Conference Call Transcript

LWSA

3Q25's Results

Operator:

Good morning, ladies and gentlemen. Welcome to LWCA's third-quarter 2025 earnings conference call. Joining us today are Mr. Rafael Chamas, Chief Executive Officer, and Mr. André Kubota, Chief Financial and Investor Relations Officer. For the Q&A session, we will also be joined by the company's senior management. This event is being broadcast online via Zoom Webinar with simultaneous translation into English and can be accessed at ri.lwsa.tech by clicking the link that appears in the pop-up window.

The presentation slides are available for download in the results center on the IR website, under the Financial Information section. The information is presented in Brazilian reais and has been prepared in accordance with accounting practices adopted in Brazil, based on the pronouncements, guidelines, and interpretations issued by the Accounting Pronouncements Committee (CPC). Before we begin, we would like to mention that the statements contained in this document related to business outlook, projections of operating and financial results, and growth perspectives are merely forward-looking statements and, as such, are based solely on management's expectations regarding the future of the business. These expectations depend substantially on market conditions, the performance of the Brazilian economy, the industry, and international markets, and are therefore subject to change without prior notice. All variations presented here are calculated based on figures in millions of reais, except when otherwise stated, as well as rounding adjustments.

This performance report includes both accounting and non-accounting data, such as operational metrics, organic and pro forma financial information, and projections based on the company's management expectations. Non-accounting data has not been reviewed by independent auditors.

For the Q&A session, we ask that questions be submitted through the Q&A icon located at the bottom of your screen, including your name and your company. As part of our standard procedure, names will be announced so you may ask your question live. At that moment, a prompt to enable your microphone will appear on your screen.

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

Rafael Chamas:

Thank you, and good morning, everyone. Welcome to LWSA's third-quarter earnings call. I will begin with management's message. My presentation covers four major topics.

The first, and one of the company's most important strategic agendas, is growth acceleration. We had a very successful quarter in this regard.

Cash generation and profitability are another major highlight of the quarter. We were very efficient in converting this growth into results and especially into cash generation.

The third topic is that this was also a highly relevant quarter in terms of key deliveries for our customers, particularly given the evolution of the marketplace environment in Brazil. We had strong deliveries here that I want to highlight.

And lastly, regarding our organizational simplification and divestment agenda, we completed the sale of two company assets in the third quarter, fully aligned with our strategy of focusing on our core operations and divesting from non-core assets.

I will begin on slide 5 with part of the explanation behind our revenue growth: the company's operational fundamentals continue to expand very solidly. Looking at GMV, our clients closed the third quarter with a total GMV of R$ 20.3 billion, representing a 16.8% year-over-year increase. This accounts for approximately 20% of the entire Brazilian e-commerce market.

TPV, our payments operation, has been another driver of growth and acceleration. We closed the quarter with R$ 2.3 billion transacted in our PMS payment operation. We have maintained penetration rates close to 70%, which resulted in 14.9% year-over-year growth.

Another highly relevant metric, strongly linked to our subscription revenue, is that we closed the quarter with nearly 205,000 active e-commerce customers, representing 7% year-over-year growth and an acceleration versus the second quarter, when we reported 5% year-over-year growth. So, from an operational standpoint, the company continues to evolve in a very healthy and solid manner, which leads us, moving to the next slide, to our revenue performance.

We closed the third quarter with yet another quarter of growth acceleration. It was the company's highest growth rate in the last two years, both at the consolidated level and in the commerce segment. In the third quarter, we expanded consolidated growth by 0.5 percentage points, reaching 10.9%. In commerce, the expansion was even greater, 1.2 percentage points, closing the quarter with 11.6% year-over-year growth. I emphasize that this growth is fully supported by the expansion of our operational indicators and represents our best growth rate in two years.

This demonstrates a clear trend of acceleration, something we have repeatedly highlighted as a strategic priority for management.

