



 **DESKTOP**

EARNINGS
RELEASE

3Q21

The financial statements were prepared in accordance with the rules of the Brazilian Securities and Exchange Commission (CVM) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The operating and financial information is presented based on consolidated figures in Brazilian Reais (R\$). Sums may differ due to rounding. Non-financial data such as volume, quantity and average price in reais were not examined by the independent auditors.

3Q21 Highlights

- ▶ **Gross Revenue:** R\$ 119.0 million, 118% growth compared to 3Q20 and 29% compared to 2Q21. Gross Revenue in 9M21 grew by 93% compared to 9M20.
- ▶ **Adjusted EBITDA:** R\$ 40.0 million, representing a margin of 42% in the quarter.
- ▶ **New Cities:** During 3Q21, the Company began operating in 14 new cities, totaling 68 cities served.
- ▶ **Homes Connected (HCs):** 387 thousand subscribers in September 2021, representing a growth of 113% compared to the same period in 2020 and 16% compared to June 2021.
- ▶ **Homes Passed (HPs):** 1.9 million Homes Passed in September 2021, representing a growth of 143% compared to the same period in 2020 and 22% compared to June 2021.
- ▶ **Acquisitions:** +3 acquisitions
 - Starnet:** +20 thousand subscribers
(Closed in August/21 – 3Q numbers were impacted in two months – August and September)
 - Net Barretos:** +63 thousand subscribers
(Closed in November/21 – 3Q numbers were not impacted by Net Barretos' acquisition)
 - LPNet:** +127 thousand subscribers
(Signed in September/21 and closing not done yet - 3Q numbers were not impacted by LPNet's acquisition)

Financial Highlights

R\$ '000	3Q21	3Q20	Var. %	9M21	9M20	Var. %
Gross Revenue	119,033	54,650	118%	285,013	147,975	93%
Adjusted EBITDA	40,022	25,940	54%	95,817	66,246	45%
EBITDA Margin (%)	42%	60%	-18 p.p	43%	57%	-14 p.p
Net Income	12,021	12,163	-1%	16,035	20,638	-22%
Net Margin (%)	13%	28%	-15 p.p	7%	18%	-11 p.p

Operational Highlights

R\$ '000	3Q21	3Q20	Var. %	2Q21	Var. %
Subscribers EoP	387	181	113%	333	16%
Organic Net Adds in the period (excluding M&As)	34	16	112%	32	8%
Homes Passed EoP	1.925	791	143%	1.581	22%
Cities (#)	68	20	240%	54	26%

► Contents

Message from the CEO	1
Operational Performance	2
Homes Passed (HPs)	2
Homes Connected (HCs)	3
Economic and Financial Performance	4
Gross Revenue	4
Adjusted EBITDA	4
Liquidity and Indebtedness	5
Financial Result	5
Depreciation and Amortization	6
Cash Flow	6
Acquisitions	7
Appendix	9
Consolidated Balance Sheet	9
Consolidated Income Statement	10
Consolidated Cash Flow	11

Message from the CEO

In our first year listed on B3 (Stock Exchange), it is with great satisfaction that I present the results for the third quarter of 2021. We continue to deliver solid organic and inorganic growth.

As part of organic expansion, we maintained growth in mature cities and expanded our presence in adjacent regions. Between July and September, Desktop began operations in the cities of Sorocaba, Pirassununga, Itupeva, Casa Branca, Porto Ferreira, Santa Cruz das Palmeiras and Santa Rita do Passa Quatro, ending 3Q21 with coverage of 68 cities. We continue to grow net adds quarter over quarter, reaching 34 thousand net adds in the third quarter, considering only organic growth.

In terms of inorganic growth, we are still very excited about the opportunity to consolidate the sector. We closed the acquisition of 100% of Starnet and entered into a Share Purchase Agreement for 100% of the capital stock of Net Barretos and LPNet. This is a strategic move that will contribute to the opening of new markets for organic growth and solidification of our dominance in the countryside of the State of São Paulo.

At the end of 3Q21, still pre-acquisition of Net Barretos and LPNet, we reached: (i) 1.9 million Homes Passed, an increase of 143% compared to September 2020 and 22% compared to June 2021; (ii) 387 thousand subscribers, an increase of 113% when compared to the same period of the previous year, and 16% compared to June 2021; and high level of penetration of Homes Passed: 28% in mature cities and 7% in new cities. Considering the M&As of Net Barretos and LPNet, we reached the mark of 577 thousand subscribers.

Investments in training, technology and customer experience helped us to continue with an increase in our Reclame Aqui score to 8.4. High quality end-to-end customer service is in our DNA, and together with our state-of-the-art network and product, they help to position us as the leading ISP in the State of São Paulo.

