

Conference Call Transcript
LWSA
4Q24's Results

Operator:

Good morning ladies and gentlemen. Welcome to LWSA's 4Q24 earnings conference. Joining us today are our CEO, Rafael Chamas; and Finance and Investor relations VP André Kubota. For the Q&A session, we will also be joined by the Company's senior management team.

This conference 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 at the same website's results center under the Financial information tab.

The figures being reported here are denominated in Brazilian Real and have been calculated in accordance with Brazil's standard accounting practices as per the statements, guidelines, and interpretations issued by the Brazilian Accounting Pronouncements Committee.

Before moving on, we would like to mention that the statements made during this presentation regarding LWSA's business prospects, operational and financial forecasts, as well as future growth estimates are merely projections and as such are based solely on its management's outlook for the business.

This outlook relies heavily on market conditions, the performance of the Brazilian economy, the industry, and international markets, and therefore may change without prior notice. Unless otherwise stated, all variations and rounded off figures here presented have been calculated in thousands of Brazilian Reais.

This business performance presentation includes both accounting and non-counting 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 have not been reviewed by independent auditors.

For the question and answer session we kindly ask that you use the "Q&A" button located 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. A request to activate your microphone will then pop up on your screen.

I will now turn over to Mr Rafael Chamas, who will begin the presentation followed by Mr André Kubota. Please, Mr Chamas, you may proceed.

Rafael Chamas:

Thank you. Good morning, everyone. And thank you for joining us for LWSA's 4Q24 earnings conference. Our idea is to address the most important points for 2024 within our Company. 2024

was a very important year for our strategy and our development as a group. There were several accomplishments and challenges, and the idea is to go over them, so that by the end of the presentation, we can offer a few prospects for 2025 from a strategic standpoint.

On slide 4 we start by addressing our operational fundamentals, which we call solid given the development and significant indicators which are important drivers of our performance. On the left hand side we talk about the GMV ecosystem that involves all our active users. We are talking about over 70 million users over the year. This is a significant development in Brazil's e-commerce ecosystem and not only relevant, but also we saw significant growth. In both retail and commerce, we saw an increase by 18.4%.

This is also very significant for our business value. Our subscriber base has also increased. This was a 5% increase. Actually 4.8%, to be specific. We end the year with 193,000 subscribers of e-commerce solutions.

And another very important way to understand our monetization, which is our platform subscription revenue with these platforms. And what we have on the right hand side, there was a 22.3% in platform subscription revenue, outpacing our subscriber revenue, which shows how successful we have been with the clients that are part of our operations.

On slide 5, 2 more relevant pieces of information. We have our own stores GMV. We end 2024 with R\$5.8 billion, up 16.3% year over year. This is very important news because what we sell on our own stores represent a larger source of monetization for the Company, seeing as it is based on this volume that we are able to perform logistics and financial transactions as well.

It is important for our growth and that can also be seen in our TPV. We are talking about payment processing, amounting to about R\$7.6 billion, up 15.2% over the quarter. And it is important to remember this is all within our ecosystem, so LWSA offers financial solutions in an embedded store. This is directly connected to our e-commerce operations and customers.

Moving on to slide six, another chapter of what I would call a significant highlight for 2024. This was a very important year for us from a strategic standpoint considering profitability situations, following a cycle of close to 4 years with M&As.

Improving our profitability has always been first and foremost in our agenda and producing more cash flow. We end the year in a very positive stance from that point of view. We start talking about our e-commerce and BeOnline. Up 24% in a consolidated way and also increased margins. We ended 2023 with 17.5% and 2024 with 20.3%. 3% points higher.

And this can be seen on both sides of the Company. In commerce, now a more significant part of the Company's EBITDA, with R\$177.8 billion, up 28.2%, close to 3% points higher. And our BeOnline/SaaS operations are also up 17%, with R\$103 billion a year and about 3.5% points higher, to be precise.

This was very strategic for 2024 in the sense that we wanted to continue to grow our profitability and our cash flow, so we were very much successful in that sense.

On slide 7, we talk about net revenue. From a revenue perspective, we delivered significant indicators. However, below par for the Company's standards. This helps me to highlight what I think 2024 was. Our consolidated net revenue increased 6%, at R\$1.370 billion, still below our potential.

The explanation for that can be partly seen in the chart in the middle. Here we see the results for the Company excluding one of our subsidiaries called Squid. And over the course of 2024 we executed an intervention in this Company seeking more profitability which led to a contamination of the Company's consolidated results.

