



WDC
NETWORKS



**EARNINGS
RELEASE
4Q23**

LVTC
B3 LISTED NM

Conference Call
March 7, 2024 – Thursday
10:00 a.m. (Brasília) | 9:00 a.m. (EST)

Only Portuguese: [click here](#)

IGC-NM B3

IGC B3

ITAG B3



Earnings Release 4Q23 | 2023

WDC Networks accrues cash and cash equivalents of R\$102 million and reduces gross debt to R\$590 million, while Enterprise sets record Total Sales

Ilhéus, March 6, 2024 – Livetech da Bahia Indústria e Comércio S.A. (B3: LVTC3) (“Company” or “WDC Networks”), a technology company in the telecommunications, solar power and enterprise segments founded in 2003 and the pioneer in marketing Technology as a Service (TaaS), today reports its results for the fourth quarter of 2023 (4Q23). The individual and consolidated financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil, which include the accounting pronouncements, guidance and interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC) and the Securities and Exchange Commission of Brazil (CVM), and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB).

HIGHLIGHTS | 4Q23 (consolidated)

- ⇒ Record Backlog Revenue of R\$874.8 million in 4Q23 (+8.2% vs. 4Q22)
- ⇒ Record Enterprise Total Sales of R\$369.9 million (+8.7% vs. 2022)
- ⇒ Reduction in Operating Expenses in absolute terms in 2023 (-4.4% vs. 2022), reflecting the Company’s constant cost-cutting efforts.
- ⇒ Improvement in operational performance with EBITDA margin of 25.7% and cash generation from operating activities of R\$317.7 million
- ⇒ High-cost inventories practically sold out in the Solar segment.
- ⇒ Reduction of Gross Debt to R\$590.4 million in 4Q23 (-25.8% vs. 4Q22), improving the Company’s short-term debt profile to 12.0% (vs. 28.6% in 4Q22)
- ⇒ Total cash balance and equivalents of R\$102 million in 2023
- ⇒ Current liquidity ratio improved from 2.20x in 2022 to 2.74x in 2023, while overall liquidity ratio improved from 1.65x in 2022 to 1.88x in 2023

R\$369.9

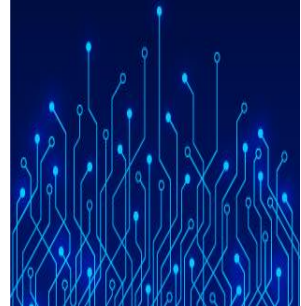
million
 Total Sales in 2023
 RECORD
 ENTERPRISE

R\$102.0 million

Cash and Cash
 Equivalents in
 December 2023

R\$874.8

million
 Revenue Backlog



Summary of Consolidated Results and Financial Indicators

Highlights (In R\$ million, except when indicated)	4Q23		4Q22		Δ %		3Q23		Δ %		2023	2022	Δ %
Consolidated Financial Income													
Total Sales	270.1	379.7	-28.9%	274.0	-1.4%		1,152.0	1,480.9	-22.2%				
Net Revenue	218.9	277.5	-21.1%	217.8	0.5%		900.7	1,070.9	-15.9%				
Gross Income	38.7	58.7	-34.1%	47.8	-19.1%		188.3	247.7	-24.0%				
<i>Gross Margin (% Net Revenue)</i>	<i>17.7%</i>	<i>21.2%</i>	<i>-3.5 p.p.</i>	<i>22.0%</i>	<i>-4.3 p.p.</i>		<i>20.9%</i>	<i>23.1%</i>	<i>-2.2 p.p.</i>				
Adjusted EBITDA	45.2	62.1	-27.2%	60.3	-25.0%		231.6	257.4	-10.0%				
<i>Adjusted EBITDA Margin (% Net Revenue)</i>	<i>20.7%</i>	<i>22.4%</i>	<i>-1.7 p.p.</i>	<i>27.7%</i>	<i>-7.0 p.p.</i>		<i>25.7%</i>	<i>24.0%</i>	<i>1.7 p.p.</i>				
Adjusted Net Income	(9.9)	1.6	-724.9%	0.9	-1251.7%		(11.9)	10.3	-215.8%				
<i>Adjusted Net Margin (% Net Revenue)</i>	<i>-4.5%</i>	<i>0.6%</i>	<i>-5.1 p.p.</i>	<i>0.4%</i>	<i>-4.9 p.p.</i>		<i>-1.3%</i>	<i>1.0%</i>	<i>-2.3 p.p.</i>				
Main Financial Indicators													
Deferred Revenue Backlog	874.8	808.3	8.2%	873.8	0.1%		874.8	808.3	8.2%				
Investment in Property, Plant and Equipment for Lease (CAPEX TaaS)	42.7	46.7	-8.7%	36.2	17.9%		192.1	214.7	-10.6%				
Net Debt / Adjusted LTM EBITDA (x)	2.1	1.9	10.6%	2.2	-3.0%		2.11	1.91	10.6%				
Main Operating Indicators													
% Produced Internally (% Total Sales)	47%	56%	-9.8 p.p.	49%	-2.5 p.p.		49%	59%	-9.9 p.p.				
% TaaS (% Total Sales)	33%	34%	-1.5 p.p.	35%	-2.4 p.p.		36%	35%	1.2 p.p.				
% TaaS (% Gross Revenue)	32%	24%	8.2 p.p.	32%	0.4 p.p.		31%	23%	7.9 p.p.				
New TaaS Agreements' (sic) Term (average in months)	48	55	-11.7%	52	-6.5%		53	53	-0.6%				
Quantity of New TaaS Agreements	331	279	18.6%	347	-4.6%		1,326	1,214	9.2%				
New TaaS Agreements' Value (average R\$ thousand/agreement)	269	469	-42.6%	280	-3.7%		312	425	-26.4%				

Message from Management

The year 2023 was one of the most complex years in our history, marked by enormous challenges, but also by several achievements for the Company. Among the challenges, we mention the large reduction in the international costs of solar panels, affecting our accumulated inventory in 2022, causing significant losses in sales and margin. But when the difficulties are great, the resilience of the company's strategy stands out. Our TaaS business model accumulates a backlog of revenue that at these moments turns into cash generation. Another highlight was the Enterprise segment, which reached record sales this year. We can say that the accounting loss of R\$ 11.9 million was caused by non-recurring factors, such as losses of R\$ 18.0 million with solar inventory and provisioning of R\$ 7.0 million due to the bankruptcy of a large client in the electronic security area.

However, the management actions taken quickly since the beginning of the year to contain expenses, adapt structures and sell stocks quickly meant that, even with total sales levels 22.2% lower than 2022, our EBITDA reduced only 10% in this period in absolute terms despite improving in terms of EBITDA margin to 25.7%. The TaaS accrued **backlog revenue of R\$874.8 million in 4Q23**, demonstrating its importance in WDC's strategy to improve revenue predictability and recurrence. In 2023, TaaS accounted for 31% of the year's gross revenue. Note that backlog revenue incurred Capex and expenses recognized in the Financial Statements, i.e., **the backlog revenue recognized will become "pure" EBITDA, with only PIS/COFINS deducted**. This backlog revenue places us in a comfortable position vis-à-vis our amortization commitments and financial expenses.

