

Conference Call Transcript

LWSA

2Q25's Results

Operator:

Good morning, ladies and gentlemen. Welcome to LWSA's 2Q25 Earnings Conference. Joining us today are CEO, Mr. Rafael Chamas and CFO and IRO, Mr. André Kubota. For the Q&A session, we will also be joined by the company's senior management team. This event is being streamed online via Zoom Webinar with simultaneous interpretation into English and will be available for replay at ri.lwsa.tech.

You can download the slide deck for this presentation from the Results Center under the Financial Information tab on the same website. The reported figures are stated in Brazilian reais and have been prepared in accordance with Brazilian accounting standards as set forth by the Brazilian Accounting Pronouncements Committee.

Before we begin, we would like to know that any statement made during this presentation regarding LWSA's business prospects, operational and financial forecasts or future growth estimates is merely a projection and as such is based only on management's outlook for the business. This outlook depends substantially on market conditions, the performance of the Brazilian economy, the industry and international markets and therefore may change without prior notice.

Unless stated otherwise, all variations and rounded figures presented here have been calculated in thousands of Brazilian reais. This business performance presentation includes both accounting and non-accounting data, such as organic and pro forma operating and financial results, as well as projections based on the Company's management's expectations. The non accounting data has not been reviewed by independent auditors. For the question and answer session, we kindly ask that you use the Q&A button at the bottom side of your screen to submit your question.

When doing so, please remember to state your name and the name of your company. As standard practice, your name will be announced so you can ask your question live and a prompt to activate your microphone will appear on your screen. I will now turn over to Mr. Rafael Chamas, who will begin the presentation followed by Mr. André Kubota. Mr. Chamas, please, you may proceed.

Rafael Chamas:

Thank you. Good morning, everyone.

Thank you for joining us for LWSA's 2Q25 Earnings Conference.

I have a few core messages before turning over to André Kubota, First of all, I'd like to talk about the acceleration of the company's revenue growth in 2Q25. There's been significant progress, especially in the Commerce Department. Also, profitability for the 4th consecutive quarter has increased. In fact, not only our profitability, but our cash generation is also progressed.

We ended the first six months of 2025 in a very strong position and we'll be detailing that moving forward. Lastly, more from a product perspective, we talked about the progress we've had this quarter, especially when it comes to the use of AI, both from an internal use perspective, but most importantly about the productivity and the experience of our customers, which is where the game is actually being won considering the new possibilities AI has allowed us.

In the following slide, we talk about the operational results from the perspective of the most important KPIs: GMV, TPV and our subscriber base. We ended the second quarter with 19.4 million in GMV, up 15.1% year over year.

In TPV, we've been talking about this for some time, in the second quarter of 2024, we did not have what we expected, and we ended Q2 of 2025 up 19% in TPV, having processed 2.1 billion during this time and our subscriber base in ecommerce with close to 200 million subscribers, up 5.2% year over year. So these are operating indicators which obviously help us explain the advance in our Commerce department most importantly, which is what we look at in the following slide.

So in every bar, every period since 2Q 2024, we see both how our consolidated group has grown and the commerce operations more specifically. So since 1Q24, this has been our best quarter both for the group at large and for our commerce operations.

So we ended 2Q25 with 10.4 growth for the group at large up 1.6 percentage point versus Q1 and more than two times what we grew in 1Q24 and also over 2 percentage points up from the previous quarter. So, we end up growing by 15.4 year over year. So, this is very important for us in such an important indicator. And as I mentioned earlier, this progress has obviously brought in more profitability and we'll look at our cash as well later on.

But when it comes to profitability, we ended Q2 with a 75.9 million EBITDA with a margin of 20.5%. And he would talk about the last four years since 2022. And as you can see, we have had consistent results year after year in keeping with the company's strategy, which has been to streamline organizationally and to leverage the core businesses of the company also with greater synergy within our compounding and complementing services. So these are combined elements which obviously have added substantially to the company's profitability.

