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Conference Call Transcript
Méliuz
2Q24 Results

Fernanda Matoso:

Good morning, everyone, and thank you for attending another Méliuz call. We are about to start Méliuz's 2Q24 results webcast.

Our conference call is being simultaneously translated into English. For those who wish to change the language, simply click on the "interpretation" button, on the bottom of the screen.

My name is Fernanda, I am part of the IR team, and I am joined by Márcio Penna, Director of Investor Relations and Corporate Governance, and Gabriel Loures, Growth Strategy and New Business Director.

This event is being recorded and we will publish it together with its transcript on our IR website, while the material is already available on our website under the tab and on the CDM portal.

After the presentation, we will go on to the question and answer session. For those who wish to pose a question, just click on the "raise your hand" button, at the bottom of the screen, and I will make the announcement.

I wish everybody a good call and I am turning the floor over to Márcio.

Márcio Penna:

Thank you, Fernanda. Good morning, everyone, and thank you for joining our earnings call for 2Q24. It is a pleasure to be here representing our Board of Directors and all of Méliuz's employees.

We are very pleased with the Company's operating performance in 2Q24. We were able to deliver a better result than the 1Q24, which was already very good, and a much better result than the 2Q23, achieving a record EBITDA for the quarter, as well as for the semester.

Two of our main objectives for the year are very clear to the market: the optimization of margins and core business growth. The growth of EBITDA and margins have been occurring steadily and sustainably over the last few quarters. However, this was the first quarter that, in addition to improving EBITDA, we managed to deliver robust growth of our revenue. We are fulfilling our goal of aligning profitability and growth.

Our costs and expenses remain under control. We continue to generate cash at Méliuz, Promobit and Mellor Plano. We announced a capital reduction of R$220 million, the second in the year, since in April we distributed R$210 million to our shareholders. We remain committed to the best allocation of capital and value creation for our shareholders.

I cannot help but comment on Picodi in a very transparent way. Unfortunately, the operation is below expectations. Every quarter, we have reported a drop in traffic, which has had a negative impact on the results of the coupon and cash back operations.

We do not have a CAC and lifetime value satisfactory ratio now. Based on operating and financial projection assumptions, we carried out an asset recoverability test and found an impairment amounting to R$82.8 million. This effect does not impact the Company's cash flow, but it did have an impact on our results.

From the practical point of view, we have a contract in place where the minority shareholders are responsible for operating the asset until the final earn out date, which happens in 2025. We continue to believe in the asset's potential, but we are aware that we need to improve the progress of the operation this year.

Despite Picodi's results, we are very confident that we will be able to meet the objective set forth for 2024, maintaining optimized margin in operations, discipline in capital allocation and growth of the core business.

Having said that, let us go into the details of our results.

As you can observe and I have already mentioned, we had a record EBITDA for the 2Q24, that was better than the 1Q24, which is common, of course, because of the seasonality of the period, and better than the 2Q23.

Besides delivering an excellent EBITDA margin, we also had revenue growth, which is very important because of our focus for the second half of the year.

In 2Q24, we had a 16% improvement in net revenue of Shopping Brazil compared to 2Q23. When we speak of consolidated revenues, our results were even better. We had an improvement of 21% between the periods.

When we speak about EBITDA in LTM, that is, in the last 12 months, this vision is ever more clear when you see the improvement of performance. If we take away the seasonal issues, we have been delivering an ever better EBITDA. In the last 12 months, adjusted EBITDA reached R$58.2 million, an improvement of 162% vis a vis the previous year.

The adjusted EBITDA in the consolidated figures also had considerable improvement, improving 141% vis a vis 2Q23.

Our focus on the control of costs and expenses continues on. When you look at the LTM graph on the right, that excludes seasonality, it is impressive to observe that, in one year, we had a reduction of one quarter of cost and expenses. We went from R$389.6 million in 2Q23 to R$312.4 million in 2Q24. It is a reduction of almost R$80 million, which means we reduced almost an entire quarter in costs and expenses in just one year, which has helped the performance of our results and our margins.

This impact on EBITDA also has an impact on the net results of the Company. If we take away Picodi's impact, showing you adjusted EBITDA in the last period, we had R$22 million with an adjusted net margin of 25.1%, 2% against the previous quarter.

In terms of cash, we paid out R$210 million in April, as you are aware. We paid an earn out for acquired companies of R$33.9 million. We had a good financial result, increasing cash by R$10.3 million and, what is more important, we generated cash in the Company's R$5.4 million.

We ended the quarter with a very strong cash position of R$451.4 million. Yesterday, we issued a material fact to speak about the capital reduction. And, in September, we will have a new reduction of R$220 million. At the end of the year, we will have R$231.4 million.

To speak about this capital reduction: the first was R$210 million in April. Now we have R$220 million on September 2nd. Shareholders from Méliuz will have a payment on the 13th, which is the day we have said fourth to pay R$2.53 per share.

