

Q1 2022 Earnings Call

Company Participants

- Israel Salmen, Founder and Chief Executive Officer
- Luciano Valle, Chief Financial Officer and Investor Relations Director

Other Participants

- Analyst

Presentation

Operator

(Call starts abruptly) (Non-English) Please select the prefer language by clicking on the interpretation button, which is located at the bottom of the screen. Chorus Call [ph] presents Israel Salmen, Founder and CEO; Luciano Valle, CFO, Investor Relations Officers [ph], Marcio Penna, Head of Investor Relations.

Luciano Valle {BIO 22300738 <GO>}

(Non-English) for the investors, but also for the very large Meliuz team that is with us present. I will do the first part of the presentation and then give the floor to Israel. I am white, have gray hair. I'm wearing a blue t-shirt. And this is how we can continue onwards.

Very well, our first message here in the presentation is to share with you the great joy that we have to confirm that the rollout of our new app has been 100% concluded for the Android user base, this because of the great efforts of our team based on the five pillars that we show you here. This is a team that devoted itself to deliver an app with high service levels, offering a much more fluid experience vis-a-vis the previous app. We have built a product with high technical quality and we're very satisfied with the results. Furthermore, this is a scalable product that can be grown through time, of course, without leaving aside the security that we need to build as we are increasing our products with financial services.

Now which is the goal of this to offer a more complete experience with the integration of shopping and financial services. What is it that we're seeking here, further interaction and engagement with the user and our app. Now, after the launch of the new app, we are devoting our focus to monetizing our current base exploring the cross-selling opportunities with the new products that we have in this new stage. Of course, the goal is to increase revenue per users in digital accounts, fixed transactions, the credit card that we have just launched, buying and selling bitcoins as well.

Here, we would like to go into the details of how our GMV has grown to reinforce the message that we have been able to grow with very healthy margins as we announced. As a preview to the first quarter, we reach BRL1.3 billion in GMV only, and mainly with the 2% take rate very aligned with what we had in the fourth quarter last year. It's a 70% growth of GMV. When we look at the consolidated figures, we have a growth of more than 65% year-on-year, BRL1.6 billion.

Now to speak about having that cross-selling opportunity, it's important to show you the sound growth of our user and buyer base. This enables us to further explore the customer base for the new stage where we will be using the app that we have just rolled out for 100% of the Android base. As we have already anticipated, we would get to 23.6 million of accounts opened in the first quarter, a growth of 44% vis-a-vis the same quarter last year. What is causing enthusiasm is that our performance whether it is a new buyers that we have attracted.

The total number of buyers has grown above 60%, when we look at the comparison of the results of the first quarter '22 and the first quarter '21 and to go into greater detail of some products. I would like to speak about Meliuz invoice and I will give the floor to Israel to continue with the presentation. Now, we're quite enthusiastic with this product. It will increase and enhance the level of engagement in our base, besides allowing us and more assertive product offer and in the credit that we would like to offer to the new users to refer to some figures. We had almost 320,000 users in the portal, using this feature with a growth of 130% year-on-year and a volume of data captured of more than \$32 million for the quarter with a very robust growth of 256% year-on-year.

I would now like to give the floor to Israel to continue on with the presentation. Thank you.

Israel Salmen {BIO 22300699 <GO>}

Thank you, Luciano, a good morning to all of you. It's always a pleasure to receive you here, especially our CASH3 team, whether they are from Meliuz or the other companies in the group. It's a pleasure to address you. As usual, I'm going to present myself. I am Israel, CEO and Founder of the company. I'm a white man, I wear glasses. And I'm wearing a black shirt, it's cold, it's a warm shirt very well. To begin, I would like to refer to the evolution of our playbook and the internationalization, as I mentioned in February of 2021, the issue of because it was very important in our trajectory. It allowed us to open international revenue avenues, but not starting from scratch. In our group, this adds more than 90 people from the Picodi group.

A team that already had some knowledge on how to operate an international platform, a group that received millions of visitors year-after-year, in the platforms that had in the 44 countries, where they have a foothold, their platform translated into 19 languages. So for us this was an excellent way of entering and having a team, who knows how to do things.

