

Q2 2021 Earnings Call

Company Participants

- Israel Fernandes Salmen, Chief Executive Officer
- Lucas Marques Peloso Figueiredo, Chief Operating Officer
- Luciano Valle, Investors Relations Officer

Other Participants

- Eduardo Rosman

Presentation

Operator

Good morning everybody and thank you for standing by. At this time, we would like to welcome you to the Meliuz conference call to discuss results for the Second Quarter 2021. We have with us today, Mr. Israel Salmen, the company's CEO and Founder, Lucas Marques, Growth and Focus Director, and Luciano Valle, the Investor Relations Officer.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company presentation, ensuing this we will go on to the question-and-answer session when further instructions will be provided. This event has also been broadcast simultaneously through internet via webcast and can be accessed at the address ri.meliuz.com.br. You will also find the presentation there.

I would now like to turn the floor over to Mr. Israel Salmen, the Founder and CEO, who will begin the presentation. You may proceed Mr. Salmen.

Israel Fernandes Salmen

Good morning and thank you to all. This is a special day for the team. We have several surprises, as I tend to say the release presentation is the time to speak to the market, speak to the team, and become ever more aligned, it is a pleasure to be speaking with you. I would like to begin the presentation today speaking about our vision, very recently we held our follow-on and we spoke to hundreds of investors in a seven-day period, on the roadshow in quotation marks and all of the roadshows that we have done up to present the IPO and the follow-on represent a great deal of learning.

We are able to share what we expect our dreams, our vision, and this roadshow was a true success, we were able to renew our investor base bring-in very important partners for the long-term and we spoke considerably about what we wanted when we begin to

look at this challenge. And we know the consumer, and we know how the consumer wants to have access to shopping, but also financial services.

Now, financial services is not the end. It's a means to be able to fulfill something what we do as a CASH3 Group is to position ourselves to become the mouth of the funnel in the purchasing process. And our vision therefore is to be able to provide all of these services. We do apologize to everybody.

We have had a problem with Israel's connection. We request a minute of your patience.

Very well. I'm back. Well, this is the first time this happens, but we began with the shopping vertical, we connected consumers to thousands of stores until the beginning of 2019, and we took the first step in financial services with the launch of our credit card. We were also very successful there. Now the credit card was our first step in financial services showing what Meliuz, what the Meliuz brand and the team have that capacity to do to bring together the shopping experience and financial services. In the release this year, we announced the acquisition of Acceso.

With the acquisition of Acceso, we are now growing our base of new consumers, not only for credit cards but going much beyond offering whatever it is that we can offer in terms of banking experience, ensuring that the customers experience will be ever more fluid without friction and bringing the experience of our credit card to the app to engage the consumer and enhance their purchasing and consumption experience, our way of looking upon financial services.

I still consider them as an infrastructure a means, a means, but the end is precisely to take the consumer when the consumer has that wish to do something to carry out a purchase to take them up to the check out of stores and whether they are brick-and-mortar and to provide something very simple, which is what we are able to do with our own financial service infrastructure very accessible services with an excellent experience. We can now go on to speak a bit about the figures.

I still see Slide number 2, if we could please go to Slide number 3. Very well. We open 39,000 new accounts in the second quarter of 2021, but we'd like to break down this figure and we reiterate that this shows our capacity to grow toward attract and to work consistently, bringing in several clients into our platform. For many years the platform was mono product. There was only shopping, then we had the card. We added other solutions.

And with the announcement of recent acquisitions, we enhanced the range of products that we offer to all of these users that we are able to acquire quarter-after-quarter, but also to those that we have acquired in the past. So we're very enthusiastic and we're happy to bring all of these users into our base. We show you the increase in total accounts on based on an annual growth, a growth of 87%. We have almost 19 million accounts on the platform and what is more important the number of active users in the last 12 months. It went from 2.4 million to almost 9 million, a growth of 265%.

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They gross merchandise, volume generated for partner stores have a growth of 83% going from 2 billion to 3.7 billion this quarter in card applications also an accelerated growth going from 500,000 cards for the second quarter of 2020. 20 reaching 6 million cards requested the TPV of these cards, perhaps the most important measure of engagement. It's not enough to request the card, the user has to use the card, we reached 2.1 billion of TPV in the last 12 months and net revenue going from BRL25 million in the second quarter of 2020. With a growth of 120%, reaching BRL55 million in the second quarter '21.

In this presentation, we will have the participation of Lucas and Luciano. I would like to give the floor to them and I will be back for the closing.

Luciano Valle {BIO 17317804 <GO>}

Thank you. Israel. And we're going to begin the presentation, very similar to what we have been doing in our release calls and this is part of the commitment that we made, and first of all we would like to reinforce our delivery when it comes to the increase of our team with a focus on the product and technology areas. We begin to speak about this focus showing you a figure of the talents we have attracted to Meliuz the CASH3 Group as a whole involving management access and the other acquisitions.

