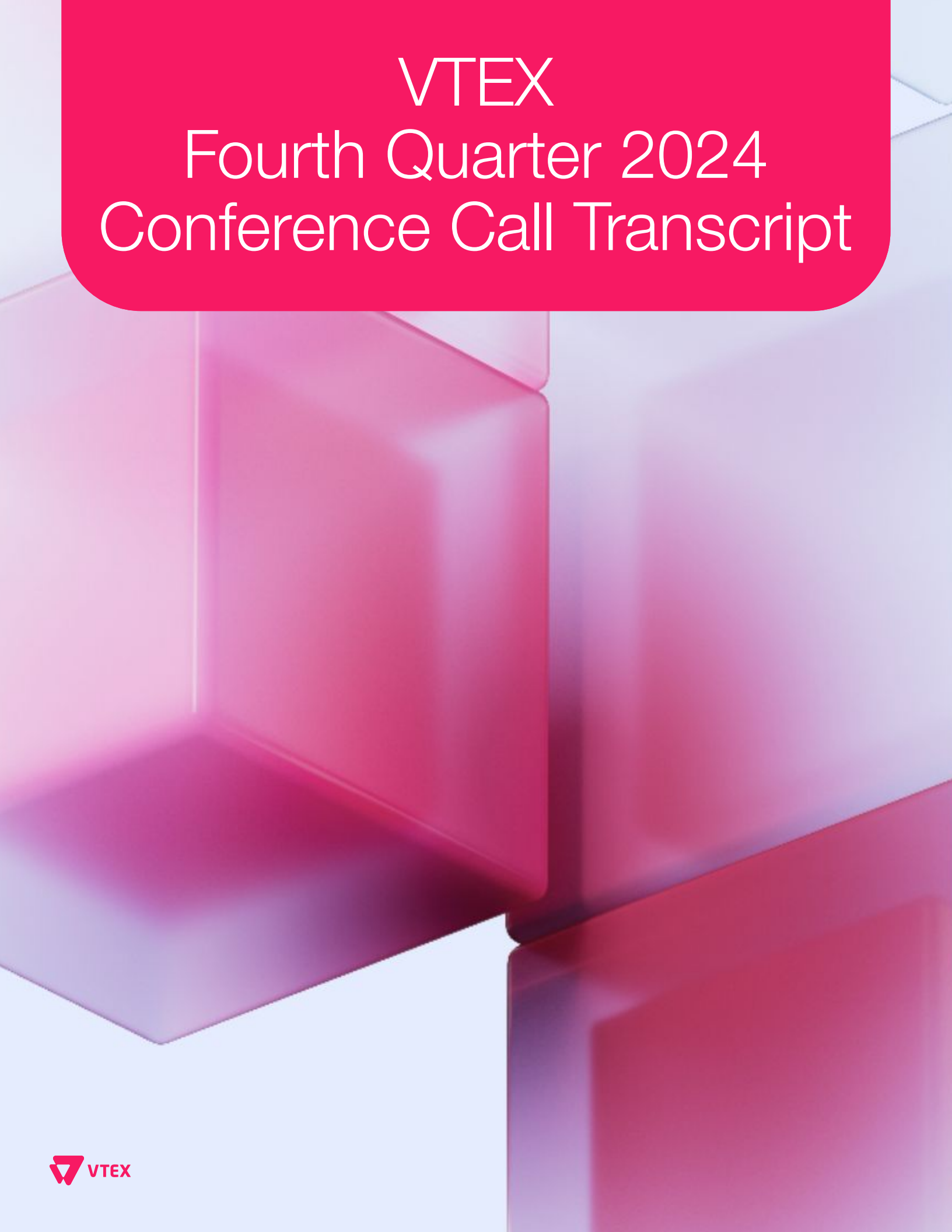
VTEX
Fourth Quarter 2024
Conference Call Transcript



Introduction and Disclaimer
Investor Relations

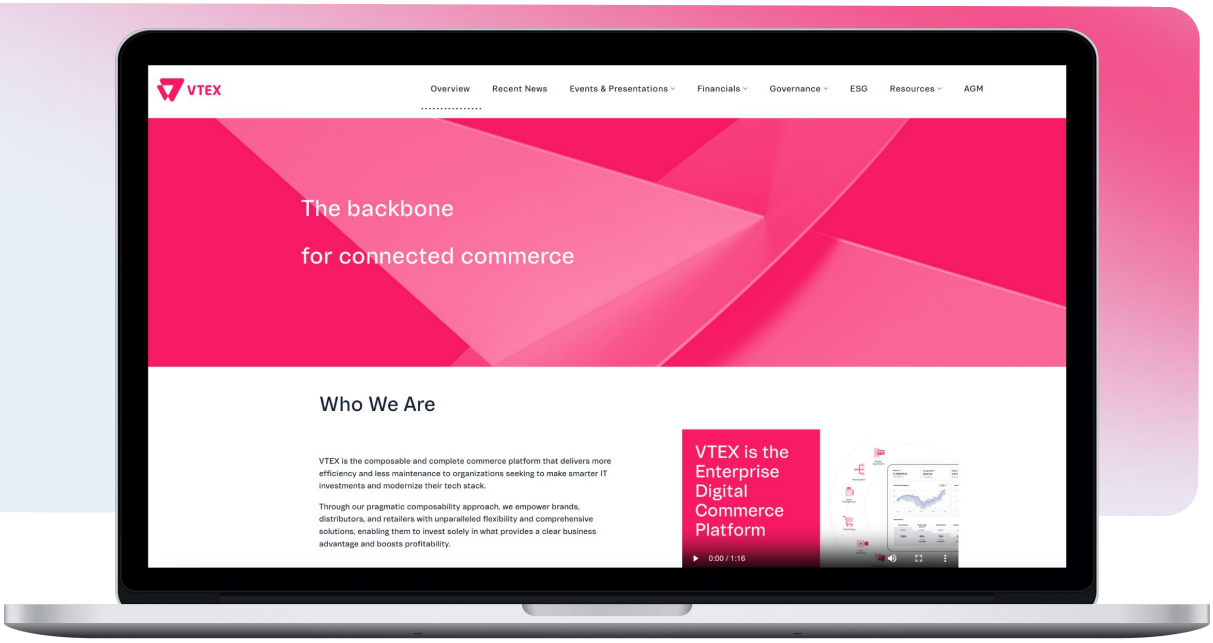
Hello everyone, and welcome to the VTEX earnings conference call for the quarter ended December 31st, 2024. I am Julia Vater Fernández, VP of Investor Relations for VTEX. Our senior executives presenting today are Geraldo Thomaz Jr., founder and co-CEO, and Ricardo Camatta Sodre, Chief Financial Officer. Additionally, Mariano Gomide de Faria, founder and co-CEO, and Andre Spolidoro, Chief Strategy Officer, will be available during today's Q&A session.

