WDC NETWORKS

# EARNINGS CALL PRESENTATION

## 1Q22

May 17th, 2022

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# Legal Warning

The statements contained in this document regarding WDC Networks' business and growth prospects are based solely on the Management expectations for the future of the business. These expectations depend substantially on market conditions, the performance of the Brazilian economy, the sector and international markets and, therefore, are subject to change without prior notice.

All variations shown herein are calculated based on the numbers without rounding. This performance report includes accounting and non-accounting data such as operating and pro forma financial data. Non-accounting data was not subject to review by the independent auditors of the Company."

# 1Q22 Highlights: Continuous focus on preserving Operating Margins

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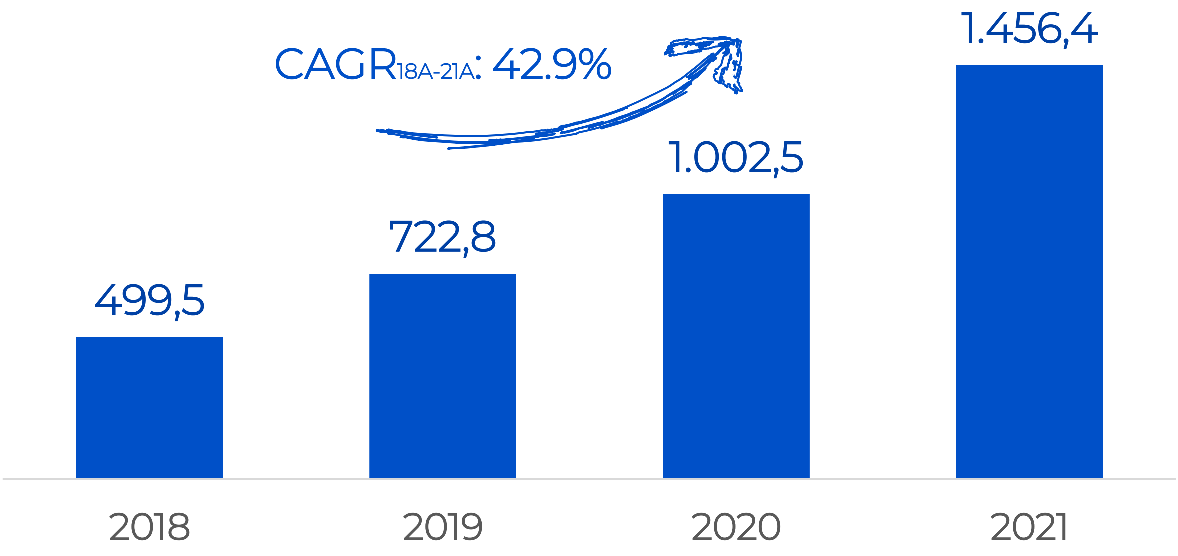
R$ 241.2 mm
**+6.9%** vs. 1Q21
**Net Revenue**

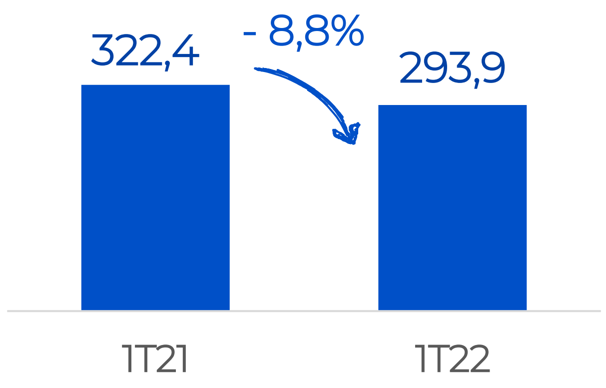
R$ 65.3 mm
**+10.2%** vs. 1Q21
Adjusted **EBITDA**

**27.1%**
+0.8 p.p. vs. 1Q21
Adjusted **EBITDA Mg.**

- Follow-On CVM-400 realized in February 2022 – Shares to be traded also by non-qualified investors
- New TaaS Contract sold in 1Q22 of R$ 99.4 million Large ISP, 60-month term, delivery phased over 2022, largest contract in WDC's history
- Index of products produced in our factories reached 62%
- Revenue Backlog of R$ 606.8 million in 1Q22
  32.2% growth vs. 1Q21
- Issuance of External Corporate Rating at "AA-" Issued by Standard&Poors and Moody's
- Launch of 2nd Debenture Issuing
  Amount of R$ 600.0 million, terms of 5 to 7 years, grace period of 3 years for amortization, firm guarantee from coordinating banks, resources for investments in New TaaS contracts Capex, among others.

