

# WEBROCK VENTURES

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## QUARTERLY UPDATE FIRST QUARTER OF 2023

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Dear fellow shareholders,

I hope this letter finds you well.

As we take stock of the first quarter of 2023 and look forward to the future, I am filled with optimism and excitement for what lies ahead for Webrock Ventures.

Despite the challenges and uncertainties that persist in the venture industry and the broader economic landscape, Webrock Ventures remains resilient and confident in the long-term potential of our portfolio companies.

As venture builders, we take a proactive approach to building and investing in promising startups. We provide not only capital but also strategic guidance and operational support to drive profitability and scalability. By thinking like owners, we prioritise efficiency and resourcefulness, enabling us to invest relatively small amounts of capital while still creating significant value and returns for our shareholders. In uncertain economic times, this approach becomes even more critical to our success.

### *Harnessing AI for sustainable growth*

Throughout the quarter, we remained focused on driving sustainable growth for our portfolio companies. In the ever-evolving tech sector, cutting-edge technologies such as ChatGpt are transforming the industry. We actively support our portfolio companies in implementing these technologies to drive growth and unlock new opportunities. For example, our portfolio companies Lara and FinanZero have already experienced significant benefits from implementing ChatGpt to increase productivity within their development teams. FinanZero leverages the chatbot for SEO content, which has yielded positive results. Similarly, Cardo Health is currently in the process of launching an MVP that will integrate a ChatGpt-based healthcare guide with WhatsApp, providing access to over 300 million users in Mexico and Brazil.

### *Introducing Solvio: a new venture in the solar energy market*

One of the key highlights for the first quarter of 2023 is the establishment of our new venture, Solvio. Throughout Webrock's history, we have invested in and gained specific knowledge and experience in the credit space through our efforts in building SME lender Qred and the healthcare point-of-sale platform Lara. Specifically from Lara, we have gained deep insights into the consumer credit space, leveraging healthcare clinics as

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distribution channels to achieve high-quality loan origination at close to zero acquisition cost. Leveraging our expertise in consumer credit and Lara's technology, Solvio will work with solar installation shops to offer households affordable and fair solar loans, supporting the shift to sustainable energy consumption and addressing a massive market with attractive unit economics.

#### *Potential write-down of Cardo Health AB*

Our portfolio company Cardo Health AB is subject to Swedish K3 accounting rules. Unlike IFRS, which requires holdings to be recognised at fair value, K3 accounting rules stipulate that holdings should be recognised at the lower of acquisition value and value in use. As such, an assessment must be made on each balance sheet date to determine if there are any indications that a financial fixed asset has decreased in value. As we prepare the annual report for Cardo Health AB, we are reviewing the value of its portfolio companies, and have determined that Vivabem Brasil AB (Vibe Saúde) will need to be significantly written down as of December 31, 2022.

It is important to note that Cardo Health AB has conducted several market transactions, including contribution in-kind issuances during Q3 and Q4 of 2022, as well as Q1 of 2023, at its current company valuation. This represents a significant premium on the company's asset values, and is a testament to the fact that Cardo Health is more than the sum of its parts. The company has a strong technology base, a well-planned roll-out strategy, and a talented team.

We will provide more details on this matter in our next quarterly report.

#### *Looking Ahead*

Webrock's established network, track record, and competitive edge within the Brazilian ecosystem continue to position us well to capitalise on the long-term tech opportunities in the country. We remain committed to our mission of building Brazilian startups that make a positive impact on society and generate great returns for our investors.

In the following letter, you will find a short update on Brazil's current state of affairs, as well as the key results and highlights for Webrock Ventures and its portfolio companies. We look forward to sending you a full *Interim Report - The First Six Months of 2023 in August*.

Thank you for your continued support.

Best regards,

Joakim Pops

## **Brazil's current state of affairs**

- The interest rate remains unchanged - Banco Central kept the discount rate (SELIC) unchanged at 13.75% for the fourth consecutive meeting. High-interest rates continue to be a major constraint on the economy, and inflation above 5% prevents the easing of monetary policy.
- Inflation is decreasing - inflation recorded in mid-March decreased to 5.36% from 5.63% in February.
- GDP is growing - the official data for the 2022 GDP shows an increase of 2.9% compared to 2021. The average forecast for Brazilian GDP growth in 2023 is around +0.9% per annum, slightly higher than previous estimates.

