

Conference Call Transcript
Méliuz
4Q24's Results

Márcio Penna:

Good morning, everyone. We have a great deal of people coming in. We're going to wait a bit. Thank you for attending another Méliuz earnings results conference for 2024.

Before we begin, I would like to inform you that this conference call is being simultaneously translated into English. For those who wish to change the language, simply click on the interpretation button at the bottom of the screen. I am Marcio Penna, the company's Investor Relations and Corporate Governance Officer. We have Gabriel Loures, CEO and Director of Growth Strategy and New Business.

I would like to inform you that this event is being recorded and will be posted, along with this transcript, on our IR website. Following the presentation, we will begin the Q&A session. For those who wish to pose a question, simply click on the raise hand button, and we will activate the microphone when the time comes.

Gabriel Loures:

Good morning, everybody. It is a pleasure to be here today. We have historical results for Méliuz, and I will explain why, but it represents the end of a turnaround cycle related to our business.

We have had a difficult position since 2022 because of our negative results, but we have been able to show very relevant figures, especially in EBITDA, and the consolidation of the turnaround that took place in the last few years.

First, before I begin, I would like to truly thank our team. They worked arduously during these two years. We had to make difficult decisions to change the results of the company. We're now very enthusiastic. We're ready to grow, and we want much more for 2025. Very well, let's go on to the presentation.

I'm going to go through the operating and financial statements. We will give more disclosure than we normally do. We're speaking about the end-of-year operating goals that are relevant for the success of the company.

We're going to speak about product highlights and products that we believe in for 2025.

Finally, I would like to refer to our strategic agenda for 2025 and our focus. Then, Marcio will speak about our Treasury strategy at the end of the presentation. As I mentioned, we went through an operational turnaround cycle that began in 2022.

For those who have been following up on us, we had a model focused on the growth of our financial services. We were focusing on cross-selling, ensuring that our users would use our financial products, and from the viewpoint of profitability, we were investing aggressively in the

construction of those products.

As any digital bank, we followed that S curve, the initial curve of losses to generate lucrativity, and that is a strategy we used for most of the year in 2022. We had an adjusted EBITDA of R\$93.5 million with net revenue of R\$54.1 million year-on-year until 2024.

We saw a change in the macroeconomic scenario, an increase in the interest rate, and we decided to begin changing our business model to an asset-light model where we offer financial services to customers, generating value but sharing that value with a partner, which is the BV.

So, we disinvested and changed to the asset-light model with BV in this period. Since 2023, our focus has been fully on profitability. We have reversed the EBITDA results, and we have been very successful. We had a result of minus R\$1.1 million adjusted EBITDA in 2023.

So, more important than revenue generation, what was important was generating margins, enhancing products, reducing costs and expenses, and, of course, the revenue growth was quite modest, only 2% throughout the year in 2023, but necessary to reverse the EBITDA results.

An analogy that I like to make is that we continued to grow, made a pit stop to be able to grow further, and this is what we did in 2023, so that in 2024, we could resume growth.

In 2022, we again made investments with a positive ROI. We invested more with profitability, but we did not have a very efficient allocation of resources. We didn't reduce costs and expenses, but we guaranteed that we had a good yield and that we were maintaining consistency in our negotiations with suppliers, the definition of licenses, and other business lines.

The results were historic. The adjusted EBITDA of -R\$1.1 million went to positive R\$54.1 million, consolidating the growth of more than R\$55 million. And the consolidated net revenue grew 12% year on year.

So, we were able to consolidate it, and now we want to continue to grow. If we look at the 4Q24, I think it shows you the end of the cycle and the consolidation of results. We reached a consolidated adjusted EBITDA of 29% versus the same period last year, accounting EBITDA was R\$40 million due to one-off impacts that we have explained in our release of results.

This is the adjusted EBITDA that we're showing you here. But what is important is the EBITDA margin in the fourth quarter, which was 20.1%, 4 percentage points higher than the EBITDA margin at the end of 2023.

Now, this is very similar to what we were reporting in 2020 as the margin of our business, but at that time, the consolidated revenue was R\$25 million. In 2024, we are at R\$356 million. So, we have resumed the levels of EBITDA. We want to continue to grow the EBITDA base, but the revenues of the company have increased threefold in 2024 compared to 2020.

Successfully, we have grown our results, our EBITDA, and guaranteed the resumption of these operating margins that were hampered in 2022.

