



RELATORIO DE SUSTENTABILIDADE 2020

GENTE E INOVAÇÃO
CONFIANÇA NO FUTURO E NO
CRESCIMENTO SUSTENTÁVEL

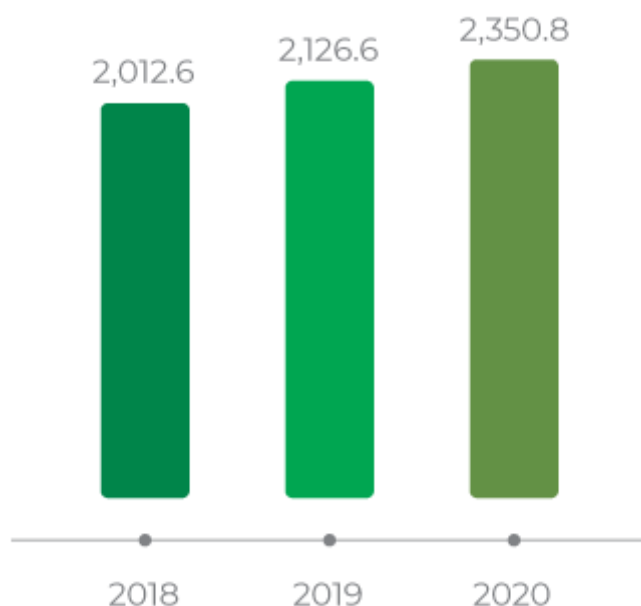
Business Performance in 2020

In 2020, our net revenue was up 10.5% and EBITDA was over R\$1 billion for the first time. These figures are the result of consistent efforts and investments made over time to build quality networks with advanced onboarded technology and expand our coverage area.

Everything is set to prepare us to meet demand from all customers, both corporate and individuals (*B2B* and *B2C*).