Moving to the next slide, I now address profitability and cash generation indicators. Starting with profitability itself, EBITDA. We closed the third quarter with R$ 87 million in EBITDA, the highest nominal EBITDA in the company's history.

Previously, in the fourth quarter of 2023, we had achieved R$ 81 million. We are now above that mark, representing 18% year-over-year growth. EBITDA margin was also strong, expanding 1.4 percentage points to 22.5%.

Moving to the next slide, this performance goes beyond EBITDA. In the third quarter, we generated R$ 70 million in operating cash flow, which, added to the R$ 90 million generated in the first half of the year, brings us to R$ 161.2 million in operating cash generation after CAPEX for the first nine months of 2025. This corresponds to a margin of 14.6% relative to net revenue.

So financially, it was a quarter with major achievements: growth acceleration, a very strong EBITDA, and solid cash conversion.

Moving to the next slide, a few comments on product deliveries. I mentioned earlier our significant releases in social commerce and marketplace. We were pioneers. We were the first company in Brazil, through our ERP and our e-commerce platform, to offer native and fully integrated connections to two highly relevant digital retail players, TikTok Shop and Temu. The next slide shows how fundamental this is to our strategy.

Today, the company has more than 30 fully native and integrated sales channels, whether marketplaces or social commerce. I highlight this because it is one of our products' greatest strengths. Digitalization is essential for SMEs, and helping them sell more and manage the complexity of the digital world, especially e-commerce, is one of our core value propositions. So today we offer over 30 channels, with all the key e-commerce logos represented. We help customers run their own B2C operations, but also give them the ability to connect natively to every relevant sales channel, and not just to connect, but to do so with full product integration.

When I think about invoicing and inventory orchestration, this reinforces our strategy of orchestrating SMEs' full digital presence in Brazil, now strengthened by the arrival of two important players: TikTok Shop and Temu.

Another very relevant product update: we have emphasized the strategic importance of financial services fully integrated into our products, and in the third quarter we launched Bling's digital account. This is extremely important when we consider the ERP user experience and the ease of financial management that ERP systems can offer when they are deeply integrated with broader services such as a digital account. This also expands our monetization capabilities through financial services. But I always emphasize that monetization is not the end goal. This is part of a broader strategy to build a digital ecosystem that enables SMEs to manage and orchestrate their finances in a single product. Another key delivery of the quarter.

Lastly, in the third quarter we completed the sale of two company assets: Squid and the Nextios portfolio. These are strategic moves, fully aligned with what I have been saying. To accelerate growth and profitability, the company must allocate capital efficiently and focus on core products, those at the heart of our strategic plan. This naturally includes evaluating divestments. That was the rationale behind the sale of both Squid and Nextios.

Regarding each asset: the Squid transaction was completed in October 2025 and disclosed to the market through a material fact notice. The asset was sold for R$ 45 million, R$ 20 million of which we received at closing, with the remaining balance paid in annual installments starting in 2026, adjusted for inflation. This divestment generated a non-cash accounting impact. Although we generated R$ 70 million in operating cash during the quarter, this sale produced a non-cash accounting impact of R$ 287.6 million in our third-quarter results.

This explains, as Kubota will detail later, why the period's net loss is directly tied to this non-cash accounting impact. It is also important to note that the sale created a tax asset of R$ 117 million. We will discuss this later when talking about cash generation. Our M&A history has produced tax benefits through goodwill and DPA amortization, which we have widely disclosed as one of our levers for cash optimization. This transaction creates an asset of the same nature.

The second transaction completed in the period was the sale of the Nextios portfolio. This is a smaller deal but still important for our strategic focus and organizational simplification agenda. The signing occurred in August 2025, with closing expected in November 2025.

Thank you, and I now turn the floor over to our CFO, André Kubota.

André Kubota:

Thank you. Good morning everyone, thank you Rafa, and thank you all for joining us. I will now walk through the main financial indicators.

