins, it has a lot to do with the timing of (technical difficulty) that we did in the end of last year and the start of '22, always focused on growth. So we have growth that is consistent to what we have been reporting. Of course, we expect to have (technical difficulty) margins looking forward this year.

**Q - Marcelo Santos** {BIO 20444938 <GO>}

Thank you.

**A - Unidentified Speaker**

Thank you, Marcelo.

**Operator**

(technical difficulty) Bernardo Costa [ph] (technical difficulty). Bernardo, you can turn on your microphone now.

**Q - Unidentified Participant**

(foreign language) -- now and is this related with prices?

**A - Unidentified Speaker**

So, let me start with your first question -- the first part of your question. No, let me start with the comparative environment -- the comparative environment in 2021. In 2021, we were able to stand out from the competition. Even if we had a more capitalized competition, it was a year in which Locaweb was able to invest in products.

I apologize, the audio is breaking up. We made nearly 10 acquisitions in 2021, and we are now working very strongly with the integrations. So we're not feeling a strong pressure from the competition and that is not really showing in what we call the churn -- competitive churn. This doesn't really happen in our market. Most of our sales are to customers that have never been present online, have never had an e-commerce presence. And we don't -- we will lose customers to the competition. So there is no significant transit of customers between players in our market. This is very irrelevant.

So regarding the competitive environment, 2021 was a year in which we were able to complete our ecosystem and now, we're strongly working on this unified view of the customer, as you heard today, and we're going to come up with this single dashboard, integrating all our solutions. And this leads me to the first part of your question. So this leads me to the first part of your question. As you heard, we acquired 13 companies since our IPO and we really had an opportunity there with (inaudible) market and with very good opportunities, as we were able to bring these companies to our environment -- to our ecosystem in a very efficient way. I'm sorry, the audio is breaking up again, we apologize.

We have some very large companies. As you know, the three ones that we presented today, Bling, Melhor Envio, Squid. And today, we see that the private market is still very good and the cost of capital is -- does this mean that we're going to stop? No. Does this mean we're going stop? We will be actively taking part in opportunities. We have to be -- we have to have more caution now. We don't pay multiples, we pay discounted cash flow. So there will be a greater difficulty now to acquire players that fit our valuation.

And in the meantime, we will accelerate this integration and the process of (inaudible) this unified view of the customer in this single dashboard. We are very comfortable. We already have a lot of companies in our ecosystem that we brought to our ecosystem. We have been doing great work with this unified view and that's what we will be doing for now. And of course, we will be always looking out for opportunities. This year may be a year with fewer acquisitions, but still we're doing great work in a very accelerated way to integrate -- finish integrating the acquired companies. Thank you.

## Operator

The next question is from Andre Salles, UBS. Mr. Andre, you can turn on your microphone now and ask your question.

### Q - Andre Salles {BIO 21200349 <GO>}

Thank you for the call, and thank you for taking my question. I want understand how the (technical difficulty) evolution of the (technical difficulty) parts of the company. Can you please talk about the factors that impact the evolution of this API [ph], particularly for older customers?

### A - Unidentified Speaker

Good afternoon, Andre. Thank you for your question. We apologize, we're having audio problems. The sound is breaking up. So we capture the customer on the platform through and cross-selling. We improve the (inaudible) through transactions. So we have two components; we have the lifecycle of the customer and their subscription, and the marginal [ph] transaction of money they give to us, which is very relevant when we think of the company's LTV. So the first analysis is for subscriptions and how our base is evolving.

I'm sorry, the audio is still breaking up. We lost audio now. (technical difficulty)

Hello? (foreign language) (multiple speakers)

So first, to your question about cohorts, what conceptually determines the cohorts for our Commerce upgrade [ph], we report the revenue separate, subscription from ecosystem, because these are the two different dynamics that compose our cohorts. So the business always starts as a subscription with sell subscriptions. Customers consume more within their subscription to do upgrades and up-selling. And then we start to have consumption of transactions, payments, logistics. So, these are the two components that make up the cohorts of our Commerce operation.

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And since we always have some churn in our customer base, what you see historically is that our cohorts grow, and they grow because we can compensate for the churn without the up-selling and cross-selling that we do. So having said this, what happened in recent years is that the customer base of the company has been very stable. But we look at the cohort, this means that the churns have been showing a very typical pattern, and we didn't see in '21 or '20 any structural changes in the churn of the company. This makes our MR [ph] -- our revenue to have a very standard behavior.

So what changed substantially in the company's cohort, and this was particularly in 2020, was the ecosystem revenue. With all the restrictions of the COVID pandemic, we know that the GMV increased greatly and this made our payment revenue increase substantially. We have about 70% churn of the originated TPV, and this number has been stable, historically, for the average of the cohorts. So this has the -- causing our -- this caused our cohorts to grow number [ph] in 2020; and in '21, when we compare with 2019, we are talking of about 20% growth in the older customers.

