

Q1 2021 Earnings Call

Company Participants

- Fernando Biancardi Cirne, Chief Executive Officer
- Higor de Araujo Franco, Business Unit Officer
- Rafael Chamas Alves, Chief Financial and Investor Relations Officer
- Willians Cristiano Marques, Director Executive Officer

Other Participants

- Bernardo Guttman
- Diego Aragao
- Enrico Trotta
- Eric Huang

Presentation

Operator

Good afternoon, ladies and gentlemen. Welcome to Locaweb's First Quarter 2021 Earnings Conference Call. Today, we have with us Mr.Fernando Cirne, Chief Executive Officer; Mr.Rafael Chamas, Chief Financial Officer and Investor Relations Officer; Mr.Higor Franco the Online and SaaS Director; and Willians Marques, Commerce Director.

Today's live webcast and earnings release may be accessed through Locaweb's website at www.ri.locaweb.com.br. We would like to inform you that this event is being recorded and all participants will be in a listen-only mode during the company's presentation. After Locaweb's remarks, there will be a question-and-answer session. At that time, further instructions will be given. (Operator Instructions)

Before proceeding, let me mention that forward-looking statements made during this conference call are based on the beliefs and assumptions of Locaweb's management and on information currently available to the company, they involve risks and uncertainties because they relate to future events and therefore depend on circumstances that may or may not occur. Investors should understand that conditions related to the macroeconomic scenario, the industry and other factors could also cause results to differ materially from those expressed in such forward-looking statement.

We have simultaneous webcast and maybe access to the company's website. The slide presentation may be downloaded from the website and please feel free to flip through the slides during the conference call.

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

Fernando Biancardi Cirne {BIO 20544253 <GO>}

Thank you very much. First of all, I would like to thank all our employees, and partners, and shareholders, clients, and everyone for their presence. So I thank you all for attending, and also, I would like to thank you for the fantastic results of Locaweb in quarter 1, 2021. So let's start with Slide number 2, here we have the highlights for the quarter.

First of all, I'd like to talk about the growth in our revenue in all segments. We saw consistent growth in BeOnline and SaaS and Commerce. In commerce, we grew by 186% year-over-year. This is truly a very substantial growth. And here we break this down into subscription and ecosystem. And when we talk about subscription revenue, we're talking about subscription of platforms such as Tray, Dooça, Vindi. And in this case, we grew by 154.9% versus quarter 1 2020. And for ecosystem revenue, and here by ecosystem, we mean remuneration for the usage of our ecosystem. And we have our own ecosystem, which is a differentiator of Locaweb and we also have the part of our ecosystem, which is controlled by our external partners. And we grew by 209.7%, a very strong number.

We also had a strong expansion in the acquisition of new customers throughout the quarter, whether in BeOnline and SaaS, whether in Commerce. And in the case of commerce, we have a record-breaking number. We had a 44.4% in fees in the addition of new stores quarter-over-quarter. So compared with quarter 4 2020, very strong numbers.

So in just three months, our customer base increased by 22%. Our TPV, for example, is related with the growth in our ecosystem revenue and it grew by nearly 130% in quarter 1, it's also important to highlight, and we're going to have a chapter for that, but the acquired companies already present an excellent performance within our ecosystem in quarter 1 considering our very structured process for integration, the high synergy of every company that we buy and the high-growth sale. And we had an expressive advance in our acquisition agenda as well. This year only we completed five acquisitions year-to-date. And since the last earnings release, we announced the acquisition of Bling.

So far the acquired ARR is at BRL172 million. In other words, we already have an acquired growth for this year, regardless of Locaweb's organic growth of 35%. So you see that these are very expressive numbers.

So now on Slide number 3. Here we see the breakdown of our revenue in Commerce for subscription and ecosystem. Last year, we had grown by 32% or BRL17.3 million to BRL22.9 million. And now we went to BRL65.4 million, a 186% increase. And as we said, for subscription the growth was 154% and this is very related with the expansion of our customer base, and particularly, because this customer base is also selling more. And as they sell more, they need to contract larger subscription plans or more complete subscription plans and this also increases our revenue.

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And finally, we have the ecosystem growth, which was much greater. It went from 57% to 61%, the total revenue for equity ecosystem. And this is very related with the fact that Locaweb has very strong external partners. But most importantly, we have this strategy of growing our own ecosystem as well. And there's also is reflected on the sales increase and the sales expansion of our clients. So this shows that this ecosystem that we are building is working. Our clients are selling more and more over time and this is a result of this ecosystem. That's why we have this 209% increase. There's no other number and the economy that compares to this number. It's a very strong number indeed.