I would like to remind you that management may make forward-looking statements relating to such matters as continued growth prospects for the company, industry trends and product and technology initiatives. These statements are based on currently available information and our current assumptions, expectations and projections about future events. While we believe that our assumptions, expectations and projections are reasonable in view of the currently available information, you are cautioned not to place undue reliance on these forward-looking statements.

Certain risks and uncertainties are described under "Risk Factors" and "Forward-Looking Statements" sections of VTEX's Form 20-F for the year ended December 31st, 2024 and other VTEX's filings with the U.S. Securities and Exchange Commission, which are available on our investor relations website.

Finally, I would like to remind you that during the course of this conference call we may discuss some Non-GAAP measures. A reconciliation of those measures to the nearest comparable GAAP measures can be found in our fourth quarter 2024 earnings press release available on our investor relations website.

Now, let me turn the call over to Geraldo.



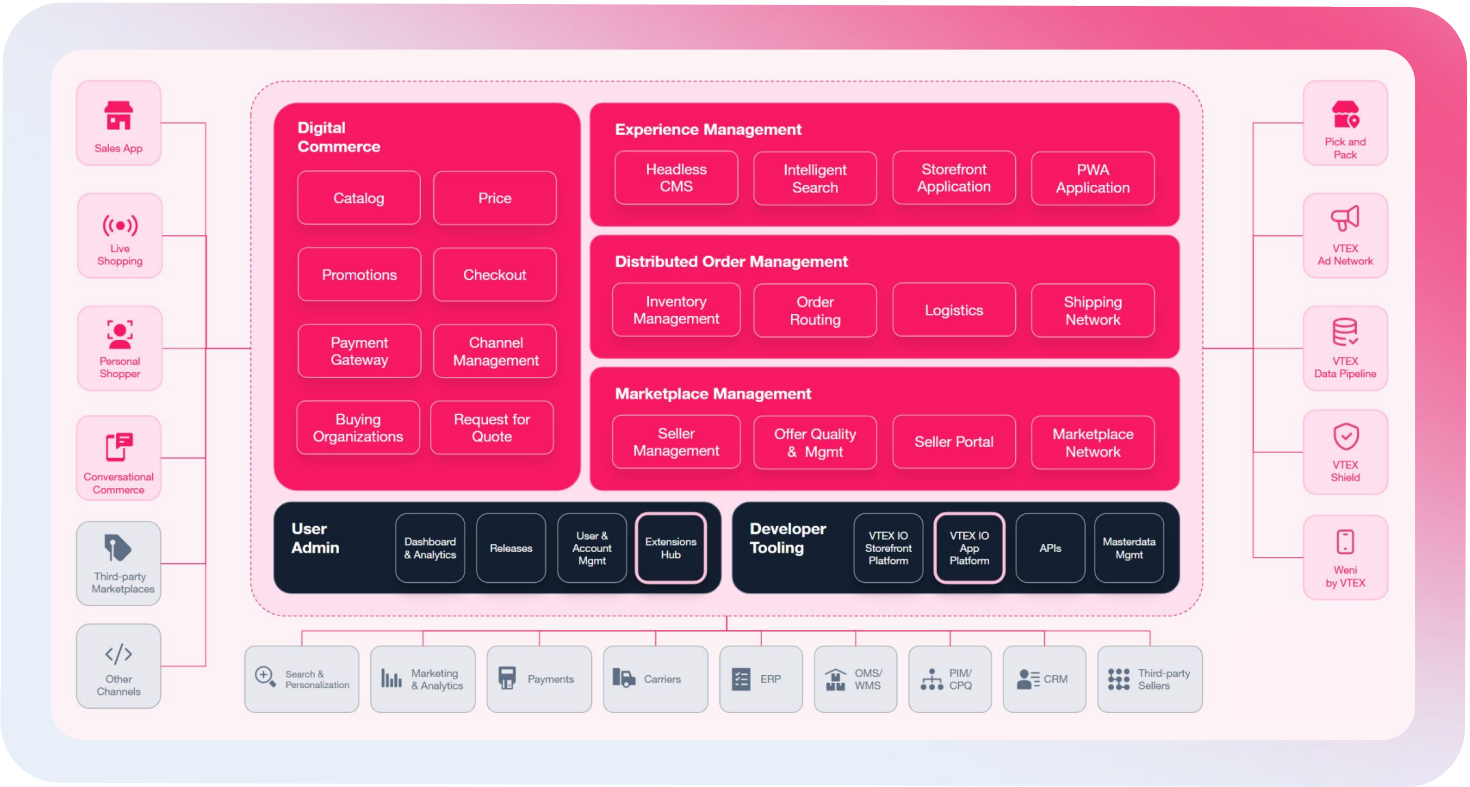
Overview
Geraldo Thomaz Jr.

Thank you Julia.

Welcome everyone, and thanks for joining our fourth-quarter 2024 earnings conference call.

We closed the year with our underlying business remaining stronger than ever.

