



WDC
NETWORKS

EARNINGS CALL PRESENTATION

2Q22

Aug 12th, 2022



IGC-NM B3

IGC B3

ITAG B3

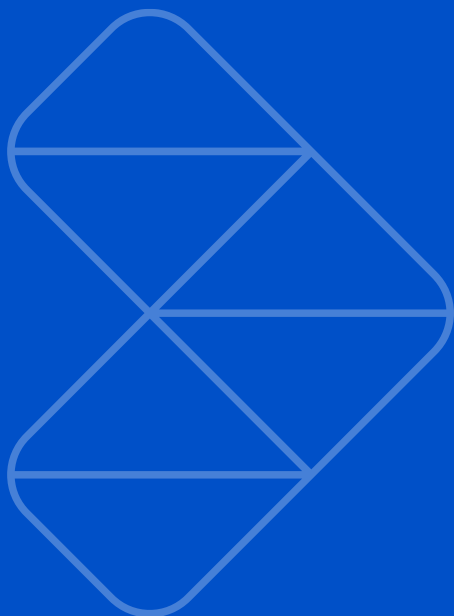
LVTC
B3 LISTED NM



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."





2Q22 Highlights: Record in solar sales and resumption on Enterprise & Telecom segment sales



R\$ 96.7 mm
+36.5% vs. 2Q21



Net Revenue



R\$ 639.9 mm
+23.2% vs. 2Q21
Revenue **Backlog**



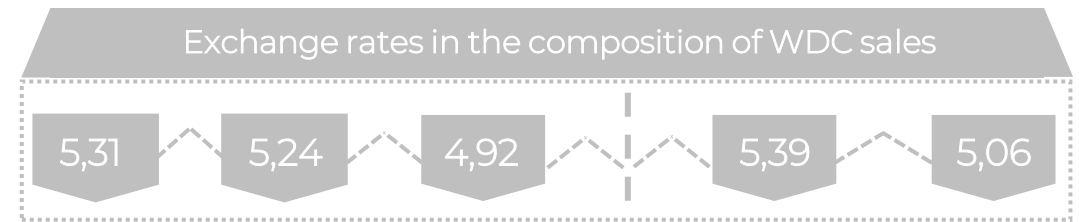
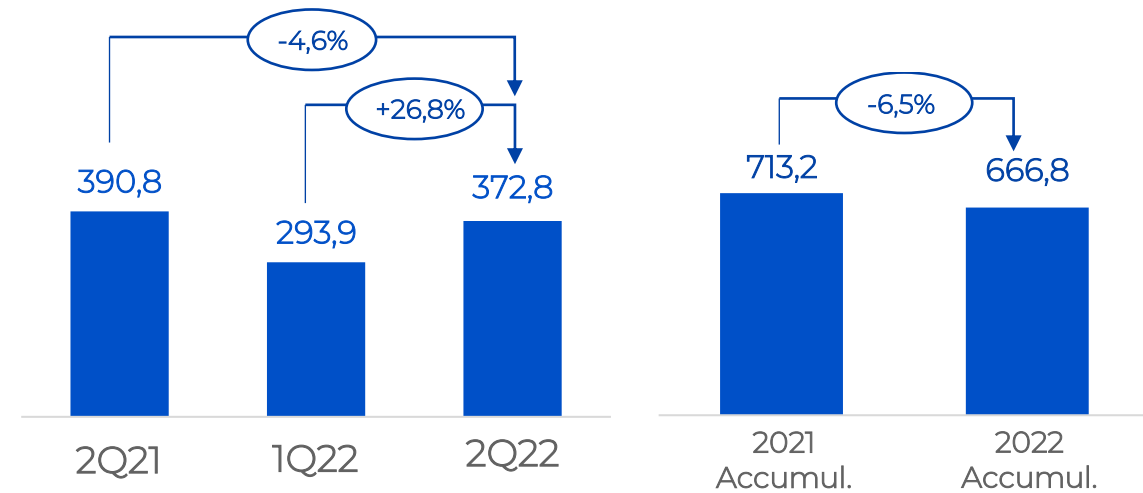
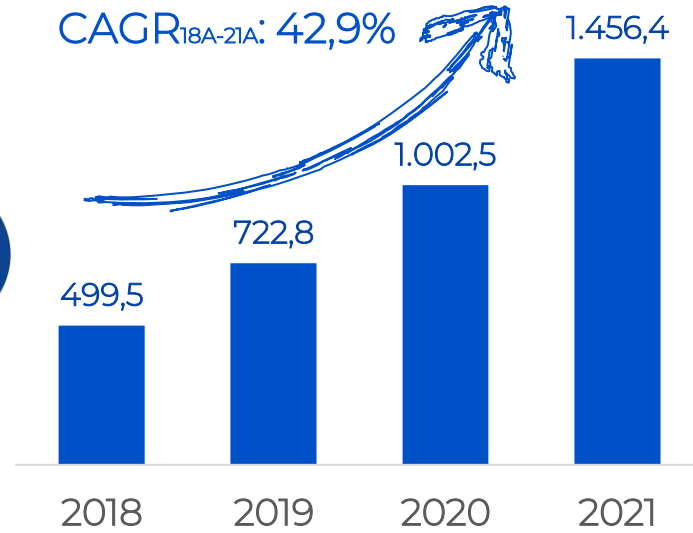
+26.8%
growth of
Total Sales
vs. 1Q22



- ❖ Consolidated **Net Revenue** of R\$ 284.3 millions in 2Q22 vs. R\$ 276.7 millions in 2Q21, growth of **+ 2.8%** vs. previous year
- ❖ Consolidated **Adjusted EBITDA** of R\$ 67.4 millions in 2Q22 vs. R\$ 68.5 millions in 2Q21, a **1.6% reduction** vs previous year.
- ❖ **Adjusted EBITDA Margin** of **23.7%** in 2Q22 vs. 24.7% in 2Q21, a reduction of 1.0 p.p. vs. previous year.
- ❖ Total sales Telecom segment of **R\$ 158.9 millions** in 2Q22 vs. **R\$ 135.6 millions** in 1Q22, growth of **+17.2%**.
- ❖ Total Sales Enterprise segment of **R\$ 101.1 millions** in 2Q22 vs. **R\$ 63.7 millions** in 1Q22, growth of **+58.6%**.
- ❖ Company returned to positive consolidated **Adjusted Net Income** of **R\$ 8.6 millions in 2Q22** vs. R\$25.2 millions in 2Q21
- ❖ KPI of produced goods in our factories reached 61%.
- ❖ "AA-" Corporate International Ratings issued by Standard&Poors and Moody's – May/22
- ❖ **2nd Emission of Debentures** - amount of **R\$ 500.0 million** in two series with terms of 5 and 7 years and a grace period of 3 years for amortization.



