André Valente:

Good afternoon everyone. Welcome to our earnings call for 3Q22. I am André Valente, and I am the CFO and IR Officer. Before we begin, I also have Vanderlei Rigatieri, our CEO and founder, and Marcelo Rezende, our COO.

So before we move on to the first slide, I would like to give you our legal warming. The statements contained in this document regarding WDC Networks, business and growth prospects are based solely on management expectations for the future of business. These expectations depend substantially on market conditions, the performance of the Brazilian economy, the industry 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 proforma financial data. Non-accounting data was not subject to review by the independent auditors of the Company.

Now, I would like to hand over to Vanderlei to begin his presentation of 3Q22 results.

Vanderlei Rigatieri:

Good afternoon, everyone. Thank you for your attention and for attending our earnings release today.

I would like to give initial highlights of what happened during the quarter. And one of the important things that has been taking place in this past quarter was to have achieved record results in Company's history, with R$434 million total sales. That is almost 11% higher over last year.

Another important aspect is that we have achieved a revenue backlog, meaning revenues that will translate into results in the oncoming months, of almost R$758 million, and that equals to 30% higher year over year. And the EBITDA last 12 months is at R$270.5 million, a bit lower, 1.8% year over year. So, when we look at the last 12 months, the challenge that we have been having this year was not that significant when compared to last year.

Another thing that I really like, and you know that, is our investment thesis, and one of the big bets of the Company is technology as a service. So now, TaaS has been increasing in all segments. It achieved 65% of total Telecom sales, 26% of the total sales in Enterprise, and 7.3% in total sales in Solar. So record sales in TaaS, of R$194.5 million, compared to R$124.9 million last year, giving us a growth of 55.6%.

That goes to show that this model is very resilient and very appealing, especially when companies and our customers have a problem with their cash flow.

This quarter, we formalized the largest task supply contract with one of the largest ISPs in Brazil, which totaled R$189 million. And out of the R$189 million, R$87 million have already been delivered to the customer in this quarter, and there is still a number of deliveries to be made in the upcoming months. That enabled us to take a big leap in the Telecom industry, showing that once again, TaaS, even for the bigger ISPs and larger companies, it is a very attractive option.

Our EBITDA margin was 23.4% in the quarter, compared to 26.2% year over year, a drop of 2.8 p.p. Our consolidated net revenues was R$267.9 million in 3Q22, compared to R$288.2 million in 3Q21, a drop of 7% in that period.

Even though the EBIDTA dropped, we measured an improvement in our efficiency in operating expenses. We had 11.5% more in sales, pretty much, with an increase of expenses in the order of 1.5%. So that goes to show that we were able to generate more sales, without having to increase our expenses proportionately to that sales.

The net income of the Company was R$15.2 million in this quarter, compared to R$12.1 million year over year, and adjusted net income was R$2.2 million in 3Q22, compared to R$15.9 million 3Q21.

57% of our sales include products made by WDC. So local production is approximately 57% of the total of our sales. And we started a share buyback program with 935,400 common shares that were bought back during the period. We have not ended that program yet. We have a certain periodicity in those deadlines to follow the CVM rules, and that is a program that we had to improve return for our investors given the levels we have seen in the stock market.

These are the highlights of the Company. Now I am going to hand over to André Valente and to Marcello to give you some further detail about the figures.

André Valente:

Thank you, Vanderlei. On this slide, we have the evolution of consolidated total sales. In addition to the evolution in the past years, to the right, you can see the performance in 3Q22 where we achieved R$434.4 million in total sales, enabling us to achieve R$1.2 billion. And compared to the period, year to date in 2021, we had R$1.105 billion, and that is 0.3% lower.

And as we work with imported products and pricing of our products depends on the USD, given that the exchange rate variance of 9M21 was 5.3, compared to the average exchange rate in 9M22, it was 5.12. So even though we see almost the same figure, it seems like almost neutral variation. But when we actually consider that in USD, we had a growth of 3.6%, when we remove the FX effect from our sales.

