

**Conference Call Transcript**  
**Locaweb Company**  
**2Q23 Results**

**Gracielle Silva:**

Hello, welcome to the Locaweb Company's 2Q22 earning's conference. My name is Gracielle, I am in charge of marketing at the Company.

Joining us today are: CEO, Fernando Cirne; CFO and IRO, Rafael Chamas; BeOnline / SaaS VP, Higor Franco; SME Conference VP, Williams Marques and E-Commerce and SaaS Enterprise VP, Alessandro Gil.

This conference is being streamed online via webcast with simultaneous interpretation into English, and will be available for replay at [www.ri.locaweb.com.br](http://www.ri.locaweb.com.br). You can also download the slide deck for this presentation by clicking on the webcast link.

The statements contained in this document regarding Locaweb's business prospects, operating 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 presented here were calculated in thousands of Brazilian reais.

This business performance report 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, non accounting data have not been reviewed by independent auditors.

During the question and answer session, we kindly ask you to 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 Fernando Cirne, who will begin the presentation. Please, Mr Cirne, you may proceed.

**Fernando Cirne:**

Thank you, Gracielle. Welcome to our 2Q22 earning's conference. I would like to thank all associates and stakeholders who contributed to our results.

I would like to start by talking about profitability. This month, we continue to operate our margin gains process by strong operating cost control, head count and operational leverage. That helped

us to grow our margin by 33% over one year ago. With that, we reached an adjusted EBITDA of R\$53.8 million.

As for the overall EBITDA margin, we had 17.2% up 2.8% points versus one year ago. As it comes to net revenue growth, we had 20.4% growth in commerce outgrowing the market with R\$209 million net revenue 4% over the previous quarter. The group, at large, grew by 11%.

Now, why was that so much less than our e-commerce unit? When we look at last year, we worked on a cost profit operation, which is why our margins for web SaaS increased by nearly 9% points. But in the last quarter, our BeOnline / SaaS unit actually saw positive growth.

This is why the group at large is already growing between 4% and 4.5% which is why these 20.4% do not reflect the overall Company increase. When we mentioned these 20% which were obviously affected by a poor time in the country for retail. We have to look at subscriptions.

We saw 23% increase in our subscriber base, but we are not happy with 20.4% growth, which is why this was a quarter that was defined by the Company's structuring of seven avenues for growth, which have helped a little with our performance this quarter, but it will help the Company to boost its performance in the next few quarters.

The focus of this presentation will be to detail these avenues for growth. We will be detailing our results, but we will spend part of our presentation talking about these new avenues for growth. We will be talking about financial services, international or rather artificial intelligence and a lot of things that will help us moving forward, will be going in depth into much of our strategy during this conference.

This is what I wanted to tell you about how this presentation will go. As for our subscription based GMV and TPV. Our GMV went up over 13% with nearly R\$14 billion within Brazilian commerce and our own store GMV went up 15%. Our TMV went up 35% over Q2 of last year with R\$1.5 billion.

Our subscriber base increased by 22% going up to 144,000. And what we call the "enablers", the solutions that enable our customers to run their e-commerce and the increase in subscriptions has sustained its pace. So even though the economy is moving slower and with everything that's going on, we maintain our pace of subscription growth.

Moving on to the next slide, we can see that for virtually two years, we have continually added new subscribers, which is very, very positive. Our cash has remained steady as well, which is very important for our profitability process, or our profitability growth process.

I will now turn over to our CFO, Rafael Chamas who will be talking about the most important indicators for the company.

And after that, I will come back to talk a little bit about our avenues for growth when we'll be discussing a bit more in depth how we plan to move forward from this 20% increase that we saw in commerce, but which we plan to accelerate and we have set up the company throughout this

quarter and this new structure was a result of efforts that will allow the company not to deteriorate its earnings. Please. Rafael,

**Rafael Chamas:**

Thank you, Fernando. I will start on slide six with a bit more detail about what Fernando has already mentioned, starting with our net revenue for the quarter.

As he said, we ended the quarter with an 11% increase to R\$313.9, but we want to make it clear where that came from. So, when we look at the comparison with 1Q23, we saw a stronger increase of 4%.

And that is explained by the chart on the right, which was BeOnline / SaaS last year, we chose to go for profitability. Which led us to lose some revenue. When I show you the margins, you will see that we stood at much higher levels than when we were last year. And the result of that was a decrease in annual revenue.

On the other hand, we are already seeing growth when we look at the quarter over quarter terms. Looking at 2Q23 our operation has already increased by 2%. So this cycle of cost control comes to an end and we are now seeing an increased start. In commerce, we are already seeing R\$209 million and our BeOnline / SaaS with R\$104 million.

As for our adjusted EBITDA, just growing at a significantly faster pace up by 33% over the quarter, commerce going up by 19% and BeOnline by nearly 52% to 26.9. And once I show you the margins, the EBITDA outgrowing our revenue and the margins will make that clear.

