

Q4 2020 Earnings Call

Company Participants

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

Other Participants

- Carlos Sequeira
- Diego Aragao
- Enrico Trotta

Presentation

Operator

Good afternoon. Welcome everyone to LocaWeb Fourth Quarter 2020 Results Conference call. Today with us, we have Mr.Fernando Cirne, Chief Executive Officer; Mr.Rafael Chamas, Chief Financial Officer, Investor Relations Officer Mr.Higor Franco, BeOnline and SaaS Director and Williams Marcus, Commerce Director.

Today's live webcast and slide presentation maybe accessed through LocaWeb's website at www.ri.localweb.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 any forward-looking statements made during this conference 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 macroeconomic scenario, the industry and other factors could also cause results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to Mr.Fernando Cirne. Mr.Cirne, you may begin your presentation.

Fernando Biancardi Cirne {BIO 20544253 <GO>}

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I would like to thank you all for attending and thank our employees, our collaborators.

Let's start on slide number two. Here, we see the highlights of our operation throughout the year and particularly in quarter four 2020. Here, what we see first is the great advancement in our acquisition agenda, we had nine movement since our IPO. And for 2021, we already have a contracted ARR of R\$112 million, representing a guaranteed inorganic growth of 22.9% for our operations. We also had a strong expansion in the acquisition of new clients, through our operations both BeOnline and SaaS and also commerce. And this was both in 2020 and we already see a lot of consistency in the year 2021. We are going to show you that in more details in a second.

Also over the course of the entire year 2020 and very strongly in quarter four we saw growth in or GMV well above the market average and this is still accelerating. So just some quick information, in quarter four last year we had a GMV growth of 160% versus the market growth. Reaching in quarter four BRL2.1 billion and annualizing BRL8.4 billion. Our TPV also reached a very interesting level. Comparing quarter four '20 with quarter four '19 we had a 158% growth, very representative. In the case of Tray, we intensified our brand marketing efforts in 2020. And very interestingly due to the quality of our product, the scalability that we have reached due to our growth and dominance in the market even with this intensification of our brand marketing efforts, we are still gaining a lot of margin in our operation. And finally, we are capitalized with resources from our follow on offer and with a pipeline structured for new acquisitions. And our CFO Rafael is going to give you more details.

Now moving on to slide number three. Here we see the details of the nine acquisitions that we completed in 2020 since our IPO. It's important to highlight that all these operations have recurring revenue, have cross-sell and up-sell potential, we are looking at retaining the founders of these companies and they all have consolidated products. And most importantly, all these acquisitions fit very well in the journey of our clients. And this is very important for us. LocaWeb never buys companies that do not fit our customers journey.

Here we see the details and we have at least BRL112 million contracted ARR and a guaranteed growth of 22.9%. And what's important here is that, we see a strong organic growth coming from this inorganic growth. We have this contracted ARR over BRL112 million, but all these companies also have very strong organic growth and this is something they showed throughout 2020 and this is something they are already showing in 2021.

Slide number four. So, as we always say, we are bringing on other companies and with them we bring on their founders. So we are forming an unique ecosystem of digital entrepreneurs in Brazil. You won't find anything like this ecosystem of entrepreneurs in any other companies in Brazil. So just to mention a few names, we have in LocaWeb's you'll bear to Mautner, our Founder Willians Marques, who's today our Commerce Director. We have Victor Popper from All iN. We have Allan Kajimoto from Delivery Direto, a specialist in startups. We have Ricardo Rodrigues from Social Miner. We have Andre Patrocinio from Etus. Rodrigo Dantas from Vindi, who is known for the content he

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generates online. Alessandro from (inaudible) and Rafael from C-plug. So this is truly a unique ecosystem of entrepreneurs.

And how does this help the company? First, providing strategic operational guidance to the company. All these people are helping the company, helping guide the company in the right path in the right direction. Second, it encourages talent retention both for those who are already working with us and also for the hiring of new people. Because we want new talents, and people today want to join the company. And finally, this has been attracting new companies through our acquisition pipeline, because new companies want to join LocalWeb and this has been really helpful in accelerating our acquisition pipeline.

