

**Joinville, May 04, 2023**

**Thomas black:** Good morning, welcome to Neogrid's first quarter 2023 earnings release Webinar! Before starting, I draw your attention to our legal notice, which is here on the screen, and I would like to take this opportunity to introduce you to our team of executives today, made up of Jean Klaumann, our CEO, Aury Francisco, CFO and IRO and by me, Thomas Black, Head of Investor Relations. We'll start the presentation in a moment. Upon completion of the presentation, we will open the Q&A section and you will be able to participate by sending questions through the chat.

Well, I now invite Jean to start the presentation. Please Jean.

**Jean Klaumann:** Good morning everyone, and thank you for connecting with us today!

In this first quarter, when we complete 24 years of history, I would like to share some important advances in our strategic levels. We invested in strengthening our team and strategies to leverage our roadmap and pricing, making our adherence and competitiveness in the CPG and Electro segments in Brazil even more tangible. We created a more senior cell to expand the network of retailers and distributors that connect industries by expanding the Neogrid collaboration ecosystem. We strengthened the channel and sales capture and development team, also strengthening our capillarity through indirect sales. We set up a team focused on performance marketing, generating a demand that is increasingly adherent to the funnel we need to continue growing, period by period, our ability to increase our recurring revenue. We also strengthened the number and seniority of sales professionals to have the best commercial coverage in our installed base in CPG and Electro, as well as to increase our ability to hunt for new customers in these same markets. And we continue to improve our commercial efficiency with methodology, tools and analysis, bringing more fluidity, methodology and assertiveness so that our pipeline has a shorter sales cycle and a higher conversion rate.

When we look at the evolution of our recurring revenue, we can celebrate the 11.5% growth of our business as a whole, but when we look at our actions aimed at what is Neogrid's new strategic focus, the CPG and Electro market in Brazil, we have an important growth of 17% in the same period.

Among the other innovations that we had this quarter, we celebrated the definition of Bain & Company as our consulting firm to improve the strategic planning of what we want for the next 5 years. Our goal is to make the growth levers more tangible and prioritize, bringing a pragmatic view on the ways to build the Neogrid we want and deliver results above what we have done in the past.

Regarding our ecosystem of acquired and invested companies, we had more good news in the first quarter: we reached the first breakeven between the M&As of the operations we carried out in 2021, which is the result of budgetary discipline combined with the good performance of the companies in the ecosystem, capturing commercial and technical synergies, and this will gradually enable the expansion of the consolidated margin with the operational leverage of the other operations.

On the market relationship front, in continuity with Neogrid's brand repositioning and presence work, we launched a monthly agenda of own events, sharing opportunities with our customers for our solutions to provide additional sales, with more margin.

Still on the customer and market relationship schedule, we also announced the second edition of the Neogrid Summit for August 22 of this year, with the ambition of having even more participants and a complete grid of cases and launches of new solutions.

Finally, we inaugurated a new office for our operation here in São Paulo. A larger structure, focused on promoting interaction and collaboration with our customers, promoting more value to our ecosystem. A modern structure, which will reflect our new positioning, reinforcing relevant attributes as an employer brand and technology partner.

I would now like to invite our CFO and IR Director, Aury, to present our financial highlights for the quarter.

**Aury Francisco:** Good morning, thank you for connecting to our earnings call today.

In the first quarter of 2023, net revenue was BRL 69.9 million, a growth of 7.6% compared to the same quarter of last year, with a recurrence level of 97.3%, which increased 0.4 percentage points in relation to the same period last year.

The distribution of revenue by region includes 12.6% of international contracts, a decrease of 4.9 percentage points compared to 1Q22, which is a reflection of Neogrid's strategy review, prioritizing the Brazilian CPG and Electro markets.

In the breakdown of revenue by offers, the group of Demand Activation offers represented 50.1%, a gain of 4.4 points in representation in the quarter, here we have solutions with greater scalability and higher tickets, in addition to aggregating most of the integrated solutions into the M&As we did. Integration offers represented 30.8% of net revenue, an increase of 1.8 points, and finally the Replenishment group representing 19.1%, a decrease of 6.2 percentage points compared to 1Q22. It should be noted that most contracts abroad that were not renewed were classified in this offer group, and therefore the reduction.

Operating expenses represented 51.3% of net revenue in 1Q23, an increase of 1.1 percentage points compared to 1Q22. It is important to highlight that 1Q23 is the first of the quarters with direct comparability in relation to the same period of the previous year, since 5 M&As took place during the year 2021. The main variations in operating expenses year on year are related to the heading of Research & Development, as a result of the proportional increase in these expenses by the group of acquired companies.