Our financial results also remained extremely positive. The Company's Gross Revenue in 3Q21 was R\$ 119.0 million, an increase of 118% compared to 3Q20 and 29% compared to 2Q21. The Company's Adjusted EBITDA totaled R\$ 40.0 million.

I close by thanking all our employees, investors, and business partners for helping us to build our history, daily, through hard work and confidence in what we want to deliver to the market. I am sure that we will continue to consolidate with excellence, bringing high quality access to our customers and strengthening our brand.

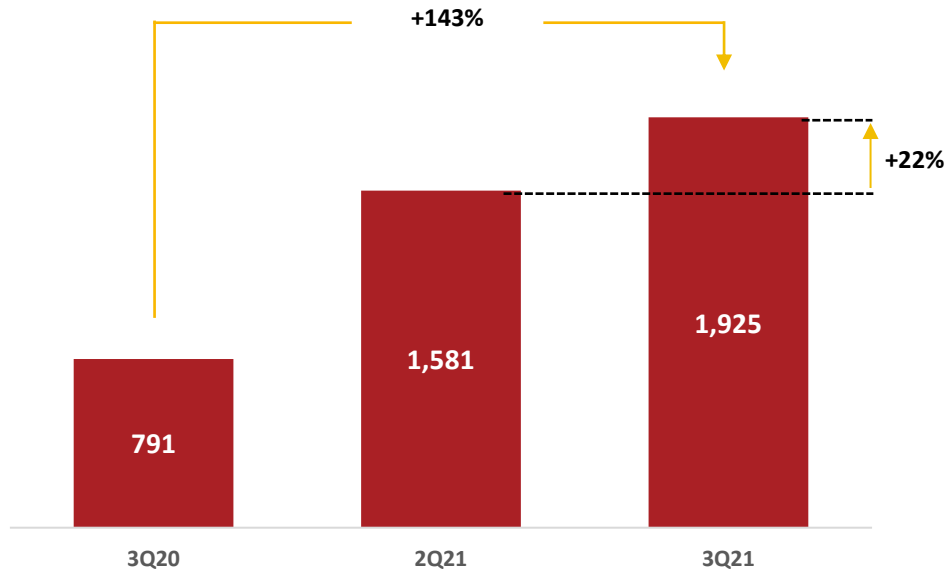
Denio Alves Lindo
CEO

Operational Performance

Homes Passed (HPs)

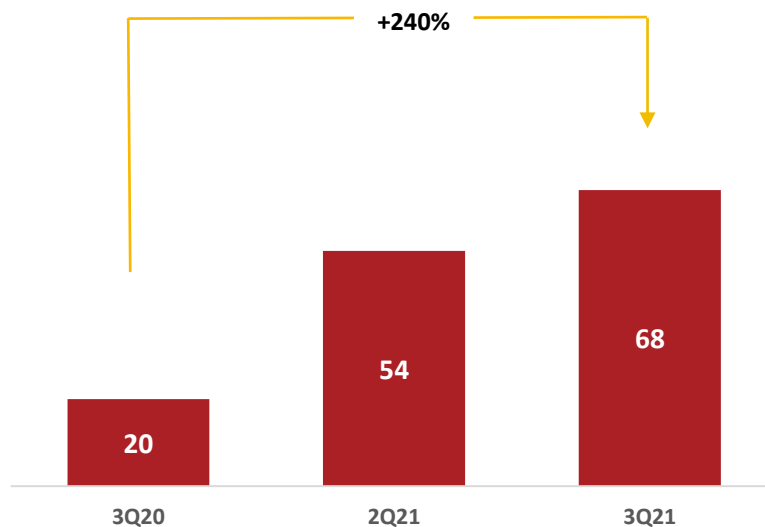
The number of Homes Passed continues to grow at a fast pace, reaching 1,925 thousand homes in September 2021, 143% higher than the same period in 2020.

Figure 1- Homes Passed (HPs) - ('000)



In 3Q21, Desktop reached a total of 68 cities in the State of São Paulo, an increase of approximately 3.4 times the number of cities it served in 3Q20 and 1.3 times over the number of cities served in 2Q21. All the new cities are in the state of São Paulo, in line with Desktop's strategy to expand to regions that are adjacent to the Company's operations.