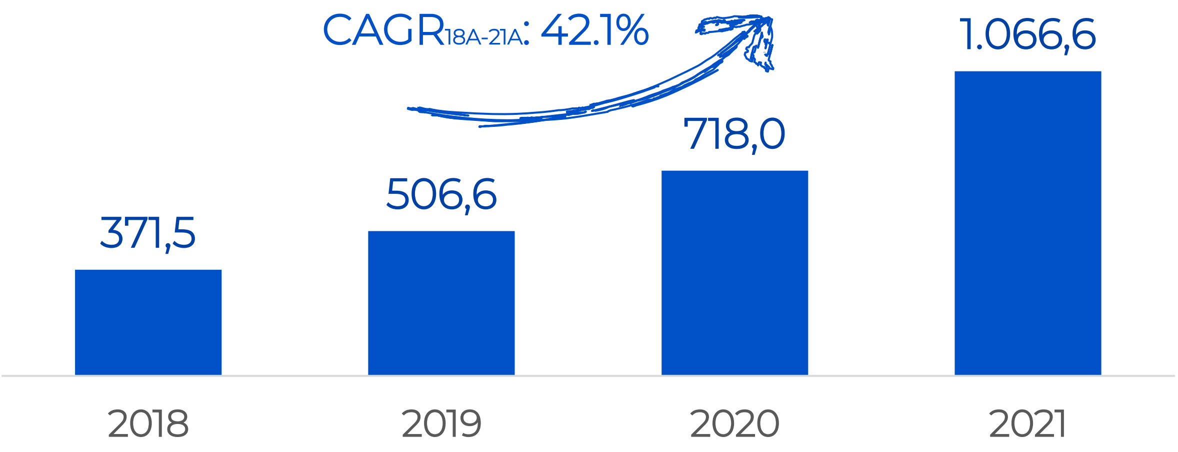
# Consolidated Total Sales | (R$ million)

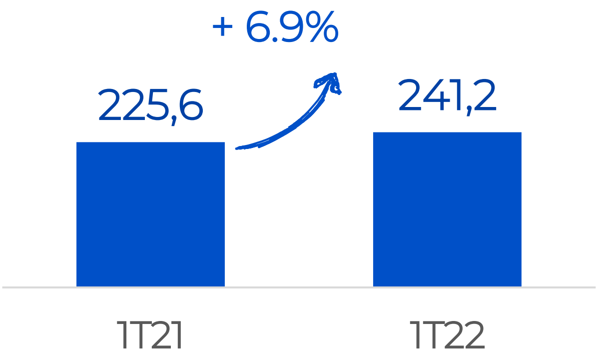


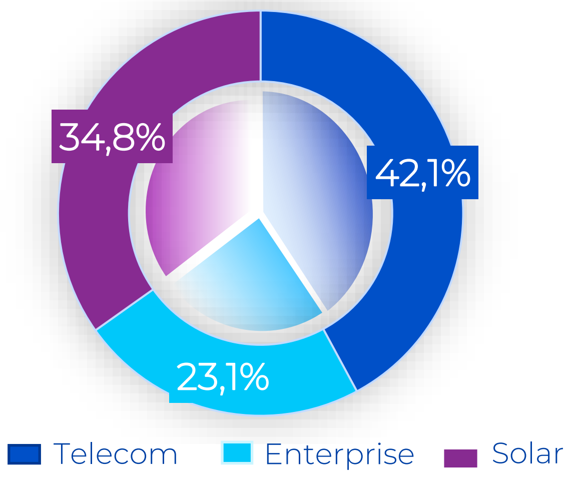

- Reduction of Sales in the Telecom Segment by -32.7%.
- Sales Growth in the Solar Segment at +70.7%
- Impact related to average exchange rate reduction at -4.6%
  Average exchange rate reduced from R$ 5.49 / US$ in 1Q21 to R$ 5.24 / US$ in 1Q22.

# Net Revenues | (R$ million)



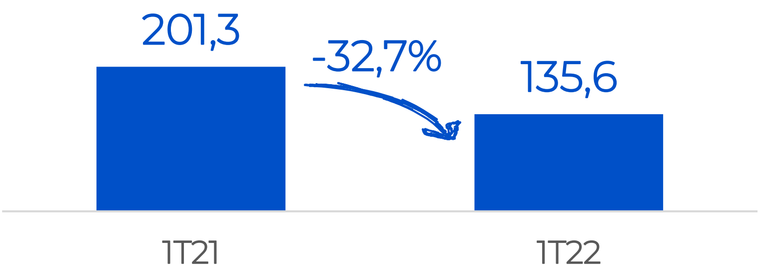




- Net Revenue growth at +6.9%
  Positive effect related to the recurrency of TaaS revenue, which caused better net revenue positive variance, compared to lower Total Sales negative variance
- Solar Segment Net Revenue reached 34.8% of total