Now the acquisition allowed us to get closer to the Picodi team, precisely to explain, take their hand and show how Meliuz grew in Brazil. The playbook the way of speaking to the users of registering users and creating a relationship is initially being applied in nine

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countries. And what we show you here on the screen, is the evolution of this new Picodi operation. It's an evolution where we know who the users are, they are registered, they have accounts created in this international brand. And we see the GMV evolution of clients and absolute figures.

In the last quarter -- in the first quarter '22, the growth was 124%, in the fourth quarter, we had high seasonality because of the end of the year festivities and Black Friday. So we're extremely satisfied that the playbook has worked well. We have opened 273,000 accounts accumulated since the beginning of this new Picodi and we're growing at a fast pace the number of new buyers, which is what is of interest we have identified.

The users who previously were visitors to the site, they had no relationship with the Picodi brand. Once we register the users and open their accounts, we do have a mission which is to ensure that they will buy from our more than 20,000 partners stores throughout the world. We had a growth of 175% in the new buyers since the end of December 2021 compared to March '22 of this year.

Now, I would like to speak of the total net revenues of the group. We continued to grow very well. This is no novelty. We will continue to grow revenues, grow the number of users, we're quite satisfied with the results that we have on harness, be it through organic growth that you can see in the shopping Brazil part, and the inorganic growth where we begin to carry out comparisons year-on-year and when we consolidated acquisitions in our results. Now, these results do not include the revenues of Bankly. We had a growth of 74% in the year -- quarter-on-quarter comparison.

Now, this slide is important as it shows our DNA. Meliuz rose in 2011 and I like to reiterate this in the management remarks of the release. We got to the IPO, when 2020 having raised BRL13 million to reach more than 10 million people and to have a GMV of more than BRL20 million for our partner stores. Always obtaining the most from this very small capital, that we had raised in 10 years. Meliuz has always been very good in obtaining the best from its acquisition channels, offering the best possible result per capital invested and per marketing that we carry out to bring in new users, and users who are already on our base.

And here, you see a chart in the black curve, the net revenue growing, reaching BRL72 million and somewhat more in the first quarter '22 only for shopping Brazil. And in the meantime, we had the smallest amount invested in marketing among all of our quarters with a drop compared to the first quarter of 2021, which means that we're doing ever more with less. And this is the Meliuz DNA, you can expect the performance of our team. They're not lazy. They test their acquisition channels. They carry out a deployment and investments in the right way. We use our cash, of course, in the best way possible. So we're quite satisfied with the strong results of this first quarter with lower investments.

We can go on to the next Slide, and here a few more details all of the breakdowns that we offer. Net revenue, our net results what I would like to highlight, refers to personnel expenses in the last release -- earnings release and we have done this now as well. Most of our team that we hired in the last year and some months is focused on the construction

of something novel on the construction of the future of Meliuz in personnel expenses more than BRL23 million, represent the investments we carried out in the last 12 months.

Meliuz is a growth feces [ph] and to get to where we would like to get to continue creating products that will add value to users and shop owners. We need to have a mega qualified team, and we have to be able to work with parallel projects that support each other in terms of cross-selling. Therefore, the acquisitions, the hirings we have carried out are all aligned with an increase of average revenue per user, which will begin now with the launch of the new app, that contemplates a broader offer of financial services, link to the shopping journey.

Well, first of all, we carry out investments and then we go back to reap what we have harvested. We -- Meliuz has 11 years of life, we are born again. We have BRL6.5 million in terms of net result and if you think of the growth that we have been able to achieve the sales generated to our partners, this is an incredible result. But the time has come to make the most of this new app, which will be also available for iOS platforms in the coming days and to begin to fish in our own aquarium, as we normally say here.

And here you see the consolidated results including Bankly. Bankly had a growth of BRL72 million, somewhat more than BRL72 million in the last 12 month at the end of the first quarter, compared to BRL48 million in the first quarter of '21. And our consolidated revenues -- net revenues have had a growth of 63% in the year-on-year comparison. To speak about the Bankly business in greater depth, we would never have been able to create such an incredible app and launch this app with such speed without a top-level partner.

This acquisition that we have done, bringing in the technologies, the regulatory part and necessary licenses to act as a financial institution where Bankly was crucial to unharness this growth. Here we have some figures of Bankly, the TPV reaching BRL8.3 million, a growth of 207% vis-a-vis the first quarter last year revenues with an increase of 50% with a 30% margin in the first quarter of '22, with BRL22 million of net revenue. Now Bankly is scalable, we have 173 clients and Meliuz has become one of the clients with the launch of the new approximately.