The slide that gives me the greatest pride is this one. We are showing you the results that we

and the team have achieved in the last two years. First, the consolidated version, the accounting one, and we show you the improvement of EBITDA quarter on quarter.

We went from minus R\$93.5 million in 2022, grew, and in 2024, we got to R\$54.1 million of adjusted EBITDA, and every quarter, these results improved, showing consistent results.

This is not the result of a single quarter that was good. It is a result of the company as a whole, and this reflects on our EBITDA margin, which went from -29.2% to 14.8% consolidated. In the fourth quarter, this figure reached 21% EBITDA margin.

The results continued to improve throughout 2024. In the holding company, this happened at a faster pace. We reached R\$64.1 million in 2024. We grew fourfold between 2023 and 2024, with an EBITDA margin at the holding of 21.2% in the annual view.

Now, this result in 2024 specifically was aided and abetted by a resumption of growth. When we look at our consolidated net revenue, it grew quarter on quarter, as we saw with EBITDA. And year on year, this growth was 12% in consolidated net revenue.

For the holding, this was even more relevant. We went from R\$260 million to R\$324 million in 2024.

And on this page, once again, I underscore the evolution of this in 2024. The net revenue of the holding company grew 21% in the second quarter versus the same period in 2023. And in the consolidated version, it had a growth of 43%.

So, the pace of growth in the second half was greater than the year as a whole, reaching a positive trend of growth in our results. It's even clearer when we look at the GMV results for our core business.

In 4123, we had R\$1.2 billion of GMV, which grew to R\$1.4 billion. We grew 15% with GMV in our business line, but this figure increased through time. In the graph to the right, we grew GMV by 5% between 2023 and 2024. In the second half, we had a growth of 12%, and in the fourth quarter, a growth of 15%.

So, the speed of growth of GMV increased throughout the year, as well as the increase in revenue, and we did this with a very robust company. We did have some impacts on the net take, but we maintained a level above 2%, which is the guidance we have for our business. So, we have been able to grow, guaranteeing lucrativity.

This result was only possible because we also grew significantly in terms of our user base. If you look at the number of accounts opened, our accumulated base went from 30 million in the 4Q23 to 38.4 million in the 4Q24.

This represents 44,000 accounts opened per working day. This is the fastest speed of growth, much faster than 2021, which had been our record in terms of growing the user base. So, this time we have been able to grow the base in a consistent way, with an impact on all of our business.

In the shopping mall, we grew 62% in the number of new shopping accounts compared to the

4Q23. Doubtlessly, this was fundamental because of Black Friday in 2024. I spoke about the revenues and GMV of Black Friday, but all of this will allow us to continue to grow in a sound way. Now, users, when they come to us, will continue to use the platform throughout the year. They purchase for years, so this user base is very important for the sustainability of our long-term growth, and the impact is much higher than the impact of a single quarter.

We generated a growth of 62% in the shopping segment, but we also had significant growth in financial services. We went from an accrued base of digital accounts of 0.9 million in the 4Q23 to 3.5 million accounts opened, a growth of more than threefold.

In credit cards, we grew more than four times. We began with 50,000 cards issued and reached 210,000 cards issued in 4Q24. So, the growth generated through our app and channels as a whole did have an impact on our products, on the shopping segment, and on our financial products and services. Once again, we have very satisfactory results.

We also received recognition as the 7th most downloaded shopping app in Brazil. When compared to retail giants, we had a significant number of downloads in 2024. What is more impressive is the growth in the pace of downloads.

We only have two companies ahead of us, one is a Chinese giant, of course, and the other is Mercado Livre, which is a giant throughout Latin America with a strong presence in Brazil. So, we are the 3rd shopping company that grew the most in terms of downloads, with results that are very relevant.

This takes us to the graph on the left. We have a growth of more than two times in our unique users accessing our app. We had a growth of more than twofold in users, and this is why we grew the GMV.

We had a growth in revenue results, and of course, a growth in our services and financial products throughout the year. Now, remember, we were working with an operational turnaround. It would have been useless to grow if we had hampered cash generation, but this did not happen.

We opened a record number of accounts. We now have the largest number of accounts open, about 321,170, which is 170% more than we had in 2023. We achieved this by spending 46% more, 47% more than we had last year. We did say we were increasing our investment, but to the right, you can see that we focused our investment on results. We went from R\$3.3 for opening an account to R\$1.8, a reduction of 46% when compared to 2023.

Now, when we look at 2021, the results are more evident. We had opened 100,000 more accounts, but we had spent much more. In 2024, we spent R\$15 million, whereas in previous years, we had spent 100 million on marketing.

