

Conference Call Transcript
Méliuz
3Q24 Results

Márcio Penna:

Good morning, everyone. We are just waiting for everyone to join us. Let's get started.

Good morning and thank you for joining us for another Méliuz earnings call. Before we begin, I would like to inform you that this conference is being simultaneously translated into English. If you would like to switch languages, just click the interpretation button at the bottom of your screen.

I am Márcio Penna, Director of Investor Relations and Corporate Governance at the Company. Joining me today are Israel Salmen, founder of Méliuz, now Chairman of the Board and Institutional President of the Cash3 Group, and Gabriel Loures, our newly appointed CEO, who is also overseeing Growth, Strategy, and New Businesses.

Please note that this event is being recorded and will be published later on our Investor Relations website along with the full transcript. The presentation materials are already available on our website and the CVM portal.

After the presentation, we will open the session for questions and answers. For those who would like to ask a question, simply click the "Raise Hand" button. When the time comes, we will enable your microphone.

Enjoy the call. Over to you, Israel.

Israel Salmen:

Thank you, Márcio. Good morning, everyone.

There have been some changes in our organizational chart. Changes for the better. First, I would like to thank the co-founder of Méliuz, who was with me back in 2011, who made great contributions crucial for Méliuz to be where it is today. Up until yesterday, he was the chairman of the Board, but he said goodbye.

Now, I have assumed the role of Chairman of the Board because he resigned, but I am also in an executive role. I will be working closely with the CEOs of the different companies of the group, including Gabriel, giving him all the support I can.

Congratulations, Gabriel! You are one of the most intelligent and hardworking people I've ever met. I have no doubt you'll be great for this job. Count on me for whatever you need moving forward. I hope we will experience great times together in this Company.

We made the right choice in appointing you as the new CEO. There was a positive response from our team when we announced him. When we announced Gabriel as the CEO, the team was really happy, and it was evident on their faces that this decision made sense to everyone.

So, welcome to this new role, Gabriel. I hope this will be a very happy journey for you.

Gabriel Loures:

Thank you, Israel. I cannot help but begin by thanking you for everything we have done together so far, for your trust and for the autonomy you have given me. I am fully aware of the responsibility upon me now, and I am confident that the journey going forward is going to be great.

I would also like to thank the Board members for their trust, and I want to thank the Méliuz team, with whom I have been working since 2018 when I joined. Everyone has been working together to grow the business and ensure its sustainability.

To the investors here today, I want you to know that I am fully aware of the challenges ahead, and I feel very energized to take the next steps. We are going to continue this growth journey, focusing on building even more operational efficiency, as we are already seeing in our results and will see today.

So let's take a look at our performance. First, I want to highlight the growth of Shopping Brasil. GMV was 10% higher compared to 3Q23, and net revenue grew by 20%, reaching R\$60.2 million in 3Q24.

This performance is thanks to our team's commitment to providing the best experience to our users, focusing on retention, and strengthening our engagement with partners. This is reflected in the take rate, which increased to 6.6% from 5.9% last year.

These results are due to the campaigns we have been working on with our partners and the closer relationships we have developed with them, which allow us to offer more opportunities for them to sell, achieve their ROI, and meet their profitability goals. I am very happy with this growth in the third quarter.

It is also important to highlight the growth in the number of new buyers. While we do not disclose absolute numbers, there was a 31% year-over-year increase. We have achieved this by working closely with Marcus, our Growth Director, to explore new channels and expand our base.

This growth in new buyers will have a long-term impact because, as we have mentioned before, we have strong retention rates, and these users are likely to continue shopping on Shopping Brasil in the future.

I will now talk about Financial Services. We see that we are maintaining the same growth pace we've had over the past few months. There has been a 36% increase in open digital accounts and 172,000 credit cards issued through our partnership with BV Bank, representing a 27% increase compared to the last quarter. Net revenue from Financial Services reached R\$15.9 million, which is an 8% growth compared to the second quarter.

We are moving forward strongly, working to increase engagement with more Financial Services to strengthen this ecosystem, create value for users, and make these services increasingly profitable and widely used by our clients.

An important step was the launch of a product in partnership with BV Bank. This product was launched on October 24, just over a month ago, and we already have encouraging results. The initial results are very positive, and this is just the first step. We are working with BV Bank to

launch additional products, increase engagement, grow our net balance, and make our products even more profitable, further fostering this ecosystem through cross-selling.

We are also developing new investment products. In addition to this launch, we will offer other options for users, including safe investment products and credit products, which are part of our roadmap. These initiatives aim to ensure greater engagement and usage of our Financial Services, which, as I mentioned, is our primary goal.

The consequence of these efforts, combined with our focus on operating efficiency, is reflected in the EBITDA figures we see here. Adjusted EBITDA for the parent company reached R\$14.1 million in 3Q24, almost double the value from the same period last year.

On a nine-month basis, we reversed a negative EBITDA of R\$6.8 million in the first nine months of 2023 to a positive R\$42.9 million year-to-date in 2024.

This translates to an adjusted EBITDA margin of 18.8% in 3Q24. Looking at the long-term perspective on the right side of the slide, we see the progress of the past few years. In 2023, we focused on operational adjustments to recover profitability, moving from a negative margin of 35.8% to 12.8%. In 2024, we have been growing revenue quarter by quarter, achieving a 38% increase and improving the EBITDA margin to 18.8%, as just mentioned.