Looking at it in a pro forma way, excluding that figure, the increase would have been by 10.4% overall. Now, looking exclusively at our commerce operations, also in a pro forma way excluding Squid, growth is closer to what I believe is compatible with the Company's potential, 15.8%.

This segment, specifically, ended the year of 2024 with R\$880 million in 2024 as compared to R\$760 million in 2023.

Moving on to slide 8, we show you the strategic agenda for 2024 that we can see, especially right now, in our profitability, which involves simplifying our operations and our offerings. At the end of 2024 we had acquired over 16 different companies, so we had a broad offering from a product and solution standpoint.

During all of 2023 and 2024 we strove to simplify all of that. We are now focused very much on what you see on the slides. We start with hosting our e-commerce platform for different sizes and magnitudes of customers, financial services solutions, and logistics mediation platforms.

We do not have any logistics assets, but within an embedded finance and logistics platform within what we seek strategically, which is to offer convenience in a logistics standpoint to both our ERP and finance services clients, we also have ERP and also conversational tools. That allows us to have not only greater profitability for our clients, but also conversational e-commerce solutions, with AI becoming a very important part of a solution, especially when it comes to commerce within the Company.

Over slide 9, another very significant point, which I call return to shareholders. In 2024 we shared over R\$200 million, so R\$152.6 million in shares to our shareholders. That was because of buyback and dividends. We paid over R\$40 million in dividends over 2024, and most of that came via the share buyback program.

This is a cash generating Company, which truly believes in the potential of its shares. We are convinced that the Company's current share value allows us to use our capital the best way possible, which is to repurchase or to buy back its own shares.

We came to 4% of the Company's property. And we believe in that strategy so much that we launched another share buyback program with, R\$38.8 million share buybacks in 2025.

Moving on to the last stretch of the presentation, here we address the EBITDA development of the Company since our IPO. As you can see, the Company has now a different magnitude since 2020, when we had our IPO.

As you can see, our revenue moved from R\$488 million to R\$1.370 billion. When we think about operational leverage via EBITDA, this is also very sustainable growth, progressive growth, and you can see significant development, especially in the last two years, 2023 and 2024.

This was a time when the Company focused primarily on gaining operational efficiency and profitability. We end 2024 with R\$281 million, which is more than twice what we had in 2020. Now, over to you, Kubota.

André Kubota:

Thank you so much, Rafael. And thank you all for joining us. Now, we will detail the results for 4Q24 a little bit better. Starting on slide 11, with the platform's operational indicators. First of all, about the Company's ecosystem, GMV, we had a 16.3% increase, to nearly R\$20 billion in 4Q24.

And our subscriber base, as Rafael mentioned before, has increased by 4.8%, to 193,000 active customers on our platform. Also important to highlight was our platform subscription revenue, which grew by 20.1%.

Over slide 12, looking at our own stores GMV, it went up 12.4%, to R\$1.7 billion in 4Q24 and our TPV went up 15.3% to R\$2.1 billion in 4Q24.

Now, moving on to slide 13, with a little bit more about our net revenue in 4Q24. In consolidated terms we saw 4.8% increase year over year, and if we excluded Squid, that increase would be by 8.1%.

It is important to remember that the most significant impact from this business unit took place in 1Q24. So we believe that starting in 1Q25 we expect to no longer see that reduction, seeing as growth is expected to normalize and the impact should no longer be significant.

In commerce, we saw significant growth, exceeding the consolidated, growing by 6.7% year over year. The BeOnline/SaaS unit grew somewhat less by 0.5% year over year, but as you will see in the next few slides, there has been significant improvement in terms of profitability, and we were able to see growth in other operational indicators.

Over slide 14, with a little bit more detail on gross profit and gross margin. It is very important to say that our gross margin is still very robust, by 46.1%. Up 1.3% versus last year. But it is also important to underscore that this quarter we also reported the non-recurring effect from 2023, which had no impact on 2024 of the active contingency, given the termination of a contract on the logistics side of the Company.

It was very challenging for the Company to recover that amount, but when it finally is recovered, we will see that production that we lost being recovered in this quarter.

Now, over slide 15, on the Company's EBITDA, there has been a 19% increase over the year, with a substantial margin by 22.3%, which shows the Company's ability in terms of operational leverage, with a very important EBITDA growth, in a year when we grew less than our potential allowed us to.