And moving on to the following slide, we have also been generating more cash. We ended 2Q25 with an operational cash generation, in this case considering our Capex and working

capital with a generation of 90.6 million reais with a net revenue margin of 12.6%. So from a financial perspective, and André will give you more details about this, what we've been able to do was accelerate the company's profitability and the profitability being a result of this organizational streamlining strategy, especially when it comes to turning the streamlining operations into profitability.

So when it comes to AI, we have increased our internal productivity. We have been very agile as a company and particularly effective in everything we've set out to do.

The company's engineering operations have been fully outfitted with AI tools, which obviously increases the team's ability to create multiple models and even rethink how engineering operates within the company. In the first six months of the year, 100% of the company adopted these tools and growth has been very robust. In a few cases, we have seen a real gain in productivity by as much as 80% when it comes to the delivery of code for the same type of activity.

So when these tools are well leveraged and well managed, are effectively a tool for productivity gains, that's very important and significant for the company. Now also about internal productivity, I mentioned one or two quarters ago about a proprietary tool that we've developed. We have worked with Octadesk to produce a tool focused on customer service and the entire customer service within the group have leveraged this tool. This includes intelligent agents.

So in tools that we have already rolled out the solution, we have seen a 50% decrease in calls being fully completed by our agents. The results have been very sound. I would say that the entire chain of customer service has improved and evolved and become more effective, which naturally will improve our customer satisfaction and efficacy rates.

Moving on to the next page, we give you a different perspective for AI, which is our customer experience. Here at LWSA, we've been obsessive about how we can add more productivity and help our customers sell more and how we can help make their experience while using our tools improve as well. On the left hand side, we mentioned multiple deliverables. This is not an exhaustive list. We have delivered many items in our portfolio, but I would say some of the main tools where we can bring more productivity and improve our customers' experience are here. Starting with a streamlined journey, considering the multiple ways our customers can sell, starting for example, with the listings, with multiple SKU's, multiple teams, every channel determines a different way for you to apply.

And we rolled out something very interesting in our SME platform where with only the name of the product, we already bring the full description of what the product is, what it is used for. We already use SCO strategies and bring that to the marketplace. Adapting the language to what that marketplace is proposing to do. This is a lot more effective for the customer, they ultimately spend less time and this translates into better sales because the listing looks a lot more comprehensive and aligned with the customer's language.

When it comes to onboarding, which is the start of the e-commerce operation, which is usually a challenge for the customer. So we're adding very meaningful tools, which makes onboarding a lot simpler and streamlined. What we want is for customers to have a good relationship with the platform and a simpler way to start. So the idea is for the tool to be rolled out and for their logo to be created and the domain to be launched, all the entire operation starting in a much simpler way to bring a product that's already robust to customers that need a lot of agility in their starting, in the start of their journey.

So these are very context specific tools that improve the customer journey. Now a more sophisticated perspective is to allow the company to accept multiple intelligent agents. These agents are already and will continue to be an important part of automation, productivity and intelligence operating in several different contexts. What we have done is prepare all our products so that they can be accessed and become accessible to multiple agents.

And we not only have our own agents, I mentioned our customer service agents, but we also offer these agents to our customers. So there's a multitude of uses that ultimately enhance productivity and the experience of our customers in general. Lastly, before turning over to Kubota, it is my pleasure to introduce Marcelo Scarpa, our new Financial Services VP. He joined us just under a month ago and he is taking over a department that has great significance to the company.

He has a lot of experience and there's a lot to be built within his Vice Presidency, and I'm confident that under Scarpa, we will move even further ahead considering everything that we have in terms of opportunity of things to do. On the screen you have a short summary of his background. He has a lot of experience in fintech credit operations. So he will definitely be able to add a lot to our financial services journey.

And if you have more questions, Scarpa will be joining us for the Q&A today. Well, this is what I had, everyone. I will now turn over to André Kubota.

André Kubota:

Thank you, Rafa, and thank you all for listening to us during this conference. I'll start by talking about the most important financial indicators.

Starting with the net revenue in 2Q25, our growth strategy is still consistent. Growth has accelerated to 10.4% year over year to 370.8 million reais and Commerce for slightly outpacing that by 15.4% year over year coming to 266 million reais, on Be Online and SAS, which is an area that's growing slightly more slowly growing by 104.8 million much like last year. And it's important to consider the large customer base we have within this segment.

