GetNinjas

Transcription - 1Q23 Results Conference Call

Operator:

Welcome, should they tell a conference of getting it discuss the results about the 1Q23. We have here presented this session Eduardo L'Hotellier, CEO and Mr. Lucas Arruda, CFO.

At this point all the participants are connected just as listeners and later we are going to start the question-and-answer session when we have further instructions. We would like to inform that this teleconference is being recorded and simultaneously translated before resuming.

Would like to clarify that eventual statements here during this teleconference about the business perspectives of the company estimated financial operational goes our beliefs and premises of the board of directors getting in and the current information available.

Future consideration is not a guarantee of performance because they bring risk on circuses and premises because they refer to unforeseen. Future events and the economic on the industry, conditions and other operational factors may affect the future results of the company conducting, to results that are materially different from the ones expressed in future considerations.

I would now like to turn the call over to GetNinjas. Please, Eduardo, you can proceed.

Eduardo L'Hotellier:

Good morning, everybody. Thank you so much for your attendance in our conference of results. We start with we communicated to the market two weeks ago, Cynthia left the position of manager of the company, and we would like to thank greatly her works and Lucas Arruda, participating in the call, is now the CFO, as we announced in the opening session. The focus of 2023 three is to accelerate the growth, especially keeping the efficiency in market investments and every quarter reducing our case and this quarter we could have.

Ashburn reduction exceeds 64% 36 million and four quarters after the IPO, to 13 million in the last four quarters we improved the result by 43% we resume the growth with lower investment in market and 8% increase compared to the fourth or 22, and we continue to increase efficiency focusing on attracting professionals and attracting clients.

The GetNinjas is present all over Brazil, the biggest marketplace of services, a big opportunity. We always come, are a dominant player in print jobs. Restate services is one of the opportunities classified that is still open. Lots of opportunities for growth, bringing online really to the platform. What happens informally, word-of-mouth that's what we have been.

Our business model is simple the client requests the service. This request is broadcasted to our professionals, the professional give the client chooses the professional and that, if you want a professional, that can be faster or the best price. The choice is upon the client's hands.

We had 1.1 million requests in the quarter for point professional base 173.000 active revenue: 16 million gross profits for 14.6 million net losses to point in this quarter, and this loss is possibly.

Near a break-even if the financial result was only with the other. The previous month we had an effect of loss Americans in our financial result because some of the funds that we invested small and as if there was a big difference in the market of the financial profit. Slower, but it's still above city in the period, but even though that would have been the quarter, almost zero, long score is very good in it.

Our ReclameAqui score remains excellent at 9.2. The note of Android apps compared to the iPhone iOS app is also very good, 4.3 the professional Android 4.7 CLI and 4.3 PRO and on Apple 4.3 and 4.8. In terms of customer requests, we have a drop compared to the first quarter of last year, mainly due to the reduction in marketing that we have been doing and a selection of investments. We have been investing in customers who have the greatest return for us in terms of showing the evolution of revenue to the customer and we had a slight increase compared to the last quarter, in 4Q22.

We continue to be super horizontal, divided into several categories and this is always very important for our business model, because at times the market is more for some categories than for others. I'll give you an example here, when many people are moving, there's a lot of painting of new and recently delivered apartments. When people want to save some money, because it is expensive to buy a new refrigerator, they repair the old one, you have a moment of technical assistance for the refrigerator and so on.

If you have a platform that is geographically distributed in the country and distributed in different categories, it protects us from some market fluctuations. There is still seasonality and depending on how heated the economy is or not, there is an impact on the business, but when you have a very large pool of categories, you end up creating a hedge for use and market movements.

Our repeat customer continues to grow. We have a rounding issue, that's why it's the same as last quarter, but it's growing around 57% of customers or customers who have already made a request on GetNinjas are returning. Our professional base continues to grow, we had a very accelerated growth and in 21 we created the necessary base for the business, it has been growing every quarter and now has 4.8 million registered professionals.

I will now turn the call over to Lucas Arruda, our CFO, who will talk about our revenue.