Looking first at the Company at large, it is important to point out the significant leverage that we have had since we started operating our M&As. Since our first operation in 1Q21, our margins have gone up significantly. We saw a substantial recovery going up to 17.2% this quarter.

And I also wanted to highlight our operation with a 20% margin last quarter with 23.9% margin growing by significant figures. And once again, as I said, we will start to see revenue going up as well.

Moving on to the next slide. Another significant piece of information, we talked a lot about financial spending in the last quarters, about our cost control initiatives. And I think that this becomes very clear here since 2Q22.

What we see is compared to 2Q22 where we had our most significant spending with interest rates that were similar to what we have today we go up to 15.3%. So we noticed now a drop of 26% when spending decreased. And our EBITDA also grew by 7%. So revenue has gone up as much as spending goes down, increasing the company's profitability at large.

Now, another important point which is our main liability is earnouts. We have been talking about this constantly, but we have a policy of being clear with the market. We are always reviewing our provisions here and earn outs for each one of our units that include earn outs.

And we see an increase in performance, especially in bling with data from our last review six months ago, which is why we reviewed our ears again and this had an impact of R\$94.8 million in our result.

This has been recorded in our final balance sheet and it's important that this quarter we paid more earn outs that total R\$319.2 million, which is why you'll see some difference. And we end the quarter with a balance of payable earn outs by R\$626 million, which affects our outlook for the Company's performance, considering the clients that we are bringing in and our performance in each one of our units which affects the Company's balance sheet.

We ended the period with R\$1.060. So, a net cash position of R\$360.6 million for the Company in general. We ended 2Q23 with R\$38.8 million losses. Again, affected by the R\$298 million, a fact that I just mentioned. So it's an M&A movement that affected us.

When we look at the chart on the right, we had an adjusted net revenue of R\$33.3 million. With that, I would like to turn back to Fernando who will talk about our avenues for growth.

**Fernando Cirne:**

Thank you, Rafael. Fernando Cirne speaking again, I will now go into the second part of the presentation where we will be talking about the Company's strategic performance.

As I said in the beginning, 2Q23 was defined by the Company's or the group's restructuring efforts to accelerate growth. And we have three fronts that define the Company's performance in the last few months, starting with products.

The Company definitely evolved when it comes to products with tools that help the entire customer journey. And one example is we priced our integration with our marketplace. Without a question, we are one of the major players in the Brazilian market on this front.

In pricing, we started a few tasks, some of them which have already been delivered, including the e-commerce platform for SMES and logistics. And we are also at an advanced stage with our ERP studies. I think that there is a lot of space for pricing within the group and will continue to dedicate significant efforts within pricing throughout the year.

We also talked a lot about cross selling. We are working with all our businesses. This is one of our main KPIS for the entire management in 2023. And we had many accomplishments here, especially when it comes to financial services and logistics. When we talk about e-commerce platforms and ERP operations, that will become clearer as we move forward with the presentation.

Now, within our avenues for growth, we will be talking a lot about growing our TAM. We will be talking a lot about Wake. This is a very successful case when it comes to TAM growth. Our director in charge will be talking about that. Wake is doing really well. So I think it is important for us to talk about it in a few slides.

Artificial intelligence, this has been talked about a lot. But what's its significance for Locaweb? Today we will bring you all details about everything the Locaweb can benefit from and it is how its customers can benefit from it. So what we can bring to our clients, what products can we make and how the local web can structure itself for it.

We will start by focusing these efforts, Higor who is the BeOnline and SaaS Vice President is on top of that and he will be telling you how we will be moving forward and what benefits this brings to the group.

In financial services, starting next Monday, we are creating a business unit within the group for financial services. We hired a new executive who will be starting on Monday, a Senior Executive who will be ahead of this unit.

And lastly inorganic growth, Locaweb has not put a stop to its inorganic growth plans. We are continuing to map out this market in search of new opportunities. Moving forward, I think one of our greatest cross selling examples of payment opportunities or payment offerings.

Our TPV has grown substantially. We continue to work with a payment means within the group and when it comes to TPV, we have come to nearly 40% this 2Q. So we are not stepping back.

And in logistics, we are very much advanced and e-commerce, ERP penetration within and is growing very significantly and has already been boosted with our new cross selling director.

So a little bit about financial services. As I mentioned, we are creating a new business unit called Financial Services. We hired a new Senior Executive with a lot of experience in the Financial Market, his name is Cassius Schymura. He will be starting on Monday.

This unit will be in charge of unifying the group's strategy in terms of payment, credit, digital account and every financial service with the focus on increasing the up-selling of our customer base.

Our clients spent a lot of time within our client base and I was talking about a very interesting indicator yesterday, I saw that the banking time is two to ten minutes. Our clients spend over five hours within our platform, our clients live within our service platform. So the potential up-selling within our ecosystem is huge.