Beginning on September 3rd, one day after the cut, the Méliuz's shares will be negotiated without the R$2.53 value.

I will now give the floor to Gabriel to give you further details on the operation.

Gabriel Loures:

Thank you, Márcio. Good morning, everyone. I will refer to our operating results.

As Márcio mentioned, we had strong results in Shopping Brazil, which was driven by the growth in our net take rate, the increase in the number of buyers and also improvement in our business verticals.

If we look at the figures, we have a GMV for the quarter aligned with last year, reaching R$1,092 million. Our take rate grew strongly, going from 6.1% to 6.9% year-on-year, with a growth of 13%. This impacted the growth of revenue, where we went from R$52.6 million to R$61.3 million, a growth of 16%.

What is important is that we did all of this maintaining the gross margins and profitability of the business. If you look at the take rate, we went from 2.3% net take rate in 2Q23, reaching a net take rate of 2.4% this quarter. The consequence of all of this was a growth in Shopping Brazil's margin of 26%, which was very relevant.

We have worked arduously to guarantee large volumes and novelties in the campaigns for our partners. We created new novelties, we allowed our users to get cash back and this has helped us leverage the take rate for the period.

As an example, for the first time this quarter, we had a campaign focused on the users of Méliuz Prime. These are the most active and engaged users and they were able to find the best promotions.

We have held other campaigns, creating new opportunities for our partners to invest and to enhance our take rate.

As a second driver, we have grown in new categories and segments. We are working strongly hand in hand with the industry, allowing it to use our channels online. We work with them so they can sell more to our partners. And we have Méliuz Nota Fiscal working with the industry and working with brick and mortar sales points.

So we are growing with the industry to grow sales and with other categories where we had an under penetration historically. This helps our take rate, as well as boosting our revenues.

The third driver is the maintenance and growth of Méliuz Ads. We always talk about it in our earnings release. It is very important and continues to have a positive impact on our revenue and margin.

In this quarter, we also started to show the results of the impact of new products on our growth, such as Méliuz Prime, which guarantees recurring revenue from subscriptions for our users and created an incremental sales behavior, because the user ends up buying more, since they now have access to earning options in new stores that they were not yet aware of.

Together with Méliuz Nota Fiscal and several other products that we have launched within Shopping Brazil, this has helped our revenue growth.

And the last driver you can see is a growth of 25% in the number of new buyers. Our focus is to work on growing the number of users and has not made us lose profitability and marketing and other areas required to be very positive in the period.

The consequence of all this, as I said, was a very significant growth of 26% in our margin at Shopping Brazil.

In our financial services vertical, we continue to grow the partnership with Banco BV, complying with our objective of offering financial benefits embedded in the app. This allows us to obtain better revenue from new users, for ourselves and for Banco BV.

We had a growth of almost 39% in the base of opened digital accounts. It went beyond the level of 2 million accounts opened in 2Q24. And we have 136 thousand credit cards issued to date, with the growth of 52% of the base vis a vis 1Q24.

The net revenue for financial services reached R$14.7 million, a growth of 62% versus 2Q23 and a slight drop compared to 1Q24, because of a one-off thing we had in the first quarter, eliminating some users in the app.

What is relevant in the revenue and the number of credit cards open is the possibility of further engaging a customer base, which is already the most engaged users. They use a current account, they use nota fiscal and it is a possibility of further engaging these customers and it will enable us to use other financial products and services to further this.

The first example is the Cofrinho, which is still in the pilot phase. It is an investment product that will allow users to make more with returns by using Méliuz. And all of this is embedded in the users' purchasing journey. For example, they can buy trips directly from the app and of course, they will receive cash back for purchasing online.

The idea is to create a journey that will be embedded in the customer's journey. This will lead to greater engagement and the use of the account in the use of Méliuz shopping. This will directly and indirectly increment our revenues and of course will lead to cross selling with other products in the Méliuz ecosystem.

We are very enthusiastic about this and it will be rolled out throughout the month of September and will be available for full use in the 4Q24.

We remain on track with all of our broad objectives for 2024. We have remarked on this recurrently and we have four broad pillars.

First, the growth of Shopping Brazil. We delivered this this quarter, increasing their revenue and making more profitable verticals. We have healthy take rates for the business.

We have been able to innovate. The growth of Nota Fiscal and Méliuz Prime and the launch of Cofrinho are examples of how we have created new products that are increasingly engaging our base and generating more revenue for us and for our partners. So, we have achieved a very good incremental result with these new products.

The ramp-up of financial services along with Banco BV is at a good moment, accelerating offers, creating new products, engaging users and finally maintaining our operational efficiency, maintaining discipline in cost control, cash back costs of users when we carry out online sales, but also work with our suppliers and payroll. We want to maintain that operational efficiency, as it will enable us to grow.