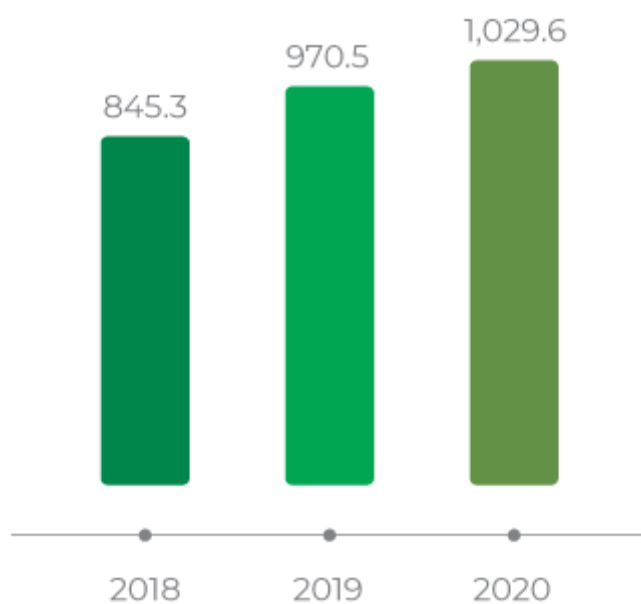
Net revenue

R\$ Million

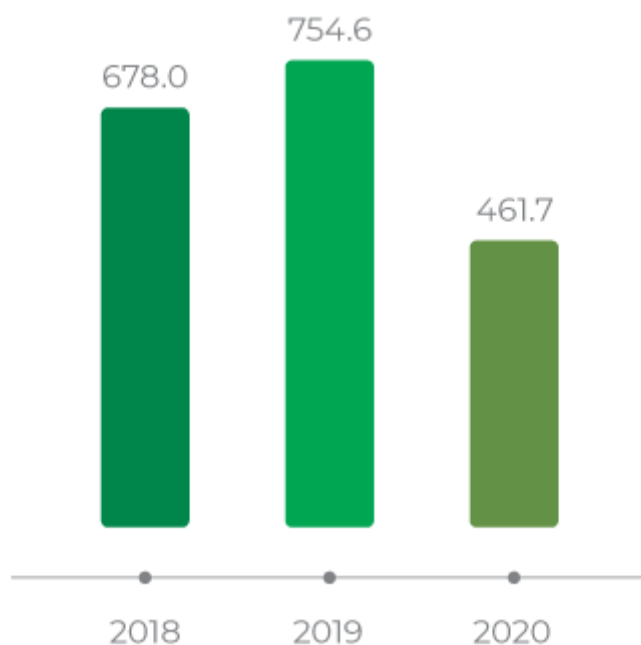


EBITDA

R\$ Million



CAPEX R\$ Million



For full details of our results visit ri.algartelecom.com.br

Consolidated operating revenue

Algar Telecom's consolidated net revenue reached R\$2.4 billion in 2020. This 10.5% growth was driven by higher revenues in both of our operating segments: *B2B* (+12.9%) and *B2C* (+7.5%).

B2B

With an increase of 24.7% in number of customers (5% in corporate and 27.5% in micro and small companies), our B2B net revenue totaled R\$ 1.4 billion in 2020 and showed 12.9% growth against 2019, thus accounting for 61% of **Algar Telecom's** total net revenue.

Data products, which enable high-speed connectivity for our corporate customers, grew 6.5% to account for 61.3% of revenues. ICT services grew 42.5% and accounted for 10% of *B2B revenues*. These growth numbers more than offset lower revenues from voice, which are continuing to fall across the industry.

At the end of 2020, we were operating in the *B2B* market in 367 cities, 16 states and the Federal District, offering integrated Telecom and IT solutions.

B2C

For retail customers, we offer high-speed broadband fiber plans combined with landline and mobile telephony. In 2020, the number of our fiber customers was up 33.1% to reach 74.8% of the segment's broadband customers. This trend was driven by investments made in optical fiber networks in recent years, thus connecting 755,000 homes passed and 415,000 homes connected by end-December 2020. In the largest cities where **Algar Telecom** operates in *B2C*, the total homes passed level is over 90%.

For mobile customers, our main focus in 2020 was on plans for postpaid customers, which show higher demand for data traffic and have higher ARPU. As a result, the total number of these customers grew 6.1% in the year, while prepaid customers fell 8.9%. Our total number of mobile customers was 3.4% down from 2019 and ended the year at 1.1 million.

Net revenue from B2C customers totaled R\$928.3 million in 2020 and was 7.5% up from 2019. This number was driven by a 15.8% increase in broadband revenues (landline and mobile), which accounted for 48.8% of revenues from these customers and showed resilience against the pandemic's adverse economic effects. Voice revenues accounted for 24% of revenues; their decline reflects users' continuing to migrate to our data services product, due to the latter's maturity.

Operating costs and expenses

Operating costs and expenses, excluding amortization and depreciation, totaled R\$1.3 billion in 2020, which was 14.3% more than the previous year. Excluding the positive one-off effects that impacted these 2 years – R\$ 45.8 million in 2019 and R\$ 21.1 million in 2020- there was an 11.7% increase.

The main increases were in: materials and goods (+R\$ 67.9), particularly due to accelerated modem sales to support growth in broadband over fiber customers; personnel (+R\$31.6), due to higher provisioning in the profit-sharing bonus account and numbers of new hires to support our operations in new geographic areas, and other items (+R\$40.7). The change in the others group was due to higher volume of other operating revenues in 2019 compared to 2020.

EBITDA

Algar Telecom's EBITDA reached R\$1,029.6 million in the year, surpassing the R\$1 billion mark for the 1st time, to post 6.1% growth against 2019. Our margin in 2020 was 43,8%. Growth in *B2B* customer operations and efforts to digitize processes contributed to this result with a positive impact on customer experience and the business' efficiency.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses rose 14.2% in 2020 due to the larger property and equipment base arising from the major investments we made in 2019 and 2020, which mainly consisted in new networks to serve *B2B* customers and taking optical fiber to retail customers' homes (Fiber to the Home – FTTH), which enables higher data-traffic speeds and better customer experiences.