Now what is important here? We continue to be focused on technology and products 52% of the Meliuz employees are devoted to that and we have 91% growth in the product and technology team comparing June of this year with June of last year. What is important besides this when we speak about the strong pace of growth that we have in persons. One of our concerns is from investors is how to maintain the company culture because of this very accelerated growth.

What we would like to share with you in terms of how we're dealing with it to best preserve our culture. Is that the increase that we have in our overall onboarding process to preserve our culture. First of all, we have a very rigorous selection process with a very strong stage referring to culture. We try to identify those who have greater affinity with our culture, but we also devote time to the team onboarding through this Slide, you can see that despite the strong growth, the number of people participating in the onboarding, allows us to deliver a fantastic experience to them according to the qualification that has increased in the last year.

And what is interesting, besides this initial perception that the team has, it is our capacity to retain the talents that we want. It's partially the core for technology development that Meliuz the developers, software developers in the company. When we look at our engineering team and the turnover of the engineering team, you can see we have extremely low rates, especially compared to the industry standard.

And once again, this a reflection of while we are preserving in culture and the way we value our team to maintain them highly engaged in Meliuz. Let's speak a bit about how we are structuring our growth. Now part of the team and this is part of what we have communicated to the market. As Israel mentioned is to offer the financial services and in

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our financial service team, we have highly talented people with broad market experience to add to the construction of the solutions we would like to develop we have a team with vast market experience in cards with -- with Isla responsible for new businesses and -- who will help us in payments. So this is a team with broad experience and they are the right people to develop, what we want to develop in the future for our users.

Additionally to this, we have a very strong agenda as Lucas announced in the first quarter, we're preparing the -- it's like an airplane we're warming up our turbines taxing to accelerate our growth and part of the construction of the base for deliver greater growth for the business has been done along the last quarters. During the IPO, we had 13 people devoted to growth, we now have 53 people, this is Lucas's team. In this context, we have been growing at a pace that can pick up speed in the future. Now that we have a full team and the necessary conditions to accelerate our operating performance at Meliuz.

To speak about how this reflects on the company as a whole, our team growth and the quality of the team we have brought in and our focus on increasing this is reflected in the quality that we're able to convey and we can see this in the awards and indicators that we have from GPTW and our moto where we are able to follow-up on how our present-day employees and past employees look upon Meliuz and recommend Meliuz as a good place to work.

These are strong indicators and we have our focus on people that growth of teams and all of this is paying off showing excellent results. To speak about the second commitment that we took at the end of the first quarter to keep growing our users empowering new products and services on our platform. This is a report of our operational growth beginning with the GMV that we have in the shopping vertical. We reached more than 1 billion in GMV in the second quarter of this year, a growth of a 128% vis-a-vis the same period in '20, leveraged by our acquisition agenda in the last few months. If we look at the figure for the last 12 months we have reached 3.7 billion of GMV, a growth of 84% when compared with the same period last year. A highlight that I would like to underscore because of its relevant for the first time in our history. In the months of May and June of this year, we were able to surpass the number of new buyers we had on the platform compared to our best month, which is November when we have Black Friday.

Now all of the efforts we have deployed, are paying off, and we have been able to deliver more engagement with the life of our new buyers and we have been able to retain the new buyers at the same time. Therefore, this is highly relevant for us because the profile that we have a buyers for our base has been maintained through time as you can see on the graph to the right. The cohort retention for users during their first year of purchase. It's important to present they are showing you that the business is accelerating not only a number of users, but also a number of new buyers on our platform.

Now these new users to speak about our financial service vertical are also enabling us to attain very strong results in terms of cards, we had our best quarter in terms of applications with more than 1.5 applications in the second quarter. To speak about TPV, we obtained 763 million of TPV in the second quarter for the last twelve months, we go beyond 2 billion in the second quarter of this year.

Now, what is important to underscore here. This based on an agenda where we have been adapting the company to the reality of being issuers of our own card that we will refer to further ahead. So these are the figures that we have been achieving with a focus on the old product, but we will migrate to our newer products very shortly.

When we speak about growth in new products, we have the same breakdown of information that we have for Meliuz Invoice, and look at the level of engagement and access to strategic data, it continues to grow exponentially when we compare their figures quarter-on-quarter, we have achieved almost 200,000 users activating the offer and more than 1.1 million offers being activated. They this has brought us more than 15 million sellout data points which is the amount of volume captured through the invoices.

And perhaps more important than this is the geographic reach of this product. It is in 60% of the cities we have users in more than 3,384 cities using the Meliuz Invoice, providing us with all of the information mentioned above. When we speak about the third commitment that we made in the first quarter, we continue to advance in the international shopping vertical, we would like to offer you an update specifically in terms of our agenda with Picodi.

