

**Conference Call Transcript
Infracommerce (IFCM3)
4Q21 Results
March 18, 2022**

Fábio Bortolotti:

Hello, everyone. Good afternoon. Thank you for joining us for Infracommerce 4Q21 earnings conference call. I am Fabio Bortolotti, IR VP and Internationalization at Infracommerce.

The results that we announced yesterday, the audio of this call and the slides that we will reference are available in our IR website.

Joining us today are Kai Schoppen, our founder and CEO, and Raffael Quintas, our CFO.

After the presentation, we will be available for the Q&A session. If you want to pose a question, please use the chat box on the webcast platform.

Before I turn the call over to Kai, I would like to caution you regarding our forward-looking statements. Any matters discussed today that are not historical facts, particularly comments regarding the Company's future, objectives and expected performance, constitute forward-looking statements. These statements are based on a range of assumptions that the Company believes are reasonable but are subject to uncertainties and risks that are discussed in detail in our CVM filings. Also, forward-looking statements are no guarantee of performance. They involve risks, as they depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors can also affect the future results of the Company and lead to results that differ materially from such forward-looking statements.

During the call, we will discuss non-IFRS performance measures, which should not be considered in isolation. For a conciliation of such non-IFRS performance measures, please check the tables in our earnings release.

With that, I will turn the call over to Kai.

Kai Schoppen:

Thank you, Fabio. Good afternoon, everyone. Thank you for joining us today. It is our pleasure to share our 4Q21 and full year 2021 results with you today. I would like to start by saying that on our wall, in our office, located in Villa Olympia, São Paulo, we have a saying that says "always deliver more than expected". I am very happy and very proud to say that we, as a Company or that means our Infras, our team can deliver results that reflect that same.

So first of all, I would like to thank our team who have once again delivered more than expected with a lot of dedication, passion and our way of delivering. The 4Q21 was very special. Not only we achieved a record in earnings, but we also closed the greatest deal in the history of our Company. And I am very proud of what we are building together. I can assure you that we are eager for much more.

Now, let's get started on slide four. The main highlights of 2021 are a 52% growth in our GMV, reaching R\$ 7 billion. Our net revenue has reached R\$ 423 million, up almost 80%. With that, more than tripled the size of the Company in only two years.

We have reached a number of almost 4,000 employees and our TPV reached R\$ 1.1 billion, up more than 100%, and we did five M&A or acquisitions that together were a breakthrough for the Company.

We have reached a record of 85 million items processed in our logistic grade and in our system. And in addition to that, we were able to expand to another six countries in addition to Brazil. So, with openings in Peru and Uruguay in 2021.

As you can see on slide number five, one thing I usually say is that our clients are a business card. The quality of the brands that trust Infracommerce, for me, proves the quality of our execution. Not only we have widely known brands that are always in the forefront as our customers, but we have expanded our client base from 201 to 520 clients in 2021.

It is important to highlight that the strategy that we shared with you in the past of expanding to different sectors is also being very successful, as you can see with brands from the luxury and pharma sectors coming into our ecosystem. In B2B, we have also made a partnership with customers from agriculture. So, the strategy is working.

And we can also feel the beginning of an increase in demand of customers who want a cross Latin-American solution. They want us to be present for them, not only in one country, but in several different geographies where we operate.

Now, moving on to slide six. I would like to tell you about something that is key for our business model. If you look at the e-commerce market, you realize that there has been a lot of growth and sophistication. And with that, brands either need to build their own ecosystem or they need to participate in one.

This has been a reality for a long time in the US, and Brazil is just starting to grow through this critical phase in which you either have to be an ecosystem or participate in one to be successful. Without scale, it is almost impossible to compete with major marketplaces considering the billions of investments and technology that these players can do.

And a small player with like 20 to 50 staff in house cannot keep up with. So, looking at that, we can say that Brazil is more advanced in terms of sophistication, but we also see an accelerated pace of progress in other countries in Latin America.

On slide seven, you can see that for clients that need to participate in an ecosystem and that want to be a part of an ecosystem, but that do not have a scale to build their own, Infracommerce is today virtually the only solution or clearly the market leader in this.

We have a combination of Infrashop, Infralaw, Infrapay, Infradata and Infradigital and 100% integrated way creating this ecosystem that is the future of e-commerce, in our view. And this is what we add in our value proposition and to our market offer.