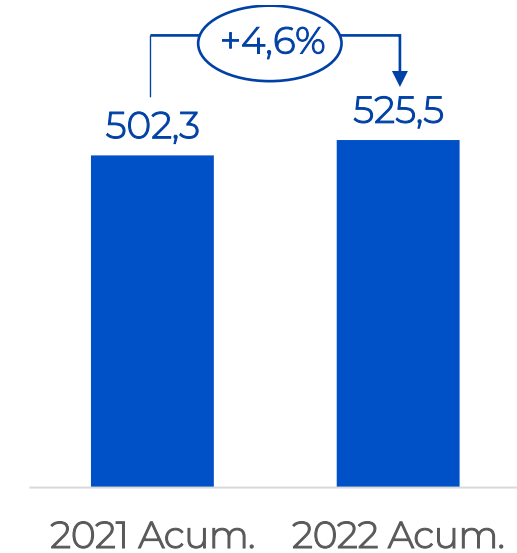
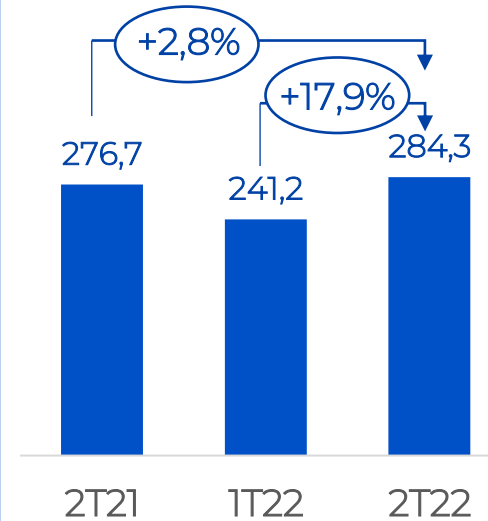
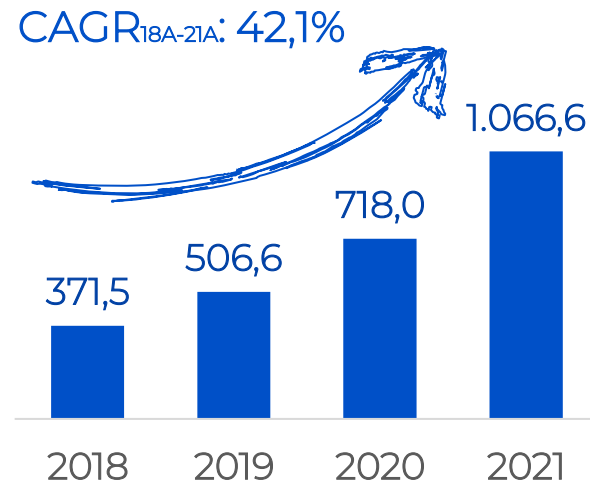
Consolidated Total Sales | (R\$ millions)



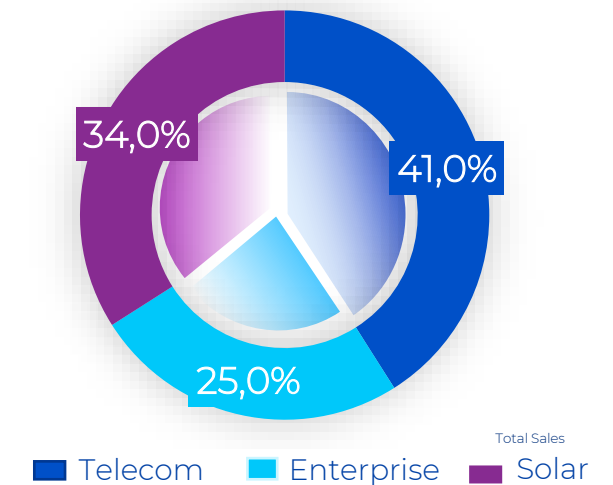
- WDC's Total Sales in **2Q22** decreased by **-4.6%** when compared to 2Q21. There was a **growth** of **+26.8%** when compared to 1Q22. In the first half of the year, the reduction was -6.5%.
- Variances in **exchange rates** caused reduction in total sales: -7.3% in 2Q22 vs. 2Q21, and **-6.1%** in 1H22 vs. 1H21.



Net Revenues | (R\$ millions)



- Net Revenue Growth at +2.8% - positive effect of the recurrent revenue of TaaS, causing positive variance, despite of lower Total Sales
- Net Revenue from Solar Segment reached 34.0% of Total in 2Q22, vs. 25.6% in 2Q21, and vs. 34.8% in 1Q22.

