

Rafael Mastrocola:

Good morning, everybody. My name is Rafael Mastrocola, I am manager of WDC and I will be moderating the questions at the end of the presentation. It is a pleasure to be with you during the first video conference post IPO earnings call.

Today with me, we have Vanderlei Rigatieri, CEO and founder of WDC, and Andre Valente, CFO and Investor Relations Officer.

I would like to inform you that this video conference will be recorded and it will be available at the Investor Relations website of WDC. The presentation is also available at the Investor Relations website, and you may download it on the platform. We have simultaneous translation into English, and, in order to access it, you have to get into the English link. We also have the chat here, we have a chat box by means of which we will be receiving questions during the presentation. At the end, we will read the questions in the order that they are received. So please state your full name and the institution you work for, the asset management or the bank you work for.

And lastly, I would like to say that the information imparted here in the document, in the presentation, about the business perspectives and growth of WDC networks are based on the expectations of the management. These expectations depend on market conditions, the performance of the Brazilian economy, of the sector and international markets, and therefore they are subject to changes.

Thank you very much. It is a great pleasure to be with you, and now I would like to turn the floor over to Vanderlei to start the presentation.

Vanderlei Rigatieri:

Hello, everybody. Good morning, everybody. I would like to wish you a very good event today. I am super happy to be talking about the results of the 2Q of the Company less than one month after IPO, which was on October 26. And it is a great pleasure to be with you, investors, and thank all our investors very much because they have believed in our business and they gave us their confidence, and now we will have the chance to show the results of the 2Q.

First of all, the IPO, which was on July 26, where we raised R\$450 million and we issued 19.4 million new shares, was really a milestone for the Company and it was really very moving for all of us, and this will certainly define a lot of the path that will be followed by the Company in the next few months.

And amongst the things that I would like to mention among all these figures here that you see on the slide, it is the growth in total sales. During this quarter, we reached R\$390 million in total sales, and this means a 68.4% growth over the same period last year.

I would like to remind you that total sales are the figure that really reflects the commercial endeavors and the sales endeavor on the part of the Company, because it puts together not only the gross revenues from sales, but also the PSV of all the contracts, all the agreements that we signed in the period. So we have 68.4% increase.

And another figure that is really outstanding and that made us very happy was the growth in the adjusted net income, R\$25.2 million in 2Q21, growing 89.2% year on year. And when we look at the last 12 months, we can see that we already have an adjusted net income of R\$91.4 million. This is the gold medal that you see here on the top of this slide. We gave them a gold medal because they are really outstanding results obtained by the Company.

And another important thing is the EBITDA. Consolidated, adjusted EBITDA this quarter was R\$68.5 million, with a growth of 40% year on year. In the year to date, it is already R\$127.7 million.

In the last 12 months, our EBITDA has already hit R\$259 million, and this shows how strong our figures are, and the situation that we will have in the next few months in terms of financial results.

And another figure that is very important is our leverage, which is 2.5x today, net debt to adjusted EBITDA, 2.4x. But we have to remember that with the inflow of the IPO proceeds, this leverage will sometime go down to 0.9x the EBITDA. But this is only temporary, because we know that we are active capital users in order to drive our business.

During the 2Q, we had two new manufacturers that came into our portfolio. The first one is Logitech, which is a Swiss company which is headquartered in California, very strong in video collaboration and cameras for video conference and distance learning, adding to our audiovisual portfolio in the corporate business. And also the partnership with Huawei Solar, one of the biggest manufacturers of smart solar inverters in the world. Because of that, WDC will have a better position in the solar plants market. These things will be very important for the future, for the performance of the Company in the next few months on the next few months.

On the next slide, I give you details about the evolution of our total sales. As I said before, this is the number that really shows us our commercial performance, and you can see that in 2Q21, consolidated, we have R\$390 million, and year to date, total sales reached R\$713 million, 71% increase year on year. And this is a very positive highlight, mainly in the segment of telecom, which really had a very steep development in the 2Q.

