

**André Valente:**

Good afternoon, everybody, and welcome to the earnings call for the 1Q22 of WDC Networks. I am Andre Valente, the CFO and IRO. We have with us our CEO and founder, Vanderlei Rigatieri.

So now let us begin. First of all, I would like to read our legal disclaimer. The statements contained in this document regarding WDC Networks, business and growth prospects are based solely on management's expectations for the future of business. These expectations substantially depend on domestic market conditions, on the general economic performance of Brazil and international markets, and are therefore subject to change without prior notice. All variations presented herein are calculated based on the numbers without rounding. This performance report includes accounting and non accounting data, such as operating data and proforma financial data. The nonaccounting data were not reviewed by the Company's independent auditors.

Now, I would like to hand over to Vanderlei.

**Vanderlei Rigatieri:**

Good afternoon, everyone. Once again, it is a great pleasure to be here with you to tell you about our quarterly earnings. And as always, I would like to mention the highlights, as they are very important so that you understand what we have been going through in this 1Q.

One of the important things is that we, as always, have focused on preserving our operating margins. So regardless of market conditions or anything else, an important thing for the Company is to truly preserve our operating margins.

One of the main highlights is the growth of our net revenues in the quarter. WDC achieved R\$241,2 million, 6.9% year over year. We also achieved an adjusted EBITDA of R\$65.3 million, an increment of 10.2% year over year, meaning we are growing our margin, we are substantially growing our bottom line. And the EBITDA margin was 27.1%, achieving 0.8 p.p. higher year over year.

The other highlights I believe are important, and we have to mention in this period, the 1Q22, is that WDC had a follow on for CVM 400, which was done in February 2022. So I would like to remind you that that was a possibility to enable the negotiation with nonqualified investors. In July last year, we had the IPO with CVM 476 that only enabled qualified investors. As of this quarter, we have opened for any investors, and that was one of the Material Facts this year, enabling any investor to trade our shares and increase our liquidity from then on.

Another very important thing that I would like to clarify to all of you is that the WDC strategy remains firm in the purpose of leveraging TaaS sales, technology as a service. And in this quarter, we closed one of the biggest TaaS contracts in our history. It was closed in 1Q22. The total amount of the contract was over R\$99 million. It was with a large ISP, and that gives you more flavor of what is going on. So major ISPs that are capitalized that are adhering to our business model.

And this contract with this large ISP is a supply agreement for 12 months. So we are going to execute the contract during this year, and that will lead to total sales as we deliver the product, and it is a five-year contract term.

So it is it is very important for you to have this information in mind. It is not a result that is coming in right now, it is in the long term. And without a doubt, that was a fact that was very important, and we could not mention that before because of the silent period. And that to me shows that our strategy is on the right path, and we are having more adherence from important customers in the TaaS segment.

Another important aspect, which is one of our differentials, is that most of our distribution competitors do not have a plan, and we decided to have one. So we achieved a record of 62% of all our sales from products that were produced in Brazil.

Another good thing that TaaS offers us is an important highlight, and gives you an idea of the WDC financial health, the accrued backlog in revenues that we went from R\$606.8 million in this quarter, and we increased it, meaning that we grew it by 32% year over year. So the revenues backlog is the revenue to be realized in the balance sheet. It has not been recognized yet, but as you know, we have a track record of a churn that is under 1%, guaranteed future revenues.

Another thing that makes us very happy is that we were ranked by the two most famous rating agencies in the world, at Standard & Poor's and Moody's. We hired these companies to rank us and we achieved an AA- rating. That is the first time we do that in our history, and we obtained a ranking that is much higher than what we see on average in the market.

So for us, that is yet another sign that we are significantly healthy and well-positioned to even have the second issuance of debentures announced yesterday, approved by the Board. So we are launching the second issuance of debentures in the amount of R\$600 million, with terms that vary from five to seven years, with a three-year grace period, and that will give us a lot of breadth, and the firm guarantee of the coordinating banks. So they are important funds, so that we can have more CAPEX capability to be able to fund TaaS development.