As mentioned in previous quarters, the **Enterprise segment** has been increasing its share in WDC's results year after year. In 2023, the segment achieved **record sales of R\$369.9 million**, or 32.1% of the year's total sales, driven by sales in the cybersecurity segment, new agreements in Out of Home (OOH) media and professional audio and video.

The **Telecom segment** accounted for most of the Company's sales – 50% of Total Sales in 2023 (**R\$577.8 million**). For 2024, as mentioned in the previous quarter, we will intensify our partnerships with Chinese giant **Huawei, for the technologies** it sells in Brazil, and with **NOKIA**, as we closely monitor the opportunities that 5G will bring. In addition, our market share of ONU sales represented 35% in relation to the 2.8 million new subscribers in 2023 reported by the Brazilian Telecommunications Agency (ANATEL).

The Solar Power segment, suffered with (i) difficult access to credit by end clients due to high interest rates charged by banks, (ii) the sector also faced a sharp decline in prices due to stiff competition and, mainly, the lower prices charged by Chinese suppliers. This combination of factors explains the segment's sales of **R\$204 million** in 2023, a decrease of 51% vs. 2022. In 4Q23, the Company practically zeroed its older inventory, whose costs were higher, and is preparing for a new cycle in this segment.

On December 31, 2023, our **cash balance came to R\$102 million**, reflecting our strict inventory management, which had an impact on operating cash generation and, consequently, on total cash. Without the need for fresh borrowings, we ended the fourth quarter of 2023 with leverage ratio of **2.1x (Net Debt/Adjusted EBITDA)**, the lowest in the year, which we consider healthy for the Company.

As an event after the reporting period, which the Company announced to the market on February 1, 2024, we elected our new **Chief Financial and Investor Relations Officer, Felipe Luís Rosa Meldonian**, who has over 12 years of experience at major Brazilian and international companies. Felipe takes over this position to assess potential M&A opportunities and the Company's operational expansion across Latin America. We wish him good luck!

For 2024, the Company is committed to a process of transforming its “go to market” model, no longer just selling products, but creating solutions that combine its portfolio and add partners in the creation of ecosystems to serve different market segments, such as Education, Retail, Entertainment, Transport, Industries, Energy and Utilities. This vision of creating value in the supply chain should lead to investments being made to complete our service portfolio.

Thank you very much and we are counting on you in this journey towards success!

[WDC Networks](#)

Financial Information

CONSOLIDATED

CONSOLIDATED (In R\$ million, except when indicated)	4Q23	4Q22	Δ %	3Q23	Δ %	2023	2022	Δ %
Sales Gross Revenue	181.0	248.9	-27.3%	176.9	2.3%	737.6	965.3	-23.6%
TaaS (VGV Leases)	89.1	130.8	-31.9%	97.0	-8.2%	414.4	515.6	-19.6%
Total Sales	270.1	379.7	-28.9%	274.0	-1.4%	1,152.0	1,480.9	-22.2%
Net Revenue	218.9	277.5	-21.1%	217.8	0.5%	900.7	1,070.9	-15.9%
Gross Income	38.7	58.7	-34.1%	47.8	-19.1%	188.3	247.7	-24.0%
<i>Gross Margin (% Net Revenue)</i>	<i>17.7%</i>	<i>21.2%</i>	<i>-3.5 p.p.</i>	<i>22.0%</i>	<i>-4.3p.p.</i>	<i>20.9%</i>	<i>23.1%</i>	<i>-2.2p.p.</i>

TELECOM

TELECOM (In R\$ million, except when indicated)	4Q23	4Q22	Δ %	3Q23	Δ %	2023	2022	Δ %
Sales Gross Revenue	71.3	84.4	-15.5%	66.3	7.5%	287.6	302.8	-5.0%
TaaS (VGV Leases)	63.7	101.6	-37.3%	43.4	46.9%	290.1	422.6	-31.4%
Total Sales	135.0	186.0	-27.4%	109.7	23.0%	577.8	725.4	-20.4%
Net Revenue	118.7	127.5	-6.9%	113.9	4.2%	475.9	467.2	1.9%
Gross Income	24.4	32.3	-24.6%	27.1	-10.1%	108.4	127.9	-15.3%
<i>Gross Margin (% Net Revenue)</i>	<i>20.5%</i>	<i>25.3%</i>	<i>-4.8p.p.</i>	<i>23.8%</i>	<i>-3.3p.p.</i>	<i>22.8%</i>	<i>27.4%</i>	<i>-4.6p.p.</i>

In 4Q23, sales in the Telecom segment totaled R\$135.0 million, down 27.4% from 4Q22 and up 23.0% from 3Q23, despite the reduction in the subscriber base reported by ANATEL in 4Q23 vs. 3Q23. Another highlight was the increase in the supply of ONU WIFI 6 by over 200% year over year, accounting for 26.2% of total ONU sales in 4Q23.

In 2023, sales down 20% compared to 2022. It was attribute this drop to the reduction in organic growth of ISPs, consolidation of regional providers and the end of Fiberhome distribution

In 2023, the Company sold over 987,000 ONUs, which corresponded to a 34.8% share of the market of 2.8 million new fiber subscribers of 2023, according to ANATEL.

In 4Q23, net revenue totaled R\$118.7 million, decreasing 6.9% from 4Q22 and increasing 4.2% from 3Q23. In 2023, net revenue came to R\$475.9 million, up 1.9% from 2022.

Gross Income from the Telecom segment was R\$24.4 million in 4Q23, down 24.6% from 4Q22, with gross margin of 20.5% in 4Q23, down 4.8 p.p. from 4Q22. Compared to 3Q23, Gross Income decreased 10.1% and gross margin declined 3.3 p.p.

In 2023, Telecom Gross Income was R\$108.4 million, decreasing 15.3%, with gross margin of 22.8%, down 4.6 p.p. from 2022, due to price reduction to accelerate inventory turnover of the Fiberhome brand and make room for inventory composition with the Huawei brand.

ENTERPRISE

ENTERPRISE (In R\$ million, except when indicated)	4Q23	4Q22	Δ %	3Q23	Δ %	2023	2022	Δ %
Sales Gross Revenue	70.7	69.8	1.4%	74.7	-5.3%	261.7	267.1	-2.0%
TaaS (VGV Leases)	25.4	22.9	11.0%	41.6	-39.0%	108.2	73.2	47.8%
Total Sales	96.1	92.7	3.7%	116.3	-17.4%	369.9	340.2	8.7%
Net Revenue	68.1	68.4	-0.5%	71.1	-4.2%	258.2	255.8	1.0%
Gross Income	19.0	18.0	5.8%	22.0	-13.6%	77.9	76.4	2.0%
<i>Gross Margin (% Net Revenue)</i>	<i>27.9%</i>	<i>26.3%</i>	<i>1.7 p.p.</i>	<i>31.0%</i>	<i>-3.0p.p.</i>	<i>30.2%</i>	<i>29.9%</i>	<i>0.3 p.p.</i>

In the Enterprise segment, total sales came to R\$96.1 million in 4Q23, increasing 3.7% from 4Q22 and decreasing 17.4% from 3Q23. In 2023, Total Sales came to a record R\$369.9 million, an 8.7% increase from 2022. In addition, TaaS grew 47.8% year over year, accounting for 29.3% of total sales vs. 21.5% in 2022.