On the next slide, I talk in detail about the segments of the Company, total sales for each one. You can see that in telecom, in the 2Q, we have R\$217 million in total sales, a growth of 38%. Year-to-date, 56.9% increase, R\$418 million in total sales in telecom. So telecom now represents 58.7% of the total sales of the Company year to date.

In the corporate segment, it is not really lagging behind, quite the opposite. We had a very big step here in the 2Q of 130% increase in total sales, going to R\$173 million, and year to date growing 96.4%, delivering R\$294.7 million in the corporate segment. And here, I would like to highlight the fact that the enterprise business had a very steep recovery this quarter, with the return of some large project, mainly infrastructure projects like highways and the new concessions, and all these projects of electronic security are very much needed. So we have 47.3% increase in the 2Q vis-à-vis the same period last year.

On the next slide, I show the performance of the solar BU. During our road show, before the IPO, we have been talking about this extensively, and the outlook of growth for this unit is huge, and this is very understandable, because you can see that from the 2Q20 to the 2Q21, our growth in sales was 6.1x, reaching R\$79 million. In the year to date figure, we grew 7x the same volume that we had last year, reaching R\$134 million in this period. And if you do some simple math here, R\$79 million in this quarter. Multiplied by four, this gives you an idea of the size of the segment, and what we expect from this segment exceeding R\$300 million.

Solar is in full expansion, and gaining market share, mainly in the medium sized companies, and also large homes. We expect a major growth as well and the higher participation of WDC in the large plants with the partnership with Huawei Solar.

Now, I would like to talk about our TaaS. First of all, I would like to introduce the TaaS persona to you. The girl that you see here, the lady that you see was created digitally, and she is our persona, our TaaS, and. She will be the one receiving our clients in digital contacts and helping with technical support, clarifying doubts about contracts. So we are strongly digitalizing this kind of service, and we started with TaaS.

And here we have the performance of the contracts. As you can see, it shows to be stronger and stronger in our overall results. You can see the results on the slide. In the 2Q, 448 new TaaS contracts signed, with an average ticket of R\$295,000, each one of the contract, a growth in the

number of conflict in the same period of 18% year on year, and this is very important because it is more contracts with a higher unit value.

And this represents in the quarter total sales of R\$132 million new contract, and this presents a growth of 30% over the same period last year in terms of total sales. And this is extremely important for us in our growth strategy.

On the next slide, I show the evolution of the average term of the new contracts, or the new agreements. You can see that in the 1Q20, the average term was 27 months, and we started extending this and pushing this forward, and incentivizing our clients and our teams to increase the average term of the contracts.

And this is a strategy on our part. It has to do with a very important philosophy in our management, because as we extend the term, in the short term this hurts a little bit our EBITDA, because, of course, the installments of the contracts will be smaller and the recognition of revenues will be smaller. But we emphasize the long term. We have already discussed a lot with our investors during the roadshow about this strategy, and I say this all the time.

WDC is not a company that thinks in the short run, because we want to add value for all our shareholders, for the Company as a whole in the long run. This is our view. And this is the most important indicator of everything that we are doing. The longer the terms, the better it is in terms of backlog generation for future revenues. And for the stability of the Company, for the predictability of the Company, this is really fundamental.

On the next slide, I share now a little bit about the performance, both for CAPEX, CAPEX use for new agreements. As you can see, we used virtually the same CAPEX of the last quarter, R\$63.6 million, in order to generate 30% additionally of VGV revenues in agreements. So we largely increased and improved our performance in terms of the use of our CAPEX.

At the end of the day, it has a big impact on the revenue backlog. If you look at it, you will see that in the 2Q20, our revenue backlog for the future was R\$314 million. And now, in the 2Q21, we moved up to R\$519 million. In other words, we have a future revenue that is assured and guaranteed 65% higher year over year. And this growth in backlog has to do with an extension of terms of 47 months, and also increase in total sales as well, of 30% in the same period of this year.