I think it would be worthwhile for us to set up a much more robust platform to make the most of this opportunity. We will be speeding up our Vindi and Credisfera operations, and we are talking about brands here. So consolidating and streamlining, the organization has started with Wake itself, which replaced a number of different brands.

So Locaweb has acquired a number of different companies, but we do not have as many brands as we had when we acquired all of those companies. We have consolidated over eight brands during this profitability growth process. So this is very important for us.

Now, what does the Company look like after this process? In this slide, we have what Locaweb looks like today and this is how it will grow both organically and inorganically moving forward.

We have an ERP management unit under Antônio Nodari, who is the founder of Bling and an important message here, you will see that many of our units are being run by their original founders.

Financial Services, which is our new unit, which will be under Cassius, BeOnline / SaaS under Higor, also addressing an artificial intelligence, commercial enterprise under Alessandro Gil, who will be talking a little bit about that as well. And lastly, commerce SMB under Williams who is the founder Wake.

So it is important to show you that this is a simple structure, but with a very large footprint with management in charge of many of their founders.

So I will now turn over to Higor who will be going into further detail about how we will be up-selling the Company services and increasing our operations and profitability.

### **Higor Franco:**

Once again, thank you very much. As Fernando mentioned, we will be talking about how our AI initiatives are just starting and what avenues and opportunities we see for each one of our service verticals.

It is important to mention here that we set up a multidisciplinary group to study the theme. There are many initiatives coming up in the market and a lot of excitement and even euphoria about this issue. But this has always been a group that primarily looks at what adds value to our clients.

So we will not be creating solutions just for the sake of it. What we want is to leverage all the AI opportunities that our products offer with a way to add value, whether it's by improving productivity or improving efficiency for the client, boosting their sales and so on and so forth.

We will always be connecting that technology with a business purpose. So I will go over each vertical to tell you where we are seeing opportunities and what is the focus that we will be working on for each one of these verticals.

Starting with e-commerce. It is very clear for us that AI can help platforms when it comes to recovery or recommending items and recovering payment cards. And this is something that we already see in the market. So if we look at our existing products, such as Wake or Tray or Baggy, and even the Wake Experience, these are products that we already have up and running.

So what we will be doing is simply to streamline these products with new AI technologies that have become available in the last few months. Also, we will be creating content about our products in a much faster and more efficient way. So we will be making available to our clients the ability to create content, whether that is video creation e-reviews in a much simpler way with a lot less human interaction.

This should help our clients create their marketing campaigns, their ability to create onboard products in a much simpler way. So this will impact not only their use but also our client's ability to generate more business.

Now, also about e-commerce, AI can help with demand predictability. We are able to read how the market behaves whether it has behaved, whether that is in the past or in the future. And this will affect decision making and also help with pricing intelligence, which may come from this predictability. And we may also better manage inventories, better regulate fulfillment times, all of that will be enhanced by AI.

And lastly, which we already do via Melhor Envio is logistics improvement. So all things logistics intelligence will be improved by AI, which is a technology we already see running in our operations.

Lastly, for e-commerce, and of course, this is not an exhaustive list. As we study and as technology evolves, we will be looking into other opportunities. But we believe that in e-commerce, AI will really make interaction with clients easier.

Interactions will be a lot more seamless, the ability to predict the client's behavior and move in advance of their actions, whether that is by predicting what they will do next or what they will need next will make our communication a lot easier.

So our communications will be refined by AI, and we will be able to understand how they perceive our products and services a lot better, not only within the platform, but also what our clients are selling within our platforms.

So this is what we have very well mapped here within e-commerce. And we will have to see how this evolves for these verticals when it comes to AI.

In payments, we understand that AI has come to improve our anti-fraud controls and also the possibility for tracing all transactions. Following the money will be made a lot easier by AI.

The same can be said about our credit score ability for our clients and also for anyone who is using our financial services. So when we look at our portfolios and their quality, we will be able to use our rates and adjust them according to the client's financial profile, their volume of receivables, the transactions volume, we can assess all of that and make our financial services even more customized to each customer profile. And that will allow us to provide services and products in a much more surgical and precise way.

Lastly, we understand that AI increases our client's decision making abilities when it comes to financializing our location, that will make the most sense both to us and to our clients. So AI will also help us to make decisions about the financial flow within our portfolio.

Moving on to the next slide a little bit about ERP. We believe that AI can make the onboarding and deployment of the ERP system within our clients ecosystems a lot easier.

Today, ERP systems involve the integration of external data. Now, AI may make that easier as the tool understands the need for data that this client has and connects their system with many other data sources from the market.

Today, any client that needs more code to connect Bling or any management system that we provide with external data sources, has that been made a lot easier by AI. So the effort in terms of technology will be a lot lower with a lot less code being required

Also when it comes to inventory intelligence for purchases and raw material replenishment. So an ERP with a prior reading and also looking at the state of the market in terms of demand or other macroeconomic aspect. AI can help us be more precise when it comes to replenishment and inventory management with ERP.

