

São Paulo, March 23, 2023: Locaweb Serviços de Internet SA (B3: LWSA3) informs its shareholders and other market participants of the 4Q22 results

Highlights

Net Revenue of **R\$302.9** million in 4Q22, a growth of **23.2%** vs 4Q21

In 2022, Net Revenue reached **R\$1,138.4** million, a growth of **42.3%** vs 2021

Commerce reached **R\$206.4** million in Net Revenue, a growth of **46.3%** vs. 4Q21

In 2022, Net Revenue in Commerce was **R\$721.7** million, growth of **81.9%** vs 2021

Commerce segment already accounts for **68%** of the Group's Net Revenue (4Q22)

Adjusted EBITDA of **R\$48.7** million in 4Q22, growth of **54.1%** vs 4Q21, with **16.1%** of EBITDA margin, expansion of **3.2 p.p.** when compared to EBITDA margin of 4Q21

Improvement of EBITDA margin of acquired companies compared to 3Q22 (**+2.3 p.p.**) and in comparison with 4Q21 (**+9.1 p.p.**). It is worth mentioning that the 5 main acquired companies already presented positive EBITDA (**R\$ 2.8 million** in 4Q22)

Net Income of **R\$18.9 million** in 4Q22 and **R\$30.3 million** in 2022 (vs -R\$15.7 million in 2021)

Platform subscriber base¹ grew **31.6%**, from **123.2 thousand** subscribers in 4Q21 to **162.0 thousand** in 4Q22

Continued pace of new platform subscribers additions¹ in 4Q22 compared to the previous four quarters

Conference call (simultaneous translation)
March 24, 2023 at 10:00 am (Brasília time)

https://mzgroup.zoom.us/webinar/register/WN_QEfAzFtxTrqkSpbUYK-7DQ

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¹ Platform Subscribers: Considers the number of Tray, Bling, Dooça and Bagy subscribers in the two periods of comparison

// Message from Management

2022 was a year of remarkable achievements for Locaweb. We ended with a net revenue of over R\$1.1 billion, a significant increase of **42.3%** compared to 2021. The Commerce segment grew **81.9%** in 2022, totaling more than R\$ 721 million in net revenue in the year.

The EBITDA margin of the acquired companies went from -11.9% in 4Q21 to -2.8% in 4Q22, **an increase of 9.1 p.p. throughout 2022**, a result of the operating leverage of these companies, which has shown growth above the group average, as well as the consolidation of some of the operations (examples: creation of Wake consolidating six brands and the merger of Bagy with Dooça), as they were presented over the quarters.

As we discussed on Locaweb Day, held on October 18, 2022, we made a lot of progress in the **integration of the acquired companies** with an increasingly seamless and integrated environment across the group's companies. Supported by an e-learning matrix, which permeates all these unified processes, these integrations are already part of the day-to-day of our client's digital journey and will be accelerated through the **cross-selling** strategy, defined as one of the priorities for 2023.

In 2022, we observed a steady pace of additions of new e-commerce platform subscribers throughout the year, maintaining the same level of investments in customer acquisition, with a continuous **expansion of our platform subscriber base (+31.6% vs 2021)**.

A more challenging market was observed in 4Q22 due mainly to an external scenario which is suffering an economic downturn. In spite of that, with a tight cost control, we were able to continue improving the margin of the acquired companies, which went from -5.1% in 3Q22 to -2.8% in 4Q22.

Finally, with the consolidation of operations and sustained gains in productivity, we have a Company prepared to continue boosting operational efficiency, even in the most challenging scenarios.

Strategy for 2023

In 2023, we will continue to focus on expanding our e-commerce operations above the growth of the segment in Brazil through the constant evolution of our products, an increase in the addressable market with new launches such as Wake, and major investments in cross-selling.

On the cross-selling front, we defined KPIs that will be targets for the Company and the executives now that we posted substantial advances in the technological integrations within the Ecosystem, as discussed on Locaweb Day. This initiative will be led by a new Director (C-Level), who should be announced soon.

We will also maintain the focus on the increase of our EBITDA margin and cash generation, one of the main KPIs for Locaweb's management this year. The increase in the EBITDA margin should occur through the operating leverage of the acquired companies, which has been showing significant growth, integration of operations and assertive cost management, continuing the work started in 4Q22.

Cash generation is likely to grow in view of a proportionally lower growth in Capex and Financial Expenses.

We are in the process of launching a new brand for our e-commerce platform in the Enterprise segment, Wake, consolidating six operations (All In, Social Miner, Síntese, Samurai, Ideris, and Tray Corp) into just one. We are capitalizing on the positive moment in this segment, considering the positive results of Tray Corp in 2022, to expand our operations and, consequently, increase the addressable market of our solutions, which are already robust enough to serve this customer profile.

As to financial services, it is important to point out that, based on the experience with the payment operation (Yapay) launched in 2015, the Company believes in the thesis of embedded finance as an important factor in the profitability of the operation, since it brings growth and product differentiation to our customers. This will also be an important focus in 2023.

BeOnline / SaaS

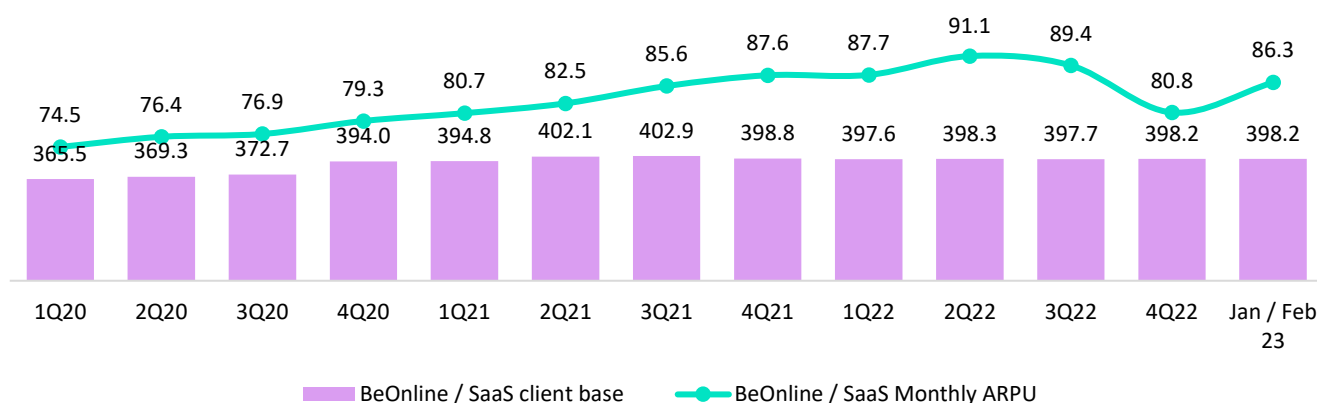
In the BeOnline / SaaS segment, we continue, as mentioned in 3Q22, with the process of changing the commercial strategy of the corporate operation with the discontinuation of some products and services, aiming at a better profitability versus operation growth, which impacted the expansion of the Net Revenue for this quarter.