This is the message we wanted to convey to you. And throughout 2024 we will be focusing strongly on these four pillars. Thank you very much.

Ricardo, BTG Pactual:

Good morning, everyone. Thank you for taking my question. I have three questions.

The Company, today, has an adjusted EBITDA margin of 17%. Is this a recurrent level in the short term or was there some lower expense or greater increase in the take rate this quarter that perhaps should not be repeated?

You mentioned that the number of buyers in the Shopping vertical grew 16% in the first half of the year. I imagine that the flat GMV is more a reflection of the combination of a lower frequency or a greater mix of purchases from smaller customers.

Given that you have already been attracting more buyers, could you comment a little on the Company's strategy to effectively accelerate GMV growth, especially in this more competitive market? In addition, is it possible to do this while maintaining the EBITDA margin at 17%?

My last question is: several banks have been commenting on increasing their risk appetite and that they are growing a little more in credit cards. How is BV's card approval level going today? Are you discussing how to increase this in the second half of the year? Thank you.

Gabriel Loures:

Thank you for your questions, Ricardo. To answer the first question: there is nothing one-off in the results we presented this half of the year. We have been working to maintain growing and robust, take rates, growing revenue and controlling costs.

In terms of costs and revenues, of course there are seasonality specific e-commerce campaigns and different moments for partners that could have an impact. We do not have a one-off effect that could not repeat itself going forward, but we try to control opportunities so partners will always benefit.

Regarding your second question, our goal is to increase GMV while keeping our net takes and our margin healthy, and we have done that in a lot of ways.

We are working on all app conversions to ensure that users buy more and more, have a better experience when making their first purchase and have the best experience when redeeming cashback after the purchase. We have been working very hard to ensure that our retention remains very good and that we can increasingly grow this GMV number.

You said that the GMV remained flat. This depends on the categories that users are purchasing. We also have that profile in e-commerce and they have an impact on the GMV commission ratio, but we are working to increase both of them.

About your third question regarding capital: we are working in a very realistic fashion with Banco BV, who is responsible for credit policy. We are growing the base of credit cards that we issue so that it will be sustainable in the long term. We believe that this will continue.

Alexandre, Morgan Stanley:

Good morning, everybody, and thank you for taking my question. Congratulations for the results. We have three questions at our end.

The first relates to those results specifically. On slide eight, you showed us two graphs, the GMV and new buyers, GMV with a drop of 1%. But we also see new buyers growing 25%. I would like to understand the dynamic of GMV per buyer. Is there a drop as a comparison? Is there a different effect here?

The second question refers to your outlook. We have seen the GMV dropping and, given the context of the e-commerce industry that we observe, I think this explains most of these movements. If we look at the second half of 2024 and 2025, how do you foresee the growth of the industry as a whole?

A third point referring to Picodi: we have observed that you announced the impairment of the operation. And, in the release, you mentioned that the operation is the only one that is burning cash in the Company. What is your mindset in terms of the Picodi operation going forward? Which are your plans that you would like to put in place? Thank you.

Gabriel Loures:

Regarding the first question of GMV and new buyers, GMV remains flat. Our result in GMV and revenue is the result of all of the harvest we have been accruing since 2011.

Most of our revenues come from users we have from the past, because we have very good retention and, year after year, the users we acquired one year or two years ago, end up buying more and more.

The new buyers have grown significantly with this which is excellent news. We can guarantee sustainably the growth of GMV and revenues. But this is for the long term, as all of our harvest becomes more immature.

Looking at our outlook for 2025 in the industry: of course, we are in the e-commerce business. There has been a recovery of e-commerce this year vis a vis last year and we hope these results will be maintained and that the e-commerce will once again grow.

Our business has created several tools to be able to continue growing and to improve results for shareholders, pegged to the results of e-commerce. But, of course, we do want to grow revenue through our products working in the offline world, where we did not work before, working with subscriptions, like Méliuz Prime, with financial services, credit cards.

These are mechanisms to unpack ourselves from the e-commerce market and to increase the revenues of our core business more.

Márcio Penna:

Regarding Picodi, it is important to mention that, although our stake is 52.1%, the rest is represented by minority shareholders. We participate in periodic meetings, we analyze the figures, we offer strategies and we help with our cash back strategy.

This strategy will remain until the end of the earn out. Our expectation for the end of the year is that we will act along with Picodi to try to recover the operation. Nothing different from that.

Fernanda Matoso:

At this point, we would like to end the question and answer session. I will return the floor to Márcio for his closing remarks.

Márcio Penna:

Once again, I would like to thank all of you for your attention. We are going into an important part of the year, which is the third quarter. We are preparing for Black Friday and we are convinced that the results of the second half of the year will be as positive as the first half of the year.

I hope to see you all at the call in November. Thank you very much.

Fernanda Matoso:

The conference call for 2Q24 has ended.