

Conference call transcript

23 June 2025

ANNUAL RESULTS

Eoin Ryan – Head of IR

Good evening, good afternoon, and good morning to you all, and thank you for joining the results call for Prosus, we're delighted to have you here. We are coming to you live from our backyard in the London office. We've put all of our results on the website this morning. We've put a video on there with an extensive presentation so hopefully you have gone through those already. Because we're not going to spend too much time on that today we're going to get straight into Q&A. And Abigail, would you mind taking the audience through the instructions for Q&A, please?

Operator

Thank you, Eoin. If you would like to ask a question today, for those of you that have joined the Zoom webinar, you can use the raise hand function at the bottom of your Zoom screen. Once called upon, please unmute your audio to ask your question. For those of you watching on the webcast, if you would like to submit a written question please type it in the Ask a Question tab to the right-hand side of the player. I will now hand over to Fabricio Bloisi.

Fabricio Bloisi – Group CEO

Hello, everyone. Welcome to our results call. I'm happy to be here with you sharing a little more about what we are doing. It is exactly one year, a little less, to complete the first one year as Prosus CEO. I'm very excited about the moment now. I'm excited because of the results that you saw today. I'm happy that I promise you 400 million and delivered 443 so it's a good start. I'm happy with the increase of dividends of 100% it's a good start. My opinion, there is still small numbers, they are going to grow a lot, but it's a good start.

But I'm more excited about the momentum of the company, about how the company is behaving. I told you six months and one year ago about the importance of the culture. That means people being more entrepreneur, solving problems faster, communicating inside the company faster. So the company today is moving in a speed that is very exciting. We are solving problems faster. We are innovating more and thinking about the future. So I'm really excited about the next two or three years. Unfortunately, talk about the next two or three years is going to be in our Capital Markets Days in two days so hope to see you there. And hope to answer all the questions we have for today so let's go.

Eoin Ryan

Fortunately, it's going to be there in two days at the Capital Markets Days.

Fabricio Bloisi

Look forward to it.

Eoin Ryan

So let's see you there. Thanks for laying the groundwork there first. I'm going to ask a couple of questions before we kick it off to the group. Nico, I'm going to start with you. It's great to see that we've had a focus on growing profitably, driving revenue, and having that fall to the bottom line. What do you see as the opportunity for some efficiencies to drive profitably on the cost line?

Nico Marais – Group CFO

Thank you for that question. Growth has been very important to us and we've delivered by growing 21% in the last year, two times faster than most of our peers. But most importantly, that is translated into some excellent operating leverage

for most of our businesses. Two examples that I can give. One is if I look at the iFood business, especially the core restaurant delivery business, now achieved an adjusted EBIT margin of 28% on the back of the 50% revenue growth that we've seen in that business. Likewise, OLX, our online classifieds business, it has grown in stock by 18% but profits by 61% over the period. Clearly showing that we are ... Have efficiencies in scale in these business that allows us to grow both profitability but as well as free cash flow which is very important.

Also on the corporate side, we ... A year and a half ago have moved away from our old segment structures. Able to maintain and manage our corporate costs well. That has declined by 1% over the last year. I think if I look forward there's significant opportunities for us to grow. And as we've illustrated in the past year, we can still improve margins. And there's some additional operating outreach to come through for most of our businesses so that quite excites me about the future.

Eoin Ryan

Okay, great.

Fabricio Bloisi

Let me share with what Nico just said. When you talk about AI disruption, we are also talk about increasing efficiency operations. And I think lots of the increase in our results is related to strong innovation. And just to complement, you said we reduce it by 1%. I think no. I intend to reduce 10 times more our corporate costs and our costs. We have to keep being a very, how can I say, aggressive company in terms of being the cost ... The central cost very controlled.

Eoin Ryan

Great. Certainly for people internally, unless you've been sleeping under a rock there's been a clear pivot in this strategy. We're now focused on having process become the number one lifestyle e-commerce brands in LATAM, Europe, and India. Fabricio, as you think about that and you look at three years out, what defines success for you?

Fabricio Bloisi

Great. First, I think we start in a nice position. For example, in Latin America what we have now is iFood leveraging iFood [inaudible 00:07:34] or a Fintech business. This two foundational business with high frequency, helping commerce with OLX, travel with Despegar as we completed the acquisition and events with [inaudible 00:07:46]. This is a very nice flywheel where we have ... We share knowledge, we share customers, we share growth. It's a striking wheel to work in Latin America. We have an amazing benchmark in Latin America that is Mercado Livre. We have to have the size of half of Mercado Livre at least. I think thinking big is to have another Mercado Livre. Not in terms of competing with their products because we're more focused in lifestyle, e-commerce, not real box delivery. That's the size of the opportunity I believe we can build in Latin America.

