

Conference Call Transcript
Méliuz
3Q22 Results

Giovana Villari:

Good morning and thank you for standing by. Welcome to Méliuz's webinar to discuss the results of the 3Q22. My name is Giovana Villari. I work in the Méliuz's folks team and I will host this event.

Our event will be held in Portuguese and translated into English simultaneously. Just select the desired language on the interpretation button located at the bottom of the screen. For non Portuguese speaker audience, let me inform you that this event is being translated simultaneously into English. Please select the preferred language by checking on the interpretation button, which is located at the bottom of the screen.

With us today, we have Marcio Penna, Méliuz's Investor Relations Head; Gabriel Loures, Growth Chief Officer; André Amaral, Director of Strategy, Shopping and Data; Luciano Valle, Méliuz's CFO and Investor Relations Officer; and Davi Holanda, founder and CEO of Bankly.

Before turning the floor over to Marcio, I would like to inform that this event is being recorded and, at this moment, all participants will be in "listen only" mode.

Then, we start the Q&A session. To ask a question, just click on the raise hand icon on Zoom. The materials presented are available for download on our website: ri.meliuz.com.br, in the results' central session.

The floor is yours, Marcio.

Marcio Penna:

Thank you, Jojo. Good morning, everyone. It is a pleasure to be here again. For those who cannot see me, my background is blurred, I am white, I am not wearing glasses, my hair is dark. And this is it. It is an honor to be here with you. I just joined in to talk about the dynamics of the results' presentation.

The dynamics are going to be a bit different. We brought directors Gabriel, Chief Officer, André, Director of Strategy, Shopping and Data, to talk about numbers and results, and Luciano is going to talk about the financial numbers and, obviously, will make some comments about the spin off of Bankly, which is of everyone's interest. Then, Davi is going to talk a little bit about Bankly, and then we go back to the Q&A session.

The floor is yours, Gabriel.

Gabriel Loures:

Thank you, Marcio. It is a pleasure to be here. I am Gabriel. I am white, blond, my background is blurred, I am wearing a beard and my shirt is blue.

I am going to talk about businesses and strategies. Everybody knows technology and product is so important for us because we strongly believe that, with technology and products, we are going to improve the experience of our clients and, therefore, generate better acquisition channels and

also acquisition of users, and sustainable results along the time.

Talking about the 3Q22, specifically, we develop new features with a purpose of making the shopping experience even more fluid, and we are also bringing onboard financial services in a simple and complete way along this journey, and we will provide more details about all the features we have been developing.

I would also like to talk about the moment we are experiencing. It is a seasonable moment, with the World Cup and the Black Friday, and we have been working on those topics since the beginning of the year so that we can deliver the best experience and we are very happy with the adhesion of our partners are companies, and we are going to talk about this in more detail.

I am also going to talk about Picodi and our internationalization strategy, the next steps, now that we ended the roll out of 44 countries.

And we are also going to talk about insurance. We announced a strategic partnership that we had. I would like to talk a little bit more about this and explain the plan we have for this service vertical.

I would like to talk about products as well. We divided it into major blocks. One is the feature of products that improves the experience of the user and other features that the users are going to actually use.

It is a new interface for the app, a new home for the app and for the shopping as well. And the idea is to provide a better and more fluid experience, fewer clicks to purchase and fewer clicks to use the embedded features.

We have another new, which is the rollout that we called browser, that allows the users to shop in the app. So they are going to use the app all through the shopping experience, allowing better experience, better metrics for conversion.

This is going to ensure better results for our partners and a more fluid shopping experience to our users since the journey is going to be all in the app.

In addition to that, we have new formats of communication and these are segmented ways with embedded intelligence so that we can communicate with our users in the app. This is especially important in this moment on Black Friday so that we can make the right communication to the right people at the right time.

This is also going to improve the cross-sell of financial services and we are also going to launch new products in this journey of discovery, which has been so important for all of us when we launch a new product.

Talking about new products, there is one which is especially important. This is something that we have always wanted, and that puts together our expectations when we bring in those embedded experiences, which is the crypto bank.

We are in the world of card crypto shopping, and this will allow the users to redeem the cashback in the cards on the online purchases directly with crypto and bitcoin. This is one of the steps that we are going to give in order to bring on board financial services, and we believe this is going to generate a lot of value to our users.