On the next slide, we have evolution of net revenues. Net revenues for 3Q was R$267.9 million, meaning a 7% drop year over year, mainly resulting from the very variance in the mix of total sales. This quarter, we had high concentration in leases in the quarter, as you can see in the first bullet. 44.8% of total sales in the quarter were TaaS, and the TaaS modality does not affect the net revenues when the sale is made.

I would like to remind you that, when we sell TaaS, the sale is accounted for by increasing the revenue backlog, and then it will be recognized in the P&L as net revenue according to the evolution of the agreement. As we had almost 45% of leases in the breakdown of total sales, we were mainly focusing our sales going into the backlog and not necessarily net revenues for the Company.

So the result from that mix is that the net revenue is not a positive figure. I will address this in more depth later on, but just to mention, we have extended the new TaaS contract terms. So it is a strategy that we started in 2020, and this quarter we achieved an average term of 55 months, compared to 48 months in the average term of new contracts in 3Q21.

On the next slide, the Telecom segment is the Company's main segment in the sales breakdown. So here we provide basic information from the Brazilian agency, Anatel, about the Internet connections in Brazilian households.

So in the first line, we have the number of total connections. As you can see, we achieved R$42.8 million households connected at the end of September. On the bottom of that, we have the area in which we are included, the type of technology that we use, which is fiber optics. So we show a 3Q of a reaction. So from June, we went from 27.8 million households connected to 29.2 million households connected at the end of 3Q22, showing net addition of 1.4 million households in the quarter.

And you can also see, on the bottom of the chart, that we still have a volume for technology replacement. That line of other connections means the more outdated connections: coaxial core, cables. That went from 15.3 million to 13.6 million households connected with that type of older technology.

Once again, we have surpassed the barrier of density on access per 100 inhabitants to 20.1. And as we have mentioned in previous quarters, we have seen two quarters that were harder in terms of households connected, but we do not really see a trend or a perspective where people would be less connected to the Internet. So the 1H was an atypical behavior, but we believe that people will need to be increasingly more connected to the Internet.

On the next slide, I would like to hand it over to Marcelo Rezende, and he will talk about each one of our segments, and then I will continue.

Marcelo Rezende:

Good afternoon, everyone. Thank you, André. About the three business units, starting off with Telecom, some of the things that really stand out to us and make sense for us to mention. First of all, record sales. We had 25% growth year over year, as well as TaaS sales records of R$165 million. And both are in line with the Company's core business, not only in the segment, in the Telecom business unit, but also, always trying to add TaaS to these solutions in the business units. And fortunately, that happened with a lot of assertiveness in the quarter.

Another important aspect is that we had a normalization of the supply chain of the boards. That is a big problem that we faced in the recent past, in the deliveries. So given that we were not able to increase our revenues, about net revenues, we had a drop of 8.3%.

It is also worth noting that, regarding the gross margin, where we had 25.7 compared to 20 points year over year, for two reasons: the extension of the contracts, we went to 55 instead of 48 months, and that affects the gross margin; and also the competitiveness in the market as it continues to be very tough. So those points together gave us a drop in gross margin.

Another important aspect in Telecom is that we were able to enter 11 different ISPs, over 85,000 homes passed. So we built the networks in the turnkey modality, giving us an additional revenue of R$33.8 million. But even more than that, it gives us the possibility of looking at the next step in developing these ISPs.

So we not only have revenues from them generating R$33 million, but also qualifying 85,000 potential customers where we can sell network infrastructure and the asset for that.

So that is one of the big WDC initiatives, so that we can have visibility in the next steps with the ISPs, creating that relationship with them across time, and service the demand, and not only in the service per se, but also with the hardware. So that is what happened in this business unit in 3Q.

On the next slide, we have Enterprise. In Enterprise, in the quarter, we had a 17% drop year over year. So basically, we have continued to suffer from logistics, and not having product available. We have the orders placed, but we have not received the deliveries, so we are still suffering with the supply and extended terms. So that has been one of the big issues that we have been facing in Enterprise.

The reduction of the fulfillment contracts also affected the revenue. Another model that we have is fulfillment for customers, and that explains the drop of 17%.

In terms of net revenues, we went from R$70 million to R$60 million year over year, and in gross profit, we went from R$22 million to R$18 million. So we have been suffering a little here with these figures, but not necessarily in relation to the performance of the business unit, but mainly problems related to demand.