If we look here in India, the big thing today is integrating more our investments. We have [inaudible 00:08:29], the foundation, we have Swiggy also. As I just said, high-frequency payment and food delivery are the foundation. But we have many other amazing business on top of that like Michoud or Urban Company. I believe in a few years we are going to be generating a lot of series between those business. We already are generating ways, we should talk more about that. But there will be much, much, much more to create a real big tech group in ecosystem in India.

And in Europe, we are just getting started. Obviously, we have good business on OLX and EMAC on Eastern Europe. But I think in three years we are going to be strong in all Europe with a very strong ecosystem where we have customers all around Europe using all our applications. Today, hopefully, it'll be not only these three business but other business that we may add to our value. Because we are moving very fast innovating a lot with a great culture of execution and entrepreneurship, I'm quite confident we are going to build that. Let's go for it.

Eoin Ryan

Let's do it. I think one of the things that's been most apparent at the company is the change of the culture, I'd say focus on impact. You see today results, innovation. Nico, maybe this one to you. There's definitely more increased transparency, right? We're seeing a discussion of EBIT and EBITDA. So maybe if you could give us a little bit more what's driving that.

Nico Marais

On our key financial metrics, just to remind everybody, the key things that we focus on, revenue growth, obviously, very important. Adjusted EBIT, our key profit metric for a long time. And then co-ed line earnings which captures everything that we have in a group including our key associates like Tencent in terms of the bottom line operational performance. Then lastly, our focus specifically also on free cash flow generation. So those metrics remains unchanged. And we'll continue to focus on them and drive them forward to improve them. In order to improve from just comparability with many of our peers, and also focus from mostly the analyst community on adjusted EBITDA, we have also provided that information to the market with a clear reconciliation between adjusted EBITDA and adjusted EBIT.

Eoin Ryan

Great. I just got a text from my wife who said, "I'm making this call about me for asking too much questions" so I'm going to open it up to the audience right now.

Fabricio Bloisi

That's cool.

Eoin Ryan

First we have Cesar. Cesar, remember to unmute yourself and then your question, please.

Fabricio Bloisi

Hello Cesar.

Cesar Tiron

Hi everyone. Can you hear me?

Eoin Ryan

Yes.

Cesar Tiron

Thanks for the co-congrats on the results. I have two questions, if that's okay, one for Nico and one for Fabricio. The first one for Nico. I'd like a clarification on your M&A firepower. How much do you have today in terms of the M&A firepower, assuming Tencent stock price is 500 Hong Kong dollars, and then change commitment to your investment grade policy? That's the first one. And then for Fabricio. You've talked a little bit about it but wanted to understand a little bit better, what are the three biggest changes you've made to the organization since you assumed this role as a CEO? Thank you so much.

Nico Marais

Cesar, thank you. Let me take the first one. So we ended the financial year at the center, about \$17 billion of cash. As you know we have the commitments [inaudible 00:12:21] to the Despegar transaction which we closed in May, therefore, subsequent to our year, as well as adjusted acquisition that's still being executed. That's a commitment of about \$7 billion. If you knock that off it leaves us about 10. We've received about a billion. Just 1.2 billion, actually, from Tencent as a dividend in early June. That leaves us with a performer basis and about \$11 billion of cash that's available for ... To be used.

You're asking in relation to our investment grade rating. So that's a snapshot in time view at the current 500 Hong Kong dollar share price. Essentially there's no offset against that relating to our credit metrics. The full amount is in theory available. We've just completed the Despegar transaction to make that better, bring it to support that business, bring it into our later ecosystem. And then the focus will, obviously, also shift to just acquisition. So those are our key priorities that we focus in the short term, medium term.

Fabricio Bloisi

Three things that we changed in the company. Thank you for the question, Cesar. The first thing's culture. I go to meetings with investors, many investors doesn't like to talk so much about culture or these funny things. I think you are wrong, you should spend more time talking about that. We became a tech company. A tech company has one big asset, these people. So when I talk about changing culture we're talking about moving faster, communicating more openly, dream big, and communicate the dream with everyone.

Some of you can think okay, so you're nice to make this motivational speech, what's the impact in the company? Actually, the increasing results that you are seeing is the impact in the company. Because I have now 30,000 people going in the same direction, people collaborating more and being more aggressive on what they should do, when they should do, why the goals. They should deliver things very fast. Why they have to play to in what we are doing? I think we have a more aggressive culture to create and build the future, and this makes all the difference. I will tell you one more thing. 443 million is a good start, yes. Come on, it's small. It's going to be much bigger because of the change in culture. Because I have now 30,000 people that says that belief we are going to do much better the next one year.

Fabricio Bloisi

... says that believe we are going to do much better the next one year and we will. Hopefully, I'll share much more with you on Wednesday. So the culture is a big change. The momentum and how people see the company is big change. Two other things to reinforce is the change in terms of innovation and ecosystem. So first innovation, I don't think there is over-hype on AI. I think there is under-hype on AI. Innovation with discipline. I hate to overpay because you saw a nice PowerPoint on AI, but there will be so much transformation. There will be trillion-dollar companies that are going to use AI to redo every segment, from your segment of investing, from how we do travel and food and everything else. We have to lead on that. Probably the leaders on this area are going to be Silicon Valley, yes, but we can create global leaders in Latin America, in Europe, in India, and I believe we can create as big as company if you are winning on these three areas than the Silicon Valley company. So this is a big, big, big opportunity and the company is really talking about innovation every day, how we're going to be the best in the world.