This has been possible due to our very stringent expense control. In 2022, expenses totaled R\$420 million for the year. In the last 12 months, as of 3Q24, this number dropped to R\$321.7 million, which represents a 23% decrease compared to 2022. There was a slight increase in expenses from 2Q24 to 3Q24, which is also a consequence of our higher revenue and the number of new buyers.

In terms of EBITDA, we can see the long-term progress we have been making. Consolidated EBITDA over the last 12 months was negative R\$93.5 million in 2022. In 2023, it was very close to break-even, at negative R\$1.1 million. In 3Q24, for the last 12 months, consolidated EBITDA reached R\$49.4 million, with a positive margin.

This reflects what we have mentioned in past calls: our focus is on growing, but growing sustainably and with good margins.

And to conclude, I could not leave out our Black Friday promotion. It has already started, and you know how important this period is for our seasonality. This year, we want to be number one in cash back because we are.

We were the first player to adopt this model in Brazil, and there are many new developments. We are working more and more closely with Promobit, creating greater commercial and product synergies.

Promobit is a social selling initiative within the Cash3 Group, where users post and search for the best offers for other users to buy. It's a slightly different model from Méliuz, but it focuses on social selling, and there are good synergies that will make for a successful Black Friday for both parties.

As I mentioned in my letter and our release, our Black Friday campaign started in December last year, right after the close of last year's Black Friday. Since then, we've been working on dozens of improvements to increase the number of users, engage them better, and retain more of them.

These are the results we are seeing now.

This year, we've also developed new special opportunities for both partners and users. It's important to have a robust campaign calendar, offering more opportunities for our partners to invest with a healthy ROI and greater sales. We've been doing a lot for Black Friday 2024, creating opportunities for users to benefit as well, so they can get more from their purchases.

Mélaiz Prime is one of the choices available to our users to earn greater cashback on each of their purchases, which increases engagement within our ecosystem. There is also a new combined redemption feature, along with various other initiatives we've put in place to benefit both users and partners, ensuring we can achieve even better performance this Black Friday.

Over to you, Márcio.

Alexandre Namioka, Morgan Stanley:

Good morning, everyone. And congratulations. Also, congratulations, Israel, on your new position, and Gabriel, congratulations on this new challenge. I have just one question. In your release, you mentioned, and, what I feel in your notes about Black Friday is that you're very excited.

So, what's your early read for November? Do you have any insights? Because we know many players have already started working on their Black Friday promotions. That's my question. Thank you.

Gabriel Loures:

Thank you for your question, Alexandre. We cannot disclose anything about Black Friday at this moment. However, our partners are really excited, and we are working on many opportunities so that our users can benefit. This is reflected in our mission and in the distributed cashback. We have also been working to improve products and increase retention and engagement over the past 12 months.

Now we're seeing the results, and we know that better products will have an impact this Black Friday. But, unfortunately, I can't disclose anything in terms of figures or guidance for this year's Black Friday.

Alexandre Namioka:

No, I'm not asking for guidance. I just wanted to know if you had any performance figures for the beginning of November. But anyway, thank you. Just a very quick follow-up question. You mentioned improvements that started to develop last year. But in terms of your partners' appetite, do you see your partners eager for cashback campaigns, or is it more flat compared to last year? Thank you.

Gabriel Loures:

We've seen great appetite on the part of our partners. It's an important seasonality period, of course, but we see great appetite from our partners, especially based on what I mentioned, because we are coming up with new opportunities and more customized opportunities for partners to sell, so that we can have better performance. Méliuz Prime is an example of this.

We have a number of campaigns for these high-value users, and we are also coming up with new promotions in November, working with our marketing teams and closely with e-commerce and industry partners to ensure this is going to be a great, very engaging Black Friday for our users.

Alexandre Namioka:

Thank you, and congratulations once again, Gabriel.

Antonio Cozman, Genial Investimentos:

Good morning and congratulations, Gabriel and Israel, on your promotions. In the release, you mentioned Méliuz Ads, a product for which I see great potential. We've seen it be very successful in other companies. Could you give us more details about it and what you foresee for Q424, especially Black Friday? Thank you.

Gabriel Loures:

Thank you, Antonio. We've seen significant growth in Méliuz Ads over the past few years, and we are very excited about this product and what we've been building in partnership with our e-commerce and industry partners.

There's been an increase in the available spaces for our partners' ads across our channels, such as our app, website, and extension, but also in other channels. We've been working with influencers and other market players who help us advertise promotions and campaigns.

So, we've seen significant growth in the past few years, and we are very excited about Méliuz Ads on this Black Friday and the whole year ahead.

Antonio Cozman:

Thank you.

Márcio Pena:

I would like to thank you for your questions, and I'll turn it over to Gabriel for his final remarks.

Gabriel Loures:

Thank you, Márcio, and thank you all for joining us this morning. I'd like to reinforce my commitment and energy to achieving the established growth goals of profitability and expansion. We are very excited for the end of 2024 and for next year.

We'll go on the same note, ensuring more value for our partners across every vertical, including financial services, and driving greater user engagement so that we can grow in sales and profitability. Thank you very much, and thank you for your presence. Looking forward to Black Friday!