We have a new functionality, which is very important to our banking platform, which is related to the bank account payments, the *boleto*, generating new opportunities for our partners, which is another part of the equation. With new Méliuz ads, we have new inventories and new ways of exposing the partners in a very smart way.

Now, I would like to say how all this movement and all those priorities are going to cause impact on the key moment of the year, which is Black Friday, which is very important for e-commerce and to our business as well.

We have seen that there has been a very large adhesion of our partners for Black Friday. 84 partners have 84% growth of partners this year, in comparison to last year. And in less than five days, all the packages were sold out.

That reflects that when all the market is looking for efficiency, we see that Méliuz has been recognized by the partners as a platform that is able to generate incremental GMV in sales with good benefits compared to the alternatives.

This points out to our capacity that we have to deliver a very good experience in Black Friday to our users with the best conditions of the market.

Now, moving away from Méliuz, I would like to talk about our internationalization strategy and to say how this has been evolving in the last year.

As you know, in September 2021, we launched the cashback in the first group of countries, the nine initial countries, and since then, in the first months or in the last months of 2021 and this year, 2022, we have been working on the product Picodi and on the side so that we insure that the experience of the user can be similar to those of Méliuz's, allowing us to have rate of conversion, retention and activation and experience of the users, and we are sure that we can generate the best results along the time.

Together with this, we have a scalable platform of Picodi. We did the rollout into the 44 countries in October 2022. So we move on to the strategy of internationalization and we are going to analyze the first traction in the first 44 countries. We are going to invest in those countries that show the best results.

The idea is that we are going to be able to invest in the customized features growth, better channels of the service in operation where the traction is better, considering the countries. And we believe that they are going to generate future results with the growth of the cohort ever more healthy for the business.

I would like to end by talking about insurance, which is the new vertical that we are bringing to Meliuz. We closed a strategic partnership with Chubb, one of the largest in the world. And we want to deliver insurance in an embedded way in the purchases, as well in the journey of financial services.

The purpose we have is to offer the right insurance to the right person at the right time at the right moment for that journey of the user.

We would like to reinforce our commitment that we assumed since the beginning of when we embedded new services in our app, which is to build new financial services embedded on our shopping journey.

Now, I would like to turn the floor back to André. He is going to talk about the main highlights for the quarter.

André Amaral:

Thank you, Gabriel. Let me introduce myself first. It is an honor to be here talking to you. As Marcio said, I am Director of Strategy, Shopping and Data. I am white, my hair is light, the background is white and blurred. It is a pleasure to be talking to you.

I am going to talk about the figures and translate what Gabrielle told us about the strategy of products and how this was translated into numbers and results along the 3Q22.

Our shopping operation in Brazil allowed us to deliver a growth of revenue, which is consistent: 52% when we compare to the same period of the previous year, with a growth of GMV of 7%.

So we can see the it was flat quarter to quarter, but there was a growth in relation to the previous year in spite of all of the macro challenges that we have been having, showing that our channel has been relevant to our partners and how did we managed to grow those 52% in terms of revenue in the vertical shopping because the growth has been very robust.

This is driven by the dynamics to continue increasing our take rate and our partners and reinforcing as a very attractive channel for them to continue investing and generating sales.

There was another impact of higher sales of packages, of Méliuz's ads, which is a vertical that has been growing quite a lot, and also explained by the dynamics of when the campaigns happened along the 3Q22. The campaign was very strong in 3Q22, with revenues recognized still in this quarter that would favor this growth that I am showing.

When we look at the last 12 months, we reached nearly 5.5 billion in sales originated to our partners, a growth of more than 44%. But the main message that we would like to give to you is that we are managing to deliver this level of growth, increasing our profitability.

Our take moved from 1.3%. Our match take was from 1.3% and we are reaching 2.4% in this quarter. This shows that there is a growing trend and we grew even further this quarter. And the expectation is that this growing movement with profitability will be maintained in the shopping.

How did we do that? Let's move on to the next slide. We managed this by combining some factors. I believe one is: without stopping the growth of users, we can see by the number of accounts that we grew more than 26,000 million accounts, a growth of 26% in relation to the previous year.