Now on slide eight, I would like to highlight another dimension of our business. We have completed five M&As because scale is extremely important, as I said in slide five to build an ecosystem. And since the scale is so important, we have completed five acquisitions and thus we have created an even more disruptive ecosystem.

In addition to that, we have complemented our offer that enabled us to have a geographic expansion. Now I would like to turn the call over to Raffael Quintas our CFO, who will give you further details of the financial performance of 4Q21 and full year 2021.

Raffael Quintas:

Thank you, Kai. Hello, everyone. Well, as you can see on slide 10, our performance in 4Q was very robust, reflecting the good period the company is experiencing. We have registered a GMV of R\$ 2.4 billion, up 92% against 4Q20.

In terms of net revenue, our growth was even larger, up 155%, not only due to the expansion of the GMV, as I just mentioned, but also because of a growth in our take rate compared to the same period last year. I would like to remind you that these results incorporate only part of the Synapcom deal since the closing only happened in late November.

Our organic growth in the quarter reached 29% compared to the same period the previous year and a CAGR of 44% against 2019. We were able to match strong growth in revenue, with healthy gross margins reaching 50% in the quarter.

If we adjust for non-recurring events related to M&A, the EBITDA this quarter was R\$ 18 million, more than double that of 4Q20, with gross EBITDA margins of 11%. It is important to say that these results do not reflect the whole potential of synergies that we have mapped to capture, especially with the acquisition of Synapcom.

On slide 11, we can see a GMV growth of 52 %, going up from R\$ 4.7 billion to R\$ 7.1 billion. The revenue went up 79% in that same period as a result of the successful M&A strategy conducted throughout the year and also strong organic growth of 26% versus 2020 and a CAGR of 47% against 2019.

Our growth was also accompanied by an expansion of profitability, even considering a higher pace of investments in that, as I will say in a minute. We closed the year with gross margins of 48.5% and adjusted EBITDA of R\$ 26 million, exceeding the guidance that we have released through the market by 17%. The main EBITDA adjustments are related to the IPO, and the five M&A conducted throughout the year.

Now on slide 12, we will tell you a bit more about the investments we made throughout the year. As we said during the IPO, we were going to use part of the proceeds to accelerate our investments, especially in technology.

Our overall capex grew by 85%, but our capex for technology projects grew by 176%, focusing on the development of our omnichannel platform. Also, we have closed 4Q21 with an expansion of our logistic grid with seven data stores being opened, closing the year with 18 in total and 13 distribution centers.

With that, we are closer and closer to our end consumers, that is the customers of our clients, considering quicker delivery and increasing the sales conversion percentage of our clients and, as a consequence, increasing our revenue as well.

For 2022, we intend to intensify our investments in technology even more without the same need to expand our logistic grid, since the focus will be to capitalize on the investments made in 2021.

On slide 13, you can see a highlight of our cash position and net debt. We closed 2021 with R\$ 210 million in cash, even after the payment of the acquisition of Synapcom and the increase in investments that I mentioned in the previous slide.

We have reinforced our cash position with the issuance of our first debenture of R\$ 250 million that will expire in two years. Thus, our net debt closed the year at R\$ 58 million, slightly above that of 2020 even with a higher revenue level.

Now I would like to turn the call over to Fabio Bortolotti, who will give you further information about our guidance and the news of the quarter.

Fábio Bortolotti:

Thank you, Raffael. Now let's move on to slide 15. We would like to reinforce the guidance we gave last quarter with a total GMV of R\$ 13 billion for 2022. We are even more confident with these projections after the results of the 4Q21.

So, just like with it in 3Q, we have given a highlight to the effect of the organic growth and acquisitions, and we have highlighted the breaking down of the B2B and B2C units in Brazil and the operations in other countries of Latin America.

The proportions were revised, reflecting the pro forma calculations of the M&As, the recent performance and the final composition after the incorporation of the acquisitions. For all business units, we expect an accelerated GMV growth for 2022.

Now on slide 16, we will give you our forecast in terms of net revenue. After a 79% growth in 2021, we expect a 125% growth in 2022, reaching net revenue of almost R\$ 1 billion, more than tripling the revenue of your 2020, which was the baseline for our IPO.

This level of revenue reinforces our position of leadership in Latin America, both for the e-commerce and technology segments. This disruptive scale brings benefits to the company, such as the possibility of modularizing, rising and expanding the addressable market, increasing the competitiveness and costs and prices, capacity of investment, in addition to the position in Latin America that attracts customers that want one single solution for the whole region, as Kai mentioned.