## **Highlights**

### ***Investment portfolio development***

- Webrock will conduct valuations of each portfolio company twice a year as part of its Half-Year and Year-End Reports. This approach reflects the high and increasing workload required to prepare fair value estimates.
- Cash & Bank was SEK 17,7 million on March 31, 2023.

### ***Key events during the quarter***

- FinanZero secured USD 1,5 million in the second tranche of its 2022 funding round. The funds will support the company's market expansion and technical integration with bank partners.
- Webrock's Investment Committee took the decision to start Solvio - a solar energy company offering payment plans to help Brazilian homeowners switch to solar energy.
- Prosperia, a partner company of Cardo Health, launched Zana, a new digital health offering in Mexico. Zana is built on the Cardo Health Tech Platform and aims to provide personalised healthcare solutions to patients through advanced analytics and data-driven insights. This launch marks a significant milestone in Prosperia's mission to revolutionise healthcare delivery in Mexico, and highlights the power and potential of the Cardo Health Tech Platform.
- Kena Health, a partner company of Cardo Health, has secured the first tranche of its planned USD 2 million capital injection. Next123, a local South African VC firm, has provided the initial USD 1 million in funding to support Kena Health's growth and expansion plans.
- Traveltech Chalinga had a record-breaking month in January with almost 7,000 tickets sold and BRL 8,2 million in total sales on its platform.
- Due to the acquisition of Tmpl Sweden by Swedish proptech company Avy, Webrock - together with our JV-partner Avy - decided to put further development of Tmpl Brazil on hold until the new improved platform is ready to be launched.

### ***Key events after the end of the period***

- Sports marketplace Score launched its MVP on April 18, 2023.
- Invested SEK 5,0 million into Lara as a follow-on investment.

### ***Investment Activity***

During the first quarter of 2023, investments in portfolio companies amounted to SEK 4,1 million of which:

- SEK 3,0 million to Score as a new investment.
- SEK 1,1 to Lexly Brazil as a follow-on investment.
- Direct investment costs for the period amounted to SEK 2,0 million.
- General costs for the period amounted to SEK 1,4 million.

## **Portfolio Company Overviews**

### ***Cardo Health - democratising healthcare through AI***

- Vibe Saúde, a partner company, has a new CEO, Felipe Cunha. Felipe brings extensive experience as a digital startup leader, having previously worked at unicorn Rappi and several other start-ups. He replaces Ian Bonde in this role.
- Kena Health, a partner company, has secured the first tranche of its planned USD 2 million capital injection. Next123, a local South African VC firm, has provided the initial USD 1 million in funding to support Kena Health's growth and expansion plans.
- Colombian partner company Doc-Doc achieved a 23% month-over-month increase in sales, although this growth was from a relatively low base.
- Cardo made significant progress with its technology platform, including a new AI-tech collaboration with its partner company, Prosperia. This collaboration leverages recent developments in Large Language Model and analysis, with the aim of improving patient outcomes and overall healthcare delivery.
- Prosperia, a partner company of Cardo Health, launched Zana, a new digital health offering in Mexico. Zana is built on the Cardo Health Tech Platform and aims to provide personalised healthcare solutions to patients through advanced analytics and data-driven insights. This launch marks a significant milestone in Prosperia's mission to revolutionise healthcare delivery in Mexico, and highlights the power and potential of the Cardo Health Tech Platform.

### ***FinanZero - Brazil's number one loan marketplace***

- FinanZero secured USD 1,5 million in the second tranche of its 2022 funding round. The funds will support the company's market expansion and technical integration with bank partners.
- QoQ results showed steady growth, with a 1% increase in revenues to BRL 3,3 million, and an 11% increase in loan volume, reaching BRL 76,3 million.
- Generated 5,7 million visitors and 2,7 million leads, an increase of 15% and 13% QoQ, respectively.
- The company achieved a media return on investment (ROI) of +36% for the quarter, due in part to strategic investments in Brand Awareness.