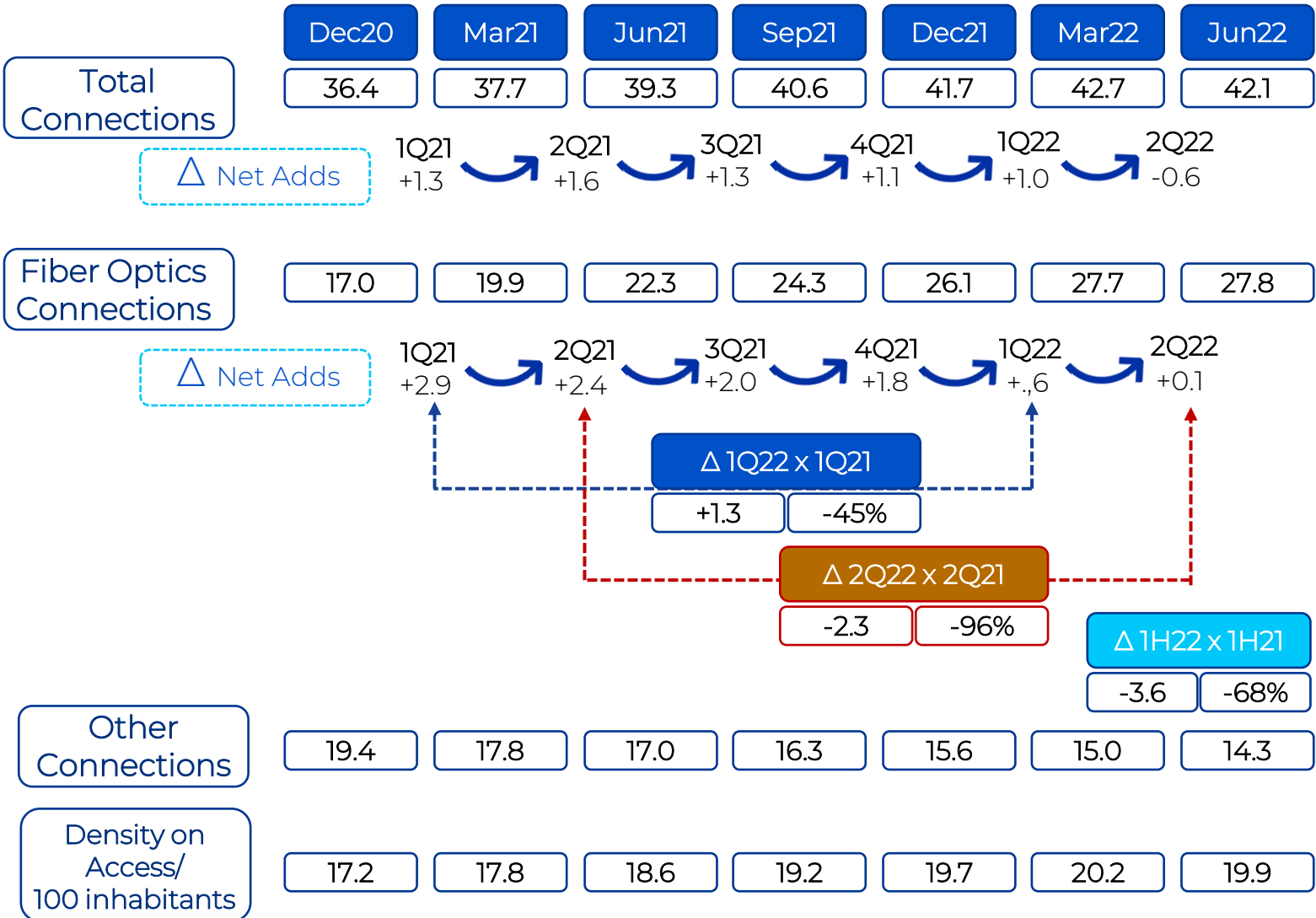




Anatel Data – Brazil Fixed Broadband | millions

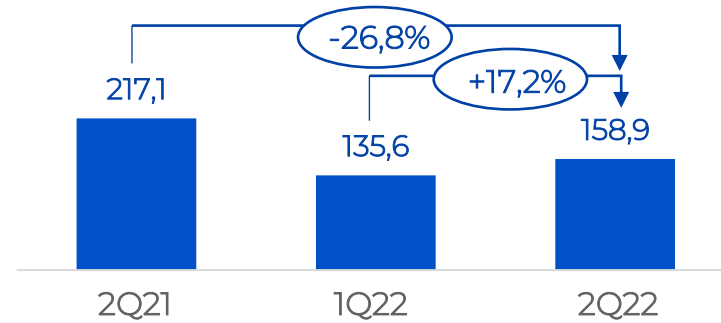


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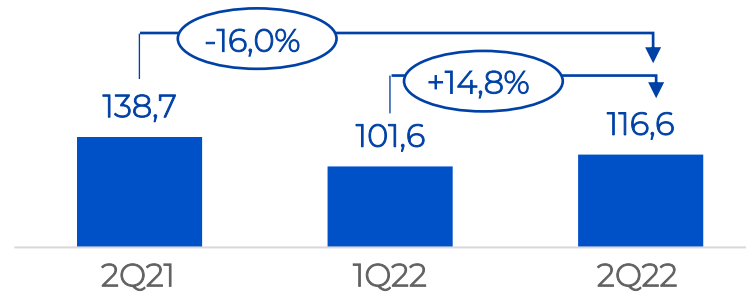