Looking at the medium to long term, 2024 was a transformative year for VTEX. We delivered significant milestones in our evolution as a global leader in digital commerce. First, we continue to see a robust sales momentum in signing new enterprise customers onto the VTEX Platform, demonstrated by the number of customers that pay us more than $250k per year increasing from 126 to 155. Second, our annual revenue churn remains stable in the mid single digit percentage range, an evidence of our customer satisfaction and our strong position in the competitive landscape. Third, we introduced new products such as VTEX Ads, Data Pipeline, and Shield, designed to empower our customers with AI-supported add-ons that enhance business outcomes and revenue generation, delivering efficiency and tangible business results for our customers and potentially contributing to VTEX's monetization capabilities.



Overview
Geraldo Thomaz Jr.

The three operational pillars highlighted above – adding new enterprise customers, maintaining low churn, and launching innovative products – are key to VTEX's medium and long-term success. While our revenue model, with two-thirds coming from a take-rate on customer GMV, closely aligns our success with that of our customers and benefits us from the growth of digital commerce, it also introduces short-term volatility. This was evident this quarter and year, with revenue coming below expectations due to weaker same-store-sales (SSS), particularly in Brazil, amidst softer consumer spending and significant FX devaluation. Ricardo will elaborate further on this in the financial section.

Now, going back to the three key operational growth drivers.

On adding new enterprise customers. In 2024, we saw a strong contract signature momentum, with Brazil standing out as a highlight throughout the year and with notable contributions from the US and Europe in the second half. As a result, our deferred revenue increased 29% YoY, which is a testament to the attractiveness of our value proposition for net new customers and existing ones that renewal-after-renewal keep choosing VTEX. These achievements reaffirm VTEX's global ambitions of becoming the backbone for connected commerce, being more than just a software provider but the preferred comprehensive commerce suite by bold CIOs and CEOs worldwide.

On keeping a low and stable churn. We further solidified our partnerships with top-tier brands and retailers, demonstrating our ongoing upmarket trajectory with a 23% increase in number of customers generating over $250k in annual recurring revenue. In 2024, we celebrated the go-lives of several key customers, including Hmart, MyEyeDr, Jeffers Pet, and Heart's ongoing expansion in the US; OBI and an enterprise multinational fashion retailer in Europe; Motorola in Sweden and Whirlpool in Poland; Pashmina in India; Nike, Adidas, and Elektra across Latin America; and Fast Shop, Hortifruti, and Bemol in Brazil, among many others. Although our total number of customers has slightly decreased year-over-year ("YoY"), that's driven by a lower intake of small customers that are not strategic nor financially relevant for VTEX. Our annual revenue churn remains stable in the mid-single-digits. As our base of customers paying us more than $250k in ARR grows and compounds over time, it further strengthens VTEX's long-term growth and resilience.

On launching product innovations. VTEX is successfully transitioning from a single-product platform into an integrated suite of solutions. Our offerings now span B2C, B2B, Sales App, Pick & Pack, Data Pipeline, Retail Media, Security Shield, and many more, empowering businesses through a well-connected ecosystem. Our strategic investments, including a stake in Synerise and the acquisition of Weni, expanded our AI and conversational commerce capabilities while enabling us to enter two new segments: Retail Media and Post-Sales markets. This diversification strengthens our position as the most comprehensive suite of commerce solutions, going beyond software to serve as a trusted ally in executing our customers' growth strategies.

As we look ahead, we remain steadfast in building trust with our customers and delivering on our promises alongside our ecosystem partners. **Trust is at the core of VTEX's DNA and will continue to guide us as we solidify our leadership in digital commerce.**

Overview
Geraldo Thomaz Jr.

With this segway, let me go to the newly added customers during the fourth quarter of 2024, including:

- **Dakota Criações**, **Donna Carioca**, **Hortifruti**, **Ortobom**, and **Rissul** in Brazil;
- **Torre** in Chile;
- **An enterprise multinational fashion retailer** in Ireland;
- **Coolbox** and **Hanes** in Mexico;
- **Sameca** in Portugal; and
- **Rahr Corporation** and **Lyon Bakery** in the US.

We've also focused on strengthening our relationships with existing customers, actively supporting their growth initiatives. During the fourth quarter, several premier brands and retailers chose to expand their operations with us, including:

- **Amo Beleza** has launched a new brand, **Mascavo**, and now operates two B2C stores in Brazil;
- **Cartamundi** has introduced the **Grimaud** brand in France, extending its operations to Europe in addition to its two B2C stores in the US;
- **Keune** continues to expand its B2B presence across Europe, adding Germany to its Belgium, France, Netherlands, and UK operations;
- **Mazda** is further strengthening its European presence with the addition of France, which is now operating in four countries;
- **Solla** has expanded to B2B in Colombia with two new accounts, Solla B2B and Distraves B2B, adding to their two existing B2C stores in the country; and
- **VOIT** has expanded its B2C presence into the US, complementing its operations in Mexico.













VTEX

Overview
Geraldo Thomaz Jr.

Additionally, in our continued pursuit of fostering our trusted ecosystem, we're thrilled to announce that we've launched a **strategic partnership with Accenture through Logic**, their retail technology Systems Integrator. This collaboration empowers US enterprises to modernize their digital commerce infrastructure, addressing shifting buyer trends and rising market challenges. With record retail closures highlighting the urgency for transformation, VTEX and Accenture are uniting to help brands stay competitive by leveraging VTEX's agile platform and Accenture's expertise in business transformation. This partnership positions VTEX at the forefront of driving growth and resilience for US companies in today's dynamic retail landscape.

accenture logic

System Integrators: accenture, Quality Digital, valtech., Cadastra, VML, BORN., pivotree, publicis sapient

Marketplace: amazon, mercado libre, dafiti, Google, VIA, falabella.com, Shopee, magalu

Payment: Digital River, nuvei, cybersource A Visa Solution, PayPal, worldpay, openpay, NU, stripe, EBANX