Now, when it comes to the advanced prediction of demands, we can help the client understand what type of campaign they can run, what type of inventory they can build for that period in time for that time frame, moving on into the future that AI can predict. So we can help our clients make decisions earlier, which may help them go on a much better improvement journey.

Lastly, this will also lead to reduced financial and fiscal risks. So by the use of AI, our client that is using ERP, we can predict financial and fiscal risks and help them make better decisions to preclude those risks. That will obviously make it easier for them to be successful by using our platforms.

By looking into sales behavior, spending behavior and business behavior, our customers can be supported by AI to make the best decisions possible and better manage their business. And BeOnline / SaaS, what we understand is that AI really helps when it comes to content creation and website creation.

All our website production can be automated by AI, so html image generation, content generation, all of that is already possible with a high degree of confidence by using AI tools. So this is an impact we already see and we are already working with that possibility within BeOnline and SaaS and that also reduces the onboarding and coding efforts by our clients in a very significant way.

We also understand that the use of AI within our platforms has the purpose of improving our relations with our clients, which may have a very substantial impact. I'll be talking more about this later on, but one of our platforms can really improve our clients productivity in their interactions with and customers by the use of AI.

The same will be true for email and chat boxes. So any platform that is working under the purpose of having massive interactions with clients will definitely benefit significantly by AI.

With AI, we can also improve our clients onboarding, digital presence and productivity solutions. So with AI, I can make these clients onboarding a lot easier

As an example, if a client needs to create an email marketing campaign, there is a lot of effort that goes into it. But with AI, I can simply suggest based on a set of information points that they



can offer you or that we can gather. We can set up that campaign and all they have to do is give us the go ahead and trigger the campaign.

Lastly, because we have a few products where the use of technology and the setup of technology requires a bit more knowledge, some of our clients need to go through a slightly more sophisticated set up process.

With AI that can become a lot easier in terms of helping the client to use and set up our products in the right way to benefit from the technology that's embedded there.

For example, when the client needs to associate their domain to that store within our platform, we can use AI to make that connection a lot more seamless, we do not need to do that manually. So that is another impact that we see the use of AI providing.

I would also like to share with you to reinforce what I said at the beginning of my presentation. We plan to use AI to add value to our clients, we will not be creating new products just for the sake of it.

So Octadesk, for example, has a case that has already deployed AI and where AI is already impacting their client.

This is a client from Octadesk in the education sector and we are seeing a potential to increase their client conversion by 80% by using this solution. This is the solution that you see on the right side of the screen.

Their TMA has been lowered from 15 to 5 minutes. Consequently, reducing their head count by about 66%. Now, what is this AI solution for our Octadesk client?

Octadesk is a client service platform. In this case, this is a platform being used by the sales team.

So the case is: AI reads the client service person interactions, chooses the best answers for that interaction and allows the customer service agent to choose the best one so that we can make it faster.

They do not need to import data from elsewhere or type in a new answer. And by doing that, we improve answers and, as that agent chooses the best answer, he feeds back into the artificial intelligence tool saying that that is the best choice for that interaction.

This has a nerd bot effect in terms of expanding the use of artificial intelligence, because it will always be trained by the sales assistant to provide the best answer to that interaction.

This is a real life case. It's already in place. And it is an example of how we are adopting AI and embedding it into our products. So this is it, I will now turn the conference back to Fernando.

**Alessandro Gil:**

I would like to say that this has been a great year for what we had and we now renamed our operations to Wake. We relaunched the branch on April 23th of this year in an event for nearly 1000 people. And this was a milestone for us in the three stepping stones for Locaweb.

So first we have Wake Commerce, our commerce platform, Wake AMS, the former Synthesis and all the hubs where we interact with the marketplace.

In another pillar, we have Wake experience, the Old Wink, which is more than a mere email marketing platform, but rather a comprehensive experience and client agglutination and experience platform.

Lastly, Squid by Wake. This new position changed Wake into a new retail and industry digitalization. This is a fully composable platform. Now, what does that mean?

It works very well in combination, but each one of its blocks can be sold separately and integrated into other platforms on the market. So we transformed each one of our products into fully composable products, where major enterprises can adopt them whenever they require this type of integration.

Now, a little bit about Booking. The first half of this year was a very positive time for us. We increased our revenue by 300%, which shows that the market has started to accept and understand our offerings.

Not only that, I mean, we not only brought in more clients but clients with a higher average ticket. Across all our operations, we had clients paying more per service understanding that we add more value to their operations, which is why we signed two of the greatest contracts in the history of Wake Commerce and Wake Experience

These two operations brought in enterprise customers with a significantly higher ARPU than what we had seen in the history of these two operations.