Now, moving on to Slide number 4. This explains the increase in our subscription revenue. We have been continuously and sustainably boosting our marketing efforts to increasingly add new stores. And what do I mean by marketing efforts? Let me give you two examples. First, the leads captured in the e-commerce school. We more than doubled this volume when compared to the average of the previous year. If you don't know the e-commerce school is a website managed by our Commerce Department www.ecologyecommerce.com.br [ph] and on this website, we teach our clients how to increase their sales, how to expand their business online. And this increase in sales is also a result of the cross-sell between the companies.

We have a history of betting on these companies that we buy. We always buy companies that have a high cross-sell potential and we already see that in a very concrete way, we see this cross-sell between companies and this is what is bringing the sustainable growth in our sales and the sales of our customers. So some indicators comparing the first quarter 2020 and first quarter '21, we had an increase of nearly 140% in the addition of new stores. And quarter-over-quarter, the increase was 44.4%. This is a very representative figure. And as I said, this growth is also sustainable.

Another important point is the quality of these sales are churn rates are -- still steady and that's why our customer base is expanding. So it's not just about sales, but sales that truly impact the customer base and its growth. So in the first three months of the year, we saw a growth of 22% in our customer base.

Now on Slide number 5. Here, we have our agnostic platform integrated with market tools and it's important to see how much we were able to increase the number of integrations with other solutions in the market. We will always be agnostic. Here, we have some examples, we already integrated with a price comparison, tools, e-mail marketing, marketplaces. We have more than 437 integrations. And for those who had contact with Locaweb's IPO at the -- at the time of the IPO, we had fewer than 200 integration. So in one year and a few months, we practically doubled the number of integrations. And this added to the e-commerce school, which helps our clients learn to sell more. We continue this work, allowing our customers to increase their ARPU with Locaweb which increase 7x in three years. And why is this important? It is important because the volume of stores contracted and this increase in our customer base will ensure the future growth of the Locaweb partners.

Now on Slide number 6. This is our last acquisition which was added to the ecosystem, which is Bling. It was -- the last time we spoke, it was under approval by cardi and now it is part of our ecosystem. And this is a very complete ecosystem to help our customers in

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their e-commerce journey. So here we have in the center Tray and Dooça, and we also have Samurai and to manages platform, we have Bling our ERP system. We have Vindi subscription and recurring billing management. We have AlliN and Social Miner for generation of leads. We have Etus for social media. We have Ideris for integration with marketplaces and store in-store. We have the Yapay, our payment platform. We have Cplug with POS. We have Credisfera for financial services and Melhor Envio for logistics integration. And these are the components of our ecosystem that will generate the subscription revenue and ecosystem revenue for the company. And this clearly explains why we're seeing this very striking growth in our revenue in quarter 1 this year.

Now on Slide number 7. Here we see what's happening with BeOnline and SaaS. We also see some very interesting growth rates. Our booking for SMEs year-over-year, we saw an increase of 23% in our SME booking. And in the case of Nextios or more corporate customers we talking about an increase of nearly 17% year-over-year. For Delivery Direto, we were able to increase our customer base by 150%. We are still selling at very high levels. We are bringing in new clients since last year. We have been seeing some very interesting and consistent results. And finally, another piece of data which is very interesting is that, the SaaS revenue went from 30% to nearly 38% year-over-year. And there's also shows how this strategy of acquiring new companies and changing the profile is also in our favor.

Now on Slide number 8. This slide is very interesting because when Locaweb started to make these very interesting acquisitions. The first concern and the -- for the first question, we got from the market was about our ability to integrate all these companies. And I can tell you that, yes, in addition to selecting companies with a very high potential synergy, we also have a very efficient integration -- acquisition and integration model that can bring results in a very short time.

So some interesting results that I have to share with you today comparing quarter 1, '20, with quarter 1, '21 for Melhor Envio. The labels sent via Melhor Envio, which can be translated into products delivered, there was an increase of 400% year-over-year. The number of Melhor Envio customers increased by 432% year-over-year. The e-commerce GMV grew by 117%, Samurai's revenue grew by 93%, Ideris customers increased by 104%, Ideris net revenue increased by 176%, Vindi's TPV 59% and Dooça's revenue 231%. So this is just to give you a glimpse of half of the companies that were bought by Locaweb presenting in most of the cases, three digit growth rates. So this shows how we're choosing the right companies and how we are integrating these companies into our ecosystem in the best way possible.

Now on Slide number 9. This is a continuation to what we showed in our last earnings release for quarter 4, 2020. So this month we're including Bling. Bling will bring an additional acquired ARR of BRL60 million amounting to a total of BRL172 million in acquired ARR for the group, which means a 35% increase. In addition to the organic growth of our operation, which was close to 30 something percent in quarter 4 last year. And you see that the companies we are acquiring, they also have their own organic growth. This is what we call the organic of the inorganic. So you see that for Melhor Envio its 400%, Samurai 90%, Ideris is 176%, Dooça 230%, but you see that even with this ARR which is based on the acquisitions themselves, we also have the organic growth of the Ideris [ph] which was

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very substantial. So we are truly very excited and positive and optimistic about the potential growth of Locaweb in the next few months.

