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**Operator:**

Good morning, everyone; and welcome to the Semantix Third Quarter 2022 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. As a reminder, this call may be recorded.

I would now like to turn the call over to Adriano Alcalde, Semantix Chief Financial Officer and Head of Investor Relations. Please go ahead.

**Adriano Alcalde, CFO and Head of Investor Relations:**

Thank you. Good morning, everyone, and thanks for joining our third quarter 2022 earnings conference call. Joining me on the call today are Leonardo Santos, our CEO, Founder and Chairman; and André Frederico, our General Manager of Latam.

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](http://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:**

Thank you, everyone, for joining us today.

I am happy to report that Semantix achieved its highest quarterly revenue in company history. Third quarter sales reached 81 million and our sales pipeline remains healthy. Additionally, we saw a material increase in our gross margin in the third quarter when compared to the first half of 2022, as Adriano will comment on, in a few moments.

In addition to our strong results, we are very pleased with what we have achieved in the short time since our public listing at the beginning of August. This includes improving our operational focus across how we build and how we go to market, building momentum in

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driving increased revenue mix of our proprietary SaaS offering, driving increased operating leverage in the model, adding key hires, and closing the acquisition of Zetta. And with the arduous and complex journey to the public markets now fully behind us, we have shifted our attention to our singular focus: stable and consistent execution.

As the data analytics category leader in Latin America, we believe we have a substantial opportunity to leverage our low-code, low-touch and cost-efficient approach towards helping organizations develop their Data Analytics and AI journeys. And we believe we are well positioned to accelerate growth in other regions.

At the core of Semantix's strategy is the Semantix Data Platform, a proprietary, highly scalable, end-to-end data analytics and AI platform, which enables enterprises to extract value from data in a time-efficient way without having to hire a large and expensive team of experts. Moreover, our platform offers a compelling return on investment relative to a multi-vendor approach.

We remain focused on enhancing and evolving our offering, and we made further progress in the quarter. We added several new ready-to-use AI algorithms and data connectors. We also enabled customers to use Python on data transformation routines in the platform. We have also enhanced the platform's design and the user experience. And I'm also pleased to announce that we recently hired José Pizani to lead product development and innovation. Jose brings deep technical experience, having founded three companies and led IT departments at one of the most relevant online retail platforms in Brazil.

We are also making progress improving our go-to-market motion in support of our growth ambitions while also focusing on improving sales efficiency. This involves basics such as driving increased operational focus and rigor across the go-to-market organization; but it also involves broader initiatives such as improving integration between marketing and sales, while also building partner relationships. And as always, the core focus of the entire go-to-market organization is to continue to drive rapid uptake of our proprietary SaaS and to grow ARR. There is much more to do on the go-to-market front, but I am pleased with the momentum we have been building.

To support how we deliver our innovations, we've made a key hire in Fábio Marcolino, who will be responsible for product implementation and delivery. Fábio brings extensive experience in large enterprise IT environments, which includes many of Brazil's largest banks such as Itaú and Santander.

I am also pleased to report that we made fast progress integrating Zetta during the quarter, which we acquired at the end of August to accelerate our ability to serve the healthcare industry. With Zetta, we have grown our addressable market and are in a great position to drive a broad range of digital transformation initiatives with our data and AI platform. Healthcare is a massive greenfield opportunity for us, and the need for data management and data governance improvements is reaching a tipping point as increased regulation and higher costs continue to challenge the healthcare industry. We have hit the ground running with Zetta and I look forward to updating you on our progress in future quarters.

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As we look towards the end of the year and at 2023, I remain confident in our growth strategy and our opportunity to build a world class data analytics business. At the same time, we are mindful of the increasing macroeconomic uncertainty being felt across the tech industry and the broader global economy. While we have seen some indications that customers are taking a more conservative posture with respect to investment, we continue to see healthy demand for our products. We believe that data and AI remain high priority areas of investment and are critical to digital transformation initiatives. In fact, our solution allows our customers to increase productivity and save costs by managing their businesses more efficiently. We will continue to monitor the situation, both in international markets as well as Brazil, where economic indicators remain generally healthy.

In summary, I am very happy with the results we achieved this quarter. Operational initiatives we are driving across the company and focused efforts on our core business will allow us to more efficiently and more effectively accelerate our ability to solve complex data problems for our customers, and I am confident that the best of Semantix is yet to come.

With that, I'd like to turn the call over to André Frederico, our General Manager for Latin America to talk about our go-to-market motion and recent customer wins, demonstrating the value our platform brings to the market.

## **Andre Frederico, General Manager Latin America**

Thank you, Leo; and thanks again to everyone for joining us. I would like to share a few important customer stories from this quarter that we believe illustrate the broad range of data and AI problems our platform can solve.