We maintained the retention of our user base and this is translated when we see the graphs that we see, there are no bold graphs of GMV. People continue buying things Méliuz has created. So we can see this retention of the buyers of Méliuz and they continue buying at a better frequency. And this is translated into the growth of GMV, but above all, the growth of revenue and margin.

It is interesting that all this was done with a very expressive reduction in our marketing investments. When we compare the investment of last year, we spent about 10 million for the quarter. We are spending less than 3 million per quarter. It is a reduction of nearly 75% in the budget of investments and it reinforced what we have been communicating in some quarters.

We managed to have this control and we can direct higher investments or lower investments depending on the strategy we are adopting. But even in not investing in marketing, we can grow and grow with profitability, as we saw in the last page.

Let's move on. Showing the Picodi numbers and how our strategy is playing out. In the vertical cash back, which is the main focus that we have today, Picodi. And looking back when we look at the acquisition of Picodi, it was a company that had a large organic traffic with no cost for us to acquire the user.

Our strategy is to transform the organic user traffic that use Picodi and to users. We want the users to register, we are going to get the contact of those users, engage them in our communication in product interest, and transform all these records into buyers.

As Gabriel mentioned, in September last year, we rolled out to nine countries. That was the first strategy of Picodi, and we operated in those countries for one year.

What that first complete year brought us was more than 800,000 accounts open, and we reached 40 PLM and GMV, considering only the operation of cash back, which is the current focus. And this represents a growth of more than 150% when compared to 1Q21.

This reflects the operation only in nine countries that we had opened the vertical of cash back. This shows the effects of that we managed to engage traffic from the records and we have been able to retain those buyers.

We have this pileup of cohorts making this GMV ever growing as we have seen in the period that we have been working with a shopping vertical. So we have been able to replicate the strategy in a very successful way with Picodi.

In October, we finally opened the operation for the other 44 countries and we have great expectations for the quarters to come. So today the cash back revenue already accounts for 19% of the total revenue. And again, we see this growing trend which is very optimistic in relation to what we are going to see with operations from those 44 countries.

Let's move on. Talking about our financial services operation. In this quarter, we reached 1.7 million accounts open. It was the second complete quarter and we opened a new app with a vertical all financial services to today integrated in June, the mid-June. We have been announcing this for some time.

In 2Q22, we had this complete period and we reached this number of accounts, the growth of nearly 50% in relation to when we finished last quarter.

In relation to our credit operation, we have been already communicating this in a very recurrent manner. But it is important to reinforce, because we are very cautious when we grant credit. We have been fishing for the right fish. So more than 1.200.000 users showed interest in acquiring the card.

In this waiting list, we are choosing the user so we can test the credit molders so that we can start to grant in the credit in a very cautious way.

Today we reached nearly 60 million TPV this quarter in relation to the co-branded card. It is still a legacy base and since we are not issuing cards for this operation and this is something that has

been going on since last year, this reduction is expected and this base is about 670 million on a quarterly basis.

I will turn the call to Luciano and he is going to talk about our financial figures.

Luciano Valle:

Thank you, André. Good morning, everyone. Thank you very much for attending our session. I am a white man wearing a polo black shirt, my background is clear, my hair is white and a little gray. Okay, here we go.

Now, talking about the financial highlights, I would like to start talking about the revenue that continues to deliver robust growth in the group, especially in this quarter, driven by the revenue of shopping in Brazil, which was 52% year on year.

In relation to net revenue, at the end of 3Q22, we reached nearly R\$98 million per quarter and this accounts for a growth of 67% in relation to the same period of last year. This quarter, this considers the complete result of the quarter after the consolidation of Bankly. Looking at the last 12 months, it will reach 365 million, a growth of 75% in relation to the same period of the previous year.

In relation to Bankly operation, if we incorporated the results of the last 12 months, the total revenue reached at the end of the quarter would be above R\$400 million.

This is a very important slide, because it conveys a message to reinforce how our focus on efficiency has been reflecting good results. When we look at the EBITDA margin and the net result of the operation, we can observe improvement, when you compare to the immediately previous quarter.

When we talk about numbers, we reached a negative EBITDA of 40 million in 3Q22 and this shows that there has been an improvement of almost 23% in relation to the previous quarter when we look at the consolidated numbers.