As we launch the app for 100% of the android base in the last few weeks, the net revenue and TPV still have not been impacted by the user base and we're quite excited in terms of what we will be seeing for Bankly in the coming quarters.

Now to conclude a bit of our plans for the next quarters, our product team is focused on concluding the rollout of the new app for the iOS user base for the iPhones, of course. We're also focusing on the incremental revenue per user because we bring together both world's financial services and shopping. And perhaps what is more important, maintaining a healthy cash position, increasing the efficiency of every -- leaves our cash.

And as you saw on the comparison of marketing invested and the revenues we make, I would like to reiterate that presently Meliuz has somewhat more than BRL500 million in cash, I'm referring to the CASH3 group, all the company -- companies and this will enable

us to work in a very comfortable way. We're focused on building an incredible company for the long-term and this cash will enable us to test new channels to acquire users, new strategies, even when the market has lower liquidity for technology companies.

We are in the best possible position since the foundation of Meliuz. Before the IPO we needed BRL30 million highs to deliver the company that you can see on the screen. And with this cash of BRL500 million, an incredible team of more than 100 people with incredible acquisition, this is what we need for the next cycle of growth for Meliuz. We're very enthusiastic.

I would like to conclude my presentation here and give you the floor for questions-and-answers. Thank you.

Questions And Answers

Operator

(Question And Answer)

We will now begin the question-and-answer session. (Operator Instructions) The first question comes from Luca Brandon [ph] from BTG Pactual. You may proceed.

Q - Analyst

Well, this is from BofA not BTG, that was a mistake. We have two questions on our side. The first question refers to your marketing expenses. You had a significant decrease this quarter. What I would like to know is, if in coming quarters with the arrival of the new app, what will happen? Will there be an increase in marketing going forward? And if this will be a one-time thing for the second quarter?

Now the second question refers to Picodi. You had extremely strong operational figures with an expansion in the number of users and GMV, but the revenues had a one-off impact in the first quarter. Now this will be reflected in the revenues going forward for Picodi. If not, why not? And which are they revenue dynamics?

A - Israel Salmen {BIO 22300699 <GO>}

Thank you, Luca for your questions. We will begin with a marketing, initially our focus going forward, as we have underscored is to fish in our user aquarium. We have more than 23 million of accounts opened with users, that we have a longstanding relationship with what we would now like to focus on offering the new products to this well-known user base that is part of our ecosystem. In the IPO, one of the main points that I reiterated with the investors was that Meliuz was coming into the financial service universe with a very strong and active user base and that this would be what would set the company aside, when providing more financial services to our base.

The time now is to reap all of this, the information we shared with investors during the IPO and follow on. So we're going to focus on the cross-sell. We hope that the marketing expenses will not return to the levels of previous quarters. We continue to work efficiently focused on cross-selling. But without losing growth, the level of account opening, 8,000 accounts open per days and this is a very strong pace of opening to gain new users.

A - Luciano Valle {BIO 22300738 <GO>}

Yes, thank you. Now, to refer to Picodi and the internationalization strategy, the figures that we presented of accounts opened and GMF, we refer to the new Picodi who is now identifying the visitors to the site and creating a relationship with those visitors. And we're going to begin to account for this new Picodi. We have a small base, 273,000 accounts opened. In absolute numbers, we have seen a strong growth that have doubled quarter-on-quarter. But it is very representative as I reinforced at the moment of the acquisition.

Now the cash back, the engagement with users -- registering users and having a relationship with them is something that will enable us to pile up new harvests of users. This will translate in more revenue, a growth of revenue. And all of this come about when we have more users in this new Picodi version. The idea throughout this year is to conclude the rollout of the cash-back and engagement tools to 44 countries. They should accelerate the operating figures as you mentioned and in the following quarters with a greater mass of data and with more color, we will see how this will translate into revenues as the registered user base will be much greater than the previous phase that Picodi had.

Q - Analyst

That was very clear. Thank you very much.

A - Israel Salmen {BIO 22300699 <GO>}

Thank you, Luca. I do apologize for the mistake.