Lucas Arruda:

Good morning, it's a great pleasure to be here with you. We are on page 10 talking about gross revenue, to mention in the beginning of the presentation. We had an increase compared to the first quarter to three percent and grow of 18% compared to the 4Q22. There was a reduction of 25% of the investments in marketing compared to the previous year. We still have a revenue growth with lower investments, and we are going to show the impact on the margin that is meaning, for we have tonality.

We see the end of the year, especially December, lots of holidays. So, there is a reduction of the volume, but there is also a positive impact of some demands. The first quarter, January. We see positive as anality too, we see 18% growth compared to the previous quarter because of business evolution and the sense only that we see in the end of the year, in the beginning of this year.

Here is a point that Edu commentate before we see the revenue divided by requests and the evolution is positive. We are talking about 27% growth in the revenue by request. We had the first comparing the 1Q22 vs 1Q23.

This increase on request, this fruit from different initiatives that we have internally, and we get the best request, get the best prose, and match them both to find the best professional to that client's request. We have been working hard the different initiatives that are not so transparent to you, but here we see the result, the conclusion. These initiatives we keep on working, but this is a positive evolution, and we would like to highlight here.

Revenue is allied to the gross revenue. Growth is 1% compared to last year and 18% compared to less quarter. Margin is stable. We see the variation aline and we have been working for the consistency throughout the quarter, keeping it. This is a proof of consistency and the maintenance of platform.

We mention the commercial and marketing expenses and the investments we make to bring clients, requests, and professionals in. We see a relevant reduction, comparing the first quarter and 1Q22 and 1Q23, a reduction of 25% so when we say that the volume of requests dropped is influenced by this marketing investment, we are highlighting that we are reducing investment, reducing the requests. The revenue is stable.

We have revenue like 1Q23, even the 25% reduction and an increase of 10% in the volume of requests, 18% in the revenue, comparing the 1T this year, in the last quarter last year and the same marketing investment. So, this is the evidence of efficiency gain bringing the best requests, the best professionals.

Matching them, and here we see the evolution of commercial expenses. There was a peak in 21. We work with the expenses to reduce, bringing more efficiency in plenty too, and we see that is a constant reduction and we are 25% underneath what it was in 22. And this is another point that is also interesting. We see gross profit, mines, marketing expenses, so we see the marching according to revenue and is a constant evolution.

This reduction of market investment, bringing more efficient, generating more revenue, every request, improving our margins quarter after quarter. So, we have a constant evolution, 1Q22, with a margin that was good, influenced by the investments that we had in 21. This is not the best comparison, but we see the evolution. The last four quarters. We see a positive revolution.

That we kept the machine, and this again is another. Example: concrete evidence on efficiency gains. We have been working and the margin is improving. Quarter after quarter is the biggest margin that we got in the last two or three years.

Speaking a little about general and administrative expenses, we have an 8% reduction compared to the previous year and we are practically at the same level as at the end of last year. The main variation that we had in 2023 was in outsourced sales teams, outsourced services, legal advice, and lower amortization of projects. Added to a non-recurring effect, some reversals of provisions that positively impacted the first quarter of 2022.

We finished with the same number of employees that we had last year, and we keep in this first quarter 194 employees, and product teams are the relevant part of our company. They represent 40% of total employees and we have been working to keep this team helping developing products functionalities, bringing more evolution to the platform we are still investing to keep. This team with a good stability explaining now or be adjusted.

Explaining our EBITDA, a little bit, when adjusted EBITDA is because we have EBITDA and some adjustments that we believe are relevant to show a reality closer to our day to day. The adjustments that we make remove the provision for granting of shares and remove some non-recurring expenses that happened in 2022, but that still affect the comparison. We note the adjusted EBITDA for 2023, of 5.7, where in that year we had no recurring expenses to remove from this amount only the provision for the grant of shares in the second, in the first quarter of 22, we have these two effects. Even excluding these values, we still have a better EBITDA in 2023 than we had in 2022, further proof of the positive evolution of our business. We are comparing on the same basis of EBITDA, adjusted the EBITDA of 23 with that of 22 with this improvement in relation to the fourth quarter. We also have a positive improvement.

