



Méliuz Conference Call Transcript

1Q24 Results

Fernanda Tolentino:

Good morning, everyone. Thank you for joining us for another Méliuz's conference call.

We will now begin the webcast on Méliuz's 1Q24 results. Our conference call is being simultaneously translated into English. For those who wish to change the language, please click on the interpretation button at the bottom of your screen.

My name is Fernanda, and I am part of the Investor Relations team here at the Company. Today, I am joined by Marcio Penna, Director of Investor Relations and Corporate Governance, and Gabriel Loures, Director of Growth.

Before I give the floor to Marcio, I would like to point out that this event is being recorded and will be published along with the transcript on our IR website later on. Additionally, the slide deck presented here is already available on our website under the result center tab and the CVM portal.

After the presentation, we will have a Q&A session. For those who wish to ask a question, just click on the raise hand button at the bottom of your screen, and I will then enable the microphone so you can ask your question.

I would like to wish you all a good call. Marcio, now I hand the floor over to you.

Marcio Penna:

Thank you. Good morning, everyone. It is a pleasure to welcome you all this morning. I am here to present the results for 1Q24.

Our results for 1Q24 were pretty well welcomed by the market. Some were surprised by the EBITDA we achieved. Here at Méliuz, we received our results very positively, obviously, but, for us, it was less of a surprise because we have been transforming Méliuz, trying to achieve a better margin.

For at least one year and a quarter, we have been retaking and changing our strategy, so, for us, this was a pathway that showed that we would reap the results in 2024. Therefore, these results show that everything we say and do in these past quarters is aligned and has been consolidated with our performance.

We know there are cycles and external issues, but we have always been reliable on our front and in our work, with even better features and characteristics. Today, we have a much better app, which was presented back in the IPO, and a user base that has doubled. We had 15 million users, and now we have over 30 million users.

We have many products, and our feedback is overwhelmingly positive. We also received positive feedback from our partners. We improve the generation of sales for them, and thus this partnership is something that may remain for the long run.



Therefore, this is our environment, our scenario, and our base to generate this win-win between users and partners, keeping on generating results for our shareholders. We are absolutely sure that we are on the right track. The results for 1Q24 are a sample of this, and we are confident in the better results of other quarters of this year.

I am glad to tell you that, in 1Q24, there were no extraordinary items, so when you see adjusted EBITDA and EBITDA, these are for previous ones. We had no extraordinary items for 1Q24. We have 12.8% of EBITDA, which is a very good margin, especially in a quarter that is seasonally weaker. The first quarter tends to be the weaker quarter, especially because of e-commerce, and, even so, we managed to perform well and achieve a very positive EBITDA.

In the consolidated scenario, we also delivered a very good EBITDA, reaching 5.8%. What is the difference between the parent Company and the consolidated EBITDA? Basically, the difference is the FIDC.

We hired FIDC for our portfolio of our own cards back when Méliuz had no partnership with BV. Notably, FIDC enters into the financial results of the parent Company. It does not have an impact on EBITDA, and for consolidated results, it is on operational expenses and other costs. It is an accounting rule, so there is a difference between the parent Company's EBITDA and the consolidated EBITDA.

Obviously, now that we have a partnership with BV and our own cards tend to be zero, this FIDC tends to be zero in the next few quarters. Therefore, this difference between the parent Company and the consolidated EBITDA tends to decrease in the next few months and in the next few quarters.

Now, still talking about EBITDA, it is nice to show you something about the LTM, the last 12 months indicator. Especially when we talk about seasonality, we have been improving our margin within the Company. In the parent Company, we came from a negative adjusted EBITDA of R\$ 83 million negative in LTM, and, after a year, it is R\$36 million on the positive side.

As you can see, it was an improvement that happened quarter after quarter. It is less surprising to us because we knew where we were headed and where we wanted to get. Therefore, it is a pleasure to let you know about the results of what we have done in the past few years.

In the consolidated results, the LTM adjusted EBITDA is a little bit different. The FIDC explains this difference. We went from R\$83 million negative to R\$11.6 million positive in the past 12 months. This is a market improvement aside from the seasonality in our e-commerce sector.

When we talk about bottom line -net income-, we still have a good improvement of our financial results and more and more will be less representative because of the operating cash generation, which is growing and becoming more representative. This will be very important for the Company from now on. We have a bottom line of R\$19.1 million in the consolidated results with a net margin of 23.2%.

In our parent Company, our margin EBITDA was 19.6%, and the net margin was 23.2%, so this shows why we are truly confident. By following our strategy, the idea was to go back to margins in the same level when we did the IPO. We showed this to the market. Therefore, the intention here is to keep on improving.



Now, we will talk about cash. We have a particularly robust cash position. Last year, we had R\$664 million. The financial result for 1Q24 helped supplement this with R\$17 million. We had positive results in the consolidated operation of R\$8.2 million. There is also a cash outflow related to the Méliuz employee awards, because although it was provisioned in 12 installments, there is this cash coming out now.