Figure 2- New Cities

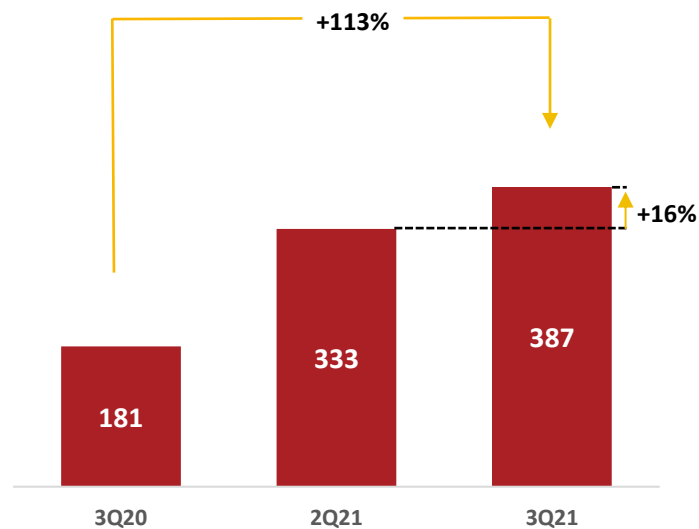


Homes Connected (HCs)

The Company's client base grew 113% over 3Q20, reaching 387 thousand connected homes. Compared to the end of 2Q21, the subscriber base increased by 16%.

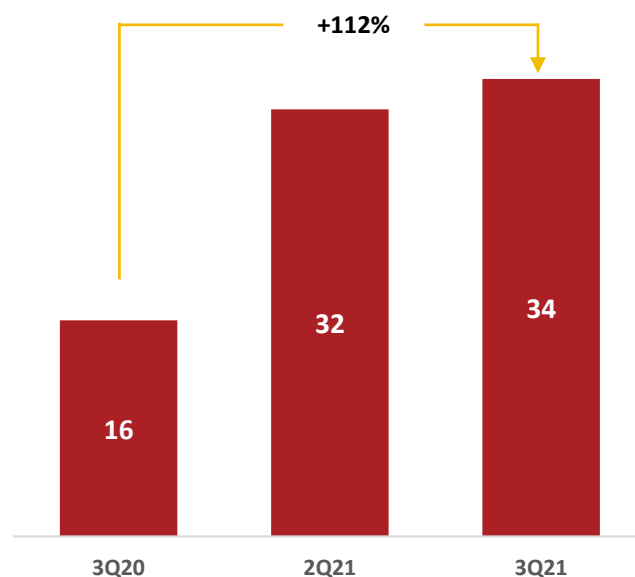
In terms of inorganic growth, the evolution in the quarter was due to the conclusion of the acquisition of Starnet, in August 2021, which added 20 thousand subscribers to Desktop's client base. Considering the acquisitions of Net Barretos and LPnet, the number of subscribers grows to around 557 thousand.

Figure 3 – Connected Homes - ('000)



The strong commercial effort associated with the accelerated expansion of Desktop's network also showed results in 3Q21. Even with the opening of several cities in the last week of 3Q21, the Company maintained a good growth in net organic additions, reaching 34 thousand new subscribers in 3Q21, 112% higher than 3Q20 and 8% higher than 2Q21.

Figure 4 – Net Organic Additions - ('000)



Economic and Financial Performance

Gross Revenue

Gross Revenue totaled R\$ 119.0 million in 3Q21, an increase of 118% when compared to 3Q20 and 29% compared to 2Q21. In 9M21, there was a growth of 93% when compared to 9M20, reaching R\$ 285.0 million in Gross Revenue. The evolution is mainly due to the increase in net additions, because of the increased penetration of the existing network and the significant expansion of geographic coverage via organic expansion and M&As, including 14 new cities in the quarterly comparison of 3Q21 with 2Q21 and 48 new cities in the annual comparison of 3Q21 with the 3Q20.

R\$ '000	3Q21	3Q20	Var. %	9M21	9M20	Var. %
Gross Revenue	119,033	54,650	118%	285,013	147,975	93%
(-) Sales tax	(24,720)	(11,332)	118%	(59,567)	(31,131)	91%
Net Revenue	94,313	43,318	118%	225,446	116,844	93%
(-) Cost of Services	(29,447)	(8,166)	261%	(62,173)	(24,234)	157%
Gross Profit	64,866	35,152	85%	163,273	92,610	76%
<i>Gross Margin (%)</i>	<i>69%</i>	<i>81%</i>	<i>-12 p.p</i>	<i>72%</i>	<i>79%</i>	<i>-7 p.p</i>

Adjusted EBITDA

Even with the EBITDA margin still under pressure due to the acceleration of organic growth, Adjusted EBITDA totaled R\$ 40.0 million in 3Q21, an increase of 54% when compared to 3Q20, driven by the significant increase in revenue.

We highlight that, compared to the same period of the previous year, the EBITDA margin was lower mainly due to (i) greater participation of projects in maturation phase in relation to the total number of cities in which the Company operates, leading to the anticipation of interconnection and connectivity costs, marketing and personnel costs and expenses for customer service, operations and sales in preparation for the expected growth for the years 2021 and 2022; and (ii) increase in personnel expenses to adjust the Company's management level.

The Company discloses its Adjusted EBITDA excluding other non-recurring operating income (expenses) as it understands that they should not be considered in the calculation of recurring operating cash flow.