So now, over the next slides, I would like to dive deeper into some indicators, and I would like to ask our CFO, Andre Valente, to continue with the slides and presentations, and I will come back at the end. Over to you, Andre.

Andre Valente:

Thank you, Vanderlei. Hello, I am Andre Valente. And the leader of the finance area of WDC. On the next slide, here we show some indicators related to the Company's results. The first one is net revenue, which followed a growth trend, as you can see, reaching 72.7% growth vis-à-vis the same period of the previous year, and reached a total net revenue for the last 12 months of R\$912 million.

As for results, we highlight adjusted EBITDA, and I would like to focus on two important points. Firstly, I would like to explain what we mean by this term, adjusted EBITDA. Just to recap, this is mostly related to the exclusion of some expenses related to the IPO, and also variable or share-based variable payment, Both events ended in July 2021. And also an upside that was excluded from our results, and this one has to do with the STF decision to exclude ICMS from the calculation base of PIS/COFINS, with a positive impact of R\$8.6 million in the 2Q. We excluded the effect from our adjusted indicators because these credits are mostly related to 2017 and 2020.

With regards to the 1H21, we have R\$900,000, and that is a positive impact on this half of the year, and it is a recurrent item. So the R\$900,000 were not excluded.

Another important thing to highlight about adjusted EBITDA is the retraction of percentage margin, a reduction from 30% approximately, down to 25, mostly dependent on two factors, which are recurring here vis-à-vis the 1Q. It is an exponential growth in our solar BU, and it is upon maturation and high growth, and as you know, margins are slightly lower compared to the other business in the Company.

The second item in this reduction, a percentage of the EBITDA margin, according to our models and projections, we are already using this extension of tax agreement terms, benefiting short term. So we have a company, like Vanderlei said, that is focused on the future. We do not have a very short term vision. We believe the longer the term, the better the retention on our base, and more recurring revenues and results in our company.

And the last part of the slide shows adjusted net income closing at R\$25.2 million in the 2Q21, reaching R\$31.5 million this quarter and R\$91 million for the last 12 months. And this is evidence of a net margin of 10 p.p. when compared the R\$91 million of the last 12 months with a R\$912 million of net revenue for the last 12 months.

Next, we show a little bit of our analysis of the Company's segments and business. Here we see the telecom segment, and here we highlight our robust performance. Total sales increased by 38%. Our market share was approximately 20% in the number of new fiber optic connections installed in Brazil according to Anatel data. TaaS and Telecom accounted for 50.2% of the segment, showing already the maturity of those who have been with us for more than seven years. And net revenue for telecom, R\$139 million adjusted EBITDA, as you can see, of R\$61.4 million, posting growth of 40%. In the analysis period, we see growth in volume and also gains in margin, showing the robustness of the result of the main division of the Company.

Next, we have the corporate segment. The corporate segment also posted very significant growth of 130%, mostly driven by the solar BU, and also with the uptake of several corporate projects in our enterprise BU. Net revenue increased by R\$138 million, approximately 150% growth, and adjusted EBITDA, as you can see on the slide, reached R\$7.1 million, or posting growth of 44 p.p. vis-à-vis the same period of the previous year, mostly with an increase in volume and margin, and expenses. Also, several variable expenses, particularly with commercial reps, and also an impact on ADA, allowance for doubtful accounts, which have an impact on the total EBITDA of the corporate segment.

We also show our cash flow on the next slide. Our cash position follows our plan. We started the year, as you can see, with slightly more than R\$89 million cash, we increase our working capital position, R\$75 million, particularly related to an increase in inventory, pretty much in line with our future growth strategy. R\$245 million funded as new debt, and we amortized R\$89 million of current debt agreements at the Company.