Moving over when it comes to our EBITDA, as Rafa said in the beginning, our performance remains very consistent with growth accelerating to 16.1% year over year and growing our margins versus last year. It's important to remember that this is the fourth consecutive

quarter where our margins have grown from a consolidated standpoint to 75.9 million reais during the quarter. In the commerce business, our margins have grown from 17.8% to 19.6%, up 27.2% year over year to 52.1 million reais this quarter and Be Online/SaaS as we mentioned when talking about revenue, there's been an impact here as well. So we are essentially in line with what we presented last year also with a very significant margin of 22.7%.

Moving on to the following slide, talking about our cash flow, our operation continued to generate significant operational cash flow with 102.7 million reais and over the last six months 90.6 million reais. We should also point out a decrease by 67% in our taxes versus what we paid last year. Remembering that last year we paid just over 70 million reais, which is a result of our incorporations and the amortization of our goodwill, which concluded at the end of 1Q25. So this is the level that we expect to see moving forward in the next few months.

As to working capital, just like we mentioned last quarter, we expect to see some volatility when considering our financial operations because of our consistent cash flow. And when we look at broader period this tends to normalize which is what happened during our last six months. As to our earn outs, the final payment took place during this period.

What we still have are the withholding, which did not affect the calculations and ultimately, we end the period with a very robust cash of 277.3 million. Lastly, on our final slide, a strong cash generation after taxes and after growth, we continue to pay dividends to our shareholders. This year we're talking about 35 million in stock buyback, which is essentially 1/3 of the program that we started early this year. In dividends, we have paid 28.6 million reais. This concludes our financial comments and open for questions.

Operator:

As a reminder, if you'd like to ask a question, please submit it using the Q&A icon at the bottom of your screen. As for standard procedure, your name will be announced, so you may ask your question live. Our first question comes from Mr. Leonardo Olmos.

With UBS-BB, please Sir, you may proceed.

Leonardo Olmos, UBS:

Good morning everyone. I apologize, I was on mute. Thank you so much for your presentation. We are very glad to see so much healthy progress being made at LWSA. I have two questions. The first one is a bit longer and the second one a bit shorter. And please feel free to dive as deep as you feel comfortable with.

So if you could please stop by talking about your strategic plan, what are the most important levers moving forward? My second question, if you could please give us a little more color when it comes to the Raw Ads operations, which was a positive highlight for us

with such a strong second quarter. What were the drivers for that? And how do you see this developing looking ahead?

Rafael Chamas:

Good morning, Leo. Thank you so much for your words. Now I will share the answer with the team.

We will start with Otavio, our strategy VP, and then we'll take on your second question.

Otávio Dantas:

Hi, good morning. We are moving full steam ahead with the deployment of the plan. In general terms, this is a plan that is multi pronged, of course this is something we'll develop over a period of five years.

We started with close to 10 fronts at the beginning of the year even because there is an entire operation to put this in practice in addition to our everyday activity. So generally speaking, it's moving forward very well and we are gearing up to launch in a few different prompts as we had planned earlier. So it's going well and considering new fronts that we've been discussing, of course, we do not want to build expectations.

These are initiatives that will take some time to materialize. But one front that we've been discussing especially as since Scarpa joined us is a credit operation, but of course we have several different fronts going back to our idea of integrating the system more and more thinking of a multi-channel approach. AI is another thing that Rafael mentioned when it comes to the progress we've made, and we are discussing several other opportunities as well.

Rafael Chamas:

Just to add a little bit more, I think this plan is a consequence of the cycle of investments we've made over the last five years. I think it's important to say that it's always been clear to us where we wanted to go. And to make that direction clear, we needed to go through a significant a period of significant investments and we've brought important assets to our e-commerce operation. We now have a business with scale and with a very significant customer base, which has allowed us to now start thinking about more tactical strategies guided by the strategic plan, which involved a reorganization.

So the entire organization chart is focused on the customer journey. So this is already an important change in the company's perspective considering the product channel and platform for specific journeys. So the retail for SME, retail for large customers, all of that to enable financial services. There's been a significant time when it comes to reorganization within the company.