In 4Q22 we completed the migration to a new billing system at Locaweb Varejo, which will bring greater agility and flexibility in pricing, speed, competitiveness, improvement in the construction of plans, packages, and offers.

The migration of the balances of all contracts created a one-off impact on the result, not related to the Company's performance, **which made us recognize a lower revenue this quarter, also affecting the segment and consolidated EBITDA.**

It is important to point out that this was a non-recurring effect in 4Q22 and that there was no impact on the size of our customer base in the BeOnline / SaaS segment.

In the months of January and February 2023, as regards ARPU, we already noticed a level very close to that observed in the average of 2022, that was R\$87.3, as shown in the graph below.

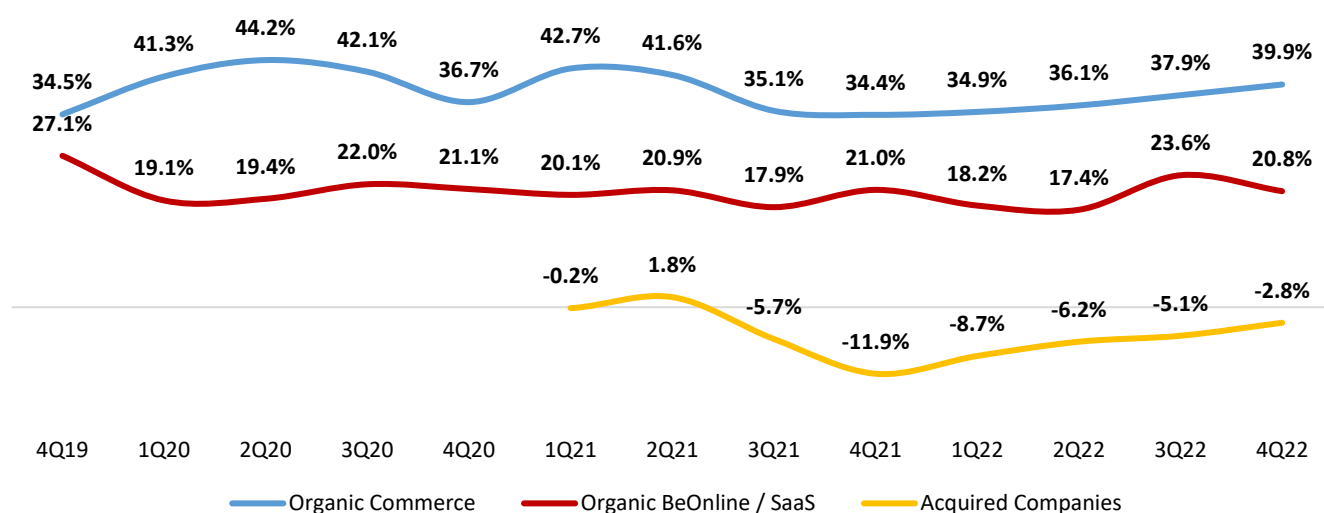


Margins

Although most of the acquisitions have already been in the group for longer than 12 months, for now, we will continue to present the analysis of the Company's EBITDA margins with three distinct breakdowns: (i) the organic Commerce operation, which includes Tray, Tray Corp, and Yapay; (ii) the BeOnline/SaaS operation, and (iii) all companies that were acquired after the IPO (acquired companies).

In the BeOnline / SaaS segment, we had the punctual effect related to the system migration mentioned above, which directly impacted the segment's margin. We nevertheless reached a margin of 20.8%, following the historical average of the operation, which shows clear gains in productivity of the operation if we consider what happened.

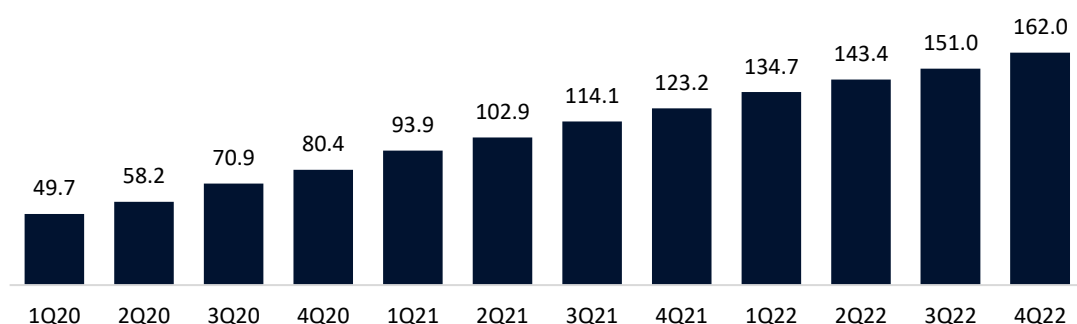
In 4Q22, we continue to see an improvement in the profitability of the acquired companies, resulting in an expansion of 2.3 p.p. in the EBITDA margin compared to 3Q22 (+9.1 p.p. compared to the lowest level of margins achieved in 4Q21), as can be seen in the chart below:



Regarding the margin of the acquired companies, we take the opportunity to highlight that the five largest companies we acquired, whose business maturation stages are at more advanced levels, already post positive EBITDA. These companies, which together account for more than 88% of the acquired companies' revenue, reported Adjusted EBITDA of R\$2.8 million in 4Q22.

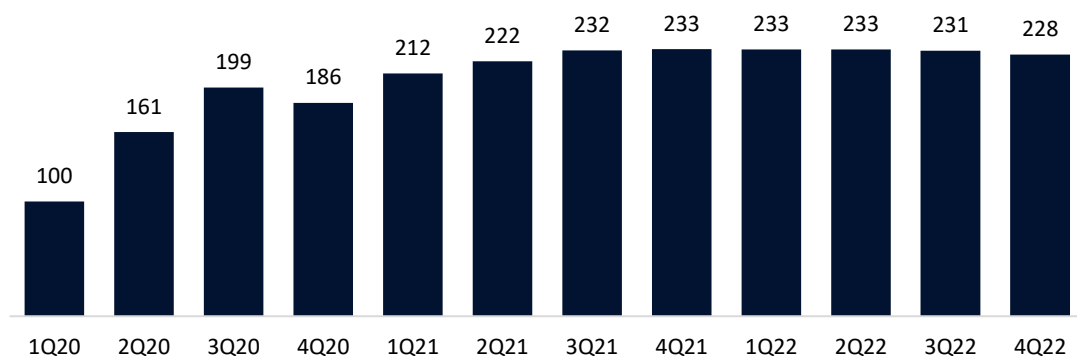
// Operating Performance

We ended 4Q22 with a base of 162.0 thousand paying e-commerce subscribers, a growth of 31.6% in 4Q22 vs 4Q21.