Starting with net revenue for the third quarter of 2025. As Rafa mentioned, we saw an acceleration in growth to 10.9% year over year, reaching 387.4 million reais. The commerce segment grew even faster, at 16.6%, reaching 283.4 million reais, with subscription revenue posting an even stronger increase of 20.3% year over year.

The BeOnline SaaS segment recorded a 2.1% year-over-year decline, impacted by the contraction of the portfolio that was divested through the sale of Nextios. However, it is a segment that expanded margins and posted growth, as I will show on the next slide.

On the next slide, the consolidated EBITDA for the third quarter of 2025, adjusted for the non-cash effects from the asset sales completed in the quarter, reached 87 million reais. This represents a robust margin of 22.5%, with 18.1% year-over-year growth and, as Rafa noted, the highest quarterly EBITDA in the company's history. The commerce segment grew 21.9% and also expanded its margin to 20.5%. Meanwhile, BeOnline SaaS, even with revenue nearly flat compared to last year, delivered 11.4% growth with margin expansion to 27.9%.

It is also important to highlight the strong conversion of EBITDA into cash. We posted the best quarter and the best first nine months in terms of cash flow and operating cash generation, reaching 70.5 million reais in the quarter and 161.2 million reais in the nine-month period. This outcome reflects not only improved operational efficiency, margin expansion, and company growth, but also the gains in efficiency in working capital and tax utilization through amortizations and income tax benefits.

Finally, with this strong cash generation, we continue to maintain a disciplined capital allocation strategy and return value to shareholders. In 2025, from January through October, we have already distributed 75.6 million reais to shareholders. This includes 47 million reais in share repurchases under the program approved in February of this year, and 28.6 million reais in dividends. It is also important to note that we submitted a proposal for an additional distribution through a capital reduction of 140 million reais. Following the regular regulatory procedures, we expect payment to take place in February 2026.

With that, we conclude our presentation and open the floor for questions from analysts.

Operator:

I would like to remind everyone that questions should be submitted through the Q&A icon located at the bottom of your screen. As part of our standard procedure, your names will be announced so that you can ask your question live. Our first question comes from Mr. Gustavo Farias from UBS. Please go ahead.

Gustavo Farias, UBS:

Good morning, everyone. Thank you for taking my question, and congratulations on the results. I would like to dig a bit deeper into the components behind the acceleration in e-commerce, particularly separating the relevant increase we saw in the customer base. I tried to break this down on my end, but if you could provide more details on these initiatives, that would be helpful.

In addition, regarding the increase in ARPU, from what we could see, GMV was a significant contributing factor. However, I would also like to understand whether other factors played a role. And finally, I would like to know whether you consider this quarter to be unusually strong or if you see this trend continuing into the fourth quarter of 2025 and the quarters ahead.

Rafael Chamas:

Hi Gustavo, good morning. Rafael speaking. How are you? Thanks for the question and for your comments. Let me walk you through the dynamics behind the acceleration. I always like to emphasize that our monetization model is driven by multiple variables.

Within the business, we have subscriptions, which account for almost half of the commerce segment's revenue. So the two points you raised, which are customer base growth and our ability to improve pricing and ARPU, are key components. And we also have transactional components, which are entirely based on monetizing the transactional activity of our clients. These are the three pillars that shape the growth dynamics.

Thinking about each of them, and then I will invite the other VPs to add anything they find relevant, starting with customer base growth. This was very important. We have been very careful in designing pricing and customer acquisition strategies that align with our new organizational structure. Over the past 12 to 18 months, the company has rethought much of its go-to-market approach and reorganized itself around customer journeys. This structure has allowed us to be more efficient in acquiring customers.

Our pricing strategies follow the same logic, and of course our ability to drive upsell, cross-sell, and incremental monetization affecting LTV and CAC is also an important component. As we continue to expand our integrated product offering, payments have once again become an important driver of monetization and growth, along with the increasing penetration of logistics services. All of this has helped us optimize this combination. There is no single factor behind it; the strategy as a whole has been solid and has made us more consistent in customer acquisition, which in turn supports the second point, ARPU.