Adjusted EBITDA is calculated from net income (loss), plus depreciation and amortization, income taxes, net financial result and the result of other non-operating and/or non-recurring income/expenses, such as one-off expenses with IPO and M&As (ex. lawyers and auditors), write-off of fixed assets and expenses related to the Stock Option Plan.

R\$ '000	3Q21	3Q20	Var. %	9M21	9M20	Var. %
Net Income	12,021	12,163	-1%	16,035	20,638	-22%
Financial result	(5,246)	(1,619)	224%	(18,058)	(3,996)	NM
Income tax	(3,435)	(5,550)	-38%	(10,029)	(10,301)	-3%
Depreciation and Amortization	(14,835)	(6,373)	133%	(35,203)	(15,150)	132%
EBITDA¹	35,537	25,705	38%	79,325	50,085	58%
<i>EBITDA Margin (%)</i>	<i>38%</i>	<i>59%</i>	<i>-22 p.p</i>	<i>35%</i>	<i>43%</i>	<i>-8 p.p</i>
Non-recurring and/or non-operating expenses	(4,485)	(235)	NM	(16,492)	(16,161)	2%
Non-recurring expenses from IPO and M&As	(1,877)	(235)	NM	(12,881)	(8,800)	46%
Asset Retirement	(365)	-	NM	(365)	(7,361)	-95%
Stock Option Plan	(2,243)	-	NM	(3,247)	-	NM
Adjusted EBITDA²	40,022	25,940	54%	95,818	66,246	45%
<i>Adjusted EBITDA Margin (%)</i>	<i>42%</i>	<i>60%</i>	<i>-18 p.p</i>	<i>43%</i>	<i>57%</i>	<i>-14 p.p</i>

1- EBITDA calculated according to CVM 527/2012 instruction. (= from the sum of net income, income taxes, financial result and depreciation)

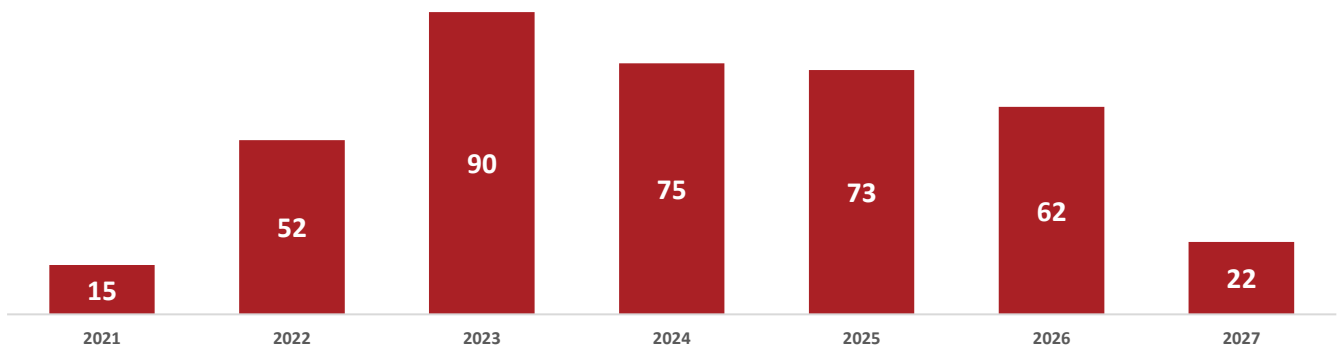
2- Adjusted EBITDA excluding non-recurring items that must not be considered to calculate the operating cash flow

Liquidity and Indebtedness

The Company ended 3Q21 with gross debt of R\$ 389.9 million, an increase of 93% when compared to 4Q20. The variation reflects the issuance of debentures and hiring of long-term loans and financing to support the Company's growth. The average term of the Company's debt is 4.8 years.

Liquidity (R\$ '000)	3Q21	4Q20
(+) Cash and cash equivalents	565,719	54,941
(+) Financial investments	28,082	26,711
Liquidity	593,801	81,652
Indebtedness (R\$ '000)	3Q21	4Q20
(-) Debenture	191,706	-
(-) Loans and financing	198,225	201,919
Gross Debt	389,931	201,919
(-) Liquidity	593,801	81,652
Net Debt	(203,870)	120,267
Leverage (R\$ '000)	3Q21	4Q20
LTM Adjusted EBITDA	117,258	87,686
Net Debt/LTM Adjusted EBITDA (x)	-1.7x	1.4x

Debt Schedule (R\$ mm)



Financial Result

Financial Result totaled R\$ 5.2 million in 3Q21, an increase of 224% when compared to 3Q20. The increase is due to the Company's higher indebtedness, including the issuance of a debenture in the amount of R\$ 194 million in 1Q21.