On Wednesday we're going to talk about large commerce model, how we train AI models. We use open source, open source reasoning models to fine tune, open source models to insert in a model all the knowledge of the company. Very few companies in the world are doing that. Very few, that is 5 or 10 that is, but we are in the cutting edge of the innovation doing that in Amsterdam, in Brazil, and sharing that with all our companies.

And the third one is talking about ecosystem. We talk about ecosystem. If we are to invest, does this investment helps our ecosystem? We share information internally all the time so the company's more efficient, is moving fast and innovating more. That's why I'm confident in the next six months are going to be better than the last ones.

Eoin Ryan

One of the best examples I think of culture driving results and growth is the story you tell about iFood when the low 10 million orders you said we're going to 100 million and most companies would go, well how would we do that? But there's an expectation of success that's driven by the culture, which I think to be really interesting.

Fabricio Bloisi

The culture should define big goals and run for that. The big goals we are discussing here are bigger than everything that you are seeing from outside. It's funny, some people say, "Oh it's 400, it's good." It's going to grow many times, many, many, many times over. We're going to show a little about that on Wednesday. So we are playing for win. We are aggressively playing for win and the results of that are improving the results that you are seeing.

Eoin Ryan

Great. All right, let's go to Will Packer, please. Will, don't forget to unmute your line.

Will Packer

Hi there, and thanks for taking my question. Firstly, could you update us

Fabricio Bloisi

Hi, Will.

Will Packer

Good to see you. Could you update us where we stand on the jet regulatory review and whether there are any indications of complexities around your ownership of a large stake with four seats of Delivery Heroes? And could you share us with the perspectives of your advisors and how they see that risk? And then secondly, a more wide-ranging question. So we've heard a lot about how generative AI can boost processes growth outlook. From Tencent we've heard about ad targeting, boosting ad revenue in the short term and then agentic AI and WeChat for faster content creation, driving more engagement and monetization. In terms of tangible benefits for your ecosystem and the integration and synergy between them, is it improved targeting and monetization of consumers to use the data link? For example, classifies and food delivery typically haven't been considered synergistic or do I have to wait till Wednesday and I hear about it then? Thank you.

Fabricio Bloisi

Or what?

Eoin Ryan

He said, does he have to wait till Wednesday? Yes, for both.

Next question.

Fabricio Bloisi

Okay, thank you, Will, see you next time. Just kidding. The first one, let me tell you good news first and not good news only, but say compliments. Compliments. I complained a lot about European Union in the past. I told them that they have the wrong way to look at tech. I think they're trying to avoid big tech at all cost and preventing everything. And I think this view that was there for the last 10 years is completely wrong because they avoid companies to grow in Europe but then Europe is consuming the technology done in California and US and the world is decoupling now. So it was a quite bad strategy. You heard me many times about that, but what we interacted with the European Union for the last one, two months in the first phase of the discussions and I want to make a compliment that they were very fast, they asked lots of data but they asked for more data, they processed the data very fast. So things moving fast. I was very happy about that because everyone, everyone without exception said we're were doing a mistake, investing Europe is a mistake because they would take two years to answer you. That's not what happened.

We are talking very fast all the time. What I think it's an amazing signal. I think Europe, the last four months was very different than the Europe 1, 2, 3, 4 years ago. Therefore, I am very optimistic as I usually am, but I have this new data point. Because we moved very fast in this first share of data, we file it today, our formal request for moving on with the just need to approve it to Digicomp. This is substantially ahead of the original timeline that most of lawyers thought we would go. That's great news. That said, we filed today, we are in our middle of an official process. I obviously will not comment anything related to delivery here or this process because today we started our official process. The great news in my opinion is Europe knows that they need to move faster in tech and I'm still confident that we are going to have this deal approved as fast because it is very good for Europe to have a bigger tech player, European tech player investing in European companies. So I'm confident we are going to keep moving fast.

Eoin Ryan

And the second question was on the role of AI and propelling our ecosystems. He said from the outset it doesn't look like any finance company and a class-wise company would necessarily should be in the same ecosystem.

Fabricio Bloisi

Yeah, and can you give an example of someone doing that or no? Okay, so answer this question. We talk a lot about that on Wednesday, so don't miss our Wednesday event. What we are doing exactly is creating new ways to predict behavior

for the customers. When you talk about large commerce models is exactly what you just asked about. Can we use the new technology approach of using a reasoning model, train this reasoning model, fine tune this model to understand behavior? The answer is yes, we are doing that. We take unstructured data from different companies and we can train a model that can talk. He doesn't know the name of the customer but he take 1 trillion transactions for all the customers. And you can say I know this about this customer. When I say 1 trillion transactions is everything from customer support to interactions, what they bought, what they don't bought, what time they enter, what message they receive, what generated, everything. You see, before the current technology with language models it's very difficult to integrate, very difficult to integrate a food delivery company in a OT [inaudible 00:23:12].