We continue with this income, Edu commented on it at the beginning. We had a loss of 2 million in 2023. It is 1.6 million betters than what we had at the beginning of 2022. This is largely due to the reduction in marketing investments in these efficiency gains, but it could have been a little better if not had the impact on our financial results.

Our financial result was 5.5 million in the 1Q. It was below what it was in 1Q22 and below what it was in 4Q22, largely due to the events that occurred in the Brazilian corporate credit market, the American effect, and other factors that you all already know, but we had a lower profitability than we had been having in previous quarters. This reduced our result, reduced the impact that we would have here, but it is still a positive impact.

A positive trend the final quarter could have been better, but we believe that the train is going to be kept for the following quarters and the final page of this presentation: women, cashflow variation. And then we reduce the cash burn considerably. If we see the four quarters of the 36 million heads burned reduced to 64% 13 million in the last four quarters, this quarter was to point lower than the 4Q22 and the 1Q22.

So, we have been working to keep our cash to improve efficiency, so we can get more results, and this is on moving quarter after quarter. We do not have that or any other liability that compromise or cash flow, and our operational model that generates positive cash flow. The professional pay before using coins to buy leads, and that's the final page of our presentation, and I would like to move on to the Q&A session.

Operator:

Thanks. We will now begin the Q&A session for investors and analysts. If you have any questions, please send a message through the Q&A, indicating your name, company, and your question. Please wait while we collect questions.

Lucas A. (webcast):

When and how does the company intend to start generating operational cash?

Eduardo L'Hotellier:

Thank you, as we do not have a guideline of when, but how we can answer. About it, we had these first years, right after the IPO, and acceleration to create this professional base investing in marketing. The last quarter we reduce these marketing investments. Our growth was impacted, reduced this growth, but now, in this quarter, we see the market. Growth in the last quarter as we reduced and grew, where growth was heathen. But now we're going to have evident growth and we believe with this growth we are going to start to generate average for the operations and with this average we can generate operational cash.

This amount, this revenue, minus marketing. We use it to pay the fixed costs, as it is the company that develops a product. This is relevant. But revenue, the cost just and with this lotion of recurrent that we observe. Fixed costs, I believe that soon they are going to be paid, that the company will generate cash again.

Lucas A. (webcast):

What is the company's opinion on partnerships as an alternative channel? Faced with the high costs of online acquisitions, why not invest more in, for example, condominiums, retailers, real estate, insurance, etc.?

Lucas Arruda:

Good morning, this is Lucas. We are working on partnerships; it is an interesting alternative channel. We are developing this over time, but we are doing it in parallel with our investment in marketing, where we have already demonstrated that we have gained efficiency and are working to reduce these costs. We believe in a complementary approach, where the main acquisition channel continues to be investments in image, where it brings the greatest volume. These partnerships bring a volume of orders, new professionals, visibility for the company, help us to participate, to get involved with these segments of the market. So, we consider these as complementary approaches, which we work on and are seeking to gain efficiency and relevance on both sides.

Eduardo L'Hotellier:

Complementing Lucas's answer, I've been doing business for 12 years and I see that many startups end up or that technology ends up in a startup graveyard, because very early on they invest exclusively in strategic partnerships. What's the big catch? What's the difficulty? Often when you're just starting out, your most interesting potential partners are way too big for you. And for a partnership to work, simple product integration for strategic alignment, everything requires an effort, it is for the “samba” business to evolve. If you need to, obviously capture value to be interested in you and generate value for yourself, interesting for your partner.

That is why, throughout our history, we have focused on our independent growth, on building the largest services marketplace, on having a huge professional base, on having clients. In these last three years, what started to make more sense for external partners that already have their relevance. More traditional companies, as you mentioned some examples here in retail, insurance, management and condominium companies work with GetNinjas. It's something we're working on, and the more we grow, the easier it is for us to make these partnerships make sense for both sides. I also want to complete, in the question there was a statement that has the high cost of acquiring online, a cost that we have been improving over time and there are other possibilities of acquisition that are not necessarily online, but can be independent of the company, that can also generate growth for us.