So that is an important snapshot of our main results. Now I am going to hand over to our CFO and IRO, Andre Valente, to give you some more information. But I would like to highlight that, first of all, total sales, you can see on the screen that in the past four years we had a CAGR greater than 42% year over year. Last year, we ended the year at total sales of R\$1,466 billion. And as we usually disclose, we had a drop in 8.8% of our total sales, ending at R\$293.9 million in 1Q22.

That reduction is mainly a result of the lower sales in the Telecom segment. We can go into further detail about that later on. We had a retraction in this small provider segment. You can see that from Anatel, the number of new subscribers did not grow. The growth in sales in Solar, on the other hand, offsets that. So we had an increase by 7.7% in solar sales year over year.

And another important thing that we should clarify is that WDC sells its products according to the exchange rate of the USD on that day, the Ptax rate. When the USD rate goes up, our sales go up; when the exchange rate drops, our sales drop. So our sales are always indexed by the USD.

So we would like to say it is not a problem in terms of margin or results, but when the USD leaves the levels that it was at the end of last year and goes into the rates we had this year, in the 1Q, we had an impact to the top line of almost 5%. It was 4.6%, actually. So part of that reduction in total sales was also a result of the exchange rate of the USD.

I would also like to mention, and we can see that on the next slide, our net sales. Here, you can see our net revenues. That also has a history of growth in the past four years, with the CAGR of 42%, and grew 6.9% year over year.

It is important to say that WDC has a non-accounting figure which is total sales. That includes what we sell and the total of the new TaaS contracts that were closed. But net revenues are actually what we realized month after month. So you can see that even though we did not grow our total sales, we can demonstrate our strength and our resilience in our business model by showing the positive results of our net revenues. So we did not grow our top line of total contracts closed, but still, our net revenues had an increase of 6.9% year over year.

So it is important to mention that. That our net revenues in solar, that as of now we are going to highlight, up to last year it was included in corporate, but from now on we will highlight the segments separately, the Telecom segment, the Enterprise segment and the Solar segment. So

you can see that the net revenues of the Solar segment achieved 34.8% of the total net revenues of the Company in that quarter.

So this time during the meeting, I am going to present the Telecom, Enterprise and Solar results. So I invited the directors of each area so you can get to know them and they can help us to tell the story of what the quarter was like.

In Telecom, on our next slide, the results were of total sales dropping 32%, going to R\$135.6 million. Net revenue, again, total sales dropped 32%, but net revenue, from what we are pairing over from other contracts, dropped 18.9% to R\$101.6 million. And gross profit was R\$31.1 million, with a margin a bit lower by 5.3 p.p., with gross profit of 30.6%.

I am going to invite Junior Carrara. He is our Telecom Director, and he will talk about the qualitative aspects that we had during the 1Q. Junior?

**Junior Carrara:**

Good afternoon, everyone. As shown, I would like to talk to everyone about the situation of the telecom market in general. We have been following the results that were disclosed by Anatel, the Brazilian telecom regulator, and our results were affected by the slowdown in new subscribers of fiber optics, which is our main product. That highly affected our future sales, as Vanderlei has already mentioned.

And in addition, we had other aspect, which was the fact that since October, the boards that we call GPON, that are installed in ULTs, they are where we connect new subscribers, and our main supplier had a supply problem of that product because of the semiconductors, which is a global problem and is affecting most of the manufacturers. So that affected our slowdown in sales and new contracts.

That specific product, which is very important for us, because without it, we cannot sell new modems, we should have supply back to normal in the beginning of June. So that should give us a 2Q at normal sales, similar to pre-pandemic periods. So that is one of the issues we had in the 1Q.

However, we also realized that in the 1Q, we had a considerable increase in the sale of our solutions. So, as we always mention, our providers are increasingly becoming solutions providers. So datacenters and turnkey solutions, connected homes, they are being positively impacted. They were, actually, in the 1Q, positively impacted, and we are monitoring our business pipelines with the significant evolution of these new technologies in our providers.

So some important figures that I would like to mention, during the 1Q, we had five contracts that were closed of new edge datacenters that are currently being installed. They are TaaS contracts and the results will be captured during the upcoming years. Usually, they are 16 month contracts. So we have five new edge datacenters that are currently being installed.

And in turnkey, which is a service where we build the network for providers, we have had 12 contracts closed up to the time being, and 35,000 homes passed that are currently being installed.