EBITDA adjusted by extraordinary expenses and with the stock option of the RSU plan, was R\$8.5 million in 1Q23, a decrease of 2.8%, with an adjusted margin of 12.1%, a reduction of 1.3 points percentages compared to the same period last year. Changes in the adjusted margin are mainly due to a greater share of inorganic results in the consolidated result.

Accounting Net Income for the first quarter was R\$3.5 million, with a net margin of 5.0%. This result contains the effects of non-cash items arising from M&A executions, which are the amortization of Capital Gain and the AVP of investments, in addition to expenses with the granting of shares in the RSU plan and the result of exchange variation. Excluding non-cash effects, net cash income was 7.9 million in 1Q23, with a margin of 11.3%, a reduction of 3.7 percentage points compared to 1Q22.

Operating cash generation in 1Q23 was R\$6.8 million, with a Cash Flow From Operations / EBITDA conversion multiple of 0.9x. The cash conversion in 1Q23 is a result, in addition to the positive working capital, of the realization of receivables that had not occurred in 4Q22, combined with the payment of bonuses for the year 2022. When excluding the effects of the bonus, the conversion was 1.6x EBITDA.

At the end of 1Q23, the gross cash position was R\$237 million, while net cash from loans and financing totaled R\$186.3 million, and excluding the balance of obligations with acquired companies, the net cash position is 123.1 million. The variation in net cash over the quarters is a result of the generation of recurring operating cash, and the use of resources in M&A payment flows, throughout the year.

I would now like to invite Thomas to lead the question and answer session.

## Q&A

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**Thomas Black:** Good morning everyone, I would like to mention once again that if anyone wants to register their presence here and ask questions to our executives, please share your questions through the chat here on our platform. We already have some questions here, and initially I would like to record the presence of the Credit Suisse team, Victor Ricciuti and Daniel Federle. The first question from the Credit team:

**Q:** Are we seeing ARR growing more than revenue in the quarter? What's the rationale? So should we see revenue accelerating to an ARR-like pace in the coming quarters?

**A (Jean Klaumann):** Well, thanks to the CS team for honoring our broadcast of results and thanks for the question. Well folks, there is an important issue here when we talk about ARR and when we talk about our net revenue. The ARR is based 100% on the projected recurring revenue for the month of March. And when we talk about revenue, we also consider our setup revenue, our non-recurring revenue. Increasingly, aiming to be a SaaS company, we've been working to reduce our onboarding effort and cost, and thus remove friction from the sales process so that we can win more customers for our recurring revenue. So we already have a reduction of 13 to 14% in our setup revenue from what happened in this first quarter compared to the same quarter last year and something similar compared to the last quarter. So all our attention is on the recurring revenue growth that accompanies the MRR.

Second theme, it also depends a lot on the mix in which we are marketing the products, when we talk about demand planning solutions we have a heavier setup naturally, it is a more consultative project and when we talk about demand activation and collaboration the we talk about products that we have clearly managed to practically reduce setup costs to zero. And there is a volumetric theme in some of our products, such as EDI solutions or our fiscal messenger solutions, where we have a positive fluctuation at the end of the year due to Christmas, Black Friday, in short, and a lower value happening in Q1. So the oscillations that we are talking about here regarding revenue, they have this characteristic based on the theme of the setup based on the mix based and based on the theme of volumetry.

**Thomas Black:** Cool. one more here from the CS team:

**Q:** You are still going through a moment of strategic changes, even though many things have already changed internally. With the arrival of strategic consulting, what agenda are you focusing on optimizing?

**A (Jean Klaumann):** Well, great question. When we started this process that we call the new Neogrid, in the first half of last year, one of the important things we diagnosed, and this was widely discussed here, is the number of simultaneous fronts and the need for the company to be more focused and more discipline in its execution, for this reason the prioritization in the Brazilian market, for this reason the prioritization in the CPG and Electro chain, for this reason to clearly understand how we look at products that generate more value for our customers with the mission of helping them to sell more with more margin.

This is a definition that brought pragmatism to our roadmap, to our demand generation process, to our go-to-market, to our adjustment of commercial coverage. But of course this is still a very shallow definition, right? When we look at the long term and today in technology we talk about the long term, it's three years, four years or five years, how do we look at the blockchain agenda? How do we look at the explosion of the AI agenda? How do we understand the correct quantification of the levers that we attack today? So that we can have the best prioritization, not just for the year 23 or for the year 24, but for the coming years as well. And so, obviously, I once again highlight our willingness to gradually rescue our own M&A agenda.