But now we can't integrate because the language models, they integrate everything. So integrate reasoning, language models, all our data and we have something that is proprietary because it's using all our data and we can predict better demands from the customers. That's what we are doing. We are going to share a few results and demos on Wednesday and we are confident that this is one more competitive advantage and I think we are ahead of many people in moving on this competitive advantage.

If some of you think so, that's what I think is going to move us to create the next a \$100B dollars. Yes and no. Yes, I think we are ahead of which to be ahead for some time. But even more important, we have a company that is moving fast on innovation, much faster innovation. We have 30,000 people that are creating new models and technology faster. To win as a tech company, we have to do that over time because reasoning models is a big thing today. It'll be a different thing in one year. And we have now at Prosus created a culture where we are always moving faster and using new technology. So Wednesday we show some examples and I'm confident that we are going to use the ecosystem we have in Brazil and in India, and in future in Europe as a competitive advantage because of our data in our forward-looking AI approach.

Eoin Ryan

And we're going to hear a lot from Euro on that on Wednesday. So it's [inaudible 00:24:38]. Great. Thanks, Will. And over to you Andrew from Barclays. Remember to unmute your line please.

Andrew Ross

Great. Good afternoon guys. Thanks for your time. Two for me as well please. The first one is on the dividend coming in from Tencent and your attitude towards VAT. So now that the business excluding Tencent is free cap flow positive and self-funding, how do you think about using that cash inflow from Tencent dividends going forward? Do you see that as something that you will invest back into the non-Tencent assets or it's something that could be distributed back to for its shareholders over time?

Then the second question is on the Meituan stake, interesting situation I guess now with Meituan competing with Delivery Hero in a few markets and now directly with you in Brazil. Just update us as your thinking behind that stake. Thank you.

Fabricio Bloisi

Okay, so

Nico Marais

Do you want me to take

Fabricio Bloisi

Yeah, please.

Nico Marais

Andrew, thank you for the question. I'll take the first one on the dividend. I think firstly in the last few years, our overall free cash flow generation, if you look at it, it was actually in the aggregate less than a Tencent dividend that we've received. So this financial year, although it's a fairly small number at this point in time still, I think it's an important milestone used as you pointed out that essentially our total free cash flow number, it's a Tencent dividend plus a contribution from our e-commerce businesses. And then if we look forward, clearly our ambition is to continue to grow

and then generate even more profits and cash flow. That will allow us to also share that more with our shareholders. And we've taken some steps relating to that by increasing our dividend by 100% or doubling it at the process level. And as we go forward, we clearly will become less dependent on just one underlying free cash flow source. Our mission is to have significant cash flows from our ecosystems that we're going to build both notably from Latin America and Europe and India over time. And we'll share that with shareholders.

Fabricio Bloisi

Andrew, hope you are happy we increased the dividends by 100%. So I think it's a good start. We don't think small, Andrew. We are going to generate billions of dollars of results outside Tencent. Billions. So today Tencent is 1.2. You can clearly see that my expectation generate more outside Tencent. I think Wednesday we'll share some numbers about the future, but the direction is billions of our e-commerce operations. It's not like a dream without... We have clear plans to get there on a few billions of results outside Tencent. So don't think small, don't think only on the Tencent dividend, we will have viewed much more than that.

Your second question was the Meituan is entering in some areas that the dividend is competing. That was the question I think-

Eoin Ryan

And in Brazil.

Fabricio Bloisi

In Brazil, yeah, I heard about that too, Andrew. Look, our biggest strategies invest more in companies that can reinforce our ecosystem and we are going to keep doing that aggressively. So I think Meituan has less probability of winning internationally considering they are less announced at the international expansion. They are going to face some tough competition. I would say as a Meituan shareholder, I'm disappointed because I think their risk of failing increase and therefore we might sell part of the Meituan shares if you want to invest more in other areas with more connection to our ecosystems. So for example, if you want to let's invest more in some business in Latin America that you believe reinforce our ecosystem, we could sell part of Meituan shares or everything that we think is reasonable to invest more in business that reinforce our ecosystem and we are going to do that. Look into our shareholders, if we have opportunities to grow faster and better than Meituan in some of our ecosystems, we will do it.

Eoin Ryan

It's been precedent for that in the past where we've invested in iFood to save off some competition to that.

Fabricio Bloisi

Yes. The risk of Meituan, in my opinion, overextends, overreach their international expansion. They did well in Hong Kong and their first Middle East investment, but now they're trying a second Middle East expansion. India also trying Latin America at the same time. Let's see. But we are less confident in the international expansion strategy today, in the past.

Eoin Ryan

Okay, now let's go to Sylvia from Deutsche. Sylvia, remember to unmute yourself.