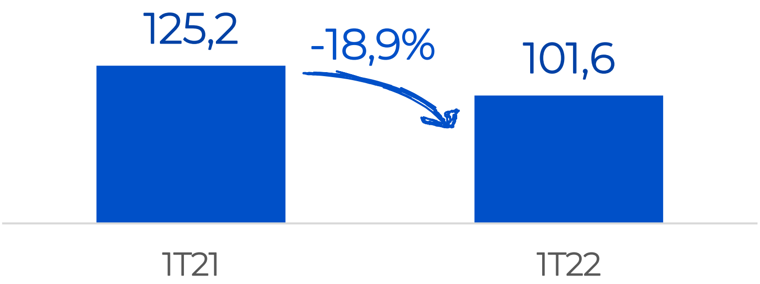


# Telecom | (R$ million e %)

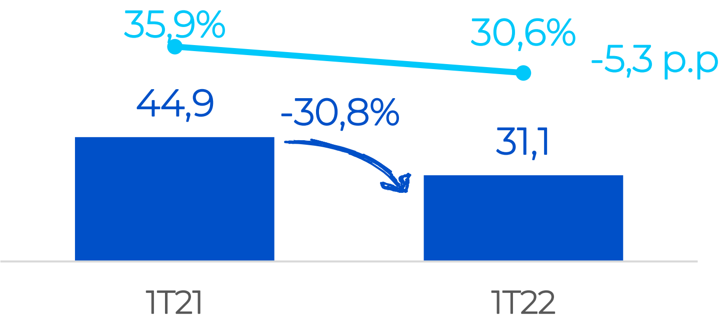
## Total Sales



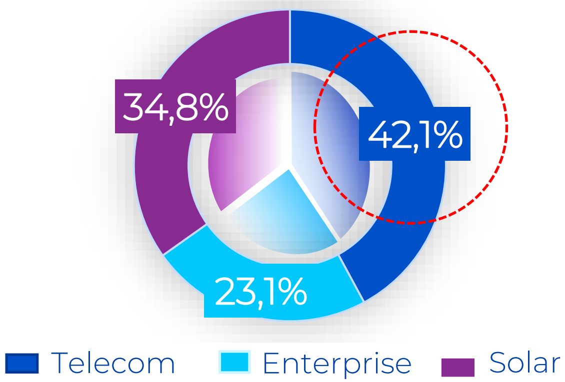

## Net Revenues




## Gross Profit & Margin %

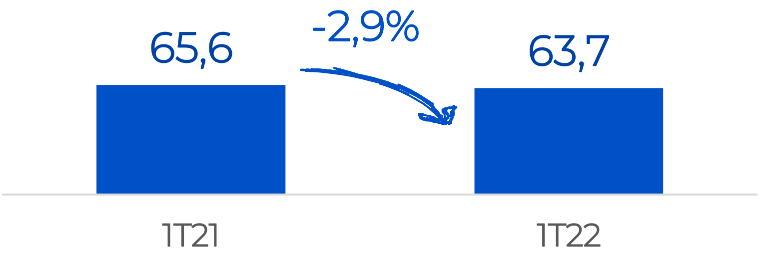



- Telecom market slowdown in 1Q22 – Anatel fiber-optic connections and lack of supply of GPON boards
- Sales growth related to DWDM, datacenter and turn-key solutions
- Higher demand of TaaS in large customers
- New sales organization structure by regions

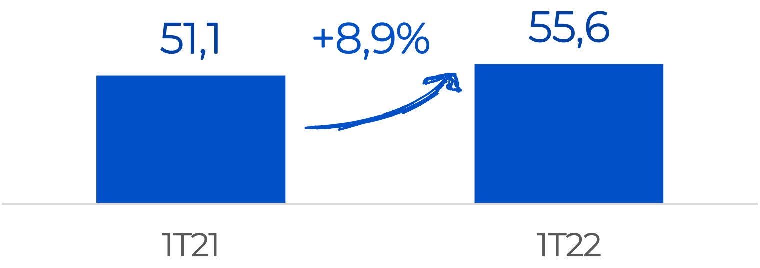


# Enterprise | (R$ million e %)

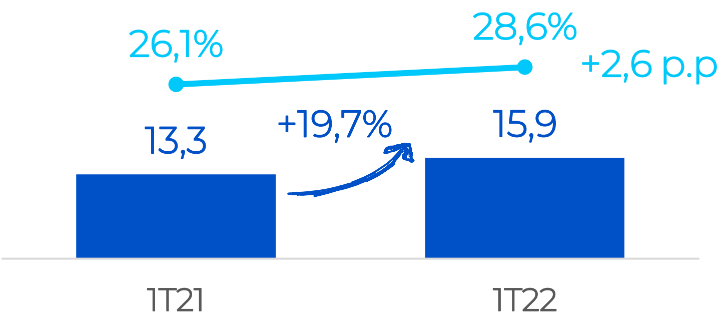
## Total Sales




## Net Revenues




## Gross Profit & Margin %

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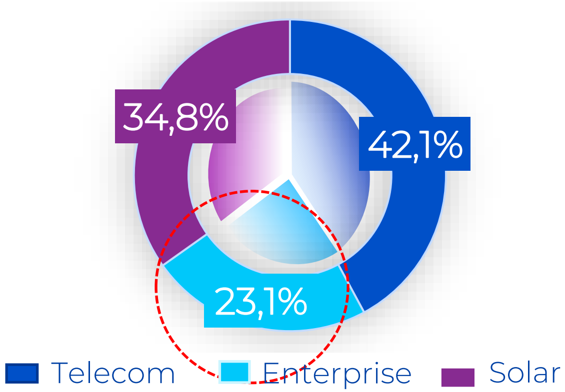
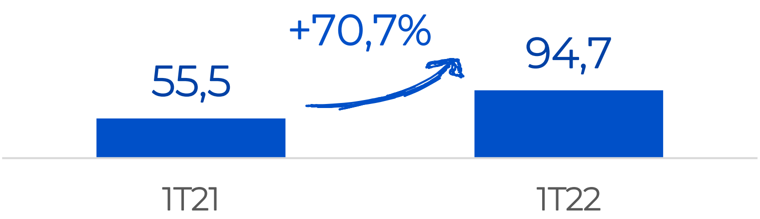
- Gross margin improvement due to businesses in cybersecurity and unified communication
- Sales turnaround Mar/22 on, mainly related to professional audio and video post-Omicron recovery
- Products supply regularization related to projects

