



**M&A**

# InfraCo | V.tal

Closing terms

June 10, 2022

# disclaimer



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# Oi's transformation, approved by the 2020 RJ Plan Amendment, defined a structural separation model between InfraCo and ClientCo



## Oi's Strategy

### InfraCo | V.tal

#### Services:

- White Label FTTH
- Wholesale connectivity and Transport
- 5G Enablement

#### Customers:

- Telcos
- ISPs
- Service Providers
- OTTs

#### Infrastructure:

- FTTH Network, 15M+ HPs
- 400k+ km of fiber
- Robust Data Network
- Rights of Way

### ClientCo | New Oi

#### Services:

- Sales & Mkt
- Customer care
- Retail FTTH / Fiber
- Retail & Wholesale legacy services
- Digital services

#### Customers:

- Residential and SMEs
- Corporate and Government [*Oi Soluções*]
- Legacy wholesale

#### Infrastructure:

- IPTV and OTT Platforms
- Copper
- Legacy Transport Network
- Digital Platforms

✓ Robust and granular **neutral and independent** network structure

✓ Better Access to funding sources, **due to the independence, revenue predictability and greater exposure to other operators**

✓ Acceleration of **investment increasing fiber network coverage**

✓ Service culture **centered on customer experience and digital as the first option**

✓ Focus on excellence in consumer experience and **offer differentiation**

✓ Less need for own investment, **leveraging on an even more comprehensive network**

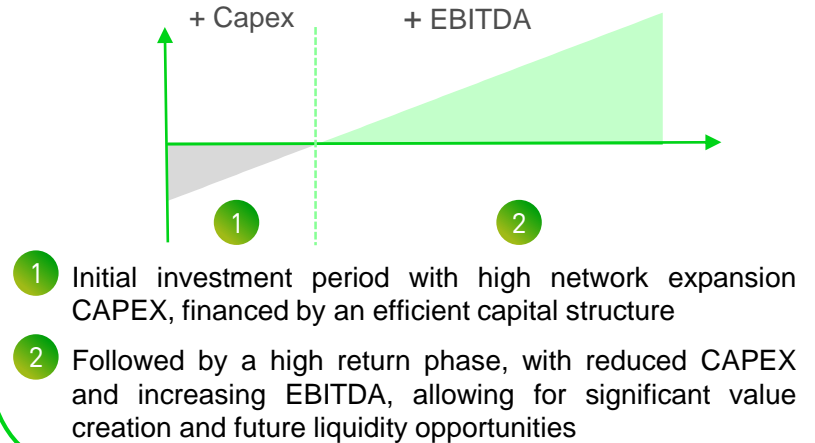
# Structural separation allowed for the creation of the largest telecom infrastructure company in Latin America



## InfraCo | V.tal

- ✓ Neutral network operator with more than 400,000 km of fiber, with a plan to **reach 32M HPs by 2025**
- ✓ **Massifying optical fiber**, enabling broadband, 5G and business services
- ✓ Investments of approximately R\$ 30 bn in the next 4 years. InfraCo will have BTG as new controlling shareholder and **Oi will remain a very relevant shareholder**
- ✓ A **complete and modular portfolio of services**, to serve different types of operators with neutral commercial treatment under competitive conditions
  - Wholesale contracts in place poised for significant increases with mobile and 5G growth in Brazil
  - First end to end neutral network solution for FTTH services

### Cash Flow profile



Reliability and availability



High level of security



Low latency



Operational efficiency



Broad range of solutions



One Infra, multiple networks...  
... and all futures.