The growth of the Enterprise segment in 2023 reflected the strong expansion of the Audio and Video vertical, thanks to the installation of OOH media in locations with high circulation of people, and the growth of Cybersecurity solutions.

In 4Q23, net revenue from the Enterprise segment was R\$68.1 million, stable in relation to 4Q22 and decreasing 4.2% from 3Q23. In 2023, net revenue was R\$258.2 million, an increase of 1.0% from 2022.

Gross Income from the Enterprise segment came to R\$19.0 million in 4Q23, increasing 5.8% from 4Q22, with gross margin expanding 1.7 p.p. Compared to 3Q23, Gross Income decreased 13.6% and gross margin contracted 3.0 p.p. In 2023, Enterprise Gross Income came to R\$77.9 million, growing 2.0%, and gross margin was 30.2%, slightly increasing 0.3 p.p. compared to 2022.

SOLAR

SOLAR (In R\$ million, except when indicated)	4Q23	4Q22	Δ %	3Q23	Δ %	2023	2022	Δ %
Sales Gross Revenue	39.0	94.7	-58.8%	35.9	8.7%	188.3	395.4	-52.4%
TaaS (VGV Leases)	0.0	6.4	-99.9%	12.0	-100.0%	16.0	19.8	-19.0%
Total Sales	39.0	101.1	-61.4%	47.9	-18.6%	204.3	415.2	-50.8%
Net Revenue	32.1	81.6	-60.6%	32.8	-2.2%	166.5	347.9	-52.1%
Gross Income	-4.7	8.4	-155.9%	-1.3	264.5%	1.9	43.4	-95.6%
<i>Gross Margin (% Net Revenue)</i>	<i>-14.7%</i>	<i>10.3%</i>	<i>-</i> <i>25.0p.p.</i>	<i>-3.9%</i>	<i>-10.7</i> <i>p.p.</i>	<i>1.2%</i>	<i>12.5%</i>	<i>-11.3p.p.</i>

Total sales in the Solar segment came to R\$39.0 million in 4Q23, down 61.4% from 4Q22 and 18.6% from 3Q23. In 2023, total sales came to R\$204.3 million, decreasing 50.8% from 2022. The decrease in sales is explained by the drop in the cost of replacing products from Chinese manufacturers, in addition to even more compressed credit for the final consumer.

In 4Q23, net revenue from the Solar segment totaled R\$32.1 million, down 60.6% from 4Q22 and 2.2% from 3Q23. In 2023, net revenue came to R\$166.5 million, a decrease of 52.1%, due to the same factors affecting sales.

The Solar segment registered Gross Loss of R\$4.7 million in 4Q23, a decrease of 155.9% from 4Q22, with gross margin contracting 25.0 p.p. Compared to 3Q23, Gross Loss was R\$1.3 million and gross margin was -3.9%. The margin decrease is explained by the Company's strategy to speed up inventory sales at lower prices.

In 2023, Gross Income was R\$1.9 million, decreasing 95.6%, with gross margin of 1.2%, contracting 11.3 p.p. in relation to 2022. It is worth mentioning that due to the reduction in sales prices, following the drop in replacement costs with Chinese suppliers, the managerial impact on consolidated gross income was -R\$ 18 million in 2023.

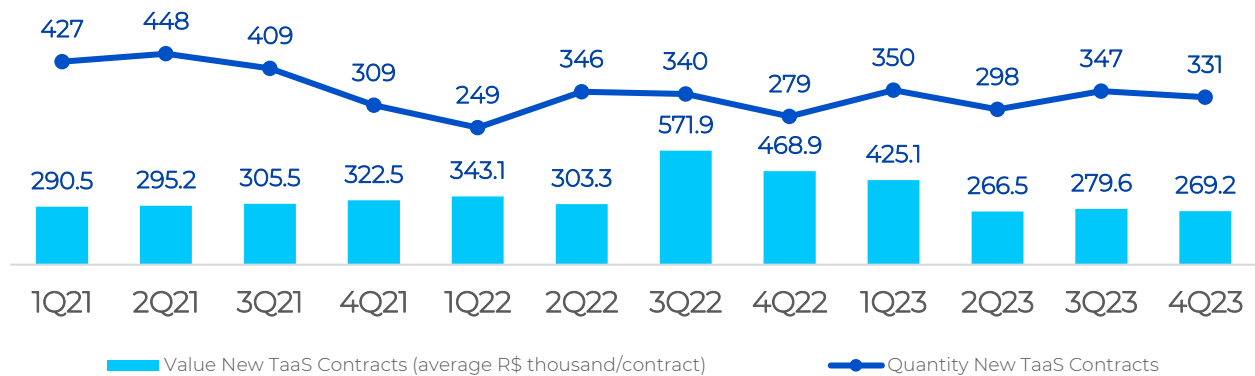
Technology as a Service (TaaS) and Future Revenues (Revenue Backlog)

This WDC business model is based on equipment lease agreements. The Company buys, sets up and activates the assets, leasing them to its clients for terms of up to 60 months. All Capex, selling expenses, freight, etc. are booked in the same month the products are delivered.

The monthly fees are recognized in the statement of income according to the due date of each agreement, and the only tax levied is PIS/COFINS. Monthly fees not yet due are called "Backlog Revenue."

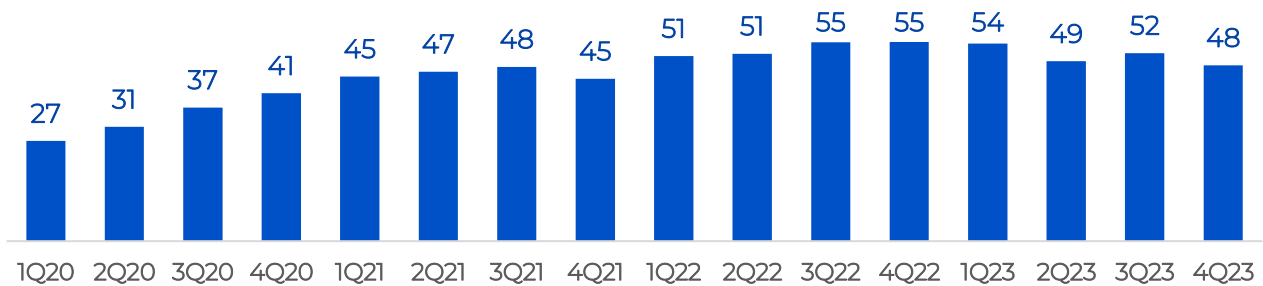
In 4Q23, the average ticket of TaaS agreements was R\$279,200 per agreement, with 331 new TaaS agreements added in the quarter.

TaaS Agreements



The average term of new TaaS agreements was 48 months in 4Q23, compared to 52 months in 3Q23.

Term of New TaaS Agreements (average in months)

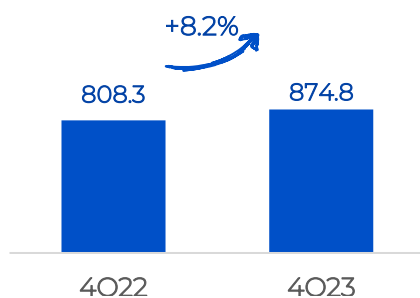


Note that our strategy of executing agreements for increasingly longer periods (close to 60 months) is a positive factor in the long run as it matches the monthly revenues with depreciation of equipment.