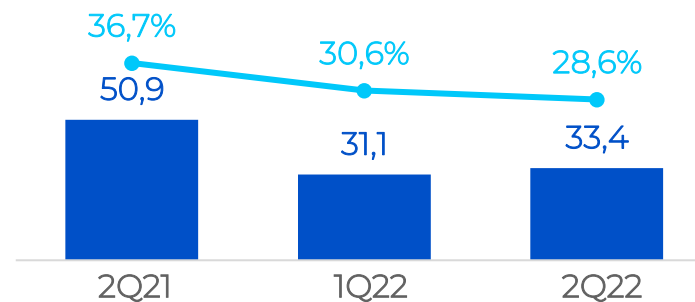
Total Sales



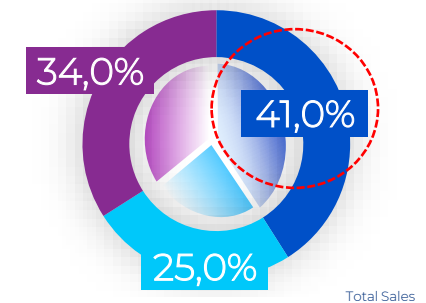
Net Revenues



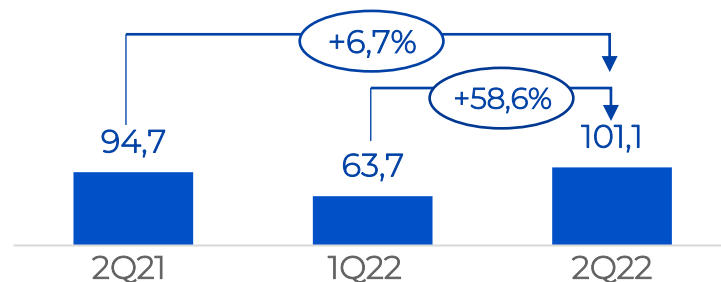
Gross Profit & Margin %



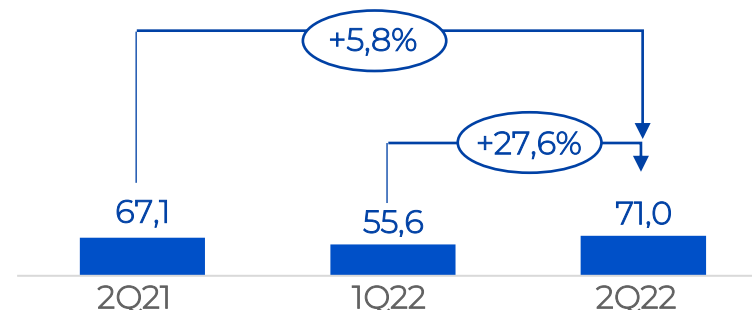
- ISP's market presented similar performance of 1Q22. We delivered **196 thousands** ONU's in **2Q22** vs. **177 thousands** in 1Q22
- Improvement in supply chain, but still facing challenges related to GPON boards.
- Continued implementation of **turn-key projects** for ISP's
- Reduction on **gross margin** in 2Q22 **28.6%** vs. 36.7% in 2Q21 - increased term of new TaaS contracts and lower sales margins.



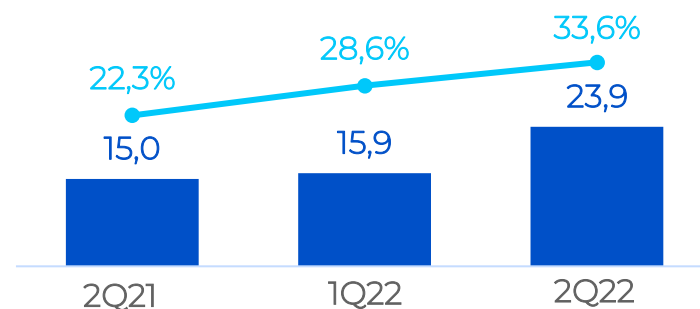
Total Sales



Net Revenues

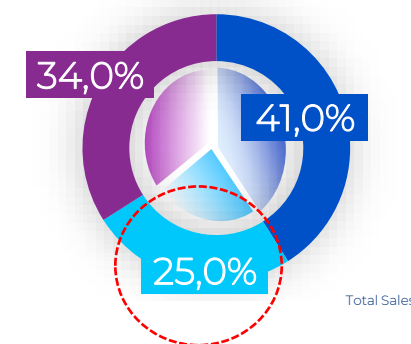


Gross Profit & Margin %



Enterprise total sales growth due to post Covid-19 pandemic corporate market recovery.

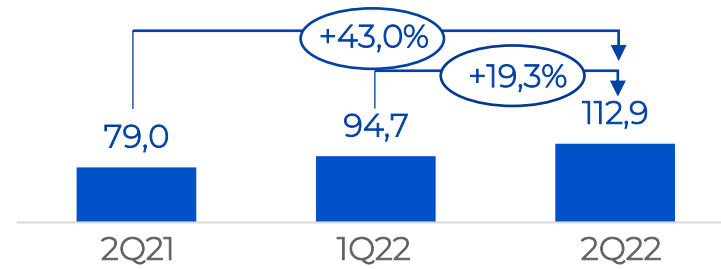
Increase in gross margin in 2Q22 33.6% vs. 22.3% in 2Q21 – resultant from higher relevance of Professional Audio & Video and Cyber Security over total.



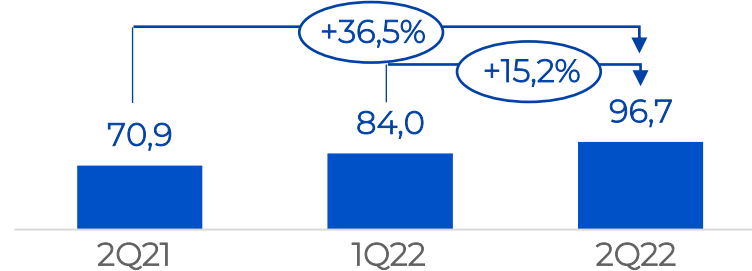


Solar | (R\$ millions e %)