First, an agricultural machine reseller in Brazil chose the Semantix Data Platform to provide its end-customers with the ability to draw powerful insights from operational data, including data generated by harvesters. This customer will be using Semantix to support farmers and their day-to-day business, driving significant ROI for both our customer and farmers.

The second customer case from the quarter I would like to highlight is a food and beverage multinational company with annual revenue over 20 billion dollars. We are implementing our proprietary platform at the customer's procurement office, helping them to connect with their corporate data platform. This is an important example of how adaptive our product is and gives us a sizable opportunity to grow within this specific customer.

Third, a publicly traded Brazilian logistics company selected the Semantix Data Platform for its entire data journey. We are providing both the platform and the intelligence for developing the company's KPIs and dashboards, illustrating how Semantix can be a valuable partner for its customers. By leveraging our tools and expertise to build powerful data structures and governance for our customers, we are influencing the management decision making process, and adapting our sales motion towards this purpose.

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Lastly, I would like to highlight a large cap global pharma company. During the third quarter we implemented our platform to support the customer's Brazilian animal health business. By leveraging our platform, we are able to provide the customer with unique data insights for predicting animal health issues, such as vaccines timeline and disease consequences. This new logo presents a significant opportunity to expand into other areas and geographies of operation, a natural progression that we have seen evolve across a large swath of our customer base.

These are just a few examples of the many business applications of our proprietary SaaS platform. We are just getting started and are encouraged by the positive feedback we are receiving.

All these examples illustrate, as we move into larger opportunities it has become increasingly evident to us that customers are looking for a partner for their entire data journey. Beyond simply selling them a platform, we are offering them greater control and the ability to more efficiently extract value from their troves of data, which is increasingly being recognized at the highest levels of the enterprises we serve.

Overall, our goal is to deliver our customers a set of solutions that reflects their unique needs, ranging from low touch, low code and cost efficient comprehensive platforms for the middle market to customized solutions for industry specific verticals and large enterprises.

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

**Adriano Alcalde, Chief Financial Officer:**

Thank you, André. Q3 was a very important quarter for us, as it was our first quarter operating as a publicly traded company. Despite the economic uncertainty and acknowledging some companies are taking a "wait and see" approach to investing, companies are broadly moving forward with their data & AI projects.

That said, we remain confident in our ability to meet the ambitious goals we have set for Semantix's future.

Now, I would like to provide an overview of our financial performance in the third quarter of 2022 before discussing guidance for the full year of 2022. Total net revenue for the third quarter of 2022 was BRL 81 million, an increase of 7% year-over-year, with growth across each of our revenue lines.

Proprietary SaaS products revenue, the core of our scalable end-to-end data analytics platform, grew 16% year-over-year, with proprietary ARR increasing 21% year-over-year and 3rd party SaaS increasing 2% year-over-year.

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We also saw a meaningful improvement to our gross profit, which increased 39% year-over-year. We delivered a gross margin of 48%, an increase of 11 percentage points year-over-year, reflecting improved revenue mix with an increased share of proprietary products, which carry higher gross margins from third-party SaaS.

Adjusted SG&A, net of merger related costs and stock option plan, grew 47% year-over-year. The increase in SG&A was expected due to investments in the company's geographic footprint; investments across our sales teams and in product development; as well as implementing our go-to market strategy and costs associated with being a public company.

Total net loss for the third quarter of 2022 was BRL 200 million compared with BRL 19 million in the third quarter of 2021. The most relevant impact here is related to a one-time IFRS 2 listing expense of BRL 214 million, as described in greater detail in our financial statements. Backing out this listing expense, our net income would have been R\$ 13 million.

As a result of the closing of our merger with Alpha Capital in August, we received net proceeds of BRL 632 million. As of September 30th we hold a cash and cash equivalents of BRL 532 million as our total assets increased to BRL 850 million from BRL 206 million as of December, 2021. Note that during the third quarter we prepaid a total amount of BRL 69.5 million in banking loans. In October we have prepaid an additional amount of BRL 31 million in banking loans.

Also, as mentioned in our press release yesterday evening, we announced a plan to buy back up to US\$5 million in common stock in the period of one year.

Turning to our forecast for the full year 2022, we are narrowing our revenue range to R\$ 262 million to R\$ 270 million. Note we expect larger contribution from non-proprietary products in the 4th quarter.

We are still early in the planning stages for 2023. However, based on current pipeline and demand trends, we expect top line growth of at least 30% and we anticipate reaching the milestone of positive EBITDA in the second half of the year. We plan to provide formal guidance for next year when we report our 2022 full year results.

In summary, we are pleased with our execution in the third quarter and we are proud of what we have accomplished in such a short time as a public company. The embedded value proposition of Semantix's products is resonating with customers as they embark on their data journeys, and we remain excited about the opportunity in front of us.

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