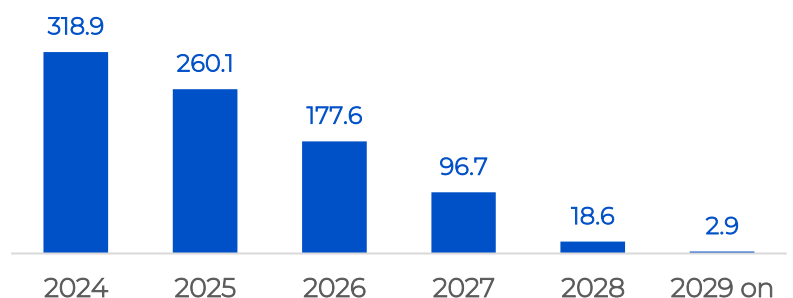
In 4Q23, Backlog Revenue came to R\$874.8 million. Revenue Backlog is the sum of monthly fees under sales agreements that will be recognized month by month as guaranteed results, with no need for fresh investments, given that the Capex was already incurred at the time of execution of the lease agreement.

TaaS represents the ability to predict future revenues, demonstrates the Company's resilience and places it in a comfortable position to cover its expenses and debts.

Future Revenues (Backlog Revenue) (R\$ million)

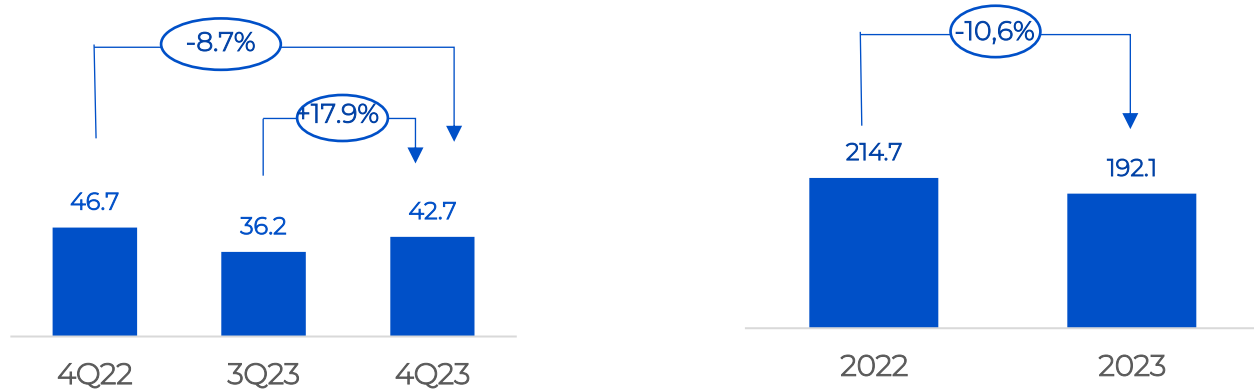


Future Revenues Schedule (R\$ million)



The receivables timeframe indicates the amount of Future Revenue to be recognized by the Company as from January 2024. In compliance with accounting standards, these amounts do not appear as “receivables” of the Company but will translate as monthly revenues over the term of the agreements by the accrual method.

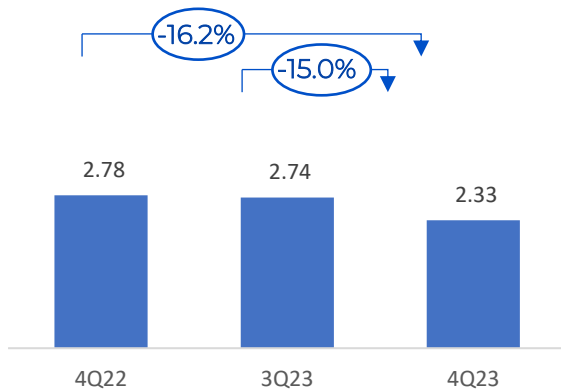
Investment in TaaS Assets – Capex (R\$ million)



In 4Q23, total investment in TaaS Assets came to R\$42.7 million, down 8.7% from 4Q22 and up 17.9% from 3Q23. In 2023, Capex amounted to R\$192.1 million, decreasing 10.6% from 2022.

Mark-up TaaS

(# Total TaaS Sales / Investments in TaaS Assets - Capex)



TaaS mark-up is the ratio of the potential sales value (PSV) of agreements to the Capex amount, i.e. the mark-up of these agreements indicates how much revenue will be generated by the investment made. In 4Q23, the Company wrote off old inventory balances for software as an increase in the cost of rentals, these were excluded in a managerial manner in the periods compared so as not to harm the comparable effect.

Consolidated Financial Information

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA Reconciliation (In R\$ million, except when indicated)	4Q23	4Q22	Δ %	3Q23	Δ %	2023	2022	Δ %
Consolidated EBITDA	45.2	62.0	-27.0%	60.3	-25.0%	231.6	257.3	-10.0%
<i>EBITDA Margin (% Net Revenue)</i>	<i>20.7%</i>	<i>22.3%</i>	<i>-1.7 p.p.</i>	<i>27.7%</i>	<i>-7.0 p.p.</i>	<i>25.7%</i>	<i>24.0%</i>	<i>1.7 p.p.</i>
(+) Mergers and Acquisitions (M&A) Expenses	-	0.1	n.a	-	-	-	0.15	-
(+) Non-recurring Expenses and Revenues	-	0.1	n.a	-	-	-	0.15	-
Consolidated Adjusted EBITDA	45.2	62.1	-27.2%	60.3	-25.0%	231.6	257.4	-10.0%
<i>Adjusted EBITDA Margin (% Net Revenue)</i>	<i>20.7%</i>	<i>22.4%</i>	<i>-1.7 p.p.</i>	<i>27.7%</i>	<i>-7.0 p.p.</i>	<i>25.7%</i>	<i>24.0%</i>	<i>1.7 p.p.</i>

Adjusted EBITDA was R\$45.2 million in 4Q23, decreasing 27.2% from 4Q22 (R\$62.0 million). Comparing 2023 to 2022, EBITDA decreased 10.0%, from R\$257.4 million to R\$231.6 million.

Adjusted EBITDA margin was 20.7%, down 1.7 p.p. from 4Q22 and 7.0 p.p. from 3Q23. Adjusted margin came to 25.7% in 2023 vs. 24.0% in 2022, improving 1.7 p.p.

As a result of the Company's continuous effort to control expenses, Operating Expenses reduced by 4.4% or R\$7.0 million, comparing the periods of 2023 versus 2022.

Note that, in December 2023, one of our clients in the Enterprise segment announced that it filed for Court-supervised Reorganization. In this context, adopting a prudent and conservative approach, the Company decided to provision for 100% of the client's debt instruments past due and falling due under Commercial Expenses. Said recognition led to a negative impact of R\$7.0 million in the result and 3.2 p.p. in adjusted EBITDA margin in 4Q23. In this context, Operating Expenses would total R\$36.4 million vs. R\$43.4 million reported in 4Q23.

Excluding the effects of provisioning and gross losses from Solar, the Company would reach R\$256.6 million in the year and an adjusted EBITDA margin of 28.5% versus R\$257.4 million and a margin of 24.0% in 2022.

