

Semantix First Half of 2022 Prepared Remarks

Marcela Bretas, CSO and Head of Investor Relations:

Thank you. Good morning, everyone, and thanks for joining our first half of 2022 earnings conference call. Joining me on the call today are Leonardo Santos, our CEO, founder and Chairman, Andre Frederico, our General Manager of Latam, and Adriano Alcalde, our CFO.

By now, everyone should have access to our earnings announcement. This announcement is also on our Investor Relations website. During this call, we'll make forward-looking statements, including statements about our business outlook, strategies and long-term goals. These comments are based on our plans, predictions and expectations as of today, which may change over time. Our actual results could differ materially due to a number of risks and uncertainties, including the risk factors outlined in our 20-F that will be filed with the SEC.

Also, during this call, we will discuss certain non-GAAP financial measures. These non-GAAP measures are not intended to be a substitute for our GAAP results. Please refer to our earnings release on our Investor Relations website for a reconciliation of GAAP to non-GAAP financial measures as well as additional context on our key operating metrics.

And finally, this call in its entirety is being webcast from our Investor Relations website at ir.semantix.ai, and an audio replay will be available on our website in a few hours.

With that, I'd like to turn the call over to Leo. Leo, good morning.

Leonardo Santos, CEO, Founder and Chairman:

Thanks, everyone, for joining us today on what is Semantix's first earnings call as a public company.

For those who are hearing from us for the first time, I'd like to take a moment to introduce Semantix. Based in Brazil with offices in Colombia, Mexico and the US, we are an end-to-end Software as a Service company that helps other companies develop their Data Analytics and AI journey. We deliver our solution through a low-code, low-touch and cost-efficient approach, offering a strong competitive advantage, in our view. We are the data analytics category leader in Latin America, and we are ready to accelerate growth in other regions. Andre, our General Manager in Latin America, will expand further on what we do and who we are in a few moments.

Before diving into our first half of 2022 main highlights, I would like to say that we are very proud of having concluded the business combination with Alpha Capital at the beginning of August. You may have noticed that the cash injection resulting from the de-Spac transaction multiplied our total assets 2.5 times. Therefore, we are truly excited and confident about Semantix's future as we see multiple growth paths ahead and now have the means to pursue milestones and growth objectives.

It's important to note that we expected the de-spac transaction to be concluded earlier this year, since some regulatory approvals took more time than we anticipated. In this context, some of our planned investments and projects ended up being delayed. As Adriano will discuss in a few minutes, the revenue guidance we released yesterday takes this timeline change into consideration.

With this as backdrop, we still made great progress in executing against our strategy of focusing on our proprietary SaaS Products, which increases client engagement and upselling opportunities while at the same time generates healthier margins for the company. In the first half of 2022, revenues from our proprietary products increased 25% year over year and now represents 31% of net revenues mix,

compared with 24% in the same period of 2021. An underlying metric that highlights the healthy adoption in proprietary products is ARR, which increased 62% in June from the prior year period.

We remain committed to investing in and accelerating the growth of our proprietary technology.. Since January, we have announced multiple releases, including the Data and AI Marketplace, offering a new array of features for our users, and Analytics Chat, which provides users with insights on their businesses performance. More recently we also added real time and streaming capabilities to the platform that can potentially cater to a USD 50 billion total addressable market.

In the first half of 2022, we added 42 net new customers, including leading players in the restaurant, clothing and home appliances retail segments as well as large established pharma and health insurance companies. In addition to expanding our customer base, we are seeing an increase in average SaaS deal size, which we think demonstrates that we are increasingly delivering more value to our customers.

Lastly, I'm pleased to announce our acquisition of Zetta Health Analytics. The addition of Zetta aligns with our inorganic growth strategy of product and market expansion, and demonstrates an efficient use of the proceeds from our recent business combination with Alpha Capital. Zetta brings a new layer of segmentation of the healthcare industry to our platform, in addition to important industry databases and market-proven proprietary products.

In summary, we have made our entrance into the public markets backed by an incredible group of investors and I am pleased with the progress we have made in the very short window of time since our merger closed. There is plenty of work to be done, but I am excited about the large and growing opportunity across our end-markets, and confident in our ability to realize our growth priorities.

With that, I'd like to turn the call over to Andre Frederico, our General Manager for Latin America who will jump in and talk about our got-to-market strategy and achievements.