When we look at the parent company, we can see that the improvement has been even better, reaching 31 million negative in comparison to the safety of the previous quarter. This also reflects in the net result. We have a loss of 80 million against 28 in consolidated numbers, an improvement or nearly 40%. And the numbers are very similar when we look at the parent company.

Another highlight, which is also related to the improvement in efficiency, is how our cash burn has been behaving. We have already been seeing that this cash burn is being reduced. So the position is still very robust in the consolidated result of 486, but lower burn below 16 million for the quarter.

It is important to talk about the parent company results, where we had a quarter whose cash generation was 6 million. So all those results combined is a little summary of what we have been doing in the last quarters and what we have been announcing to the investors and journalists is saying that we have control, we are improving the financial efficiency, but we are still growing.

Before turning the floor to Davi to talk about Bankly, it is important to give some recall in relation to the structure of the bank. But before that, it is interesting for us to look in the timeline. Everything that we have been doing in order to develop the ecosystem of financial services inside Méliuz.

We started the journey back then, launched our co-branded product of cards in 2019, this was the way we wanted to test our hypothesis of offering our and having a better engagement by providing financial services.

The results were very positive. We reached nearly 7 million requests for the card, so we decided to go deeper into it. And when we did that, we can see that Bankly had a very important role in order to build this first step of the journey, in order to consolidate the financial services.

Not only was Bankly so important in order to import the technology and all the regulatory allowances to allow the service, but Bankly also brought in all the human capital, all the team.

And the team was essential for us to manage to develop the product which we offer in the market now and to have a legacy team that will allow us to grow what we have still to deliver in the future to shareholders, partners and to customers.

Bankly is very important, considering everything that we have been doing and everything that we look into the future.

Specifically about the spin off study, it is in a context where we see a lot of value in all the assets: Bankly, Méliuz, and we really want to identify the opportunities where we can unlock the value in a quicker way, especially in the circumstances we are experiencing in the market.

So we want to speed up the businesses and also bring in something or someone that will help us in the strategy of unlocking this value in a faster way.

Now I turn the floor back to Davi to talk about Bankly.

Davi Holanda:

Good morning. I would like to thank you for attending this call. I would also like to thank the Bankly team.

Moving on to the next slide. This slide conveys two very important messages. The first message is the capacity of the Bankly team to deliver products in a recurring manner and at a very accelerated pace. You can see that in the roadmap, quarter over quarter, we always see major deliveries and this would allow us to be an innovative Company.

Another important point in this slide is related to events. You can see in this graph, 16 million events. We have been moving away from transactions.

Considering the regulatory context we are experiencing and which is implemented by the Central Bank, we start to add new products and services, where we can generate revenue and that revenue is related to events and not only linked to a transaction.

There are some examples I would like to share with you. There is "Know your Client". This is an API where we offer the onboarding of the user for individuals or for corporations. So it is not a real transaction, it can involve PIX or a QR code.

It is a platform that starts to evolve into events instead of only transactions, as we used to see in

the past, which was very connected to cards.

Moving on to the next slide, we would like to show the work that has been done and that is being built since 2020. We have been doing a work that I called “ebitalize”, in which you replace an EBIT which would be related to the access to prepaid or the access to other cards to a new model with new technology, when we will start to monetize from events or transactions.

We are now a platform that would allow and would help the ecosystems to generate more value to the users. So you can notice that here, from left to right, we can see that the growth has been very big in active users, as I say, this has been happening since 2020.

So we compare, quarters on quarters, a growth of 378%. And we see a clearer transformation of what I called “ebitalize” on the revenue. you see the legacy operation of 3Q22 with 4.6 millions and you can see the number of 3 million.

If we look at the last 12 months, in 2022, we see 15 million. And in the 12 months of 2022, we increased by 100%. And we are going to end the “ebitalize” process in January 2023.

We started the year with a gross margin of about 36 and 38%, and this margin has already reached 151% and it is likely to grow even more, considering the transformation of the business model and the implementation of a new product that have already been offered in the roadmap. They are already putting to practice and the ones that are about to come.

Lastly, I would like to reinforce or to point out that in the Bankly model, the financial revenue that comes from cash deposits is below the EBITDA, so we should be making a calculation with adjusted EBITDA and using this financial revenue of cash deposit onto EBITDA. This is a dynamic that is going to get more mature and we are going to bring in a more transparent, in a more proper way so that we can facilitate your understanding about the revenue model for Bankly.