Fabricio Bloisi

Hello Sylvia.

Sylvia Cuneo

Good afternoon everyone. Can you hear me?

Eoin Ryan

Yes.

Fabricio Bloisi

Yes.

Sylvia Cuneo

Thanks. I'll also ask a couple of questions. So the first one is referring to one of the slides that you presented on the website, showing the ecosystem's flywheel with the key categories being food, FinTech, commerce, and experience. And I noticed that in Latin America and India, the experience slice of the pie looks to be already served by Despegar and Urban Company, but in Europe that appears to still be vacant. So I wanted to ask if you could comment on whether filling this gap is a key area of priority for future M&A activity in Europe, or do you envision launching experiences organically? And what specific advantages or challenges do you see with each approach?

And then the second question is now that the Despegar acquisition is closed, can you elaborate a little bit on the integration plans you have in place for the first few months? I appreciate this might be something you discussed maybe on Wednesday, but if you could identify some low-hanging fruit that you have identified for now. And will you be carving out a new segment for experiences similarly to what you did for Ed Tech, once the segment itself became large enough in the past? Thank you.

Fabricio Bloisi

Okay, so first you said can we elaborate how we are going to fulfill the experience goal in Europe? Nope. Sorry, Sylvia. We are going to do things organically for sure. We are going to do investments on this area for sure, but I don't want you to tell much more about we are going to do because it would make our next moves a little more difficult.

What I can tell you on that is I think the big focus on experience now is Latin America. It is the Despegar move. We are going to announce lots of things on Wednesday. Not one, but a lot. We closed the deal just one month ago. I think they're showing three to five connections already between iFood and Despegar. So I think for a few customers you can already enter, you can get discounts, buy things inside the iFood. The large commerce model also integrates both of them. We are starting to run the models now.

There is three or four specific cases where, obviously I think we already talked about that. On the loyalty club, we have high expectations of offering travel to our current users. So we are going to get all details on that on Wednesday.

Eoin Ryan

And then on experiences also, if we're a successful ecosystem, it's going to be a combination of owned and operated investment and partnerships, right?

Fabricio Bloisi

Yes. Yeah. For example, in Brazil we made a partnership with Uber. So we are keeping the food delivery and many offers, but not the mobility. Uber is doing mobility and not the food delivery. So I think it's the combination of the three, Sylvia.

I think the idea behind that is there are ecosystem benefits when we use a high-frequency platform like Just Eat Takeaway where people buy many times per month to cross-sell to other services, specifically if you are very good in technology. So our expectation is, we have a good expectation that we are going to implement that in Europe.

But just before getting back to the next question, my big priority now is to close the Just Eat Takeaway deal. So as I told you before, we closed the Despegar very good. Hope you are happy. We did it very fast. I cannot do five big complex deals without closing the first one and showing results. Hopefully we're going to show the first results of Despegar on Wednesday. We will show for sure, but of integration at least; not numbers yet because it's too new. My next step now is close Just Eat and then we are going to, after that, look for other adjacencies, but that's not the biggest priority today. Greg?

Eoin Ryan

And then Nico, she asked a little bit about whether experiences might become a segment itself, if it became big enough for specific regions?

Nico Marais

Yeah, I think that clearly we've all disclosed that separately going forward, so people can track the progress of, especially Despegar. And also I think we will start to share more about how the numbers relating to the various ecosystems are coming together. So we will continue to improve and share more as we go forward.

Fabricio Bloisi

Yeah, I hope you appreciate we are trying to share more. We are doing more letters with E-news, we are putting more data in the site. We create a new site with more info. Wednesday there will be all info possible, release it to you. So our intention is we give you the data and you do whatever you want with that. So hope you appreciate and we are going to keep that under Despegar.

Eoin Ryan

And we're doing it in the garden here, so a lot more transparency, face-to-face.

Fabricio Bloisi

Looks like I'm in Amazon. I'm not. I'm in London, but they did this.

Eoin Ryan

You were pruning the hedges a little earlier, right? So let's go to the next question from Marcus at JP Morgan.

Marcus Diebel

Hi everyone. Maybe just one question for Nico. I mean clearly, we highlighted this very impressive result in terms of the bottom line, 140 million of EBIT, about 800-ish in '26, and then you talk about billions thereafter. So clearly, the strong performance in terms of EBIT. How also do you think about the free cash flow? Do you think also then the free cash flow will grow pretty much conceptually, at least, pretty much in line with that EBIT number? Or I mean, it's obviously extend standard, which I guess will obviously have its own dynamics, but extend standard, can we assume that the cash flow follows EBIT very much, yeah? Or even potentially outperforming? That's the question.