# All key regulatory and competition approvals secured



- **CADE:** approved on Nov 4th, 2021
- **ANATEL:** approved on May 5th, 2022 conditioned to subsequent steps already concluded → Globenet's reorganization [approved on May, 18th, 2022], V.tal's acquisition of control [approved on May, 24th, 2022]. Additional conditions to be observed after closing
- **BERMUDA:** approved on Jan 27, 2022
- **US:** CFIUS and Team Telecom/FCC → Letter of Agreement signed on May 27, 2022 and final decisions expected for end of June. However, whereas Globenet's US assets were carved out, to be incorporated post US approvals, remaining components of the operation can close as planned

## Relevant Aspects of the Approvals

- Oi remains a shareholder of V.tal, condition that allowed the transfer of Oi's reversible assets without specific prior approval for transference of reversible assets to a third party.
- Reversible assets (current or future) used to provide STFC under public regime will continue to (i) be subject to reversibility regime and (ii) used by Oi.
- Subsequent conditions to be implemented by V.tal and Globenet following the closing and incorporation.

## Next Steps

- Obtain US Authorities approvals to merge Globenet's US assets
- Elimination of STFC authorizations overlap within 18 months of the approval of the transaction
- Compliance by V.tal, within 6 months of operation, of obligations related to the inventory of Globenet's assets, informing those that would be subject to reversibility regime
- Compliance with the conditions for future merger of Globenet into V.tal

# EV pre money of R\$ 20 bn, and EqV at closing of R\$ 19.2 bn, making it the largest private equity deal in Brazil



		As of Dec/21	EBITDA (2021E)*	EV/EBITDA
EV calculation	EV	R\$ 20,020 mn	R\$ 1,108 mn	18.1x
	Debt	R\$ 2,607 mn		
	EqV pre money	R\$ 17,413 mn		

- Post petition debt as of clause 5.3.8.1 of amendment to the RJ Plan.
- R\$ 2,426 mn debt with Oi expected adjustment by 115% of CDI from Jun/20 to Dec/21 (original expected closing date).
- Must be paid in up to 90 days post closing. At this date R\$ 2,721 mn.

		R\$ million	EqV post	Shares bought/ Issued as % Of Total		
Structure @ closing	1 Primary	1,776	19,189	9.3%	BTG	Oi
	2 Secondary	8,010	19,189	41.7%	51.0%	49.0%

meets condition provided in the Plan Amendment at closing.

\* Ernest & Young financial report

## 1 Structure at closing

Primary **R\$ 1,776 mn**

Secondary **R\$ 8,010 mn**

Cash out **R\$ 9,786 mn**

<u>BTG</u>	<u>Oi</u>
<b>51.0%</b>	<b>49.0%</b>

## 2 Secondary

1<sup>st</sup> Installment  
@ closing

R\$ 4,262 mn

2<sup>nd</sup> Installment  
paid until Dec/22

R\$ 1,323 mn

3<sup>rd</sup> Installment  
paid until Dec/23

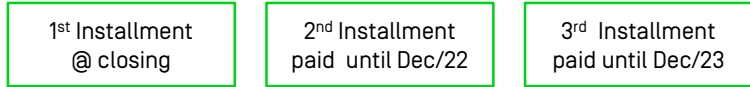
R\$ 2,425 mn

Updated by SELIC until  
effective payment

# Oi payments to Globenet 22-24 netted against secondary component



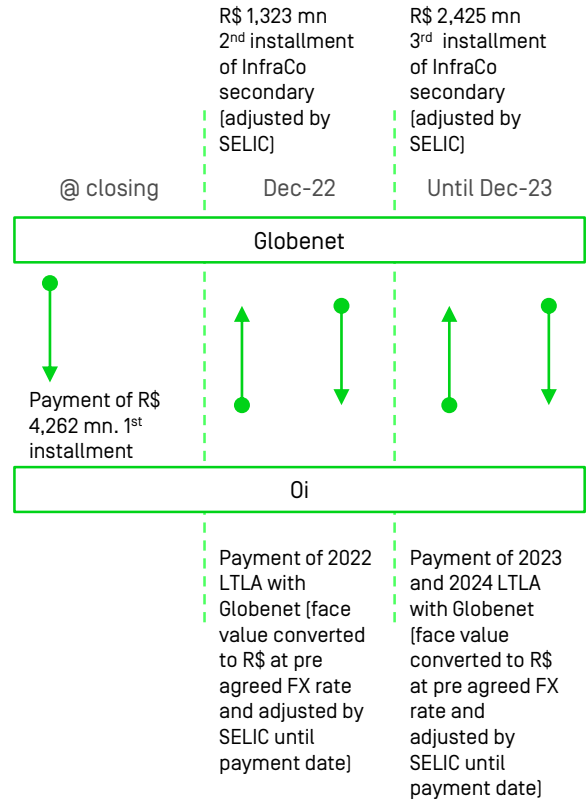
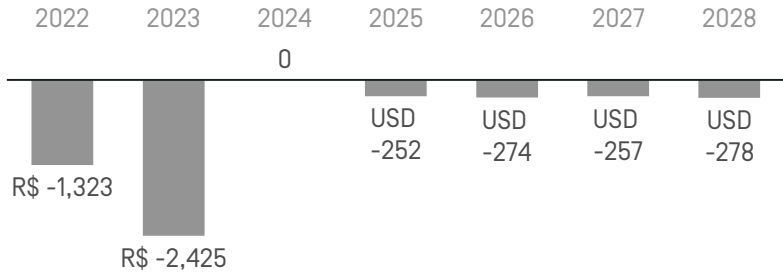
## 2 Secondary component