I would like to end my presentation and would like to turn the call back to Luciano.

Luciano Valle:

Thank you, Davi. Jojo, I think we can open for the question and answer session.

Ricardo Buchpiguel, BTG Pactual:

Good morning, everyone. Congratulations on the results. In this quarter we saw the cashback level grow, but the gross take rate related to the commissions paid to the partners raised. So less cash back would be more negative in the negotiation with the partners.

I would like to know why this did not happen in the quarter, why it was just the opposite.

André Amaral:

Thank you for the question. I can answer this question. We have two different dynamics independent when we relate Méliuz’s clients and Méliuz’s partners.

The first with partners we negotiated this commission and our final objective is to originate revenue to them in a more optimized way. And we have the relations with the users when we

pass on, according to the decision of Méliuz, what would be the value of cash back for the user depending on the strategy adopted.

Many have been built together with the partners. Having said that, we can increase the commission with the partners, not only passing on this cashback to users, but ensuring a number of highlights such as communication, some exposure in the app, exclusive communication, and they can be even included in the Black Friday or the World Cup package.

The cashback is just one of the ways - important, of course, extremely important, without any doubt -, but not the only one that we can negotiate the increase of commissions with the partners.

Obviously, we can ensure those increased commissions because we are adopting other dynamics which always favor a channel such as Méliuz's.

First, we can prove, based on data, how effective it is for them to increase the commission regardless of the cashback we are going to pass on. But this is also based on data, so when we present the test, as we present the ABC tests that we conduct with other partners so they can see the efficiency of the channel.

Together with that, we have been following more monitoring and talking about a macro level. We have been monitoring that there is a concentration of investments to channels such as Meliuz's, which is based on performance.

It compares to more traditional channels which are becoming ever more expensive digital channels, mass channels. For example, Google and Facebook, there has been an inflation, not only in Brazil, but across the world. There is an inflation of those channels and it is evermore difficult to close the account.

So they are investments more focused and the cashback has a very important role. With that, we can use the result levers of the partners.

In a very challenging moment in which we are facing, considering the macro scenario and e-commerce, we offer more attractiveness, in terms of channels.

Ricardo Buchpiguel:

It was very clear. Just one very quick question: could you explain what is connected to this financial result of Bankly?

Because the value has been very relevant as a contributor to Méliuz. Is it connected to the flow of clients or the Méliuz's account has been growing and the financial result would be included in this line or somewhere else?

Luciano Valle:

Davi, would you like to answer that?

Davi Holanda:

Thank you for the question. Today, Méliuz accounts for about 10% of the result of Bankly. So, in fact, we do not have a direct dependance on Méliuz.

But as Méliuz grows and financial services proved to be right in terms of strategy, Bankly would be favored, since Bankly is a service provider to Méliuz. But the result does not come only from Méliuz.

We have new clients on board and new partners in the past few months. Several are still to come, considering the growth. So we see that the average maturity late or the full potential of a client after being degraded, takes a long time, about 6 to 12 months to generate results.

The prospects are very good in the long term, considering that many clients came on board in the past few months.

In terms of revenue, in fact, Bankly has the revenue of cash deposits, LST remuneration. So this revenue does not have the adjusted EBITDA, and this is something that we want to bring in and clear away in the next presentation of results.

So we have this important result afloat that may account for 30% of our revenue.

Luciano Valle:

Only to add, if you allow me, it has a component which is both cash from the bank, because their cash position is very positive and there is something related to the profitability on the float, as Davi mentioned.

Ricardo Buchpiguel:

Okay, perfect. But it is in the financial revenue, not accounting revenue?

Luciano Valle:

Yes, operational account. And this is what we have been discussing and we want to convey this information in a clear way in the future.

Ricardo Buchpiguel:

Okay. Thank you so much.

William, Itaú:

Good morning, everyone. How is everything? I have two questions on my side. I think the first one is quicker. Still talking about Bankly and a possible spinoff. Could you provide more details on the rationale behind this study? We would like to understand how more capital and dependance between those two operations could help in the separate results.

The second question is more focused on the period of Black Friday, as you have mentioned. Last year, we saw a very strong campaign that helped to raise the take rate of the operation, but decreased the network rate to 0.4%. So I would like to understand those two campaigns this year. If the movements are going to be similar, if the network rate is going to be raised higher than the number compared to last year.