Now on Slide number 10. Here we have our M&A process, and it's not just because we made several acquisitions. That we're going to stop now. We are always seeking new opportunities. We are always shopping for companies, we're all -- since the IPO, we have mapped more than 1.9000 companies. We're always paying attention to that. Right now, we have 11 MoUs signed or under negotiation, and these companies always have the same characteristics, recurring revenue, very well consolidated products, a very high potential for cross-sell and upsell within our ecosystem and we always want to retain the talents in these companies. We are not stopping and we have shown the market that we know how to make good acquisitions. And that we know how to integrate them right. So this is what's happening right now and this is one of Locaweb's characteristic and this is what we will continue to show to the market.

So now to show you some details about these integrations and not so much numbers. But give you some examples of how we are integrating these companies really fast and efficiently into our ecosystem. I will hand it over to Mr.Franco and Mr.Marques our Commerce and SaaS BeOnline directors to talk a little bit more about our synergies and integrations.

Higor de Araujo Franco {BIO 20542871 <GO>}

Thank you, Fernando, this is Higor. And as you heard from Fernando, our integration strategy is very robust. And it's generating some very expressive results. So let me talk specifically about what we're doing in SaaS and -- so here I'm talking about Delivery Direto and Etus. And then I'm going to hand it over to Willians and he's going to tell you how these integrations are taking place for the Commerce area.

So in terms of the integrations that are already running, we have Delivery Direto with Yapay. So Delivery Direto clients have as their priority payment medium Yapay. And this is more than half of Delivery Direto's customer base that it's making transactions using Yapay on a daily basis. So this is a very impressive number and the results are very high, financially speaking. This is (inaudible) that we are already offering our clients, and which is working really well.

Another integration in BeOnline and SaaS is Etus, which is very present in BeOnline and SaaS. And here I'd like to go for a brief deep dive with you to explain what is our focus and strategy in this case. The customer's journey with us starts when they purchase a solution and then they are granted access to the system. And then they start using the product or the service. And they'll -- at this point, they'll enter the use journey, the journey of utilization of our products and services to scale up their operations.

Now, looking at this entire journey, the focus of the integration between Etus and BeOnline/SaaS is very related with the moment of the (inaudible). In the past few months, we focused a lot of our efforts on solidifying Etus' presence within the purchasing journey for these products, and the results are really good. So today, we already have Etus as an

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offer, which is present in trade and Delivery Direto in AlliN and Yapay and the adherence is really high. The adherence is so high that we can see that in any structured effort that we make, we see our conversion rate of nearly 15% and this is a natural process. So naturally, the customers that are on these platforms, they have a very good conversion output to Etus. And this journey represents for Etus' number about -- numbers about 10% booking. And when we look at the new entrance, the new entrant customers, these integrations are already boosting 10% of Etus' booking in the past two months. This is very impressive, these are very strong results, and with very little effort.

Another example here is, Delivery Direto Connect Plug, which is known as Cplug. This is another integration that took place, not just at the time of the purchase because today at the time of the purchase, we have been offering Delivery Direto with Connect Plug and vice versa, and this is something that takes place on the website and also with our sales teams, but there's also an integration that happens at the time of the utilization of the product. So the Cplug client already has available to them within the POS, the possibility of receiving Delivery Direto's tools order, then the POS. So we are turning the Cplug POS into a POS with all the features and functions that it needs to be an order manager.

So there we have the Delivery Direto and many other players connected there. So, Cplug clients have a cockpit to manage their sales and control everything related with the POS in a much more centralized and reverse manner. And so this offer is already running and Delivery Direto with Connect Plug, we have -- it's been operating for about two months this integration and this offer, and there's already accounts for a booking volume of about 10% for both operations. So these are very strong integrations that take place at the time of the purchase. And in this case, also, at the time, the customer starts using what they purchased.

And another integration that is ongoing the beta is already in progress and we are just doing the final calibrations is Etus within Tray's dashboards. So the clients that have Tray's Commerce dashboard when they want to boost their Commerce content in social media, within the dashboard, they will have Etus' functionality, is they will have the Etus dashboard inside the Tray dashboard to work with social media. And so the beta is already in progress and this integration should be launched in the coming weeks.

So Willians, now, I hand it over to you.

Willians Cristiano Marques {BIO 21482481 <GO>}

Thank you, Higor. Good afternoon, everyone. So just adding to what Higor just said and now focusing more on Commerce, of course. I must highlight that we're working in two fronts. The first one is much based on the customer experience doing all these integrations. So the main point here is that we want the customer to have a unified experience. When they're used as a starting point for example, the market called connection services of Ideris there is no friction. When they go from the platform to the connector. So everything we design today in terms of cross-sell and integrations is very focused on providing customers with this unique experience and unified experience.