NET FINANCIAL RESULT

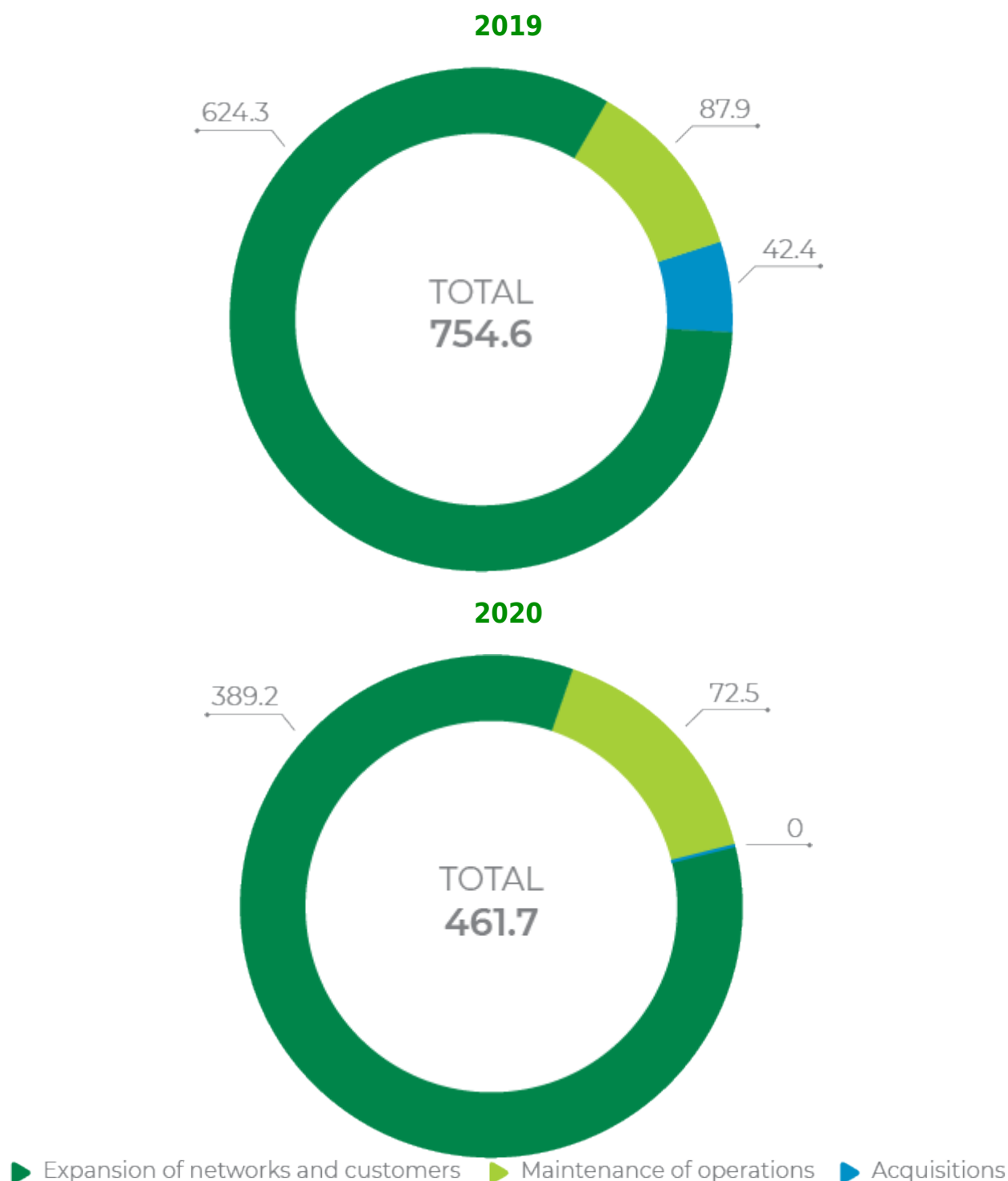
In 2020, we posted a net financial result of R\$225.5 million against R\$78.2 million in 2019. This variation was due to one-off effects that impacted this account in both periods. Excluding these effects, there was an increase of 1.7% caused by a higher average balance of debt.