**Vanderlei Rigatieri:**

Junior, it is important for you to explain that that was a launch in the 1Q of that modality of building the network. That is something we did not do last year. So now, in addition to renting out the modems and the GPON boards, we are also building networks for providers and creating built-to-suit contracts for the network overall. So it is a new modality, and we have already contract 35,000 homes passed during the period.

**Junior Carrara:**

Exactly. It is a new service we have launched at the end of last year, beginning of this year, and the results are very expressive so far.

**Vanderlei Rigatieri:**

One more comment, just so everybody can understand. Not only datacenters and also turnkey projects, as the project that I mentioned in the beginning, there is a deadline for construction, and only after that it will be converted into total sales, and start considering the term to be recognized as revenues.

So in the 1Q we had many projects such as that one that are still being built, but still have not been accounted for as a result, and will, as they are delivered to the customers.

Sorry for interrupting you, but it is very important that everybody understands that even though we have closed these projects, these deals, they still have not been converted into results in the 1Q. They will be shown in the results during the year.

**Junior Carrara:**

Our turnaround time for a data center is approximately three months. So if we close the deal in February, we will start to capture the results in May or June. So in fact, we have to consider the timing of deploying these technologies.

Another positive aspect that we can see here is our highly attractive TaaS for major customers and operators. So our pipeline has grown substantially in these opportunities inside big players. It could be major operators, where we work on projects of significant amounts.

So we are really excited about that, because our supply is being pursued by the players and recommended by the players and manufacturers of these providers and operators, and they believe that, given the economic scenario with high interest rate and credit difficulties, that our TaaS offer is very appealing for large projects, be it GPON or DWDM datacenters, or even 5G infrastructure, which is a huge demand that we have been seeing.

In addition, during the 1Q, we took measures to improve our sales efficiency, which was the regionalization of our sales teams. We had internal salespeople, people that were servicing our customers by phone, and few were visiting customers. That was working up to mid-2021, and then we transitioned into a new model. So it is 100% regionalized. We have a field sales team now that visits customers and has that face to face interaction with our customers, developing new businesses and bringing in new opportunities.

So we concluded that during the 1Q, and now we have more effectiveness in sales, as well as more control on expenses. Because when it was not regionalized, it was very hard for us to have better trips for these visits, but now we have been very successful with that.

Those are my comments, and I trust that we are on the right path. Our business proposal is very good for providers and operators.

**Vanderlei Rigatieri:**

Excellent. Thank you, Carrara. Now, I would like to talk about Enterprise. So you can see that on the next slide that shows the results that we had. And I have also invited our Enterprise Director, Fernando Guerra, to join us here today. Fernando, welcome.

So the total sales of enterprise of the enterprise business unit in the 1Q had a small drop of 2.9%, mainly a result of the USD exchange rate, because these products are 100% linked to the USD.

Our net revenues increased 8.9%, achieving R\$55.6 million in the quarter, and we had an improvement of the margin and gross profit, going from 26.1% to 28.6%, increasing 2.6 p.p., achieving a gross profit of R\$15.9 million in that period.

So, Fernando, welcome. Now you can give us your qualitative view of the 1Q and show us what you have seen in terms of results for this 1Q.

**Fernando Guerra:**

Thank you, Vanderlei. Good afternoon, everyone. As you mentioned, our 1Q started off slow, especially considering total sales, and mainly considering a bit of the last part of the pandemic, and also some delays in logistics and delivering chipsets. And that is global, coming from suppliers. WDC in most parts still works with imported products that are linked to the USD, and we are still suffering from that delay in deliveries.

And as Vanderlei mentioned, we had very positive results, even with those issues. In net revenue, and that is the result of our backlog of revenues, so once again, in TaaS, and that shows the resilience of what we had in the market in deliveries and contracts that we signed even before the 1Q, and especially because of the large growth of the cybersecurity market and unified communication, where we deliver better margins. We had a significant growth in our delivery of gross profit and margin. We grew 26% if we disregard the USD rate. So we were able to deliver 28.6% of margin for the period.