R\$ '000	3Q21	3Q20	Var. %	9M21	9M20	Var. %
Net Financial Result	(5,246)	(1,619)	224%	(18,058)	(3,996)	NM
(+) Financial revenue	6,822	899	NM	10,663	2,505	326%
(-) Financial expense	(12,068)	(2,518)	NM	(28,721)	(6,501)	342%

Depreciation and Amortization

Depreciation and Amortization totaled R\$ 14.8 million in 3Q21, up 133% over 3Q20. This growth was the result of higher investments in network expansion and customer installation

R\$ '000	3Q21	3Q20	Var. %	9M21	9M20	Var. %
Depreciation and Amortization	(14,835)	(6,373)	133%	(35,203)	(15,150)	132%
Depreciation and Amortization	(14,835)	(6,156)	141%	(34,224)	(14,567)	135%
Amortization - right of use	-	(217)	NM	(979)	(583)	68%

Cash Flow

Desktop's cash flow from investing activities in 3Q21 was R\$109.8 million, compared to R\$32.3 million in 3Q20. This increase is due to greater investments in client activation, infrastructure and M&As, increasing penetration and expanding Desktop's coverage area to new cities.

Desktop's financing cash in 3Q21 was R\$647.3 million, compared to R\$101.5 million in 3Q20, mainly due to the inflow of funds from the IPO held in July 2021.

R\$ '000	3Q21	3Q20	Var. %	9M21	9M20	Var. %
BoP – Cash Balance	34,630	2,975	NM	54,941	8,560	NM
Cash flow from operating activities	(6,454)	5,369	NM	90,902	55,849	63%
Cash flow from investing activities	(109,819)	(32,337)	240%	(453,741)	(87,806)	NM
Cash flow from financing activities	647,362	101,532	NM	873,617	100,936	NM
Net increase (decrease) in cash and cash equivalents	531,089	74,564	NM	510,778	68,979	NM
EoP - Cash Balance	565,719	77,539	NM	565,719	77,539	NM

Acquisitions

In 3Q21, we had important events in our M&A agenda, involving **(i)** the closing of the acquisition of Starnet; **(ii)** the signing of the Sales and Purchase Agreement with Net Barretos; and **(iii)** the signing of the Sales and Purchase Agreement with LPNet.

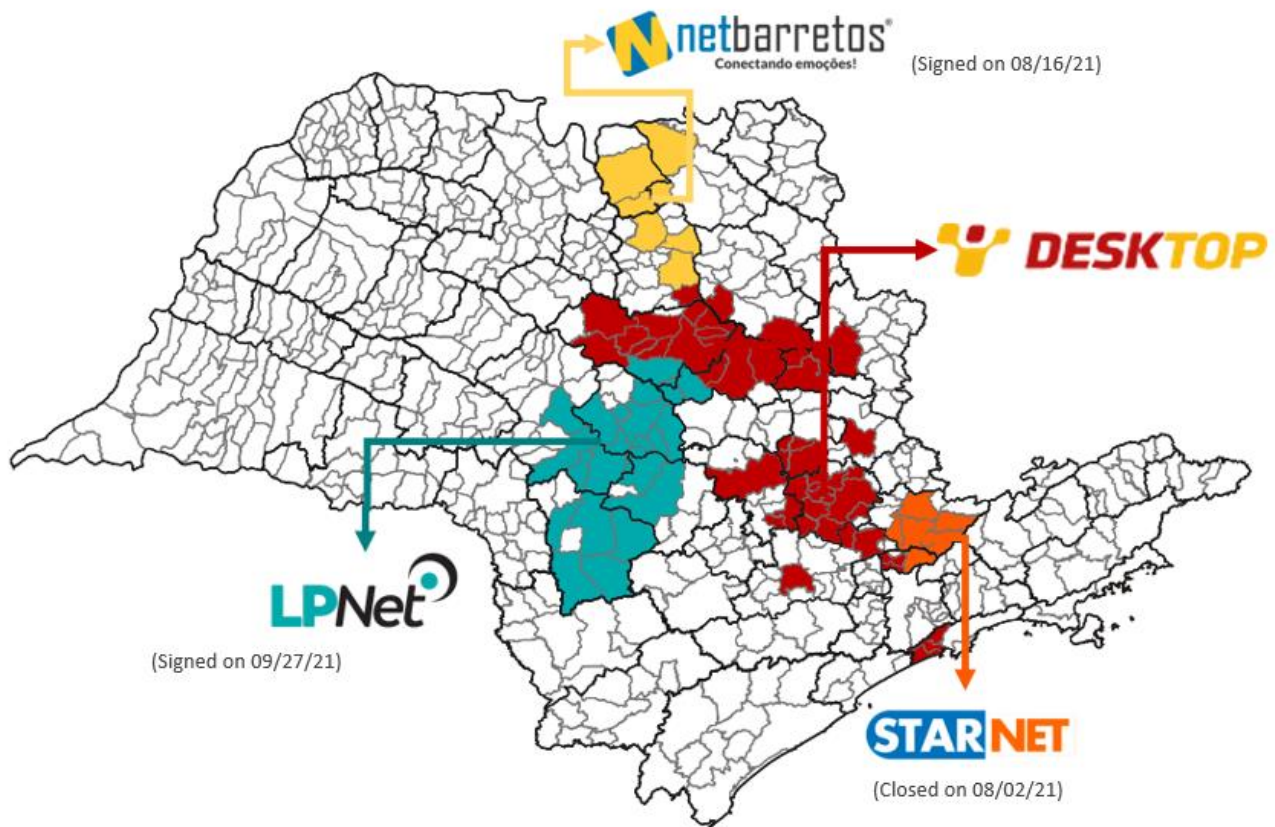
On August 2, 2021, the Company closed the acquisition of 100% (one hundred percent) of the capital stock of Starnet Telecomunicações Ltda., a fiber optic broadband internet provider in the interior of the State of São Paulo, in the cities of Atibaia, Mairiporã, Bom Jesus dos Perdões, Jarinu, Piracaia and Nazaré Paulista. Starnet has a base of approximately 20,000 subscribers and total gross revenue of approximately R\$30 million for the last twelve months ended June 30, 2021.