Another point here in margin reduction was mainly related to something internal. So, a higher rate of asset depreciation because of the TaaS contracts. So it is internal, not really an external market pressure. We have not suffered with the margin because of the external market.

We have very strong growth, over 2x year over year in Cybersecurity. That is the business unit that has been growing a lot. The demand for Cybersecurity is on a high, and we have been capturing more in that market and seeing it well in this continuous growth expected. So, trying to monitor the market growth, together with our capability of delivering. That is something very interesting that we have realized and have been capturing in the quarter.

In Solar, we had 11% growth year over year. The net revenue remained stable year over year, and a lot of pressure from the market, because there is a lot of inventory available. Everybody started the year with a super perception of growth, which did not happen during the year, and the credit situation, which is mainly driven by how expensive money is. Those two reasons led us to increase competition, and the margin was diluted because of the market, excess inventory and credit scarcity.

In TaaS, we have very interesting news for our strategy of technology as a service. We started to generate TaaS contracts in Solar, which, up to the time being, had not fit in yet. As part of the strategy, we were able to transform that. So we have almost R$8 million; actually R$7.8 million in sales. But most importantly is that it is a new market vision that we have seen internally, which are Solar projects.

We already have five new projects sold. They are under construction, will be delivered, generating R$36 million to the product backlog, as you only recognized that after the plant is delivered in the turnkey model. That has not been converted into revenues yet, but it is an initiative that we have. We already have five contracts sold in a short period of time. So when you stop to think about that, it is bringing in new initiatives for us, where TaaS fits well with this new model.

Those are the big news about the three business units for this quarter, and I will be here to answer any questions you may have later. Thank you. Good afternoon. Andre?

André Valente:

On this slide, we have some information about TaaS performance. We delivered 340 new contracts in 3Q22, with an average ticket of R$572,000 per contract. That shows us a number of contracts a bit lower year over year, but with a much higher average ticket, given the contract with the ISP that Vanderlei mentioned in the highlights.

To the right, we have a total PSV in TaaS leases of R$194.5 million, which is equal to a growth of 55.6% year over year, or 85% higher quarter over quarter. We also have CAPEX for these contracts. So we have R$85.1 million CAPEX in the quarter, which means a growth of almost 50%, or 49.8% year over year.

So the two main points here on this slide, and the last one on the right, which is the TaaS markup. So we still have a very healthy markup of 2.29x. So, just to remind you about this indicator, this shows that for every R$1 that we spend in CAPEX, we generate R$2.29 in total amount of TaaS to be received. We have been consistently growing this indicator. It is a very important indicator for us, showing that the profitability of the contracts is very healthy. This KPI always has to be greater than 2.

The internal rate of return that we are looking for is approximately 28% per year. And considering the scale of the contract that we delivered in that quarter, we maintain the markup at a very healthy level.

On the bottom, I wanted to show you this chart, as it gives us a longer history, going back to 1Q20. So you can see the efforts and the strategy that we had back in June 2020, of increasing the average contract term.

Up to that time, as you can see in the first two bars, 27 months and 31 months, we are very much accustomed to having contracts of approximately two year term. So we changed the Company's mindset to focus on contracts, because initially we wanted to go up to four years, and then we decided to go up to five years. So that is to show how we have been going through the most difficult times of the P&L.

Imagine a contract. Imagine the 1Q20 with a 27 month contract that gave us revenues for practically over two years, and that is where we are at today. So imagine that in 2Q20, when you change, and you can see 3Q20 is greater than three years, that leads us to understand that we went through certain moments when we look back at that quarter, of months and quarters where we had many contracts ending every month, because they were short term.

As of 3Q20, the average term went to 37 months, meaning that the contracts that will be ending would be 3Q23. So by reshuffling the average contract terms, it decreases the pressure on results, as you have lower term contracts that are ending and moving on to longer term. So the amount accounted for in that quarter is much lower than the one that just ended.

So we wanted to show this to you, to give you more information about that, to understand the effect. And then, later on, in case any investors have any doubt about that or would like to understand it better, our IR department can explain that in further detail.