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So when they purchase a platform, there's includes the complete package integration with marketplaces integration with other tools and then on their daily work, there's no friction at all when switching from one dashboard to the other. So this is something that has been guiding all the integrations that we are designing, either those that already function really well between Tray and Yapay, for example, all e-commerce stores already have, Yapay enabled by default and now we're applying this to Melhor Envio, Ideris and all the other solutions.

And then second look that we're giving to is, of course, the technology, everything related with technology, how to achieve the right speed for these integrations. And a very good demonstration of how all these integrations are taking place in parallel having already been launched or with a beta in progress or at final stages of development. This is only possible because we already have these products natively developed with APIs. These are modern products that already have their interfaces for connection with other solutions and we have all the teams working in parallel.

So while the Ideris team is building connections to the platforms APIs, the Melhor Envio team is also working in parallel. So we have these simultaneous efforts which allow us to launch all these initiatives really quickly, all these cross-sell initiatives. And this allows us to bring our clients for purchase our platform more and more complete solution.

Just to give you some examples, we see the Delivery Direto with Yapay is already running and is very successful so far. We already have more than half of the customer base of Delivery Direto processing their payments with Yapay, a very positive results (inaudible) few months. And in addition to increasing the revenue, Delivery Direto's clients are much more satisfied as well. We also have the Vindi with the integration already running with great results, more than half of the Vindi customers that contract the solution will already receive an offer and accept to use Yapay as their payment process solution. And we're also in parallel migrating the active Vindi customer base, and we already have a very good performance for this customer base that was in the past using other fame and processing tools.

So these are very expressive results in a very short period. We also have Ideris with Tray Corp, the beta is in progress. As Higor said, we also have the beta in progress for Etus with Tray. Melhor Envio with the Yapay. We already have some customers in beta and then Melhor Envio will Yapay as the top payment processing method for their customers. Also Dooça with Ideris and Melhor Envio, we already have some integrations ongoing and now we are performing beta to improve this experience to our clients. So the customer to get to Dooça already have the complete solution. So Dooça is following the model that we have already applied for Tray. So Dooça will now also have this complete offer and we also have some other launches plan for the coming months. We have Social Miner with Tray. We have Ideris with Tray. We have Credisfera with Tray, which is something that the market is very anxious -- the market is very anxious about looking forward and the Melhor Envio with Tray integration, which is plan to launch in July.

So with this focus on the customer experience, the customer journey and with all the modern technology that we need and everything being developed in parallel, that was

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the only way we could do so much in so little time and this is what makes us comfortable to share these results with you today.

So now I hand it over to Rafael, who will talk about our financial results. Rafael, over to you.

Rafael Chamas Alves {BIO 21792610 <GO>}

Thank you, Williams. So let's start on Slide number 13. These are the highlights of our financial results for quarter 1, '21, both operational and financial. So just to recap some of the information that we already mentioned today. We had a more than 50% increase in our net revenue 53.9% to be more exact, so we closed the quarter with BRL160.9 million in revenue. We had an increase of 186% in our net revenues for Commerce, accounting for nearly 40% of the revenues of the group.

We also have two important indicators here that will give you a dimension of this growth. We have the Commerce GMV, which with a pro forma growth. So this is important. So for everything that was acquired, for example, Ideris and Dooça. We are considering the numbers they had in their quarter 1, 2020 operations. And here we're talking about an increase of nearly 117% in the GMV. And the TPV and this is totally for Yapay, increased by 129.9%. Closing -- we closed the quarter with nearly BRL600 million in TPV.

And we didn't grow just in the top line. As you can see in Commerce the adjusted EBITDA grew by nearly 86%. The adjusted EBITDA increased by 44.8%, we had a cash generation of BRL15 million and a net cash position of BRL2.4 billion, and of course, this -- the results from the movements that we put in place in the first quarter and our follow one raising.

Now on Slide number 14. Here we see the breakdown of the revenues and the contribution (inaudible) increase. As I said, Commerce accounts for 40% of the group's revenue, nearly doubling its share, which went from BRL22.9 million to BRL65.4 million and at this space one may guess that Commerce will be a predominant part of the group's revenue. And BeOnline and SaaS also had an important growth rate -- an important growth rate of 17%.

I go back to what Fernando shared with us because this is important for the company's configuration and how Locaweb is building its ecosystem. This breakdown is very illustrative of how our ecosystem works. So our recurring revenue and subscription revenue grew by 154.9%, reaching, BRL25 million, accounting for 39 of the total Commerce revenue and our ecosystem revenue. So everything related with transactions take rate involving Yapay, involving connections and so on so forth increased by 209.7%, reaching BRL40.2 million in this period.