Now on slide 17, let's look at the EBITDA growth. The revenue growth enabled us to dilute fixed costs at first, especially in G&A, which is the main lever for expanding our EBITDA margins in the short and medium terms.

And as a synergy, we have been feeling gains of scale in our renegotiations with our main suppliers. But we have kept the range of guidance for EBITDA for the year that will probably have a similar or distinct behavior in the first and second quarters.

In the first quarter, most of the changes are being implemented, like overlapping of functions and systems and integration expenses that will enable us to capture synergies. But in the second quarter, the EBITDA margin expansion will be more visible and normalized to our new reality.

Now, the next slide talks about perspectives in terms of partnerships and opportunities that come along with our growth. For example, in last quarter, we have closed a disruptive partnership with NuBank for Direct Payment with one click where a Nubank current account holder can pay the e-commerce directly without having to acquire card limits.

And that creates a safer environment with higher approval rates and also improves customer experience. Now, another example is our cash solution, which is very common in B2C, but it is a very significant innovation for B2C that we have just implemented.

And finally, on slide 20, we have continued expanding our technologies into the physical world. As you can see on the slide here, an example of a Pop store of the bar, which is a major partner of ours. Throughout 2022 we will give you other examples of clients where we act not only in e-commerce, but also in brick-and-mortar stores.

Now I would like to turn the call back to Kai, who is going to talk about ESG and make his final remarks.

Kai Schoppen:

Thank you, Fábio. On slide 22, we talk about a very important topic for Infracommerce, ESG. ESG is part of our DNA. Since the foundation of the company, we have been saying that. Company and businesspeople have the obligation of delivering great results, but also in giving back to the community.

With their growth, we have the possibility of structuring the initiatives that we have been putting in place for 9 years in a more structured program that follows global standards, and we are going to share that with you soon.

But now I would like to share some of those initiatives right now. In the environmental front on slide 22, we can see the example of our dark stores. This is for express deliveries, deliveries made within 45 minutes with a reduction in emissions.

The dark stores bring a significant reduction in the distance that must be covered in the last mile to deliver packages to consumers. And at the same time, we are working hard to reduce as much as we can the use of plastics and packaging materials in our logistics centers. This is good not only for the environment, but it also has impacts in terms of cost reduction.

Now, on our social front on slide 23, we would like to tell you that we have been intensifying and we have already intensified in 2021 our partnership with Gerando Falcões. We have used our technology and our logistic grid for donations and collection of donations to provide support to the society in complicated times.

In our governance front, on slide 25, you can see that we have 7 board members and 3 of them are independent. I am very proud to be able to work and have the support of major executives beside me. In our board, we have 2 female members and we have been awarded the certification. Women on Board, WOB, for 2021 because of that.

And that is great, but it is even greater that infracommerce has 55% female in the company and 46% in leadership positions. Unlike other players, we are not looking only at female members at the board, but it is actually natural for us to make the most of the presence of females in the company as a whole. As a result, we have been placed in the index of best governance practice of B3 in 2021.

Now, on slide 25, a summary of our call. Infracommerce is a tool of digitalization and disintermediation. In times of high inflation rates that helps business models a lot because we can provide support so that our customers can be more efficient and reduce costs in the supply chain. In times in which this is the only way to face the increase in prices of raw material, not passing through those increases to end consumer.

So, as a consequence, we see many people showing interest in our business model with many new clients coming into our base. I recommend that you read our complete earnings release that is available in our website in PDF format, both in English and Portuguese, because it is quite comprehensive and contains much more information than we can share with you in 30 minutes. And you can also see the executives of our board there. Now I would like to open for questions.

Participant (via webcast):

Our first question is about whether the Company intends to put all of the numbers in accordance with CVM 400.

Fábio Bortolotti

As you know, our IPO is 476, so we studied, adapting this to CVM 400. But we have decided to wait 18 months since our IPO when we will automatically become CVM 400.

Kai Schoppen:

We have not felt a need in our investors base, up until now, of including individuals. So, we decided to wait rather than simplifying the follow on 400 processes. So, 18 months after IPO will happen in November 2022.

Participant (via webcast):

We would like to get more details about how the expansion in Latin America is occurring and what we can expect from Latin America in 2022.

Kai Schoppen:

That is an excellent question. I have always said that Latin America, if you look at GDP and the population, it accounts for 50% to 60% of the total volume of America, including Brazil. So, in a simplified way, the rest of Latin America is pretty much the same size as Brazil alone.