Shipping: intelipost., Rappi, 99minutos.com, ShipStation, Manhattan

Fraud & Lending: Signifyd, Klarna, riskified, affirm, clearsale

POS & Omnichannel: mercado pago, adyen, stone, NEONODE

Search & Merchandising: akeneo, nosto, tail, Cloudinary, POWER REVIEWS, algolia

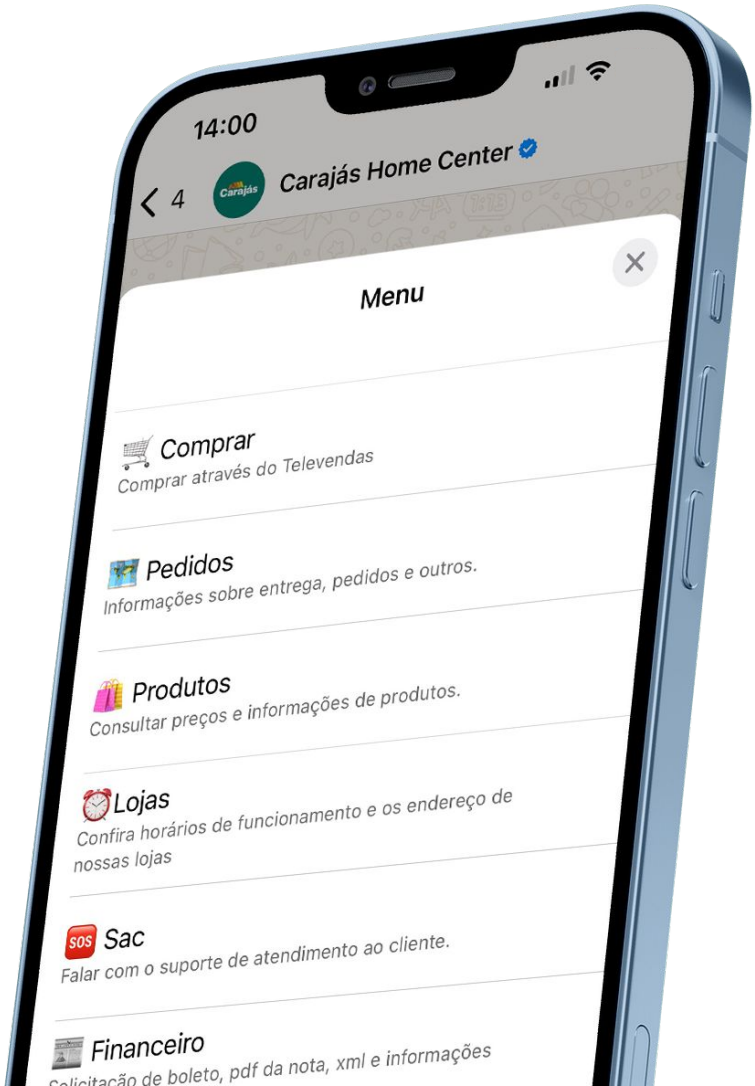
Marketing Automation: KLAVIYO, Meta, TikTok, Insider, contentful, Google Shopping, Pinterest

Overview
Geraldo Thomaz Jr.

Now, before leaving the stage to Ricardo, I would like to share some customer success cases demonstrating our platform's tangible impact and potential.

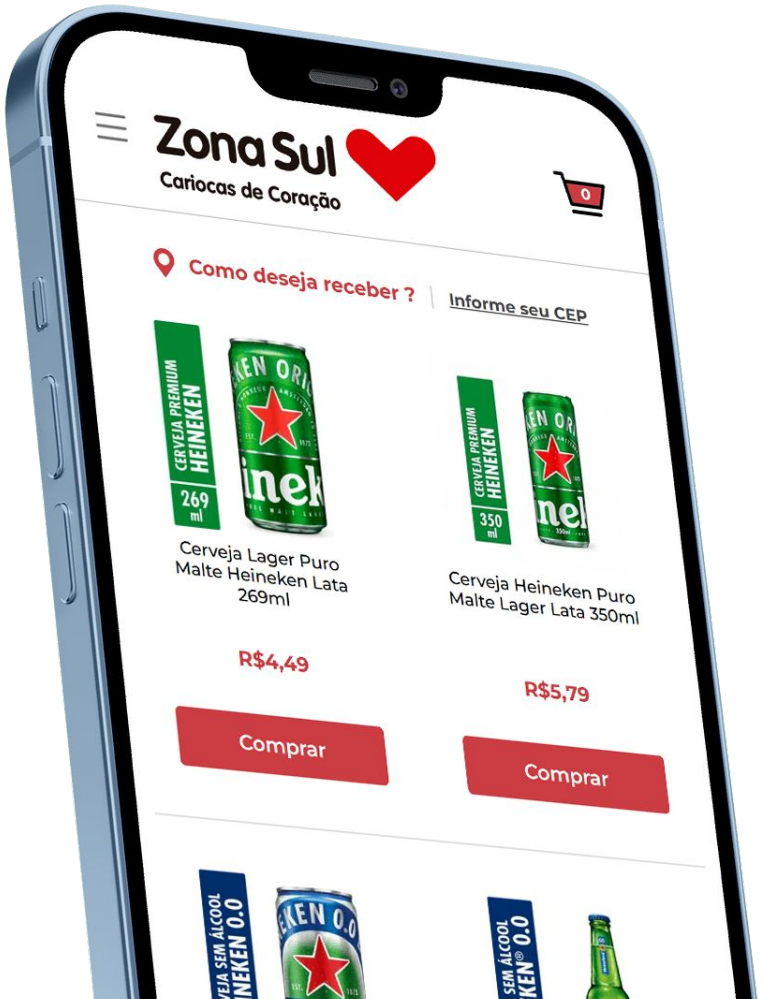
An enterprise multinational fashion retailer in Ireland partnered with VTEX to overcome significant technical and operational challenges. Before VTEX, the company relied on a dedicated ecommerce textile platform that lacked scalability, functionalities, and the flexibility needed to support its growing digital commerce ambitions. Their primary objectives were integrating inventory from over 100 stores, centralizing digital sales, and driving revenue and efficiency improvements. VTEX implemented its core platform with a white-label B2C operation to address these needs and enhanced the user experience with out-of-the-box features like color and sizing options. The architecture was further strengthened by a redesigned front end and integrations facilitated by middleware from our partner, Logic. Early indications suggest improved sales efficiency and platform usability by integrating smart checkout.