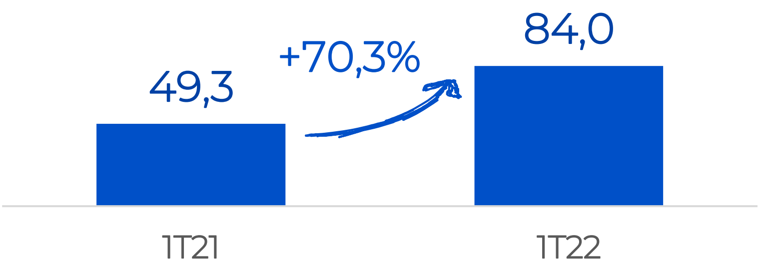


# Solar | (R$ million e %)

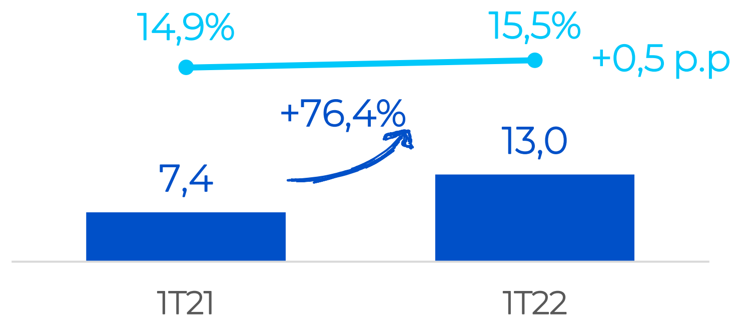
## Total Sales



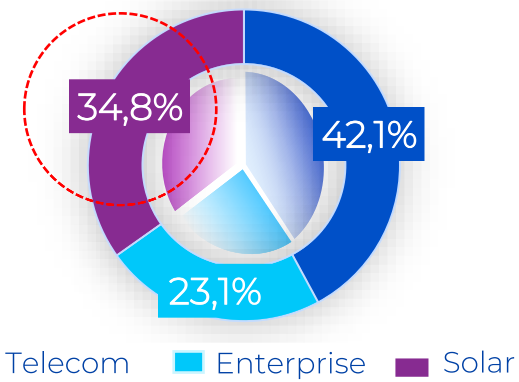

## Net Revenues




## Gross Profit & Margin %

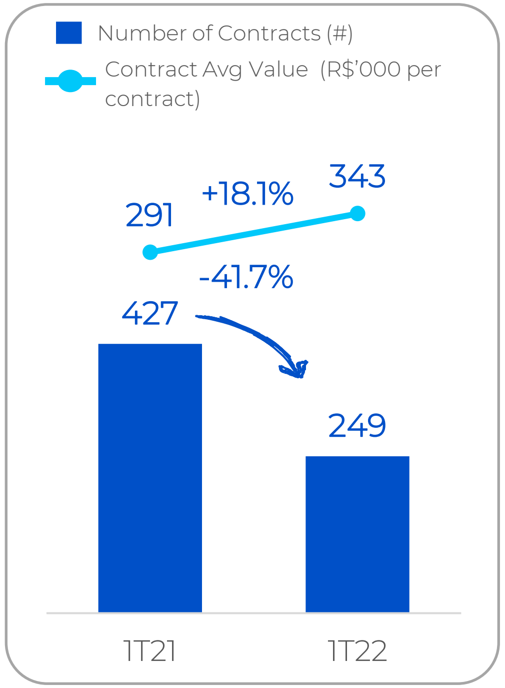



- **Products Portfolio Expansion** targeting lower costs and higher margins ‘core’
- 1Q22 marked the **beginning of TaaS in the Solar** with 3 new contracts totalizing R$ 0.9 million in Total Sales
- Dedicated team to implement turn-key **projects in TaaS mode**