Lucas A. (webcast):

From a capital allocation point of view and considering the company's current market value, what are your plans for the cash position? Could you please let us know the alternatives for repurchases and/or extraordinary dividends, even without retained earnings? Have they been explored?

Eduardo L'Hotellier:

Lucas, thanks for the question. Well, as you mentioned, China does not have retained earnings, for a technical reason. We still cannot buy back our shares or distribute dividends and, obviously, there are other companies that we understand are in a similar situation to us. We are constantly talking to regulators and internally discussing alternatives for capital allocation. At this moment, we have nothing new on the topic and, obviously, as a super relevant subject for all shareholders and relevant for the entire company.

As soon as we have it, we will open it, but in general, the share repurchase situation is nice, but a technical issue today we cannot carry out this action, this repurchase, because we do not have the necessary reserve in our cash and there is not a necessary stamp that allows to be used for that purpose.

Antonio Nicácio (webcast):

Do you intend to continue reducing investment in marketing in the coming months of the year? What's the goal?

Eduardo L'Hotellier:

Hello Antonio. We do not intend a reduction in marketing investment as considerable as the reduction between 23 and 22 and between parts of 22 and 21. The necessary adjustments they had to make, our marketing investments have already been made. What we intend is for these investments to be even more profitable, keeping the invested budget in line. Obviously with some variations up or down, depending on the channels and brands that we find, which are profitable, which have more LTV in this old team. About CAC, whose customer is constantly monitoring these metrics to understand, look at this marketing channel here, it's worth putting a little more money into it, because it's bringing users who have a return and this channel is making less sense, because this user it brings is less recurrent.

We're always looking a little in the rearview mirror, right? We have models that we can predict with this return, investment in marketing, but also a part of this modeling looks rearview, look empirically and then we calibrate. That said, we expect some variations, positive or negative, but we don't expect to change the level of marketing investment that we are currently making.

Jessica Mehler (webcast):

If you could go a little deeper into the initiatives to reduce cash burn in 2023. And a second question, what if we can expect revenue growth in the coming quarters?

Lucas Arruda:

Good morning, Jessica, this is Lucas. The initiatives we have to reduce cash burn in 2023 are very much in line with what we are doing and have already achieved this result. We have been improving the efficiency of our investments, so the main lines we have are investments in marketing. We have been increasing the margin on these investments and bringing in greater revenue, with the same level of investment, and this has generated losses that help reduce cash burn. We are always looking for cost reduction opportunities.

We also have our general and administrative expenses, some initiatives that we are monitoring on a recurring basis. In general, we are having a positive result, the cash burn has been reducing margins and improving. We see this as the positive way and in terms of revenue expansion for the next few quarters. Comparing the first quarter with the 4Q22, there was already an 18% growth. We have other quarters here where we expect positive growth as well. In 2022 we had some effects on higher investment in March, so we will have more comparable quarters. We could have grown if it weren't for the reduction in investment or if it weren't for some condition. We understand that now, the quarters will be more comparable and the performance, the result, the growth will also be more evident for us to see. We have noticed a resumption of growth and we expect this to continue and continue in the following quarters.

Jorge Birre Júnior (webcast):

How have they seen the competition with your reduction in searches for services?

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Eduardo L'Hotellier:

Hello Jorge! Thank you very much for your question. Well, as soon as we had our IPO, there were a lot of rumors in the market of several companies that were working on service platforms and in recent years, knowledge plus defunding, we saw many of these stories not going forward. We noticed some of the retailers with small participation in some service, such as furniture assembly, but we also believe that retailers today have greater concerns because of the Chinese finding credit than it is and, therefore, they are diverging. They are more concerned with their core business.