Now a little bit about the client Journey out LocalWeb. Today we have two major focuses. The first one is called digitalization. LocalWeb started as a hosting company but today, when a client wants to become digital. We offer them everything they need, starting with website hosting, we also have our website builder, we also have the app through Delivery Direto, social presence. Many companies will start their footprint online through their social presence and not a website. And then, they will build a website. And very often they start with an e-commerce platform. So, regardless of how you want to start your digital footprint, LocalWeb has all the solutions that you need.

And this is important, for example, if you want to start with social presence, you start with Etus and then website hosting or the other way around you start with your website and then social presence and then the app. So for example, if you have a restaurant, how can a restaurant have a digital presence? A restaurant needs an app to sell meals. They can also have presence in social media, they can also have a website and so on so forth. So today, LocalWeb can provide you with all the solutions that you need to have the right type of social presence or digital presence that you want.

And we already see this potential being realized with a cross-sell between our hosting services and Etus. This has been really efficient. Also we have all the cross-sell in the center of this graph and we have the cross-sell in the periphery of this graph. For example if the customer has a website hosted with us, they can move to cloud or corporate services, or lead generation with All iN or email marketing with LocalWeb or Social Miner itself. So this is the major client journey that we have in our company and this is how we have been helping companies become digital.

So now let's go to slide number six, here we have our commerce ecosystem. We certainly have the most complete e-commerce ecosystem for SMBs in Brazil. So here in the center we have Tray and DooCa, our two ecommerce platforms. So this is how clients can set up their stores online with a shopping cart and with all the products. And this is surrounded by Vindi subscription, and recurring billing management. So this is the first major synergy that we have with one of our acquisitions. And then the customer can get lead generation with All iN and Social Miner. With All iN they have email market and push notifications, personalization of environment and with everything related with big data and artificial intelligence with the services of Social Miner.

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Then we have Etus, provider of social media management services. We have (inaudible) with the integration with marketplaces (inaudible) allows you to build a sort of a mirror of your store inside marketplaces. They also have the store in store functionality. We have Yapay for payments. We have CPlug for POS and financial services with (inaudible). So this is a very powerful echo system that was built with our clients journey in mind.

And all together, this is what makes our commerce area grow so much, because we have a lot of cross-sell between these operations and this will cause ARPU to increase greatly this year, will also have very good results because of churn reduction, we will see a strong reduction in churn due to this synergy and because our customers will sell more, and if they sell more, they'll never want to leave this ecosystem. So we know that we will have a great movement in terms of new client acquisition and this is already happening and accelerating.

We're going to hear later about this very representative increase in our sales. And this is not just because of the pandemic, but also because of the changes in our marketing platform and also due to this ecosystem that we offer our clients. This is a very attractive offer of products.

Besides our ecosystem on slide number seven. We see that we have a total volume of 382 integrations with other solutions in the market. We are in a very agnostic platform. We are integrated with more than 200 ERPs, marketing solution. So it's not just our marketing solutions, we also have integration with other solutions in the market. We do have our own payment solution but we are also integrated with other payment solutions. So we are the most agnostic solution in the market. We also have our content product, content marketing with more than 2000 articles to help our clients sell more.

So between our own solutions and third-party solutions with which we are integrated, our clients can sell more, and by selling more they end up buying more expensive bundles of products with us and this is what causes this three times increase in the ARPU and seven time increase in the ARPU in three years.

And this -- these rates have been maintained over time. The ARPU of our customers have -- has been growing consistently. So our customer base is growing due to their increase in sales, but Tray's revenue is not just growing because of the expansion of our client base. It is also growing due to the increase of our customers ARPU with us. And this increase of our customer base and of there ARPU will ensure a great growth rate for Tray for many years.