ARPU is a combination of our ability to execute cross-sell and upsell, but also the fact that the company has been positioning itself with solutions for larger clients. So it is a blend of stronger monetization in the SMB segment and dedicated products for larger customers that has allowed us to improve monetization and expand ARPU across the base. These are two very relevant components.

Regarding the transactional side, I want to emphasize that we have been seeing strong results in our financial services strategy, particularly in payments. As you saw, TPV expanded by almost 15 percent. Revenue in this line continues to grow, and we did not see an increase in financial costs. So this reflects better optimization and a stronger ability to monetize our clients' transactional activity through these financial products, which complement the subscription strategy.

This combination, Gustavo, is what has taken us to a stronger growth trajectory. I would say these are the key factors. And regarding your second question: in this evolution we have seen over the last three to four quarters, there is nothing on the operational side that I would characterize as out of the ordinary or something one-off that artificially boosted results. What we are seeing is the outcome of a very clear strategic plan, disciplined execution, and a strong focus on the customer, reflected in how we design the customer journey, our go-to-market approach, and our integrated product strategy.

These combined effects have progressively improved our operation. The operational metrics clearly show this, and the financial metrics do as well: revenue, profitability, and cash generation as a result. So I would say it is a combination of strategic factors that has driven the company’s consistent improvement over time.

Gustavo Farias, UBS:

No, that is very clear, and maybe just a quick follow-up. This increase you have seen in both customer base and ARPU, has it been consistent across all segments, or were there specific segments that drove the stronger performance this quarter?

Rafael Chamas:

Thank you, Gustavo. Let me continue here. Regarding the figure of 204 to 205 thousand customers, we are referring essentially to the retail segment, in a sense, focused on SMEs.

In terms of ARPU, larger clients obviously contribute, but they are not directly reflected in the customer base. When I mention the customer base here, I am referring primarily to subscription clients for our platform and management systems, the vast majority of whom are SME retailers.

Operator:

Our next question comes from Mr. Luís Chagas from XP. Please go ahead.

Luís Chagas, XP:

Hi, everyone. Good morning. Congratulations on the results and on the consistency. I have two questions on my side.

The first one is about this pace of gross additions. I would like to better understand the micro initiatives you mentioned. I want to understand what portion of this recovery came from these micro initiatives and what portion came from competitive dynamics, and whether you are potentially gaining market share.

And the second question refers back to the point about e-commerce revenue, where the mix today is roughly half subscription and half transactional. I would like to understand how you see this going forward, perhaps five years from now. How do you see the mix between subscription and transactional revenue evolving? Do you eventually expect transactional revenue to gain more share, with a higher attach rate, considering all the initiatives you are implementing and the levers you are activating?

Willians Marques:

Luiz, good morning, this is Willians speaking. I will answer your first question, since I am responsible for Commerce SME.

Going into a bit more detail, bringing the view that we have been working for several quarters with a strong focus on repricing and repackaging, changing the way we sell our plans. This is not a one-off effort; it is an ongoing process, and quarter after quarter we have been seeing results. I think this quarter we delivered an even more meaningful outcome.

So part of this improvement is the result of this repackaging work. We redesigned plans for both the platform and the ERP, and we changed how customers evolve their monthly price based on how much they use the product, closely tied to the success they are having. It is a strategy that has been winning and positive because it does not impose a price increase by itself. Prices increase only if the customer is achieving success, and therefore sees value in contributing and paying a bit more. That is why this has not affected our churn. Repackaging has been very positive.

Another factor is that we have also been structurally investing, for several quarters now, in the onboarding of these customers. So there is also a packaging aspect here. We launched more aggressive entry-level plans that are theoretically more permissive, allowing customers to use more of the software in a trial-like, learning-oriented strategy. They pay a lower amount and have more resources available so that during the onboarding phase, when they are just starting to use the software, they can get the most out of it. And once they succeed, they are repriced and may move to a different plan.