On August 16, 2021, Desktop signed a Share Purchase Agreement, to acquire shares representing the entire capital stock capital of Net Barretos Participações S.A., a provider of broadband internet services with fiber optic technology in the countryside of the State of São Paulo, in the cities of Barretos, Bebedouro, Guaíra, Pitangueiras, Colina, Jaboticabal and Jaborandi. This transaction was closed on November 5, 2021.

On September 27, 2021, Desktop signed a Share Purchase Agreement to acquire shares representing the entire capital of LPNET Telecomunicações Ltda., Velus Serviços de Comunicações Ltda., Netstyle Comércio de Equipamentos de Informática Ltda., Silva e Silveira Internet Provider Ltd. and LPNET Serviços de Cobrança Ltda. (collectively, "LPNet"). LPNet is one of the largest broadband internet service providers with fiber optic technology in the State of São Paulo, operating in Lençóis Paulista and more than 40 other cities in the region.

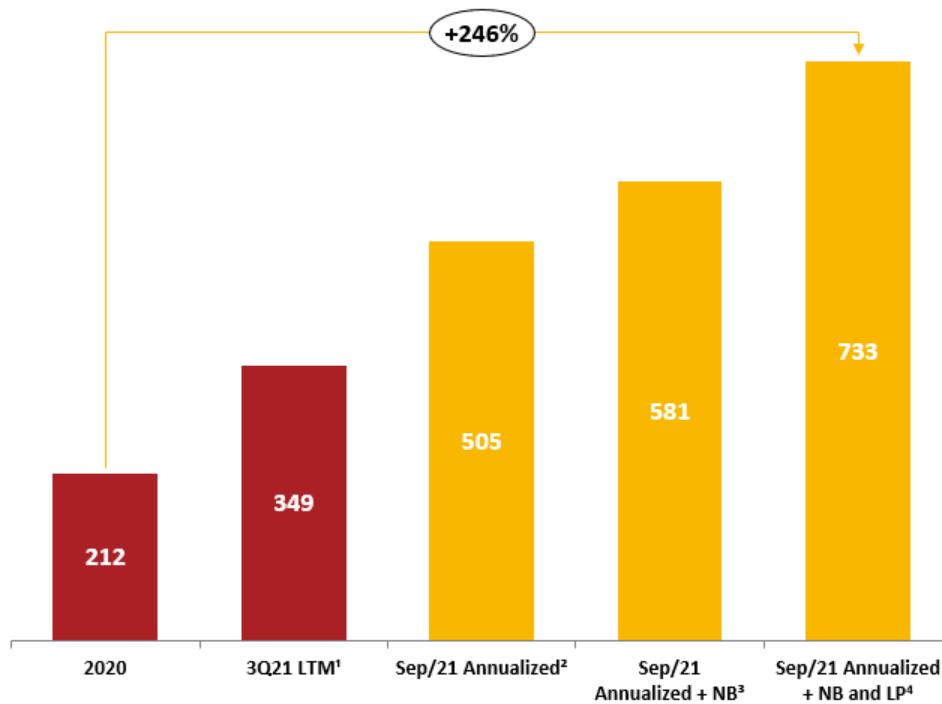
All acquisitions are in line with Desktop's inorganic growth strategy through acquisitions of assets that: **(i)** are in geographic areas adjacent to the Company's current operations; **(ii)** that have strong dominance in their markets; and **(iii)** with the potential to continue post-transaction growth organically.