On the right, you see what's happening with our client base. In 2019, we had a 20% increase, last year we doubled our client base. And later you're going to hear why this was due to an increased new client acquisition which was related not just with the pandemic, but also a change in the sales matrix of these customers and the quality of our ecosystem, which leads to very good client retention. And this year in 2021, in the first two months, we saw a 15% increase in our client base, exceptional results.

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Slide number eight. Here we see what's happening with the booking of new stores. So in quarter four 2020, we grew 237% over the previous year. In January and February '21 alone, we had a 30% increase over quarter four 2020, and in March 2021 we already have very good results of 56% increase over quarter four 2020. The highest average of sales in the history of the company.

Our GMV is also growing faster above the market average and is still accelerating. And in the first quarter 2020 versus first quarter 2019, we had a 57% increase. Third quarter '20, versus third quarter for '19, 108% quarter four 2020, quarter four '19 160% and comparing 2020 with 2019 we had a 98% increase in our GMV. And this means that with -- this growth is accelerating. And our GMV already accounts for 7.8% of the GMV of the Brazilian Market. These numbers are very important for us.

Now on slide number nine. It's important to stress the quality of the e-commerce client base of Tray. And here, we have two cohorts. One is indexed to the 2016 revenue, and it's important to see what happens with the entry of new customers. In 2016, 100, 128 in '17, 191 in '18, and this is growing, but you see how it skyrocketed in 2020, 638. So our entry is six times higher versus 2016. The growth was already consistent before that, but in 2020 we had a huge volume.

And when we indexed the revenue to 100 we see that -- on the right side of the chart we see that we were already seeing this growth since 2016. So you see what's happening with the next cohorts. We're keeping the same level of quality 218, 100, 219, 205, 220, 281, so from 100 to 227. And this explains the ARPU will increase that I talked about. So, this is what I mean, when I talk about the quality of our ecosystem which helps us retain clients, reduce the churn, increase their ARPU and this certainly ensures very good growth rates for us.

And also for BeOnline and SaaS. Last year we had already seen an increase in the booking for all our operations and these numbers were maintained in quarter four. So under BeOnline in SaaS when we breakdown into retail and corporate, here we see that the numbers were maintained. In quarter four an increase of 21% versus the previous year. And in corporate, we also saw a 32% increase so we had a very good year. Retail in general grew by 25% and corporate by 46% which is very interesting. And we also had very good growth in SaaS. SaaS revenue went from 30.6% to 37% comparing quarter four '20 with quarter four '19.

In operations, we have Delivery Direto and Delivery Direto's customer base more than doubled since the company's acquisition. We bought the company in September 2019 and we saw the numbers more than double. So this is another example of a very good initiative and how we're helping companies adapt to the new reality of the pandemic?

So now I hand it over to Rafael Chamas to continue this presentation. Thank you very much.

Rafael Chamas Alves {BIO 21792610 <GO>}

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Thank you, Fernando. Good afternoon everyone. I'll start on slide number 11, and I'm going to spend a few minutes talking about M&A opportunities. This process is very relevant to LocalWeb. The M&A process that LocaWeb is very mature and practical and it involves three major fronts. First, we have a very clear strategy, we really know what we want and we've been talking about this a lot. The second stage is evaluation, LocaWeb works with a lot of discipline when looking at M&A opportunities. So, having the right conditions for a good DCF and to add the right values to the company this is what allows us to know how much we should pay for a company. And we take this really seriously we will only buy companies if we are sure that we will bring good return to our shareholders. And the third flow is the integration flow. And I'm going to go into more details now.