So beyond ARPU growth, this is also about giving customers the capacity and freedom to complete their store onboarding. In addition, we have previously shown our investment in AI tools, which operate mainly at this stage of building the online store or configuring the management software/ERP.

At this crucial moment, when the customer is starting with us, we have deployed several solutions to help them configure the store layout, register products, and optimize their catalog for SEO. All of this is helping us achieve better numbers in store launches, meaning the moment when a store is truly ready for the market and starts selling. Consequently, this leads to the subscriber base growth we are now seeing.

So I believe it is a combination of repackaging, more attractive entry plans, a strong onboarding focus, and technology that helps the customer get the store live.

I will complement the second question and then pass it on to Rafa and Scarpa to talk about the aspect of recurring versus transactional revenue.

We believe that our current mix is not dependent on transactional revenue. We have all the factors that drive subscription revenue, but transactional revenue has been standing out more and more because we have been bringing more integrated and seamless experiences to the customer. We often talk about embedding additional services into the customer's day-to-day operations.

As Rafael mentioned during the earnings call, the digital account integrated into the ERP (Bling) has shown very positive results in payment share within the e-commerce platform. We have also made progress in logistics. All these transactional revenues tend to grow further. They may grow at a faster pace than subscriptions due to our progress in customer experience and the way we are bringing transactional services into the unified platform experience.

As the customer begins to operate a digital account inside the ERP, they will carry out more transactions and generate more revenue than before, when this process was less optimized. So this is more from a product perspective, showing how the product will support this growth.

I will pass it on to the others so they can also share their perspective.

Rafael Chamas:

Hi, Willians, thank you, and it was great that you mentioned the digital account. I will pass the word to Scarpa in a moment, but just reinforcing your point to Luís from a strategic perspective. Looking at the global environment for software companies like ours, transactional components tend to become more relevant within the company's total revenue.

Of course, this depends on a well-orchestrated pricing strategy, and a key component is financial services, which ultimately becomes the most important part. Today we have what I would call a highly successful strategy for payment processing. We have penetration rates of 70 percent in the SME operation, which has supported part of the acceleration in growth and, more importantly, shows how we are able to integrate these tools very natively.

But we have said for a long time that our financial services strategy goes far beyond payments. For that, we need to build products that enable a much broader journey, allowing for cash-in and cash-out flows and complementary monetization in a highly integrated and native way within the software.

But I will let Scarpa comment a bit on the new products we have in mind regarding the launch of the digital account itself.

Marcelo Scarpa:

Luiz, good morning. Marcelo Scarpa speaking. Continuing from Rafa's point, I believe we have been very successful in our Embedded Finance strategy. We are seeing very relevant TPV growth, with penetration in our SME base close to 70 percent. We have maintained strong momentum in receivables advances for these clients, with better conversion, higher penetration, and overall improved efficiency in our payments strategy.

In the banking segment, it is important to highlight the launch of Bling Conta, which provides a more seamless financial management experience for our customers, fully embedded within the platform. We are moving forward on our roadmap to accelerate the banking offering by adding new services.

Finally, on the credit side, which I believe is a major catalyst for results for the company, we have been testing some products that we refer to as contextualized credit. We recently launched an operation together with our logistics partner Melhor Envio, offering a post-paid solution for clients. We are testing this product, and the initial results have been very positive.

Another contextualized credit initiative is media financing for Tray's SME clients, also a credit solution focused on the client's operational needs. And on the roadmap for the end of the month and early December, we have leveraged receivables advances. We already have a robust receivables advance operation, and we will begin piloting a leveraged version of this offering.

So, as Rafael mentioned, everything is aligned with our Embedded Finance strategy, integrating financial services into the customer journey. Based on the early results, particularly in payments, we have been seeing very strong outcomes.

Victoria Antonello, JP Morgan:

What should we expect for ARPU? Should it continue to grow above inflation over the next quarters, and should this level of customer additions be considered a new baseline, given the changes you have implemented?
And the next question is about the GMV of owned stores. In the release, you mention that there was an improvement during the quarter. I would like to know if you could share the growth rate for September and what we should expect for this line in the fourth quarter.