A sales aspect that happened in the 1Q was also the integration of some of the business divisions that were segmented in the corporate market. So we separated Solar, we integrated audio and video and unified communications and cybersecurity to increase the mix and homogeneity in servicing our customers. So the beginning of that work at the end of the 1Q started to show better results.

At the end of the quarter, we started to recover our sales and professional audio and video. That segment is very important because it is mainly TaaS and big contracts. Over 50% of the operating revenue of that segment comes from TaaS.

And we started to have the products supply coming back to normal. So the trend is still of a 2Q with some delays in supply, but an improvement in the audio and video segment, and supply coming back to normal, at least part of it.

There is the high trend of growing in all market segments until the end of the year. All segments are getting stronger for many different factors; cybersecurity because of the growth and people looking for that technology. WDC currently works with the worldwide leaders in that area. In electronics security, it is mainly connected to big contracts and infrastructure projects that started to improve as of last year. Even with an election year that we have this year, we still have a pipeline in the backlog to be delivered during this year. So we have a positive trend on that. And professional audio and video segment that works with very positive margins. And as this segment recovers, as of the next quarter and until the end of the year, we should continue to see very positive operating results, not only in total sales, but also including profit and margin.

That is an overview, Vanderlei.

**Vanderlei Rigatieri:**

I understand. Yes, it is very clear that we had, at beginning of the year, an Enterprise that suffered a little because omicron variant held back a little. The segment that suffers the most at WDC with the pandemic was the Enterprise segment, professional audio and video. But as you mentioned, in March, we already see positive signs of improvement in gross profit in that area. Thank you, Fernando.

Now, let us talk about the Solar division. In Solar, from now on, we will see the separate figures. It currently accounts for 34.8% of our total sales. I would like to invite André Souza. He is our Solar Director. Andre?

**André Souza:**

Thank you, Vanderlei Good afternoon, everyone. In this quarter, we consolidated our operation and we have been able to collect good results year over year.

**Vanderlei Rigatieri:**

I would like to comment first. So we had an increase in our total sales, from the 1Q21 to 1Q22 of 70.7%, achieving R\$94.7 million in total sales. Our net revenue went to R\$84 million, with the growth in the same order of 70%, and gross margin increased 0.5 p.p. in margin, going to R\$13 million, a margin of 15.5%. This segment has the highest growth in WDC as you have seen last year and in this quarter.

So now I am going to hand over to Andre to talk about the qualitative aspects, about how this segment has behaved in the 1Q, and the main highlights, to give you more flavor about our segment.

**André Souza:**

Thank you for Vanderlei. In the 1Q, even though we have had substantial growth in the revenues and profit, we had some negative factors. In the market, mainly as a result of the increase of the Selic the Brazilian basic interest rate and decrease in credit, because these solar projects are mainly funded by banks. And also, people were on vacation, and many sales were postponed because of the omicron variant. And qualitatively, we saw a higher drop in industrial sales, and lower drop in household and large mills or plants.

Given this market design and macroeconomic scenario, we already have a plan in execution since last year to not only grow revenues, but also have better profitability for the Company and adopt a growth strategy through niche and differentiation.

We continue to focus our partnership with Huawei, meaning we can have hybrid systems, automation systems and battery systems, not only energy for solar systems, but also the telecom markets.

Another action that we manage, and it is also shown its effects and has been highly receptive by the market, is expanding our private label not only for generators, developed by the engineering system by WDC. The products were launched and we have had excellent acceptance in the market. And with, that we are pursuing higher margin, and this for lower power. That would be for households and small merchants.

And on the other side, our strategy is not just selling large projects in plants, but having a higher margin by offering service through TaaS, which is our main type of service. We have already had some results for the 1Q. The first contracts have been signed, and we had a great action in offering TaaS in solar, especially in telecom and agribusiness.

**Vanderlei Rigatieri:**

Excellent, André. The points that you highlighted are essential because the market always asks us, "when will solar start to offer TaaS?". We have had this plan since the IPO, and now things are really taking off. TaaS started to be seen in the market, not only in the others like Telecom and Enterprise, but Solar has seen as a huge tool to make TaaS projects feasible, and now, an interesting pipeline moving forward in this segment. Thank you, André.