Our commerce adjusted EBITDA was up 17.4%, with a 21.8% margin, so, by large, exceeding the margin we reported last year. And, as I said before, our BeOnline/SaaS unit saw its EBITDA going up by 22.8%, despite the increase by 0.5% in the Company's net revenue.

Now, over to slide 16. Here we see our margins over an extended period to show the clear growth pattern. Since 2Q23 we see substantial increase by 17% in the consolidated EBITDA to 22.3% in 4Q24. And, obviously, the trend in both units, both commerce and BeOnline, is the same.

Over slide 17, this is a proxy for our cash generation considering our EBITDA, CAPEX, and financial expenses, or TPV. We see an increase by 17% in our adjusted EBITDA. CAPEX at 9.4%, And financial expenses over TPV at 0.48% vis a vis the 0.75% figure we saw earlier.

Now, moving on to slide 18, we can see these figures together in a cash generation proxy, using the EBITDA minus CAPEX and financial expenses for the payments unit. For the quarter, the figure came to R\$36.8 billion, up 29% versus one year earlier and representing 10.1% of our revenue.

And looking at the consolidated figure for 2024 an even higher figure by R\$127 million, up 75% versus the figure we reported in 2023. For this metric, growth was even stronger than that of our EBITDA and even stronger than our gross debt, which in turn is higher than our uh gross profit.

Now, on to slide 19, here we see our net cash position, which was very robust at the end of 2024. I am talking about R\$447.4 million. And looking at what we call net cash, according to the IFRS, that is R\$373 million.

It is important to remember that our restatement of lease liability extends to over 6 months, and right now it is to be paid at R\$270 million. There are two things to be said about this. There is a significant payment, about R\$230 million, in April, and the rest of that will be paid over the next two years.

I think the most important thing here is to mention that in December 2024, we saw the last significant revision of this figure. Essentially, what we have is the interest payable over the next few months or years with these earnouts.

In addition to that the cash for this year already discount the purchases of R\$230 million that occurred over the course of 2024, and also the dividend vesting that we had in 2024, which

shows the Company's ability to generate cash, invest in its own growth, and also return its cash investments to its shareholders. With that, I turned the conference back to Rafael.

Rafael Chamas:

Thank you Kubota. Now, moving on to slide 21. This is the last slide before our Q&A. I mentioned some of our key takeaways for shareholders with regards to 2025, which ultimately have to do with our strategic agenda.

First and foremost, we have to talk about growth. As I said, 2024 showed significant growth signals, especially when we think about e-commerce and SaaS. But we have grown below our potential, considering how important we are to the market and the quality of our assets. This is our most important strategic focus right now.

There is another relating topic, which is the expansion of our growth and accounting points when we think about the restructuring of Squid. As you saw, the growth with Squid is at about 20%, but naturally, we do want and need to grow a little bit more.

In 4Q24, as a group we experienced a very important process in terms of strategy with the support of an outside consulting firm to understand how we could grow. We have a tactical plan that is very detailed. We have over 170 points we have been working on diligently since the beginning of the year to obviously unlock the Company's entire potential.

Growth does not take place overnight. There is a trend that has to be followed. But what I believe the great takeaway here is this is something we are focused on. It is not just a wish. We have a strategic plan that has unfolded into a tactic plan that is very precise and which we will follow to make this Company reach its full potential.

This includes changes we have already made in the structural and organizational sense, focusing precisely on some of our offerings as I showed you before to make the Company more streamlined and organized, so that they focus on the customer journey a lot more than in specific brands. Which is a very natural trend and which we saw with other brands, which were essentially standalone until their earnouts.

The omnichannel strategy is another important topic. So if you have been looking at the Company for some time, the fully integrated TPV strategy in our commerce operations is something that we fully believe in.

Also, our management and platform operations, which may also unlock our synergy cross selling and monetization strategies. Finance is another important source. We were authorized, by the Brazilian Central Bank, last year, to be a payments institution, which allows us to unlock the IP and e-commerce platforms journeys, especially including payments.

These are a few initiatives, which, as I said, with these close to 22 fronts, will allow us to unlock the Company's potential. And I believe that 2025 is the year to put all of that to work and

accelerate the Company's growth journey. All of that, always done by us with financial discipline, which is culturally for us. This is a very important KPI for us.