We have R\$ 676.7 million in cash, and R\$ 210 million was given to capital reductions. So, as a result, we still have R\$ 466.7 million in cash, cash equivalents, and securities after capital reduction.

We also have to consider the acquired companies that will be paid in 2Q24. So, when we get back here in August, certainly, this number of R\$466 million will be below that because there will be a balance concerning the beginning of this year outside of financial results and operational rate, which will positively impact the Company.

Basically, how have we gotten to these positive results? We have some drivers here that led to this improvement in our results. The first driver is the improvement in our core business in the Brazil Shopping margin. If we analyzed quarter against quarter, it would look like there was a drop of 8% in Brazil Shopping, but there is a timely uncoupling because of the GMV and the net take rate and how it impacts the results of the Company.

So, excluding this mismatch effect, we show here on the right how the net revenue would have been in the past six months. When we have more impact from GMV in 1Q24 than we have, this impacts financial results. So if you add up 4Q22 and 1Q23, we'd have R\$126 million, and if you add up the last two quarters - 4Q23 and 1Q24 - we'd have R\$123 million. Therefore, the difference would be reduced to only a 3% drop.

So, considering GMV, that dropped a little, but we have managed to mitigate this with multiple products that are part of our portfolio, Méliuz Ads, Méliuz's portfolio, and fiscal Méliuz. So there's this mismatch effect, and, if you consider that, we have very good numbers, figures, and margins.

Considering this unseasonal uncoupling, the margin goes from R\$49 million to a margin of R\$56.4, which is an increase of 15%, being an important increase and the focus of our Company.

As you can see, in spite of the drop in GMV, we had a growth in the net take rate from 2.2% to 2.4%, so we also presented a growth in the take rate in this first quarter.

Another important driver for the results we presented is the partnership with BV. This partnership has been positive, we have the opening of digital accounts, which has been growing quarter after quarter in a robust way. The same applies to credit cards, which are reflected in the results, the net revenue from financial services that becomes more important in Méliuz as a whole.

We showed very transparently in 4Q23 and 1Q24 that we have a percentage of revenue that comes from the migration of Méliuz cards and digital accounts to the partnership with BV. On the right side of the slide, you can see that the operation on its own with a partnership with BV goes from R\$12.3 million to R\$14 million. There was good growth on this number. We consider



that we are on a flight that will give us good results in the next quarters with new products and so on.

Finally, the last driver of our good results for 1Q24 is to maintain our cost and expense structure in a very lean way. We have been showing this in the past few quarters, so there is no doubt about it. Today, we consider that we have achieved a level of costs and expenses that is comfortable for the company for the remainder of this year. That is a level that we consider to be safe and is in line with our planning for the year.

Obviously, there is a percentage of these expenses that are related to cashback expenses, so there is seasonality around here. However, other overhead expenses and costs are at a very comfortable level for the Company.

There is room for improvement, but the main points of improvement have already been implemented. Now, we need to maintain them. The improvement we have presented here in terms of cost and expense reduction was very strong. We basically had a quarter of a reduction, with a drop of 20% in the LTM consolidated operating expenses.

Let me tell you that we remain on track with our objectives and we maintain our pillars for 2024. Basically, talking about the growth of Shopping Brazil, it is the challenge of this Company for the next quarters to maintain this positive margin and also focus on growth.

There is no silver bullet here. We have new products that are growing in our portfolio, and this will certainly help us achieve our goal in 2024. I also mentioned the innovation in our core business, which is the launch of new products and the ramp-up of financial services.

We are accelerating our account and card offerings with our partnerships with BV, and we will soon launch new financial services. And, last but not least, the pillar of these three goals of this year is operational efficiency, with the maintenance of discipline and controlling the Company's costs and expenses, especially in the core business, for the remainder of this year.

With that, I end my presentation, and now we can start our Q&A session.

Fernanda Tolentino:

Obrigada, Marcio. Iniciaremos agora a sessão de perguntas e respostas. Para fazer uma pergunta, por favor, cliquem no botão de levantar a mão para que seu microfone seja habilitado.

A primeira pergunta vem da Camila Azevedo, do UBS. Por favor, Camila, pode prosseguir com a sua pergunta.

Camila Azevedo, UBS:

Hello, everyone. Thank you for welcoming us and congratulations on your earnings and results.

My question is regarding the evolution of GMV. We can see that there has been negative growth since 4Q22. When can we expect an acceleration of GMV? Which are the initiatives you have implemented to accelerate this? What can we expect for 2024? Thank you.

Gabriel Loures:



Thank you for your question. Marcio can complete my comment later. The first thing to say is that we need to grow our core business with profitability. We will have profitability and take rate, and we have worked really hard to reverse this trend of GMV.