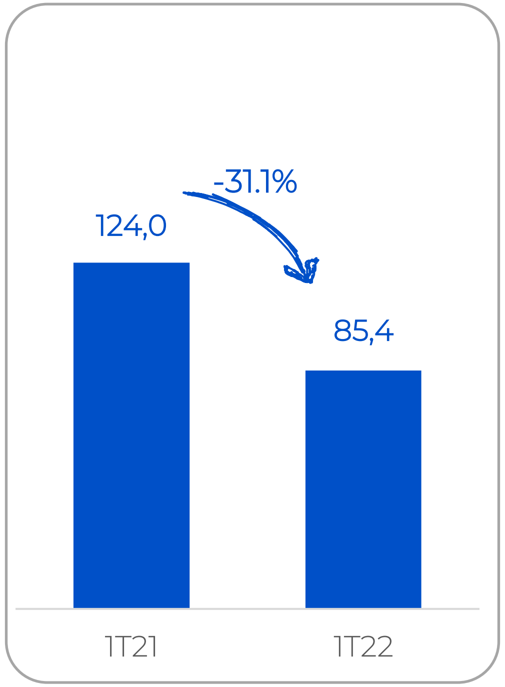


# TaaS Performance

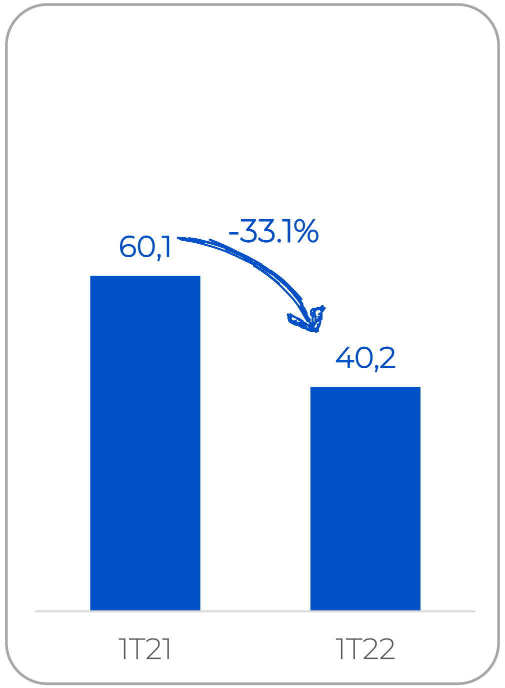
### Quantity and Values of New Contracts