One of the Company's most important KPIs is still discipline and profitability. This is still our focus. When we talk about accelerating growth, we do not mean there is any need for incremental investment. And this trend will take place via dynamic initiatives. Using assets that we already have in house.

Cash generation, as we showed you, we have been able to accelerate our cash generation consistently every year via discipline and capital payments discipline. Which allowed us to deliver close to R\$200 million in returns to our shareholders. And most of that by repurchasing our own shares, seeing as we truly believe this Company's potential. The Company's current shareholder value allows us to use our cash to purchase our assets, a given.

And lastly, a topic that has been part of our conversations in the last 4 years, because of our M&A strategy. Our M&A plan has always been founded in our financial strategy. Earnouts were a full and integral part of this strategy. But over the last 3 years, this also brought some volatility and created some noise for the Company's statements.

This was part of something important, which was investment to make us a relevant player in the Brazilian market. And there is no question that we were very successful at that. But now, the result for 2024 is the hallmark of the end of this crop of investments.

December 2024 is the last time we sort of reassess our acquisitions and payable earnouts. Andre has already shown you the timeline for that. For 2025, two things that used to create noise in our financial statements no longer show a part of this process.

As I showed you the earn out payments process has now come to an end. We now treat Squid as a regular part of our business. We will not be releasing anything, excluding their operations and also earnouts are no longer appearing in our results. In 2025, we will already see a period of clearer and easier to understand income statements. With that, I will turn over to our operator to start our Q&A session.

Gustavo Farias, UBS:

Good morning, everyone. Thank you for taking my questions. We have 2, actually. One about revenue and one about your cash position. If you could start by talking a little bit more about your strategy to accelerate your revenue. Chamas actually talked about the strategic plan that has unfolded into a tactic plan.

I wanted to understand a bit more about the timetable, maybe just an estimate of when we should see the effects of the deployment of this plan in 2025, or whether this is a longer term plan. And how does this dovetail with the Company's more recent strategy, providing higher returns to shareholders and of a more extensive buyback program.

Now, I also understand that earnouts are an issue that will now be in the past, but I just wanted to understand what you expect in terms of cash generation considering that later this year, in April, there will be this R\$230 million payment in earnouts on schedule.

Rafael Chamas:

Hi Gustavo, this is Chamas speaking. I think I added some context, but I will try to give you a more strategic perspective in that sense, but also turn over to Otavio Dantas, our People Management Director, and he can add a little bit more color. Because, ultimately, planning is not all we live on. He will be able to tell you how this will pervade the Company culturally via incentives and so on and so forth.

But, starting from a strategic standpoint, we are not looking at a strategy of achieving acceleration at any cost. We are looking at significant acceleration to bring sustainable and healthy growth. And delivering value to our shareholders.

Every journey with products and brands needs to be very well tied together. They have to fit really well. And there is no question that it is possible to accelerate that way, especially considering the assets we have in house.

We have some very robust assets here. The best commerce platforms in Brazil for small and medium enterprises. We have also had some success with Wake, which is a platform for larger customers.

We have long lasting experience with embedded finance, a very robust ERP. We have the assets. Now, the way to unlock value, obviously, is to better leverage and find synergies in these combined offerings within an ecosystem that is unprecedented in Brazil, when you think about off the user offerings.

We want to use those assets in a more integrated way. And most importantly, with clearer and simpler journeys to our customers, which involves thinking about our offering, our integration and communication journeys. There are these meanders which are essential for that to take place. I will turn over to Otavio now, who will be able to tell you more about that.

Otavio Dantas:

Thank you, Rafael. Now, a little bit more and very much in line with what Rafael just said, there is something that sometimes goes unnoticed, but, today, our executive board has a very clear vision and everyone really bought into this vision about this strategy. And also, everyone is really excited about unlocking value with the strategy that has already taken place.

Over the year, we also strove to characterize all of these 21 fronts, especially with the first wave. We have metrics, we have dedicated teams, we have approvals. And alongside that, there is also an effort to define our metrics and targets very well, based on incentives.

I think we should also say that there is some maturity and there are some different levels of maturity, according to those fronts. Some are already very forward, others are still catching up. These incentives also vary according to these fronts. Some may be connected to their bonus. And in some cases, it is just connected to a product launch. That is also very well detailed in our plan.

Now, diving a little bit more into the strategy of deriving value. We have an effort that comes in waves that, I would say, comes first with the marketing strategy that is already underway. And we are very focused on integrating products and also guiding our customers, then we start thinking about adjacent markets.