CAPEX was R\$124 million, as you can see in the analysis of cash variants. And this is very much related to our total sales of VGV for TaaS, which in the semester was R\$256 million, CAPEX of R\$124 million and sales of R\$256 million, which is pretty much in line with our proposal for the TaaS modality. And we close this semester with cash of R\$22 million. Naturally, this is very much related to the proceeds of the IPO, R\$405 million net of all related expenses and duly used and invested. And as we showed previously, they will be use in the coming months, with the sale of new lease agreements in our tax methodology.

On the next slide, concluding the figures, we give an overview of our indebtedness level of the Company, closing the quarter showing a future horizon of indebtedness, with 29 months average term and CDI + 3.46%.

Right after the offering by the end of July, we already had the first renegotiation of debt with BTG Pactual, reducing compensation fees and excluding the needs of collateral deposits and excluding all financial covenants, with all the debts with the institution. And over the following weeks, we will keep on evolving in cash management, searching for opportunities stemming from this better profile of the Company after the IPO.

So now I give the floor to Vanderlei, who is going to tell us more about the outlook and what is next.

Vanderlei Rigatieri:

Excellent. I think it is important to give you an overview of what is next, what is the outlook. The first thing I would like to highlight is the result as net income for the last 12 months. It gives us an assurance that we will manage to meet our targets this year.

Our investors, they were with us in our road shows, and rest assured that we are on the right track. We are delivering what we promised. I always say that the Company has a very strong characteristic of planning and delivering. This is our characteristic of following our planning very strongly.

In the telecom segment, the market remains very strong. The demand is going up, as you could see in our results. We even managed to increase the margin, particularly because we feel that the arrival of neutral networks and the consolidation movement by ISPs, this all had a very interesting impact.

Small providers began to improve their networks in order to become more attractive, and this has helped us tremendously to build better networks and improve the quality of these providers infrastructure. Added to that, we also closed good deals this semester, particularly building data centers and backhauls in DWDM. This move goes on, and it is expected to keep on increasing by yearend.

In the corporate segment, we had a very big surprise. As you know, the corporate market, the audiovisual market, the pro AV market was the most deeply hurt by the pandemic, and also in terms of renegotiation, payments, allowance for doubtful accounts. However, we also felt a very strong recovery over the 2Q21.

All the outcomes and forecasts show us that this is expected to continue in the future. These niches that were extremely hurt are expected to keep on coming back to normal.

This goes precisely for pro AV, audiovisual. It is coming back, and that is why we have this partnership with Logitech. It is very important under this perspective, and also the part of new infrastructure projects.

In the current semester, we had this big project that we closed with airports, the Cuiaba Airport, a partner of ours, and this is expected to drive and to boost new concessions that were already in a bidding process. Airports, and even highways, investment in highways, this helps tremendously, the corporate segment at WDC.

So the two partnerships that are mentioned in the beginning certainly are going to bring big opportunities for us. Huawei Solar is extremely important, allowing us to meet bigger and greater plants. There is a big volume, a tremendous revenue related to these new plants.

And a point of attention that I always like to highlight. I think you are all following it up, several industries, several segments being negatively affected by the shortage of chips and components. We were not that hurt with that over this whole time frame, considering our diversified portfolio. We

always have more than one provider of the same product, be it in terms of telecom or in the corporate segment.

International logistics is a point of concern. Shipments, the ships, the vessels have been delayed, and therefore, it generates a lot of additional transportation costs. I think you are all familiar with that. You have been following, prices of maritime containers have increased a lot regardless of the route. We believe that this is going to remain in the 2H21, and is only expected to improve as of next year.

So that is an overview on what we can say about this scenario for the future. But in total, it is very positive, and very pleasant to realize that now we are more capitalized, now that we have the IPO, we can grab more opportunities in both segments.

So I think that is what we had. Thank you very much. And once again, we are delighted to be talking to you today, sharing the earnings of the 2Q. So I guess now I can turn the floor to Rafael. Maybe we have questions or some comments, or things to help clarify.