I believe we gave you an idea of the consolidated figures for the Company in the three different business units. Now I am going to hand over to André Valente to go into the details about the figures and the results so that you can get the flavor of what happened in the 1Q. André, the floor is yours.

**André Valente:**

On the next slide, we have some of the indicators that we have related to TaaS performance, so the Company's rentals. You can see that we have a significant drop in the number of new contracts that were executed in the quarter, where we ended at 249 new contracts in 1Q22 compared to 427 year over year. And that significant drop is a result of what happened in the telecom industry, where the maturity of TaaS is still in the long term.

And you can see the growth of the average ticket, where we were able to increase from R\$291,000 to R\$343,000 per contract. In the sale of new contracts, we have R\$85.4 million delivered, a drop of 31% year over year. And that is also a result of the telecom impact, as mentioned before.

CAPEX in demobilization related to TaaS dropped 33%. And here we had the same step in improvements in growing the TaaS markup. Markup TaaS is the total amount of the contract divided by the CAPEX that we have from point zero. So we delivered an indicator of 2.12x compared to 2.06x year over year, so a 3% growth in profitability.

And we have the last bullet here where we mentioned that once again, we took a step to increase the average term of the new contracts that ended the 1Q at the 249, an average term of 51 months when compared to year over year, which was 45 months. So once again, we are maintaining our policy to extend contract term, as we have already been mentioning in the past releases.

On the next slide, we have the evolution of the revenue's backlog. Backlog is a very important indicator for the Company because it shows the growth of future revenues that has already been contracted in contracts in force. So we ended the 1Q at R\$606 million, a growth of 32% compared to the backlog one year ago.

On the bottom, you can also see the schedule to realize the future revenues. When we talk about the backlog it recognizes future revenues and also translates into more cash for the Company, not only revenue, in a very healthy way, considering the default in churn in these contracts is very low, as was shown in our disclosures and other presentations.

On the next slide we have adjusted EBITDA. For the 1Q22, we achieved R\$65.3 million adjusted, as you can see in the column on the right, and we like to use the bridge chart showing the adjusted EBITDA for the 1Q21, which was R\$59.3 million, and we have the qualitative information showing that we had a loss in EBITDA as a result of lower sales volume.

And on the bottom, we have the breakdown per segment. As you can see, 6.1 has a breakdown in telecom, -12.9, and in Solar and Enterprise we had growth and increasingly better resulting from volume. The margin in these segments increased on a uniform basis. As you can see, we have better percentage margins not only in Telecom with R\$7.6 million, Solar, R\$0.5 million, and Enterprise, R\$1.5 million, totaling R\$9.7 million gross margin. That was sufficient to offset the volumes.

We also had savings in R\$2.4 million in operating expenses year over year, showing what we have been doing in managing our operations and efficiency gains in the expenses of the Company.

On the next slide, we have the other lines under EBITDA. So EBITA, plus R\$6 million, and then an important line, which is depreciation. Depreciation costs grew by R\$9 million. That means the 29.6%, and that is very much in line with the growth of revenue backlog. So depreciation is a reflex of the Company's property, plant and equipment growth, which was related to the new contracts for rentals of the Company. So there were R\$9 million of the P&L.

Next, we have financial results. So you see negative performance in the quarter, achieving R\$30.9 million in net financial expenses compared to R\$14.6 million year over year, a variation of R\$-16.3 million. That variation is mainly a result of the loss from the exchange rate variation. Moving on to 2022, the Company decided to strengthen its inventory very much in line with the supply crisis that we have been suffering in our segment, and the objective was not to lose sales and business that we planned for this year. So that is why we increased our inventory position.

Part of those assets are in foreign currency, and considering the appreciation of the local currency, it went from 558 to 474, approximately. We had a percentage of 15%, so our asset was devalued because of that.

As we have always explained, the exchange rate variation is something that affects our results, usually as a one-off. When we had our IPO a year ago, in 1Q21, we also had an exchange rate loss and that was explained when we do a long term analysis and you see the Company's data in longer periods. You see that that is small based on the size of the business in terms of FX variation.

Another important aspect of the exchange rate variation is the sale to the major provider that was mentioned in the highlights. We paid the supplier, the manufacturer in Asia in advance, so that advance was recognized in our assets and that was exposed to the exchange rate.

So in accounting practices, we recognize a devaluation of that asset, but that will be offset in the future as we issue new contracts during the year, as Junior mentioned, and we consider the exchange rate variation in the contract amounts.

Another aspect that affected our financial expenses was the Selic rate. When we compare the quarter and the 1Q21, we did not have that increase as we had in 1Q22, and we reflected that correctly in accounting because our assets and liabilities are at present value. So in the interest rate increases, we use a higher rate to bring that to present value in order to calculate. When we do that, to calculate the present value, it is higher when we have a higher rate, and that accounted for R\$4 million in losses, in the total amount of R\$16 million.

And lastly, the net profit, or net loss of R\$2.1 million compared to R\$11.2 million year over year. And when we compare the two periods, it is R\$-13.3 million.

Now we can go on to the next slide. Here we have the evolution of our indebtedness. So net debt is R\$523.6 million, and 106.5 million, a net debt of R\$417 million.

We will have another slide to explain cash operations. But here, I would like to present this healthy indicator that we have in the Company of net debt over adjusted EBITDA. And you can see on chart on the right, where we have a performance of 1.47x.

On the bottom, we have some very interesting indicators. We always like to compare our net indebtedness, which is R\$417 million, to our revenues backlog. So our net backlog, we would like to say that it is something that will be recognized in the future, and that is advanced. So we can have a KPI of backlog coverage of revenue over net debt. So the coverage is of 1.47x of our debt when we look at the backlog.

Next slide, this is a bridge chart of our cash. So we started with R\$337 million and ended at R\$106.5 million in 1Q22. So the main item here is operating activities that consumed R\$126 million, and according to our cash flow demonstrations that were audited, we have approximately R\$150 million of cash burn to strengthen the inventory levels and advances to suppliers, as I mentioned, for the large service provider, and also some in the solar segment.

There was continuity in growth via TaaS. Even though it was under our expectations for the quarter, we had R\$40.2 million in CAPEX, related to 249 new contracts that began.



We had a representative amount of amortization of loans, and no changes there, R\$67.7 million, and we had the funds coming from the CVM 400 follow-on. That brought in R\$3.8 million into the Company's cash flow.

Those are the main indicators. So, Vanderlei, you can give your last comments now before we go into Q&A.

**Vanderlei Rigatieri:**

Thank you, André. I believe we gave you a good snapshot of the 1Q. I always like to show a bit of our vision of the future, of what is coming.

One of the things that I would like to mention is that TaaS is becoming increasingly more competitive. It is amazing, because many ask us about the attractiveness of TaaS, but as you have seen, we closed our biggest TaaS contract in the 1Q and it will bring on future results in installments. It has a recurring monthly revenue for five years. So it was a huge indicator that we have high competitiveness with our business model. And in this macroeconomic scenario, tighter credit lines and high interest rates, we were able to remain competitive for large-sized customers.

The new business that we started in the past quarter, which is built to suit, so building the networks for the providers in the turnkey model, will continue to be a driver that is very important moving forward in building networks. We went up to another level.

As we have always mentioned, we were doing TaaS for equipment and now we are building networks to place the fiber on the poles, servicing customers and providing connectors at the end.

So that business model is an evolution. New contracts throughout the year, and the revenue will be deluded. So an evolution was created at WDC, an evolution of what we were already doing in terms of building networks and infrastructure for providers.

In Solar, the launch of the Titanium line, which is a very competitive line. We are not taking part in the market of residential kits, but that line will give WDC a share in the market that we did not have, and that is very important for current distributors.

So the supply getting back to normal in Telecom, since October last year we have been suffering from that, of these products and for the equipment for new subscribers. That is starting to get back to normal and giving us new sales opportunities, not just of that, but the connection of new modems and new subscribers. And that should increase our volume during the year of Telecom products.

So I am absolutely sure that the telecom market will continue to be strong, and we still have more to come with our customers. We know that a lot is happening with neutral networks, operators selling networks and consolidation of providers. All of that changes a lot in this segment, but I am absolutely sure that Brazil can still grow telecom, not only in number of new subscribers, but also other products. As Carrara mentioned, datacenter projects, mini datacenter projects, high capacity network connection projects. All of that shows that Brazil has a lot of room to grow, and we will capture that in the upcoming quarters.

So it is a need to manage the Company, because managing a company that grows without having cost management is very important, and we do that constantly. We hired a consulting firm that is helping us to organize the teams and improve our commissioning management. One thing that we did in the 1Q was to compensate the sales team no longer per sale, but instead per margin, and that will bring on better results for the Company.

We are always on the lookout for M&A opportunities. Since the IPO, we have not made any movements in that direction, but we are always driving the team and the business units to pursue

opportunities that can add on to our offer, to help to offer a better solution, not only for the telecom market, but also for solar.

In our opinion, we will have a good year given the strategies that we have implemented, and that will bring on very positive results during the year. Now.

Now, let us open for Q&A.

**Lucas Rafael:**

Can you talk about growth in 2022? 1Q22 had a drop in Solar revenues when we compare that to 4Q21. Did WDC lose market share? Will Solar continue to drop in the upcoming quarters?

**André Souza:**

We have to be careful with the numbers, because when we talk about the figures in Solar in 2022, the main indicator that we have is our connected systems to the grid, which is from an official report. As a general rule, they are late 120 days in relation to sales. So if you buy today, if WDC sells it today, it takes from 30 to 60 days to be installed and bidirectional, and then in the next time that will be recognized by Aneel.

So we talked to the competition, obviously, we talked to many people. So that is one of the facts that happens. When you consult other market players, you can check that information.

**Participant (via webcast):**

How far can that drop go, as this is the second consecutive quarter that you have a drop?

**Junior Carrara:**

As was mentioned in detail, we had a slowdown because of the market and because of the lack of components to produce an important product for the GPON networks. With the supplies coming back to normal, we will see an increase in our sales of telecom products in the upcoming quarters, and that will not be compared to the results of the levels that we had in the beginning of the pandemic when we had more subscribers of optic fibers.

So revenues will go back, and we expect that the providers market will react with these solutions, and we see these great opportunities.

**Tales (via webcast):**

Can you talk about the second issuance of debentures of R\$600 million? Is it (64:22 TECHNICAL DIFFICULTY)

**André Valente:**

Thank you for your question, Tales. According to the meeting minutes of the general shareholders meeting that was posted on our website last night, the funds from the debentures will be applied to CAPEX and buying new property, plant and equipment for the growth of TaaS.

About the indicators, we are carefully committed to the covenants for the first issuance of our debenture holders. And in those covenants, we have a KPI of 1.47x, and we are very confident about the decision that we made to guarantee not only debentures, but also investors and shareholders, that we do not see any possibility in violating the covenants with the Company's internal projections.

And consumption is phased. Our CAPEX consumption through TaaS does not happen all at once. It is a process and I agree with you that the gross debt will grow a lot overnight, but not the net debt.

**Vanderlei Rigatieri:**

On the 2<sup>nd</sup>, we will have R\$600 million in cash.

**Rafael (via webcast):**

In previous conferences, Vanderlei, you mentioned that you were buying more Company shares, as you believed that the B3 share price was attractive. I would like to know if you are continuing to do that. And the shares dropped over 50% in April and May. Did you continue to buy? Even with worsening operating revenue, do you believe in that? And did you submit to this CVM, where the Company and stakeholders report that?

**André Valente:**

I will answer that. We have reported on May 9, at 7:36 p.m. So that is available on the CVM website. When we saw your question, we are like, "Oh, did we do something wrong?", so we looked into that. Everything was reported.

So about the controlling shareholders buying back shares, Vanderlei did not buy more shares in April or May because we are not allowed. There is a period in which we are not allowed to buy. Before the new quarter, we have access to privileged information, and he is the statutory officer of the Company, in addition to controlling shareholder. So that would be insider trading issues in that case. And as of now, we can only do that unless there is no other confidential fact that is taking place that would not allow us to buy back shares.

So we are very careful and following those CVM rules. It has been a learning experience. We have been learning day after day after our IPO in July about what we can do and cannot do, what we can say or cannot say.

So without a doubt, our understanding is that our result for the quarter does not effectively reflect the purpose that we have. We have all the coverage analysis of the main research agencies that cover our shares and the ratings reports, and technical teams that issued our rating were very diligent through a number of calls and discussions about the Company scenario, so that they can issue our AA- rating.