Right now, I would say that we are starting to characterize our markets, more focused in customer segments. These customers will be served via a broader journey. Of course, we have several products and services within the group, but sometimes they are not being offered to customers that are most likely to have an interest in them.

We are bringing uh PDV and logistics to those segments, which are more interesting to really be able to maximize their value. That is essentially it.

Rafael Chamas:

Thank you, Otavio. I hope it was clear and I will now turn over to Kubota, who will be able to talk a little bit more about cash generation.

André Kubota:

On the cash topic, I think it is very important to highlight, as you saw in our report, our cash position. It is very robust, close to R\$450 million in 4Q24. Our earnouts, which were revised by the last time in December. R\$270 million, considering that R\$230 million will be paid in 2Q of this year. Regardless of that payment, our net cash position will remain robust.

Secondly, this Company is still a very scalable business with a lot of operational scalability and continues to generate a lot of cash. Our strategy is to allocate that cash where we understand that is most profitable.

We reinvest in our own business, so this is part of the strategic plan that Otavio has just detailed. This will plant the seeds for us to accelerate growth in the medium term. And in addition to all of that, we also have enough discretionary cash for additional allocation. The opportunities we see today are with our own stocks.

We have had the buyback program in the past. We shared dividends and we have ultimately consumed that in total last year, which is why we are starting a new program. Now, beyond that, there is another cash-related program for this year.

We concluded the process of amalgamating the new Companies and we believe this will now also generate more efficiency in tax, in financial terms. Bearing in mind that last year, we had over R\$275 million, and this year that should be much lower.

Bearing in mind that this is a cash effect. There is an accounting effect as well, but this cash effect will be very clear, not only in our cash results but also in our top line. This is essentially it, and we are available if you have any other questions.

Rafael Chamas:

Just to add Kubota's last point. Over 2025, we will be highlighting our tax situation, because since there is a cash effect and an accounting effect, we need that to be very clear and keep all of that in mind.

Gustavo Farias:

Thank you. Perfect. If I could, maybe, follow up on these two answers just so that I make sure I understood it. The fact that you already have the assets in place for this acceleration strategy. We might see a decrease in investment requirements. Maybe investments in new projects, as opposed to this new return to our shareholders with a buyback program.

Rafael Chamas:

Actually, Gustavo, in practice one does not affect the other. The fact that we have assets in house means that we will not need any robust investment outside. The search for profitability within the Company does not change that strategically. One strategy does not spoil the other in any way.

Livea Mizobata, J.P. Morgan:

Thank you, everyone, for the opportunity and for taking my questions. I just wanted to hear from you the GMV trend in the market in 4Q24. We saw a slowdown in growth year over year. Do you expect an uptick in 1Q25 and over the year? Is there any customer serving that is suffering in particular, as a segment?

And, you could also talk about the improved LTV with your customers. Do you see an impact with the churn and what are the impacts expected for 2025?

Rafael Chamas:

Hello, Livea, this is Rafael speaking. I will turn over to my colleagues, for them to talk about that. But one very important thing about the Company's monetization trend regardless of that is that we know the macroeconomic situation is a challenging one in Brazil, right now.

In e-commerce, we see low penetration, to the tune of 11 or 12%. There is still a very resistant growth trend, which is why we invest in it so much. We have increased our omnichannel solutions strategy, which also goes to the GMV that we are capturing. Which obviously is very

significant. But I will let my colleagues talk about SME and other clients segments and what they see for the year.

But I just wanted to say that in my first slides I mentioned this when talking about revenue. It is very much based on revenue. There is a large share of the Company's monetization that relies on GMV, which is where we saw the Company's most significant increase. We saw on the SaaS unit growth by over 20%.

Despite the more challenging scenario. Growth is not just connected to GMV, which I think is important to highlight. But please, highlight, William, if you could add to his response that would be great.

Alessandro Gil:

Hello, this is Alê speaking. What we are feeling here is just basically a slight slowdown in marketplaces. The stores have been suffering a little. Too many sellers trying to sell at the same time.

What I have been feeling, on my side, are some stores trying to boost sales on their own e-commerce websites. Medium sized retailers being hurt a little bit more in their margins, and brands that explore their omnichannel strategy a little bit better, doing a little bit better in that sense.