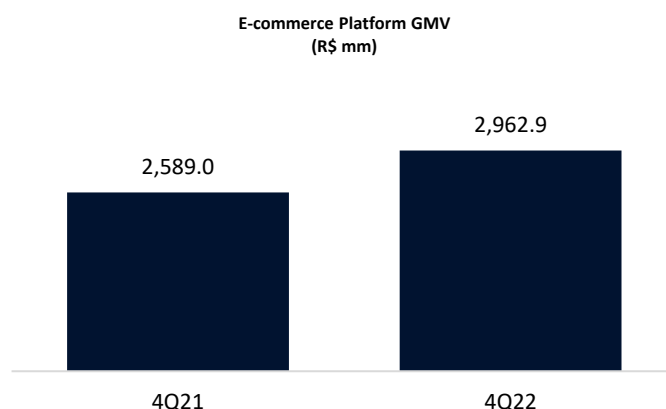
And considering the same proforma basis as of 1Q20, we note stability in the addition of new e-commerce subscribers in the fourth quarter of the year when compared to the last two quarters of 2021, as already discussed in this report.

The chart below, on a 100 1Q20 basis, shows the evolution of customer additions by quarter.



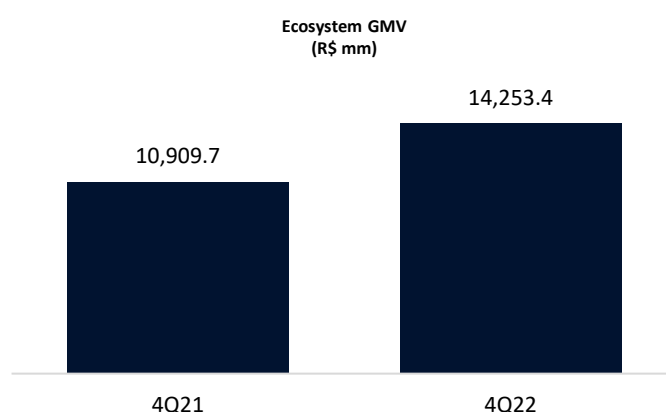
The GMV of the E-commerce Platform, which includes Tray, Tray Corp, and Dooca, mainly due to the acceleration of sales in our clients' own stores, grew by **14.4%** in 4Q22, as shown in the "E-commerce Platform GMV" chart.

It is important to point out that in 4Q22, as observed in 3Q22, 2Q22, 1Q22, and 4Q21, the growth in sales at our clients' own stores was higher (**+22.0%** vs 4Q21) than the growth in sales made in marketplaces compared to the same period in 2021.

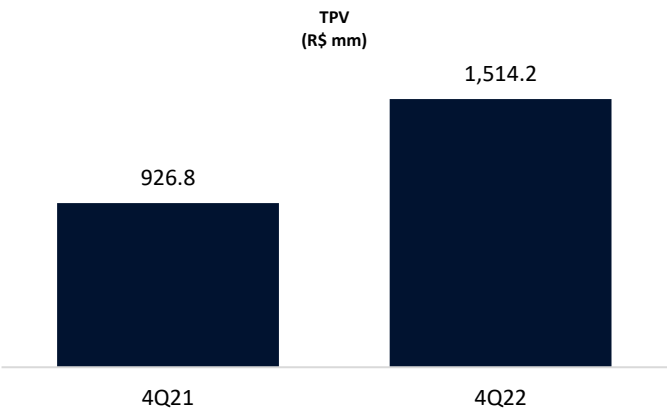


The strongest growth in sales in our clients' own stores was driven by the Locaweb ecosystem, which allows the storekeeper to make efforts in other media on their own by using the tools available in the control panel (for example: integration with Google PMax, email marketing, integration with social media such as WhatsApp, Instagram, and Facebook), all supported by our e-learning ecosystem, which aims to empower our merchants over their marketing efforts.

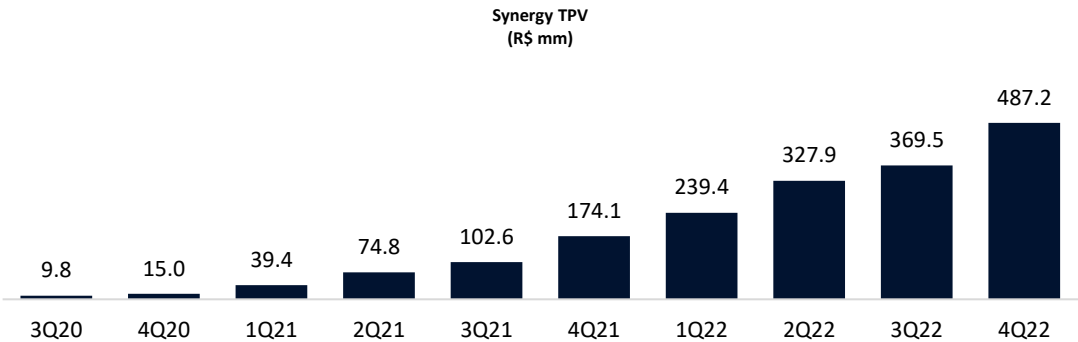
Considering all the GMV transacted through the Locaweb ecosystem, that is, the Platform GMV (shown above) and the GMV traded on marketplaces via ERP operations and marketplace integrators, we reached a volume of R\$ 14.3 billion in 4Q22, a volume **30.6%** higher than in 4Q21, as shown in the chart below:



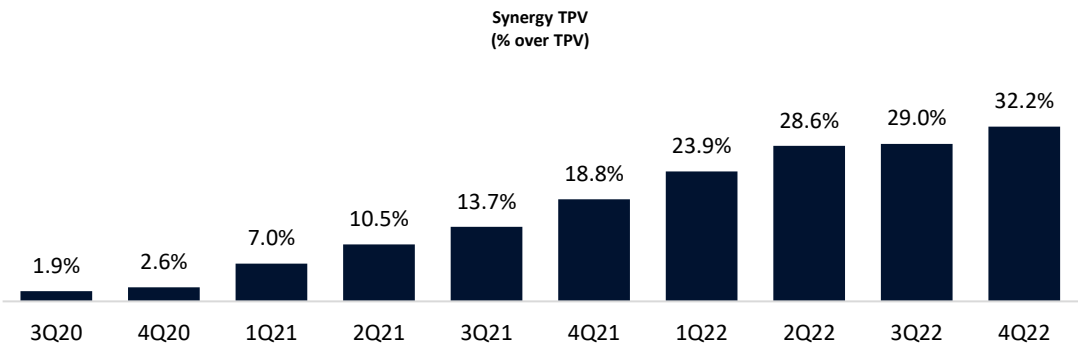
The TPV Intermediator Vindi (new nomenclature for the TPV Yapay) grew by **63.4%** in 4Q22 vs 4Q21 as a result of the faster growth in sales at our clients' own stores, as well as the acceleration in the capture of synergies between the companies acquired and our payment solution.