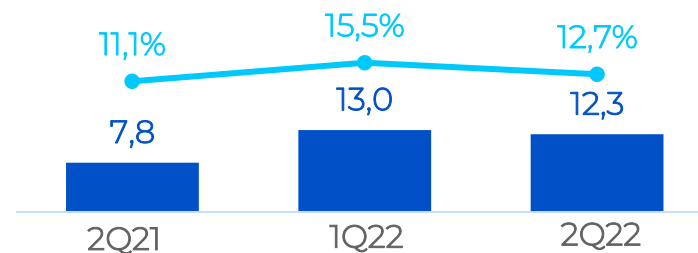
Total Sales



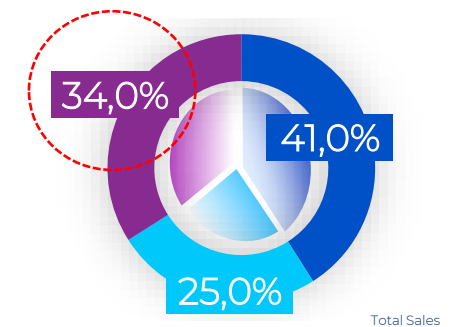
Net Revenues



Gross Profit & Margin %

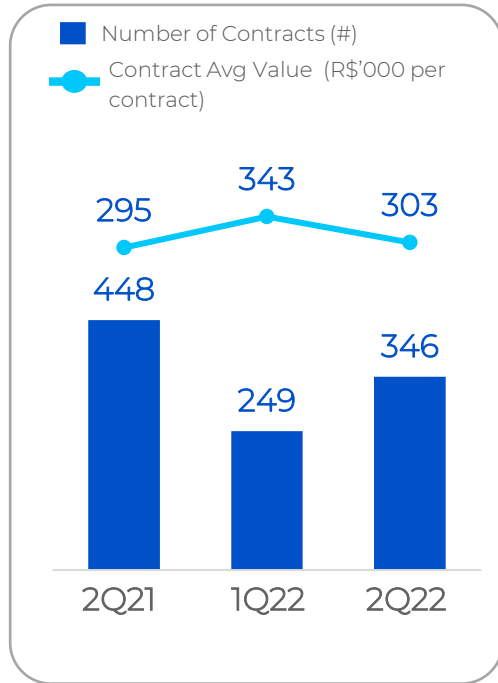


- Record total sales, reaching an annualized amount of **R\$ 451.6 millions**.
- Continued deployment on new TaaS contracts in **Solar**, totalizing **R\$4.6 millions** in 2Q22 Total Sales.
- Gross margin increase in 2Q22 12.7% vs. 11.1% in 2Q21 - Higher market inventories combined with credit lines shortage generated strong pressure on margins.

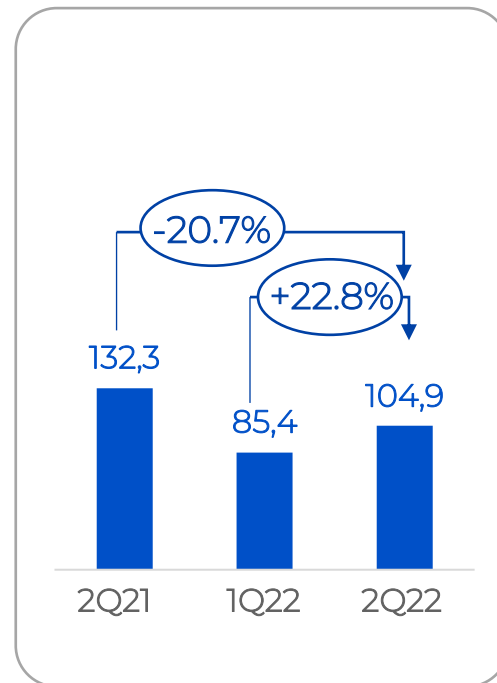




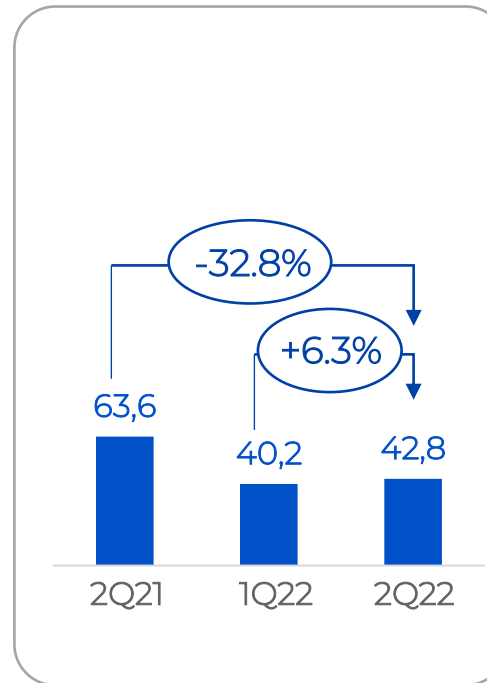
Quantity and Values of New Contracts



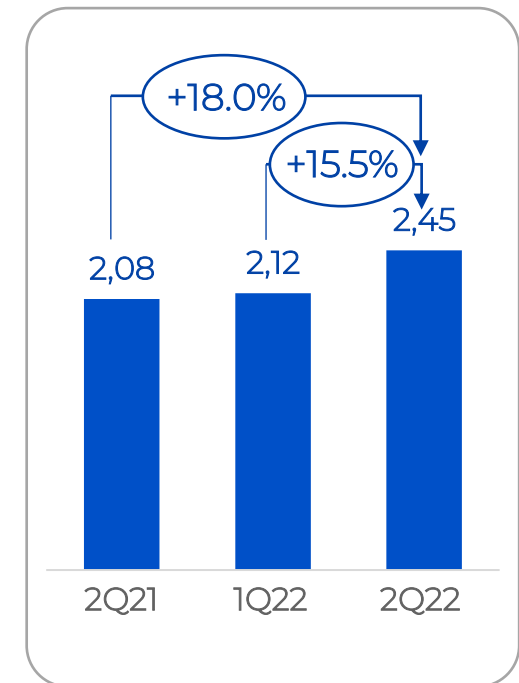
TaaS (TCV Rentals) (R\$ millions)



Capex (R\$ millions)



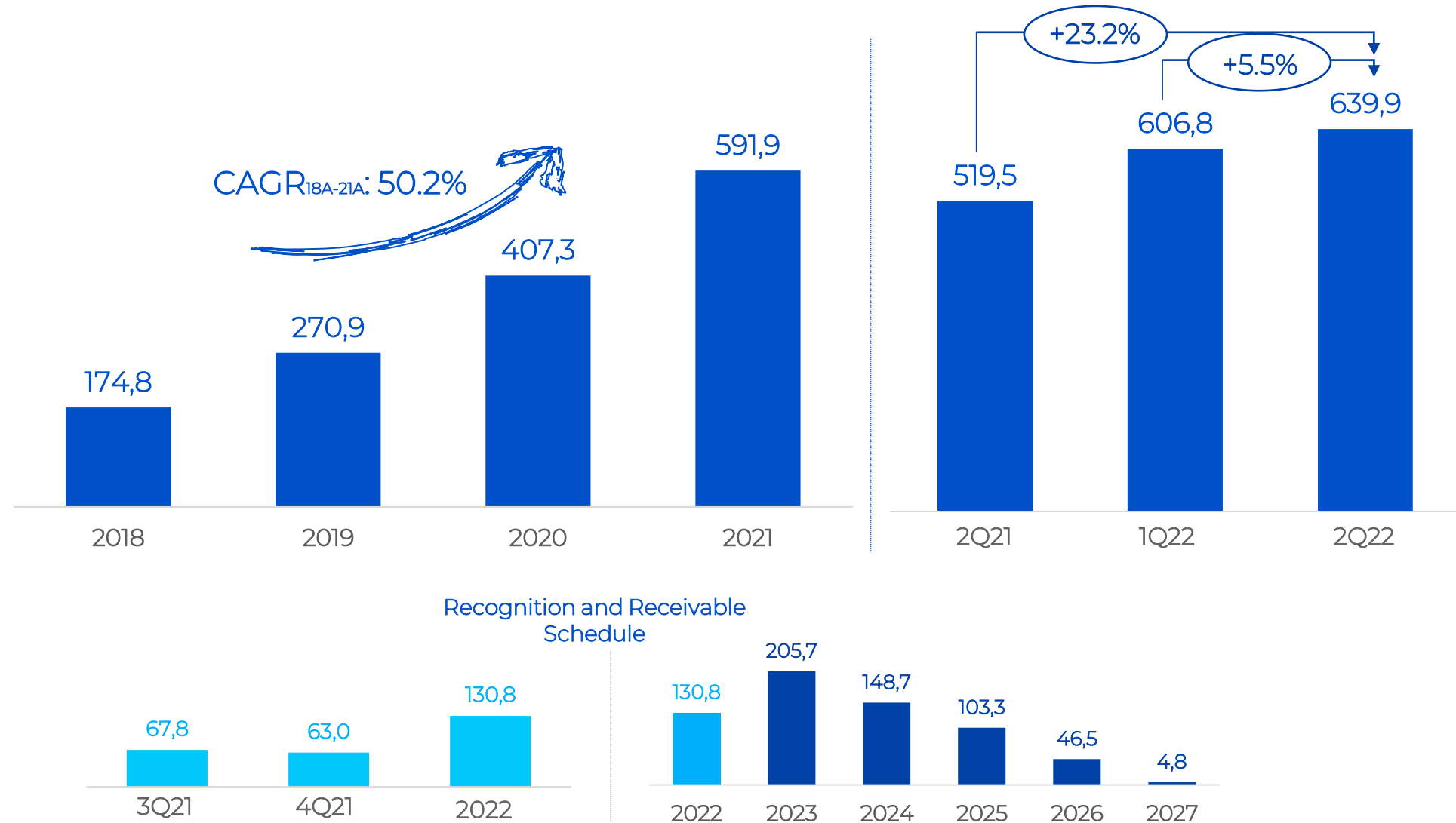
Mark-Up TaaS (TaaS TCV Rentals/ Capex)



- ❖ New TaaS Contracts average term at 51 months in 2Q22 vs. 47 months in 2Q21
In line with Company strategy on increasing contract terms



Revenue Backlog | (R\$ millions)

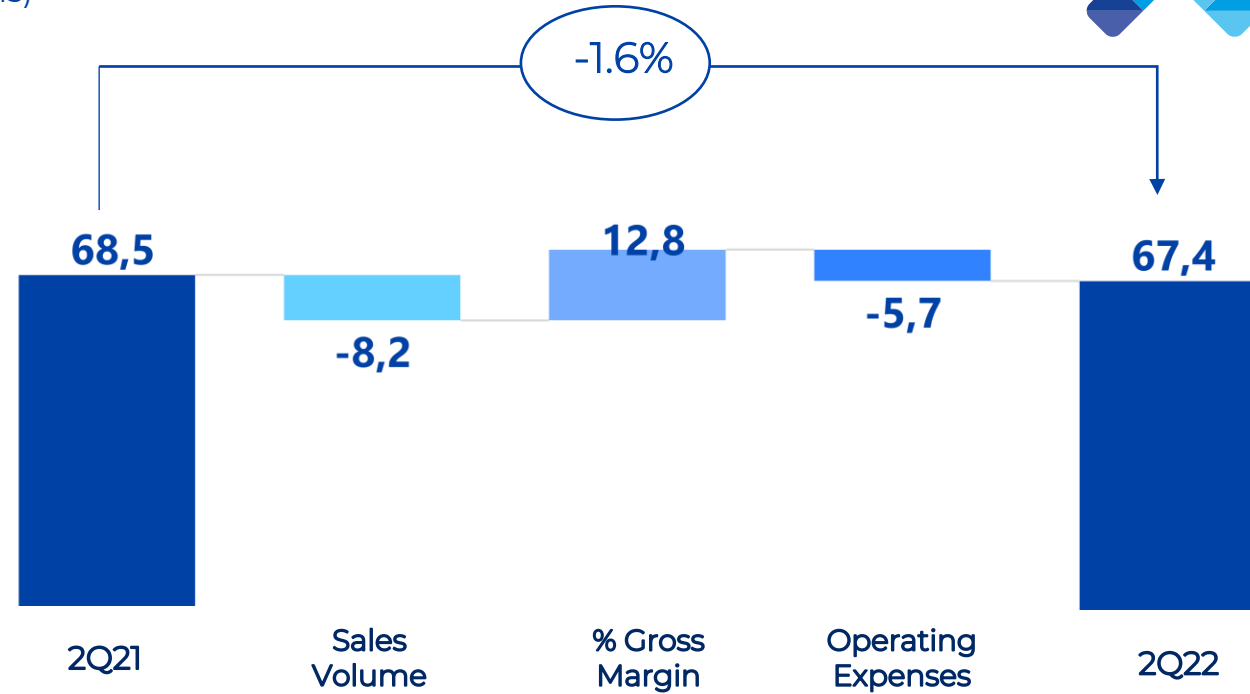




Adjusted Ebitda | (R\$ millions)



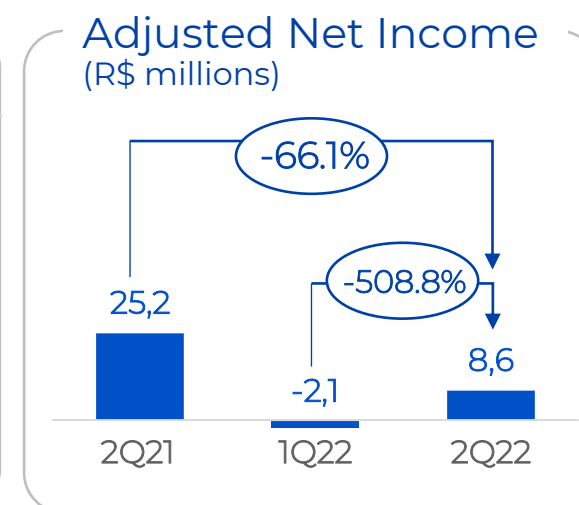
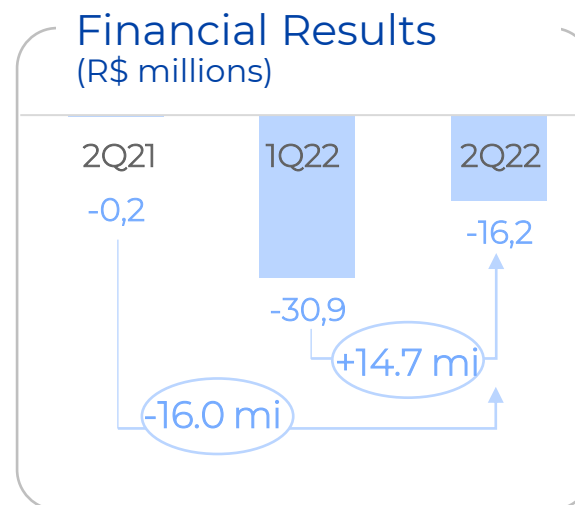
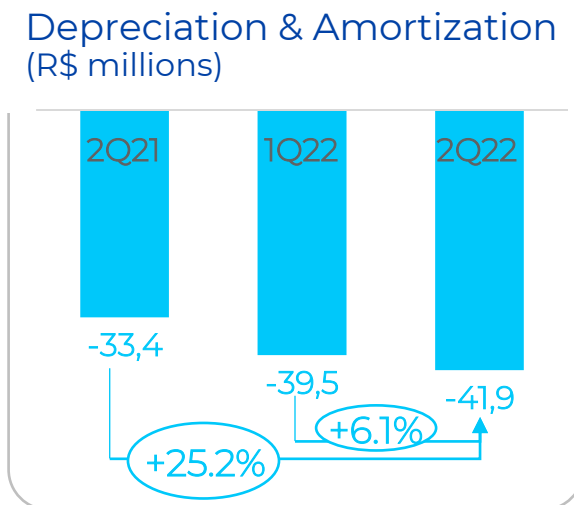
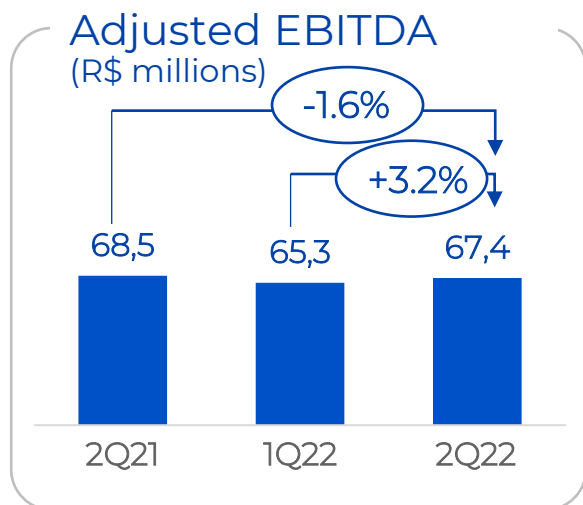
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(R\$ million)	Total	Telecom	Solar	Enterprise
Adjusted EBITDA 2Q21	68.5			
Sales Volume	-8.2	-12.3	2.9	1.2
% Gross Margin	12.8	2.9	1.6	8.3
Gross Profit ExDepr ¹	4.6	-9.4	4.5	9.5
Operating Expenses	-5.7			
Total Variance	-1.1			
Adjusted EBITDA 2Q22	67.4			



Financial Results & Net Income



- ❖ Higher Depreciation Cost, in line with the increase in Revenue / Fixed Assets TaaS Backlog
- ❖ Changes in Financial Result as following:

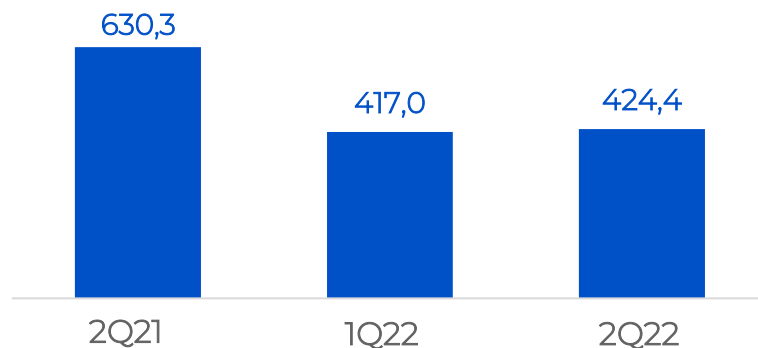
	2Q21	1Q22	2Q22
Financial Result	-0.2	-30.9	-16.2
Operating Exchange Variation	13.6	-14.2	4.5
PV Adjustments (interest rates)	-2.8	-4.1	-6.9
Financial Income	3.0	9.5	10.2
Financial Expenses	-14.0	-22.1	-24.0



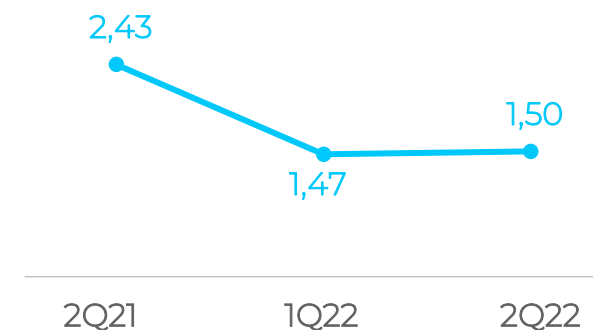
Net Debt & leverage



Net Debt | R\$ Millions



Leverage | (Net Debt / Adjusted EBITDA)



Indebtedness (R\$ Millions)	2Q21	1Q22	2Q22	Var% vs. 1Q22	Var% vs. 2Q21
Gross Debt	666.9	523.6	953.9	82.2%	43.0%
Cash and Financial Investments	36.6	106.5	529.5	397.0%	1344.8%
Net Debt	630.3	417.0	424.4	1.8%	-32.7%

Leverage Indicators LTM (*)	2Q21	1Q22	2Q22	Covenants
Net Debt/ EBITDA	2.48	1.49	1.53	
Net Debt/ Aj. EBITDA	2.43	1.47	1.50	Max. 2.25x
Aj. EBITDA / Net Fin. Desp.	13.43	5.03	3.91	Min. 3.00x

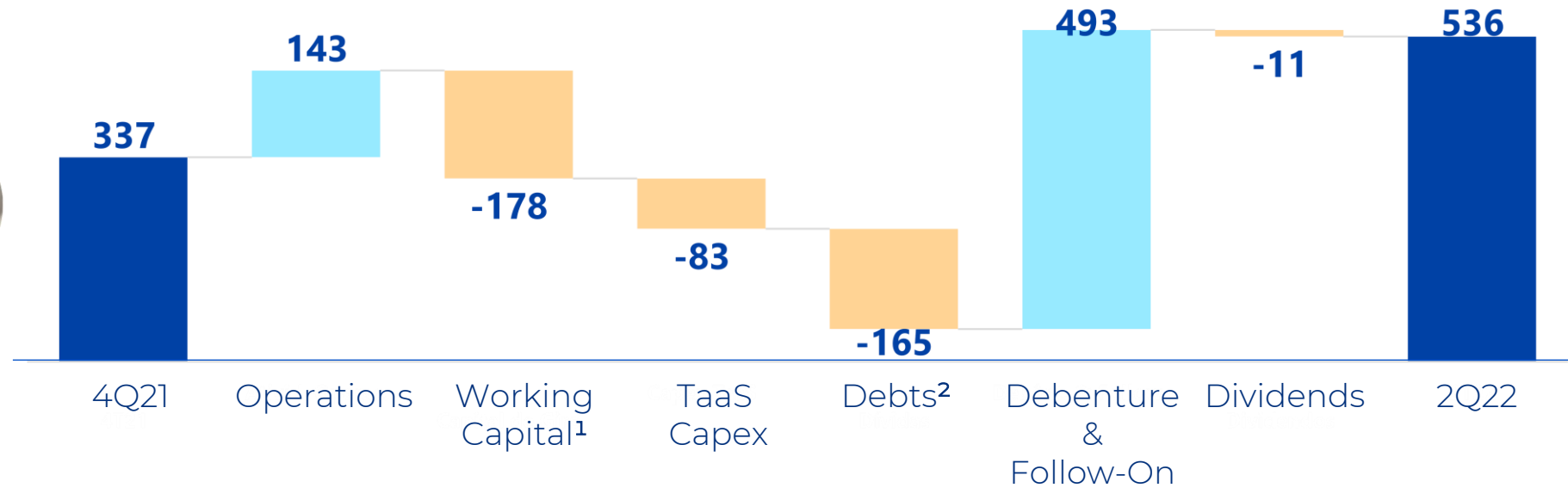
(*) LTM = last twelve months.

TaaS Revenue Backlog	519.5	606.8	639.9	5.5%	23.2%
Backlog Hedge on Net Debt	0.82x	1.46x	1.51x		

EBITDA LTM	254.3	280.6	277.3
Adjusted EBITDA LTM	259.1	284.4	283.3
Financial Expenses LTM	-19.3	-56.5	-72.5



Cash Flow | (R\$ millions)



- ❖ **Use of cash for operating activities**, with inventory levels still at high levels, and suppliers' payments in line with reduced new purchases.
- ❖ **Continued growth via TaaS**, demanding new investments in Capex, also related to the implementation in the Solar segment
- ❖ **2nd Debenture Emission** discounting issuing costs



Whats Next...



- ❖ **Macroeconomics scenario remains challenging** – demanding management attention regarding working capital and customers payment levels
- ❖ Focus on implementation of **data center, turn-key and solar generation** projects
- ❖ Continued **growth trend** in the **Solar segment**, mainly supported by **new product lines** sales
- ❖ Maintenance of the **recovery rhythm** in the Enterprise segment post Covid-19 pandemic
- ❖ Company remains looking for **M&A opportunities**

Thanks and Q&A!



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