We have a mix in our GMV. Especially in client niches that suffer a little bit more. Marketplace within the profile of our businesses slowing down a little bit. And those brands that are more omnichannel and improve the customer journey at large are still evolving. I will turn to Williams and he can talk a little bit more about GMV from his perspective.

Williams Marques:

Thank you for the question, Livia. I think very much in line with what Alê mentioned. The more traditional stores are hurting a little bit more, as well as marketplaces. Now, what we are seeing here is that small and medium sized businesses, which are digital natives created with active communities, especially the embedded stores, are doing a little bit better.

This has also offset the poor results with the more traditional stores. There are these other stores that are very much based on their communities and social media. In our case, GMV has grown a bit more slowly, but this is the mix that we are seeing.

Now, to your second point, with regards to LTV and churn. We are seeing more skilled customers coming to us. The strategy of bringing in clients, which are better prepared for online retail, they already have the product and some retail expertise.

This has reduced our client acquisition in general. But we are bringing in customers that perform better. Our LTV is much more connected to our customers' performance, which are starting to sell and in this case. The client pays part of their transaction share.

This is more connected to that than the increase in prices. We are not manually increasing our LTV. This is due to the better performance of our clients. Now, what we are seeing is that our churn has remained in slightly lower levels.

We are also seeing improvements in our churn. These are more mature customers, which often already rely on a physical operation and understand that they also need their own online channel, which is why they invest more and have greater capacity to grow.

It is the opposite of your question. LTV has gone up and our churn is going down. As reported, we saw a 20% increase in our subscription revenue, and that is where this comes from. Clients are higher quality clients, and so they have higher LTV as well.

Rafael Chamas:

Just to conclude, I think it is important to think about the quality of clients that Williams mentioned. It is a 20% increase in GMV, close to 18.4% more than last year. And substantially more than for the market at large.

If we were to compare ourselves with the Brazilian market at large, our share has expanded by over 2% points in the e-commerce GMV. Our successful client capture strategy is allowing us to bring customers with a more sophisticated approach and that has allowed us to grow our share in the Brazilian market.

Thiago Kapulskis, Itaú BBA:

Hello, good morning and thank you for taking my questions. I have two questions as well and they sort of follow up the last two questions. It was very clear to me. And actually, congratulations for the call. Every message was crystal clear to us, as was your Execution timetable.

Now, my question is more connected to the variables you have no control over. Unfortunately, the macro environment has been challenging in that sense over the last few years. We heard a previous question about your expectations and all of that.

But I wanted to hear from you, what do you expect from a more macroeconomic perspective for 2025. In addition to your agenda, do you still expect this to be a more challenging year for e-commerce? If you could talk about your verticals, we saw other players hurt a little bit in the categories where dollar is the primary currency or where their average ticket is higher. If you could talk a little bit about these aspects that are not under your control, that would help a lot as well.

And following up on another question. If you could talk a bit about your agenda to unlock value by using taxes and non operational aspects of the Company. If you could give us more color about whether there is a possibility of us seeing more of that.

I mean, of course you have done a lot in that sense over the last 6 months, but if you have any prospect about unlocking more value with that vertical, that would be great.

Rafael Chamas:

Thank you, those are great questions. This is a challenging macroeconomic scenario, especially when we think about SMB, which is still the larger part of the Company, of course. It is still significant, we cannot dismiss the credit situation, for example.

And there are a few things that allow us to perform well, considering the situation. When I talked about share and GMV, our figures sort of reflect that. But, first of all, there is no concentration in one single industry.

The fact that we are SaaS solutions and focus, in this case, on SMBs, allows us to reach different segments in a very broad sense. There is also no concentration in high value added products such as what we call the white line of electronics. Which is another thing I think helps us to weather these difficult times well.

And there is also the fact that for the last 2 close to 3 years when we define our strategy and growing via larger clients. What we had in mind was the trend even looking outside of Brazil, where the e-commerce industry is beginning to grow, driven by larger customers. Customers with a greater financial capacity and a higher GMV.

In this sense, I am confident that solutions such as Wake, which allow us to reach retailers with greater momentum than smaller customers, also allow us to weather the situation better. And lastly, the fact that the Company was able to invest from an horizontal standpoint in the e-commerce chain, but not only in that because we also have a physical retail or brick and mortar retail component, allow us to bring aspects which are additional to are in addition to the transactions themselves, which relate to survival.