And I think that our figures have reflected how much scale and profitability we've been able to gain with our costs being diluted and an acceleration for the company at large. And now

we heard about important fronts, but using the assets that we already have in house, whether that's via streamlining or offerings. And this touches on your second point when it comes to our capacity to add new customers. But not only that, what we want is to make our experience with the product a lot more comprehensive and well integrated.

In the second to last call, we had I talked about how our logistics have integrated really well on the system our users enjoy, which has to do with our e-commerce operation. And we also talk about our marketing journey, which is another enabler. So in essence, we went through a very significant time alongside our investments, which now allow us to think about our strategy for the next few cycles. I apologize, I ultimately eluded your second question.

I just wanted to go to our our cross selling. I think that as you can see we were able to dilute the cost within the company and still see the pace of growing our customer base within the company. I think this is already a result of streamlining part of our operations. This has helped us increase our sales.

Our companies are also gaining scale as we streamline the branding strategy. I think this was a result of a combination of efforts and having these several different fronts have allowed us to continue with this strategy, which is to grow our customer. Lower costs also help us to monetize part of our customer base. So this is an important part of the equation that we work on here within the company.

Leonardo Olmos, UBS:

Thank you so much, Rafa. Have a great Friday.

Operator:

Our next question is by Mr. Lucca Bredim with Bank of America.

Lucca Brendim, Bank of America:

Hello everyone. Thank you for taking my questions and congratulations on your results. We have two questions. First, if you could please add a bit more color about your cloud initiative.

When do you expect the product to start being sold and what magnitude do you expect this to take? What will be the addressable business of the addressable market and if you could also update us on how Wake is doing and what do you expect for this initiative moving forward? Thank you.

Higor Franco:

Good morning. Thank you for your question. Let's start from the beginning.

The initiative was born out of our discovery of several opportunities we had to make our own business more optimized. We are obviously a huge technology consumer. We have a

huge technological park. So in addition to our data center, we also consume external clouds. And when we started looking at this environment a bit more closely, we realized there was this huge window for us to start looking into new experiences.

This started about two years ago when we begin to outline what would be a new cloud infrastructure to serve our workload, so our internal systems. So we rolled out this ecosystem and realized that from an ecosystem robustness and cost benefit relationship standpoint, this was not only competitive but very strong from a transformation capacity in terms of how companies consume technology. So we realized that this new cloud technology we deployed in house would allow us to add to our own operations, more speed, low costs and great scalability, which was compatible to what any other company in the market needs to function. So we started not only from an internal initiative but also from a product facing initiative.

We started thinking about ways to open this to the public at large, which is what we started doing now. So we are in a soft launch phase. We've run several different tests with real world clients. One of the most important clients have already tested and very successfully. It Tray at the beginning and this was sort of the litmus test for this new environment.

We've made all the necessary investments. So everything we needed to get the strategy or get the offering up and running. So we are now on a go to market phase.

So we expect \$3.5 billion market. This is what companies in Brazil consume. When it comes to public clouds, we're talking about public clouds with the same attributes that any other AI or infrastructure as a service offerings have in Brazil. So this is a highly competitive product with a virtually unbeatable cost benefit ratio and with a world class like structure. So we're very happy with what we've built.

We've already seen great benefits when we look at our internal workloads. There are still several assets to migrate to this new environment. But I would say that we are very confident this will be a very strong product for our market. So in general terms, this is what we'd have to say.

Feel free if you have any other question, but we could also take this offline later if you'd like.

Lucca Brendim, Bank of America:

It was very clear, everyone. Thank you. So to my second question about Wake, if you could please update us on that, that would be great.

Alessandro Gil:

Yeah, of course. Thank you for your question. I just wanted to remind everyone that this is the brand's second year in effect. We spent a year restructuring the operations and we relaunched the brand with this new value proposition in 2023. The response has been very positive from the market.

We are being invited to some important discussion tables. The results have been in line with what we expected. We have tapped into customers with a very significant GMV, some of which will go online in the next few months. In terms of product and strategy, we are integrating our product lines increasingly more.