We are on track with the strategy set forth in the acquisition. We have defined nine countries that are priorities for the first phase of cashback launch. We're going to have the cashback product launched until the end of the third quarter, based on those nine prioritized countries. And we're going to continue on with the launch of new products in the Brazilian operation and outside, testing new fronts in Picodi. And the business at present remains solid with a very good performance. When we look at the revenues of the second quarter with a growth of 11%, vis-a-vis the first quarter.

And in the next slide, we show you the behavior of the platform in terms of number of sessions. We attained more than 13.2 million sessions this year, and the GMV of BRL240 million, corresponding to a net revenue of more than BRL8 million revenues coming from the international shopping vertical.

We go on to the fourth and last commitment that we made in the first quarter. We will bring you more details and novelties in terms of the new app and the Meliuz card. As part of this new app, we want to offer a unique and innovative experience, we build the shopping journey allied to the vision that Israel mentioned at the beginning of the presentation. It's an app that will offer users a better experience built on a much better technological platform, enabling us to be faster in the test phase, as well as in the launch of new products.

This is a platform that can be made available in several languages and several currencies which will bring down any barrier we have to escalate this product internationally, should the opportunity arise and brings about a high level of security between the shopping journey and the financial services we want to offer our users. Additionally, the new app will come with a new card with a single app experience. It is a card that is born digital first. We can use the virtual card or a plastic credit card and the plastic card can have credit, debit

and prepaid functions in a very simple way, in a fluid way, and we can change the function of the card without incurring on logistic costs of sending a new cart.

All of this thanks to the capacity that we have in terms of access allowing Meliuz to issue the product at the end of the day and go more in-depth in the experience that we offer users, and in the economics that we can obtain from this product.

Now, with the launch of the new card and the new app, we want to add more products and features in our platform to intensify our relevance for partners and users, and the relevance can be through organic growth or through our M&A agenda all based on building a solution that goes beyond cashback, beyond banking for the users.

And after this, first phase of the presentation where we have spoken about the commitments for coming quarters and we have complied with our commitment. We would like to refer to our financial highlights in the second quarter of '21. The first highlight is the growth of revenue already mentioned a growth of a 120% year-on-year. We got BRL54.5 million revenues in the second quarter compared to BRL24.8 in '20. When we look at net revenue in the last 12 months, we've reached a BRL175 million a growth of 70% when compared with the same period in 2020. We already have the impact of the recent acquisitions of Promobit or Picodi that we acquired in March and also the revenues of Promobit and Melhor Plano, that we considered for the months of May and June.

Still speaking about net revenue, we have decided to show you a Slide with a pro forma net revenue with all the acquisitions in the last 12 months. When we show you this vision for our results, we would have obtained a growth of almost a 150% in terms of net revenue for the last 12 months attaining 255 million. Here, we have the contribution of Acesso, as yet not consolidated in our results. We're awaiting, the approval of the Central Bank, and the other companies in the group.

Let's speak about our shopping vertical, the revenue growing more than a 100% year-on-year, going beyond BRL46 million this year, compared to BRL22.8 million in the second quarter 2020. For the last 12 months, ending in the second quarter, we reached BRL146 million of net revenue, a growth of 50% vis-a-vis the second quarter.

Our international shopping has a contribution of BRL11 million for the last 12 months. We continued to grow very strongly in our financial services vertical. We reached more than BRL8 million revenues for the second quarter, a growth of 313% vis-a-vis last year. We had BRL28.5 million revenue and a growth of 522% when we compared the last twelve months ending in the second quarter of '20. We continue with our financial information in the second quarter of this year, adjusted EBITDA was BRL2.4 million because of our focus on the growth of the team responsible for 50% of the variation vis-a-vis the first quarter of this year reinforcing our intention to continue to invest and grow our team ever more focusing on the opportunities they will unleash going forward.

We see the first impact through the negative EBITDA margin because of the team we have brought in but it is a team that we'll continue to contribute towards the next steps of the company on harnessing new avenues for growth. So this is an investment we're

making to allow the company to continue to grow and deliver excellent results. As part of the adjusted EBITDA we had almost 5 million referring to - costs referring to our M&A agenda. With this, I would like to return the floor to Israel for the closing remarks on the presentation.

Israel Fernandes Salmen

Thank you, Luciano. We like to end by saying what we're going to do in the coming quarter, but not only the coming quarter, but with a long-term view. So we have some points on which we will focus in coming quarters. Well, what is important is are the people. We have several vacancies open the team has grown in a very efficient way as Luciano showed you, we have an engaged team with good internal assessments, we're very enthusiastic with this and this is priority zero.

We also have a great deal of room to grow our user base, we know that in the coming terms, we will have ever better users. And that doesn't mean we're not going to bring in the user, show them the shopping show them our new products in terms of international shopping. We are on track as planned along with our Brazilian team. We have an international mission, they're all very engaged with the long-term goals in several countries. We have decided to initially begin in nine countries and of course we have several launches carried out this quarter.