But when we look at the '21 cohort against '20, the churn is still stable. The average GMV of the customers that surviving these cohorts are lower than what they were in 2020 and since they had no structural change in (technical difficulty) capturing of the (technical difficulty) payment revenue drops due to the GMV dynamics. But once again, I must stress that these are very healthy group of customers and then [ph] when compared with older customers in '19, they show a very good level of growth.

**Q - Andre Salles** {BIO 21200349 <GO>}

Very clear. Thank you.

**Operator**

The next question is from Enrico Trotta, Itau. Enrico, you can turn on your microphone now.

**Q - Enrico Trotta** {BIO 16742911 <GO>}

Willians, in your disclosure, you said that in quarter four -- well, in Willians' presentation, he said that in quarter four, he gave us more information about (inaudible) ended up answering some of my questions. But first, I'd like talk about Tray. We know that Tray has a lot of seasonality in quarter four and it was much different from what we saw in previous year, at least when we look at quarter four, 2020. So, can you please explain why this seasonality (technical difficulty) sell those, not wanting go to the platform after Black Friday campaign. So, can you talk about this effect in also quarter one, 2022 with (technical difficulty) quarter-over-quarter due to the seasonality?

And then also a question about (technical difficulty). So you talked about the M&A margin. I know that the (technical difficulty) company, but do you think we would be able to see these M&As (technical difficulty) they are breakeven, and do you -- at least Squid, how do you see the evolution of their margin and reaching of the breakeven for these M&A that are more -- the most representative in the company today?

## A - Unidentified Speaker

I'll answer part of your questions, and then I'll hand it to Willians. In respect to quarter one, '22, the quarter is going according to expectations and some indicators that we can give you all about Tray, it's growing again. The GMV year-over-year is growing two digits, which is very positive, very healthy. The margin is under control, the Commerce -- organic Commerce margin is under control and within expectation. The expectation that we announced to the market, which was to work close to 35%. This shows that the operation is going well, and also the share of our Commerce operations in terms of net margin is (inaudible). So, these three indicators already give you a very good idea of how our operations are performing.

Now, in respect to M&A, we have to look at them case by case. Each case has a different business plan, so we would have to talk about them case by case, and we would want to talk about the evolution or give details about this evolution. So these are companies that three or four years to evolve until they reach positive EBITDA according to the market standards. We're talking of standards of 15% to 30% in EBITDA.

And I can give you two examples that are moving really well, which are companies that are -- have practically reached -- no, they haven't really reached their breakeven, but they are very close to that, and perhaps that have faster pace [ph] -- faster compared with the business plan. They haven't yet reached their breakeven, but they are very close. This is the case of Melhor Envio and Bling. So these companies are doing really well. You see the growth rates moved to 50%, 68%, and this accelerated growth rate will help the acquisitions reach their -- the expected EBITDA before what was planned. And when we focus on our acquired companies, we always want to favor growth and betterment of the margin. And what's happening with these companies is that they are perhaps six months or eight months ahead of their business plan. So that's why we have been able to move faster towards reaching the expected EBITDA. It's not that we are (inaudible) so they reached the target faster. That's not what's happening. It's that we are (inaudible) of their business strengths. So these are some good news that we have today [ph].

And now, Willians will talk a little more about the seasonality of Tray and (technical difficulty) the seasonality and we already see a good recovery of Tray's growth in quarter one this year.

## A - Willians Marques

Thank you, Enrico, for your question. And yes, historically, we reduce the seasonality in quarter four. Consequently, after Black Friday, (technical difficulty) end up (technical difficulty) but we are seeing the consumers are trying to buy during Black Friday (technical difficulty) are becoming weaker and weaker. We have seen this even in (inaudible) for marketplaces that the advertisement [ph] campaigns are (technical difficulty). So this is one the trend that we see here. So perhaps, (technical difficulty) by the end of the (technical difficulty) a very (inaudible) period.

So when we compare, it may look like it was a seasonal effect. But as you heard from Fernando, this is already (technical difficulty). Quarter one is a very (technical difficulty) see a good recovery of store sales, which is very much important with what we do, which is

help our customers (technical difficulty). And just to confirm what you said, we do have the seasonality (technical difficulty) and it may have been a little worse in 2021.

(foreign language) This (technical difficulty) final remarks.

## A - Fernando Biancardi Cirne {BIO 22072821 <GO>}

Thank you. Once again, I'd like to thank you all for attending, all the executives that were present with us today, all our employees, all the analysts that have been helping up in this process, and we will keep working hard to deliver another wonderful quarter one in 2022. Thank you all for being here with us for this conference call, and we'll see you in two months.

## Operator

Locaweb quarter four, '21 results conference call is now closed. Thank you all for attending. Have a great afternoon. You may disconnect now.

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