André Amaral:

Who would like to answer? Go ahead, Luciano.

Luciano Valle:

Okay, great. William, thank you for the question. I think you touched upon two very important topics and I believe it gives us the opportunity to talk about the spin off in a more clear way.

We are identifying alternatives where we are going to unlock value in the bank. Méliuz and Bankly. We are setting how we are going to have access both to the capital, which is important for us to continue growing and developing the strategy that we have been adopting and also reinforce independence of Bankly in relation to Méliuz, even considering the business models in which Bankly operate.

These are very important points so that we can be able to reach the final objective, which is to unlock this value. But we have to keep in mind that this study presupposes that we are going to identify the conditions where we can unlock the value.

So if we think so much about spin off, we remove it from the context. What can the spin off bring in terms of attracting capital or developing a new strategy to build this new journey in order to ensure a better or a higher independence to avoid any conflicts as those two companies grow.

It is very important. It is an equation that involves both access to capital and operation independence, but even more, we want to know how we are going to contribute not only in relation to capital, but how are we going to add something which is very important in terms of knowledge of market technology so that we can speed up this growth and this unlocking of value for both companies.

Davi Holanda:

Can I simply add something? This is a very relevant point, in my opinion, the contribution of financial services to the group.

If we understand that it would make sense to have this operation, that does not mean that Méliuz is going to be an orphan of financial knowledge. This knowledge has been conveyed since the first moment when Bankly had the contract with Méliuz as a service provider.

I helped to form the financial team, so I brought in people with a lot of know-how from other schools, schools such as major banks, innovative companies, acquirers. Today, Méliuz has a financial service know-how, which is not connected to me as a person, because now we have a qualified team to perpetuate financial services inside Meliuz.

If we come to a conclusion that we really found a better way of doing the spin off or not. Only to reinforce this point.

Luciano Valle:

This is so important, William, because nothing will change in the relationship that we establish today in terms of product offer and everything that we have been building for our users. This partnership with Bankly obviously is going to continue. We are not saying that there is going to be any impact in this hands on the product. both select trade.

André Amaral:

Now, answering the question related to Black Friday, thank you for the question. In relation to the total take and seasonality: yes, we expect the historical results because this is a period where the partners invest more.

And even connecting to the previous question that we had just answered, our focus continues to be on margin optimization and profitability. So we can expect the maintenance of this positive net take and an expressive improvement in relation to the net take of last year.

In 4Q21, it was below 1%, zero point something. I don't remember the exact numbers but below 1%.

Marcio Penna:

0.4.

André Amaral:

Thank you, Marcio. And the expectation is that we are going to continue along this path maintaining and optimizing this net take despite more investments from the partners by purchasing new back packages, as we mentioned during the presentation, but also related to the takes that have been passed on.

As we explained in the first ASR, obviously when we optimize the net take to the detriment of having very aggressive cash backs, as we saw last year, this eventually will reflect in a lower GMV growth, but a higher margin.

This is what we can expect for this quarter, for the season of Black Friday. But we are very optimistic, as Gabriel mentioned, considering the adhesion that we saw from the partners and all the results that we have seen along the beginning of this quarter.

William:

Okay, perfect. Thank you for the answer.

Alexandre, Morgan Stanley:

Hello, everyone. Thank you very much for taking my question. I have two questions on two topics. First is related to Picodi. I understand that the revenue, considering the rollout of the cashback, into those nine countries. We can see that there has been a growth, but could you give some qualitative color on how you are feeling about the cashback evolution?

Do you think it is going worse than in some specific country? Because when we look at the competitive context of some countries, such as Poland, where the market is more concentrated, I think in Poland is where you concentrate more GMV, you have Legro, which is a well-established player. Could you provide some information relating to this?

The second question is related to the credit card of Méliuz. I think the TPV is doing quite well. You are scaling up the business in a very robust way. But I would like to understand two points related to credit cards. What do you see in terms of the health of the users of this credit card? I don't

know if you can understand, since this business is still very incipient. So any figures that you could share would be very interesting.

Still talking about credit cards, do you have any color on which would be the funding options you are going to use? CDB, I do not know, but in a sense I would like to have some information.