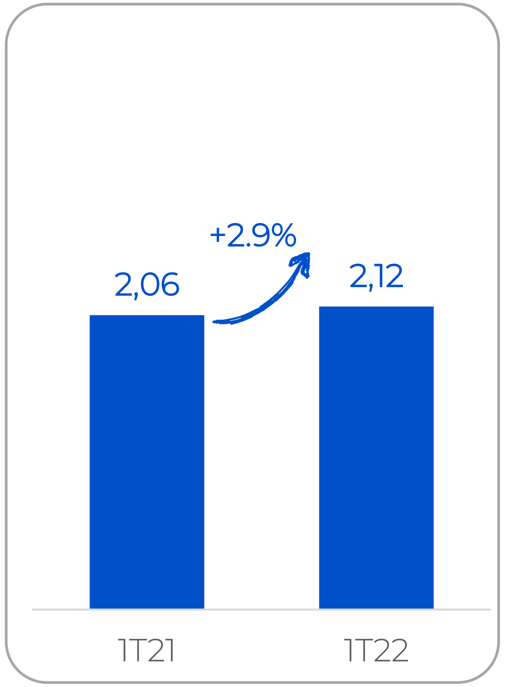

### TaaS (TCV Rentals)
(R$ million)




### Capex
(R$ million)

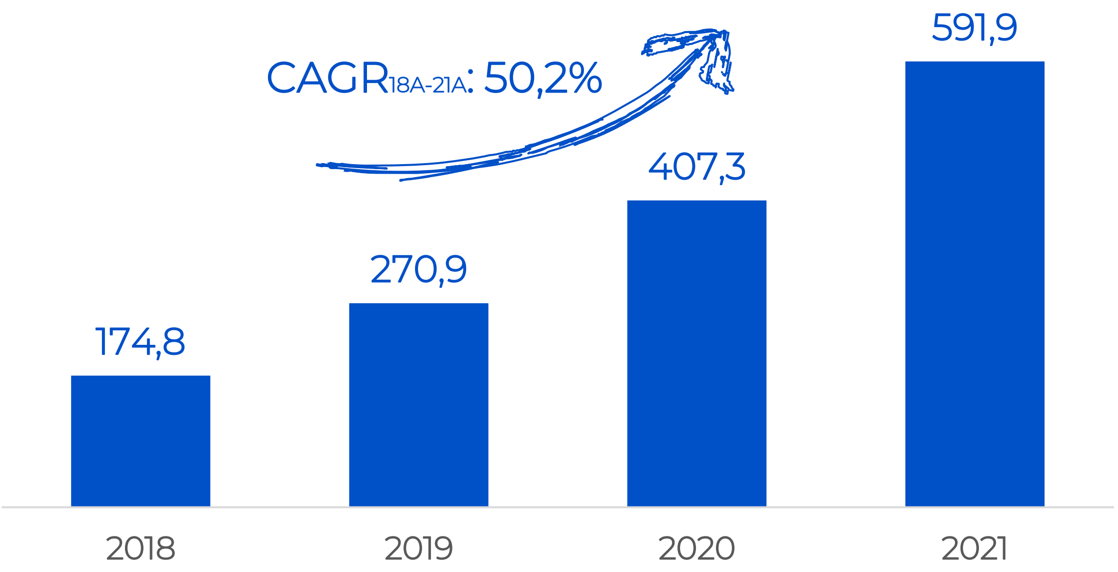


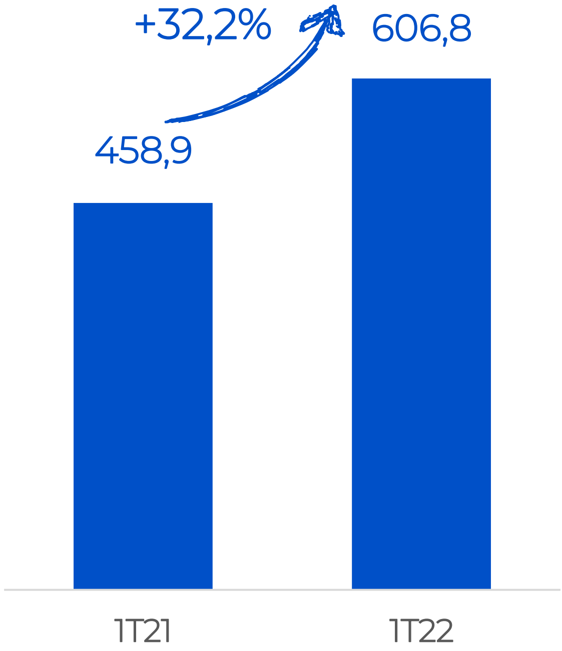

### Mark-Up TaaS
(TaaS TCV Rentals/ Capex)



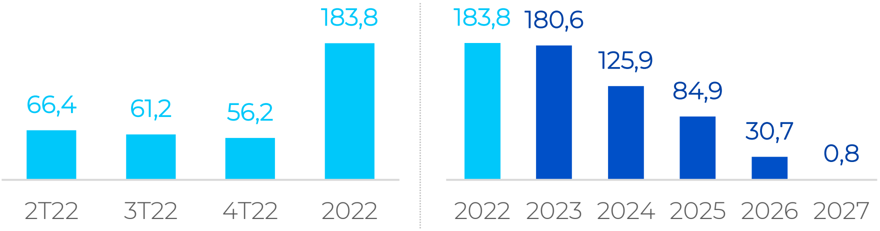

- New TaaS Contracts Term 51 months in 1Q22 vs. 45 months in 1Q21 In line with Company strategy of increase contract terms