Larger customers trying to lower costs help us with discussions and ultimately bring in more customers with that. The robustness of our solutions and the fact that we are not focusing on one single industry allow us to do a little bit better at a time when the economy at large is not doing that well.

André Kubota:

Thank you for your question. Now, with regards to what is more under our control, there are a few points, but I will talk a little bit more about the tax operation. We incorporated two important companies, which accounted for close to 60% of the taxes we paid in 3Q24.

Starting in March, we see the full impact of that improvement. There were 3, but 2 of which were more representative. And this is public information. We had the General Assembly in February, and those savings will be seen starting in February. And after those two that took place in August and September last year, much of those gains will be captured in full starting in the second half of 2025.

For the second point, there is the annualization of these benefits that were accrued over the course of last year. Just because of the basis of comparison, in fact we are doing better. But obviously, we are a Company that is always paying close attention to profitability and additional gains.

And that remains unchanged. That is part of our daily operations. There are still opportunities, there are still things we are looking into. And I believe that that is a lot more under our control, which I think is what you were asking about.

Daniel Federle, Bradesco BBI:

Good morning, thank you for taking our questions. I wanted to follow up on two points and then I have a third question about CAPEX. I wanted to understand, first of all, the GMV trend. You mentioned your own store is growing by 12%. But previously, it seemed that Black Friday had been strong. So 12% seems like an average, which would suggest that December was lower than that.

I just wanted to understand how we are going into 2025. What was your growth like on December 24? And we heard about how important subscription revenue is. In the past, there were triggers and payment scales based on GMV and products. I just wanted to understand whether subscription is totally tied to GMV or whether you need to grow your GMV to be able to grow your subscription revenue.

And my second question is about CAPEX. Your CAPEX was slightly higher. You explained that on the release, but it was not clear to me whether this was a trend, whether it was one-off. And what we should expect in terms of CAPEX moving forward. Thank you.

Rafael Chamas:

You are right about GMV. In December, it was weaker than we expected. I think we were able to anticipate purchases really well. And I think this is something that was the same for the entire industry. Everyone felt that it was slower than expected.

Now, when we look at 2025 in January and February, the trend would be similar to those of the fourth quarter. I see no significant change. There is a significant difference from last year, which was the carnival holiday, which happened in a different month this year. So March was a significant year. We had the carnival holiday early in the month.

But When it comes to trends, we are seeing the same things we saw in 4Q24. I can not tell you there is any behavior at this point that would lead us to different conclusions.

As for subscriptions, what do we have in the Company? These are plans which are more tied to the features involved than GMV per say. But the fact that the success of a client requires specific behaviors in the platform that will allow subscription to be connected to GMV is undeniable.

It is not direct pricing. If you look at any platform, pricing is not 100% variable. But the more any customer sells, they are paying higher subscriptions where there is obviously some gain of scale for them. Ultimately they pay less, which is a very important characteristic for us to see growth in any type of subscription. But pricing is not fully connected.

André Kubota:

There are a few points that I think are worth mentioning with regards to CAPEX. When we compare quarter with quarter, there are some changes in seasonal aspects. They are not necessarily recurring. These are projects with a start and middle and end with different products and so on and so forth. There is some variation, but when we look in a consolidated way to the entire year, the figure is very similar to what we expected.

Over the year, we see there is nothing out of the ordinary. But, as mentioned before, we want to accelerate our growth again and we see great potential for that. Much of the investment is to start seeing that. And the level we saw in 4Q24 should be similar to our investment sum in 2025.

Always paying attention to how the Company is growing. The focus on growing while also generating cash will always stay on our radar.

Daniel Federle:

I just wanted to understand one more thing. Of course the growth project includes CAPEX. My question is, whether the capital involved will not turn it into CAPEX. Because, if maybe creating a new department or a new people. Would not that be the case?

André Kubota:

Yes. Some people go into CAPEX and sustenance, but we have several different innovation projects for the Company at large. And unless there is a project, those employees are no longer part of those either.

Of course there are some R&D CAPEX involved, but we will not be supporting anyone that does not have a sustainable project.

Operator:

With no further questions, this concludes our question and answer session. And we will now turn the conference back to CEO Rafael Chamas, for his final remarks.

Rafael Chamas:

Thank you, everyone, for joining us for this conference. And thank you for the analysts for their questions. This allowed us to make a few points clearer and we wish you all the best. LWSA's

4Q24 earnings conference is now concluded. We would like to thank everyone for joining and wish you all a great day.