Q - Analyst

No problem.

Operator

(Operator Instructions) The next question comes from Camilo Toca [ph] from Bradesco Bank. Camilo, you may proceed.

Q - Analyst

Good morning. I would like to pose a question on Bankly, and what the ramp-up will be like going forward. Do you have a horizon for Bankly?

A - Israel Salmen {BIO 22300699 <GO>}

Well. Thank you, Camilo for the question. Yes, and Marcio and Luciano can confirm, that when we held the assembly to do the closing of the operation. I convey more operations.

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We do believe that Bankly is a true gem. We like the technology, the people, the way that the product is scalable and can service several partners without increasing costs and has a high contribution margin. And we see that the market has significant appetite for what we call embedded finance.

We received several leads of finance of clients that have a good user base, active business models, and that want to include financial services in their base. So Bankly in the CASH3 group will become stronger when it comes to adding new clients. Meliuz will become a player that will further disseminate the services because we're using all the APIs that Bankly makes available to third parties and along with the Bankly team were creating a strategy to speed up this growth without, of course, putting aside the contribution margin and ensuring the team will be ever more efficient when closing with new clients and bringing in more TPV.

The market perhaps does not fully understand the thesis, because Meliuz has not spoken enough about this, we're in the concluding stages. So it is our responsibility Camilo to hold more events for you to speak more broadly about the thesis and what we can foresee going forward. We're going to bring you more information, bring the management, so that you can have an in-depth knowledge of this operation, which will be a significant growth item for the company.

A - Luciano Valle {BIO 22300738 <GO>}

Now to add to what Israel has said, we have an assembly to approve everything on May 30. And as of that point, we can consolidate the results of our presentation.

Q - Analyst

Well, thank you.

Operator

Thank you, Camilo. The next question comes from Philippe Oliver [ph] You may proceed, Philippe. Philippe, I think your microphone is muted. Perhaps, you could unmute it. You may proceed Philippe.

Q - Analyst

-- which is the percentage that Meliuz will represent and the invoicing a Bankly and 2022, as you're going to be fully releasing the use of the app. So which will be the impact of Meliuz and Bankly this year? And if you have the intention of expanding the Bankly infrastructure for the rest of the world so that it can help Picodi to also expand in terms of the financial services.

A - Israel Salmen {BIO 22300699 <GO>}

I will answer the second part and allow Luciano and Marcio to respond to the first question. We have carried out several questions since we carried out the acquisition, studies with the help of Picodi to map this solution outside of Brazil. We're still working in

the realm of possibilities, because they would be the first client. We don't have to make efforts to bring in clients and we can test the flow with our own products.

This is a possibility but perhaps not in the short-term, Picodi is focused on maturing the cash back model identifying and creating a relationship with users. And this is what is part of our radar.

A - Luciano Valle {BIO 22300738 <GO>}

Philippe, thank you for the question. Regarding the first part, we don't offer guidance when it comes to future results. Nevertheless, the most natural thing we can imagine is that Meliuz will continue to grow and gain relevance as we rollout new products, new products on the Bankly platform as well. What we launched is first for Meliuz and then we work on the next clients of Bankly. We have crypto assets. We began with Bankly. We have created a solution to offer to the clients. We have a postpaid credit card that has also began at Meliuz, and this will speed up our share in the revenues.

Now to speak about the percentage that we will represent is something we would like to leave for further ahead, as we announce the consolidated figures of both companies. Unfortunately, we don't convey guidance in terms of what we expect in coming years.

Operator

Thank you. And at this point, we would like to end the question-and-answer session. I will give the floor to Israel for his closing remarks.

A - Israel Salmen {BIO 22300699 <GO>}

Thank you, Giorgio. Thank you all for your presence. I would like to reinforce the enthusiasm of our team with this new stage with the app that has been launched. It has done away with our anxiety. And in terms of Bankly we're working with people management, recruitment, a growth strategy and as far as Meliuz the new product is incredible, we're very satisfied with the results, we're excited with the preliminary figures we have received and we hope to bring you further figures and data in coming quarters in terms of the user engagement and use of products and what has happened with our user base of 23 million.

Thank you very much for your attention. We hope to see you again.

Operator

The first quarter '22 earnings release for Meliuz ends here. Thank you very much. We will see you at our next webinar.

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