**Vanderlei Rigatieri:**

I did not read the question, but I would like to clarify something. We are absolutely sure of the Company's value. So, Rafael, what I can say is that 90% of my net worth is invested in this Company. Everything I have is invested because of my shares, it is invested in this Company. And if I could, I would buy more, without a doubt.

I believe that we are trading at a ridiculously low price. I do not know if I can say that, but the truth is, if we do simple math, and you have access to our balance sheets, when we consider backlog, inventory, cash and all of that together, we are being traded very much under all of that.

I know that the market is not favorable towards technology companies, but we truly believe in what we do. We have been with this Company for 18 years, and my life story led me to establish this Company and manage it until today.

We are very. Happy to be in the capitals market, having been going through an IPO, and here talking to all of you in difficult times, that is true, but I am absolutely sure that we are on the right path. We are delivering what we planned. All the plans that we made in our IPO, or for our IPO, are

being executed. Nobody imagined that these would be 13%, 14%. That is true, that was not part of the plan. But I am sure that Brazil is this strong country and that the markets that we operate in are very high growth markets.

So we are absolutely sure about the future of the Company. I can guarantee you that. We strongly believe in that. As the Company's CEO and as the founder, which is still here, working in the day to day, and we will make this Company very big and very strong.

**Floriano Siqueira (via webcast):**

Is there is room and leverage for M&A?

**Vanderlei Rigatieri:**

Yes, definitely. I can say, Florian, that we never imagined, and we always mentioned that we are not going to do a transformational M&A for the Company. We do not really believe in that. WDC considers M&As to add on. So companies that could give us some sort of technology or type of service that add on to our offer.

So in that sense, yes, there is room for that. We are looking at the radar to have that type of movement during the year.

**André Pizetta (via webcast):**

Can you comment on the potential sales of 5G? And also, the level that you are seeing Telecom in the 1Q, is that the lowest point one the curve of what happened? And any future expectations?

**Vanderlei Rigatieri:**

I can say that 5G is still on the radar. We have a partnership with Huawei Digital Power because of their infrastructure of 5G. So there are many datacenters, lithium batteries, all of the energy, clean energy side that will be used in implementing 5G, and even 4G towers in farming areas, in rural areas. That is a huge opportunity as well.

We do not directly take part in 5G. We take part in the infrastructure of 5G. And we have a vision that that could bring on a significant source of revenue for WDC after a while.

The other part of being the floor of Telecom, I wish I had a crystal ball to tell you. But I am sure that based on what we are seeing, in all the difficulties that we have faced of not having products for the FTTH equipment, and not being able to sell modems because we did not have the other product and the manufacturer perspective that that changed, and then in the upcoming quarters, that should get back to normal, I believe that we will only grow from now on.

Like Carrara mentioned, we are not going to go back to the levels that we had right after the beginning of the pandemic, where we were breaking record after record of number of subscribers, because the market is more mature now. It is consolidating, and there is strong competition. But I am sure that it will get better in the upcoming quarters than the 1Q was.

**André Valente:**

Very well. I am sorry, we have run over time. It is already 17 minutes over. All the questions that we were not able to answer during the call, we have them here, we will contact each one of the shareholders and investors that have submitted their questions. It will be a pleasure to receive any requests to schedule meetings or talk about the Company's operating model. And as Vanderlei mentioned, we will continue to focus on delivering the results that we are always committed to.

**Vanderlei Rigatieri:**

I would like to take this last minute to thank you all for being here with us, for trusting us. I know that in difficult times, everybody is a bit weary, but I am absolutely sure that our business model and our strategy have a reason why, and it is attractiveness.

And another thing is, sometimes we cannot say everything that we would like to say. There is governance, there are rules, and we try to communicate to you and to the market according to those rules.

Sometimes people get frustrated about not answering things, but we are always open to talk to everyone at any time. We have already interacted with some of you, with others we already do that on a regular basis. So that is part of our values, to be as transparent as possible and to show you as much value as we can for all our shareholders.

**André Valente:**

Thank you very much, everyone. Good afternoon.

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