Andre Frederico, General Manager Latam:

Thank you, Leo, and thanks again to everyone for joining us. At the core of Semantix's strategy is a proprietary, highly scalable, and end-to-end data analytics platform, which offers our customers substantial ROI relative piecemeal, multi-vendor solutions. We are continuously enhancing and improving the Semantix Data Platform, demonstrating to our clients that we can enable them to extract value from data in a time-efficient way without having to hire a large and expensive team of experts.

Extracting value from data is not a simple task and each industry has a different level of complexity. We are determined to solve our customers' problems by providing them with plug and play solutions that are highly customizable. For that reason, we have designed vertical solutions within our platform containing specific big data and AI building blocks for key industries we serve. One example is the Semantix Data Platform for Health, serving hospitals, clinics, and healthcare insurance operators. With the acquisition of Zetta, we will be able to develop this vertical even further.

We have a massive opportunity ahead, especially taking into consideration that we operate in markets where most companies still have a long way to go in pursuit of their big data and AI journeys. Our end-to-end business model gives us a competitive advantage as we can serve not only large companies, but we can expand into the medium and small companies' markets. We have built a differentiated platform and have the resources we need to accelerate our go-to-market efforts and increase brand awareness, focusing primarily on driving growth of our proprietary software.

Overall, In the first half of 2022 we saw a material increase in our Proprietary SaaS pipeline, and added several new Proprietary SaaS clients, with revenue contribution from Proprietary SaaS reaching a mix of 31% of total. These clients represent a diversified set of industries, such as agribusiness, the food supply chains, credit bureaus, among others, demonstrating the wide range of use cases and capabilities of our platform. Additionally, in Q2 2022 we have doubled the size of our sales team, materially increasing our capacity and we are already starting to see an improvement in sales team productivity and conversion rates, which we expect to accelerate over the next several quarters. Leveraging our direct sales team, supported by our growing channel presence, enables us to broadly expand our reach, and by doubling down on marketing initiatives in the second half of the year we expect the pipeline to increase even further.

On that note, I am pleased to hand over to our CFO, Adriano Alcalde.

Adriano Alcalde, CFO:

Thank you, Andre. I would like to start by providing an overview of our financial performance in the first half of 2022 before moving on to our guidance for the full year of 2022.

Total net revenue for the first half of 2022 was R\$ 86 million, down 10% year-over-year, due primarily to an early contract termination by a single client at the end of the first half of 2021.

Proprietary SaaS products grew 25% year-over year, with proprietary ARR increasing 62% from June 2021 to June 2022. Growth in Proprietary SaaS and ARR is completely aligned with our strategy of focusing on our proprietary software as a key growth driver.

For our Proprietary SaaS Gross Profit, we had an increase of 24% in the first half of 2022, compared to the first half of 2021. This reflected in a Proprietary SaaS Gross Margin growth of 22 basis points.

Adjusted SG&A (net of merger related costs and stock options plan) grew 84% year-over-year. This increase in SG&A was expected due to investments in the company's expansion, both national and international, investments across our sales teams, and product's developments, new functionalities and focus on innovation, as well as our go-to-market strategy. These investments are already beginning to bear fruit, as evidenced by growth in our pipeline, particularly for our proprietary products.

Total net loss for the period was R\$ 86.2 million, compared with R\$ 23.1 million in the first half of 2021.

Note there was no significant impact to our Balance Sheet from the merger completion since it occurred a little over a month after the end of the first half of 2022. However, a big growth is expected next quarter due to the cash injection of approximately R\$ 600 million, which would grow our total Assets from R\$ 240 million to R\$ 840 million.

We plan to use transaction proceeds in three main areas: First, continued investments in our products, especially proprietary products, as well as our sales team, international expansion and go-to-market strategy. Second, we plan to engage in targeted M&A, with an emphasis on searching for partners that significantly contribute to our platforms and our whole ecosystem. Third, we intend to reduce some of the company's debts.

I would now like to discuss our outlook for the remainder of the year. As a reminder, and as Leo already mentioned, the change in timing of our merger delayed investments in headcount and the implementation of go-to-market strategies.

With that said, we expect our net revenue for the full year of 2022 to be between R\$ 262 million and R\$ 290 million, implying a growth range of 24% to 37%, compared to the full year of 2021. Our guidance does not assume any contribution from M&A.

In closing, the first half of 2022, as well as the first couple of months of the second half, were a historical period for Semantix and our whole team, as well as for all Latin America, with the IPO of the first deep tech company from Latin America in early August. We are extremely proud and excited for this new chapter of Semantix.

With that, we thank you all for joining and I'll send the call back to the operator for the Q&A.