Now on Slide 15. As I said, our growth was not just in the top line. We also had an expansion of 44.8% in the company's EBITDA closing quarter 1, '21 with BRL36.6 million. Commerce accounted were 48%, so it's nearly half of the EBITDA coming from Commerce and we know that this segment is less CapEx intensive. So this makes this contribution even more relevant if we think from the standpoint of cash generation. So Commerce grew by 85.6% reaching BRL17.5 million and BeOnline/SaaS 20.6% reaching

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BRL19.1 million. And (inaudible) margins of (inaudible) we have a margin that expanded quarter-over-quarter, in Commerce, there was a decrease from 41.3% to 26.8% in the consolidated results, which also is reflected on the consolidated results. But this is totally justified by our acquisition.

So now I skip to Slide number 16, where this movement becomes more clear. So here we have a comparison between quarter 1, 2020, quarter 1, 2021, and quarter 1, '21, only organic. So excluding the EBITDA change and also the recent acquisitions. So as you can see inside the yellow circle, all our operations expanded their margins year-over-year, BeOnline and SaaS are 21.3% against 19.9% last year. And this is organically Commerce, 41.3% last year and 42.5%. So the organic Commerce operation, the Tray, Tray Corp, and Yapay platforms, expanded their margin and the organic consolidated results had an expressive gain of nearly 4 percentage points.

And this can be easily explained because we know that the operations have a match rate -- a maturity of time frame maturation time and this is part of our capacity to accelerate companies and bring these companies profitability. We will always have this dynamics, we will always state very clearly. What is the organic results and what is the contribution of giving organic growth in this margin, so that we can follow the maturation of these business over time, just like every company that we bought so far.

Now on Slide number 17. Also from the standpoint of net income, we see the dynamics of a company with so many acquisitions when we think about the accounting net income with (inaudible) with a margin of 5.6% and here in yellow, we highlight two adjustments, which actually account for most of the adjustment made and added together. They represent about BRL11.8 million in our numbers and these are exclusive effects of the acquisition.

So I call them non-cash effect from the standpoint of our GRE or financial statements. So first intangible amortization, which is the amortization of all assets that have no accounting value attributed at acquisition, but their value is attributed through a report considering their client base and their technology. So they are intangible in our balance sheet and consequently, they have an amortization. And the -- if the purely accounting effect here is amortization in our financial statements, accounting for BRL4.5 million. The second point here, also related with the acquisitions as I said, is what we call adjustment to present value of acquisition are announce.

If you had the chance to read our financial statements, we have in the company's liability is the expectation of all the year announce, of all the companies that we acquired and these liabilities are always recorded at a value that is reduced as a banking liability. So it is as if we had a reduction in that amount and the accrual of interest from now to the time of the payment, and this is a financial expense. So this is the classical adjustment that we make to the value of a liability. So from present to the payment of any of year announced, this is something that we need to highlight to make it very clear to everyone and this is not related with the company's financial statements, but it has to do the company's dynamics either because of the cash value paid, or because of the expected future announce.

Now on Slide number 18. Here we see the company's cash position, we close quarter one with a cash position of BRL2.4 billion. And discounting all the loans, both bank loans and also those resulting from IFRS 16, we close with a net cash position of BRL2.292 billion. So we still have a lot of cash to continue with our acquisition strategy. And now I hand it back to Fernando Cirne, he's going to talk about our next steps.

Fernando Biancardi Cirne {BIO 20544253 <GO>}

Hello, everyone. So now on our last slide, we see our strategic positioning. And not just our strategic positioning, but this is how we see the next months for the company. The first point is that our strategic leadership and our product leadership in the market allows us to increase our margin despite the higher marketing investments. We are selling more and more. And the synergy between the companies, our product leadership in the market, they have been differentiators and that's how we have been maintaining our margins and even expanding them.

And we know that our Commerce environment is the most complete for SMEs in Brazil. We have reached record-breaking sales in our all operations regardless of the economic environment and this is very important. We have been achieving record numbers in sales due to our commercial efforts, due to the synergy in our operations, and this is very important.

These are achievements of the company, and these achievements will be sustained over time. We saw a growth rate of market indicators either in terms of sales or profitability, there will be above the other market indicators. Our Commerce operation is gaining space within the roof due to its exponential growth. We know that Commerce EBITDA already accounts for nearly 50% of that of the group. We are building a more complete offer of financial services, sub acquirer, recurrence, management system and credit. We have a consolidated process for the acquisition of new companies with a constantly renewed pipeline, which will certainly rank on very interesting opportunities in the company for the future.

And finally, we have an internal integration process for the acquired companies, which already present some very strong results and shows that this is actually functioning in a very interesting way.