On the next slide, we have the evolution of the revenue backlog. Very interesting to achieve R$757.9 million in backlog, an expressive growth of 34% compared to the backlog one year ago, which was R$565 million.

And on the bottom, the recognition and receivables schedule of the backlog. So R$74 million that has already been guaranteed for the 4Q22, and then we have R$250 million that will be recognized in 2023, and so on and so forth. So that is just to understand the dynamics about how you can interpret these figures.

On the next slide, we have the bridge of the adjusted EBITDA. It went from R$75.6 million in 3Q21 to R$62.7 million in 3Q22. It is a 17% drop, that is significant, especially because of a drop in sales volume.

When we look at EBITDA, when we talk about sales here, we are talking about net revenue, and it does not have the impact of the TaaS with revenues to be recognized. So it is a more distressed scenario than when you look at general TaaS sales and backlog.

So we had a drop of 9.8 million because of the sales, mainly resulting from the mix that I mentioned before. The contribution margin suffered pressure as well, especially in the Solar segment. We suffered a lot the whole quarter in Solar margins to deliver the total number in gross margins.

And in operating expenses, it is a very positive performance. We only grew R$0.6 million in operating expenses. That just goes to show a careful cost control across the quarter. So that is the work we do every single day in managing the Company.

On the next slide, after adjusted EBITDA, we have depreciation. Depreciation was R$42,8 million, a growth of 18.7%, which was a good performance, showing the improvement of mark-up. Depreciation usually has a direct connection with the number of backlog in revenues. So the greater the backlog, the more assets we have and the higher the depreciation in the P&L. So when we look at 18.7%, we see that growth in depreciation expenses in a positive way, as the increase in revenue backlog was 34%.

In financial results, the results were under control, less than R$15.7 million, compared to R$-13.8 million in 3Q21. The Company's indebtedness is connected to the Brazilian interest rate, the Selic, and we had an increase in that in 3Q22, the average Selic rate was much higher than the average Selic rate of 3Q21, and that gives us an impact of higher interest rates and financial expenses, and higher adjustment to present value in the receivable accounts and company's suppliers that you can see on the chart to the right, showing that we had an impact of less than R$4.3 million in the quarter resulting from that.

On the next slide, here we have net debt and leverage for the Company. So the Company ended 3Q22 at R$449 million in net debt. The net debt is basically comprised of R$914 million in gross debt minus cash and financial investments of R$465 million.

Here, it is important to mention that we had debenture issuance of R$500 million in June, and the objective of that was to fund the Company to continue to invest its resources in new assets, to have important growth in the revenue backlog.

We have been able to do that adequately, as you have seen the 30% growth in the backlog. And we have also been demonstrating through this robust cash position that we are also generating cash, and getting the necessary CAPEX for the sales growth presented while, at the same time, we preserve cash so we can continue the growth curve in the next quarters.

The Company has been very diligent in preserving cash to be able to materialize that into new contracts, with internal rates of return that adequately compensate the shareholders capital.

Here on the right, we have the covenant indicators and detailed calculation. 1.66x ratio of net debt over EBITDA, which makes us feel confident in relation to our financial covenants.

Another chart that we like to look at is the chart on the top, which is a comparison of the amortization schedule of our debt versus what we call coverage of the revenue backlog. So imagine that I already have that through CAPEX. I have already paid commission to salespeople, I have already paid the freight to get it to customers' home, and the default in the lease contracts is very low. So this is the net uncertain certain cash that we will have in our balance sheet that will become cash in the next years.

And this is the 1Q where we have such a positive match here of this to information. As you can see, in the 4Q22, we have R$57 million in debt to amortize and R$74 million in revenue backlog to capture. In 2023, R$250.9 million in debt to amortize in R$249.7 million in revenue backlog to be received. And so on and so forth. In 2024, you see we have some difference between debt amortization and backlog receipt, so and so forth.

So when we focus, we always have that concern because we really like TaaS. TaaS is highly related to our idea of generating value at WDC, but it does generate pressure in the short term. So our net revenues and results presented in the short term are not the most attractive, but we are planting well for the future, and that is what we show in the charts on the right.