Carajás, the leading retailer in the home improvement segment in Brazil, transformed its customer experience and boosted sales with Weni by VTEX. With 11 physical stores, two distribution centers, and over 20,000 SKUs ranging from decoration to construction products, Carajás needed an efficient post-sales channel to enhance customer service and drive incremental revenue. By integrating conversational commerce with Weni by VTEX, Carajás automated key processes, including cart recovery with optional human assistance, order updates, and financial solutions like invoice retrieval and PIX payments. This automation led to remarkable results such as: a 15 times higher conversion rate on WhatsApp than email; an expansion in their ROI in abandoned cart recovery, which reached double-digits; and a 68% message read rate, well above the 40%-45% average for emails. We are proud to help Carajás embark on their conversational commerce journey, where WhatsApp has already become a comprehensive and efficient channel, delivering convenience, trust, and competitive differentiation throughout the customer journey.



Overview
Geraldo Thomaz Jr.

Heineken Brazil, home to some of the most beloved alcoholic beverage brands, chose VTEX Ads to run their digital campaigns. It achieved exceptional results, with above-average return on ad spend in the fourth quarter of 2024. This success was powered by identifying Zona Sul's highly qualified audience through first-party data, including transaction insights and search behavior on the platform. By analyzing shopper intent, Heineken's campaigns were strategically optimized, targeting consumers with high purchase intent and ensuring maximum impact across many SKUs. Through this data-driven approach, VTEX Ads provided Heineken Brazil with actionable insights into key performance indicators like sell-out and market share, helping them refine their strategy for even better results.



Pashmina.com, the leading B2C ecommerce platform specializing in luxury handcrafted Kashmiri pashminas, has partnered with VTEX to transform its digital operations and accelerate global growth. With 85% of its business coming from international exports, Pashmina.com migrated from its legacy platform to VTEX's platform to enhance scalability, flexibility, and operational efficiency. This transition empowered the brand to offer personalized shopping experiences, multilingual support, and local currency options for its customers across the US, Europe, Australia, and India. This partnership allows Pashmina.com to expand its global presence while celebrating the rich heritage of Kashmiri craftsmanship, all without the burden of managing its web infrastructure. Together, we aim to redefine India's digital retail landscape and set new benchmarks in global ecommerce innovation.

Sony, the renowned global electronics company, has selected Sales App as their primary platform to manage sales operations across LATAM stores. This partnership represents the first multi-country implementation of the Sales App, with seven stores across Ecuador and Chile already becoming their main in-store sales platform. To meet its specific operational needs, Sony has extended Sales App within the VTEX ecosystem using Jitterbit, integrating it with their existing systems. Sony plans to expand Sales App usage to four additional countries in LATAM, Peru, Panama, Colombia, and Mexico, bringing the total number of stores to 18. With Sales App as its exclusive platform for all operations, this rollout underscores its potential to drive significant results across Sony's regional network.

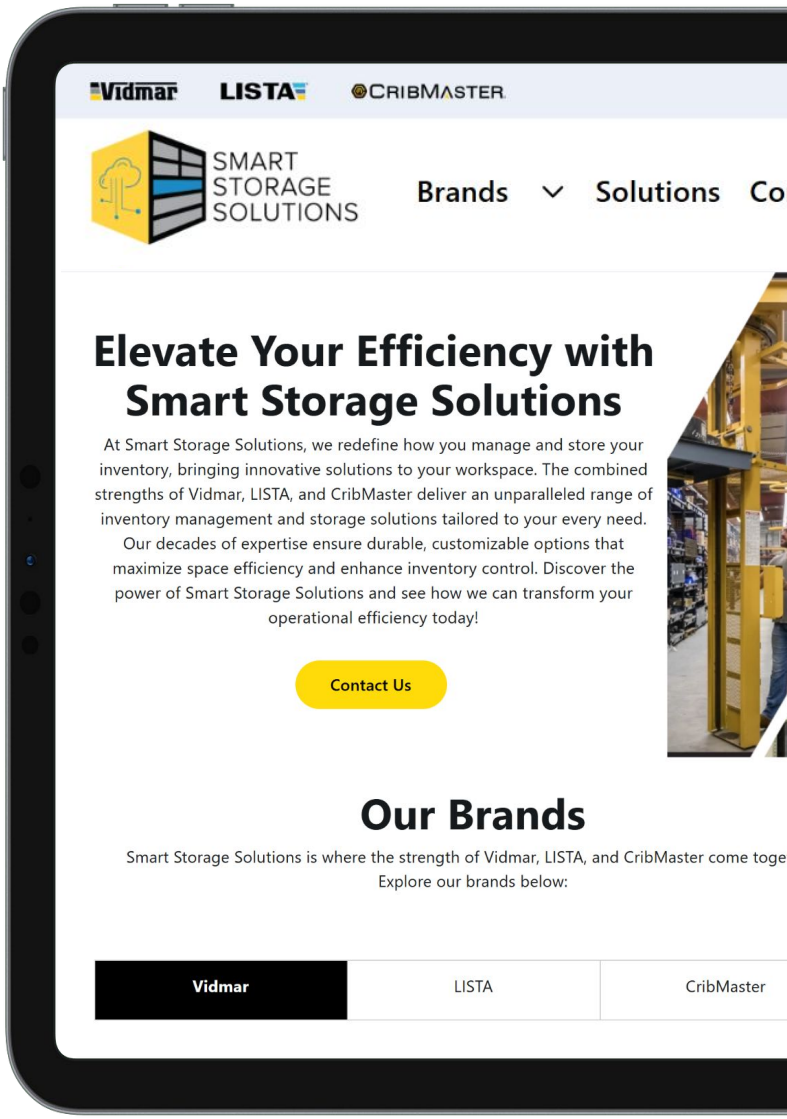
Overview
Geraldo Thomaz Jr.