A quick synergy that we were able to create after the acquisitions is in the integration of our payments solution with the acquired companies. This TPV exclusively captured via synergies continues to show significant growth, as shown in the chart below:



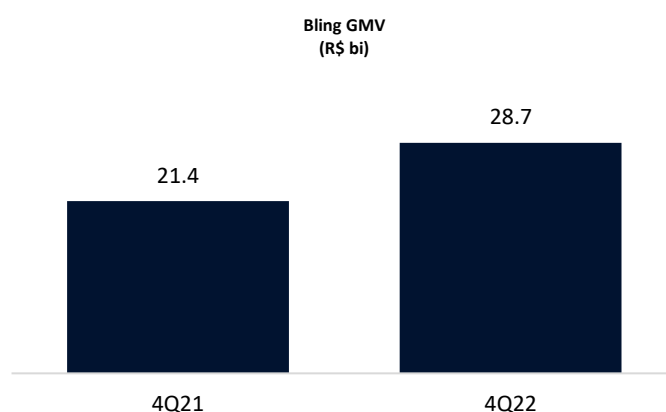
In TPV percentages, we continue to show growth with out of these synergies, as shown in the chart below:



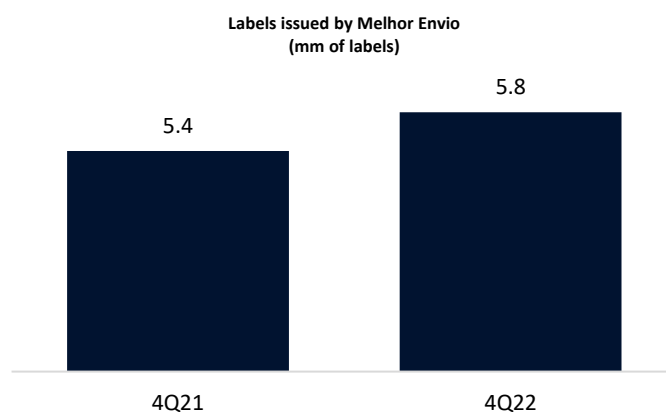
Excluding the TPV from the synergies, TPV growth was 36.4% in 4Q22 vs. 4Q21, a higher growth than the increase in GMV, thus indicating greater penetration of Vindi/Yapay in the base of the platforms.

Operational Performance of the Acquired Companies

At Bling, we have seen a growth of **34.0%** in the GMV of Invoices (online and offline) in 4Q22, reaching R\$28.7 billion in the quarter, as shown in the chart below:



The number of Labels issued by Melhor Envio grew by **7.7%** in 4Q22 when compared to the same period of the previous year. As Melhor Envio has a strong presence with customers outside the Locaweb ecosystem, its growth is more related to the e-commerce market as a whole.



It is important to point out that in Melhor Envio, due to a review/update in the prices recorded on the platform, we noticed a 23% growth in net revenue per label issued in 4Q22 compared to 4Q21.

At Squid, Net Revenue grew 111% versus 4Q21 and 20% higher as compared to 3Q22, the immediately previous quarter. Once again we observed that customer accounts with higher recurrence rate performed well in the period. In addition, we continue to invest in the sales and product teams to serve more and more customers of different sizes via our platform.

// Rule of 40

When we consider all our organic operations (BeOnline/SaaS, and Commerce) this number reaches **47.6%** in 2022 (19.4% Net Revenue growth with 28.2% of EBITDA margin).

In the analysis of the Organic Commerce segment (Tray + Tray Corp + Yapay), the number reaches **84.4%** (46.3% of Net Revenue growth with 38.2% EBITDA margin).

// Summary of Indicators

// Consolidated

(R\$ million)

LOCAWEB COMPANY	4Q22	4Q21	vs 4Q21	2022	2021	vs 2021
Net Revenue	302.9	245.9	23.2%	1,138.4	800.2	42.3%
Gross Profit	134.4	108.0	24.4%	514.2	364.5	41.1%
Gross Margin (%)	44.4%	43.9%	0.4 p.p.	45.2%	45.6%	-0.4 p.p.
EBITDA	45.2	19.2	134.9%	151.5	95.9	58.0%
EBITDA Margin (%)	14.9%	7.8%	7.1 p.p.	13.3%	12.0%	1.3 p.p.
Adjusted EBITDA ¹	48.7	31.6	54.1%	172.4	143.0	20.6%
Adjusted EBITDA Margin (%)	16.1%	12.9%	3.2 p.p.	15.1%	17.9%	-2.7 p.p.
Net Income	18.9	(7.2)	361.7%	30.3	(15.7)	292.3%
Adjusted Net Income ²	60.9	27.2	123.9%	162.8	85.5	90.4%
Adjusted Net Income Margin (%)	20.1%	11.1%	9.0 p.p.	14.3%	10.7%	3.6 p.p.
Cash Generation ³	22.0	12.1	82.5%	71.8	58.6	22.6%
Cash Conversion (%) ³	45.3%	38.2%	7.1 p.p.	41.7%	41.0%	0.7 p.p.
Net Debt (Cash)	(1,447.8)	(1,565.8)	-7.5%	(1,447.8)	(1,565.8)	-7.5%

¹ Adjusted EBITDA refers to net income (loss) adjusted by the financial result, income tax and social contribution on income, depreciation and amortization costs and expenses, stock option plan expenses; and extraordinary expenses related to the IPO and Follow-on. The EBITDA Margin is calculated by dividing EBITDA by Net Operating Revenue. The Adjusted EBITDA Margin is calculated by dividing EBITDA by Net Operating Revenue.

² Adjusted Net Income is calculated based on net income (loss), excluding: (i) stock option plan expenses; (ii) intangible amortization expenses arising from the acquisition of companies; (iii) adjustments related to CPC 06 (refers to the sum of interest financial expenses due to the restatement of the lease liability and the depreciation expense of the right-of-use asset less the lease liability payments made); (iv) mark-to-market of derivative financial instruments; (v) deferred income tax and social contribution; (vi) extraordinary expenses related to the IPO and the Follow-on; and (vii) Adjustment to Present Value related to Earnout from acquisitions.