The customer journey is increasingly better integrated, including a few of the AI initiatives Rafa just talked about are being tapped into. So we have an e-commerce platform with an Omni channel strategy that's very well aligned with what customers have. And this is added more and more opportunity to our clients and prospects. And one thing that's been critical for us is the fact that we've developed very expertly, I have to say, this relationship that we have between the brick-and-mortar world and the online world.

I'd say that this better integrated strategy between the digital and the real life has allowed great retailers to join our platform. So we see a very bright landscape for us moving forward in the next few quarters.

Operator:

Our next question comes from Maria Clara with Itaú BBA. Please ma'am, you may proceed.

Maria Clara, Itaú BBA:

Hello, everyone. Thank you for taking my questions and congratulations on your results. We have been seeing a substantial improvement in the commerce business. I have two questions.

First of all, about your growth prospects for this unit. How do you see the commerce business growing moving forward, especially for the second-half? We hear about a substantial slowdown in consumer spending in that market, so I wonder how you've been thinking about that in the shorter term. And my second question is to Scarpa specifically. Hi, Scarpa, how are you doing?

If you could talk a little bit about what is your mandate, what are the main levers you plan you plan to explore from a payments market perspective? I think it would be interesting to hear from you about that.

André Kubota:

Hi, good morning, Maria. Thank you for your question. I will take your first point and obviously if anyone has anything to add, please feel free to do so.

As to the shorter term growth, Maria, I just wanted to remind everyone about our business model. We run a commerce business that's very much based on repeat purchases and platform use. So this is a very resilient strategy. Much of our revenue comes from subscription payments. Obviously, within our customers business, it represents a slightly lower percentage.

So we understand that economic slowdowns will always represent an impact. But we also understand that our platform is essential for our clients to continue keeping their business alive. So we understand that regardless of any slowdown, we have good visibility and good stability in that sense. And from a performance standpoint, we are seeing no slow down.

We are halfway through the third quarter. This is the middle of August. And what we've seen throughout August and the first two weeks of this month is very much in line with what we saw in the first and second quarters of the year, which is also consistent with our medium to long term planning. And that's true for all of our platforms. We have a similar process, similar perspective for the end of the year with no significant change from what we discussed last year.

And that's also in line with our performance in the first half of the year. I don't know if you have any follow up, if you do, I'm available. But otherwise, I'll just turn over to Scarpa to take your second question.

Marcelo Scarpa:

Good morning, Maria, great to talk to you. I will separate my answer into blocks.

First of all, in the financial, we are doing really well. Rafael talked about a 19% growth we've had. We are also making some adjustments. We've renegotiated some contracts, which placed us on a very positive level when it comes to negotiation. So we're growing our operations really well. And the second block would be credit.

I come from this world and I see a very substantial avenue for growth within the company. Obviously, it still needs better structure to collect information at the end. I think this is something that will unlock a lot of value for the company considering the information we have for each unit could also benefit our credit model.

So we can start offering credit in a very accurate way at competitive rates. Obviously starting in any more conservative place, but then understanding what the appetite is and what the environment is. But to your point, I see that avenue. in a very positive light. We have been discussing the road map for products receivables, advancing receivables.

So this is my early diagnosis with you know just two months in the company, but we're very positive about this vertical.

Operator:

Our next question is by Mr. Luis Chagas with XP. Please Sir, you may proceed.

Luís Chagas, XP:

Good morning everyone. I have two questions.

First of all, when we look at platform subscriptions, there's been significant growth both in year over year and quarter over quarter terms. If you could please explore a few of these known elements. What have you changed in pricing and do you see room to improve in the next few months? And the second question is about capital allocation.

Seeing as earn out payments are essentially concluded, how do you see your capital allocation moving forward both in terms of stock buybacks, you have been very strong on that sense, but also new acquisitions. I my understanding is you're now focused on realizing your synergies in house, but if you could add more color to that, that would be great.

André Kubota:

Hi, André Kubota, again. Thank you for your question.

I will address your questions, starting with the ARPU. I think it's always important to highlight that there's been an increase in our ARPU, but we are always very concerned and not increasing our average ticket and or even our ARPU just for the sake of it. Our criteria when it comes to doing that is always consistent with our growth and the use of additional features by our customers. So this not necessarily represent an increase in prices for our customers.