Nico Marais

Yeah, Marcus. Thank you for that question. It's an important question. I think firstly, just to point something out technically ... And obviously, the EBIT number is a before tax number. So free cash flow is somewhat depressed because as we get profitable, we do need to pay the governments their due as well. But I think if you look at the progression, we improved our adjusted EBIT by just more than \$400 million in the year past. We saw very much a similar improvement in free cash flow. Yes, it got to marginally positive, but it's more than \$300 million improvement in free cash flow year-over-year for our e-commerce businesses. For that, if you consider that that's an after tax number as well as sort of working capital elements, you can see that the profitability is very much translating into cash generation.

And we expect that to continue. So you point out to our mission in terms of FY26, 800 million, which we will also talk more about and give more details on the web site.

Fabricio Bloisi

More than 800.

Nico Marais

More than eight. We'll talk more about that, but definitely free cash flow needs to follow that same trajectory.

Marcus Diebel

Okay, perfect. Fantastic.

Eoin Ryan

Thanks Marcus. Now we're going to go to Lisa from Goldman. Lisa, don't forget to unmute.

Lisa Yang

Hi, can you hear me?

Eoin Ryan

Yes.

Fabricio Bloisi

Hi Lisa.

Lisa Yang

Amazing. Yeah. Hi, two questions please. So firstly on iFood, obviously given significant investor concerns around the May 21 entry, could you maybe confirm how much reinvestment into iFood is being, sort of, baked into especially FY26 and other years as well? And do you still think margin can improve from here? Obviously, in '25 the margin from was quite impressive, but obviously there really is a significant competition going ahead. So any color would be very helpful in terms of the trajectory of that margin going forward.

And the second one is, could you maybe just comment on the top line growth that you expect for FY26? So that 800 million plus of EBIT, what is the top line growth assumption behind, basically to achieve that? And if you can also comment on maybe the latest environment, latest current trading? Are you seeing any impact, especially on the macro-environment in areas like Olex, Munson's or Emag? That would be helpful. Thank you, gentlemen.

Nico Marais

[inaudible 00:38:59].

Fabricio Bloisi

Okay. Good, healthy divide here because you make so complex questions in many parts. Margins on iFood. Let me give you a few cents on how things are doing in iFood. iFood had just a food delivery business first. Then we got, like, they owned just a 3P, then 1P. First, just the 3P were profitable. Now 1P is profitable.

The budget for the next year already includes a reasonable number to increase in competition. So we are confident that we are already investing to keep our competitive position. But I want to give another perspective.

There is many other business inside iFood. For example our FinTech business. I think when you are analyzing the company, you don't understand where all these numbers get. I don't know if we're going to share much more details on it, so maybe it's our fault, but we are giving credit to hundreds of thousands of customers. We have a meal voucher business with close to a million customers now. Both of them are growing, both of them are ... We have the payment business also. So our FinTech area is profitable and growing a lot.

We are going to launch a few ... We are already testing, but I don't think iFood announced it yet. But our FinTech area is expanding and the profitability is going to keep expanding a lot. So my point to you is that the adjacencies in iFood are also maturing in our profitability level, are increasing because the Core Food and because the other business around that. If we expect to keep increasing the profitability, I think we will keep growing a lot, the profitability margins of iFood. I don't know if we are growing that number or the margins. What was the margin, do you know?

Nico Marais

Maybe to put some numbers to it. So these are variables to help you. In terms of the core restaurant food delivery business, we've already achieved the 28% adjusted EBIT margin. Overall, the iFood business is at 17%, which means we are still investing in areas like the meal voucher, the grocery business, some of the FinTech elements, although that is improved significantly.

So that means that as those businesses get to profitability, there's still significant opportunity for us in the years ahead to improve that overall margin for the iFood business. So I hope that helps you to conceptualize that.

Just to get to your other two questions, you ask in terms of the revenue sort of expectations that we have that underpins the profit expectations for next year. And I think we plan to continue to grow at a healthy rate. And I think longer term, we'll talk about those ambitions more as well on Wednesday, but our internal targets are blended by the score between roughly 15 and 20% for the various E-commerce businesses.

And then you ask, well how are we tracking that, sort of, in the first couple of months of the year? What do we see? I see our business has been ahead of our own internal plans at this stage. We are still showing good growth and a profitability improvement in the first world has continued.

Fabricio Bloisi

I think we shared a quarter-by-quarter, a half-year-by-half-year profitability. Have we shared that yet?

Nico Marais

We have shared a half year, I know.

Fabricio Bloisi

So you can see the growth is very strong if you look every half year. So sometimes people look ... Many times people say, "You did that, so now you're going to be flat or reduce." No, it is growing like that. Three months after it is bigger and we are ahead of the plan that we had. So we are confident and I think we are confident because we are executing very well. The level of innovation is great.

You asked about competition in Brazil. I want to remind you, iFood compete against other global players with very good results in the past because the service is excellent, the customers love it, the quality of the product is very good. So our plan is to keep playing, keep winning.

Eoin Ryan

You know, I find that it's interesting. We get this question quite a lot to investor relations and it is almost as though it starts next year. Whereas, this is a company that has been playing offense for many years, right? To your point, they built a marketplace, they're building Paga. Now they're going offline with Maquinona. So it is very much, you know, they say offense is the best defense. So it is not starting from next year and investments; it's been started for many, many years before.