Marco, MultiValor (via webcast):

How does WDC see the consolidation of ISPs, due to the M&As that we have been seeing amongst the ISPs, and how this concentration could benefit or hinder WDC?

Vanderlei Rigatieri:

This was a recurrent theme in our road show, and I showed what happened in the 2Q. Consolidation of the ISPs, when it started way back then in 2018, 2019, we felt that it could hinder WDC. I remember Sumicity, for instance. Sumicity was one of the first to receive investment from funds, EB Capital. And I remember that after EB came on board, and after they started to acquire more ISPs, we increased more than fourfold our sales to them.

The consolidation of ISPs, as far as WDC is concerned, has been beneficial overall, because they are acquiring very small ISPs, and up to that moment, we did not serve them, or we served them partially. And with the professionalization of these providers and this consolidation going on in a more professional environment, with a professional CFO, with a professional CEO, with all that, we were able to position our offer much better, specially our tests offering, and this has been very good for our Company.

And other things that we have been feeling is the fact that providers are preparing themselves for a possible acquisition. As you know very well, the smaller providers go through some difficulties in terms of organization. All the documents ready for the network and of the product with the necessary origin and with guarantees. And what we saw is that the smaller ISPs were trying to make their networks more robust and more auditable, more attractive for a possible future acquisition.

Up to now, what we have been seeing is a very positive move, which benefits our business. I remember that there were 6,000 or 10,000, we never know the total number of the ISPs, but we reached 2,000 of them. And what we have been seeing is that, over the process of consolidation, we have been increasing our footprint, and we have been able to sell to smaller providers.

And when I say 'sell', I mean sell and lease. We see, for instance, a concern on the part of these small ISPs. In terms of having a data center infrastructure, so that they may have all their servers in a more professional environment, with a better quality, with more data security, and no longer a data center that was only just one small room with an air conditioning for comfort purposes, without the concern of operating 24/7, for instance, and now we see a higher need for that.

And besides, we have everything that happens after the consolidation, the post consolidation and the entry of these ISPs together with the construction of backhaul. The integration of all these providers in one same network.

So we have projects of DWDM. And just to give you an idea, this 1H we were able to sign ten new backhaul projects, and we still have some in the pipeline to be delivered in the 2H21.

All of this is very beneficial as far as WDC is concerned, because providers become more professional, and the more professional they are, the more concerned they are with quality, the better it is for us as suppliers of quality products, and with the better guarantee for them.

Marco:

Who are the main competitors in the telecom segment? Do you have price and conditions to compete with them?

Vanderlei Rigatieri:

Very good question, Marco. In the telecom market, let me let me give an example, I always break it down by technology. We have several products that we sell to the telecom segment. One of them is the FTTH network, the GPON network. Today in the world, there are four big suppliers: Nokia, Huawei, ZTE and Fiberhome. And in addition to these four, there are several other brands that I consider to be white label, like generic brands. And they also take part in this segment, particularly the low end segment. These are products designed by a given company, Chinese companies that try to sell this project for lower prices, and it happens all over the world.

In Brazil, WDC, out of these four, it sells Nokia and Fiberhome. And we have competition from the other two manufacturers, Huawei, with three distributors here in the country, Agora Telecom, Connectoway and FiberX. And also ZTE, which sells in the country through a partnership with Multilaser. About a year ago or two years ago, Multilaser joined the segment as well, a model pretty similar to WDC, importing components and assembling the product locally. And it has a good footprint with ISPs as well. It joined later, its market share is not so big, but it is an important competitor.

As for price and conditions to compete, absolutely. We are in this segment, we arrived earlier than any of these competitors. We started selling to ISPs, fiber to the home, back in 2011. I would like to remind you all that in 2011, I had this adventure of having a truck and traveling all over the country, getting to know these manufacturers better. And eight months later, that is when we started our manufacturing plant in Ilheus to manufacture telecom items, particularly ONU, which is a fiber modem that is in the customer's home.