Financial Result

Financial Income (In R\$ million, except when indicated)	4Q23	4Q22	Δ %	3Q23	Δ %	2023	2022	Δ %
Net Exchange Variation & Adjustment to fair value Der. Inst.	0.3	(5.3)	-106.0%	(1.5)	-120.9%	(4.6)	(28.8)	-84.1%
Financial Revenues	15.6	23.5	-33.4%	14.9	4.6%	58.4	71.7	-18.6%
Financial Expenses	(23.1)	(36.2)	-36.2%	(24.2)	-4.6%	(106.3)	(123.8)	-14.2%
(+/-) Financial Income	(7.2)	(18.1)	-60.3%	(10.8)	-33.6%	(52.5)	(80.9)	-35.1%

In 4Q23, Net Financial Result improved 60.3%, decreasing R\$10.9 million from 4Q22 and R\$3.6 million from 3Q23, reflecting the Company's cash management efforts to avoid fresh borrowings and use cash

wisely to pay more expensive debt. In 2023, net financial result was an expense of R\$52.5 million, as against R\$80.9 million in 2022, decreasing 35.1%, due to the following factors:

- The Net Exchange Variation and Fair Value Adjustment of derivatives reflect the Company's exchange exposure on its assets and liabilities in foreign currencies, net of any hedges contracted through financial derivatives. In 4Q23, a foreign exchange gain was recorded due to the appreciation of the Brazilian real against other currencies, in the total amount of +R\$0.3 million, comprising: (i) exchange variation on foreign currency loans: +R\$1.3 million; (ii) fair value adjustments of derivatives (swaps of foreign currency loans): -R\$1.6 million; and (iii) exchange variation on Assets (Liabilities) in foreign currency: +R\$0.6 million.

(In R\$ million)	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Exchange Rates Dollar Ptax	5.5799	4.7372	5.2374	5.4060	5.2171	5.0798	4.8186	5.0070	4.8407
Inventory in transit	83.1	51.6	33.3	26.7	40.7	21.4	31.2	3.7	22.7
Advances to International Suppliers	69.8	109	40.3	51.079	40.6	7.6	5.4	4.4	8.3
International Suppliers	-133	-64.9	-43.7	-36.842	-86.4	-37.9	-37.9	0.0	-49.2
Assets (Liabilities) in foreign currency	19.8	95.7	29.9	40.9	-5.1	-8.9	-1.3	8.1	-18.1
Equivalent to US\$	3.6	20.2	5.7	7.6	-1.0	-1.8	-0.3	1.6	-3.7

Source: <https://www.bcb.gov.br/estabilidadefinanceira/historicocotacoes>

- Financial Revenue came to R\$15.6 million in 4Q23, an increase of 4.6% (R\$0.7 million) from 3Q23. In 2023, Financial Revenue decreased 18.6% from 2022, due to the reduction in cash in 2023.

- Financial Expense totaled R\$23.1 million in 4Q23, decreasing 4.6% from 3Q23. In 2023, Financial Expense decreased 14.2% from 2022, mainly due to the lower interest paid on loans, financing and debentures.

Net Income/Loss and Net Margin

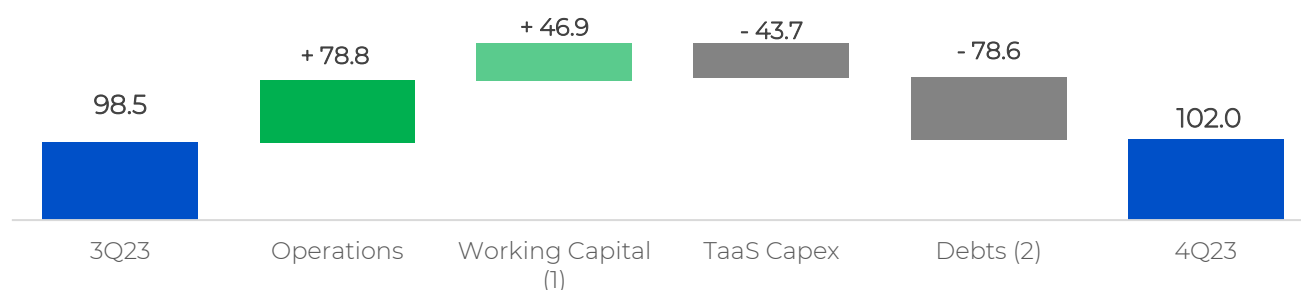
Net Income (In R\$ million, except when indicated)	4Q23	4Q22	Δ %	3Q23	Δ %	2023	2022	Δ %
EBIT	(4.7)	17.3	-127.5%	11.2	-142.4%	36.4	88.8	-59.0%
<i>EBIT Margin (% Net Revenue)</i>	<i>-2.2%</i>	<i>6.2%</i>	<i>-8.4 p.p.</i>	<i>5.1%</i>	<i>-7.3 p.p.</i>	<i>4.0%</i>	<i>8.3%</i>	<i>-4.3 p.p.</i>
(+/-) Financial Income	(7.2)	(18.1)	-60.3%	(10.8)	-33.6%	(52.5)	(80.9)	-35.1%
(-) Provision for IR and CSLL	2.1	2.3	-10.4%	0.5	325.4%	4.2	15.3	-72.3%
Net Income	(9.9)	1.5	-758.2%	0.9	-1251.7%	(0.0)	23.2	-100%
<i>Net Margin (% Net Revenue)</i>	<i>-4.5%</i>	<i>0.5%</i>	<i>-5.0 p.p.</i>	<i>0.4%</i>	<i>-4.9 p.p.</i>	<i>0.0%</i>	<i>2.2%</i>	<i>-2.2 p.p.</i>
(+) Mergers and Acquisitions (M&A) Expenses	-	0.1	-100.0%	-	n.a.	-	0.2	n.a.
(-) Exclu. ICMS Subsidy IRPJ/CSLL Base (17-20)	-	-	n.a.	-	n.a.	-	(13.0)	-100%
(-) IR and CSLL Reversal	-	(0.0)	-100.0%	-	n.a.	-	(0.1)	-100%
(+) Non-recurring Expenses and Revenues and IR and CSLL	-	0.1	-100.0%	-	n.a.	-	-12.9	-100%
Adjusted Net Income	(9.9)	1.6	-724.9%	0.9	-1251.7%	(11.9)	10.3	-216%
<i>Adjusted Net Income Margin (% Net Revenue)</i>	<i>-4.5%</i>	<i>0.6%</i>	<i>-5.1 p.p.</i>	<i>0.4%</i>	<i>-4.9 p.p.</i>	<i>-1.3%</i>	<i>1.0%</i>	<i>-2.3 p.p.</i>

In the consolidated result, adjusted Net Loss was R\$11.9 million in 2023, as against net income of R\$10.3 million in 2022. Although the negative result in 2023 was mitigated by better Financial Result, it reflects the negative performance of the Solar segment, as shown below.

On a managerial basis, excluding the effects of the provision for the filed for Court-supervised Reorganization (+R\$7 million) and the impact of gross profit from the solar segment (+R\$18 million), the Company would reach R\$13.1 million in net profit in 2023.

Cash Flow

Quarter
(R\$ million)



(1) Working Capital: inventories, advances to suppliers, trade payables and trade receivables.