Gabriel Loures:

I can answer the question about Picodi. Thank you, Alexandre, for the question. Your question was really interesting because it gives us the opportunity of how we see this strategy.

First of all, Picodi's strategy is scalable up to the point that we managed to expand it to different countries. And in all the channels, we can see conversion rates, activation, retention along the time, which are very similar.

Obviously, there are countries where the initial traction is higher and the other ones with differences in competitiveness. And in some countries where e-commerce is stronger or less stronger. So we grow more or less in terms of cohort.

But we see that when the user enters the cohort, the retention and all of the other important metrics, and all those numbers of cohorts, all this happens in a very stable way.

When we look at the 44 countries of the rollout, we still do not have enough time after the rollout. It happened in less than one month. And we can see that the growth speed is different in some countries. The nine first countries, the initial countries, Turkey, Poland, still represent the largest part of all, the whole result of cash back.

But we can see some nice traction rate. And of course, they all have different levels. And as I mentioned when I described it, we are now going to see more ideas of when or which countries we are going to invest more and how we are going to study, how the product is customized to each specific country and of course, invest in countries where the traction is actually occurring.

Generally, we can see this in an early stage in some countries, but that would not represent a very significant share of the whole. But we are going to keep looking at that.

Davi Holanda:

Can I talk about Meliuz's credit card? One year ago, a little bit more than one year, during the follow-on, I mentioned that our strategy related to credit cards would be to play safe, but we would not put a lot of money on the table. So this is what we have been doing.

If you want it to show an incredible revenue related to credit card, we would be able to already considering that we have 1.300 million in the list. And the credit card was a very important growth lever, even counting on the partnership with Pan Bank.

So we are going to start slowly because we need to make some adjustments in terms of credit policies, but we also need to make some adjustments to the app, to billing adjustments, to communication adjustments. We need adjustments in terms of fraud prevention on boarding and so on and so forth.

What we have been doing during this period was to make adjustments not only from the operational viewpoint, but also all the aspects of credit. It is not only credit policies but all of the

operational side, because when we reach the state of art, you know, that wonderful moment, we can be able to accelerate and not have any surprises down the road.

We want to accelerate, considering that we have all the operational comfort of the credit card. This maturity has been growing. I would say that in the next few months we are likely to see a higher volume considering that the maturity is evolving.

In relation to the drivers and indicators, considering that the portfolio is very limited. Of course the indicators may not give a lot of information, but even when we look at the indicators of the small portfolio, all of them are below what the market has as a benchmark.

As a reference, the NPL of one to third NPL from 15 to 90, NPL 30, 60. So we monitor all the indicators (53:18) portfolio and we compare all those figures with the market. And I can say that all our drivers, all our indicators are even better or they are in line with the market.

Gabriel Loures:

Only to add what Davi mentioned, as to requests of cards, as André mentioned in his turn, we have a waiting list of more than 1 million users, and we used a small portion of this waiting list to offer the card and we can see the rates, engagement, activation, etc. of the card are all very good and we are very cautious in terms of the operational and credit sides.

But in terms of interested clients, we show considering the current rate list and the experience we have had with Pan and we can see that the user sees a lot of value on those cards.

Luciano Valle:

To add to the question in relation to the finance options, we continue with the idea of continuing leveraging (54:25). And of course when we manage to make progress in the regulatory and the operation aspects, we are going to look at different options of funding so that we can reduce the capital cost for each product.

Alexandre:

Okay, perfect. Thank you so much for the answers.

Luca, Bank of America:

Hello. Good morning. Two questions on my side. First of all, I would like to do a follow up on the previous question. How can we think about the evolution of the revenue of new financial services that have just been offered, not looking only at cards, but as a whole? How can we see this?

We understand that the effect has been very small so far, but what about the future? How do you see in terms of revenues, looking forward?

And looking at a medium term strategy, what is the strategy in relation to M&A? Do you have a considerable cash level to reach the break even point next year? I would like to understand what is the strategy to use the money that you have in cash nowadays? Thank you.

Luciano Valle:

I can answer. As we have been pointing out in some calls, we do not provide guidance in terms of revenue and other metrics of the operation. But it is important to answer your question so that we have the opportunity to talk about the perspective, which is very positive not only in relation to the ramp up of the operation as it is today, considering the portfolio of products that we have today.