There is a last slide about cash flow. Here, we are showing that we started the year at R$337 million in cash. Operations added R$242 million to cash flow. We invested in working capital by increasing inventory and financing suppliers, R$173 million that were burned, R$170 million in TaaS CAPEX, with amortized debt by R$244 million. We have received the funds from the debenture and that small follow on that we had in February, and both totaled the R$493 million net of expenses of issuing the debentures. We paid R$11 million in dividends and have already spent pretty much R$7 million in the share buyback program, where we have executed pretty much half of the program that was approved in July.

And we ended the quarter at R$465 million, which makes us feel confident about the Company's financial management, and perspectives of having the funds to. implement the contracts to support our clients in the TaaS model.

Now I would like to hand over to Vanderlei Rigatieri to talk about future perspectives and what is coming in the Company.

Vanderlei Rigatieri:

Thank you. I am absolutely sure that WDC is a company that reacts fast to the challenges that we face, be it in the macro economy or the competitive environment and so on. As we created TaaS in the past, when Brazil was going through very difficult times, now we are creating offers that are higher value added. So that is a real change in the profile. Instead of selling just products, to focus more on turnkey projects.

You have seen that we have projects with our own engineering, installation services, maintenance, building fiber networks, digital cities. So, now we are more of a strategic partner for the ISPs of any size, and that is important to mention.

We have 11 projects that have already been built, generating 85,000 homes passed, and those will be populated, leading to even more sales in technology. Every port that is created will become a subscriber during these months for our customer, which leads to a sale of our products to that client.

In the beginning of this year, we found a very challenging setting, with a slowdown in the broadband market that is still happening. And we renewed ourselves. Now we are focusing on building networks and selling projects with higher value added and more strategic area for customers.

Those projects will continue. They are working, and there is a huge pipeline in that, that leads to sales not only of the products, but of the entire PMO. So it is a very strong change that is coming; that already exists, but actually will bring on much more results in the upcoming months.

Another thing that I am very happy about is that in the past, we had very successful TaaS and Telecom, and we were endeavoring all our efforts to expand tasks to the other segments. And we were able to do so.

So now, we are building turnkey model plants, with up to ten year contracts. So we will have longer leases, ten years for these plants. It is an energy project for all segments. So there are already small plans for providers.

And the other one is increasing the share of TaaS and Enterprise, and that is very important, because the corporate market is extremely big for our solutions, especially electronics security, cybersecurity, out of home media, OOH that we are delivering to these companies that provide those services.

So we said that that would happen, and it is happening now. It is no longer the future. These are the different positions that we took on in 2022, and now we are reaping the results.

The third, which is WDC entering the agribusiness segment, using a solution that was developed in-house, with solar plants ran on lithium batteries to hold the charge for a longer period of time, replacing diesel.

To us, I like to say that that is an ocean. Brazil is very strong in agribusiness. The farmers that we have been talking to, and talking about our projects, I am really in awe about how big these farms are. And they have understood that the product that we have to offer will enable them to lower their operating costs.

Imagine carrying trucks of diesel to places where you barely have roads, with a lot of rainfall, and they are completely dependent on that. And it will better position agribusiness in Brazil in ESG, clean and renewable energy so our agriculture can grow even more in Brazil.

Another important thing is the data centers, because we have been talking about data centers for a while now, to decrease the latency of providers. So we have entered the corporate data centers. It is a market that we did not have.

With that, WDC will position itself as a big player in that segment. We are not going to explore it. Actually, it is infrastructure as a service. Bigger projects. Obviously, the maturity is longer, but we have been growing a lot after our partnership with Huawei Digital Power. Huawei Digital Power is practically a brand new division in such a huge company that Huawei is, and we are a big partner for them here in Brazil.

So these four items show us that WDC is taking a completely different positioning, and fast. It is not easy going from products to solutions. We need a different processes, different professional profiles. We have done that, and we have been reaping the results. You can already see the results in TaaS projects. Unfortunately, we cannot account for that on day one, it is like 60 different installments where we get paid, but we have highly increased our revenue backlog.

So the financial health of the Company is stronger now because of the change in the Company's positioning. I am not saying it is easy, but we are executing it well.