# Revenue Backlog | (R$ million)

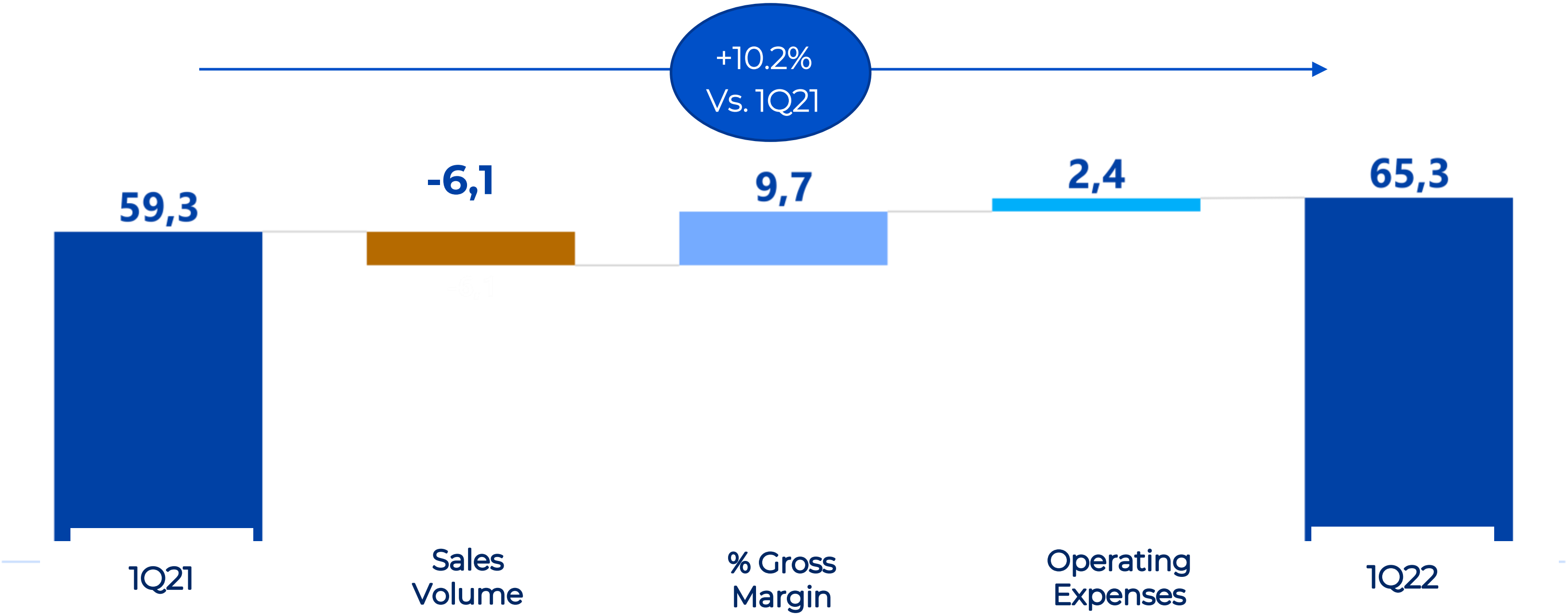



Recognition and Receivable Schedule

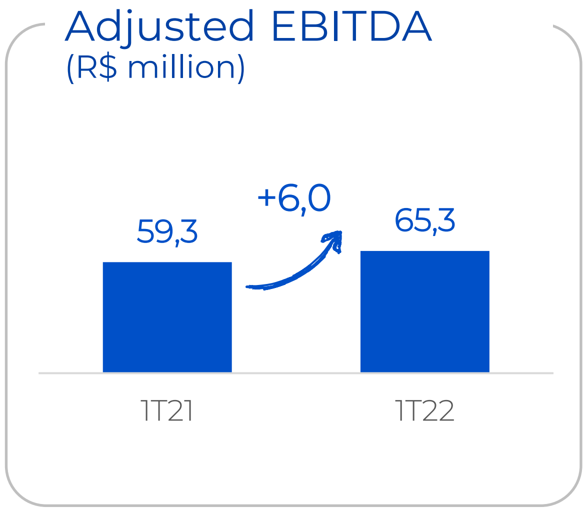


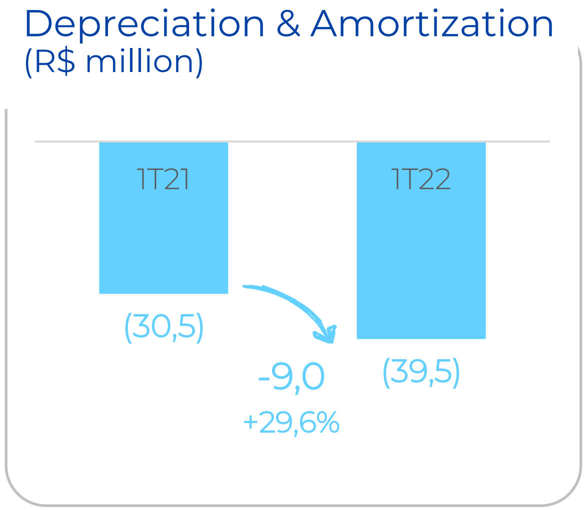
# Adjusted Ebitda | (R$ million)

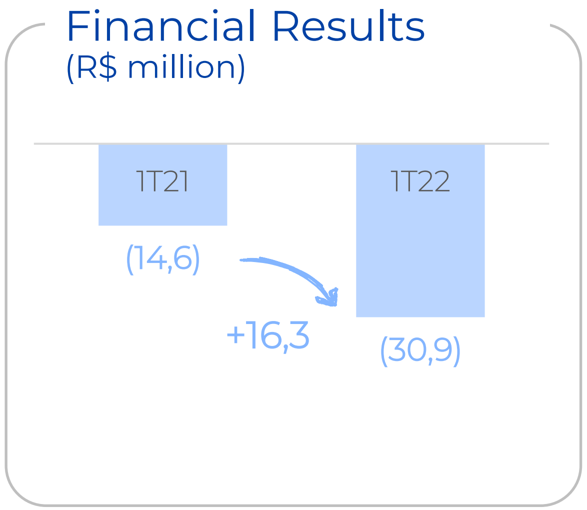


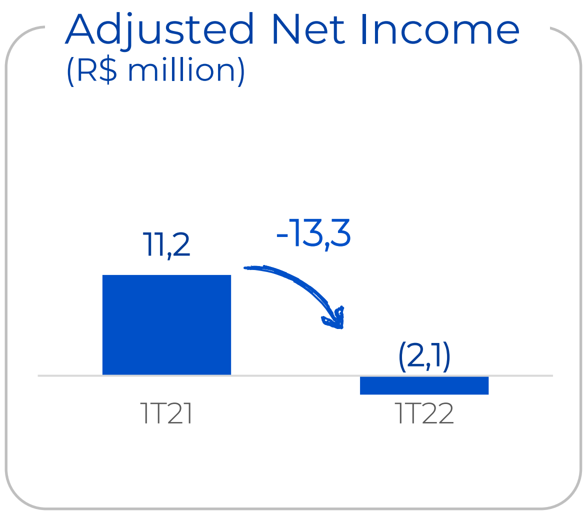

| (R$ million) | Total | Telecom | Solar | Enterprise |
|---|---|---|---|---|
| Adjusted EBITDA 1Q21 | 59,3 | | | |
| Sales Volume | -6,1 | -12,9 | 5,2 | 1,6 |
| % Gross Margin | 9,7 | 7,6 | 0,5 | 1,5 |
| Gross Profit | 3,6 | -5,2 | 5,7 | 3,1 |
| Operating Expenses | 2,4 | | | |
| Total Variance | 6,0 | | | |
| Adjusted EBITDA 1Q22 | 65,3 | | | |

# Financial Results & Net Income



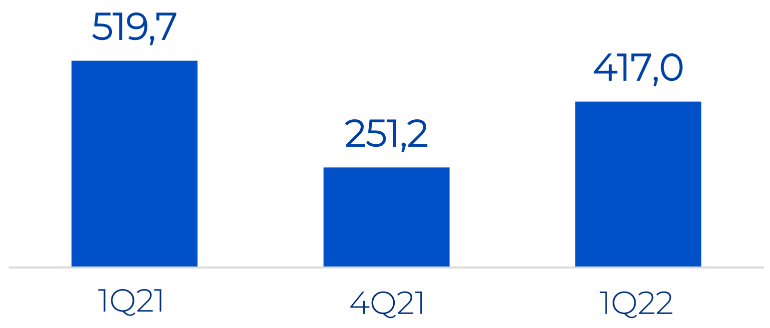




- Higher Depreciation Cost, in line with higher TaaS Backlog Revenue
- FX Rate variance loss and adjustment to fair value on swap derivative instruments by -R$16.5 million 15.1% appreciation of the local currency and higher foreign currency assets at the close of 1Q22 due to stronger inventory levels needed
- Interest rates (Selic) higher increase in 1Q22 vs. 1Q21
  Higher financial expenses accruals related to net present value adjustment on receivables and liabilities