³ Cash generation is measured by "Adjusted EBITDA – Capex" and Cash Conversion is formed by dividing "Adjusted EBITDA – Capex" by "Adjusted EBITDA".

// Commerce

(R\$ million)

Commerce	4Q22	4Q21	vs 4Q21	2022	2021	vs 2021
Platform GMV ¹	2,962.9	2,589.0	14.4%	10,675.5	9,458.3	12.9%
Invoices GMV on Bling (R\$ bi) ²	28.7	21.4	34.0%	102.1	70.9	44.0%
TPV	1,514.2	926.8	63.4%	4,933.1	2,951.9	67.1%
Platform Subscribers (thousand) ³	162.0	123.2	31.6%	162.0	123.2	31.6%
Labels issued by Melhor Envio (thousand)	5,765	5,353	7.7%	20,865	17,857	16.8%
Gross revenue, net of rebate	226.2	156.6	44.5%	790.4	442.7	78.6%
Net Revenue	206.4	141.0	46.3%	721.7	396.8	81.9%
Platform Subscription Net Revenue	85.3	61.6	38.6%	300.1	176.6	69.9%
Ecosystem Net Revenue	121.0	79.5	52.2%	421.6	220.2	91.5%
Gross Profit	104.1	70.1	48.4%	375.9	230.3	63.2%
Gross Margin (%)	50.5%	49.7%	0.7 p.p.	52.1%	58.0%	-6.0 p.p.
EBITDA	30.5	9.9	206.8%	90.8	62.9	44.3%
EBITDA Margin (%)	14.8%	7.0%	7.7 p.p.	12.6%	15.8%	-3.3 p.p.
Adjusted EBITDA	30.9	12.5	146.6%	95.7	69.6	37.4%
Adjusted EBITDA Margin (%)	15.0%	8.9%	6.1 p.p.	13.3%	17.6%	-4.3 p.p.

¹ Platform GMV: Sum of the GMVs of Tray and Dooça, our 2 main e-commerce platforms

² GMV of Invoices issued by Bling considers both online and offline amounts. Data measurement started in 4Q20, so we do not have 2020 consolidated data

³ Platform Subscribers: Considers the number of Tray, Bling, Dooça and Bagy subscribers in the two periods of comparison

// BeOnline / SaaS

(R\$ million)

BeOnline / SaaS	4Q22	4Q21	vs 4Q21	2022	2021	vs 2021
Clients EoP - BeOnline / SaaS	398.2	398.8	-0.1%	398.2	398.8	-0.1%
Gross revenue, net of rebate	106.6	114.8	-7.1%	457.4	442.0	3.5%
Net Revenue	96.5	104.8	-7.9%	416.7	403.4	3.3%
Gross Profit	30.3	37.9	-20.0%	138.3	134.2	3.1%
Gross Margin (%)	31.4%	36.1%	-4.7 p.p.	33.2%	33.3%	-0.1 p.p.
EBITDA	14.8	9.3	58.4%	60.7	33.0	84.2%
EBITDA Margin (%)	15.3%	8.9%	6.4 p.p.	14.6%	8.2%	6.4 p.p.
Adjusted EBITDA ¹	17.8	19.1	-6.6%	76.7	73.3	4.6%
Adjusted EBITDA Margin (%)	18.5%	18.2%	0.3 p.p.	18.4%	18.2%	0.2 p.p.

¹ The concept of Adjusted EBITDA is described in the table of consolidated results

// Net Operating Revenues

(R\$ million)

LOCAWEB COMPANY	4Q22	4Q21	vs 4Q21	2022	2021	vs 2021
Commerce	206.4	141.0	46.3%	721.7	396.8	81.9%
Segment share in the consolidated	68.1%	57.4%	10.8 p.p.	63.4%	49.6%	13.8 p.p.
BeOnline / SaaS	96.5	104.8	-7.9%	416.7	403.4	3.3%
Segment share in the consolidated	31.9%	42.6%	-10.8 p.p.	36.6%	50.4%	-13.8 p.p.
Net Revenue - Consolidated	302.9	245.9	23.2%	1,138.4	800.2	42.3%

Locaweb's Net Revenue totaled R\$302.9 million in 4Q22, an increase of 23.2% when compared to 4Q21. In 2022, the growth was 42.3%, reaching R\$1,138.4 million.

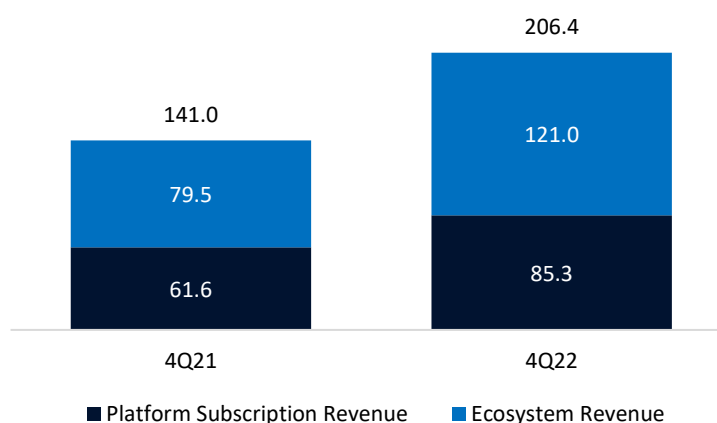
It is important to point out that, as previously mentioned in this report, in the fourth quarter of 2022, we completed the migration to a new billing system at Locaweb Varejo (BeOnline / SaaS). Such a migration created a one-off impact on the result, not related to the Company's performance, **which made us recognize a lower revenue this quarter, also adversely affecting the segment and consolidated EBITDA.**

The share of the Commerce segment went from 57.4% in 4Q21 to 68.1% in 4Q22.

In the Commerce segment, Net Operating Revenue increased by 46.3% in 4Q22, from R\$141.0 million in 4Q21 to R\$206.4 million in 4Q22. In 2022, growth was 81.9%.

The growth shown is the result of the increase in the two sources of revenue in the Commerce segment: the Platform Subscription Revenue, which grew 38.6% in 4Q22, and the Ecosystem Revenue, which grew 52.2% in the quarter compared to with 4Q21.

The graph below shows the evolution of the two revenue sources in 4Q21 and 4Q22:



Among the acquired companies in the Commerce segment, we highlight the solid growth of **63%** of Bling and of **111%** of Squid in 4Q22 vs 4Q21.

If we consider the five largest companies acquired, which together account for about 90% of total net revenue from the acquisitions (Bling, Melhor Envio, Squid, Vindi, and Octadesk), proforma growth in 4Q22 was **56.5%**.