That is what we had to say today. I believe that we have turned things around this quarter. As André mentioned the figures, and now the depreciation of these short term contracts that we had in the past will affect our results a little less. So I just see even bigger opportunities of being part of even bigger markets with the positioning that we have now in all these projects.

Time for questions.

Lucas (via webcast):

The Company has to burn cash to grow, but even with the money from the IPO and the debentures, the cash used has not grown revenues. Isn't that dangerous given that debt is growing, and cash burn as well, but revenue and profit are not following that?

André Valente:

The answer to your question is that we have an evolution. We have some internal accounts about the evolution of significant equity accounts in our balance sheet. When you look at IPO funds, that was a bit under R$400 million net, you can see that mainly applied to our revenue backlog.

In addition to the revenue backlog, there are other important areas with the growth of accounts receivable. And for the debenture, the funds are pretty much all in the cash flow. We have not spent that. And that gives us a vision of a good horizon.

We have demonstrated our ability in that quarter of dedicating a certain CAPEX with a good markup to the revenue backlog. That is what we have been proposing to do, and what we expect will happen in the upcoming quarters.

And as we mentioned in that big contract with the ISP, we already delivered R$87 million, as Marcelo mentioned, and we still have another R$102 million to be delivered in upcoming quarters. So that increases the revenue backlog.

And it is also worth noting that it does not show in the EBIT and net income because it is 1 over 60. So, in our opinion, we are planting, and there is a short term ‘sacrifice’, so to speak, when you look at the net income or the EBIT for that quarter.

Lucas:

The Company improved total sales, but revenues are not following that.

André Valente:

That is exactly the plan. All companies that have changed contract terms were suffering a little when you are changing the average terms. After you finished doing that, and that is what I was trying to show, you start to get less contracts ending every month. So you really feel the effect of the growth, of the approximately 350 contracts that we add to our customer base on a quarterly basis.

Vanderlei Rigatieri:

Like you are saying, it affects the bottom line. But it is important to clarify to this investor that when you have total sales, you can fit in the PSV of the contract, but it goes into the revenues little by little, and it turns into revenues during all the different months. That is why it is important to sell more of these contracts. And brick by brick, we grow our revenues.

The concept of total sales reflecting in gross revenues has that side. I always like to say, 1 over 60. 60 different times. It will be split into 60 different types.

José Eduardo Martins (via webcast):

I would like to better understand when the ISP contract will bring in the results.

André Valente:

We made the sale; actually, there were two sales that totaled R$289 million. We already delivered R$87 million in September, but we only considered R$1.4 million, which was the September amount.

Vanderlei Rigatieri:

You take that R$87 million and divide it by R$60 million. That was that is what is recognized in revenues.

André Valente:

The rest is in the record of backlog. And that means that every year, when you do the math, just approximately 87 divided by 5 years, you have R$17.4 million accounted for, unrecognized in the results, in the bottom line per year.

Same thing will happen to the other R$200 million that we still have not built. We have an internal schedule to deliver that in the upcoming months. It is not that much of a long term contract. It is actually a short term contract.

So after we deliver that, we start counting that again. For each part delivered, the subsequent month, you divide that amount to be received into 60 installments. That is the dynamic behind that type of contract. So it will bring us results in the next 60 months.

Lucas (via webcast):

Vanderlei, has 5G brought on revenues for the Company? Is there an expectation of generating revenues because of 5G? And what is the potential of revenue?

Vanderlei Rigatieri:

That is an excellent question. 5G has many phases of implementation by the carriers and providers that bought the licenses. In the environment of a carrier, the 5G manufacturers will sell the 5G radios direct. We will not be a part of that. So, whenever we know that there is an opportunity and we are creating proposals, it is for the infrastructure of each one.

I mentioned back at the IPO, we are investing in lithium batteries, the inverters that feed those radios, and even the poles and the racks necessary. It is pretty much a mini data center that goes in each tower. And we have that type of perspective and potential. We are already part of that.

The other one is that, in our contract with Nokia, we have a possibility of offering 5G networks to the corporate world. So that case will take place in upcoming months, and I guarantee you that we will get good results in that segment, because many companies, especially industries, plants, are building their own 5G networks to automate their production plants; actually, to feed the automation of their production plants. So we have a contract to sell the product to them, and those companies are looking for implementation as a service.