The transactions reinforce the Company's presence in the interior of São Paulo, operating in more than 100 municipalities with a population of more than 9 million inhabitants and a total of more than 3 million homes, reinforcing its leadership position in the largest market in Brazil.



Below we show our annualized pro forma Gross Revenue, providing greater clarity on the effects of acquisitions on our results. By annualizing the Gross Revenue for the month of September, which includes the result of Starnet, we reached approximately R\$ 505 million. Adding the effect of the acquisition of Net Barretos, we reached R\$ 581 million in Gross Revenue. Finally, adding the increase in revenue from the acquisition of LPNet, our Gross Revenue totals R\$733 million.

Figure 5 – Annualized Pro Forma Gross Revenue - (R\$ million)



1. 3Q21 LTM = Last twelve months ended in Sep/21
2. Considers the gross revenue for the month of Sep/21 multiplied by 12 ("Revenue Sep/21 Annualized")
3. Considers the Annualized Sep/21 Revenue plus the increase of **Net Barretos'** annualized gross revenue in September/21
4. Considers the Annualized Sep/21 Revenue plus the increase of the annualized gross revenue of **Net Barretos and LPNet** in September/21

Appendix

Consolidated Balance Sheet

R\$ '000	3Q21	4Q20
TOTAL ASSETS	1,437,661	404,579
Current Assetes	669,084	121,241
Cash and cash equivalents	565,719	54,941
Financial investments	26,137	24,835
Trade receivables	54,408	29,254
Taxes recoverable	13,103	6,294
Income tax and social contribution	1,177	1,967
Other Trade receivables - related parties	802	-
Other Assets	7,738	3,950
Noncurrent assets	768,577	283,338
Financial investments	1,945	1,876
Judicial deposits	746	598
Taxes recoverable	27,235	11,558
Deferred income tax and social contribution	31,699	-
Other Assets	11,231	3,818
Property and equipment	570,836	219,814
Right-of-use assets	14,137	8,271
Intangible assets	110,748	37,403
LIABILITIES AND EQUITY	1,437,661	404,579
Current liabilities	161,560	101,187
Trade payables	37,105	43,239
Trade payables - related parties	5,306	1,126
Loans and borrowings	48,592	29,970
Social and labor obligations	30,100	8,166
Taxes payable	30,616	10,277
Taxes payable in installments	2,476	2,432
Lease liabilities	2,372	974
Other payables	4,993	5,003
Noncurrent liabilities	398,608	188,169
Trade payables - related parties	25,358	6,604
Loans and borrowings	149,633	171,949
Debentures	191,706	-
Deferred income tax and social contribution	-	1,258
Taxes payable	126	-
Lease liabilities	12,081	8,010
Provision for contingencies	2,037	348
Other payables	17,667	-
Equity	877,493	115,223
Share capital	750,480	28,249
Advance for future capital increase	-	20,541
Capital reserve	38,825	-
Income reserve	65,597	40,368
Retained earnings	13,595	25,229
Equity attributable to owners of the Company	868,497	114,387
Equity attributable to noncontrolling interests	8,996	836

Consolidated Income Statement

R\$ '000	3Q21	3Q20	Var. %	9M21	9M20	Var. %
Gross Revenue	119,033	54,650	118%	285,013	147,975	93%
(-) Sales tax	(24,720)	(11,332)	118%	(59,567)	(31,131)	91%
Net Revenue	94,313	43,318	118%	225,446	116,844	93%
(-) Cost of Services	(29,447)	(8,166)	261%	(62,173)	(24,234)	157%
Gross Profit	64,866	35,152	85%	163,273	92,610	76%
<i>Gross Margin (%)</i>	<i>69%</i>	<i>81%</i>	<i>-12 p.p</i>	<i>72%</i>	<i>79%</i>	<i>-7 p.p</i>
(-) Commercial expenses	(8,697)	(2,499)	248%	(20,444)	(5,861)	249%
(-) General and administrative	(20,309)	(5,204)	290%	(54,344)	(21,523)	152%
(+/-) Other income (expenses), net	3,301	1,755	88%	4,543	(3,240)	NM
(-) Depreciation and amortization	(14,835)	(6,373)	133%	(35,203)	(15,150)	132%
(-) Loss due to impairment of accounts receivable	(3,624)	(3,499)	4%	(13,703)	(11,901)	15%
(-) Financial Result	(5,246)	(1,619)	224%	(18,058)	(3,996)	NM
EBT	15,456	17,713	-13%	26,064	30,939	-16%
(+/-) Income Taxes	(3,435)	(5,550)	-38%	(10,029)	(10,301)	-3%
Net Income	12,021	12,163	-1%	16,035	20,638	-22%
<i>Net Margin (%)</i>	<i>13%</i>	<i>28%</i>	<i>-15 p.p</i>	<i>7%</i>	<i>18%</i>	<i>-11 p.p</i>