So, I think so, the first guidelines that we adopted last year have proven to be assertive and the consultancy's support comes with global thinking, a global perspective, a scanning process of all companies that can be a benchmark for us and that bring avenues of growth that we can leverage and the quantification of the investment and the potential return of each one of

them so that we have more and more clarity of the levers, focus on the most relevant and prioritization in the focus with discipline of these same ones situations.

**Thomas Black:** Perfect. We also have participation from Leonardo Olmos, from the UBS team, and he brought two questions here, the first is:

**Q:** Please discuss this important acceleration in the MRR and what factors are likely to cause the MRR to increase or decrease through 2023?

**A (Jean Klaumann):** Well thanks for the question Leonardo. Thank you UBS for accompanying our call here. I think there is an important theme here exactly when we highlight the 17% growth based on what we chose as a strategy. When we say that we grew 17% in CPG and Eletro in the Brazil operation to the detriment of the smaller growth in the Global operation, we are clearly saying that we have shrunk our operation outside Brazil. Markets that we deprioritized or products that we already had a margin on that or no longer had the scale that we would like, we have had a higher churn and within a planned and expected line that would happen.

When we talk about the coming year, I think there are some important elements that we have to understand. First, the behavior of inflation, we were very disciplined in the inflationary transfer of our contracts last year and eventually this year we have, with the reduction in inflation a component of the reduction in the number of growth due to this element. On the other hand, we just announced the growth of the sales team, the growth of our pricing strategy, the growth of our channel team to create a relevant indirect sales force, there is an onboarding cycle for this new team, there is a cycle of forming a pipeline for this new team, but without a doubt they will bring us the ability to grow at an even better level than we have grown up to then. Then,

**Thomas Black:** Great. One more from the side of UBS:

**Q:** Across the three verticals, we've seen that Demand Activation is going very well and has positively surprised our expectations. Integration has gone online, and Replenishment is slowing down faster than expected. Is this something that should continue throughout the year?

**A (Jean Klaumann):** Well, I think the collaboration agenda is an agenda that we have a lot of lockin, so it's a product that we have a very visceral relationship with, with the transaction in all the collaboration between industry, distribution and retail. The visibility agenda is a market in transformation, I think that when we talk about data such as new oil and insights, we had some opportunities that we managed to capture, but it is precisely on this topic that we have been putting our greatest energy roadmap from here. Neogrid was a company that consolidated itself as a leader, as a pioneer in sharing insights from a supply chain perspective. When we talk about sharing with the whole chain where are the opportunities to reduce stockouts, to improve turnover, to reduce the critical excess of inventories in 2023, precisely because of the issues related to the capital course. But we see a huge avenue for us to continue growing as we have grown, also bringing insights to the sales window and not just to supply. So the acquisition of Lett, for example, which brought more intelligence to digitize the consumer goods industry, Smarket bringing more promotional intelligence to our portfolio and our agenda now involves how do we concatenate all this information, generating insights even more assertive to support our customers. So a positive expectation that the roadmap will bring us even more levers for the issue of visibility. But we see a huge avenue for us to continue growing as we have grown, also bringing insights to the sales window and not just to supply. So the acquisition of Lett, for example, which brought more intelligence to digitize the consumer goods industry, Smarket bringing more promotional intelligence to our portfolio and our agenda now involves how do we concatenate all this information, generating insights even more assertive to support our customers. So a positive expectation that the roadmap will bring us even more levers for the issue of visibility. Smarket

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Demand planning was heavily penalized by the international agenda. When we look at CPG and Eletro, planning demand for non-continuous products has another approach, it has another cycle and we understand that it is not the best short-term opportunity for Neogrid, and we have some churns that happened over the years last 12 months in this direction, as well as cases in remote countries. In the second half of the year, we will announce important innovations for our demand, supply and replacement planning technology, which will bring us an important pipeline of growth opportunities again, in CPG and Eletro in Brazil, but from a planning perspective. of demand and supply.

**Thomas Black:** Very well. We received a roadmap question here, which I think is in line with what you answered Jean. They ask here if:

**Q:** Do you have any releases planned that we can comment on in relation to the product development roadmap, anything you can add?

**A (Jean Klaumann):** as for those who have more budgetary flexibility or who are already contemplating important investments this year, we capture within the 2023 fiscal year cross-sell, up-sell and new names based on what we communicate at the Summit. Our goal this year is to bring 1,500 companies to the event and without a doubt it will be the main launch window for new technologies very much in line with what I just mentioned about strengthening analytical intelligence and insights to help companies sell more, we have a series of very interesting innovations in preparation, and the rejuvenation, the empowerment of our demand planning solutions even more Fit for the food retail and for the home appliances market. up-sell and new names based on what we communicate at the Summit. Our goal this year is to bring 1,500 companies to the event and without a doubt it will be the main launch window for new technologies very much in line with what I just mentioned about strengthening analytical intelligence and insights to help companies sell more, we have a series of very interesting innovations in preparation, and the rejuvenation, the empowerment of our demand planning solutions even more Fit for the food retail and for the home appliances market. up-sell and new names based on what we communicate at the Summit. Our goal this year is to bring 1,500 companies to the event and without a doubt it will be the main launch window for new technologies very much in line with what I just mentioned about strengthening analytical intelligence and insights to help companies sell more, we have a series of very interesting innovations in preparation, and the rejuvenation, the empowerment of our demand planning solutions even more Fit for the food retail and for the home appliances market.