R\$ 4,262 mn      R\$ 1,323 mn      R\$ 2,425 mn

Negotiated to have perfect cash flow match with Globenet LTLA payments from 22-24

New profile of renegotiated LTLA\* Oi/Globenet      To be paid by Oi to V.tal





**After closing, additional primary and Globenet's incorporation bring EqV to R\$ 22.3 bn. Additional contractual adjustments are also applied, resulting in reduced participation but better commercial terms to Oi**

		R\$ million	EqV Post	Shares bought/ Issued as % Of Total	BTG	Oi
<b>Structure @ closing</b>	1 Primary	1,776	19,189	9.3%	<b>Participation @closing</b> <b>51.0%</b>	<b>49.0%</b>
	2 Secondary	8,010	19,189	41.7%		
<b>Structure post additional primary and Globenet</b>	3 Additional Primary	1,618	20,807	7.8%	<b>54.8%</b>	<b>45.2%</b>
	4 Globenet Contribution	1,519	22,326	6.8%	<b>57.9%</b>	<b>42.1%</b>
<b>Total Transaction Value</b>		<b>12,923</b>				
<b>Additional adjustments post closing</b>	5 Price Adjustments (Clause 6 IA – Participation Adjustment), related to Opex and other financial metrics - Post Closing			<b>3.65%</b>	<b>61.5%</b>	<b>38.5%</b>
	Price Adjustment (to be verified in 18 months due to Commercial Terms more favorable to Oi) – Post Closing			<b>3.73%</b>	<b>65.3%</b>	<b>34.7%</b>
					<b>Final participation</b>	

meets condition provided in the Plan Amendment at closing.

### V.tal / Oi Operation

- V.tal operating independently since end of 2021, with separate governance from Oi's commercial operation, and full network neutrality, with an independent Network Neutrality Committed to be appointed after closing
- Lock-box mode started in Jan/1st/2022, and cash adjustments related to lock-box from side to side implemented in up to 90 days post closing via cash contribution in V.tal [Clause 10.9 IA]
- Better commercial terms will allow for increased traction for Oi's FTTH commercial activities
- Adjustments to the operating model will allow Oi to maintain strategic control of the customer's home, through ownership of the customer premise equipment (ONTs), which remain as Oi's assets – elimination of future participation adjustments related to these assets previously negotiated in the Agreement

### Oi's Expectations for V.tal

- As part of its mid/long term sustainability strategy, Oi expects a significant appreciation of its share in V.tal, with the potential to generate liquidity events or additional capacity to refinance long-term obligations in the next 2 to 3 years, thus helping to address some of its cash needs until 2025

### Oi Debt Reduction – InfraCo Debenture

- Upon closing of the transaction, Oi has repaid in full all commitments of the convertible debentures of the 1<sup>st</sup> issue of V.tal, outstanding with Brookfield and Farallon, in a total value of R\$ 3,526 mn, as provided for in the Indenture