Walmart, the multinational discount store operator and one of the largest corporations in the global retail industry, is transforming the mobile shopping experience across Central America by launching new apps in Costa Rica and Guatemala. The apps offer a flexible, customized shopping solution for each country and store format, from Walmart Supercenters to Supermarkets and Discount Stores. Leveraging VTEX IO infrastructure and our API-first approach, the app's advanced architecture enhances load time and performance, while intuitive navigation improves user experience, driving higher customer satisfaction. This is just the beginning, with additional brands across the region set to go live. Through its digital expansion, Walmart is setting new standards for retail innovation in Central America, a development we proudly support.

The Smart Storage Solutions business unit of **Stanley Black & Decker** successfully launched its Smart Storage digital commerce store, migrating from a content-only Sitecore website to the VTEX FastStore platform. This new platform delivers a seamless catalog browsing and purchasing experience for prominent brands like Vidmar, LISTA, and CribMaster. Built on the proven global architecture used for Stanley Engineered Fastening's website, also powered by VTEX, Smart Storage expands Stanley's assortment availability and commerce capabilities, positioning it to meet the rising demand of digitally-native B2B customers. The migration represents a pivotal step in enhancing operational efficiency and customer engagement in B2B digital commerce.

To conclude this section, I want to express my gratitude to our **1,368** VTEX employees dedicated to making VTEX the backbone for connected commerce and to our customers, partners, and investors.

With that, I will now hand over the call to Ricardo to discuss our financial performance for the quarter and the full year 2024.



Financial Update
Ricardo Camatta Sodre

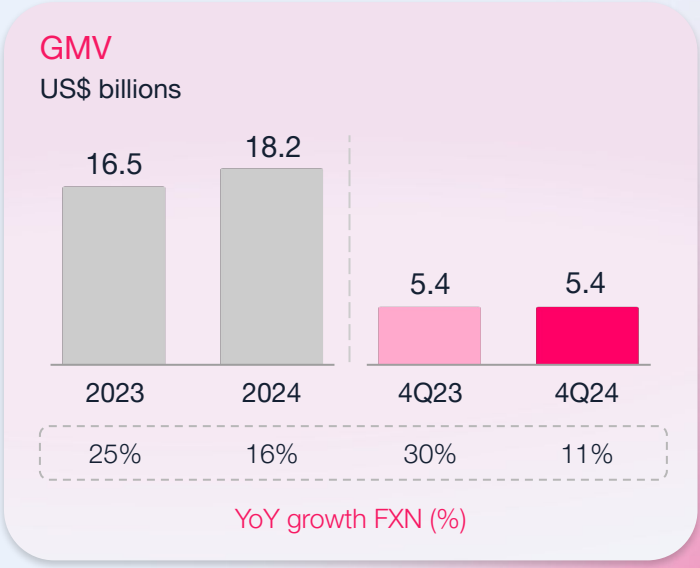
Thank you, Geraldo. Hi everyone, it's a pleasure to update you on our financial performance.

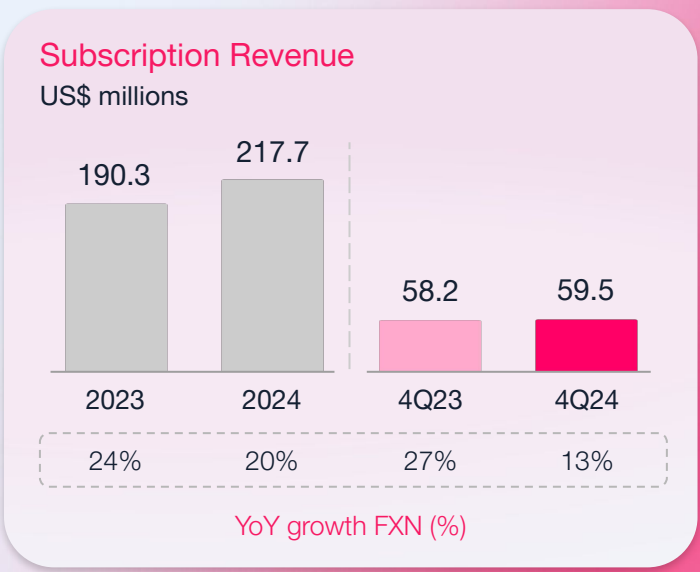
In the fourth quarter of 2024, our GMV reached **US$5.4 billion**, representing a **flat** YoY growth in USD and **11%** increase in FX-neutral ("FXN"). With this, we concluded the full year 2024, reaching **US$18.2 billion** in GMV, representing **10%** and **16%** growth in USD and FXN, respectively.

Our revenue totaled **US$61.5 million**, growing year-over-year **1%** in USD and **12%** in FXN in the fourth quarter of 2024, and reached **US$226.7 million** for the full year 2024, representing a **13%** and **18%** growth in USD and FXN, respectively. These results came below our guidance range of 14% to 17% FXN for the fourth quarter and 18.5% to 19.5% FXN for the full year.

The primary driver for the gap versus our expectations came from a softer-than-expected GMV from existing customers in Brazil, where consumer spending softened. On top of this, the US Dollar meaningful appreciation against most currencies, and especially the Brazilian Real, further pressured our USD-reported results. Despite Brazil's challenging consumption scenario, as mentioned by Geraldo, we remain confident in our ability to sustain a profitable growth trajectory based on the robust momentum in adding new enterprise customers, our stable and low churn, and our recent product innovation launches.

Double-clicking on our revenues, our subscription revenue reached **US$59.5 million** in the fourth quarter of 2024, representing a YoY increase of **2%** in USD and **13%** in FXN, on top of last year's **36%** in USD and **27%** in FXN growth. For the full year, subscription revenue reached **US$217.7 million**, up from **US$190.3** million in 2023, representing a **14%** and **20%** growth in USD in FXN.





Financial Update
Ricardo Camatta Sodre

In 2024 our existing stores revenue increased to **US$169.0 million**. Our net revenue retention reached **104%** in FXN. As a key driver to net revenue retention, our SSS growth reached **10%** in FXN. Looking at SSS throughout 2024, for the first three quarters SSS growth was in the teens level while in Q4 it dropped to single digit range, given tougher comps in Argentina and softer consumer spending in Brazil. It is important to mention that the upselling of new features, contract renewals at better terms and inflation adjustments have partially offset the impact in our NRR from the weaker SSS from our customers.