So thank you all for being here today for taking the time, to attend this conference and I would also like to thank all of the people that are directly or indirectly involved in these excellent results, so congratulations to the team, to all our partners and everyone that helped us achieve this excellent results. Thank you very much. And now we can open the floor for questions.

Questions And Answers

Operator

(Question And Answer)

Ladies and gentlemen, we will now open the floor for questions. (Operator Instructions)
The first question is from Bernardo Guttman from XP Investimentos.

Q - Bernardo Guttman

Good afternoon, Fernando, Rafael and the rest of the team. I have two questions. The first one is about your positioning. Now that you have a very complete and integrated ecosystem, particularly after this recent acquisition of a very important chain and there's a very important link in this chain which was your ERP Bling. So what now? What are the next steps? Are you looking into digital shopping or digital marketing? This is my first question.

And the second question is about Credisfera. I want to understand better if it would make sense to enter the segment of direct credit to retailers?

A - Fernando Biancardi Cirne {BIO 20544253 <GO>}

I'll answer this one. Bernardo, good afternoon. Thank you for your question. So let's start with the M&A. So we still have a lot to do, Bernardo, when we say that the pipeline is very robust and we still have many companies that are being mapped and assessed by us. We already have these 11 targets that are in more advanced stages, but we certainly have many more things that could be strengthening our ecosystem and for strategic reasons, of course, we will not announce what these segments are.

But when we think about the journey of a retail company on the internet, there are many new industries, many new segments coming up and we have tools that can substantially improve the quality of our service or the -- our customers ability to sell more, better service their customers. So there are certainly other segments that we can focus on. Financial services certainly is one of these opportunities and we have been strengthening our offer in this sense.

I always say that today, LocaWeb with Yapay, Vindi and Credisfera already has a very interesting portfolio of financial services. And the TPV that we have and the operation of all these different companies, including Ideris as well is very relevant and allows us to continue advancing in this strategy, and it is certainly one of the possibilities.

And then you asked about Credisfera. Well, I think we made this clear in our earnings release. But for Credisfera, we expect to have the go-live of this first part of the credit services, and of course, this focusing on merchants in June. So we are at an advanced stage of integration and credit operations with partners. And to your point, it could be a possibility. It's not how we plan to start, but we're very excited about Credisfera. We know it has a very high potential. We know the demand for credit is very expensive in our customer base. Our capacity to make this offer at the right time to the right customer is very interesting. I think that Bling came to strengthen even more this idea. So certainly Credisfera will be one of the great growth and acceleration pillars for the company.

Q - Bernardo Guttman

Thank you.

Operator

The next question is from Eric Huang, Eleven Financial.

Q - Eric Huang {BIO 21641146 <GO>}

Good afternoon, everyone. Thank you for taking my question. I have two questions. The first is about Credisfera as well. So could you explain in more specific terms, how this go-to-market will take place and also the funding part of the business? I want to understand what this structure will look like.

And the second question has to do with the capture of synergies from your acquired company. So from the standpoint of commerce, you talked about the EBITDA margin. So what is the speed that you expect for us to start seeing some convergence of your current EBITDA margin to an organic EBITDA margin?

A - Higor de Araujo Franco {BIO 20542871 <GO>}

Yes, so let me start with part about Credisfera part of your question. So let's start with the funding question. LocaWeb will not put its own balance in this operation. Credisfera is a technology and a credit processing platform that is very competent and it is this platform that will be integrated to our operations either Tray or Yapay or any future operations.

So this is a technology based connections of totally integrated in dashboards with all of the touch points through which customers can interact and perform financial management of their own business. However, we do not plan to use the company's own balance in it. Of course, I'm not going to give you names because we don't have any contract signed, but we're already at advanced stages of negotiation with providers and who are going to be granted these rights. So the idea is to do the offer in the operational flow of our platforms. We will also manage the credit operation in-house. So this credit scoring and everything related with the management itself. However, the granting of the rights will be to a few private players that will be our partners in this offer. So this is the first point.

And your second question, Fernando, would you like to answer that one?

A - Fernando Biancardi Cirne {BIO 20544253 <GO>}

Yes. Eric, as for your second question, we are acquiring companies with different ranges of EBITDA. We have companies of EBITDA nearly zero and we have companies with EBITDA of nearly 20%, 30%. The most important to us is that these companies will continue to grow at a fast pace and an even faster phase after we acquire them. So you see that when I showed that slide with Melhor Envio growth, Ideris and Vindi, we wanted to show you that our first and at most goal is that these companies will continue to grow at a very fast pace and even faster after we acquire them. So we don't want them to gain EBITDA. Even LocaWeb, for example, LocaWeb Tray for the commerce area. What's happening is that our product is so much better than the others in the market and even if we put more money, the growth has been elastic and that's why the profitability is not dropping.