R\$ '000	3Q21	3Q20	Var. %	9M21	9M20	Var. %
Net Income	12,021	12,163	-1%	16,035	20,638	-22%
Financial result	(5,246)	(1,619)	224%	(18,058)	(3,996)	NM
Income tax	(3,435)	(5,550)	-38%	(10,029)	(10,301)	-3%
Depreciation and Amortization	(14,835)	(6,373)	133%	(35,203)	(15,150)	132%
EBITDA¹	35,537	25,705	38%	79,326	50,085	58%
<i>EBITDA Margin (%)</i>	<i>38%</i>	<i>59%</i>	<i>-22 p.p</i>	<i>35%</i>	<i>43%</i>	<i>-8 p.p</i>
Non-recurring and/or non-operating expenses	(4,485)	(235)	NM	(16,492)	(16,161)	2%
Non-recurring expenses from IPO and M&As	(1,877)	(235)	NM	(12,880)	(8,800)	46%
Asset Retirement	(365)	-	NM	(365)	(7,361)	-95%
Stock Option Plan	(2,243)	-	NM	(3,247)	-	NM
Adjusted EBITDA²	40,022	25,940	54%	95,817	66,246	45%
<i>Adjusted EBITDA Margin (%)</i>	<i>42%</i>	<i>60%</i>	<i>-18 p.p</i>	<i>43%</i>	<i>57%</i>	<i>-14 p.p</i>

- 1- EBITDA calculated according to CVM 527/2012 instruction. (= from the sum of net income, income taxes, financial result and depreciation);
- 2- Adjusted EBITDA excluding non-recurring items that must not be considered to calculate the operating cash flow

Consolidated Cash Flow

R\$ '000	9M21	9M20
BoP – Cash Balance	54,941	8,560
Cash flows from operating activities		
Profit before income tax and social contribution	26,064	30,939
Adjustments for:		
Provisions for interest on loans, borrowings and leases	8,030	2,754
Loss due to reduction to recoverable amount of accounts	13,703	11,901
Provision for contingencies	1,689	(20)
Depreciation and amortization	34,167	13,831
Amortization of right-of-use assets	979	583
Income from financial investments	(1,043)	(182)
Stock option plan	3,247	-
Equity	-	-
Debenture's commissions appropriation	208	-
Write-off of property and equipment and intangible assets	2,905	5,399
Adjusted profit before income tax and social contribution	89,949	65,205
Variation in assets and liabilities		
Trade receivables	(38,857)	(15,118)
Taxes recoverable	(22,444)	(3,624)
Other assets	(6,995)	(2,647)
Judicial deposits	(148)	64
Trade payables	11,835	15,251
Social and labor obligations	21,934	3,541
Taxes payables	16,606	9,298
Related parties	22,132	(1,664)
Other payables	17,656	403
Net cash generated from operations	111,668	70,709
Income tax and social contribution paid	(6,928)	(12,776)
Interest paid	(13,838)	(2,084)
Net cash from operating activities	90,902	55,849
Cash flows from investing activities		
Acquisition of financial investments	(132,946)	(30,890)
Redemption of financial investments	132,618	27,477
Acquisition of investment	-	-
Acquisition of property and equipment and intangible assets	(461,439)	(84,394)
Net cash used in investing activities	(461,767)	(87,807)
Cash and cash equivalents arising from mergers	8,026	1
Net cash used in investing activities after mergers	(453,741)	(87,806)
Cash flows from financing activities		
Proceeds from loans, borrowings and debentures	233,116	89,223
Repayment of loans, borrowings and debentures	(36,214)	(8,230)
Commissions on debentures	(2,502)	-
Payment of lease liabilities	(2,164)	(598)
Capital Increase	675,661	-
Noncontrolling interests	5,720	-
Advance for future capital increase	-	20,541
Net cash from financing activities	873,617	100,936
Net increase (decrease) in cash and cash equivalents	510,778	68,979
EoP - Cash Balance	565,719	77,539

Disclaimer

Some statements contained herein may refer to expectations on future results. Such statements are subject to known and unknown risks and uncertainties that may cause such expectations to not materialize or to differ significantly from what was expected. These risks include, among others, changes in future demand for the Company's products, changes in factors that affect prices for domestic and international products, changes in cost structure, changes in market seasonality, changes in prices practiced by competitors, exchange rate variations, changes in the political-economic scenario in Brazil and other emerging and international markets. Statements on future expectations have not been reviewed by the independent auditors.



Investor Relations

ri@desktop.net.br

www.ri.desktop.com.br