So to answer your question, yes, in 2023, we will have a number of cases to talk to you about, these 5G corporate networks that we will implement.

Lucas:

Isn't it about time that WDC buys a smaller company to diversify revenue generation, considering the different sources of revenue that the Company currently has?

Vanderlei Rigatieri:

We have already said that, yes, we are interested in making strategic acquisitions, small ones, not big acquisitions. And yes, we do have things in the pipeline that we are studying.

What I disagree, though, is that I do not think that we are stuck. What we are bringing in with the new things, the turnkey projects, the plants for agribusiness, the batteries and cybersecurity that doubled in size, data center, corporate data centers. So I would not say that we are stuck. Quite on the contrary. We have a huge pipeline for that.

But on the other hand, I do agree. Maybe the figures, okay. But what I always like to say is that our eyes are open, and we will do it. You can rest assured that we will. But we have studied a number of options, and so far we have not found an option that would matches with what we want, because more of the same is not what we want.

I am not going to buy another distributor of fiber optic cables. I am not going to buy someone who does the same thing that we do. We want to diversify. That is not our objective, strategically speaking.

Christian Faria (via webcast):

How is the Company seeing the competitive environment in Solar? What are the perspectives looking forward, especially 2023?

Vanderlei Rigatieri:

The Solar segment is amazing. I would say that Brazilians are very creative. When we started to sell Solar here in Brazil, there were 30 40 distributors in Solar. Now there are 200. Huge proliferation of players. But the market also grew a lot. So now there are 26,000 installers. When we started, it was almost 15,000. Now we have 26,000 installers all over Brazil. So it is like this fever for everybody to enter the segment.

The past year was a year with the big Solar players that we are actually out there fighting over leadership. We did not grow that much because we had supply problems. We had a drop in the prices at the end of last year because people had high inventories. But now there are things happening in the regulatory agencies in Brazil, not only in INMETRO, and now in a bill of law that is in Congress, which will make the market more aware of the quality of the products that are being sold and installed in Brazilian households.

So there is a huge concern in only enable installation and only approved distributors that have products with protection systems against the voltaic arc. We already have that in our products and Huawei products.

So are the products a little more expensive? Yes, they are. But the quality of the product is very high. So in an environment, in a price war, it is complicated. So what we did was go towards the other side. We bought this. We went into the segment called agribusiness. So it is not just the product. "I have the panels, inverters, I am going to build a plant at the farm". No, you are not going to do that. It is not easy.

So we do believe that the Solar market in Brazil is still very big. That the market has a huge possibility, possibility in cross-selling for the existing markets. So Internet providers are entering the Solar business as well. They are building these small plants for them, for their own energy, and they are becoming interested in that, in offering that at the end. Is that a silent change? It is, that is true. Nothing happens overnight. But we have been getting ready for all of that.

So I see a very challenging Solar market. There will be consolidation. We have seen some movements taking place, the competition being bought or buying companies. But make note of that: there will be a change in quality requirements of products to be installed in Brazilian households, and we are ready for that.

And that is what we believe, and how it should be. A Solar generation system on top of your roof in Brazilian households without that protection could be very dangerous. It could be a time bomb, and we are concerned about that. But our business already started with that type of concern. It is a challenge. It is very complex, but we are well prepared for that movement.

André Valente:

Thank you, Vanderlei. It is already 15h03. We have a couple of questions that have not been answered. We can answer them later. So I would like to take this opportunity to say that the IR Department is at your disposal in case you would like to learn more about what the Company does, about perspectives. We can schedule a call with you, with the group of people or with you individually. So, please contact us. It was a pleasure to be a part of this today.

Vanderlei Rigatieri:

I would also like to thank everyone for your attention and questions. I love it when we have questions. It is much easier for us to explain what we do. TaaS is always a challenge to explain, how it generates revenues for the Company, and the explanation that our indebtedness level is very healthy. We are not burning capital for that. Everything that we do in CAPEX is to generate revenues. So I see this as an extremely positive moment.

Thank you all investors that believe in WDC. You can rest assured that we are doing everything we can to add value to the investments that you made. Good afternoon, everyone.