André Kubota:

Hi, good morning, Vitória. André Kubota speaking here, how are you? Thank you for the question.

I will start with the first one. Looking ahead, as we have consistently mentioned, structurally we operate in a market that still has very strong long-term growth potential. The penetration of digital channels and the growth of e-commerce continue to advance, and we believe there is still significant room for additional penetration.

We are continuously evolving our products, integrating our platforms and services to take part in the customer journey in a more seamless way, which creates additional value for clients. So when we look at ARPU, we do not increase prices just for the sake of it. We do so in line with the client's own growth and the value we generate for that client.

Given that clients using our solutions continue to evolve, they are able to accelerate sales, they may start with a certain GMV and, over time, they grow within our platform. So, to answer your question about growing above inflation, we do believe it is possible, because our platform continues to generate value for clients and they are able to expand.

Regarding client additions, it is difficult to set a long-term trend, but the improvements we have been implementing in our products represent a continuous evolution, with multiple initiatives that complement and enhance our offering. Obviously, if we look at a longer time frame, structurally we have a significantly better product, but this evolution is continuous and builds improvements over time. We expect this dynamic to persist.

Moving to the second question about GMV, we are not providing any month-to-month disclosure, but what we mentioned is that July was indeed a weaker month for us. We can even discuss the underlying impacts, but August was better than July, and September was better than August. We do not share the specific number, but it is clearly above the consolidated quarterly average.

Looking ahead and considering the short to medium-term outlook, we see October unfolding in a scenario where Black Friday is increasingly consolidating itself in the country. Clients have been waiting for retailer promotions to concentrate purchases throughout November or during the Black Friday week. So, October, as expected, is a month in which clients hold back a bit. But the trend, once again, is similar to what we saw throughout the quarter. I am not sure if this fully addressed your questions, but this is how we are viewing the situation.

Operador:

Our next question comes from Mr. Lucca Brendim from Bank of America. Please go ahead.

Lucca Brendim, Bofa:

Hi, good morning, everyone. Thank you for taking my questions. I also have two on my side. The first one is regarding capital allocation. If you could share a bit with us, first, whether you still see room for divestments or if the assets you believed had room to be sold have already been sold in this latest move.
Second, looking ahead, do you see opportunities for new investments or M&A in specific verticals, or should the focus of this cash generation continue to be shareholder distributions as we saw this year?
And a second question is whether you could give us a more detailed update on WAKE, how growth has been, and how you are viewing the segment's strategy going forward.

Rafael Chamas:

Hi, Lucca. Good morning. Rafael here again, thank you for the questions. I will start with the first one and then hand it over to Alessandro Gil so he can give a broader update for everyone. So let's begin with the investment strategy. What led us to make the decision regarding the two divestments, and I want to reinforce what I mentioned in the presentation, is discipline in capital allocation and strategic focus.
These were assets that we believe did not fit within our strategic priorities and therefore were the priority assets for divestment. At this point, the company does not have any other structuring divestment moves that need to be made. I would say that what was fundamental for us to ensure greater discipline in capital allocation and strategic focus has already been executed.
Looking ahead at capital allocation discipline, we have been generating excess cash. As you saw, this quarter we generated 71 million in cash, and in the first nine months almost 160 million. The company is not currently focused on new investments through M&A. I would say the M&A agenda was very successful in what we built in the 2020–2021 window with the IPO and the Follow-on, as well as the acquisitions that took place over those three years.
All this robustness of the company today, our relevance in the digital market, in the e-commerce and retail market, reflects this disciplined execution of M&A. But today the company's entire planning is centered on better monetization, profitability, and growth through the integration of the journeys and products in which we invested. So the company's focus is on the assets we have in-house. M&A is not a short-term topic for LWSA.
And finally, regarding Wake, I will hand it over to Alê.