The proforma growth pace of the top five acquired companies in 2022 was **52.8%**.

On the other hand, BeOnline / SaaS Net Operating Revenue decreased in the period due to the factors already mentioned in this report.

// Operating Costs and Expenses

(R\$ million)

LOCAWEB COMPANY	4Q22	4Q21	vs 4Q21	2022	2021	vs 2021
Cost of Services	168.5	137.8	22.2%	624.2	435.7	43.3%
% Net Revenue	55.6%	56.1%	-0.4 p.p.	54.8%	54.4%	0.4 p.p.
Selling Expenses	66.5	55.1	20.6%	251.9	162.6	55.0%
% Net Revenue	22.0%	22.4%	-0.5 p.p.	22.1%	20.3%	1.8 p.p.
General and Administrative Expenses	51.6	60.0	-14.0%	215.9	196.0	10.2%
% Net Revenue	17.0%	24.4%	-7.4 p.p.	19.0%	24.5%	-5.5 p.p.
Other Operating (Revenues) Expenses	(1.4)	(1.4)	-2.8%	(2.2)	(2.5)	-13.7%
% Net Revenue	-0.5%	-0.6%	0.1 p.p.	-0.2%	-0.3%	0.1 p.p.
Total Operating Cost and Expenses	285.1	251.5	13.4%	1089.9	791.7	37.7%
% Net Revenue	94.1%	102.3%	-8.2 p.p.	95.7%	98.9%	-3.2 p.p.

Locaweb's total operating costs and expenses grew by 13.4% in 4Q22 when compared to the same period of the previous year. In 2022, growth was 37.7%.

Cost of Services

The cost of services in 4Q22 was R\$168.5 million, an increase of 22.2% in the comparison between the two periods, which represented 55.6% of net revenue in 4Q22 and 56.1% in 4Q21.

Selling Expenses

Selling expenses, which encompass the marketing and sales teams, as well as the contracted services of the same nature, amounted to R\$66.5 million in 4Q22, an increase of 20.6% when compared to 4Q21, in line with the company's Net Revenue growth.

The table below shows the share of selling expenses over the segments and consolidated revenue:

LOCAWEB COMPANY	4Q22	3Q22	4Q21	4Q22 vs 3Q22	4Q22 vs 4Q21
Commerce					
Selling Expenses	47.3	45.8	34.9	31.2%	35.6%
% Net Revenue	22.9%	23.2%	24.7%	-1.6 p.p	-1.8 p.p
BeOnline / SaaS					
Selling Expenses	19.2	19.8	20.2	-2.3%	-5.3%
% Net Revenue	19.9%	18.5%	19.3%	-0.8 p.p	0.6 p.p
Consolidated					
Selling Expenses	66.5	65.5	55.1	18.9%	20.6%
% Net Revenue	22.0%	21.5%	22.4%	-0.9 p.p	-0.5 p.p

It is worth pointing out that such expenses also consolidate the expenses of the acquired companies, which have a structure/process of customer acquisition that is still different from those in place by the Company. From the organic viewpoint, selling expenses in 4Q22 in the Commerce segment represented 13% of the segment's organic net revenue.

General and Administrative Expenses

General and administrative expenses, which include the teams in the administrative areas such as finance, HR, accounting and fiscal, expenses and outsourced services related to these areas, as well as depreciation and amortization of IFRS 16 and PPA assets, totaled R\$ 51.6 million in 4Q22 and R\$60.0 million in the same period of 2021, which represented a drop of 14.0%, which was particularly driven by the 92.5% reduction in the expenses associated with mergers and acquisitions in the period (non-recurring amounts adjusted in the EBITDA).

// Gross Profit

(R\$ million)

LOCAWEB COMPANY	4Q22	4Q21	vs 4Q21	2022	2021	vs 2021
Commerce	104.1	70.1	48.4%	375.9	230.3	63.2%
Margin (%)	50.5%	49.7%	0.7 p.p.	52.1%	58.0%	-6.0 p.p.
BeOnline / SaaS	30.3	37.9	-20.0%	138.3	134.2	3.1%
Margin (%)	31.4%	36.1%	-4.7 p.p.	33.2%	33.3%	-0.1 p.p.
Gross Profit	134.4	108.0	24.4%	514.2	364.5	41.1%
Gross Margin (%)	44.4%	43.9%	0.4 p.p.	45.2%	45.6%	-0.4 p.p.

Consolidated Gross Profit increased by 24.4% in 4Q22 when compared to 4Q21, reaching R\$134.4 million. In 4Q22, there was a slight increase of 0.4 p.p. in the Gross Margin when compared to 4Q21.

The drop observed in the BeOnline / SaaS segment is directly related to the factors discussed in this report.

// EBITDA and Adjusted EBITDA

(R\$ million)

LOCAWEB COMPANY	4Q22	4Q21	vs 4Q21	2022	2021	vs 2021
Net Income (Loss)	18.9	(7.2)	361.7%	30.3	(15.7)	292.3%
(+) Net Financial Income	0.9	(4.8)	-118.3%	(14.6)	(4.0)	261.1%
(+) Current Income Tax and Social Contribution	(2.0)	6.4	-131.6%	32.8	28.3	16.0%
(+) Depreciation and Amortization	27.5	24.9	10.4%	102.9	87.3	17.9%
EBITDA	45.2	19.2	134.9%	151.5	95.9	58.0%
(+) Stock Options Plan and Restricted Shares Plan	2.8	3.8	-27.5%	13.6	13.2	3.5%
(+) M&A Expenses	0.6	8.5	-92.5%	6.8	26.3	-74.2%
(+) IPO and Follow-on Extraordinary Expenses	0.0	0.0	-100.0%	0.0	7.7	-100.0%
(+) Earnouts adjustment	0.0	0.0	n/a	0.0	0.0	n/a
(+) Others	0.1	0.0	n/a	0.5	0.0	n/a
Adjusted EBITDA	48.7	31.6	54.1%	172.4	143.0	20.6%
<i>Adjusted EBITDA Margin (%)</i>	<i>16.1%</i>	<i>12.9%</i>	<i>3.2 p.p.</i>	<i>15.1%</i>	<i>17.9%</i>	<i>-2.7 p.p.</i>

As a result of the figures presented above, Locaweb's Adjusted EBITDA in 4Q22 was R\$48.7 million, 54.1% higher than in 4Q21, with Adjusted EBITDA Margin expanding by 3.2 p.p. in the same period.

It is worth recalling that the group's Adjusted EBITDA was impacted by one-off item related to the systems migration to BeOnline / SaaS, as already discussed in this report.