They might be using third party tools or they might be growing their store and it only makes sense that we grow alongside our customers. Obviously, we want to make sure that we stay competitive and we are monitoring all of these indicators, making sure that we grow our tickets as our customers grow and also while adding new features and improving our products. Always making sure that we not only stay competitive, but also that we continue to add value and more purpose to our customer. So this is a little bit of where we stand when it comes to ARPU and increases.

Rafael Chamas:

Just picking up on what you said, André, I think there are two components very important here. First is what André mentioned. And the second one that I'd like to add is ultimately a large share of the company's revenue comes from SME customers and it's a characteristic of SMEs to grow on tandem with us. One thing that has progressed, especially with the more robust journeys is additional monetization with the company's success.

And in addition to that, as they grow, their own journey with us allow them to expand their ARPU because they're using more robust tools, seeing as their need increases as they themselves grow. But there's also the fact that we are stepping into a landscape of larger clients, including our work with Wake. As we heard, this is a 2 year operation, but for these clients, we are thinking about monetization that's larger per client. So these are a few things that make us think about the company's ARPU when we look at it from a consolidated perspective.

André Kubota:

Now moving on to your second point about our capital allocation, I just wanted to take a step back to mention that we are a company whose scalability has been proven and our operational leverage as well. So consequently, we can generate a lot of cash. So I think that when it comes to capital allocation, our understanding is we are part of a market that still enjoys great potential for growth. We have a few avenues, Scarpa has mentioned a few of them and Rafa as well.

So we see significant opportunities to continue to grow, generating more value to our customers in a growing market. So the first point for us, which is obvious would be to continue to invest in more products and our customer avenue to allow them to continue to grow and to add more value to what they do. That obviously is embedded in our Capex. So that would be the first line of capital allocation.

But even after that, there will still be surplus cash and we already see a few fronts to continue to allocate that capital. One of them on which we worked really well last year and we continue to do this year is stock buyback. So we concluded one part of the program in April and we have a new one this year. This new one, which will last for 18 months that we started in February, we've performed about 30% between February and July of this year.

And in addition to that, we are also distributing our dividends to shareholders. So considering that we have already shared 73,000,000 which is part of our of our base. So we do not have a formal policy, but we allocate capital according to where we feel more value will be generated for the company and our shareholders.

Operator:

Our next question comes from Mr. Silvio Doria with Safra, please, Sir, you may proceed.

Silvio Dora, Safra:

Thank you for taking my question. Congratulations on your result. You talked about your prospects for Commerce during these current six months. If you could please talk more specifically about Be Online, what are your expectations and what the growth curve should look like during these six months?

Should we expect this unit to grow a bit more or not? What about EBITDA? I would like to understand whether there's still room to continue to grow your EBITDA or should we consider your 20% as a margin cap for this year at least? And aside from synergies, what are the most significant drivers for the improvement in your EBITDA margins? I don't know if you have that granularity, but how much margin improvement have you seen in your EBITDA during this half of the year specifically?

Higor Franco:

Hi, Silvio, this is Higor speaking. Let me talk a little bit about be Online. We are still adhering to our plan to improve our efficiency on the business unit. We still have some large

contracts where we have the opportunity to sit down for renegotiation and when those negotiations are not favorable to what we understand to be good metrics for the company, we simply discontinue the service and think about what's most important for the business. That strategy is still on their way. We spend no effort to increase our profitability.

And I think that when we look at it from a backward looking perspective, thinking about the operation, we've been able to stay within the range we always share with the market, which this is an operation with 25% average EBITDA. So obviously, every quarter we see the margin behave in a slightly different way and that's because of changes in contracts with suppliers or some miscellaneous contracts where we see a bit more costs being included, which is only natural for this operation. So we should see some fluctuation in performance and profitability for this operation in the shorter term, but in the longer term, this is an operation that aims to and manages to deliver around this 25% EBITDA margin. Looking ahead, our perspective is very much anchored in #1 increasing profitability within this portfolio.