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So, our objective is indeed to generate growth, and this convergence is more in the long term. We're talking about a period of three -- a timeframe of three to four years. So we are focused on growth, but it's important to mention again that these companies already have some EBITDA. None of the companies that we are acquiring has a negative EBITDA, but our focus is growth.

And another important point is that even with this ARR volume that we call acquired ARR of BRL 172 million. Even if this ARR converges into an EBITDA that is closer to our organic EBITDA, we must remember that we are expecting within two or three years to make many other acquisitions which will bring additional inorganic EBITDA. So these companies that we acquired will converge and others will come and so on so forth. So it is natural that this inorganic part is always slightly lagging behind when compared to the organic part. I don't know if I answered your question.

Q - Eric Huang {BIO 21641146 <GO>}

Yes. Very clearly. Thank you. Thank you. Well, I look forward to the next calls and your next results.

Operator

(Operator Instructions). The next question is from Enrico Trotta, Itau BBA.

Q - Enrico Trotta {BIO 16742911 <GO>}

Good afternoon, Fernando, and team. I have two questions. You talked about the commerce margin and the integration of your M&As. So focusing more on BeOnline and SaaS, you shared with us, some interesting data showing the evolution of your revenue mix between BeOnline and SaaS and how your SaaS solutions have been growing faster and gaining representativeness inside your mix. So with this said, what is your view of the organic margin of BeOnline and SaaS? Should this margin expand because SaaS is becoming more representative? And how do you see the composition of this revenue mix for the later part of the year? So this is my first question.

And the second question more focus on the addition of new stores and new sellers. You had already shared in the results of quarter 4 that quarter 1 was already very strong, the results are very strong. So what are the -- what preview can you give us for quarter 2 in terms of new additions, addition of stores? Are you continuing with this very strong trend that we saw in the first quarter? Or should we naturally expect a deceleration?

A - Rafael Chamas Alves {BIO 21792610 <GO>}

Hi Enrico, this is Rafael. Now regarding the margin, you're right. This is an inherent characteristic of the SaaS/BeOnline operations, these very high margins. The LTV over CAC dynamic is very favorable and it certainly contributes to that. The SaaS operation went from 30% last year to 38% now.

So certainly when we think, organically speaking, these are operations that should have a margin expansion and not just the margin, Enrico, but also we're talking about operations

where that are less CapEx intensive. So in the end of the day, these are operations with a higher growth. The size of the company grew by nearly 45% in the first quarter this year. It improves the margin, improves the mix and improves cash generation of the business. So this is a very relevant component in terms of profitability and growth.

And your second question Willians, would you like to answer that one?

A - Willians Cristiano Marques {BIO 21482481 <GO>}

Yes, of course. Thank you, Enrico, for your question. So little bit about the conference booking. What we see Enrico is that our booking is somehow detached from the economic indices and the COVID circumstances and also, the marketing investments that we have been accelerating. These are effects of the change in behavior in companies. Companies suffered greatly last year with their stores being closed and now they are going for digitalization.

So regardless of what happens with the economy and with the pandemic, we believe that the volume of new customers will continue at the same levels of the first quarter, if not higher. We have been making increasing marketing investments. We have new initiatives with partners, we have strengthened our partnership and referral programs and we have been expanding the number of partners and with better and better performance of these partners. And another initiative that we will have with DooCa, the platform that we recently acquired is to launch a trial plan. And DooCa also reduced the prices of its first entry plan. So we have some initiatives that are being put into -- in place in quarter and we believe will bring good results. And if not the same booking level, we expect to see a higher booking level and this is for the rest of the year. So as I said, we see our trends detaching from any macro trends and they're much more related with our efforts and initiatives that we're putting in place.

Q - Enrico Trotta {BIO 16742911 <GO>}

Thank you.

Operator

The next question is from Diego Aragao, Goldman Sachs.

Q - Diego Aragao {BIO 17889908 <GO>}

Hello everyone. Good afternoon. Thank you for answering my question. My question is actually a follow-up regarding your competitive environment. It is very clear that LocaWeb through all these acquisitions and all the internal investments that it is making is creating an ecosystem which is more and more differentiated and this is reflected on its growth and competitive advantage. But I'd like to hear your perception about some recent movements of marketplace companies to expand their support business or support to digital stores. So how do you see any eventual competitive pressure from this type of player? And also, we said our other segments, for example, other payment processing platforms. If there is any ambition of these competitors that could take away some of your core market. Your perception on that. Thank you.

A - Fernando Biancardi Cirne {BIO 20544253 <GO>}

Yes, go ahead Willians.