// EBITDA and Adjusted EBITDA by segment

(R\$ million)

LOCAWEB COMPANY	4Q22	4Q21	vs 4Q21	2022	2021	vs 2021
Commerce						
Adjusted EBITDA	30.9	12.5	146.6%	95.7	69.6	37.4%
<i>Adjusted EBITDA Margin (%)</i>	<i>15.0%</i>	<i>8.9%</i>	<i>6.1 p.p.</i>	<i>13.3%</i>	<i>17.6%</i>	<i>-4.3 p.p.</i>
BeOnline / SaaS						
Adjusted EBITDA	17.8	19.1	-6.6%	76.7	73.3	4.6%
<i>Adjusted EBITDA Margin (%)</i>	<i>18.5%</i>	<i>18.2%</i>	<i>0.3 p.p.</i>	<i>18.4%</i>	<i>18.2%</i>	<i>0.2 p.p.</i>
Consolidated						
Adjusted EBITDA	48.7	31.6	54.1%	172.4	143.0	20.6%
<i>Adjusted EBITDA Margin (%)</i>	<i>16.1%</i>	<i>12.9%</i>	<i>3.2 p.p.</i>	<i>15.1%</i>	<i>17.9%</i>	<i>-2.7 p.p.</i>

The Commerce Adjusted EBITDA Margin increased by 6.1 p.p. in 4Q22, mainly driven by the improvement in the margins of the acquired companies, as already discussed in the line graph in the beginning of the report.

// Financial Result

(R\$ million)

LOCAWEB COMPANY	4Q22	4Q21	vs 4Q21	2022	2021	vs 2021
Financial revenues	50.2	32.9	52.4%	189.8	82.7	129.6%
Financial expenses	(51.0)	(28.1)	81.7%	(175.3)	(78.7)	122.8%
Net financial income (expenses)	(0.9)	4.8	-118.3%	14.6	4.0	261.1%

The net financial result in 4Q22 was an expense of R\$0.9 million.

The growth in financial income refers to the investment made using the proceeds from the Follow-on offering of mid-February 2021, which, with the increase in the interest rate, is generating greater financial income.

In terms of financial expenses, we would like to highlight the following points:

- (i) Effect of the Adjustment to Present Value of Earnouts from acquisitions, which amounted to R\$ 31.9 million in the quarter compared to R\$ 15.9 million in 4Q21. In addition, we made adjustments to the amounts of earnouts payable of companies that had not reached materiality in 3Q22, in accordance with the Earnouts Policy (R\$ 4.0 million);
- (ii) The expense of R\$ 14,4 million resulting from the advance of receivables at Vindi, the modality chosen by the Company to finance the working capital necessary for the payment operations. As a percentage of TPV, financial expenses increased from 1.22% in 3Q22 to 0.95% in 4Q22.

// Income Tax and Social Contribution

(R\$ million)

LOCAWEB COMPANY	2022	2021	2020	2019
Income (loss) before income taxes	63.1	12.6	29.7	24.3
Combined statutory rate of 34%	34%	34%	34%	34%
Income taxes at a combined statutory rate of 34%	(21.5)	(4.3)	(10.1)	(8.3)
Adjustments to the effective rate				
Interest on shareholders' equity	0.0	0.0	5.4	1.2
Effect of presumed profit method	(0.2)	(10.4)	(1.4)	(0.4)
Effect of stock options plan expenses	(2.9)	(4.0)	(5.3)	(0.7)
Tax losses carryforward not recognized (tax loss)	(15.9)	(12.1)	(1.1)	(1.0)
Tax benefit from Lei do Bem	11.1	2.7	2.5	2.6
Goodwill	0.0	0.8	0.0	0.0
Others	(3.5)	(0.9)	(0.1)	0.4
Income taxes in the statements of operations	(32.8)	(28.3)	(10.0)	(6.2)
Effective rate	52.0%	225.4%	33.6%	25.5%

The effective tax rate for 2022 was mainly impacted by the deferred tax not recorded in tax losses. Such impacts are directly related to the acquired companies, which, as explained in this report, are at different maturity levels when compared to the other mature operations.

The Company benefits from tax incentives granted to technology research and technological innovation development activities, provided for in law 11,196 of 2005, known as Lei do Bem and in 2022, given all the technological developments made, we managed to increase the volume of projects that fall under this law.

Among the benefits that the Company gained is the accelerated amortization, through deductions as a cost or operating expense in the period for the calculation in which they are incurred, of the expenditures linked exclusively to technological research activities and development of technological innovation, which explains a large part of the expenses with depreciation and amortization at the Company. In addition, the Company benefits from the deduction, for purposes of calculating Net Income, of an amount corresponding to the sum of expenditures incurred in the calculation period with technological research and development of technological innovation classifiable as operating expenses under the Income Tax legislation of corporate entities.

// Net Income and Adjusted Net Income

(R\$ million)

LOCAWEB COMPANY	4Q22	4Q21	vs 4Q21	2022	2021	vs 2021
Net income	18.9	(7.2)	361.7%	30.3	(15.7)	292.3%
(+) Stock Options Plan and Restricted Shares Plan	2.8	3.8	-27.5%	13.6	13.2	3.5%
(+) Intangible amortization	10.0	10.1	-1.2%	38.8	29.4	31.9%
(+) Adjustment of Acquisition Earnout	31.9	15.9	100.2%	101.1	48.2	109.9%
(+) Deferred income tax and social contribution	(4.8)	3.9	-222.9%	(22.7)	5.3	-529.7%
(+) CPC 06 adjustment	2.2	0.6	291.3%	1.1	1.7	-31.6%
(+) MtM	0.0	0.1	99.7%	0.1	(1.5)	-110.2%
(+) IPO and Follow-on Expenses	0.0	0.0	-152.9%	0.4	5.1	-91.4%
Adjusted net income	60.9	27.2	123.9%	162.8	85.5	90.4%
<i>Adjusted net income margin (%)</i>	<i>20.1%</i>	<i>11.1%</i>	<i>9.0 p.p.</i>	<i>14.3%</i>	<i>10.7%</i>	<i>3.6 p.p.</i>

Based on the figures presented above, Locaweb's Adjusted Net Income in 4Q22 was R\$60.9 million, a growth of 123.9% compared to 4Q21.