And obviously our local web cloud that we talked about earlier as one of the levers that show we not only have the opportunity but the ability to be strong competitors in this market. And also, when we look at a more internal perspective to Be Online market, we can still expand this margin over the next five years thinking about cross-selling and connecting this customer base to the rest of the group's environment. And of course, there's a long road to go, but it is an important avenue for growth for this operation, and it is strategic for us because we're talking about a huge customer base.

We have about 300,000 customers within the space that could be monetized. So just to add a bit of color when it comes to Be Online, I think that's it. We still continue to see some avenues for growth. We do not expect any bumps along the way. Quite the contrary, things feel very much under control.

And when it comes to monetization of those larger clients, our strategy will remain the same. And talking about AI brought 2 perspectives. First, from an internal standpoint and the second, from a customer facing standpoint. And to your point about cost, a few of the cases we could think about when it comes to AI productivity, the two ones that we focused most of our attention within the group.

First of all this software development and software engineering and the second is customer service. So these are two different perspectives. When we think about software engineering, the most important part where we see gains is productivity. We have a robust team that gains more productivity thinking about the improvement and enhancement of our products, enhancing the integration across our structures.

So ultimately this is an AI use profile that make us more competitive with our existing team. Looking ahead, obviously we continue to evolve and grow our revenue by being more productive with our existing team without the need to grow in the same proportions. And the second, I think it's precisely about productivity games, games when we think about

customer service, there is other use case. I mentioned that our tool in Octadesk is very robust. The market has responded really well.

And we've also used it in house replacing all our customer service tools for WOZ, which in addition to being a bot also has an infrastructure that allows for the deployment of autonomous agents in the operations that we've started this roll out which has been very which is very recent, it started in the second-half. The existing use cases we've seen about 50% decrease in the number of calls. So there are two important points. It would be very convenient to see that there are fewer calls, but the calls are not well responded.

I think that we have a very well oiled machine when it comes to training these agents. So we see good responses, sometimes even better than what our human teams offer. So I think this is because of a very well performed deployment of this tool and this impacts our direct costs. So these are two cases I would say have evolved really well within the company.

Operator:

Our next question is by Misses Victoria Antonello with JP Morgan. Please ma'am, you may proceed.

Victoria Antonello, JP Morgan:

Good morning, everyone. Thank you for taking our questions. Our first question is about your own store, GMV.

We saw a slight slowdown during this quarter and I wonder if you could give us more details about how the GMV has evolved in your different customer bases. And the second is about the credit product. How has the initial net debt evolved in this project? And do you believe that the macroeconomic situation in Brazil has slowed down the start of this initiative?

Rafael Chamas:

Hi, Victoria. I'll allow Williams to talk about GMV and later we can talk about Credit.

Willians Marques:

Thank you, Rafa, and thank you, Victoria for your question. We indeed saw a slight slowdown, but it was nothing that stood out to us. All our indicators, churn and store maintenance have been in keeping with expectations and especially thinking about the store GMV that has outgrown the market.

By and large, we've grown by 12.3% this quarter. So it's outpacing inflation and outpacing growth of the industry at large. So I think that we can think about it in fluctuating. Of course, we see ranges because of a few holidays, for example, Mother's Day, which is not always focused on physical gifts.

We now have Father's Day, so considering PME or SMEs, we see the indicators performing very much in line with what we expected. I'll turn over to Alessandro Gil to talk about it from a large customer's perspective.

Alessandro Gil:

Thank you, Williams, and thank you, Victoria for your question. What we felt a few things, especially in stores that have been with us for slightly longer, our same store sales were slightly more positive than it was for stores that went online in the last two months.

And we also saw a difference across categories with the GMV because our operations are growing substantially in fashion because winter this year was more effective, which is not something we had seen in the last two years. For this business specifically, we saw GMV go up significantly. And also we had some specific major customers facing a few challenges with their inventories, not in fashion, but in other segments. And we saw that indeed there was a decrease in GMV for a few of these industries, but that's already picking up in the early months of Q3.

Rafael Chamas:

Thank you, Alessandro. Just in closing about credit, I think it's important to say that currently we do not have any allocation of our own capital on credit. So this is a factor that is not being assessed currently. The integrated journey for financial services is something that we aspire to work on.