And finally, we're focusing on the transition of the card in the new Meliuz app. For this reason, we're reducing our investments in marketing so that the present-day card can grow and we're going to focus fully on the team, develop the new app and develop the new Meliuz card. Of course, we're still focusing on our other products we're just at the beginning with a highly engaged team with more people to help us face the coming challenges. So, we can say that Meliuz is at its best moment, whether it is operational or in terms of speed when it comes to attracting talents, results growth in the user base and active users.

Finally, I repeat our vision that begins at the mouth of the funnel to hold the customers hand and upon checkout to awful financial services in a very efficient way at a low cost offering the user what they want, but what is more important that all of this without friction and to ensure that this is a positive experience almost it's an invisible experience for the consumer and we have to focus on obtaining this aspiration of doing something, whether it is online or in the brick-and-mortar stores. Thank you very much, and we can now go on to the question-and-answer session.

Questions And Answers

Operator

(Question And Answer)

Ladies and gentlemen, at this moment we will go on to the question-and-answer session.
(Operator Instructions) Our first question comes from Eduardo Rosman from the BTG

Pactual.

Q - Eduardo Rosman {BIO 16314825 <GO>}

Oh, good morning to all of you. I have two questions from our end. The first, you referred to your new app that officially will only come about at the end of the year after Black Friday and Christmas. I would like to know if you're going to continue to take the user, the Meliuz customer to the partner sites. We see that other players are trying to work more end to end and this is an important difference in concept.

Second question refers to open banking, with Acesso, I think you have a devoted team that will accelerate this -- this will become a team priority. But how can the open banking be something transformational for your business?

A - Israel Fernandes Salmen

Thank you, Rosman for the questions. Let's begin with the end-to-end question. We're not interested in necessarily closing the sale in our app. Our main mission is to take our consumers up to our partner merchants, so that they can finalize the transactions in the right environment and what you can all expect from Meliuz, of course, are enhancements and that experience. So, how can we improve the traffic on the partners agenda, guaranteeing that the partner will be able to work with cross-selling, selling other products to the user, without hampering all the investment that partners make at that specific stage, which is closing the date. So our team is engaged in improving the conversions, but without losing that core of hours of taking the consumer to the store.

Secondly about open banking, Rosman. What we are focusing on here and the way we communicate with our team is that at this moment, when we have access to several data from our consumers, well, the entire market will have access to those data. What will become more important is to be open-minded to think of solutions and test -- test and create a value proposition that will be magnificent for customers.

I think that it would be very difficult to decide on something now when we still do not have access to that information and when the world is undergoing constant evolution. So the team spirit will be to maintain open-minded and what we truly need to do is create a plan to test the plan, have a very good execution, look at the results, say, what worked, what did not work, go back to the beginning of the process and start again. This is how we build processes and products at Meliuz and this is how we will look upon open banking.

Q - Eduardo Rosman {BIO 16314825 <GO>}

Thank you. Thank you very much, Israel.

Operator

At this point, we would like we would like to end the question-and-answer session. We would like to return the floor to Mr.Israel Salmen for the closing remarks. You may proceed sir.

A - Israel Fernandes Salmen

I would like to give the floor to Lucas. I know he's very anxious to speak about people at the call. However, there was a technical problem. He was not able to present, so he can now convey his perception to you. He has done excellent work, Lucas, nobody better than you to close this conference call.

A - Lucas Marques Peloso Figueiredo {BIO 21951743 <GO>}

Very well, can you hear me? I would like to end by saying the following. I have never been so enthusiastic as I am now. And the reason is because we have never hired such good people as we have now. We were always concerned and bringing in the best people. We knew that we had limitations. We did know Meliuz very well. We brought in good people. Our stock option program formerly did not have value. It was very difficult to measure value.

Now at present, perhaps the most positive aspect of having undergone an IPO is that the community knows Meliuz and we are able to bring in very good people. An important point to reinforce here, part of the team that has come in since the IPO, we have almost increased the team twofold, are not working on the results that you saw here. They are results you will see the coming year. We're developing new apps, new products, preparing your campaigns to deliver the results that are about to come. So the future makes me extremely enthusiastic.

We know that we're delivering what we promised presently. We have a strong growth in the user base, we're delivering new products are vertical that was just crawling, when we did the IPO has now become a child and very soon will become a teenager. And we have seen that even though we move away our focus a bit from marketing because of the migration to our own card, the results are still very strong, a significant growth in the Meliuz Card. And all of this, of course, allows me to be very satisfied and we will continue to deliver whatever we have promised.

Operator

The Meliuz conference call ends here. We would like to thank all of you for your participation. Have a good day and thank you for using Chorus Call.

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