This is the capacity to generate results and growth with operational capacity. This is what I wanted to convey to you. We're extremely satisfied with the results, and this comes from the significant development of products that we had throughout 2024.

Now, the first product is Méliuz Prime. This is our subscription program, and if you didn't know, we are increasing the incrementality of the purchases made by users. We want users to

subscribe, but we also want to increase their purchasing behavior, inspired by the programs of Amazon, iFood, and other large players in the Brazilian market. We have had very successful growth in this product, and I can say that we grew our subscriber base almost 10 times between 2023 and 2024.

Now, the revenues generated from this subscription program are being consolidated in our results, and it has an impact on both B2B and B2C. In B2B, it allows our partners to reach a qualified base with a higher ticket that makes a lot of purchases through e-commerce.

They can sign up for a loyalty program. We offer our partners the possibility of exclusively reaching that user base, and these partners want to reach that base. They want to generate sales to a base that has better purchasing behavior. Now, they want to have these clients and customers in their base as well. This makes sense for several of our partners. So, Méliuz Prime is not only an opportunity in B2B but also in B2C, and in B2C, we have delivered results.

First, the concentration of wallet share, the percentage of purchases made using Méliuz Prime. After subscribing, users increase their spending by 35%. It's not that miraculously people will begin buying more online, or that their offline purchases are now coming online. Their behavior has changed, and they are concentrating their purchases at Méliuz because of the benefits they receive.

Additionally, we have also been able to enhance the retention of users. Our users, on average, purchase 3 times more frequently. Now, this is important. We wanted our number of users to grow, and we wanted to offer new opportunities, not only in shopping but in our other products, allowing users to have visibility and interact with them.

Besides Méliuz Prime, I would like to highlight our roadmap of financial services. In the third quarter, we completed our coffers, and we announced this in the fourth quarter. We have consolidated this product.

We have enhanced the average balance and tested this. It is aimed at people who are not used to investing their money but who can convert their cash back into investment. They can have special benefits, enjoying liquidity while also gaining returns on their money. This is in synergy with the rest of our system, especially with cashback, and we have worked significantly to enhance this.

Alongside this, we have two new verticals: the insurance vertical and portfolio insurance. This will protect users across all of their cards, not only the Méliuz card. It also represents a new avenue for recurring revenue to make financial services more profitable for Méliuz and BV.

We're launching an investment in CDBs with a different liquidity profile and return. We have more qualified investments for the longer term, and we already have an idea of the return on investment products with lower liquidity. This product will enable us to generate revenue and cross-sell for our system. We are very enthusiastic about this financial services roadmap, and of course, we are discussing this in partnership with BV.

To conclude, I would like to share our vision for 2025, which aligns with our focus and ties up the cycle we began in 2022. We went from a negative R\$93 million in 2023 to a positive R\$54

million in 2024.

This all happened in 2024. If you compare the results from the 1Q24 with the second quarter, there is a trend toward accelerating our results. Our adjusted EBITDA was R\$20.9 million and grew to R\$33.2 million, a 59% increase. The adjusted EBITDA margin went from 12.3% to 17%, a 4.7 percentage point increase. In the fourth quarter, our adjusted EBITDA margin was 20%.

The revenue growth year on year was 9.1% in the first quarter, a growth of 9.1% compared to the 1Q23. In the second quarter, this increased to 14.2%, a 5.1 percentage point growth. We also saw growth in new buyers, going from 16% year on year in the first quarter, 60% higher compared to 1Q23, and we went to 45.8%.

This is the figure that will allow us to grow going forward. It has launched our growth and enabled us to see how we will continue to grow, building that base with a 29.8 percentage point increase in terms of shoppers.

This has allowed us to head toward our goal in 2024. The focus now is to grow in a healthy, sustainable way, but we also want to accelerate the growth we saw in 2024.

We will focus on four key pillars. First, with the growth of e-commerce, we want to continue focusing on the sustainable acquisition and retention of users. Despite 13 or 14 years of Méliuz, we still find opportunities in shopping, particularly regarding customer experience and understanding activation rate flow.

All of these points are relevant. We carry out tests throughout the year to improve retention by 10-15%. Of course, this is relevant for our results, and we want to maintain our focus and exploit these opportunities in our business.

We will also focus on improving the business experience, ensuring that users have the best shopping experience and can track their purchases. This will benefit our partners, as they will see better results as well.