A - Willians Cristiano Marques {BIO 21482481 <GO>}

Sure. Good afternoon, Diego. It's a pleasure to be talking to you again. So regarding the competitive environment, we haven't really seen any major changes. With these acquisitions we've been delivering a stronger in struggling environment and ecosystem. And we believe that we will see a network and chain effect of these acquisitions, because in addition to the platform, we have these new channels which will turn into acquisition channels. So, for example, Bling. Many of the customers go to Bling to have a digital presence without having any store. Now they're going to find a more complete offer and a complete platform for that and that's same happens for Ideris.

So, in addition to Tray's offer, which is becoming more and more solid with everything well connected and an unified experience, we also have these new customer acquisition channels that through cross-sell will strengthen our positioning.

Now from the standpoint of the competitive pressure, we still have some global competitors or global platforms that are not so much focused on Brazil. So we don't see any short-term -- any major short-term changes with these competitors and we have smaller competitors, and they're usually not focused just on Brazil, but in Latin America as a whole. And that's why we understand that as the focus that we have on Brazil is what makes us able to deliver a connected platform with our own solutions and an unified experience in one single journey. So for the Brazilian market, which is a very large market and expanding really fast, we are the company that can deliver the most value -- we are in -- and the strongest results.

As I said, Dooça is an entry platform and we want to accelerate it further. And Dooça is going to have a trial plan now. So we are also testing other formats, sales formats with the recently acquired platforms. So we are getting stronger before our competitors in terms of the platforms that we offer.

Now, in terms of payment, we don't see any movements of Yapay's competitors to focus more on the online market, which is our core. We see that they have a good presence in closed ecosystems or they're very strong in the offline ecosystem. So they're moving more and more to fight with POSs and credit card machines due to their strategy and the size of the market, they're putting much more effort on the offline market than online. So, for now, we haven't really seen any signs that the competitive pressure in payment processing solutions will increase and we haven't had any pressure on our rates. Our take rate is stable. Our volume -- processing volume is very high and this is a reflection of the level of competition which is not increasing. So we haven't really been suffering any additional pressure to lower our prices or lower our take rates. Our offering is very complete and we haven't seen any major changes in this sense. I hope I've answered your question.

Q - Diego Aragao {BIO 17889908 <GO>}

Yes, perfect. Thank you, very clear. Thank you very much. So just a follow-up question or maybe a provocation, I would say. Today when you look at some commerce platforms, we see that some companies have a business model that start to go into distribution, logistics and even some fulfillment factors. But would it make sense to say or to envision something similar to LocaWeb? So if we get to a point where you think this can make a difference or create a competitive edge, would it make more sense for you to work with specialty companies or create your own environment for that?

A - Fernando Biancardi Cirne {BIO 20544253 <GO>}

Well Diego, what I can tell you is that we have taken the first step in that direction with the acquisition of Melhor Envio. Melhor Envio's core business is still the technology and at the best shipping price. With Melhor Envio itself, and this was also in our earnings release, we have the launch of Drop, which are points of pickup of goods. So this would be a physical point for LocaWeb's operation and the role of Drop within Melhor Envio's operation is for customers that have five or six carriers available on the platform can choose the best offer and take the product to one single point of collection. So they don't have to distribute the products they sold in different points of collection according to the carrier they choose and this is very common. Because if they sell to the entire countries, sometimes to the posts -- the national postal service is the most competitive or you have some locations where airfreight with the airlines is more competitive, or for large packages, perhaps a traditional carrier will have the best price. So it's very common that customers will have four or five carriers, different carriers they have to deliver their goods to on the same day.

So the first step with our Drop service is the convenience of having one point of collection for all the packages to be shipped. And yes, in the future, we want to be present in more steps of the logistics itself. And very often, we will do that through specialized partners. So we don't have in our plans, the division to invest capital in warehouses or trucks or having our own fleet. But the Drop service already brings us the possibility of consolidating cargo. So we have the cargo consolidated and perhaps we can have more specialized partners for some types of deliveries. And also, we will work through our partners to be able to offer other logistics operations, such as fulfillment, drop shipping. So what I can tell you is, Melhor Envio will add its capabilities to LocaWeb and it's very strategic to us and the launch of the Drop service goes along those lines.

Q - Diego Aragao {BIO 17889908 <GO>}

Excellent, thank you. Have a great weekend.

A - Fernando Biancardi Cirne {BIO 20544253 <GO>}

Thank you.

Operator

And now I hand it back to Mr.Fernando Cirne for his final remarks.

A - Fernando Biancardi Cirne {BIO 20544253 <GO>}

So once again, I'd like to thank you all for your presence here with us today, our employees, our partners, our shareholders, and the technical team. Thank you very much for this partnership and thank you all for helping us deliver these excellent results. The Quarter One 2021 Earnings Conference Call of LocaWeb is now closed. Thank you all for attending and have a great afternoon.

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