We can divide this into two major levers. First, improvements in our core business, users, and partners alike. In terms of users, we have a dedicated team working on improvements in experiences, how to improve retention metrics, and indications of our business.

In terms of partners, increasingly, we bring more partners to invest in and participate in our promotional campaigns, resulting in an increase in revenue in our core business and also in Méliuz Ads.

In terms of new products in our core business, I think we can mention three main examples. One of these is Méliuz Ads, which has been growing and will improve the revenue of Shopping Brazil.

Besides that, Méliuz Prime is a product that we launched in 2Q23 that does not generate income per se, but its focus is to increase the participation of categories and users. This is used to buy and better retain these clients in their wallets. Our goal is to have a better impact and improve the experience of our best users.

Finally, the third example is the Méliuz Nota Fiscal, which has been growing very well and allows our users to get cash back in partnership with industry in every physical store they buy at. This will impact our revenue results in Shopping Brazil from now on.

In short, these are the three main leverage products for the GMV in the next few quarters. I can say that we are working very hard to start growing again, focusing on our core business.

Marcio Penna:

I would like to add a comment to the excellent answer given by Gabriel. I would say that we could generate a better GMV if we wanted to. We have already done this in the past. Our focus today is margin, not GMV.

It would be really easy to get a good part of the commission that we get from the partners and distribute that in the form of cashback to our users. With that, certainly, our GMV could be doubled, but this is not the strategy of our Company at the moment, and it has not been for the past year. We had that strategy back in 2021.

Our focus is on margin. We are more concentrated on that instead of the growth of GMV. Therefore, as Gabriel said, we will continue to do that.

Fernanda Tolentino:

The next question comes from Carolina Gomes, from Morgan Stanley. Please, Carolina, go ahead with your question.

Carolina Gomes, Morgan Stanley:

Good morning, everyone. Thank you for allowing me to ask a question.



I would like to ask about the international operation. Can you give us more details about it? How do you expect to have an evolution in the representativeness of cashback operations from now on?

Regarding financial services, how do you see the evolution of account opening? Can you confirm if the migration of Méliuz's card accounts was 100% performed in 1Q24?

Gabriel Loures:

Thank you for your question. In the international shopping segment, we follow the trajectory of migrating the coupons margin and the legacy income in the long run. So we will follow this trajectory. We are focused on international business in order to improve traffic and, consequently, improve our income.

Our results are behind what we can achieve, so we are working hard to improve this income. In parallel, we are also thinking about how to expand our operating results in the Company, reducing the burnout of cash. This is our objective for international service.

In terms of account migration, we have migrated the total number of accounts and cards that we planned. I believe that the migration process is finalized by now. Now, we are focusing on financial services to create new services.

We are with this new partnership, creating cards and accounts, and we are to accelerate the launch of new safe products, investment products, and investment accounts with these partnerships with BV. Also, we will continue to issue cards and accounts as we have done.

Fernanda Tolentino:

The third question comes from Rafael Nobre, from Xp. Please, Rafael, go ahead with your question.

Rafael Nobre, XP:

Good morning, everyone. Thanks for the space for questions. I have a quick question about the number of users.

I saw that, in the historical spreadsheet, you failed to separate Picodi users. So is the figure of 31 million the consolidated figure between Méliuz and Picodi? If not, has there been a drop in international users?

Marcio Penna:

Thank you for your question. What is in the spreadsheet shows Shopping Brazil and the retroactive from Picodi data. We did not show the open Picodi's accounts for 1Q24. So what you see in the spreadsheet is the sum of Picodi and Shopping Brazil up to this moment.

In the opening to the last quarter, in the release, and in the spreadsheet, we did not show Picodi's open accounts precisely because of what Gabriel mentioned before. Our focus is to increase Picodi's organic traffic and reduce the burn of cash this year.



Therefore, we are focusing on qualified organic traffic and also on getting cash burn to zero. We see no reason to continue disclosing the opening of new accounts. That is not our focus. However, if you look at the spreadsheet, you have the consolidated number for Picodi and new openings.

Gabriel Loures:

We present the accounts in the accumulated view, so everything that has already been opened, so there is no drop in the number.

Fernanda Tolentino:

We have now closed the Q&A session. I'd like to hand the floor over to Marcio for his closing remarks. Please, Marcio.

Marcio Penna:

These numbers are very transparent. We had no extraordinary items, and our numbers were well received by the market.

My take-home message is that this is the beginning of the results that come from our strategy. We know that we are confident in the results this year. There is no silver bullet or magic. Everything we work on and all the products we have created are improving. They will take their time, and in time, they will bring the expected revenue to our Company.

Therefore, we invite you to keep following our results for the next quarters. Our goals will be achieved, and Méliuz will bring very positive results for this year.

Thank you for this call. Thank you all for joining us in this webcast. See you next quarter.

Fernanda Tolentino:

Thank you all for joining us in this webcast of Méliuz's 1Q24 results. See you next time.