And today, we are highly competitive. The latest Anatel results disclosed monthly with the number of new subscribers for fixed broadband, in fiber we had 19% market share for new subscribers, which is so important. We sold more than 770,000 new subscribers at this time, vis-à-vis 3.7 million, which is the number of new subscribers considering all operators and providers.

So we are highly competitive. We have a high market share, and our lease model is very attractive, which is also very helpful.

With regards to other products in the telecom market, we have, for instance, DWDM, which is far more complex as a product, because it interconnects cities with high capacity. So we have one fiber, and we manage to embed several beams of light, several colors, and that is very advanced technology.

WDC began to sell there two years ago, and today we have the main competitors, one of them is Brazilian, Padtec. It has a competitive product up to a given capacity, if I am not mistaken, 40 GB.

Higher than that, they do not have a technology to address it. And then we have other manufacturers who do the same.

We sell ECI's technology. ECI is a company from Israel. And we also have other manufacturers like Siena, Infinera, even Huawei. They also have products, and so does Nokia. We have been very successful because the DWDM design usually takes high investment, and our TaaS model fits very well into this segment.

So I believe this is the scenario when it comes to competition. And by the way, there is a third product, which is fiber optic cable. We do have fiber optic cable, and we have a very significant share selling fiber home cable, which we import and sell. And in Brazil, we have a couple of domestic manufacturers like Furukawa, Prysmian, ZTT, and they are also heavyweight manufacturers.

Despite all of that, we have been very successful in the sale of our cable, because Fiberhome worldwide is one of the largest manufacturers and suppliers for operators all over the world. I am sorry, I had forgotten to mention cable, and I hope I answered your questions.

Rafael Mastrocola:

We have no other questions in the chat box. Vanderlei, would you like to make any closing remarks?

Vanderlei Rigatieri:

I am very happy to be here today, talking for the first time with our investors after the IPO, be it the individual investors or funds, and everybody that placed their bets on WDC.

Once again, this is a long term company, and I would like you to look at WDC as a company that has the perspective of adding value to the business over many, many years. We have a very well defined plan, be it in telecom, be it at the corporate segment or solar segment. So our trajectory is very well defined, and we also have defined a whole range of new offerings that we have for all these segments, and I believe that we are executing as planned.

I believe that one of the most important things is to promise and to deliver on your promise, and the result that we are delivering now is exactly along these lines. I remember many conversations with investors, I do not know whether they are participating on this call or not because I cannot see everybody who is with us today, but I remember our talks with investors and they said very often, "Vanderlei, I can give you one advice: deliver on what you promise, because this is the way we think".

This is exactly what we are doing, and I am very happy because everything that we have planned and results, we are delivering. And I am complying with everything that we promised, and we are following your plan, because it is very important in business for you to know the market and know your segment in depth and to be able to have a very well-prepared team in-house.

Today we have a very strong team. Some people that have come after the Company was professionalized in 2017, these people came on board and they added a lot of value to the Company. I am very proud of our team because they really are very faithful. They are the blood of the Company. And because of this wonderful team, we can deliver these results that we have presented today.

We are present in growth markets. We are not present in markets that have any limitation regarding growth. Solar, telecom, corporate, all these areas in which we operate have a lot of room for growth.

And the model that we have, the possibility of assembling the product locally and to make the product more affordable, and the TaaS model that we have brought to the Company in 2013. We have not invented the wheel. We only looked around what was happening in the world and the trend of buying IT, communication via OPEX. All that created a virtuous circle, and it brings quite good results to the Company.

So this is what I wanted to say as my closing remarks. We are working a lot. Everybody here in the Company is making their best endeavors to deliver on the plan, to deliver results and to generate results so that this Company may be extremely successful.

Thank you very much, everybody.

Rafael Mastrocola:

Thank you very much. We wish you a very good day. And with that, we end this call about the 2Q21. Have a very nice day. Thank you.

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of The Company hosting this event, which was transcribed by MZ. Please, refer to The Company's Investor Relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript"