



WDC
NETWORKS



EARNINGS CALL PRESENTATION

3Q22

November 11th, 2022

IGC-NM B3

IGC B3

ITAG B3

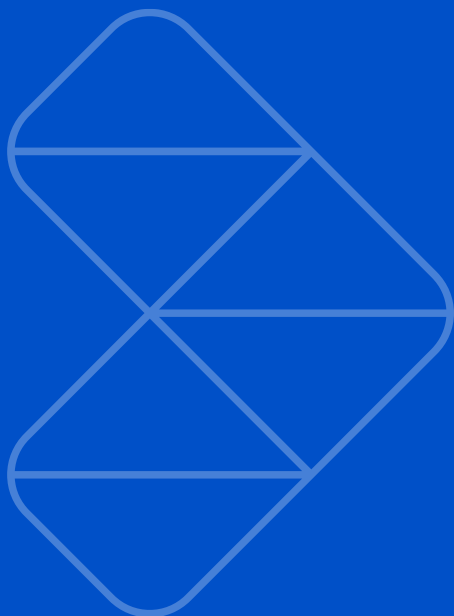


3Q22

Legal Warning

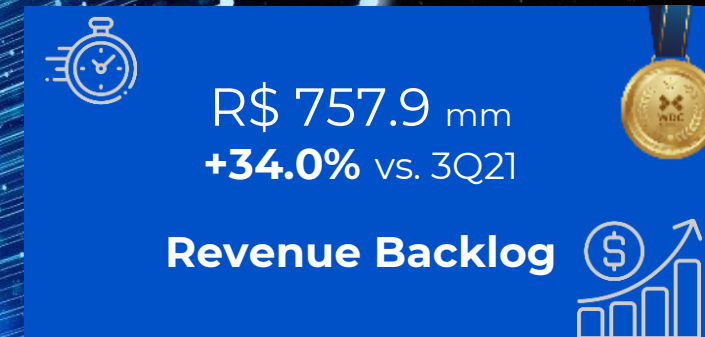
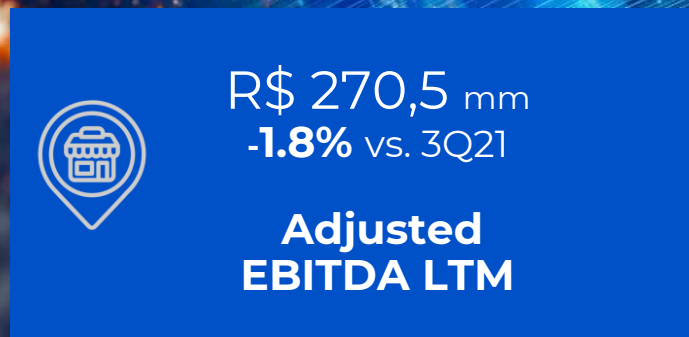
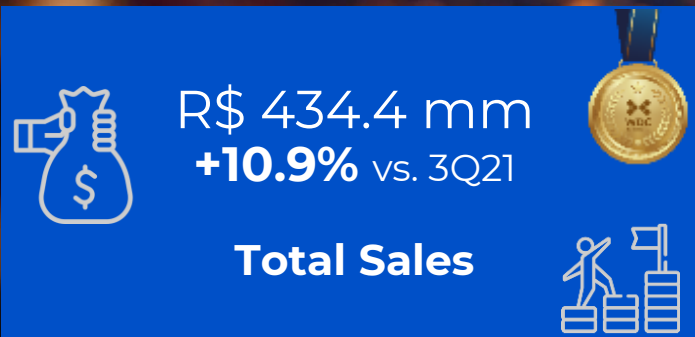
The statements contained in this document regarding WDC Networks' business and growth prospects are based solely on the Management expectations for the future of the business. These expectations depend substantially on market conditions, the performance of the Brazilian economy, the sector and international 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.”





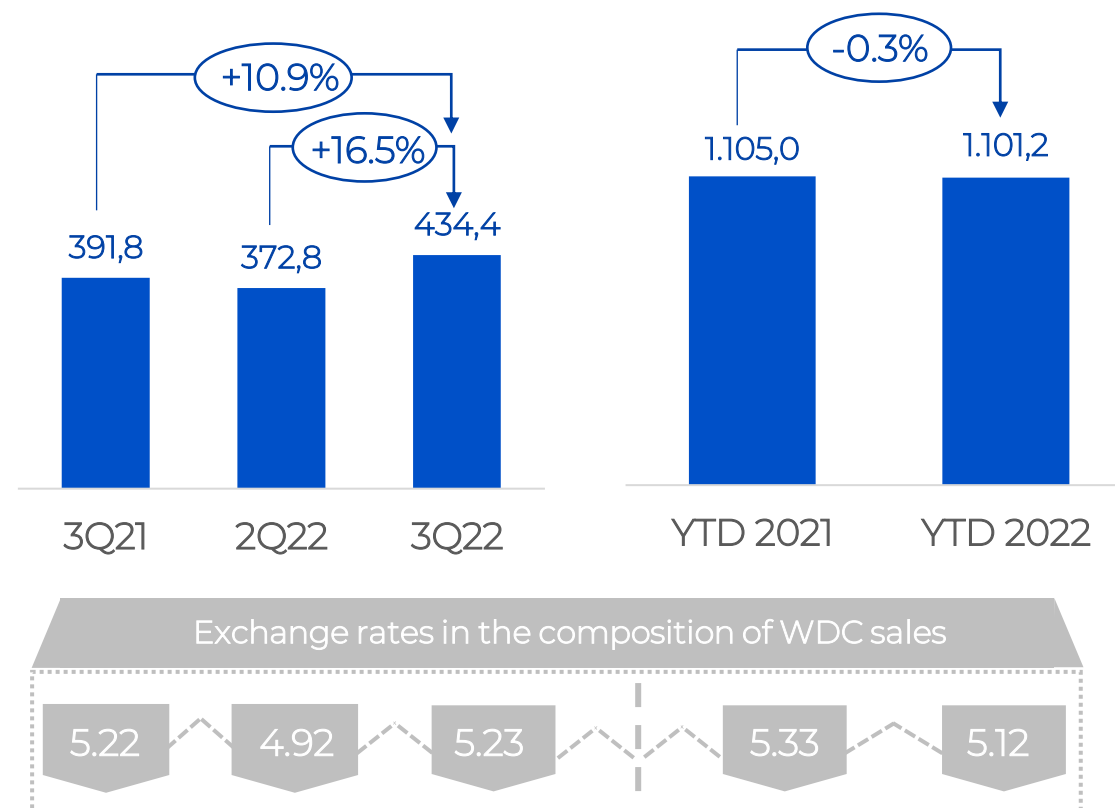
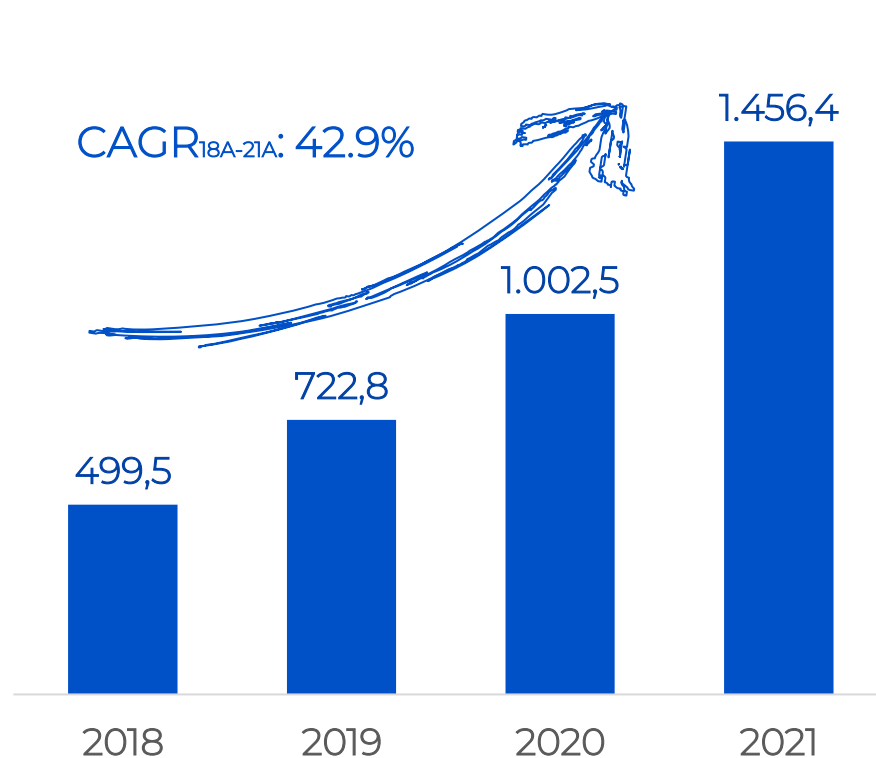
3Q22 Highlights: Record Total Sales, with strong resumption of TaaS in the Telecom segment



- ❖ **TaaS penetration** in all segments, reaching a **record total TaaS Sales** of R\$ 194.5 million vs. R\$ 124.9 million in 3Q21, **+55.6% growth** 
- ❖ Formalized the **largest TaaS supply contract** with one of the **largest ISP's in Brazil** totaling **R\$189.0 million**, which R\$87.0 million have already been recognized in Total Sales and revenue backlog in 3Q22 
- ❖ Consolidated **Net Revenue** of **R\$267.9 million in 3Q22** vs. R\$ 288.2 million in 3Q21, a decrease of -7.0% vs. last year
- ❖ **Adjusted EBITDA Margin** of **23.4% in 3Q22** vs. 26.2% in 3Q21, a decrease of -2.8 p.p. vs. last year
- ❖ Despite the EBITDA drop, Company was able to gain **efficiency in Operating Expenses in 3Q22**, with growth of +1.5% vs. 3Q21
- ❖ **Net Income** of **R\$15.2 million in 3Q22**, vs. R\$12.1 million in 3Q21, and **Adjusted Net Income** of **R\$2.2 million in 3Q22**, vs. R\$15.9 million in 3Q21
- ❖ Index of products produced in the factories reached 57%
- ❖ Beginning of the **Shares Repurchasing Program**, with **935,400 common shares** repurchased in 3Q22



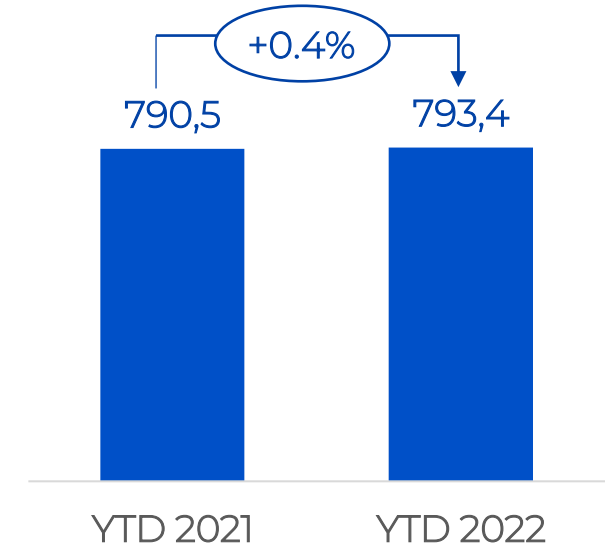
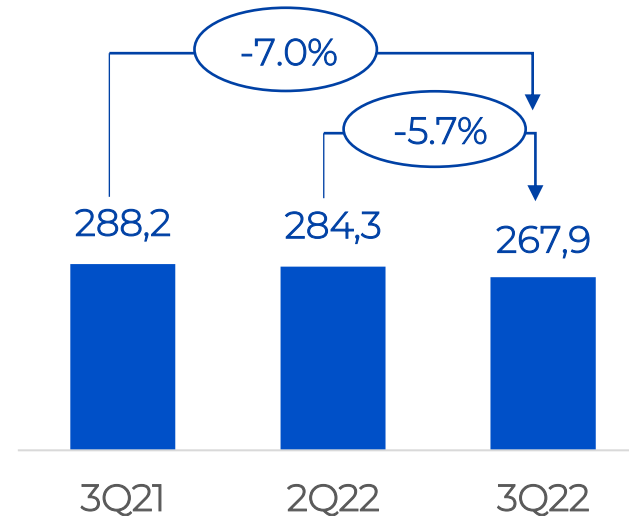
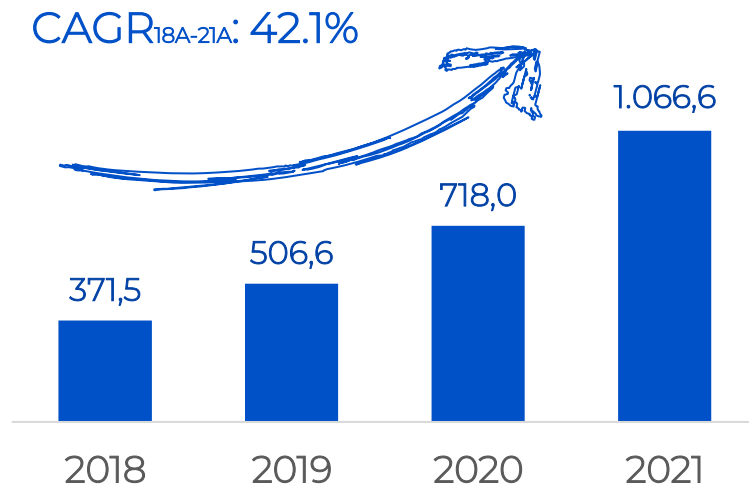
Consolidated Total Sales | (R\$ millions)



- WDC's Total Sales in **3Q22** grew by **+10.9%** over 3Q21. There was an **expansion** of **+16.5%** when compared to 2Q22. In the 2022 YTD, it happened a **-0.3% reduction vs. the previous year**.
- The **exchange rate** variance caused a reduction in the Company's total sales: **+0.1%** in 3Q22 vs. 3Q21, and **-3.8%** vs. 2022 YTD

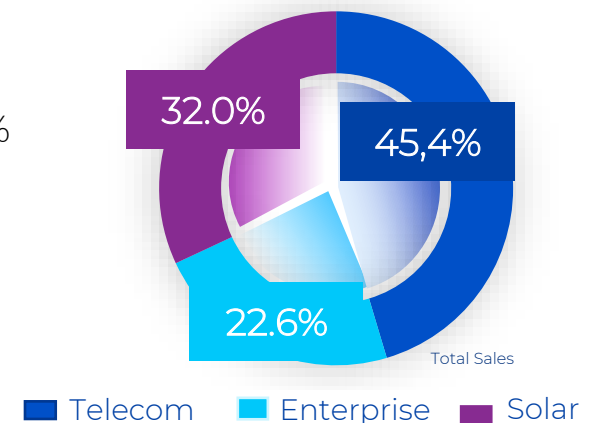


Net Revenues | (R\$ millions)



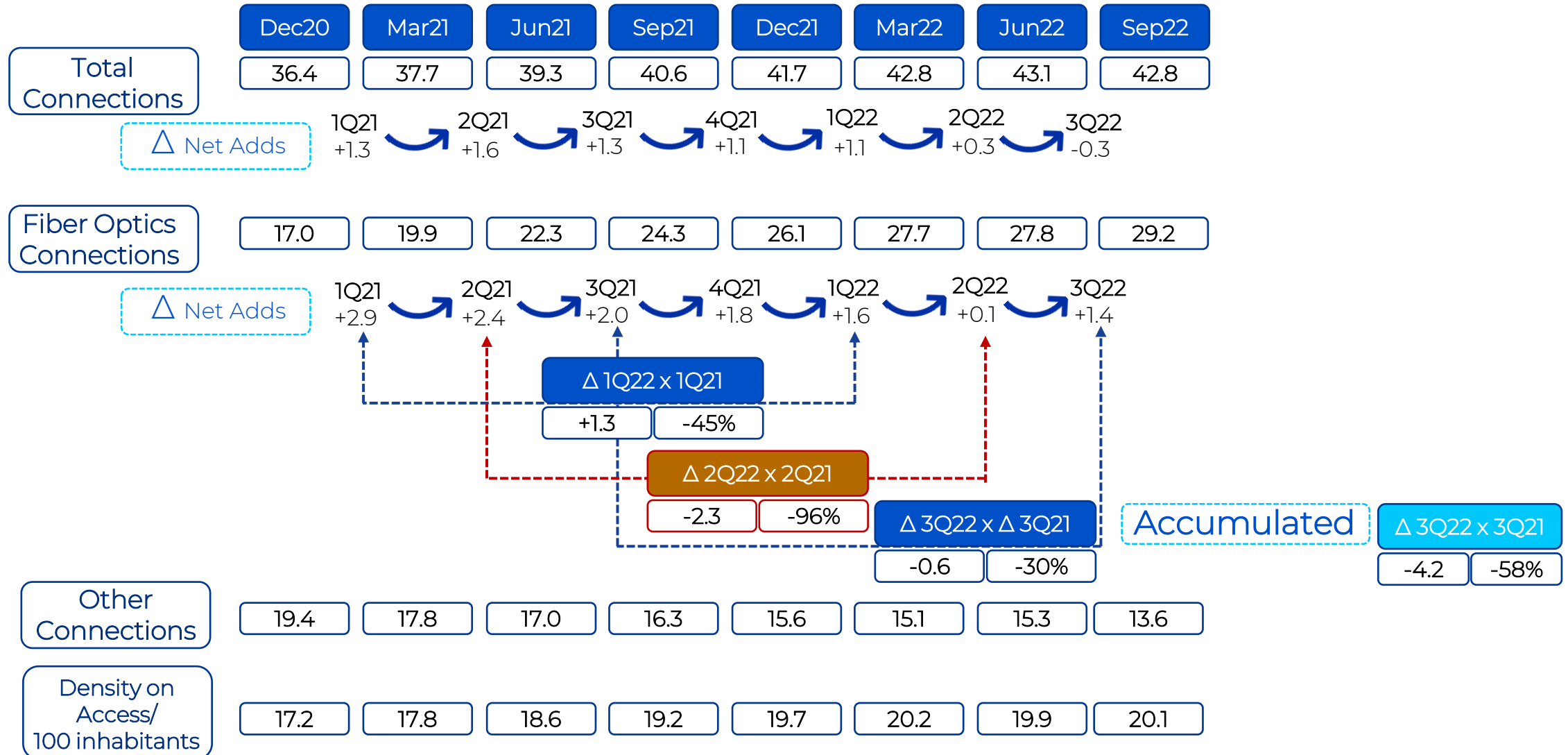
Net Revenue of R\$ 267.9 million in 3Q22, - 7.0% vs. 3Q21 and - 5.7% vs. 2Q22. Main reasons:

- (i) Variance in the mix between Total Sales and TaaS (55.2% sales and 44.8% leases in 3Q22) vs. (68.1% sales and 31.9% leases in 3Q21).
- (ii) Extension of new TaaS contracts terms to 55 months in 3Q22 vs. 48 months in 3Q21.



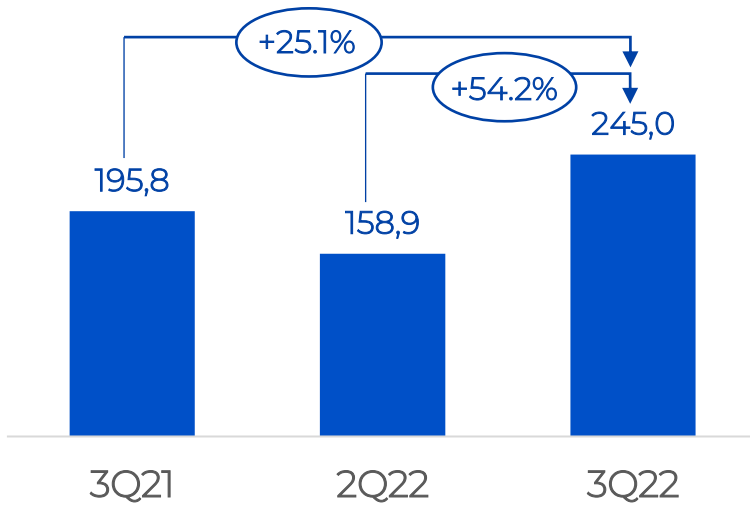


Anatel Data – Brazil Fixed Broadband | millions

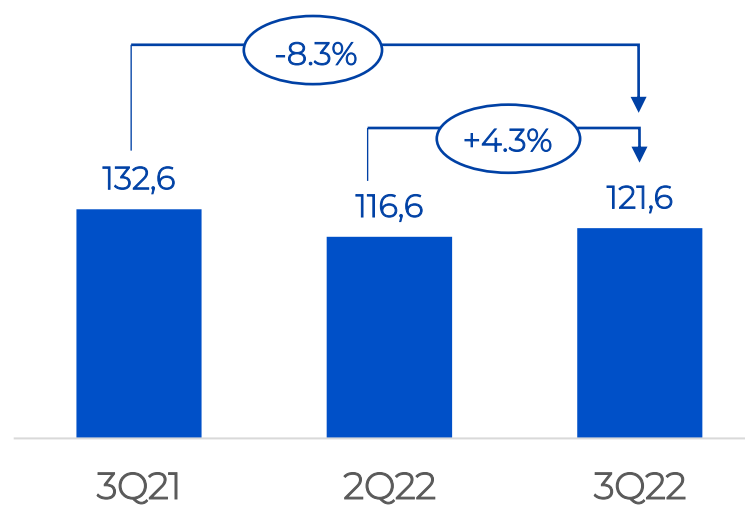




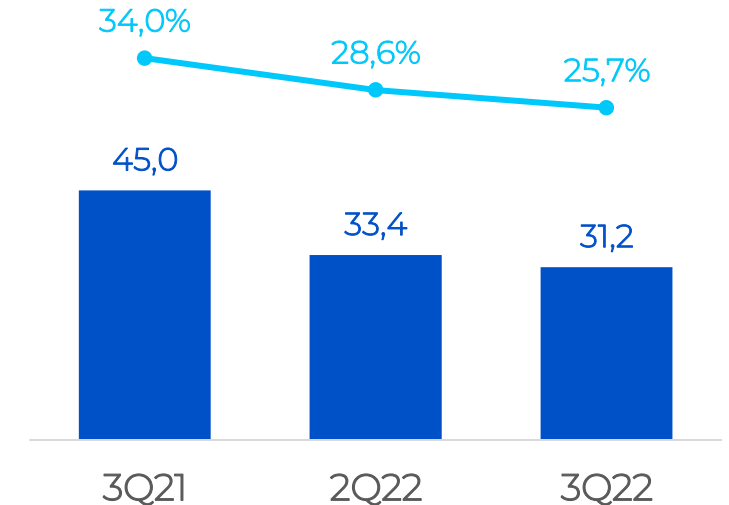
Total Sales



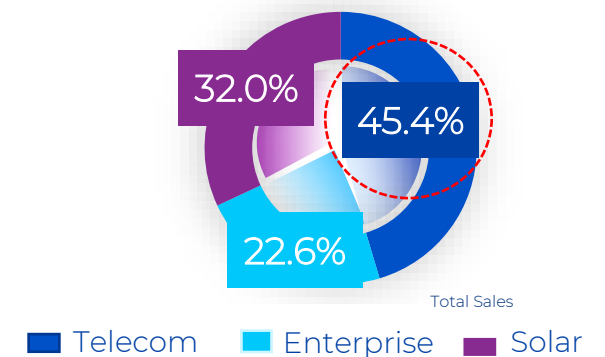
Net Revenues



Gross Profit & Margin %

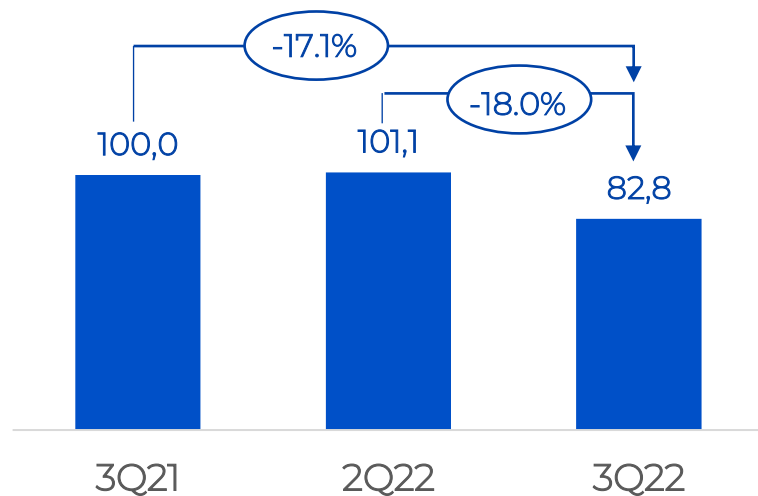


- Record Total TaaS Sales reaching R\$ 165.0 million in 3Q22.
- Normalization in the supply chain scenario - GPON boards.
- Reduction on gross margin in 3Q22 of 25.7% vs. 28.6% in 2Q22 - increased term of new TaaS contracts and lower sales margins.
- Implementation of network construction and customers activation in the turn-key model for a total of 11 different ISPs, totaling 85 thousands homes-passed, and Total Sales of R\$ 33,8 million accumulated until 3Q22..

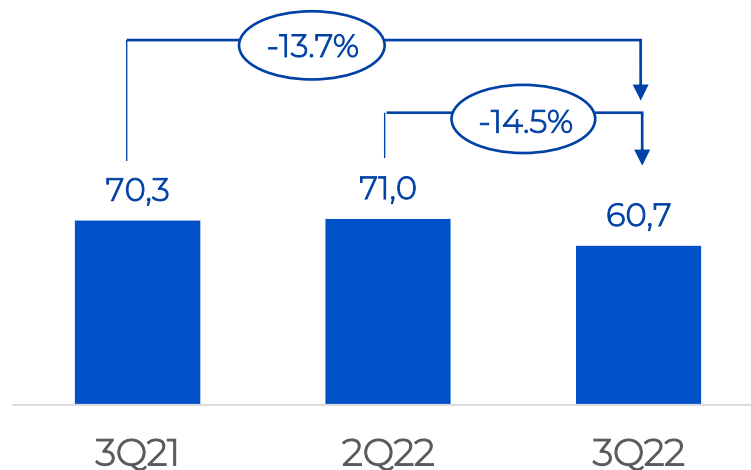




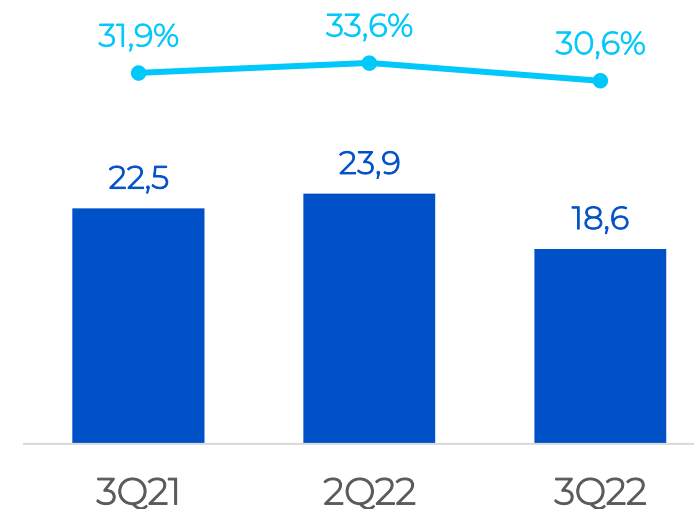
Total Sales



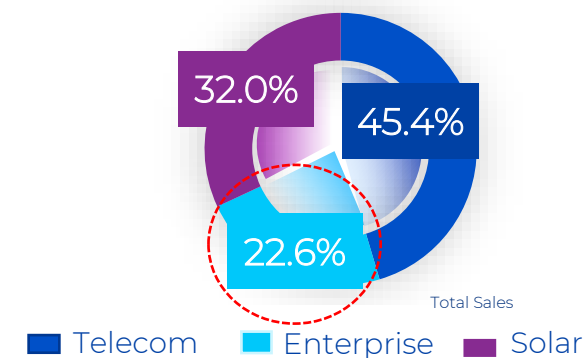
Net Revenues



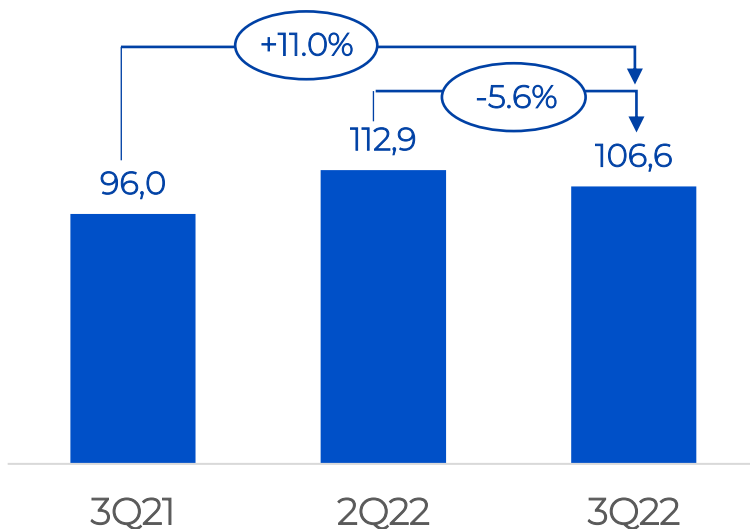
Gross Profit & Margin %



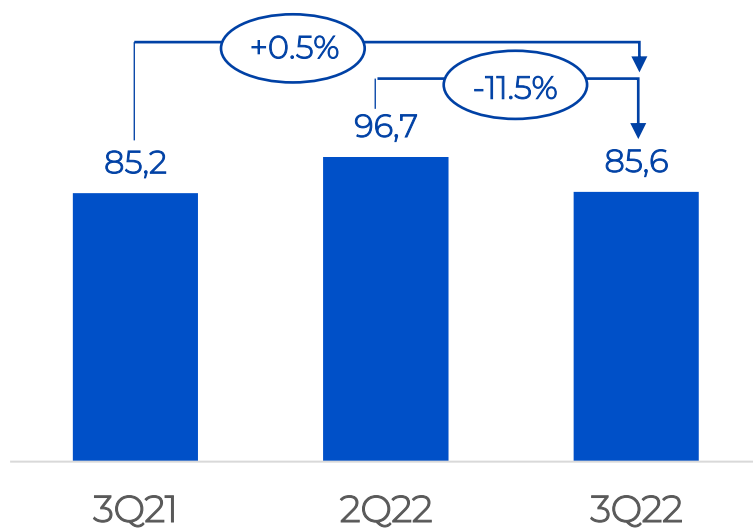
- ❖ **Reduction of Total Sales Enterprise** - lack of availability of high-performance camera inventories and reduction of the fulfillment contract sales.
- ❖ Decrease of **gross margin** in 3Q22 of **30.6%** vs. 33.6% in 2Q22 - due to the higher incidence of depreciation of leased assets.
- ❖ **Strong Growth** in Total Sales in the **cybersecurity vertical** totaling **R\$ 14,7 million** in 3Q22, vs. R\$ 6,7 million in 3Q21.



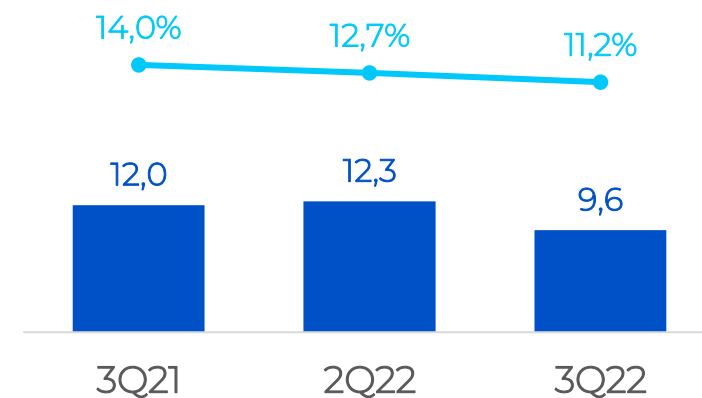
Total Sales



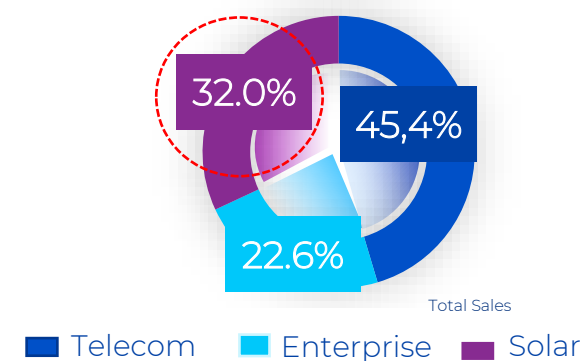
Net Revenues



Gross Profit & Margin %



- ❖ Implementation of new **TaaS** contracts in **Solar**, totaling **R\$7.8 million** in Total Sales in 3Q22.
- ❖ Reduction of **gross margin** in 3Q22 of **11.2%** vs. 12.7% in 2Q22 - high availability of inventories in the segment combined with the **scarcity of credit lines** continue to generate pressure on margins.
- ❖ **5 solar plants** under construction in the **turn-key model**, totaling **Total Sales of R\$ 36,0 million**, to be delivered in the coming quarters.



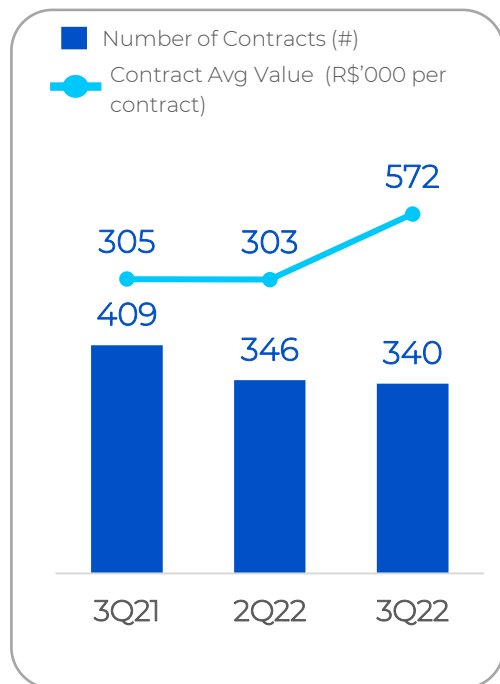


TaaS Performance

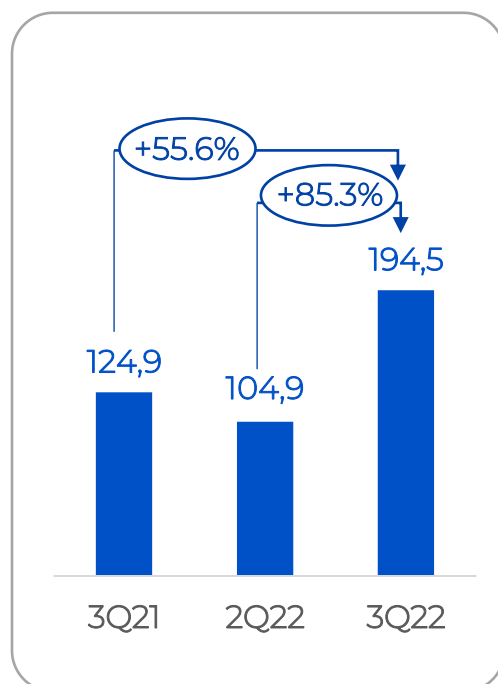


WDC
NETWORKS

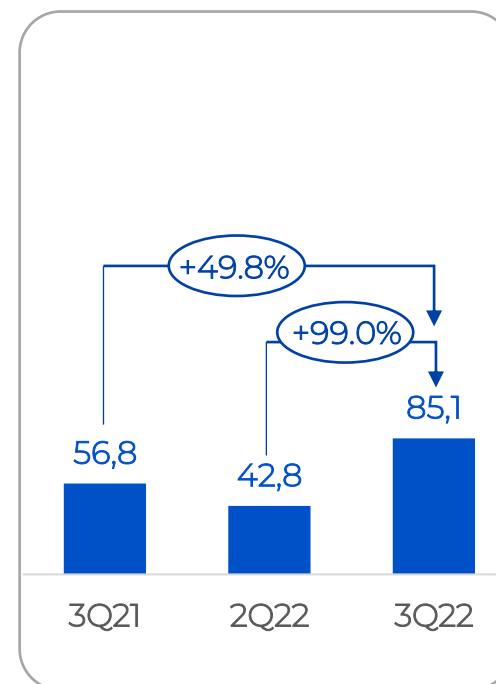
Quantity and Values of New Contracts



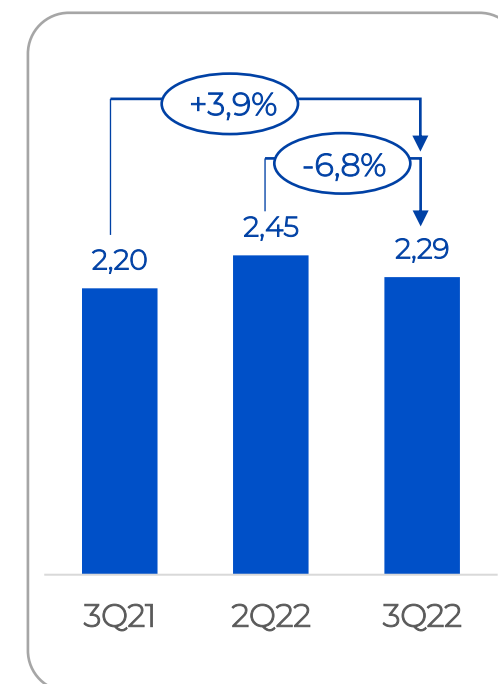
TaaS (TCV Rentals)
(R\$ millions)



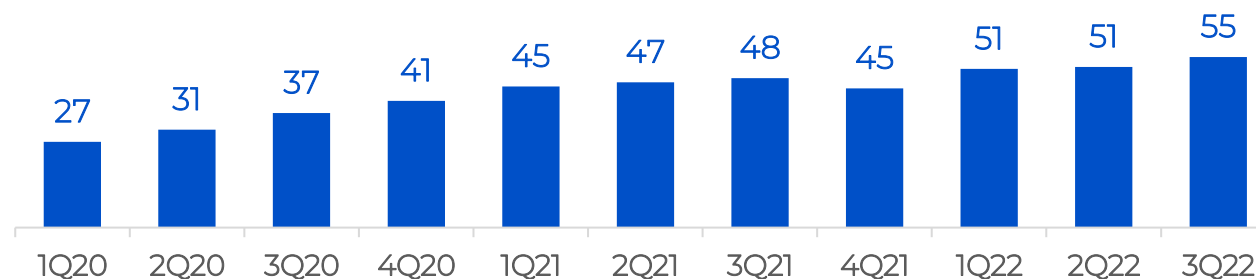
Capex
(R\$ millions)



Mark-Up TaaS
(TaaS TCV Rentals/ Capex)



🔍 New TaaS Contracts average term at 55 months in 3Q22 vs. 48 months in 3Q21
In line with Company strategy on increasing contract terms

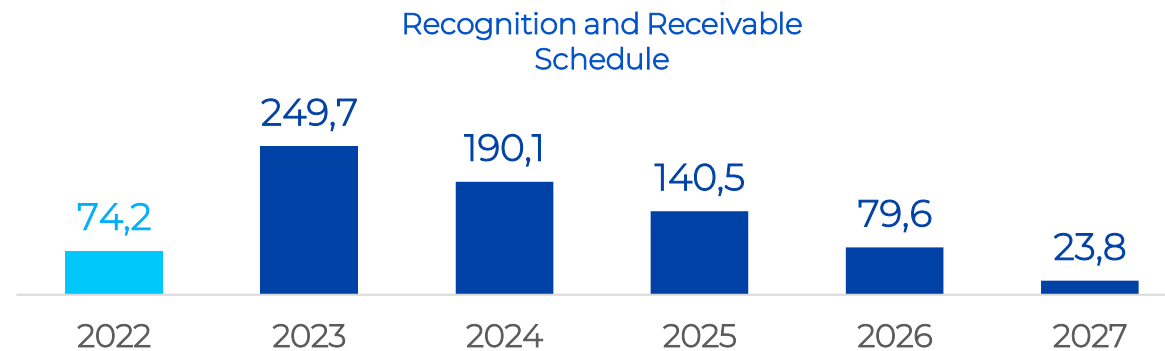
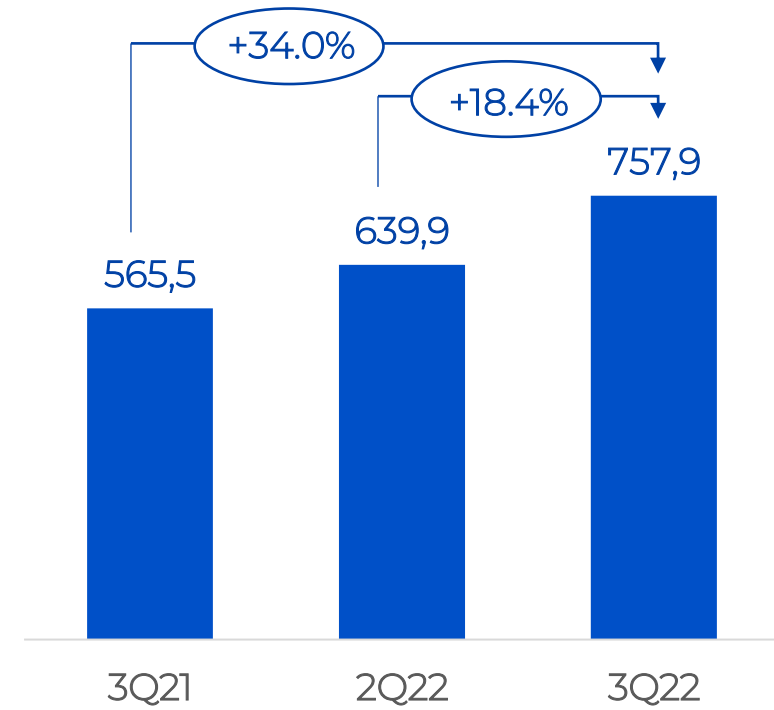
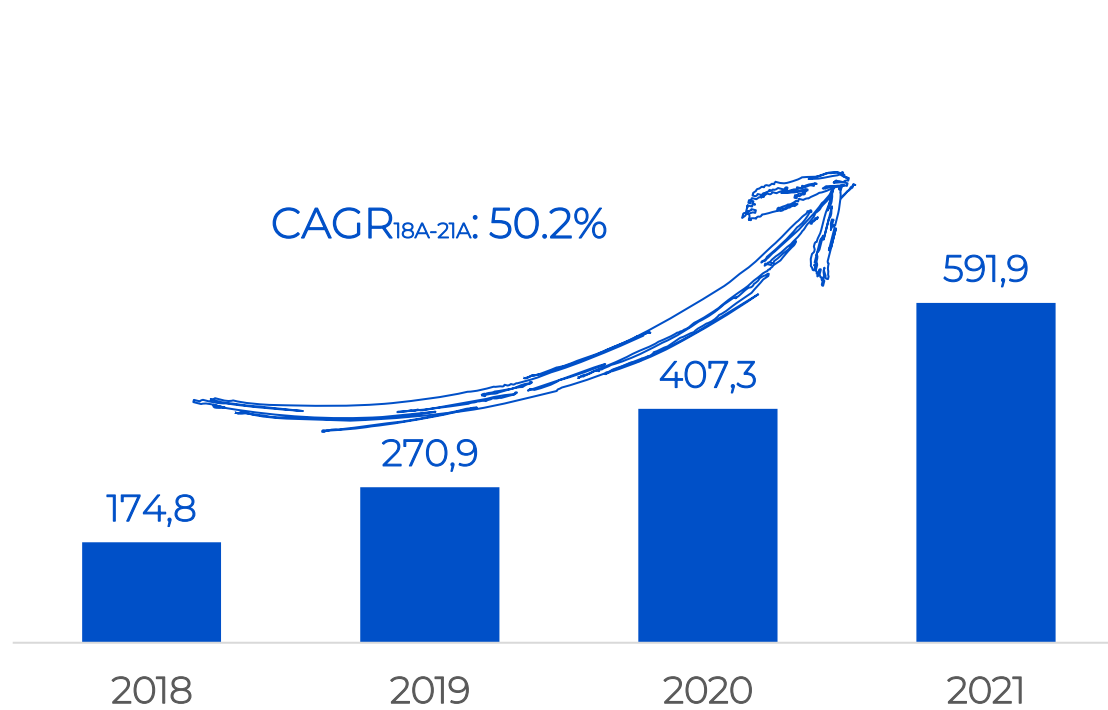




Revenue Backlog | (R\$ millions)

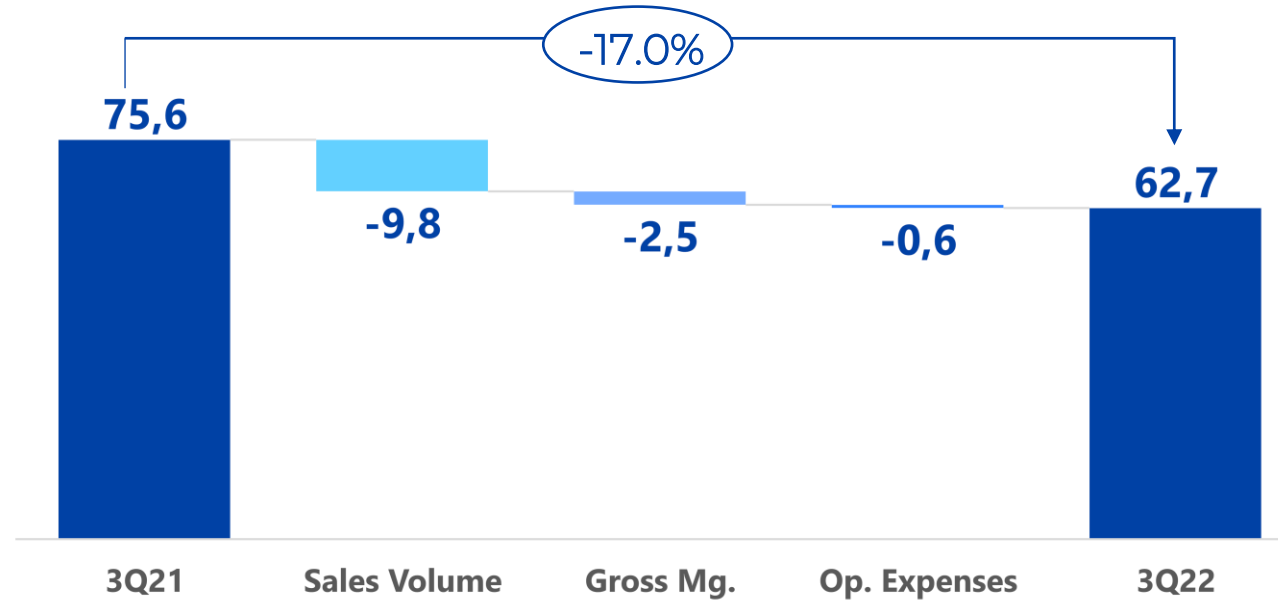


WDC
NETWORKS





Adjusted Ebitda | (R\$ millions)



(R\$ million)	Total	Telecom	Solar	Enterprise
Adjusted EBITDA 3Q21	75.6			
Sales Volume	-9.8	-6.1	0.1	-3.8
% Gross Margin	-2.5	-0.5	-2.4	0.4
Gross Profit ExDepr ¹	-12.3	-6.6	-2.3	-3.4
Operating Expenses	-0.6			
Total Variance	-12.9			
Adjusted EBITDA 3Q22	62.7			

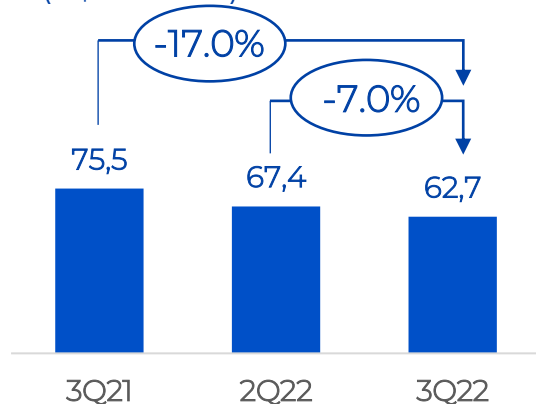
Control of operating expenses in 3Q22, with growth of + 1.5% vs. 3Q21



Financial Results & Net Income



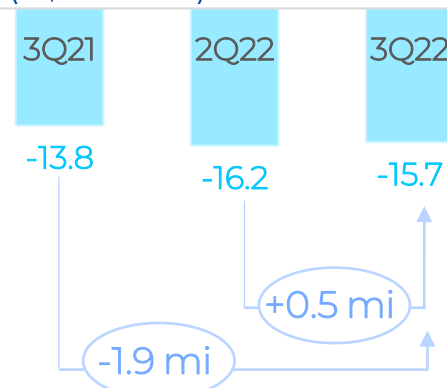
Adjusted EBITDA
(R\$ millions)



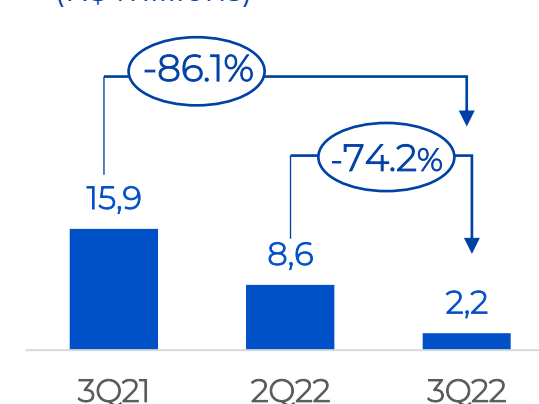
Depreciation & Amortization
(R\$ millions)



Financial Results
(R\$ millions)



Adjusted Net Income
(R\$ millions)



- Higher efficiency in Depreciation & Amortization expenses, growing below the increase in the TaaS Revenue / Asset Backlog
- Variances in Financial Result as following:

	3Q21	2Q22	3Q22
Financial Result	-13.8	-16.2	-15.7
Operating FX Variance	-4.0	4.5	1.1
PV Adjustments (interest rates)	-3.2	-6.9	-4.3
Financial Income	7.6	10.2	28.5
Financial Expenses	-13.4	-24.0	-41.0

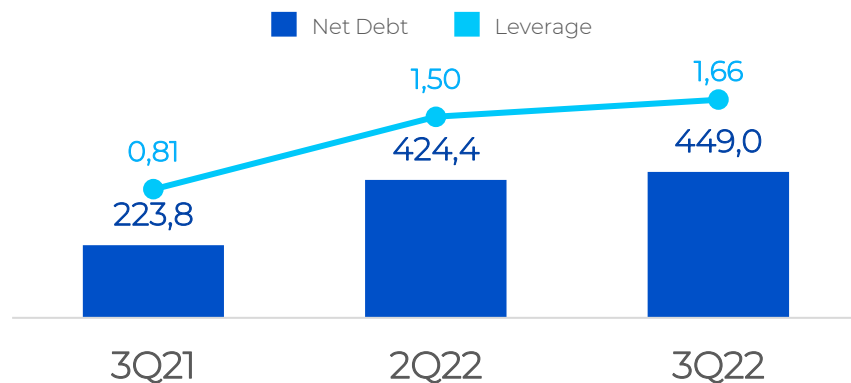


Net Debt & leverage

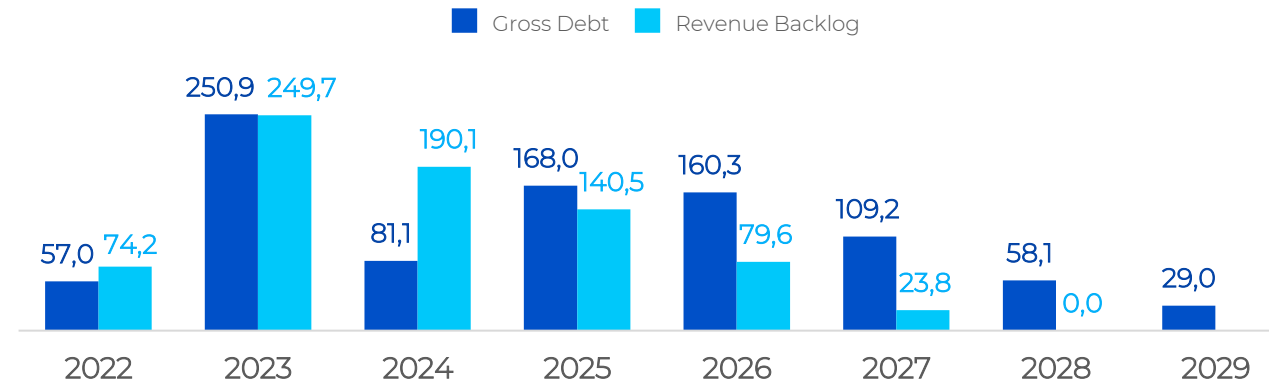


Net Debt e Leverage

(R\$ Millions) | (Net Debt / Adjusted EBITDA)



Gross Debt Amortization and Revenue Backlog Coverage (R\$ Million)



Indebtedness (R\$ Millions)	3Q21	2Q22	3Q22	Var% vs. 2Q22	Var% vs. 3Q21
Gross Debt	660.6	953.9	913.6	-4.2%	38.3%
Cash and Financial Investments	436,9	529.5	464.5	-12.3%	6.3%
Net Debt	223.8	424.4	449.0	5.8%	100.7%

Leverage Indicators LTM (*)	3Q21	2Q22	3Q22	Covenants
Net Debt/ EBITDA	0.84	1.53	1.66	
Net Debt/ Aj. EBITDA	0.81	1.50	1.66	Max. 2.25x
Aj. EBITDA / Net Fin. Desp.	14.27	3.91	3.63	Min. 3.00x

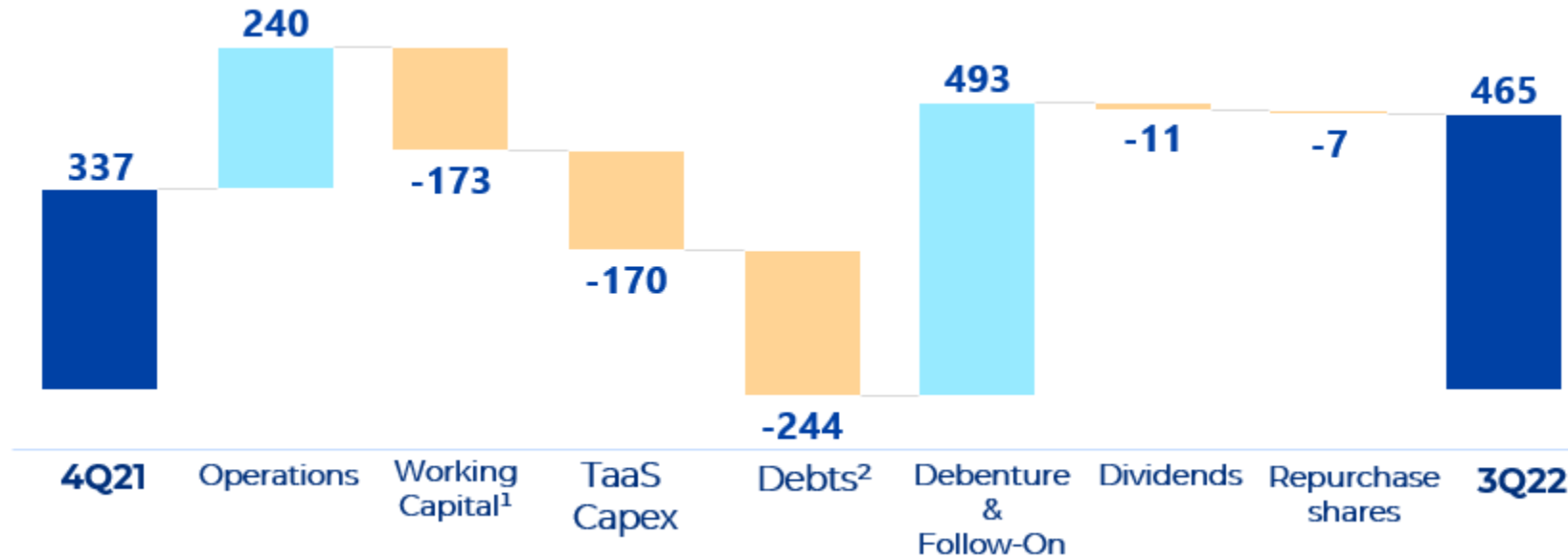
(*) LTM = last twelve months.

TaaS Revenue Backlog	565.5	639.9	757.9	18.4%	34.0%
Backlog Coverage on Net Debt	2.53x	1.51x	1.69x		

EBITDA LTM	266.9	277.3	270.2
Adjusted EBITDA LTM	275.3	283.3	270.5
Financial Expenses LTM	-19.3	-72.5	-74.5



Cash Flow | (R\$ millions)



- ❖ **Operating cash generation**, normalization of inventory levels and suppliers payments in balance with new purchases
- ❖ **2nd Debenture Issuance** discounting issuing costs
- ❖ **Continuity of growth via TaaS**, requiring new investments in Capex for leases, especially now with the model being carried out in the Solar segment
- ❖ **Shares repurchasing program** started during 3Q22



- ❖ **Added Value Solutions:** Sales profile change from products selling to complete implemented projects, including engineering, installation and maintenance services, fiber network construction and smart cities.
- ❖ **TaaS Advances in Energy and Enterprise:** Challenging moment on companies cash flows is driving better lease penetration in new markets.
- ❖ **Agribusiness and Clean Energy:** New projects focused on clean energy generation for large farms, replacing diesel to photovoltaic solar energy
- ❖ **Corporate Datacenters:** Opportunities in datacenter construction projects for the corporate market, through the Huawei Digital Power product portfolio, also including energy storage systems with lithium batteries.

Thanks and Q&A!



+55 (11) 3035-3777

Extension: 6259/6225



ri@wdcnet.com.br



www.ri.wdcnet.com.br