So regarding the strategic clarity of an acquisition we have a few characteristics that are common to everything that we do. And we really like to stress this because this is very important when selecting potential assets. The first characteristic is recurring revenue. We are a company that really likes recurring businesses. The second is related with quality of the product, all these products have to be highly consolidated in the market and this is an integrating part of our intelligence analysis. And the third characteristic. And Fernando really explored this when he talks about the ecosystem. And this is actually related with our -- with the cross-sell potential. The cross-sell opportunities are huge in our ecosystem. And this is always that -- this is something that we always have in mind and this also has to do with the value of our acquisitions when we are doing the valuation of the potential assets to buy. And the fourth feature are the people. We are looking for people who have a cultural -- who have a good cultural fit with LocaWeb, people who have been leading their businesses brilliantly and people who intend to stay with the company. As we showed you we have that really in ecosystem of entrepreneurs and they all stayed with LocaWeb after their companies were bought.

And on the right side, I talk about our pipeline. Our pipeline is a live pipeline. We are always looking at opportunities, we're always analyzing potential assets. Today we have more than 10 companies that either have an MOU sign or are at advanced stages of negotiation. And here we're talking about the results of quarter four, but after our follow on offer and the funds raised our M&A pipeline continues to be very strong. We have great strategic assets being discussed and LocaWeb will continue to make great acquisitions.

Now on slide number 12, I'm going to talk about our integration process. Because, of course, there are questions about the integration process. This is something that is expected, but first integration at LocaWeb is led by a senior team, very experienced people who really know how to extract maximum value from an acquisition and our integration process is structured into three pillars: back-office, business, and synergy. So, going into details. The back-office pillar is about absorbing all operating activities that are not core activities of the company, the acquired company making sure the founders can focus on their core activities.

And LocaWeb already has a very experienced team doing this and what we want is that, all these processes are absorbed as fast as possible so that founders can really focus on their core know how, on their core activities what they really like to dedicate to. The second pillar is business so how do we integrate the business itself? It's very important to

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mention that the first important aspect here is the retention of the founders. We want the founders to continue to be fully dedicated to their business, focusing on all core activities and by core activity I mean product software, software engineering, product roadmap, customer service. So everything that is part of the core business.

So we want to ensure these founders they will be able to continue focusing on those activities and we want to make it really clear to them that we can help them in all the governance and operations and processes. And when we think about a heated market like the IT market, we know that there are many talent retention programs and LocaWeb for decades has now been using equity mechanisms, stock option programs so that we can increase the level of engagement of these founders. And this is something that we always bring to the acquired companies, and this is a great way to ensure the greatest talents will stay in the business.

And the third pillar is synergies. So the first fundamental aspect is that, all potential opportunities for cross-sell through integration of product is mapped before the deal is closed. When we close the deal, we have a complete mapping of all the potential synergies with the acquired company. So this is the first fundamental point. And second, we have a lot of discipline to perform these integrations we have dedicated teams for that purpose we have economic mechanisms that allow for the capturing, the full capturing of all this cross-sell and this leads to acceleration of the acquired company and the group as a whole.

For example, Vindi is a company that before the deal was closed we already saw a lot of synergy through the Vindi Yapay integration, and we already have this fully operational in quarter one. The integration has been completed and in the quarter one this year, we already saw some very interesting TPV and revenue results. And it is the same for all our acquisitions.

So now let's get to our financial results. So on slide number 14, we have the financial highlights of the quartered. So in quarter four 2020, the group grew by 33.3% reaching BRL140 million and commerce grew by 108.2% over the previous year with very high growth rates in GMV, TPV. Fernando already mentioned these numbers and how they are significantly stronger than what we are seeing in Brazilian market. On The right side we see that we have high levels of growth with high profitability. Commerce had a 108% growth in its revenue, 105% in its EBITDA. So we are capable of growing and generating cash and have a very profitable position. The cash generation and -- grew by 25% reaching BRL79 million and then net cash position is BRL344 million. Not yet rainforest by the funds raised by our follow-on offer.

On slide number 15, we see the net revenue of the group. As I said we saw a 33.3% growth and commerce already accounts for more than one-third of the company's revenue. So more than 33% and still growing. In the same period last year it was 21%. On the right side, we see the revenue for commerce. So it closed the year at 46.5% and here the growth drivers GMV of BRL2.1 billion. And the TPV also showed strong growth. And this shows that we had an expansion of the Yapay share in our client base and we also saw a relevant growth in other payment operations. And this is very important. And BeOnline

and SaaS, also very good growth rate closing it 93.7% with an 8% increase in the client base.