In addition to that, our channels and partnerships have worked really well. We have over 30 agencies which have signed with us with nearly 100 of certified professionals who are now eligible not only to sell but to implement any of our solutions.

And we have also started the first independent sales via these channels, meaning these agencies are now selling in an autonomous way our products, which will allow us to achieve even greater scale in the next few months.

Now, looking forward, our pipeline for the second half of the year is twice as large as it was in the first half, which makes us really comfortable in the fact that we will continue to work at this scale and will continue to meet our targets.

We have a completely new direct sales team, which shows that the market, as I said before, has accepted and understood what the offering is and what the benefits are that the Wake platform provides for the business.

Moving on to the next slide, when we talk about product engineering, these were very important months that, when it comes to product and experience, represented a milestone in terms of new opportunities. We were able to consolidate all of our teams, removing all overlaps that we saw across our operations.

As I said in the beginning, we have an integration hub for Wake Commerce and we maintain DAX as an independent hub, but we have the same engine, meaning we did not have two different teams working in the marketplace, we were able to optimize the team and with that add a lot more speed to our deliveries.

And the same can be said by our tags for website behavior, both in Squid and digital experience. So over time, we were able to optimize the resources that we rely on, which allowed us more speed in our deliveries, and deliveries which are more specialized and with higher quality.

Another important thing is: our Wake commerce is already a full headless platform, meaning we were able to detach the front end from our back end.

The back end is where our store owner will control their promotions and their catalog. And these two sites communicate via API. The benefit of that is that there is more flexibility allowing larger enterprise clients to use their own front end, their own CMS and content publisher software, which allows them more autonomy and naturally improves their e-commerce performance.

And with Wake experience, we started using artificial intelligence to create new audiences, not only to indicate groups with specific purchase proclivities, but also indicating areas of interest.

So, thanks to artificial intelligence, we can now group people together in different audiences. Even when they haven't really navigated a specific category, we can predict to a customer or industry that these people have a tendency to purchase specific sets of products. This is an extremely powerful tool in the hands of our clients.

And with Wake OMS and Wake Commerce, we have worked not only in an integrated way but also worked on a unified product. The two are already coding in a unified way and we have the two working together. And we also have the exclusivity, which is the endless shelf platform when we use Wake OMS and Wake Commerce together.

We have also made significant strides in the integration between Wake Commerce and Wake Experience. We have a seamless product and when a client hires the e-commerce platform, they have all the features enabled, all they have to do is hire the service in a very integrated, very seamless way.

Now, a little bit about Squid. Despite the more challenging scenario in the first half of the year, especially in the advertising market, we were able to obtain a 24% increase versus the first six months of last year, which to us is a very important and very satisfying result.

In addition to that, we have been making a number of adjustments to our operation to optimize our flows and make our product more profitable.

Now, another very important thing about the next topics will be launching a beta product in the next half but which is specifically for commerce, linking brands, influencers and performance.

So we had an enterprise that was much focused on the top of the funnel. And now we use Squid to serve the commerce industry, which is absolutely adherent to the Locaweb platform.

This has become a very flexible option on the SaaS unit, which empowers our retailers to run and direct their influencer campaigns, directing them to their funnel.

We have also been integrating Squid with Wake Experience to make sure that the data from the influencer campaigns, so that we can see and have an even richer audience using not only their information but also collecting information from the campaigns these users were impacted by.

Well, this is what I had and I would like to thank everyone for a list for your attention and we will now be opening for questions.

**Fernando Cirne:**

Well, before we go to questions, just a very quick wrap up here about the group's increase.

It is important to point out that our subscriber base or our capacity to bring in new customers was 26% higher year over year, which is to say we are working at a very healthy pace and 26% is not bad data but was affected mostly by the pay rate which reflects the time for Brazilian retail.

This is why we outline these seven different fronts that we will be working on to grow our revenue. So in the next 12 to 24 months, we expect to see significant advance in our take rate, which has to do with savings.

We cannot rely on the economy doing better. If that is the case, our quick commerce side will be doing better in addition to the efforts that the company is already planning.

So it is a very promising future when it comes to revenue growth for the revenue growth for the group. And also the online has been revamped with a 4% increase in margin and is now growing back in this last quarter by 2% points quarter over quarter.

Well, this is essentially it and I will now turn it back to the guys who will be running the Q&A.

**Lucas Chaves, UBS:**

Good afternoon, everyone. Thank you for taking my questions. Thank you.

I have two questions. First of all, I would like to understand the earn out trend that you mentioned. You talked about the result for Bling, which is very good and led to a higher earn out rate.

And I would like to understand how you see that moving forward, especially when you expect to earn out may be increasing because of this result. How are you provisioning for that and how can we expect the new installments to look like?

And it was very clear your Wake presentation. I wanted to understand the margins for your acquired companies

And also in commerce there is something about the launch of the new Wake platform. I just wanted to understand how you see the margins for the rest of the year. Thank you.