We saw a very successful operation for payments at large. So we already have this operation that's very integrated into our e-commerce operations and it's working in a way that's very harmonious with our platform, offering solutions that make it obvious for the customer to use our solution as opposed to a third party because we have quality, we have good price and most importantly, we have experience. It's a service that complements the use of our platform. This really rounded the credit experience really well.

In a sense, within our operations, we have a volume of advanced receivables that's part of our payments service that we do really well, which shows we are very adept at this type of leverage. In using that leverage, the progress we expect to see with Scarpa coming in is having a transactional environment that will leverage the use of software and turning it into a financial service environment as well. With all of those tools integrated into the customer journey, we would never think of operations where we would compete with banking services. It's always in connection with what our platforms already provide.

So we will continue to think about what that would mean in terms of our product experience.

Operator:

Our next question comes from Mr. Daniel Federle with Bradesco BBI. Please, Sir, you may proceed.

Daniel Federle, Bradesco BBI:

Thank you, everyone. Good morning to all of you. Congratulations on your results.

What we would like to do is follow up on 2 points that were already discussed, especially in commerce. The latest messages made it feel like the company would go into a phase where they would invest in regrowth which could lead to a margin that would not grow as much. But we saw growth accelerating and margin increasing as well. So my question is have you actually been able to accelerate without compromising your margins or if your prospective slower growth was more for the second-half of the year?

And the second is, I would like to follow up on same store sales, especially your larger customers with Wake because we had a public competitor that saw same store sales slowdown in Q2 and Q3 seems to be even more challenging than Q2 was. I'd like to know whether you are facing the same challenges. I felt like the last answer seemed to indicate that you're actually accelerating in Q3. So these were my questions.

André Kubota:

Hi, Daniel, this is André Kubota speaking. Thank you for your questions.

I will take the first one and I think it would be interesting for Alessandro Gil to take the second one. So to your point about our margins, it's important to remember that ours is a business that's naturally scalable. So we reported growth of over 15% while growing our margins as well. That was between 17 and 19. And this is a margin that's already growing.

And I think that's only natural for a business that's growing in the mid-teens to have margin growth that's commensurable to with that. I think when we talk about investments, it's also important to note that we continue to invest. Our investments have increased over what we had last year and part of that has to do with our Capex, but part of that is also connected to the EBITDA margin. So we haven't failed to invest.

Quite the contrary, our investments in our own growth have increased. And I think that this has consistently marginally helped the results that we've seen in the last few quarters when it comes to acceleration. And that's much because of what we've seen and will continue to see in the next few quarters. I don't know if that addresses your question.

I'm available to any follow up, but I'd like to turn over to Alessandro who will talk a little bit about the store GMV.

Alessandro Gil:

Thank you for your question. Well, this goes back to something I'd already mentioned. Over the last 18 months, especially because of the management of synthesis and adjustment of

what we called Wake IMS we've invested significantly in our Omni-channel strategy, especially in the fashion industry.

So for those customers where we gained strength in, in the last few months, we did not feel our same store sales went down. Obviously, we are in the process of growing. This is a new unit within the group and we have been bringing in more and larger clients. But what we've been feeling from retailers, especially those who are coming to us is that they're seeking to grow their operational efficiency.

So using technology to improve their inventory management, improve their mix and optimizing their operations have allowed them to seize better opportunities and doing better when it comes to the sale itself. So looking ahead and after talking to some of our retailer clients and obviously those who are focusing on larger appliances and electronics might feel that it is a little bit more heavily. But in industries we've been growing more steadily, fashion, building material, these are industries where we do not see a slowdown coming in the next few months.

Operator:

With no further questions, the Q&A session is now closed. I will now return the conference to our CEO, Mr. Rafael Chamas, for his closing remarks.

Rafael Chamas:

First of all, I'd like to thank our team for such robust deliveries as we were able to show in the first quarter. And I'd also like to thank all of you for joining us. Thank you, have a great day. This concludes LWSA's 2Q25 earnings conference. On behalf of the company, we would like to thank you for joining us and wish you a great day.