**Thomas Black:** Very good. Here we have Kerem Aksoy from Glacier Pass, he says here:

**Q:** Hello, congratulations on the results. It's great to see the transformation of the company taking place. You mentioned that the first of the acquired companies reached EBITDA breakeven. Can you provide some information about the trends and your expectations for the rest of the companies?

**A (Jean Klaumann):** Thanks for participating and for the question. When we saw the movement of Neogrid, after the IPO, with the five acquisitions carried out in 2021, we acquired companies with a lot of synergy and complementarity with this agenda of looking at the same market and complementing our capacity to support, in addition to Supply, sales agenda, but we brought in companies that still needed significant investment in order for them to gain strength and capacity for growth. So, when we look at the behavior of our profitability last year, the organic Neogrid maintains a very healthy margin level, but it sponsored the growth of these operations and they were important increases where we had more than 60% growth in annualized revenue of these combined assets.

Now, as we start to have this commercial synergy, a Neogrid sales team sponsoring the greatest cross-sell in our base of these products, the energy of governance, our G&A bringing more robustness and administrative synergy to these operations as well, Naturally, with this operating leverage, we begin to see margin expansion. The first of them that reached this breakeven shows the clarity of this movement and the expectation that over the next 12 months all of them will minimally reach breakeven. So, it will be an important year for this transition, for us to build a 2024 gold, as we say internally, in the agenda of both maintaining the growth of these assets and expanding their margin to a level closer to that of Neogrid.

**Thomas Black:** All right, we're collecting more questions here. I would like to leave the message again that anyone who wants to participate, please do so through our platform.

**Aury Francisco:** Thomas, while you are collecting the questions, if I can complement Jean in the previous item, right?

In relation to the result of these investees and the impact on the consolidated, right? There is an important thing that when we make these acquisitions and acquire these companies, we have a reduction in the margin caused by the investments in research and development that these companies bring. And we even have another impact which is a double penalty on our net income which is the amortization itself, of the amount paid to these companies, when we buy a company we have to allocate the acquisition price among the assets, so usually customer portfolio, software and brand, with the customer portfolio and software being the most relevant parts and they have an average amortization of 4 or 5 years. So our net income has a double impact. The direct impact of the result of research and development and of all the investments that the company makes year after year. And an impact of amortization, so when you look at our result, there is a net profit that is much lower than the cash net profit precisely because it has the impact of various expenses there, which did not necessarily involve a cash flow for the year. Just as a complement to Jean's explanation, which I think makes all the difference when analyzing Neogrid's profit and cash generation.

**Thomas Black:** Great, thanks for the input Aury. The questions we have here on the platform are within the themes that we just addressed Jena. So before inviting you to make the final remarks and close today's call, I would like to invite everyone who has questions or wants to get to know our team and our company better and let everyone know that we are available here at RI, contact us through our website and our email [ri@neogrid.com](mailto:ri@neogrid.com), it will be a pleasure to serve you. Having said that, please Jean, I would like to ask you to make the closing remarks and we'll see you in the next quarter.

**Jean Klaumann:** Thank you Thomas, thank you Aury and thank you to the entire Neogrid team, for all their efforts in this company's turn around process. We start the year with a feeling of confidence and optimism for all the steps that were placed in the logical sequencing, right? The formation of new leadership, clarity of focus, discipline in execution, strengthening communication with our customers, refreshing our brand and repositioning with a company with new technologies and new levers to help our customers in their growth.

Without a doubt, we have managed since the first quarter, when I join the team, to always bring revenue growth on a quarterly basis and make new investments with a discipline also with cash generation and a preservation of minimum profitability that gradually begins also being expanded together for revenue. But it's a journey, right? We still have an important challenge of rejuvenating the product portfolio, the tradeoff agenda that brings its hiccups over time. So it's a year of transition, it's a year of construction in which we're going to see more and more levers being the majority in relation to the tradeoffs that we choose. So, I would like to thank you for your confidence in Neogrid, I thank you for the audience in this call and I hope to come back soon celebrating a few more steps in the growth of our strategy. Best regards to all.