**Fernando Cirne:**

Thank you for your questions. Lucas.

I will start by talking about our earn outs. First of all, in 2Q, we paid 300 million in earn outs. And whenever we talk about provisioning, we provision based on the growth rate reported for the 1Q.

And granted, we had a stronger rate in 2Q and we expect this growth rate to remain unchanged for the entire second half of the year. So in order to see an increase in earn out allocation, we would need much higher growth than what we had in the first half of the year considering that 2Q provided poorer results than the first uh quarter.

As for the rest that was provisioned, about 7% will be paid by the end of the year by, to be more precise, by April next year.

So it is highly unlikely that we will have any innovation. We would need performance improvement that exceeds what we had in the first half of the year in a very short period of time.

And after April of last year, we'll have only 30% left of our earn out. And again, we would need a substantial improvement in performance in order to do that. So our allocation scenario to me is very optimistic and might be overestimated.

But anyway, this was a great question. I will now turn over to Rafael who will answer about the margins even addressing the Wake aspects.

**Rafael Chamas:**

Now, I just wanted to add to what Fernando says, Lucas, when it comes to earn outs, our clarity in this aspect is very important. This is a very serious issue. The Company is protecting itself.

We have this debate in our internal audits, we have an external audit to go over these figures. And whenever there's any significant variation in our prospects for the previous half of the year, we have this discussion about the assumptions.

So this is a very robust work and one that we take very seriously. So I would like to say that what the balance sheet shows is very much what we have in reality. So it may not reflect the reality of the future, but it is the best that we could estimate.

Now, when it comes to the acquired companies, then Wake, we continue to follow the same guidance that we provided for the market and that we have provided to the market for a very long time, we see these companies gaining some leverage.

You talked about the spending with or the earnings that we have had since we launched Wake, but our gains of skill remain the same as what we have seen and what we have talked about in our last conferences.

**Lucas Chaves:**

Thank you guys. This was very clear. I would like to wish everyone a Great Friday.

**Fred Mendes, BofA:**

Good morning, everyone. Thank you for the presentation.

I have two questions or two topics that I would like to discuss. First of all, is your revenue mix.

We saw the tray after a few quarters walking sideways had gone up again and, correct me if I am wrong, but the more aggressive price strategy went into practice in June. So it affected just the end of the quarter.

So I wanted to understand whether I am correct in that and whether we should expect some acceleration in the second half of the year. And we understand that via tray, there might be more cross selling with other units. So I just wanted to corroborate these theories. That is the first topic

And the second, also in Wake, there was a lot of information here, but I just wanted to get my footing right here. What do you see, maybe the top two or top three points in Tray?

And I know that this might be simplistic but things that you believe are successful or in line with expected or below expected because with so many aspects we sometimes get lost. And will you be speaking about trade and separation in commerce? How is that revenue going to be shown? Thank you.

**Fernando Cirne:**

Thank you, Fred. This is Fernando speaking.

Well, I am going to turn over to Williams for your first question. He will be detailing to you what was responsible for making Tray's revenue go up so much, Williams, please.

**Williams Marques:**

Thank you, Fernando. Good morning everyone. Thank you for your question, Fred.

You are correct in saying that this quarter, the impact of repricing was only partial, just a small correction. It was in June. In May, we already saw a small increase. So already 60% of the impact of that result in 2Q.

But you are correct in saying or in believing that in 3Q will have the full impact. So as a larger impact of that and another impact for the year at large, which is important to highlight last year in 1Q, we had a strong revenue from take rate.

So pricing changes were made at the end of last year where we saw a decrease in that revenue. So what I wanted to mention is that 3Q is a quarter where we will have a full impact of that repricing when compared to 3Q22 with a lower revenue from take rate because that revenue began to dip from then on. So we should see an increment in that year, over year figure with Tray.

And about your second question, to your second question about cross sell. What we are seeing is an increase in LTV with more profitability. So this does not necessarily affect our cross selling.

In this case, our TPV does not go up for payment offerings in logistics after the repricing, what we have is well, we already have a GMV and we were not being paid by that, the processing of those integrations and we are now pricing that or charging for that.

This was the cross cell impact. And if this is not really what you wanted to hear, you can add to the question later. And when it comes to the comparison between Wake and Tray, I think that Fernando can add to that.

**Fernando Cirne:**

Well, Fred's question was really good. So I just wanted to add that the group is also working in other areas in terms of pricing. Pricing has become nearly its own unit in the company. So what can we expect?

First of all, what you said and what William said, the full impact from Tray will come in 3Q, we already have something underway for Ideris, our tool for pure marketplace integration that will take place in 3Q and in 4Q, we will have a repackaging. I think this will be the best term for two platforms, Bling and also BeOnline SaaS.

So there's a very all encompassing agenda there. So, repackaging involves how we are packaging and offering our products. So there is 3Q, Bliing, BeOnline and SaaS with our hosting services also in 4Q.