We have the digital count, we have included the payment on *boletos*, we have a card whose operation we have been improving so that we can grow at a faster pace. And we also have new products that we have been bringing into this portfolio.

I think it is important to point out the insurance dimension that was mentioned in a partnership with Chubb. So we see very good prospects, Luca.

I would not like to give any guidance for the future, but considering the level of maturity as the term used by Davi, is something that has been growing as a whole. Because when you look at the AFF, that improves the experience of the user.

We also understand that this is encouraging a better service because it provides more clarity on how to access those financial products.

Obviously, as we have been doing along the time, as this grows more relevant, we also increase the level of disclosure of this vertical both for operations and financial and health metrics of our credit portfolio.

In relation to the second point, a medium term strategy for M&A, this is a very important topic that we see because we always look at M&A as an opportunity to be captured that can be complementary to what we do today or anything that can unlock our development or initiatives that we want to implement in our strategy.

So M&A has been part of our daily lives since the IPO and it is also part nowadays, when we see that there is a reduction in the number of opportunities. I would say that we are not currently as active as we used to be.

And in relation to the use of our cash, we are going to continue to be very conservative. So we want to maintain the cash position and we convey the message that we are also looking for efficiency in terms of cash burn.

So we have to zero this cash burn until we have a positive cash in the short and medium term. We want to go through this more turbulent market scenario, especially the experience that we see in our partners in e-commerce and also improve our financial services.

We want to be conservative. We are going to save our cash and use the cash in a very efficient way. We have been reducing the cash burn and generating cash. And we want to be prepared for any opportunities that might come along in the future.

Luca:

That is clear. Thank you.

Matheus Guimarães, XP Investimentos:

Good morning, everyone. Can you hear me? Good morning. Sorry, I was not able to see the beginning of the call, so I would like to ask something related to the previous question.

In the last quarters, we have seen the financials result evolving well, now reaching 22 million. And this is driven by the interest rate and the cash level. We saw the cash reducing in relation to the previous quarter. So if you could comment on this and maybe what you have in mind in the future.

I am sorry if you have already answered this in the beginning of the presentation.

Luciano Valle:

Yes, I can answer this because it is very similar to the comment I have just made. Yes, we see this benefit. We have the benefit of the interest rate, which has been higher along the last few months, but it is much more a combination, as I said, of having a more efficient operation.

Now we are talking about efficiency, not only related to our dynamics of take rate, but how we have been working with our balance sheet, both in terms of receiving terms for the payment of suppliers and others.

So we have been operating very close to this. We have been looking at the balance lines that look at this. We also include all the companies of the group and we discuss how we are going to invest in a more efficient way without making any damages to the operation.

Therefore, we are always looking for better returns on investment without affecting the investments. So it is a balance that the treasury of Bankly and Méliuz are always on the lookout for.

This is a perspective that tends to increase or improve along the time because part of the efficiency is scalable along the time. As new products are going to become more mature, we are going to incorporate the revenues of new business lines and also the clients that have been coming from Bankly and all of this contribute so that we can have a cash position which is even more comfortable.

We can see that the dynamics has been better along the quarters, and it is like an anticipation of the effect that we want to see in the end, which is the break even in our operations.

Matheus Guimarães:

Okay, Luciano, thank you very much. But if you have any follow up on the studies you are doing in relation to the segregation of Bankly. So it was announced 15 days ago. But if you have any follow up.

Luciano Valle:

We still do not have anything concrete to comment on. But previously we mentioned that it is very much in line with a strategy of unlocking the value of the business as a whole, Bankly or Méliuz, in such a way that we are going to have the opportunity to access more capital to finance and fund the growth of the Company, and also to bring in a more strategic contribution to what we have in our hands for the future.

Matheus Guimarães:

Okay, Luciano, thank you very much for answering my questions.

Giovana Villari:

We have now closed the Q&A session. I would like to give the floor to Luciano for his final remarks. Luciano, go ahead.

Luciano Valle:

Thank you, Jojo. Thank you, everyone, for attending our conference call. Thank you for the questions. I would like to thank specially for the presence of Cash three group and we are very enthusiastic about our business for the future. Good morning, everyone.

Giovana Villari:

Excuse me. The webinar of the results of 3Q22 of Méliuz has ended. Thank you all for participating and see you next time.