### ***Qred - financial solutions for small and medium businesses in Brazil***

- Qred achieved 183 new contracts and BRL 12,1 million in total volume during the quarter. This marks a 22% increase in the number of contracts, and a 44% increase in volume compared to the previous quarter.
- Despite a challenging credit environment, Qred was able to maintain delinquency remained levels below forecast at 12% on earlier vintages, a testament to its risk management practices and commitment to responsible lending.
- Initiated fundraising efforts for its credit fund (FIDC), aiming to raise BRL 30 million from Brazilian credit investors. A FIDC is a type of fixed-income investment vehicle widely used in Brazilian credit markets.
- Collection efforts targeting the written-off portfolio have yielded promising results, with the recovery of over BRL 200,000 in distressed loans during the quarter.

### ***Lara Cred - a point-of-sale lending platform for healthcare clinics***

- Lara's new CFO made significant progress in structuring the company's FIDC that is expected to provide a much larger revenue stream from interest rates.
- The company's commitment to providing high-quality service to merchant clinics was reflected in its stickiness rates, which reached 35% of total sales.
- KYC/onboarding and monitoring processes were ramped up during the quarter to proactively manage potential risks such as clinics closing down.
- The implementation of ChatGpt within Lara's development team increased productivity and alleviated hiring pressure, which led to lower costs for the company.
- Outsourced collection agents performed better than expected, recovering longer NPLs and providing a quick pathway for Lara to scale up, while also enhancing its risk management capabilities.
- Despite a challenging credit environment, Lara continued to stand out among credit fintechs in Brazil, with less than 5% delinquencies across all vintages, including the more mature ones.

### ***Lexly Brazil - employee legal advice made easy***

- To expand its customer base and increase recurring revenues, Lexly made the strategic decision to focus 100% of its sales efforts on selling Lexly as a Benefit. The target is companies with more than 100 employees, and the business model will be based on a prepaid per employee approach. This pivot is expected to provide the company with significant growth opportunities and help it achieve its revenue goals.
- Restructured the organisation accordingly, and cancelled all media spend in an effort to reduce costs and align with the new sales strategy.
- Closed a deal with its first insurance company, Porto Seguro, to offer Lexly's legal services to its SME customers in a pre-paid deal.
- Reached over 10,000 beneficiaries in the Lexly pre-paid program.
- Lexly's current pipeline of deals is worth over BRL 100,000 in recurring monthly revenue.
- Note that the sales cycle for Lexly as a Benefit is longer than expected, taking around 3 to 6 months to mature.

### ***Chalinga - an online travel agency that specialises in the sales of air tickets and related services***

- In the quarter, the company achieved total revenue of BRL 22,4 million in the quarter, representing a significant increase of 166% compared to the same period last year when revenue was BRL 8,4 million.
- January was a record-breaking month with almost 7,000 tickets sold and BRL 8,2 million in total revenue on its platform.
- Lowered PIX transaction fees from 0.99% to 0.15% by partnering with Volt, a new payment provider.
- Initiated integration with Viájala, a leading local metasearch platform in Latin America, to expand Chalinga's customer base and increase brand awareness.
- Strengthened the sales effort by enhancing the capabilities of its operations team, improving customer service and post sales.

***Olik - an insurtech company with a mission to democratise insurance in Brazil through an embedded B2B2C offering***

- Successfully launched the company in the insurance market, generating significant interest and coverage in the industry press.
- Continued to expand its customer base by closing deals with leading retail and financial services companies, resulting in consistent revenue growth.
- Defined key performance indicators (KPIs) to monitor and manage its initial partnerships effectively.
- Made improvements and corrections to the client journey for its first closed deals, streamlining sales processes and optimising outcomes.

***Score - an online sports marketplace that aims to become the biggest platform in the sports and wellness ecosystem in Latin America (similar to Matchi in Sweden)***

- Score officially started operations on February 1, 2023, with the ambitious goal of becoming the leading sportstech company in Latin America. The founding team comprises seasoned professionals with expertise in UX, tech, and sales.
- Launched its brand, name, and visual identity to the market, building strong brand awareness from the outset.
- Conducted extensive market research, interviews, and data analysis to identify the initial customer pain points to tackle with the MVP. Successfully closed partnerships with 16 sports arenas to join Score in this first phase, establishing a solid customer base.
- Developed and executed a comprehensive go-to-market (GTM) strategy, which integrates online and offline media channels to engage with key stakeholders and promote the MVP effectively.
- Completed the hard-coding development of the MVP as scheduled by the end of March and launched it to the market in mid-April, showcasing a high-quality and user-friendly product.