I believe that in general, we have less competition than we saw last month or what we expected to have last year and in other years. That doesn't give us carte blanche, we don't launch eager to gain a market that is growing, but I think that today we don't have a direct platform, a competitor. The competition is for the customer to search on Google, for the customer to use WhatsApp, for him to ask for directions that, moreover, are not specific platforms for the service.

Matheus Loan (webcast):

Good morning, gentlemen, in April we saw a substantial decrease in the share of corporate credit in the company's cash investment. My question is whether you intend to continue this trend and what will be the focus of the company's cash investment now, which today is around 270 million? Does the tax recoverable in item nine of the 1QR require profit to be recovered?

Eduardo L'Hotellier:

Thanks for the question, Matthew. Yes, following the recent credit events, we have made the decision to balance our investments. We used to have a small portion in corporate credit and now that portion is even smaller, but the majority of CAF is invested in bills, treasury bills, government bonds or CDBs from top-tier banks. This whole banking crisis in the United States does what we know, it is a Brazilian system and its defenses are very different, but obviously the company is a little more conservative and where it is investing is its cash.

The second part of the question is the tax to be recovered on item nine of the 1QR and whether it needs profit to be recovered. Most of these taxes to be recovered are like investment quotas and these taxes can be used as federal tax credits, such as PIS and COFINS and IRPJ. It doesn't need profit to be recovered, because it can be deducted from other federal taxes that we already pay even without making a profit.

Vanderlei Kingeski (webcast):

What is the reason for the increases in labor liabilities and leasing? Leasing was zero in the previous quarter. What are you renting?

Lucas Arruda:

Vanderlei, we have these normal variations in the volume of labor liabilities. These are variations of the payroll, with hiring, dismissals. These are fluctuations that we have, which are in line with previous quarters and are part of team management. About the lease, it's the office we have today. In the new office we had a grace period, where there was no payment. Now that payment is already starting to happen and there are these variations, where we understand that it is an adequate office for the size and volume of the team that we have today.

Geraldo Germano (webcast):

What about capital reduction, have you thought about it?

Eduardo L'Hotellier:

Thanks for the question, Geraldo. Obviously, all the cash allocation alternatives have been thought about, they've been aired, but there aren't any. Official conversation about the capital reduction, we believe that we need to balance the company's accounts before going down that path. Today, the company has the operating loss, which is partly recovered by the financial investment. It's a conversation that, if we have it, will be a little more in the future, but obviously it's something that ends up being studied along with all the other alternatives.

Oleg (webcast):

Hello, thanks for the presentation. What is the cost per lead in Q123? Why not cut costs not related to DNA technology to become profitable?

Eduardo L'Hotellier:

Thank you Oleg for your question. The first question, we do not disclose our cost per lead. One is for strategic reasons, two because marketing investments often attract customers and professionals. The same campaign ends up attracting both. Of course, there are campaigns that are more focused on projects and also more focused on clients, but they end up having a double effect and any calculation of cost per professional, cost per lead, would take into account some apportionment. This apportionment is constantly being evolved, constantly being refined. For the internal number, we have the comfort of working with it, making these apportionments to an external number. We are not so comfortable because it ends up being an approximation.

And that's the second one, why not cut non-technology costs on DNA to become profitable? We have obviously been studying, calibrating the company. What we noticed in one of our team evolution slides was that we grew the team throughout 21 and 22 and then we calibrated the team and the proportion of technology remained the same and the number of and of tech. His proportion on the payroll has been maintained and we are investing much more in tech than we did in the past, but of course there will always be adjustments. We need support areas to maintain a company with the highest score on Reclame Aqui, which generates more customers, maintains an organizational climate that attracts talent. We are a public company, so we have a financial area to be able to bring this glass to the table, to be able to audit the company.

Operator:

The Q&A session is closed. We would like to hand the floor over to Eduardo, so that he can make his final remarks on the Company.

Eduardo L'Hotellier:

Hello! Thank you very much for coming everyone and for the questions that were asked. We will continue our work and carry out follow ups. Our IR team is willing to talk.

Operator:

The GetNinjas conference call is now over. We appreciate everyone's participation and have a nice day.