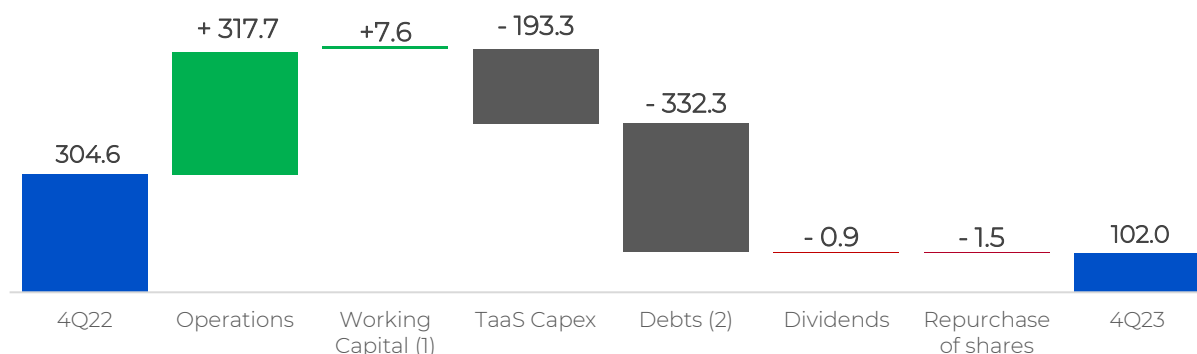
(2) Debts: payment of loans/financing (principal + interest) and settlement of derivatives.

In 4Q23, the Company generated operating cash flow of +R\$78.8 million. Working Capital was +R\$46.9 million. Capex, which went to the acquisition of fixed and intangible assets, mainly related to the TaaS

model, consumed R\$43.7 million. Payment of debt (principal) and derivatives totaled R\$38.7 million, while interest payments came to R\$39.9 million. Cash balance at the end of the quarter was R\$102.0 million.

2023

(R\$ million)



(1) Working Capital: inventories, advances to suppliers, trade payables and trade receivables.

(2) Debts: payment of loans/financing (principal + interest) and settlement of derivatives.

In 2023, the Company delivered strong operating cash flow of R\$317.7 million. Operating Working Capital was +R\$7.6 million. Capex, which went to the acquisition of fixed and intangible assets, mainly related to the TaaS model, consumed R\$193.3 million. Payment of debt (principal) and derivatives totaled R\$226.2 million, while interest payments came to R\$106.1 million. Dividend payments consumed R\$0.9 million, while share buyback consumed R\$1.5 million. Cash balance at the end of 4Q23 was R\$102.0 million.

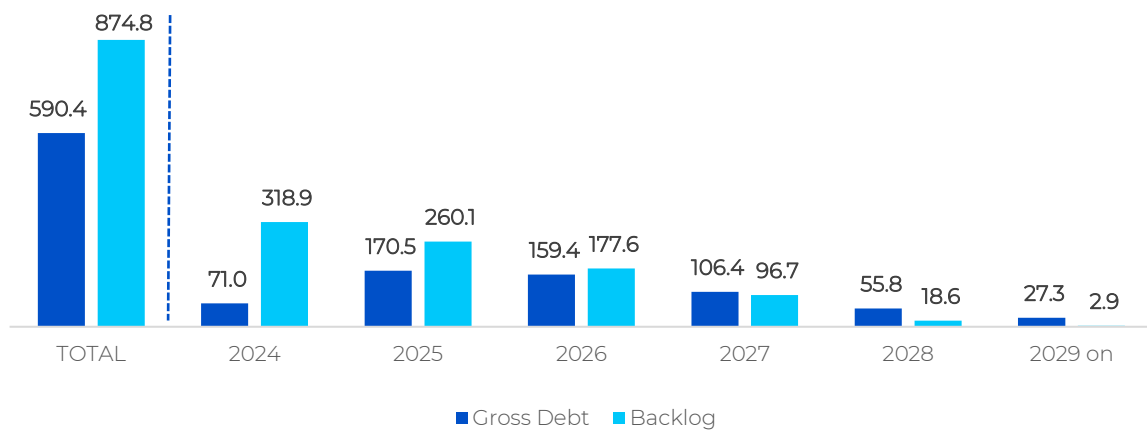
Debt

Debt (In R\$ million, except when indicated)	4Q23	4Q22	Δ %	3Q23	Δ %
(+) Loans, financing and debentures	573.5	785.9	-27.0%	627.5	-8.6%
Current	63.6	218.8	-70.9%	112.2	-43.3%
Non-Current	509.9	567.1	-10.1%	515.3	-1.0%
(+) Commercial leases	11.5	1.9	514.9%	5.2	123.5%
Current	2.7	1.0	173.5%	1.3	104.8%
Non-Current	8.9	0.9	880.1%	3.9	129.8%
(+/-) Net derivative financial instruments	5.3	7.6	-30.6%	6.2	-14.5%
Assets	-	(0.6)	-100.0%	0.0	
Liabilities	5.3	8.2	-35.5%	6.2	-14.5%
Gross Debt	590.4	795.4	-25.8%	638.8	-7.6%
(-) Disp. (Cash and Equiv.) and Invest. of CP	(102.0)	(304.6)	-66.5%	(98.5)	3.5%
Net Debt	488.4	490.7	-0.5%	540.3	-9.6%
Adjusted LTM EBITDA	231.6	257.4	-10.0%	248.5	-6.8%
Net Debt / Adjusted LTM EBITDA	2.11x	1.91x	10.6%	2.17x	-3.0%

As from 3Q23, leases were included in gross debt. To standardize the comparison periods, the previous quarters were adjusted.

Net Debt to Adjusted EBITDA (LTM) stood at 2.11x in 4Q23, a healthy level in the management's view. An extremely important factor to demonstrate the Company's capacity to settle its obligations towards its debentureholders and other creditors is the backlog revenue schedule, as shown in the chart below. Note that in 2024 we will have practically five times backlog revenue in relation to debt payment commitments.

**Gross Debt Payment Schedule and
Coverage of Future Revenues (Revenue Backlog)**
(R\$ million)



ROIC

ROIC (In R\$ million, except when indicated)	4Q23	4Q22	Δ %	3Q23	Δ %
Net Revenue	218.9	277.5	-21.1%	217.8	0.5%
EBIT (LTM)	36.4	88.8	-59.0%	58.4	-37.7%
(-) Provision for IR and CSLL (LTM)	4.2	15.3	-72.3%	4.5	-5.3%
Operating Income after Taxes (NOPAT) = (A)	40.6	104.1	-61.0%	62.9	-35.4%
(+) Equity	635.1	647.8	-2.0%	644.9	-1.5%
(+) Gross Debt	590.4	795.4	-25.8%	638.8	-7.6%
(+) Cash (Cash and Equiv.) and CP Investments	(102.0)	(304.6)	-66.5%	(98.5)	3.5%
Invested Capital	1,123.5	1,138.5	-1.3%	1,185.2	-5.2%
Average Invested Capital of 2022 and 2021 = (B)	1,131.0	1,009.6	12.0%	1,161.8	-2.7%
ROIC = (A/B)	3.6%	10.3%	-6.7 p.p.	5.4%	-1.8 p.p.

New positioning

Considering the opportunity to operate in other economic sectors and, therefore, capture more sales and convert more clients of diverse profiles, the Company will adopt a new commercial positioning. We will evolve from a distributor of products to a supplier of complete solutions (products + services), strengthening the cross-selling of products and solutions.