Alessandro Gil:

Hi, Lucca, how are you? Thanks for the question. We continue our journey in a very solid way, focusing on mid-sized and large clients, especially those that play an important role in omnichannel strategies. I think the acquisition of Syntese at the very beginning of our journey was a very important win, and it has been helping us gain strong traction in this segment. We have been executing a go-to-market strategy that focuses on specific verticals, doing excellent work in each segment, and then expanding to others.
We have been doing an incredible job in fashion, specifically, where we have the brands from the Icon group, Shop Together, and Que Vestir, which are perhaps the largest multi-brand online retail players in Brazil. We recently launched Shoulder with outstanding work and very positive results on their side. We also work with Inbrands, Gregory, Blue Man, and several other brands in this segment. We have been advancing very effectively in the fashion vertical, and we are beginning to expand our omnichannel work into other segments such as building materials.
We have also started to see some early success with pharmacies. So we have been focusing our efforts on verticals, building case studies, strengthening omnichannel capabilities, and evolving the platform to deliver more efficiency for our clients. Our front-end and our OMS have been working very efficiently to drive organic traffic and improve performance for the brands. We have also been working with several artificial intelligence initiatives to accelerate the development of the CMS itself and to improve stock allocation, which makes a significant difference in inventory placement and profitability for clients of this size.

Maria Clara, Itaú:

Good morning, everyone. Thank you for the opportunity, congratulations to you all, and sorry for the issue with my microphone. I hope you can hear me now. I wanted to shift the topic a bit and explore BeOnline. You bring a new update regarding the continued process of optimizing the BU's solutions. Could you share a bit about how you view BeOnline's growth prospects over the next few years?
Do you see additional opportunities to keep optimizing the solution mix? Is there room to potentially drive more cross-sell with commerce? I would like to hear your thoughts on this. Thank you.

Higor Franco:

Good morning, Maria Clara. Sorry, this is Higor. I will address your questions in parts. Regarding the revenue performance, we remain focused on the medium and long-term plan of optimizing and improving the profitability of certain contracts. Rafa mentioned during the presentation the steps we took with Nextius, which is one chapter of this project.

Nextius illustrates our strategy to improve the profitability of this segment by optimizing some contracts, specifically larger ones whose profitability is still below what we consider ideal for the segment. So we are continuing with this agenda, and we still see room for improvement going forward. I would say that in the next few quarters, we will continue to see profitability take priority over growth. This is our strategy for this segment.

Looking ahead and giving you a bit more color on portfolio and similar topics, we have been making some investments in the segment, specifically in the cloud market. We mentioned a few quarters ago, and more specifically last quarter, the launch of Locaweb Cloud.

We continue to invest, as we believe this product can become a very interesting growth lever going forward. It has not been fully launched yet. We are still in a soft-launch phase with some clients. We are already running some of the group's operations on this platform, and the results have been very positive. We want to launch a fully robust and secure product for the market, so we are conducting every possible test to make this release at some point early next year.

This is an example of how, even while pursuing a medium and long-term process of improving profitability and migrating certain contracts, we still see opportunities to invest in this market. When we talk about infrastructure in the Brazilian market, IT infrastructure specifically, there is still significant room for digitalization and productivity gains.

When we look at indicators such as the size of the cloud market in Brazil, we are talking about a market between three and four billion dollars, which is very large. Any penetration in this market can generate substantial upside in terms of revenue.

So we continue to believe there is space and that opportunities do exist in this segment. However, we will not trade our profitability strategy for an aggressive growth strategy. That is not our approach, that is not how we see this segment, and this is how we intend to continue steering BeOnline going forward.

Operator:

As there are no further questions, we will conclude the Q&A session and return the floor to our CEO, Rafael Chamas, for his closing remarks.

Rafael Chamas:

Well, I would just like to thank everyone for their interest in the company and for joining the call. Thank you very much and have a great day.

Operator:

LWCA's third quarter 2025 earnings conference call is now concluded. We thank everyone for their participation and wish you all a great day.