Slide number 16, we have the same dynamic here for the EBITDA. So as I said, the EBITDA grew by 20.6%, we close quarter four with a margin of 25%. Consolidated EBITDA for commerce due to the higher margins it accounts for 43% of the whole against 25% in the previous year. So for commerce operations we had a growth of 105% maintaining as stable margin from 34.3% to 33.8%. And it's important to highlight that the margin was maintained even though we invested significantly more in the acquisition of new clients.

So, the numbers for 2021 will give you an idea of how successful these investments have been and this new matrix for client acquisition for the company. And BeOnline/SaaS closed at 20.7%, it was a decrease -- there was a decrease in the margin compared with the previous year. But on slide 17, we see that despite the decrease year-over-year, we have been capable of recovering. There was a certain impact on the margin, but still the company is capable of growing and we are capable of bringing our profitability to higher levels. And we highlighted the growth of SaaS and the representativeness in the industry year-over-year. But we know that we are seeing consistent growth in the margin for this area, specifically.

On slide number 18, we see the net income of the company, we closed quarter four at BRL12.8 million of 23% increase year-over-year. The adjusted net income was 41.6%, 47.7% increase year-over-year and all the adjustments that we make our non-cash adjustments. For example, for black and shows -- for black and shows provisions, for evaluation of stock options also the levels of BPA. And this is important to highlight because a company that makes so many acquisitions this is a relevant non-cash item in our financial demonstrations which ends up affecting our financial results and also expenses and non-cash expenses of other nature.

On slide number 19, here we see the cash generation of the company. So in this -- in quarter four the cash consumption of the group was BRL108 and this was essentially driven by the acquisition of companies. You see here the net effect of the cash that is brought on by these companies. So for the period, it was BRL88 million and I think this was the greatest afender for our cash and we also had payment -- pay out of dividends and capital over own -- interest over own capital, which is actually beneficial for our shareholders. So on the right, we see the evolution of our CapEx. If you look at the quarter alone, you see one thing, but if you look at the annual numbers, the company's CapEx went from BRL48 million to BRL50 million comparing '19 to '20.

So it moves practically horizontally. So this shows that we're growing in asset light operations that bring a lot of scalability. And by this, I mean ecommerce and SaaS. And of course, this reflects on the proxy, a cash generation EBITDA minus CapEx closing the year at BRL79 million, a 25% increase year-over-year.

And to wrap up we have slide number 20 showing our cash situation. We closed the year and BRL409.4 million of cash position. And this counting the financial debt, the net cash

position was BRL344 million and considering the lease liabilities and the new accounting standards of IFRS 16, we closed with the net cash position of BRL274.7 million.

So now I will hand it back to our CEO, Fernando Cirne.

Fernando Biancardi Cirne {BIO 20544253 <GO>}

Thank you, Rafael. Thank you all for attending. And I think now we can open for questions.

Questions And Answers

Operator

(Question And Answer)

Ladies and gentlemen, the floor is now open for questions. (Operator Instructions) The first question is from Enrico Trotta, Itau BBA.

Q - Enrico Trotta {BIO 16742911 <GO>}

Fernando and Rafael, good afternoon. I'm the Technology Head at Itau BBA. Thank you for your presentation. I have a question about the Commerce segment, specifically we saw that the booking of new stores has been really strong in quarter one with the preliminary data that you showed. I know that perhaps this is not directly related with the COVID pandemic. But I want to know if the -- if there was a positive impact from the pandemic in the booking of new stores? And what is the expectation for the coming months regarding the booking of new stores in Commerce? And will this be through brand marketing efforts or new integrations maybe? So can you give us more details? Thank you.