WDC has created a new business area named "Design Center," with a team of experts focused on developing and contributing with projects based on their expertise and experience, in order to meet our clients' needs.

We will also expand our sales funnel, as the Company understands its products serve a wide range of markets, such as transport, educational institutions, retail stores, hospitals and hotels, among others.



Appendices

Statement of Income

Consolidated Statement (In R\$ million, except when indicated)	4Q23	4Q22	Δ %	3Q23	Δ %	2023	2022	Δ %
Sales Gross Revenue	181,013	248,897	-27.3%	176,939	2.3%	737,620	965,271	-23.6%
TaaS (VGV Leases)	89,103	130,819	-31.9%	97,032	-8.2%	414,352	515,631	-19.6%
Total Sales	270,116	379,715	-28.9%	273,971	-1.4%	1,151,972	1,480,902	-22.2%
Sales Gross Revenue	181,013	248,897	-27.3%	176,939	2.3%	737,620	965,271	-23.6%
Lease Gross Revenue	86,003	78,825	9.1%	82,447	4.3%	335,263	293,447	14.2%
Gross Revenue	267,017	327,721	-18.5%	259,386	2.9%	1,072,883	1,258,718	-14.8%
(-) Tax levy on Revenues	(35,332)	(41,450)	-14.8%	(34,014)	3.9%	(138,400)	(155,510)	-11.0%
(-) Returns	(12,783)	(8,787)	45.5%	(7,549)	69.3%	(33,764)	(32,304)	4.5%
Net Revenue	218,902	277,485	-21.1%	217,823	0.5%	900,718	1,070,904	-15.9%
(-) CMV	(180,238)	(218,794)	-17.6%	(170,004)	6.0%	(712,456)	(823,246)	-13.5%
Gross Income	38,664	58,690	-34.1%	47,819	-19.1%	188,262	247,658	-24.0%
<i>Gross Margin (% Net Revenue)</i>	<i>17.7%</i>	<i>21.2%</i>	<i>-3.5 p.p.</i>	<i>22.0%</i>	<i>-4.3 p.p.</i>	<i>20.90%</i>	<i>23.1%</i>	<i>-2.2 p.p.</i>
(-) Personnel Expenses	(11,136)	(14,360)	-22.5%	(12,729)	-12.5%	(53,922)	(52,933)	1.9%
(-) Commercial Expenses	(23,329)	(22,180)	5.2%	(12,555)	85.8%	(67,022)	(81,271)	-17.5%
(-) General and Administrative Expenses	(2,070)	(2,895)	-28.5%	(2,297)	-9.9%	(10,601)	(17,457)	-39.3%
(+/-) Other operating income/expenses	(6,868)	(1,997)	243.9%	(9,049)	-24.1%	(20,334)	(7,205)	182.2%
(-) Operating Expenses	(43,402)	(41,432)	4.8%	(36,630)	18.5%	(151,878)	(158,866)	-4.4%
EBIT	-4,739	17,259	-127.5%	11,188	-142.4%	36,385	88,792	-59.0%
<i>EBIT Margin (% Net Revenue)</i>	<i>-2.2%</i>	<i>6.2%</i>	<i>-8.4 p.p.</i>	<i>5.1%</i>	<i>-7.3 p.p.</i>	<i>4.0%</i>	<i>8.3%</i>	<i>-4.3 p.p.</i>
(+) Depreciation and Amortization	49,974	44,719	11.8%	49,147	1.7%	195,223	168,507	15.9%
EBITDA	45,235	61,977	-27.0%	60,336	-25.0%	231,608	257,298	-10.0%
<i>EBITDA Margin (% Net Revenue)</i>	<i>20.7%</i>	<i>22.3%</i>	<i>-1.7 p.p.</i>	<i>27.7%</i>	<i>-7.0 p.p.</i>	<i>25.7%</i>	<i>24.0%</i>	<i>1.7 p.p.</i>
(+) Mergers and Acquisitions (M&A) Expenses	-	121	-100.0%	-	n.a.	0	151	-100.0%
Adjusted EBITDA	45,235	62,098	-27.2%	60,336	-25.0%	231,608	257,449	-10.0%
<i>Adjusted EBITDA Margin (% Net Revenue)</i>	<i>20.7%</i>	<i>22.4%</i>	<i>-1.7 p.p.</i>	<i>27.7%</i>	<i>-7.0 p.p.</i>	<i>25.7%</i>	<i>24.0%</i>	<i>1.7 p.p.</i>
(+/-) Financial Income	(7,179)	(18,067)	-60.3%	(10,819)	-33.6%	(52,496)	(80,896)	-35.1%
(-) Provision for IR and CSLL	2,066	2,305	-10.4%	486	325.4%	4,236	15,273	-72.3%
Net Income	-9,852	1,497	-758.2%	855	-1251.7%	(11,876)	23,169	-100.1%
<i>Net Margin (% Net Revenue)</i>	<i>-4.5%</i>	<i>0.5%</i>	<i>-5.0 p.p.</i>	<i>0.4%</i>	<i>-4.9 p.p.</i>	<i>0.0%</i>	<i>2.2%</i>	<i>-2.2 p.p.</i>
(+) Non-recurring Expenses and Revenues and IR and CSLL	-	80	-100.0%	-	n.a.	-	(12,915)	-100.0%
Adjusted Net Income	-9,852	1,577	-724.9%	855	-1251.7%	(11,876)	10,254	-215.8%
<i>Adjusted Net Margin (% Net Revenue)</i>	<i>-4.5%</i>	<i>0.6%</i>	<i>-5.1 p.p.</i>	<i>0.4%</i>	<i>-4.9 p.p.</i>	<i>-1.3%</i>	<i>1.0%</i>	<i>-2.3 p.p.</i>

