

**International Conference Call**  
**WDC**  
**1<sup>st</sup> Quarter 2023 Earnings Results**  
**May 12, 2023**

**Vanderlei Rigatieri - CEO**

Here we have the highlights. So we have total sales of 358 million in 1Q 23, 21.6% growth YoY.

So TaaS share achieving 41.6% of total sales in the quarter. It shows that we have been evolving in this business model achieving 149 million TaaS sold in this quarter; in the Telecom segment we achieved 201 million in sales, 48.5% YoY; and our contracted future revenues, so the revenue backlog increased 43.7% YoY achieving 872 million in revenue backlog.

I always like to remind you that the revenue backlog or contracted future revenues performs on a monthly basis. So you close a contract for such as a 60-month contract and that would be realized on a monthly basis. Another very important thing is that our market share for new subscribers in fiber achieved 33.3% in that period. So we have sold 300,000 ONUs in the quarter in a total of 900,000 that Anatel, the Brazilian agency, has reported in the period.

So on our next slide we have the consolidated total sales. In the last year we achieved a Cagr of 31.2% that is very significant given the market conditions in 2022; so you can see the evolution of 21.6% going from 293.9 million in 1Q 22 to achieve 358 million this quarter, 1Q 23. Our sales are always in USD. We consider the PTAX exchange rate for the day. When there is a variation in the exchange rate that will reflect in our revenues in BRL.

On the next slide we have the evolution of our net revenues. Here you can see that net revenues went from 241.2 million in 1Q 22 to 244.3 million in 1Q 23, a small increase of 1.3%. The more TaaS we sell the revenues for the quarter are lower generating a higher backlog. Net revenue was, can be broken down in the following manner: so 50.6% for Telecom, 24.2% in the Enterprise and 25.3% in Solar.

On the next slide you can see the TaaS performance. So you can see the evolution of the new contracts for this quarter, which was 350 new contracts. So we have evolved from 279... Excuse me, 249 in 1Q 22 to 350 in 1Q 23.

The PSV for the contracts went from 85 to 340... 425.

And CapEx for these new contracts in this quarter were 78 million BRL, a significant increase in the size of the CapEx that we had, 95% higher YoY.

Here we have the markup in the number of contracts that were closed and how much is invested in CapEx. We were at 1.9 this quarter. That number mainly refers to the delivery mix that we had in that quarter of a large contract that was closed in the previous quarter and now we have delivered the products with lower value. So the average was 2.27, so that is a significant markup in our contracts.

On the bottom you can see the evolution of the average terms of the contracts, which is stable at 55, 54 months, which is pretty much what we wanted to achieve - maybe a little more even - achieving 56, 57 months. That would be very significant for us so that we can match revenues with depreciation across time.

On our next slide we can see the evolution of the backlog, meaning our contracted future revenues. We went from in 1Q 22 from 600 to 872 million growing 43.7%. I always like to remind you that contracted future revenues means that we will have this revenue being recognized on a monthly basis, and the investment and cost was in the month where the products were delivered, and so from then on you practically generate free cash only discounting the PIS and COFINS tax. So you can see the schedule for future backlog on the bottom. So this year we still have 227 million in revenues to be recognized, next year 253.3 and so on and so forth. That is the beauty of the process of this recurrence resulting from these contracts.

On the next slide I have the performance in Telecom. Telecom accounted for 56.3% of our total sales in the period. So you can see that especially Solar has decreased and Telecom and Enterprise increases in terms of percentage. And that is very important because we grew 48.5%, achieving 201 million BRL in this quarter YoY.

And the increase in the market share in Telecom as I mentioned was 33% (inaudible 9:11) is fundamental with new subscribers. We have a technological renewal; we are bringing in Wi-Fi 6 that helps us to increase our share in that market.

We had a drop in gross margin in that period from 25 to 23.7. I would say that that was because of the tough competition. Our competitors overall, all the brands and distributors, put a lot of pressure on prices. We did not do anything crazy, but we did have to adjust our prices so that we can increase our share and sales.

On the next slide I would like to show you the performance of Enterprise, this is corporate market sales. Enterprise accounts for 23.1% of our total sales. It grew 29.8% YoY, almost 30, achieving 83 million - and I would like to highlight that that was mainly a result of the growth in sales of professional audio and video products. In that same period we grew 93%, almost 100% more than last year because last year we were very much jeopardized in this segment given the sales, effects from the pandemic such as few events and other cases where these products are used, auditoriums, training rooms and so on. Now we have seen an increase in that type of activity.

We have also been reporting quarter after quarter significant growth in our cyber security products. This quarter we grew 73% YoY.

And TaaS is increasing its share in the segment: we went from 13% in 1Q 22 to almost 30% in 1Q 23.

On the next slide we have Solar. So this case was our segment that suffered the most during this quarter. We had a significant drop in sales as well as our gross margin. I would like to highlight that in the beginning of the year we had a change due to the Legal milestone with Law 14 300. This change has caused an issue with the information. It is not that significant, it does not have a big impact in the return on investment, but I would say that the market was a bit lost on how to calculate that and that had an effect not only to our sales, but we know that the market overall has suffered with that.

The other was a shortage of credit. So 70%, 75% of sales in distributed energy requires bank financing and we can feel that the banks have tightened the credit lines for this type of activity, as well as increasing the interest rates. So the interest for the end-users is approximately 1.9, 2.8% per month and that really affects customers' decision-making in investing in this type of product, especially when it is residential.

And then one thing leads to the other, so the entire segment has held the impact on volume and we felt that there was a huge drop in prices. So in order for the competition to sell they destroyed value with significant reductions to clear inventory, and in this segment we have to follow that a little as we have the same effect: we have had inventories that were expected to be used for higher volume in sales, therefore that did not happen and so we had to adapt.

In addition the manufacturers, most of them are from China, are also lowering their replenishment prices. So it is not used to have inventory with old prices if you know that there is going to be a lower price in your new purchases. So all of these effects have led us to a reduction of 22.8% YoY and that highly impacted the total bottom line for the company. So this is the segment that suffered the most and we still expect some upcoming months - I am not sure exactly how many - of this type of impact in this segment.

On the next slide we have financial results. So the adjusted EBITDA dropped. We had an impact to operating costs especially in the mandatory salary raises according to union agreements; we also had to dispose of obsolete products that were in inventory, all of that has negatively impacted the EBITDA this quarter: we were at 57.5 million.

Depreciation went from 39.5 million in 1Q 22 to 47.1, increased almost 20% and that is the result of our product available and equipment for rental.

The financial results you can see that in 1Q 22 it was 30.9 million negative, went to 18.3 million in this quarter. That improvement which may seem significant, but actually the financial result in 1Q 22 was highly affected by the FX variation effect. As you may know, when you have assets in USD be it because there was an advanced to suppliers that still have not delivered or because the product is in transit and it has not been registered in Brazil yet, these assets in USD are affected by the exchange rate variation.

So now the financial results are more in line in this quarter with 4Q 22 at approximately 18 million, which is still high given that the interest rates really affect this line of the balance sheet.

In net income we have adjusted. We had the losses or the impact that we had from solar and the inventory adjustments that we had to make, so we went from 2.1 million in losses in 1Q 22 to 6.4 million in this quarter.

On our next slide we have the net debt and leverage. As you can see the gross that went from 793.5 million to 700 million in this quarter. We have pretty much amortized 100 million in debt and that is important in governance meaning we have to decrease the impact of interest on our results, and we still have a net debt that is very much in according to the standards: we have 566 million in 1Q and net debt/EBITDA with a factor of 2.27.

Here on the side I have debt amortization and the coverage of future contracted, contracted future revenues, and that is very important because we have a total debt of 700 million and total future contracted revenues that is much higher, 872 million. Once again, I would like to remind you that the contracted future revenues the adjustment that has to be made is the PIS and COFINS tax. So out of the 872 I only have to take away 9.25, the rest is pretty much free cash because all the investment and the cost, delivery, freight, commissions, and product cost has already been done. So moving forward from that I only have cash generation discounting PIS and COFINS tax. So from April to December this year I have to amortize 119 million in debt and I have a cash generation from the future revenues of 227 million. So we always have some room in amortizing the debt, making our financial health significant in this period.

On the next slide we have cash variation, cash flow here. So we started the quarter at 305 million; our activity generated 91 million in cash (operating activity); we used 59 million as working capital especially for inventories, products for sale; we have 78 million in CapEx for the new rental contracts; and we have amortized interests, the principal of debt in the amount of 123 million in this period, therefore our gross debt has decreased; and we spent 1 million in our share buyback program. So we ended the quarter at 134 million in cash. So this is the bridge that basically shows the evolution of our cash flow. 134 million according to our evaluation and governance is more than enough for us to operate smoothly in the coming periods.

And to conclude I always like to give the perspectives that we are looking at, the outlook. I know that we, I would love to be here talking about super growth, but the market and the macroeconomic scenario is not the best right now. But even so here on Enterprise we see favorable, we see headwinds. So it is corporate market is gaining speed, we are gaining room in this segment; so in audio and video and Wi-Fi that is improving, so it is very important for growth.

And Telecom is still a challenge. Even though is we have seen significant growth compared to last year, we are not saying that this is just going to be easy; it continues to be challenging, but even with the process of consolidating the ISPs we can see that our competitiveness has been important.

You can see that our market share is 33% in new subscribers and I always like to say that this year is a very important year in technological renewal. Those who have been with us since the IPO I said that we would be growing in this segment and then at some point achieve stabilization, we would not be growing indefinitely - but after a while we would have these products in renewables in subscribers' homes and that is happening now with Wi-Fi 6, and that is something have been focusing strongly on. We have been betting a lot on this technology, so today we have even received good news that the Wi-Fi 6 product importation tax is now zero, so that will make it even better for the existing subscribers.

In Solar, this quarter was a happy quarter. We believe that this year there will be an overall adjustment in this segment. All of the competitors may not to remain firm in this segment, but we are adjusting our inventory levels. We are creating a distribution channel and authorized network so that we can create more loyalty in this channel.

We have an open Solar process for sales, so we are investing to create that network and become even more consolidated in the relationship with this channel. We do not have to have all the solar channels, but we want to have the main ones, the ones that are more committed and have quality.

And TaaS is advancing as we imagined. Competitiveness in TaaS is still strong as you have seen in the results and that leads to recurring revenues, gives us huge predictability, so we are strongly lowering our costs and adjusting expenses and adjusting the use of capital. We still need strong management of our working capital and that is what we are privileging on the operating side. So with this scenario we have important perspectives for 2023.

Now we have a Q&A session if you can help so that we can continue.

### **Q&A Session**

**Vanderlei Rigatieri - CEO**

The first question that I see is

**Simone Oyamada – IR Manager**

I can read it for you.

**Vanderlei Rigatieri - CEO**

Go ahead.

**Simone Oyamada – IR Manager**

So during the IPO the Cagr was around 40%, after the IPO the percentage has dropped with the other company figures. Is that a concern?

**Vanderlei Rigatieri - CEO**

Well, as you have seen if you look up to 2022 the Cagr was approximately 31%. I cannot say that it is a bad Cagr. What we imagined that that was exactly during the IPO that there would be no, we would not have indefinite growth, meaning forever. You adjust the growth levels. The Telecom level was expected, and maybe what we did not really expect in this 1Q is this drop in Solar, but without a doubt it is still a very strong segment, it will still have a lot of strength in Brazil. So I cannot say that that growth level is a concern, but obviously we are working relentlessly on this to increase and improve our performance year after year.

**Simone Oyamada – IR Manager**

Lucas Monteiro asked the first question and he has some other questions here. The other is when do you expect that the revenue backlog will translate into revenue growth? Because even though there is a strong growth in backlog, revenues are now stable and if we compare 1Q 23 with 4Q 22 it dropped 12%, a reasonable drop.

The other question is that in 2022 the figures are worse and now 2023 the results shows that there is, that it is getting stronger. What does the company have to do to improve that situation?

**Vanderlei Rigatieri - CEO**

Well Lucas, as I explained, every time we close more rental contracts, we transform future revenues 1/60 into revenues on a monthly basis. So we are not going to recognize all of the revenues at once; we would like to but that is not how you do in accounting. So it is growing on a monthly basis.

And the other effect is since we have been expanding the other deadlines through the quarters and months that makes that amount that you – brick that you are building on a monthly basis small. So all the former contracts will end with the lower terms and then you will see that net revenue growing and matching better with the backlog growth.

The other thing about the figures that have been decreasing, what are we doing? We are doing a lot to work around that. So we have been able to improve our performance significantly in two segments, in Telecom and Enterprise. So if you imagine that last year, we grew 40% in sales in Telecom, 30% in sales in Enterprise, if we had maintained Solar, we would have had a better result. The impact that we had this quarter was a situation that we saw in the Solar market. If we had not grown but had maintained the levels, we would be much more robust in that quarter.

So now we are working to improve our performance in the three segments. We are reducing the costs, significant costs to improve our bottom line and that is it, that is what has happened. There was an impact and nobody expected.

Yesterday there was a meeting that we attended with main executives from Aneel, the Brazilian agency, and the market was asking them about new regulation and they had fantastic numbers: today we have 10 GW of installed capacity for solar and over 30 GW that have already provided the granted access, now they have to go into the investment phase.

So when you talk to these customers the thing is that the investment has stopped given the lack of financing. After that is unlocked when that improves you will have that bottleneck being undone. So this quarter we really felt that.

### **Simone Oyamada – IR Manager**

So we have a question from Guilherme from Alasca: Considering the cash that has been required for kickbacks in TaaS, in addition to the leverage that is closer to the covenant does it make sense a higher selectivity in the new projects in return on TaaS and consequently a lower rhythm in growing the backlog to prioritize recognizing revenues?

### **Vanderlei Rigatieri - CEO**

Thank you, Guilherme, for your question. Well, the selectivity of the projects we are always looking. Our target for these contracts is 25%. We have been filtering that to have more significant projects as a return. I do not know if you are saying that we should sell more to recognize the revenue first instead of doing less TaaS. Well, for the company project in building that model we believe TaaS is very competitive, and the sales if you imagine what happens in this segment, if you are going to sell all clients want financing. So good or bad in terms of cash you are going to have to pay for that terms of sale for the client.

In that discussion for the company TaaS is more important if you imagine that 88% of our sales are financed via TaaS. So our client overall be it in Telecom or Enterprise, they depend on third parties, but with the other two are the distributors, the suppliers, the competitors that are actually financing this sale in that segment.

### **Simone Oyamada – IR Manager**

And there is another question here, “what could be the impacts of the tax reform on TaaS?” From Carlos Sampaio.

### **Vanderlei Rigatieri - CEO**

Well, the tax reform for us we have to be very connected, and what I would like to say first of all is that the tax reform so far everything that we have seen so far nobody talked about the change in taxation for the contracts. The Supreme Court has already ruled on this a couple of years ago - I do not remember when that was – that rentals do not even a city tax, ISS; does not pay ICMS, which is sales tax or IPI, which is industrial registration tax. The only tax on rental is the PIS and COFINS tax.

So, so far, we have not seen anything that was specifically addressed in changing that tax, taxes on rentals. So I do not believe that there will be an impact to TaaS and imagine that if the reform increases the tax or IVA tax, the value added tax actually, and have that, would not have that impact on the rentals, that would be very positive. I think that is what is important to mention. Any other questions?

### **Simone Oyamada – IR Manager**

One from Mateus, “TaaS markup is lower than the other quarters given the product mix that was included in the supplier contract with large ISPs, but the average for the segment is 2.27. Should we see something similar to what we saw in this quarter compared to the others?”



## **Vanderlei Rigatieri - CEO**

That is a great question, Mateus. Yes, without a doubt our expectations are that the levels will remain like that, or even greater. So that drop to 1.9 was because of the mix and recently with the markup of the contracts.

We have no... Thank you all for your time and your attention. I would like to thank André, who is leaving us as we have already informed the market, he is going on to another company. He was with us for 4.5 years, thank you very much André. He was key here in building our IPO, he was key in setting up the governance and making our financial processes stronger. So we wish you all the best and stay in touch. So from now on I will take on the position of, remain as CEO and interim CFO. We are recruiting a new professional, that is ongoing so I hope that it will be done soon.

Thank you again everyone and we are always at your disposal. Simone here is our IR Manager. Whenever you need, if you have any questions, we are always available to talk to you about the details, about what we are doing, our strategy and receiving any ideas from you. Our shareholders are always very much welcome and we always like to provide information about what we are doing.

Thank you all, André we wish you the best, thank you Simone.

## **Simone Oyamada – IR Manager**

Good afternoon to everyone.

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