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

Enrico, thank you. Thank you for that question. If we hadn't gotten that question, I would ask Willians to talk about that in the end of the presentation. I think it's important to clarify, and Willians is going to go over that because it's important to show you that this movement towards an increase in sales is here to stay regardless of COVID. Willians, please.

A - Willians Marques

Thank you, Fernando. Enrico, thank you for your question. As Fernando said, our booking has been a great highlight. And when we look at our booking and compare it with the COVID curve to try to address and better understand what's happening, we see that, in the end of last year, we had a deceleration in the restrictions and our booking continue to be very strong. We had a strong growth level compared with the previous growth levels, even at a time when measures were being lifted. So the impact of COVID and this acceleration is actually small, because we saw then, with all the work that was done in 2020 and something that accelerated in quarter two and three, were -- was our marketing investments. We reinforced our branding efforts with institutional campaigns on

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TV, on radio stations, sponsorship of soccer matches, and we invested much more in online media, such as Google, Facebook, Instagram, and all these digital channels that allow for direct conversion.

So our client acquisition marketing investments were -- was much greater than in previous years, and this is what's creating all this traction in our booking of new stores. This relationship has been really positive because, historically, we had CAC over LTV that was very high. Our cost of acquisition was very small. And clients, with all the tools they had available, they could grow greatly their ARPU up to 7 times and their LTV, or their lifetime value, is very high. So we have a lot of margin to invest, and this is what we're doing months-after-months. We're increasing our investments. And regardless of COVID, which, of course, accelerated digitalization, the growth in our booking comes much more from this acceleration strategy. And in parallel, we're also finding new acquisition channels. So besides investing in the media that we already invest in, this year, we're opening new fronts. We're testing new channels.

So you can rest assured that, what we're seeing, our booking curve will continue throughout the year regardless of the pandemic. Of course, we expect the pandemic to improve. This is what we hope, right? We want our customers to resume their offline operations as well because this has also been impacting them, but we don't believe we'll see a drop in this booking rate for this year.

Q - Enrico Trotta {BIO 16742911 <GO>}

Thank you, Willians. It was a very clear answer. Thank you. Thank you, Fernando, and good afternoon.

Operator

The next question is from Diego Aragao, Goldman Sachs.

Q - Diego Aragao {BIO 17889908 <GO>}

Good afternoon, everyone. First, I want to ask about the competitive environment, both for Commerce and also BeOnline. Clearly, LocaWeb has been building this ecosystem and we know that, over time, at least in my opinion, it will be very difficult to be replicated by new entrants or other competitors. So how do you see your current position versus your main competitors in each of your verticals? This is my first question. Thank you.

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

Good afternoon. I'm going to answer the Commerce part and then Higor is going to talk about BeOnline and SaaS. It's true that, in the Commerce environment, the year 2020 really allowed us to stand out and differentiate ourselves from the competition. I don't mean to sound arrogant, but I do think we distance ourselves greatly from our competitors. So first, let me talk about international competition. Our international competitors didn't move much in 2020. They continued at a very low level of integration with resilient solutions. They didn't advance at all and we advanced greatly. So that's the reason for that distancing from our competition. We invested in -- we invested a lot and

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we increased the distance from our competitors. And the same for Brazilian competitors, because we increased greatly, not just the level of integration, but also our ecosystem. We bought companies for lead generation. We bought a company for logistic integration, for marketplace integration. For POS, we bought Vindi.

So not just for integration, but we bought many companies. So now we have our own ecosystem with all the integrations that we need. We have integration with local companies. So also, in terms of local competition, we distance ourselves from our -- from ourselves from our competitors. And still looking at the local competition, we raised more than BRL2 billion in fund in our Follow-on offer. So we now have a more complete ecosystem. We are capitalized after the Follow-on. We are more profitable than any other local company. So we have everything we need to stand out even more. I don't mean to say that we are comfortable because there's no such thing as a comfortable situation right now. But we are very excited that 2021 will help us stand out even further from the competition. Willians, would you like to add anything? Or maybe Higor can talk about BeOnline and SaaS?