NET PROFIT

Our consolidated net profit reached R\$ 202.4 million in 2020 against R\$291.5 million in 2019. Adjusted for one-time effects that impacted both periods, profit was up 8.5% from R\$ 193.7 million in 2019 to R\$210.1 million in 2020. Our margin on net operating revenue was 8.9%.

INVESTMENTS

We invested R\$461.7 million in 2020. These funds were mostly used to activate customers on networks that were built in 2018 and 2019.



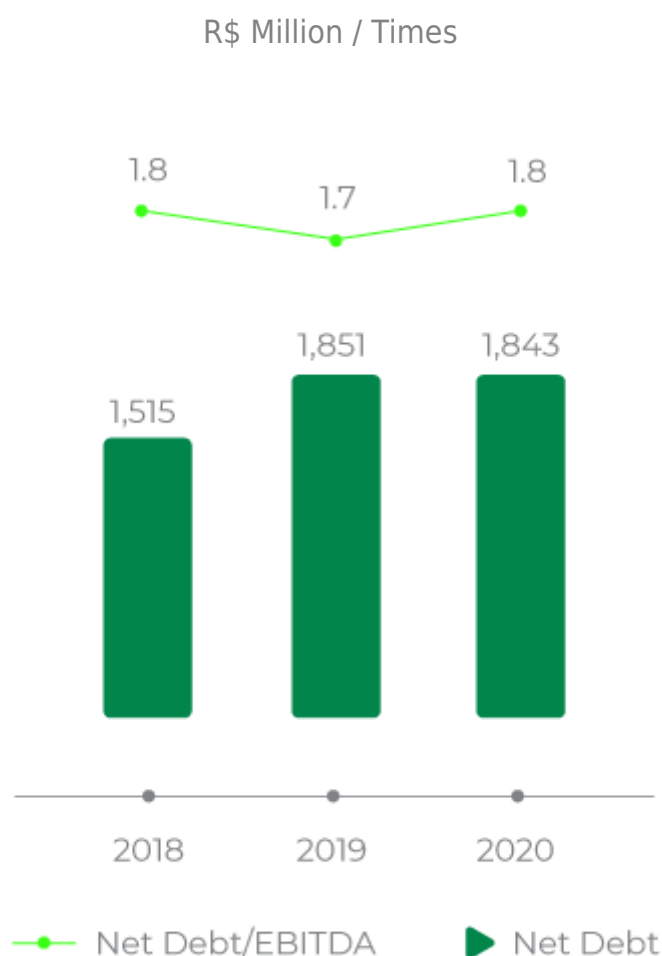
DEBT

At the end of 2020, our gross debt of R\$2.4 billion (R\$3 billion including lease agreements per IFRS 16) was 7.9% higher than our position on December 31, 2019. The largest outstanding amount reflects our funding obtained in April through our 10th public debenture issue for the amount of R\$150 million, to be used to strengthen working capital in view of the adverse the economic scenario caused by the pandemic's effects. Net debt in turn remained stable (+0.4%). At the end of the year, **Algar Telecom** had a cash balance of R\$612 million, which is a robust volume in relation to commitments foreseen for 2021.

Our debt profile is long term with 25% due to be repaid in the short term and 56% in more than 2 years. On December 31, 2020, our net debt/EBITDA ratio of 1.8x was lower than the 2.25x ceiling in our contractual covenants.

In 2020, **Algar Telecom** altered its contractually restricted net debt/EBITDA ratio from 2.25 to 3.0 for the period from 1Q21 to 3Q22. The purpose of this change was both to have this indicator on the same level as required for our most recent issues in the capital market and to adapt for any strategic opportunities.

NET DEBT AND LEVERAGE



*Data for 2019 and 2020 reflect IFRS 16.