Balance Sheet

Consolidated Balance Sheet (In R\$ million, except when indicated)					
	4Q23	4Q22	Δ %	3Q23	Δ %
Assets					
Current Assets					
Cash and cash equivalents	101,959	152,470	-33%	98,502	4%
Short-term investments	0	152,170	-100%	0	
Trade receivables, net	220,153	195,944	12%	224,740	-2%
Recoverable taxes	19,763	64,470	-69%	35,643	-45%
Inventories	179,428	310,034	-42%	228,818	-22%
Advances to suppliers	21,410	53,104	-60%	24,718	-13%
Prepaid Expenses	506	927	-45%	786	-36%
Total Current Assets	543,219	929,119	-42%	613,207	-11%
Non-Current Assets					
Trade receivables, net	209,818	155,312	35%	191,519	10%
Judicial Deposits	109	109	0%	109	0%
Derivative financial instruments	0	581	-100%	0	
Recoverable taxes	0	0		22,590	-100%
Deferred taxes	32,861	26,635	23%	28,927	14%
Right-of-use assets	11,517	1,832	529%	5,063	127%
Property, plant and equipment, net	412,858	444,839	-7%	423,445	-3%
Net intangible assets	108,410	80,196	35%	104,218	4%
Total Non-Current Assets	809,832	709,504	14%	775,871	4%
Total Assets	1,353,051	1,638,623	-17%	1,389,078	-3%
Liabilities					
Current Liabilities					
Suppliers	96,099	142,112	-32%	68,640	40%
Personnel, social charges and benefits	3,734	4,825	-23%	7,003	-47%
Taxes payable	5,444	6,435	-15%	6,312	-14%
Loans, financing, and debentures	63,633	218,820	-71%	112,204	-43%
Derivative financial instruments	4,698	7,674	-39%	4,725	-1%
Lease Liabilities	2,650	969	173%	1,294	105%
Related Parts	16	125	-87%	22	-27%
Other liabilities	22,153	40,149	-45%	23,043	-4%
Total Current Liabilities	198,427	421,971	-53%	223,243	-11%
Non-Current Liabilities					
Loans, financing, and debentures	509,913	567,067	-10%	515,255	-1%
Derivative Financial Instruments	576	507	14%	1,444	-60%
Provisions for lawsuits	144	378	-62%	388	-63%
Leases	8,880	906	880%	3,865	130%
Total Non-Current Liabilities	519,513	568,858	-9%	520,952	0%
Equity					
Share capital	301,397	301,397	0%	301,397	0%
Treasury Stock	-8,536	-7,044	21%	-8,536	0%
Capital reserves	236,632	236,632	0%	236,632	0%
Retained earnings	116,734	116,734	0%	116,734	0%
Accumulated Loss/ Earnings	-11,876	0		-2,024	487%
Other Comprehensive Results	760	75	913%	680	12%
Total Equity	635,111	647,794	-2%	644,883	-2%
Total Liabilities and Equity	1,353,051	1,638,623	-17%	1,389,078	-3%

Statement of Cash Flow

Consolidated Statement of Cash Flows (In R\$ thousand, except when indicated)	4Q23	4Q22	Δ %	3Q23	Δ %	2023	2022	Δ %
Cash Flow From Operating Activities								
Net Income for the period	(9,852)	15,207	-165%	855	-1252%	(11,876)	23,169	-151%
Adjustments to reconcile Income or loss for the period to cash from operating activities	78,061	69,889	12%	71,098	10%	309,990	304,462	2%
Depreciation and amortization	49,973	42,349	18%	49,148	2%	195,223	168,507	16%
Expected credit losses	12,724	5,208	144%	133	9467%	20,457	27,642	-26%
Provision for inventory obsolescence	(202)	(298)	-32%	(1,803)	-89%	(2,346)	1,846	-227%
Provision for legal and other proceedings, net	(244)	12	-2133%	3	-8233%	(234)	16	-1563%
Mark-to-market of derivatives	1,596	3,066	-48%	(883)	-281%	9,671	28,397	-66%
Income from short-term investments	-	(10,407)	-100%	-	-	-	(23,618)	-100%
Interest and foreign exchange variation expenses	18,323	36,094	-49%	25,776	-29%	90,235	100,324	-10%
Expenses for adjustment to the present value	(2,335)	3,894	-160%	(1,410)	66%	(2,540)	15,069	-117%
Write-off of property, plant and equipment and intangible assets	292	648	-55%	619	-53%	3,760	1,554	142%
Income tax and social security contribution	2,000	(8,128)	-125%	76.00	2532%	2,076	(6,187)	-134%
Deferred income tax and social contribution	(4,066)	(2,549)	60%	(561)	625%	(6,312)	(9,088)	-31%
Assets decrease (increase)	32,964	6,705	392%	21,984	50%	80,293	(182,458)	-144%
Trade receivables	(23,996)	(22,610)	6%	(30,767)	-22%	(95,712)	(134,968)	-29%
Recoverable taxes	4,211	(613)	-787%	(622)	-777%	10,448	(15,460)	-168%
Inventories	49,424	53,313	-7%	57,951	-15%	133,211	(49,603)	-369%
Advances to suppliers and legal deposits	3,045	(19,922)	-115%	(4,952)	-161%	31,925	17,387	84%
Prepaid expenses	280	(140)	-300%	374	-25%	421	186	126%
Derivatives Settlement	-	(3,323)	-100%	-	-	-	0	-
Liabilities increase (decrease)	(18,158)	(9,515)	91%	(4,451)	308%	(174,547)	(143,292)	22%
Suppliers	28,628	(6,435)	-545%	(12,655)	-326%	(46,237)	(71,465)	-35%
Taxes payable	(2,737)	9,354	-129%	1,251	-319%	(2,982)	15,034	-120%
Personnel, social charges and benefits	(3,269)	679	-581%	(155)	2009%	(1,091)	(3,493)	-69%
Deferred revenue	-	-	-	-	-	-	(437)	-100%
Related parties	(6)	(34)	-82%	(6)	0%	(109)	(107)	2%
Other liabilities	(890)	186	-578%	9,927	-109%	(17,996)	6,661	-370%
Payment of interest	(39,884)	(11,495)	247%	(2,813)	1318%	(106,132)	(84,972)	25%
Payment of income tax and social contribution	-	(1,770)	-100%	-	-	-	(4,513)	-100%
Net cash generated by (used in) operating activities	83,015	82,286	1%	89,486	-7%	203,860	1,881	10738%
Cash Flow From Investment Activities	(43,691)	(59,129)	-26%	(36,202)	21%	(41,177)	(46,543)	-12%
Acquisition of property, plant and equipment and intangible assets	(43,691)	(85,146)	-49%	(36,202)	21%	(193,347)	(216,513)	-11%
Short-term investment application	-	(254,419)	-100%	-	-	0	(863,250)	-100%
Redemption of Short-term investments	-	280,436	-100%	-	-	152,170	1,033,220	-85%
Net cash generated by (used in) investment activities	(43,691)	(59,129)	-26%	(36,202)	21%	(41,177)	(46,543)	-12%
Cash flow from Financing Activities	(35,947)	(72,468)	-50%	(27,988)	28%	(213,879)	159,412	-234%
Entry of new loans and debentures	-	(1,410)	-100%	-	-	0	488,008	-100%
Vendor Operations	3,123	-	-	13,704.00	-77%	16,827	0	-
Funding Cost	-	0	-	0	-	0	0	-
Payment of loans and financing (principal)	(36,186)	(63,737)	-43%	(38,149)	-5%	(214,130)	(299,126)	-28%
Payment of commercial leases	(393)	(572)	-31%	(401)	-2%	(2,225)	(2,579)	-14%
Derivatives Settlement	(2,491)	-	-	(3,142)	-21%	(11,997)	(12,401)	-3%
Dividends and interests on capital paid	-	-	-	0	-	(862)	(11,252)	-92%
Increase in capital and reserves - IPO, net of emission expenses	-	-	-	-	-	-	3,806	-100%
Share Buyback	-	(6,749)	-100%	0	-	(1,492)	(7,044)	-79%
Net cash resulting from financing activities	(35,947)	(72,468)	-50%	(27,988)	28%	(213,879)	159,412	-234%
Effect of Foreign Exchange Variation on Cash and Cash Equivalents	80	(58)	-238%	949	-92%	685	(745)	-192%
Change in the Company's Net Cash	3,457	(49,369)	-107%	26,245	-87%	(50,511)	114,005	-144%
Cash and cash equivalents at the beginning of the period	98,502	229,055	-57%	72,257	36%	152,470	38,465	296%
Cash and cash equivalents at the end of the period	101,959	179,686	-43%	98,502	4%	101,959	152,470	-33%

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