So these seven fronts that I mentioned in my presentation have this one as the most significant when it comes to revenue increase this year. And I will now turn it over to Alessandro to talk about your questions about the metrics and your questions about wake as well.

**Alessandro Gil:**

Hi, good morning, Fred. Thank you for your question.

This is really a time of growth for us. Obviously, we are very much concerned about keeping a steady margin. This is sort of the most important rule for us, but we are also concerned about building the product.

So thinking about where we are going and we believe that it is important to add value to our clients in order for us to grow, always adding the right features and addressing the market because without that, we couldn't go anywhere and these are very important indicators for us.

So when we talk about the business platform per se, we are looking at booking very closely and also the potential GMV that we are bringing home. So within the budget that we set out last year for this year, we included a number of store owners that we plan to bring into Wake, within the Wake commerce platform.

But more important than the number of store owners was the GMV that we plan to bring in so these store owners interact or transaction with our platforms. So we understand that we have a few lighthouses in the house in terms of brands that will bring in other brands. And we have been planning hard for that.

We will be showing you new brands in the next few months. And with that more store owners will be coming in with a higher GMV. And this is sort of the biggest income engine or revenue engine for the company.

**Fred Mendes:**

That was perfect, guys. Thank you. It was very clear and I'm sorry for taking my time here. But I think this is important.

I wanted to ask Alessandro, I understand that tech products are always evolving, so you will always be investing in that. But considering what you plan to achieve today, can we imagine that much of this product has already been developed and is already running well or is there still much more investment or much more work to be done considering the market that you plan to reach today?

**Alessandro Gil:**

That is a great question, Fred. Thank you.

As I said in previous conferences, the largest swath of our investment, especially when it comes to the team and the product was made last year, you know, to put the house in order and also has to do with what I said at the beginning of my presentation, which is to eliminate overlap, we had to optimize our team in order to do more.

So if you ask me today, I feel more than comfortable or more than satisfied, I would say more than happy with the products we have, so much so that we have been able to bring in some large brands with substantial GMVS come into our client portfolio and you should see that in our next few conferences.

But as you said, there is an important part of the process which is that we can stop evolving. There are a number of aspects where we are already moving forward in terms of, you know, adding artificial intelligence and evolving our features with synthesis between Wake commerce



and our other platforms. But we are very happy with the platforms and the clients we are working with.

**Fred Mendes:**

Thank you very much everyone.

**Thiago Kapulskis, Itaú BBA:**

Hello, everyone. I hope everyone is doing well. Thank you so much for taking my questions. I have two questions as well.

First of all, because there are many moving parts and going back to the previous question. It is very interesting to look at all the trends.

And my question is more on the high level part. When we look at the growth rate in commerce. And I understand that commerce is, you know, the most significant part of your thesis. Any company growing 20% can't say it has grown little, it is very strong growth. But when we compare that to 2Q, where you grow by 40% as a substantial slowdown.

But I wanted to understand two things. First, your drivers, considering there are so many moving parts, what would you say are the most significant drivers of the slowdown and looking forward with all of these moving parts, you know, your prices going up and the market, how are you looking at that moving forward? That would be my question.

And the second, when it comes to AI, your initiatives become very clear and I think it is great for companies in general to be looking at that, but very few of them are as organized as you when it comes to organizing those initiatives.

But because we have to run the numbers, do you think that we could run any numbers about these initiatives at this point in terms of even helping with your margins moving forward or is it too early for us to do that? Thank you.

**Fernando Cirne:**

Hi Kapulskis, thank you. This is Fernando speaking to your first question. I will turn to Higor for the second one. We have a lot of effort in AI. I mean, is it just about growth?

Of course, when you compare 20 to 40% it may seem like your growth is stunted, but that is not really it. When we compare to 1Q of last year, we have a more substantial basis for comparison because there was this exponential growth between 1Q and 2Q. This would mask a slowdown.

That was not that sharp between 1Q and 2Q, which is not to say that growth was not strong in 2Q. It is just that it is important to look at the quarter over quarter when you look at the numbers, that is first. It is important to see how much we grew between 1Q and 2Q of last year and between 2Q and 3Q of last year. We saw a difference of nearly 30% last year. So that is important too.

Now, again, I think that one important piece of information is that subscription growth, quarter over quarter last year was 30%. We had, we recorded 26% growth. So we have been maintaining our subscription growth, our capacity to bring in new clients via the same, CEC is still the same. And this is very important even though the market is doing poorly, the company has continued to add clients, but at the same cost.

So this reflects the quality of our product, the competence in our sales channels. So that response for much of that now, the more deteriorated market has an impact on GMV. So we saw a deterioration in GMV compared to 1Q.

So this is 50% of revenue with commerce, which is where we need to try to make up for in different ways. And that is why we have all of these fronts. Of course, once the interest rate begins to decrease, that will have an impact. I do not know, or I do not think that will be in the near term.