But the countries in Latin America are lagging a bit behind Brazil in terms of digitalization and sophistication of e-commerce. But in the medium term, I think you will all agree that we have no arguments not to get to the same position in e-commerce as well. That is why four 2 ago we started expanding to Latin America.

Today, we have a footprint in 7 countries in Latin America, in total Brazil plus other 6 countries. And we see an accelerated pace of growth in other countries of Latin America as compared to Brazil. So, the growth in other countries of Latin America has been even more accelerated than in Brazil and we have solid operations in those countries.

Our cost of acquisition of new clients is a bit lower because we are capturing many clients and you have the cost of acquisition in one country, and many other countries can benefit from that. We have launched in Chile with Nike and H&M been included in 3Q21.

In 4Q, we were able to include another 2 countries as planned. So, it is all on track. I do not see reasons why in the near future we would not have 30% to 40% of our revenue coming from other countries in Latin America.

And we have the B2B, the B2C market and the Latin American operations of the third leg of growth and also the diversification of the potential Brazil risk. All of us at the board believe that it is the right time in considering what we are experiencing now in the company and also due to the results that we have achieved so far.

Participant (via webcast):

Now the next question is twofold. First, about your expectations for B2B this year regarding the ramp up of existing customers. Still about B2B, how have you developed in your marketplace with ABAD that we talked about last quarter.

Kai Schoppen:

The B2B e-commerce market, as we said in many different situations, is still incipient, and it is lagging three to four years behind the maturity of the B2C market. And therefore, it is experiencing more growth than the B2C market.

If you look at our guidance, you see that we will be able to achieve in 2022 almost R\$ 6 billion in the B2B market, which is almost the same GMV of the B2C market. So, the revenue is still a bit lower because we are focusing on implementing infra.shop and infra.data in the B2B market in order to get more scale and have a quicker execution, but B2B is also a market that has been growing a lot.

If you look at the slides that we have presented in our guidance, a 77% to R\$ 160 million growth is almost all organic. So, a 100% growth in the B2B market, which reflects the accelerated pace that we are already experiencing and expect for the growth of this new market.

The ABAC project is doing really well. It has been implemented in record time of about 2 months. Only few people believed that we would be able to execute a project this size so quick. But as you know, it takes 2 to 3 years for these marketplaces to gain scale.

So, we are focusing on the region of Sao Paulo first, and then we are going to expand it to the rest of the country. But the project is doing well and the B2B strategy is 100% on track, so we are very happy about that.

Participant (via webcast):

And now the second part of the question is about M&A. What is the focus of the company for inorganic growth this year? Is the pace of acquisitions that you had last year going to be kept for 2022?

Kai Schoppen:

Well, in our master plan, we have M&As planned for 2022. So, you can expect other transactions to take place. Maybe not as aggressive as we were in 2021, especially in the first half of 2022, because we are going to focus more on integrating the companies, we acquired in 2021, especially in Brazil. But yes, we have other M&As transactions planned for 2022.

Participant (via webcast):

Congratulations on your results. Can you please give us some more color on the perspectives for CAPEX in the coming years?

Kai Schoppen:

As I said in the previous slide about CAPEX, we will accelerate even more our investments in technology. If we look at a total CAPEX for 2022, it will probably be larger than our CAPEX for 2021, especially because we are focusing on investing more in technology and our infra.shop platforms so that can be prepared to serve our B2B customers with scale.

And also, the different sales channels that we have for e-commerce. On the logistics side, we want to leave our logistics at the same level we had in 2021, focusing investments on automation and increase the efficiency for our distribution centers.

We might even consolidate some of our DCs to maximize synergies of Synapcom and Infracommerce and Pier8 that are located nearby. We do not have a need of having three DCs in nearby locations. And our goal is therefore to maximize synergies and reduce cost by doing so.

Fábio Bortolotti:

If there are no further questions, we are now closing our questions and answers session. But of course, we are available to you if you have questions about this release. Thank you so much for joining us. And now I would like to turn the call over to Kai for his final remarks.

Kai Schoppen:

Thank you for participating in our call today. This year promises to be even more special than 2021. If you have any questions, comments, or provocations, just get in touch with us through our IR team and we will be happy to help you.

Please have a great day. Take care although we are no longer obliged to use masks in São Paulo, please take care of yourselves and see you soon. Bye, bye.

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