On top of our existing stores' growth, we continued attracting new stores, adding **US$27.9 million** in revenue to our base, representing approximately **16%** of our 2023 VTEX Platform revenue. The solid contract signature momentum is coupled with our LTV/CAC ratio that remains at a strong fold, **exceeding the 6x cash-on-cash mark**.

This year, a significant highlight is the continued progress of our existing stores' P&L, reinforcing the strength of our inherently attractive business model. Existing stores' gross margin increased from **77%** in 2023 to **81%** in 2024, while operating margin reached **43%**, marking **8 percentage point** increase year-over year. Additionally, given our net revenue retention of **104%** in FXN our existing stores' P&L is significantly **above the Rule of 40**, giving us confidence in our Rule of 40 goal at maturity. Meanwhile, for new stores' margins, we delivered a **10 percentage point** improvement in gross margin YoY and **5 percentage point** operational leverage improvement in R&D and G&A, which were all basically re-invested into Sales & Marketing, strategically positioned to seize the significant growth opportunity ahead.

Now, analyzing the geographical breakdown of our revenue. In 2024, revenue generated outside Brazil accounted for **43.4%** of our total revenues. Looking at the YoY FXN growth by region: Brazil's subscription revenue grew **28%** in FXN, a slight acceleration versus last year mostly given the solid sales momentum mentioned throughout the year and despite the year end softness in SSS; Latin America excluding Brazil subscription revenue increased **6%** in FXN, and **removing the Argentina headwind the region grew at a pace just slightly below Brazil's**; and the Rest of the World subscription revenue grew **34%** in FXN, demonstrating a relevant compounding rate even as we increase the baseline.

*% of 2024 **Revenue**, non-GAAP*	**Existing Stores** *(~80% of VTEX rev., excl. SMB)*	**New stores** *(~20% of VTEX rev., excl. SMB)*
Gross margin[1]	**~81%**	**~55%**
Sales & Marketing	~(4)%	~(142)%
Research & Development	~(22)%	~(22)%
General & Administrative	~(11)%	~(11)%
Operating margin	**~43%**	**~(121)%**

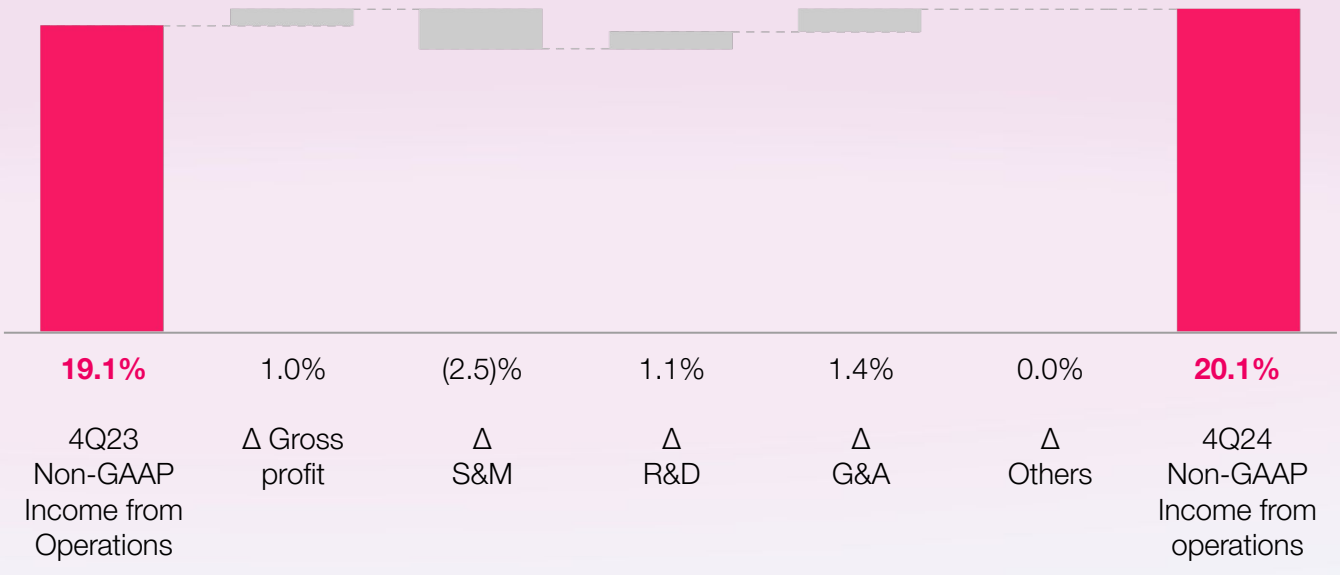
(1) Services revenue and services cost are included only in the "New Stores" P&L, as our services are mostly related to white glove PMO service to guide new stores implementations by 3rd party SIs

Financial Update
Ricardo Camatta Sodre

Moving down our P&L, we have maintained **strong discipline on costs and expenses**. Important to note that all figures I will now present are non-GAAP. You can find the reconciliation of those measures to the nearest comparable GAAP measures in our **fourth quarter 2024** earnings press release on our investor relations website.

Our subscription gross profit reached **US$46.9 million**, resulting in **78.9%** subscription gross margin, up from **78.6%** in the same period last year. Our total gross margin, which includes services, rose to **75.1%**, compared to **74.1%** in Q4 2023. Our total gross margin improvement was mostly driven by the lower mix of services revenue in our total revenue, as we are relying more on our ecosystem to provide implementation services, and, to a smaller extent, by operational efficiencies in support cost, despite the currency headwind experienced in the quarter.

Operating expenses were **US$33.8 million**, slightly below the **US$34.2** million recorded in the prior quarter, resulting in an operating income of **US$12.4 million**, representing a **20.1%** margin, up from **19.1%** in the same quarter of the prior year. Aligned with this, our free cash flow performance was equally strong reaching the same **US$12.4 million** and **20.1%** margin, consistent with the target model we communicated to the market. The resiliency of our operating income and free cash flow margin clearly demonstrates our natural operational hedge against FX fluctuations, as even though the weighted average of our basket of currencies depreciated approximately 10% YoY against the USD, we still improved our operating income margin by 1 percentage point and our free cash flow margin by 4.5 percentage points.