A - Unidentified Speaker

No, (inaudible) fine. Thank you.

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

Okay. So Diego, thank you for your question. I'm going to breakdown my answer into two parts. First, I'm going to talk about BeOnline, and more specifically, about what we're seeing now, Diego, is very little movement from new entrants but we are seeing relevant movement from competitors, particularly international competitors that are feeling a lot of pressure from the exchange -- foreign exchange rate. Many of our competitors have been adjusting their prices due to the foreign exchange condition that we have had for a while now in LocaWeb because it has its own solutions, solutions that are developed in-house for most of the BeOnline products at least. So the only movement that we're seeing is players that have international contracts that are adjusting their prices because of the foreign exchange rates. But this is more for BeOnline.

And now regarding SaaS, we don't see any significant movement from the competition. On the contrary, what we see is that we, in terms of features and functionalities and entering into new segments of products, we're much more accelerated than our usual competitors. For example, let me give you the example of Delivery Direto. Delivery Direto is a good example of a platform that, in the past six months, added a lot of features much more than all our competitors together. So this capacity to evolve is something that is putting us at a very favorable market situation against our competitors. So this is the general overview for competitiveness both in BeOnline and SaaS.

Q - Diego Aragao {BIO 17889908 <GO>}

Thank you, Fernando. Thank you all for your answer.

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

Thank you, Diego.

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Q - Diego Aragao {BIO 17889908 <GO>}

So if you allow me, I have a second question about the size of the opportunity that you see in Commerce. I know this is a recurring discussion that we have with investors. But maybe you could shed some light on the solutions, the pipeline, portfolio and how you're positioning the company to foster further digitalization, or maybe LocaWeb will have to think about moving to the middle of the pyramid, not focusing just on SMB or SOHO and may be targeting mid-sized to large companies.

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

I can answer this one. Right now, LocaWeb does have -- in the case of BeOnline and SaaS, we do have larger companies. We have Nextios to service larger companies. Actually, this company was created to service companies that were growing with us. And now we are also servicing external clients. And in the case of commerce, our DNA is to service SOHO companies or SMBs, and what we have, our operation is Tray platform and this is our positioning right now. We know that we have a long way to go. And there's much we can do -- much more we can do for small and medium businesses. But we do have the Tray Corp operations that provide services for the companies that are growing with us and becoming large companies, so that they do not have to leave. So we do not have any churn from these companies that are growing with us.

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

This is Rafael. Just one more relevant point. Diego is talking about the size of the opportunity. Diego, the composition of the ecosystem that we have right now, there's no competition. Well, Tray in the past had the platform and payment solution. And now we have monetization, the logistic platform. We have new ways of integrating with marketplaces. We have credit services. So of course, this mass of organic growth that we have from our customers, our capacity to add greater value to our customers and extract more value from this client base is growing substantially with the acquisitions that we're making. And of course, because, as we said in the presentation, our operation is agnostic and we will continue to benefit from the external market and there's a lot of value to extract from that as well.

Q - Diego Aragao {BIO 17889908 <GO>}

Yes, Rafael that's a very interesting point that, as you expand your ecosystem, there comes a point where you have the increase in ARPU and this increase can be very significant. Can you share any examples of a client that joined your platform and integrated with Yapay, integrated with logistic monitoring and even credit services? Just to give us an idea of the magnitude of how much their ARPU is growing over time? Do you have an example of concrete example of that?

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

Diego, these operations are starting to be integrated right now, for example, credit services. But we have other operations that we already integrated in the past then we have some good examples. Willians, do you have an interesting case to share with us? One of our customers that evolved with our platform due to the integrations.