# Net Debt & leverage

## Net Debt | R$ Million




## Leverage | (Net Debt / Adjusted EBITDA)

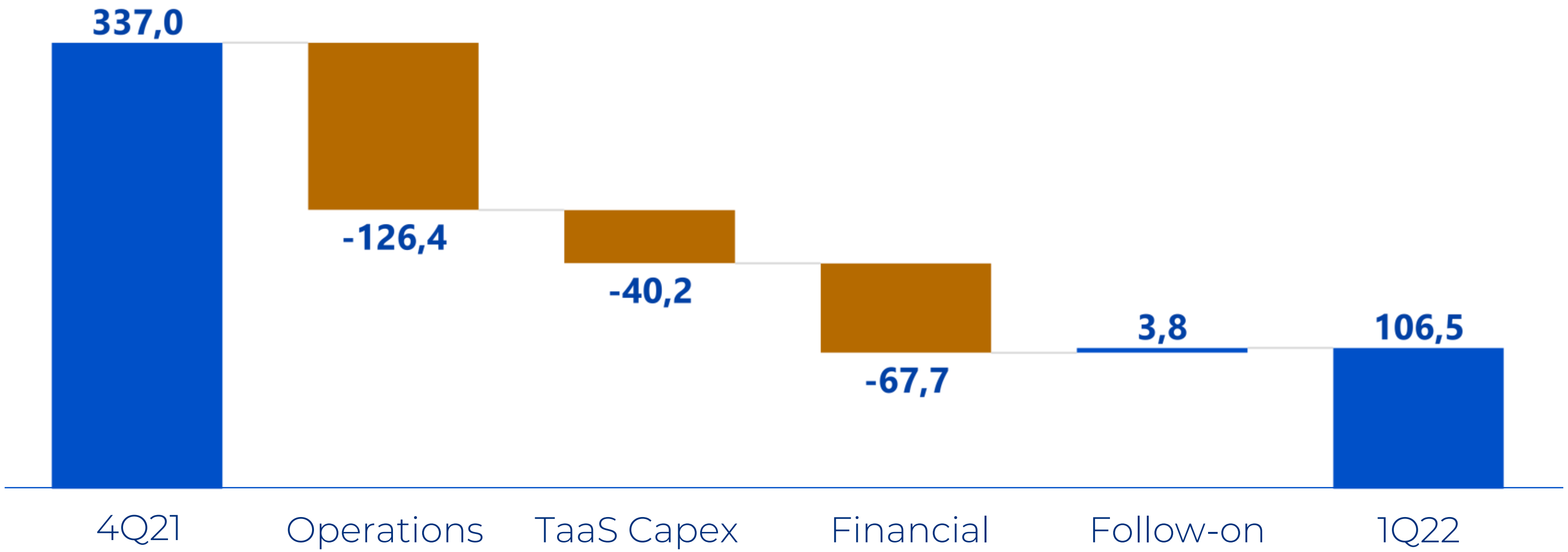

| Indebtedness (R$ Million) | 1Q21 | 4Q21 | 1Q22 | Var% vs. 4Q21 | Var% vs. 1Q21 |
|---|---|---|---|---|---|
| Gross Debt | 565.0 | 588.1 | 523.6 | -11.7% | -8.1% |
| Cash and Financial Investments | 45.4 | 337.0 | 106.5 | -68.4% | 134.9% |
| Net Debt | 519.7 | 251.2 | 417.0 | 64.3% | -20.6% |
| TaaS Revenue Backlog | 458.9 | 591.9 | 606.8 | 2.5% | 32.2% |
| Backlog Hedge on Net Debt | 0.88x | 2.36x | 1.47x | | |

| Leverage Indicators LTM (*) | 1Q21 | 4Q21 | 1Q22 | Covenants |
|---|---|---|---|---|
| Net Debt/ EBITDA | 2.27 | 0.92 | 1.49 | |
| Net Debt/ Aj. EBITDA | 2.17 | 0.90 | 1.47 | Max. 2.25x |
| Aj. EBITDA / Net Fin. Desp. | 8.48 | 6.93 | 5.03 | Min. 3.00x |

(*) LTM = last twelve months.

| | 1Q21 | 4Q21 | 1Q22 |
|---|---|---|---|
| EBITDA LTM | 229.0 | 271.9 | 280.6 |
| Adjusted EBITDA LTM | 239.5 | 278.3 | 284.4 |
| Financial Expenses LTM | - 28.3 | - 40.2 | - 56.5 |

# Cash Flow | (R$ million)




- Cash used to empower operating activities, with higher levels of inventory and advances to suppliers (manufacturers in the solar segment and anticipated payment related to the new big ISP TaaS contract)
- Continued growth via TaaS, requiring new investments in Capex
- Loan amortization according to actual contract schedules

# Whats Next...


- Higher demand on new TaaS contracts due to a more challenging macroeconomic scenario – banks credit availability and higher interest rates
- New 'built-to-suit' / 'turn-key' team on telecom network construction projects
- Solar segment boosted by the launch of new product lines
- Supply normalization in Telecom products, mainly GPON boards for 2Q22 and 3Q22
- Management focused on costs and expenses optimizing
- Company remains looking for opportunistic M&A

# Thanks and Q&A!

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