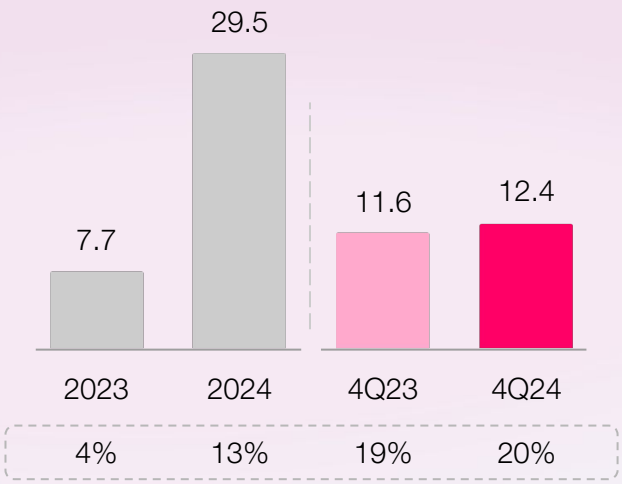
Financial Update
Ricardo Camatta Sodre

Looking at the **full year**, the improvements have been even more significant.

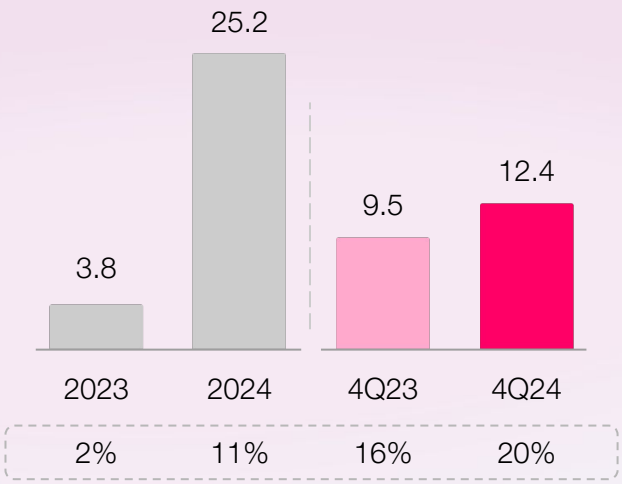
Our subscription gross margin improved **196 basis points**, reaching **78.2%**, while our overall gross margin expanded by **402 basis points**, reaching **74.1%**. Operating margin improved **nine percentage points**, reaching **13%**, going from **US$7.7 million** in 2023 to **US$29.5 million** in 2024. Free cash flow also significantly increased, from **US$3.8 million** in 2023 to **US$25.2 million** in 2024.

We also did strategic capital allocations, like Weni and a minority investment in Synerise, and launched a new share-repurchase program. Approved by our board of directors on December 3, 2024, the program authorizes the repurchase of up to **US$30.0 million** in Class A common shares and will remain in effect until December 2, 2025. In the fourth quarter of 2024, we repurchased **1.8 million Class A common shares** at an average price of **US$6.08** per share, totaling **US$11.2 million**. We'll continue to allocate capital with diligence, aligned with our strategic vision and aiming to maximize long term returns and value generation for VTEX, our customers, partners, employees, and investors.

Non-GAAP Operating Income
US$ millions



Free Cash Flow
US$ millions



Financial Update
Ricardo Camatta Sodre

As we move forward with our business outlook, **we remain confident in our business resiliency**. Despite Brazil's FX volatility and existing customers' GMV softness in the short term, we see an attractive opportunity to help our customers outperform the market, attract new customers, cross-sell our suite of products to our base, and efficiently manage our costs and expenses to deliver operational leverage.

Considering this, we are currently **targeting** FXN YoY subscription revenue growth of **13% to 15%** for the first quarter of 2025, implying a US$51.0 million to US$52.0 million range.

For the full year 2025, as we continue executing our profitable growth strategy, we are **targeting** FXN YoY subscription revenue growth of **14% to 17%**, implying a range of US$235.0 million to US$241.0 million based on the quarter-to-date average FX rate. We are **targeting** non-GAAP operating income and free cash flow margins of **mid-teens**.

Given the evolution of our partner ecosystem, we plan to increasingly rely on VTEX's ecosystem of system integrators for new customer implementations.

We view our lower short-term growth rate as temporary, influenced by the abrupt FX devaluation and a softening of consumption in Brazil. Looking ahead, our operational and long-term indicators are showing strong performance. We have seen a significant 23% increase in the number of customers generating over $250k in ARR, and our deferred revenue has also meaningfully increased by 29% YoY. Our annual revenue churn remains in the mid-single digits, with larger customers experiencing low-single-digit churn. Finally, and not less important, we are excited to be expanding with compelling new products that are enhancing our offerings.

Overall, we remain optimistic about the future and look forward to the opportunities that lie ahead in the coming years.

With that, let's open it up for questions now.

Thank you.



Closing Remarks
Geraldo Thomaz Jr.

2024 was a transformative year for VTEX, defined by innovation, operational excellence, and robust momentum in both new and renewed contracts. While Q4 growth fell short of expectations due to short-term FX volatility and existing customers' GMV softness in Brazil, we have laid an exceptionally strong foundation to propel VTEX into its next phase for the company.

We expanded our platform into a connected ecosystem with AI-powered solutions like VTEX Ads and Shield, enhancing customer outcomes and positioning VTEX as the most comprehensive commerce suite. Our strategic investments and evolving product portfolio have strengthened our leadership and opened new revenue streams, reinforcing confidence in our long-term growth potential.

We've made significant progress toward sustainable, profitable growth. As we step into 2025, we are committed to building on this solid foundation, delivering value, and driving innovation for our customers and shareholders.

Thank you for your trust and partnership. We look forward to updating you at our next earnings call.

Thank you!

VTEX

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