And finally, we want to reinforce our B2B avenue. We're launching relevant programs with our partners, for example, Itaú Bank. I will come back and explain this to you, but we're creating several business models to increase the addressable market for e-commerce.

We aim to increase sales with retailers and the industry, always generating more value and demonstrating that we are more efficient than competitive channels when it comes to billing and invoices. We want to ensure that everyone begins using this and continues to use it.

Moreover, we want to ensure that our users have a better experience when buying offline. We spent 13 years ensuring that they would have the best experience buying online, and this is something we would like to underscore for 2024.

Now, for Méliuz and BV, we will continue to evolve with accounts and credit cards. We will increase the amounts invested in these accounts, and we will work diligently on the launch of new products, once again, sharing all of this with BV.

I must also refer to operating efficiency. We cannot discuss revenue without maintaining healthy,

evident margins. We will ensure that our revenues generate good margins. We will be very stringent and disciplined when working with our suppliers. We will carefully assess the number of licenses, our cloud capacity, and other indicators that affect our costs with suppliers. We want to make sure we have very strong criteria when allocating investments, ensuring that we invest efficiently in 2025.

This is a summary for 2025. We are very enthusiastic, and there are plenty of opportunities ahead. I will now give the floor to Márcio, who will discuss our treasury strategy.

Márcio Penna:

Thank you, Gabriel. Excellent results, and we're enthusiastic about 2025.

Now, the information on this slide has already been disclosed to the market. We had an attachment of 20 pages explaining the strategy underlying this treasury strategy.

We want to make Bitcoin a currency for our treasury and ensure it will offer value. We're not going to be traders or accumulate Bitcoin. We believe in this currency because it is well-decorrelated to BRL, that it's limited and scarce, so there is no problem with inflation as we have with BRL.

It is also an alternative to traditional investments. Looking at the last 5 or 10 years, Bitcoin has offered a higher return than traditional investments.

We carried out an initial purchase of 10%, equivalent to \$4.1 million in Bitcoin. We created a strategic committee for Bitcoin with a certain term, and once that term concludes, we will return to the market to announce the potential expansion of this strategy. We are very enthusiastic about this, and nothing has changed since last week.

Within that term, we will once again go back to the market within the next 45 to 60 days to announce the expansion of this strategy.

With that, we would like to end the presentation.

Alexandre Namioka, Morgan Stanley:

Good morning, Márcio, Gabriel. Thank you for taking our questions. We have two questions. The first refers to the comment you made in the presentation and the release. You said that this year you are focusing on accelerating sustainable growth.

We would like to better understand what this means for this year. Are you planning to speed up the growth of GMV, or does it refer to something different?

The second question refers to the expenses with personnel and G&A. These are our estimates. These are the two line items that have had a significant drop year-on-year and are below what we had projected.

Now, you said that there is a base of comparison because of your bonus provisioning, but I'm asking for help. Could you speak more concretely about these two line items and what the

recurrent amounts in these line items would be going forward?

Gabriel Loures:

I'll get to the first question. Thank you for the question. Our focus in 2025 is to continue growing and speed up growth. We want to increase revenue, and this will reflect differently across our business lines.

We want to allow Méliuz to grow. Between 2022 and 2024, we reduced costs and made the company healthier. We took the company to healthier EBITDA levels, and now we want to maintain those margins while speeding up growth.

This is what we plan to do in 2025, and you will see this across all channels, in user acquisition and other courses, at different intensities. We will also be launching new products. Márcio, could you answer the second question?

Márcio Penna:

Thank you, Alexandre, for the question. In terms of operating expenses, we have variable and fixed costs. The variable ones are related to our cashback expenses. The more revenue we generate, the more cashback we generate, so we have to maintain good margins for the company.

This is impacted by GMV and other variables that will evolve during the year. These expenses, especially with personnel, don't expect anything different when compared to 2024. Of course, we will face inflation and have some contracted products, but if we exclude inflation, we are very confident that the fixed operating expenses will end 2025 aligned with what we had in 2024.

Alexandre's question was the only one for the day. Therefore, we will end the Q&A session and return the floor to Gabriel for closing remarks.

Gabriel Loures:

We've had a historic year for Méliuz. We are very enthusiastic about this. We were the 7th most downloaded app in Brazil, and the 3rd fastest-growing shopping app in Brazil by user base.

Our user base is more active and engaged with Méliuz, and we are doing this with controlled costs. The year 2024 was very good, and we are confident that 2025 will be even better for our operation. We would like to thank the team and thank all of you for your attendance. With that, we conclude our conference.