We have a very low e-commerce penetration compared to the rest of the world. But on the other hand, we have an audience that is very tech savvy. And I think that the penetration of commerce will recover. It is just a matter of time.

We might feel something I would not say in 3Q but maybe in 4Q with Black Friday and Christmas, we might see signs of recovery hopefully. But as I said, we can not expect that to happen. We are working on all of these fronts, especially pricing, as I said, which should bring interesting results in the nearer term.

And there is AI where Higor has just explored and there is also the very strong financial services unit and the message we wanted to give you at this conference is that we should see gains in the medium term from financial services.

So we do expect this new unit to bring in a boost to revenue and credit and even in payment offerings. And we do expect a new revenue stream. This is not just a fuss that we are making over, we do expect we have over 700 clients within the company that spent a lot of time using our dashboards.

And they have, I mean, there is a lot of money on the table when it comes to financial services. So I think that when we look at that again, we also have M&A. So when we look at all of these fronts, the nearly 30% growth in subscription, our subscription base and all the other growth avenues, I believe that we have very promising growth prospects, moving forward.

I think that the company might start growing at very substantial rates again in the future. At least that is what we believe. And I will now turn over to Higor to take your second question. Thank you again for your questions.

**Higor Franco:**

Thiago, thank you for your questions.

We still have not had any impact from AI on the company's results. It is still too early. But according to our studies and the prognosis that we have at this point, we are very optimistic.

We are expecting very substantial impacts whether in BeOnline or in products for new initiatives or in operational efficiency. And it is an even larger impact when we talk about products where the footprint, the AI footprint is larger.

So products where client onboarding is a bit larger or longer, products where we have more touch points with the client. In these cases, I can tell you that AI could have an overwhelming result. It is absolutely overwhelming for these cases.

So even though we do not have specific accurate numbers to show you because it is too early, but we believe that over the next few months, we should begin to see real impacts on our operations, whether that is in productivity or in product in a very substantial way in a few of them.

**Thiago Kapulskis:**

That was very, very clear. Thank you. The message from both of you was absolutely clear. Thank you so much for your answers and a shout out to all of you.

**Marco Nardini, XP:**

Good morning Cirne and Chamas and Locaweb team. Thank you for taking my question. I just wanted to follow up on BeOnline and SaaS. You saw a significant EBITDA increase over the quarter, but your revenue remains a little bit pressured.

I understand there was a slightly advanced quarter over quarter. But if you could share a little bit more about what you expect in terms of normalized growth for this higher level. And what did you map out in that sense?

**Higor Franco:**

So in BeOnline / SaaS, we expect to have a next quarter that is similar to what we had this quarter. We are likely to see an improvement but not as significant as we expect. To see in 4Q, many of the upsides and improvements that we have in the pipeline should already reflect or should already impact both EBITDA and net revenue. So we expect to see an upside, not as significant in 3Q, but in 4Q, we expect to have very interesting numbers to show you.

**Marco Nardini:**

That was perfect. Thank you.

**Mendes, J.P Morgan:**

Thank you for the opportunity to ask questions. We just wanted to understand a little bit better the sequence of decreases in e-commerce, we understand that the cost for wake on your margins were partly responsible if you could add some color to that. That would be great.

**Rafael Chamas:**

You mentioned a sequence of decreases but there was not really a sequence of decreases. We were virtually flat. This was the first decrease and this takes us back to my answer to the first question. The acquired companies have performed well.

Obviously, there are seasonal effects on the quarter. But the medium to long term message that we have sent remains the same if we look at the quarter that we had now, 3Q all companies have, have virtually breakeven.

Starting with Bling and, and Melhor Envio are already operating with good margins. So obviously, there has been the launch for wake and the seasonal effect for the quarter has its impact. So it is not a straight line, but the trends remain the same. We continue to see well, pace growth costs are under control. So all of that in combination leads us to expect the same things that we have been communicating with the market. I just was not able to understand the successive declines that you mentioned.

**Medes:**

Well, I am just talking about the one minus 1.2 and minus 1.22 minus two and margins. But if you could talk a little bit about Wake's impact on the margins of this quarter, that would already help.

**Rafael Chamas:**

Well, essentially what we had in Wake was the launch of the new brand, which is why we had this one off dip and we had already mentioned that this would be a moment where we would need help and considering how we present our margins. And this is a matter of internal governance, how we show our purchasing acquisitions or mergers and acquisitions. There are also this other aspect.

So whenever we launch a new brand, many of these companies are involved in this ultimately affects both organic and inorganic growth and their results.

**Mendes:**

Thank you. That was perfect.

**Fernando Cirne:**

I would like to thank everyone for their contributions to our results for this quarter. And also I would like to thank everyone who joined us and who asked questions. Any interest in our results is positive and welcome.

So we expect to meet all of you again in the next quarter's results conference. Thank you and have a great day.