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A - Willians Marques

Yes, we have many success cases, particularly in corporate, because these are customers that are growing greatly and very loyal. So we have customers that started with BRL100 plan with us, and today, they are selling millions every month, and the corp charge involves a small take rate over sales. So we have to take rate. We have the payment solution. So a few examples, this is not the average but this is -- these are some exceptions. But we have customers that from BRL100 went to BRL25,000 revenue with us through the growth of the platform itself, integration with marketplaces, and this is for corporate plans. So of course, as I said, these are exceptional cases that increase their ARPU in more than 20 times, but on average, what we have is the seven-time, eight-time increase in the ARPU. That's the average. But it's a huge effect and now we also have all the potential from credit services and the other companies that have been integrated to this ecosystem recently.

Q - Diego Aragao {BIO 17889908 <GO>}

Thank you very much.

Operator

The next question is from Carlos Sequeira, BTG Pactual.

Q - Carlos Sequeira {BIO 1798391 <GO>}

Good afternoon, Fernando, Rafael. I have two questions. My first question is related to Diego's question. So still talking about the profile of your clients. We saw a great increase in the number of clients in 2020 compared with the previous year. And the profile of these clients that you're adding to your base right now is this -- is the same of the -- your previous customers? Or is this profile changing? Are you reaching a new profile of clients now with all these changes?

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

Willians, can you please answer that one?

A - Willians Marques

Carlos, thank you for your question. So regarding our client profile. Last year, we saw a slight change in our client profile, particularly in terms of the type of operations, because historically, about 40% -- or actually 30% of our clients had offline operations. But after COVID, with all the restrictions to traditional economy, this number increased to close to 40% or maybe 42%. And this is still what we see today. So the client profile hasn't changed since the middle of last year. So more than half of our clients today do not have offline operations, they are online entrepreneurs or they are new businesses that are fully online.

And these customers have a revenue of about BRL20,000 per month in sales. And sometimes they have up to two or three employees. So it's a small company. So this is the largest part of our customers. And we don't see -- in the short-term, we're not seeing any

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changes in this client profile. But what we do see is that these clients will want to strengthen their own website. We know that marketplaces are great sales channels and we have the best integrations and we encourage customers to sell in marketplaces more and more. These clients are interested in having their own websites, selling through social networks and gaining the loyalty of their customers.

And we also see this as a great opportunity. The more sales we have in their own digital stores, the more we can offer our other solutions, such as logistics, payment. So our clients want not just to sell but also use their digital channel to gain the loyalty of their customers and this has been really positive to us.

Q - Carlos Sequeira {BIO 1798391 <GO>}

Thank you. And my second question. My second question is, can you tell us more about the M&A process? You just had your Follow-on. So have you seen any evolution? What is the lineup of potential targets for this year?

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

I can answer this one (inaudible). Thank you. Well, it's very strong. It's important to say that this process never stops. I always say that M&A for us is an R&D process. So we're constantly thinking about the client journey and how we can improve it through organic or inorganic ways. So this mapping out of the market and access to the market of digital entrepreneurs in Brazil is something ongoing, and one of the most important strategic movements of LocaWeb. So having said this, of course with the Follow-on, we accelerated not just the mapping but also negotiations themselves. I said that we have more than 10 companies today at very advanced stages of negotiation. So by this, I mean, that we already have signed -- MoU signs -- signed or we are at advanced stages of negotiation. And these are companies that will continue to contribute with the journey of our clients -- that will add value to their journey. These are companies that have been benefiting from this acceleration of the digitalization of the Brazilian market. So you can rest assured that we will keep strong with our M&A strategy in 2021.

Operator

Ladies and gentlemen, this Q&A session is now closed. Now I'll turn over to Mr. Fernando Cirne for his final considerations.

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

I would like to thank you all for listening to us today, our shareholders, our employees. And I would also like to thank you all for the great performance of the company in 2020. It was certainly a major year for the company. And what I want to tell you is that we are starting 2021 really strong. We're very well structured and very well prepared to deliver great results this year. So once again, thank you all for attending and please stay safe and have a great day.

Operator

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Thank you. This concludes today's LocaWeb quarter four 2020 results conference call. You may disconnect now. Have a great afternoon.

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