Lisa Yang

I think a few companies is winning, as iFood is winning. They become a little complacent because they become, like, a company that just likes to profit. The level of speed in terms of new product, innovation; as I said, the adjacencies related to FinTech. iFood is innovating to create the next \$10 billion in transactions. What we are doing now in online travel agency. So this is a company playing to be, or keep being, one of the best operations in terms of tech in the world. One of the best in Latin America for sure. So having competition is part of life. We expected to keep good margins besides of that. And we already have in our budget some money to this kind of competition.

Eoin Ryan

Right. Thanks Lisa.

Lisa Yang

Thank you.

Fabricio Bloisi

And Lisa, probably we can invest more in adjacency business that can create even more profits around iFood. So we are open to keep looking for opportunities on that. And as I told you, process has more 11 billion to invest. We have more many billion dollars in companies that we are invested and we can sell to invest money adjacency business. So we are going to keep playing for win.

... Best morning adjacency business. So we are going to keep playing for win.

Eoin Ryan

Great. All right, thank you Lisa. And then we'll go to Laura from Morgan Stanley. Laura?

Fabricio Bloisi

Hello, Laura.

Laura Metayer

Hi, can you hear me?

Fabricio Bloisi

Yes.

Eoin Ryan

Yes.

Laura Metayer

Can you hear me? Perfect. Hi, everyone. Two questions please. The first one is a follow-up on the question on Despegar. What is the biggest type of synergy you expect to have between Despegar and iFood? And then secondly, any insights you can give us on the potential crystallization of some of your assets, obviously [inaudible 00:45:38] What's likely to be next? Thank you.

Fabricio Bloisi

Okay. On Despegar I will answering in 30 seconds just because this is like a twenty-minute section on Wednesday. So we listed many options. Today we are running round five experiments on creating cross synergies. A few examples. We have a loyalty program with millions and millions of customers and we are offering discounts on those customers through travel and hotels. But remember, we are not just saying this is a discount, we understand the customer behavior. We have a large commerce model to help to say who is that customer, what they look for. And we are confident we will move on to have good numbers on this kind of integration. There is five cases like that that we are already running that was launched in the last one to three weeks, but for parts of the base, and we are going to open all of that on Wednesday. So I can reinforce, we are quite confident. We have set up close to 70 million customers in iFood. Despegar is around 6 million in total. So we are very confident we can increase Despegar size because of iFood.

But then one more thing, we are confident we can increase retention and frequency in iFood because of Despegar, because customers appreciate having benefits in travel and experiences in any event. Then I forgot the second question because...

Eoin Ryan

I'll add also to that. Having more interactions with the consumers is always a good thing, particularly in an ecosystem which is similar to the partnership with Uber as well, where you get more access to more consumers in our core market. The second question was on our thoughts on crystallization.

Fabricio Bloisi

Okay. I put seven more for them that we would have around five IPOs in the next one year to a year and a half by the end of this year. By the end of this fiscal year, so until March next year. I think our expectations is more or less the same, that we already have this week the IPO. It will be more, three, maybe four in the next nine months. So there will be more public companies. We will have our shared part of that. Because some of them are already filing and already preparing the IPO, I got a strong recommendation don't say the names of the company and just check the public markets reports from India.

So I'm not going to say the names of the company, but even beside before that I think we had a thesis we invested in India five, seven years ago. And the India thesis is maturing. We have a few winners, not only Swig that is public but the other ones. And we are going to keep updating the list, our list of the company that we invested much earlier. For sure this year a few more of them, but I'll not comment specifically in any one of them.

Eoin Ryan

Great. Thanks, Laura. And then we'll go over to Nadeem. Nadeem, please don't forget to unmute.

Nadeem Mohamed

Hi, everyone. Just one question from me. I'd like to double click on the topic of cultural change again. In my experience this kind of change can take many, many years, especially when you're also moving from a holding company structure to an operating structure and you've got many different [inaudible 00:49:03] all over the world. So I just like to understand, is there more to come in terms of the cultural transformation? And secondly, with the other acquisitions that are going on, how do you integrate them into that culture? It seems like culture is a big driver of your operational turnaround. Thank you.

Fabricio Bloisi

Yeah. Nadeem, where are you based?

Nadeem:

I'm based [inaudible 00:49:24].

Fabricio Bloisi

Where?

Eoin Ryan

Johannesburg.

Fabricio Bloisi

Johannesburg. Good. I have to send you some gifts for the results day. It was the first question on culture ever. Amazing, Nadeem, you just won the prize. Look.

Eoin Ryan

It's a jacket.

Fabricio Bloisi

A Pronto jacket. Yeah, [inaudible 00:49:40].

I think you are right. Usually it takes a lot of time. When I arrived I said this is my biggest priority. Because you can think Fabrizio is doing things, Fabrizio is pushing to change the culture. But what makes process move faster is 30,000 people moving in the same direction more aggressively. So we were very aggressive on this change. We are pushing out lots to everyone to say, "Look, this is the new company, this is the future, this is where we are going." Hope you love it. Many people say I love it, maybe you don't love it and you say, "Okay, part of life." Just move on because we are going to be that company very fast.

I think I'm being very aggressive in this culture of change. I expect it to have full results in six months. I am a little, how can I say, too aggressive. But I think one year... I didn't go to full results in six months, but one year after we are having strong, strong, strong results. We just published last week, I think, a new page in our website site called The Browser's Way. So go there, check the video, we have a half an hour session also on mainstream culture. So I know some analyst doesn't like to see culture in the presentation. That will be half an hour on that and it's the best part. So Nadeem, I think you are right, it usually takes 2, 3, 4 years. We don't have 2, 3, 4 years so we did in much less time. And it's a different company how people look to challenge and move faster every day, everyone, and that's where the results come from.

Then you ask how is integration on that. Managing that well is a very important thing for the company, so invest a lot of time. I wouldn't say integration, sharing the best practice sharing what is non-negotiable. So entrepreneurship, obsession about results, innovation to create the future and take risks and test 10 things are non-negotiable. If someone doesn't think that this is amazing, you should leave the company, or you should leave the company anyway, one way or the other. But we don't try to say you company being integrated... I don't like the word integration. We don't try to say this is the process, just come here and do the same as we are saying. We need entrepreneurial behavior. So instead of integrating, we share amazing practice.

We show what is the most amazing result on earth. And people that are entrepreneurs, they say, "I'm going to do as good as or better." And that's where comes the force to keep the company moving faster. So it's not like an integration, it's more like this is what exceptional look like, we expect better than that from everyone else and people are responding. So it's their merit, and that's why I'm confident that the results in the next one year is going to be better, because the company is moving much faster. Check the page and come back to listen about culture. We will talk about more details on Wednesday.

Eoin Ryan

I think also when you talk about rituals internally. As time goes by you have have more opportunities to talk about the successes you've had and to get together and to reinforce the messages, and I think that builds the culture very well as well. Okay, so we're running out of time here. We have one last question that's written in and it's about broader interactional expansion. They ask specifically whether you would be interested in branching out to the Middle East or Kuwait, but also maybe add to that in the context of prioritization and where we are prioritized and perhaps why we're prioritized there.

Fabricio Bloisi

Let me tell you a few things. We have opportunity in Middle East, lots of them. We have opportunities in Africa, we started in Africa and we have many business there. We have opportunity in Southeast Asia, in US. So there are many possibilities to investing around the world. What I didn't like six months ago is that we are looking to all of them without putting 90% of our energy in some focus where we should be the best in the world, the best in that region. I think we are doing that different today. Our focus in Latin America, India and Europe, and 95% of the energy and capital of the company is to win on these three areas. We are going to win in the three areas. Then in the future for sure we are going to have a fourth area. Maybe when we win the four areas, we're going to have a fifth area.

Until there our focus is aggressively on those three areas. We have legacy investment on other areas and we keep people doing experiments outside. So it's very different than doing a billion dollar check is to do a \$5 million experiment on some of those areas and we keep doing. Specifically Middle East for example, to learn, understand, start developing something, so in the future we may prioritize that. So it's not our priority today and we are aggressive. We aggressively say this is our priority, let's focus on that. At the same time, this is ambidextrous behavior. We know that in the future we have more things and we keep experimenting, very amount of resources, very entrepreneur behavior, to test, to start to learn where

is our next big bet. We are experimenting other things, but I think we should not talk about that today because we have our focus and we have to be on those three areas.

Eoin Ryan

That's great. I'm worried about it beginning to rain so we should [inaudible 00:55:10] So why don't we close. If you want to-

Fabricio Bloisi

Look, today was the day to talk about numbers. Hope you enjoyed talking about numbers. Wednesday we talk more about ecosystem, innovation, strategy, culture. Many of your questions was related to that, merchandise. Don't miss Wednesday. Hope to see you all there personally. And my closing remarks, I'm very excited about the company now. I know I'm naturally optimistic. Some of you thought that I was when I joined it one year ago. I'm optimistic and look to bottom line and results and discipline. But the good news is I look to bottom line results, discipline, and I'm optimistic. I am even more now because of the quality of the execution of the company today. So hope to have much bigger and better results to share with you in the future.

Speaker

Michel, we will talk about numbers on Wednesday.

Fabricio Bloisi

I know this too. No, there is numbers on Wednesday too.

Eoin Ryan

Everything on Wednesday.

Fabricio Bloisi

Wednesday is the day, you cannot miss it.

Eoin Ryan

All right, thank you very much everybody.

Fabricio Bloisi

Good to see you. See you Wednesday. Bye-bye.

Operator

This concludes today's call. Thank you everyone for joining. You may now disconnect.

END OF TRANSCRIPT