// Indebtedness / Cash Position

(R\$ million)

LOCAWEB COMPANY	4Q22	3Q22	2Q22	1Q22	4Q21	3Q21
(+) Loan and financing	0.4	0.5	11.2	10.4	29.0	33.1
(-) Derivatives Result (FX swap) ¹	0.0	0.0	(2.7)	(1.8)	(8.7)	(9.7)
Bank Gross Debt	0.4	0.5	8.5	8.6	20.3	23.3
(-) Cash and cash equivalents ²	(1,448.2)	(1,420.9)	(1,438.3)	(1,546.4)	(1,586.1)	(1,803.6)
Net debt (cash) (ex lease liability)	(1,447.8)	(1,420.4)	(1,429.8)	(1,537.8)	(1,565.8)	(1,780.3)
(+) Lease liability ³	76.9	79.3	81.9	74.7	76.8	74.7
Net debt (cash)	(1,370.9)	(1,341.2)	(1,347.9)	(1,463.1)	(1,488.9)	(1,705.6)
(-) Earnouts	855.4	841.8	811.8	922.8	904.3	596.8
Net debt (cash) of Earnouts	(515.5)	(499.4)	(536.0)	(540.3)	(584.7)	(1,108.8)

¹ Balance of Derivative Financial Instruments in the Balance Sheet

² Considers short and long-term restricted cash arising from guarantees offered in financial funding

³ Lease liability refers to the adoption of CPC 06(R2)/IFRS 16 as of January 1, 2019

With the funds raised in February 2021 in the subsequent offering of shares (Follow-on), and the outflows resulting from the payment of part of the price of the acquisitions of companies over 2021 and 2022, the Company presented a net cash balance of R\$ 1,447.8 million in 4Q22. Excluding the effects of the adoption of IFRS 16, the net cash balance is R\$1,370.9 million.

Also noteworthy are the potential earnouts payable arising from the acquisitions, which total R\$855.4 million.

// Cash Flow

(R\$ million)

LOCAWEB COMPANY	4Q22	4Q21	vs 4Q21	2022	2021	vs 2021
Income (loss) before income taxes	16.9	(0.8)	-2140.4%	63.1	12.6	402.5%
Items that do not affect cash	58.1	47.8	21.6%	217.6	156.0	39.5%
Variations in working capital	(4.8)	(7.9)	39.6%	(67.8)	(16.8)	-303.3%
Net cash provided by operating activities (A)	70.2	39.0	79.7%	212.9	151.8	40.3%
Capex for permanent assets	(9.4)	(5.9)	57.7%	(42.4)	(42.3)	0.2%
Capex for development	(17.3)	(13.6)	27.3%	(58.2)	(42.1)	38.2%
Free Cash Flow - After Capex	43.5	19.5	122.9%	112.3	67.4	66.7%
Acquisition	(15.1)	(191.3)	-92.1%	(204.4)	(1,062.4)	-80.8%
Other Investments	(0.1)	1.7	-106.0%	(11.7)	5.3	-319.9%
Net cash provided by investment activities (B)	(41.8)	(209.2)	-80.0%	(316.7)	(1,141.5)	-72.3%
Subscription of capital stock	3.5	2.6	32.4%	7.5	2,285.2	-99.7%
Loan and financing	(0.1)	(5.0)	-98.3%	(20.7)	(55.4)	-62.6%
Commercial lease	(4.5)	(4.4)	1.9%	(17.4)	(14.5)	19.7%
Dividends and interest on equity	0.0	0.0	n/a	0.0	0.0	n/a
Others	0.0	(39.0)	-100.0%	(1.7)	(45.8)	-96.3%
Net cash provided by financing activities (C)	(1.1)	(45.8)	-97.7%	(32.4)	2,169.5	-101.5%
Net increase (decrease) in cash and cash equivalents (A + B + C)	27.3	(215.9)	-112.6%	(136.2)	1,179.8	-111.5%

Net cash from operations totaled R\$70.2 million in 4Q22 compared to R\$39.0 million in 4Q21. The increase is directly related to the better management of the Company's working capital, especially at Vindi.

The "Acquisition" cash outflow of R\$15.1 million in 4Q22 refers to the payment of acquisition earnouts realized before the IPO.

// Cash Generation (Adjusted EBITDA - Capex)

(R\$ million)

LOCAWEB COMPANY	4Q22	4Q21	vs 4Q21	2022	2021	vs 2021
Adjusted EBITDA	48.7	31.6	54.1%	172.4	143.0	20.6%
Capex	26.6	19.5	36.5%	100.6	84.4	19.2%
Cash Generation (R\$ M)	22.0	12.1	82.5%	71.8	58.6	22.6%
Cash conversion (%)	45.3%	38.2%	7 p.p.	41.7%	41.0%	1 p.p.
Capex as a % of Net Revenue	8.8%	7.9%	1 p.p.	8.8%	10.5%	-2 p.p.

The Company's cash generation, measured by Adjusted EBITDA minus Capex, grew by 82.5% in 4Q22.

Total Capex grew by 36.5% vs 4Q21 and represents, as mentioned in the previous three quarters, around 25% of the total capital budget approved at the Annual General Meeting. Capex for intangibles was in line with that presented in the previous quarters.

Also noteworthy is the Capex dilution, which has grown at a slower pace than the growth in Net Revenue.

// ATTACHMENT I - INCOME STATEMENT

Income Statement (in R\$ million)	4Q21	4Q22	2021	2022
NET REVENUE	245.9	302.9	800.2	1,138.4
Cost of Services	(137.8)	(168.5)	(435.7)	(624.2)
GROSS PROFIT	108.0	134.4	364.5	514.2
Operating income (expenses)	(113.7)	(116.7)	(356.0)	(465.7)
Selling expenses	(55.1)	(66.5)	(162.6)	(251.9)
General and administrative expenses	(60.0)	(51.6)	(196.0)	(215.9)
Other operating income (expenses), net	1.4	1.4	2.5	2.2
Income before financial results and income taxes	(5.6)	17.7	8.5	48.6
FINANCIAL RESULT	4.8	(0.9)	4.0	14.6
Financial income	32.9	50.2	82.7	189.8
Financial expenses	(28.1)	(51.0)	(78.7)	(175.3)
Income (loss) before income taxes	(0.8)	16.9	12.6	63.1
Income Taxes	(6.4)	2.0	(28.3)	(32.8)
Current income taxes	(2.5)	(2.8)	(23.0)	(55.6)
Deferred income taxes	(3.9)	4.8	(5.3)	22.7
Net income (loss)	(7.2)	18.9	(15.7)	30.3

* Selling Expenses also consider the amount of the "impairment loss", which is open in the Income Statement.

// ATTACHMENT II - INCOME STATEMENT BeOnline/SaaS

Income Statement (in R\$ million)	4Q21	4Q22	2021	2022
GROSS REVEVENUE, net of rebate	114.8	106.6	442.0	457.4
Taxes and rebates	(10.0)	(10.1)	(38.7)	(40.7)
NET REVENUE	104.8	96.5	403.4	416.7
Cost of Services	(66.9)	(66.2)	(269.2)	(278.4)
GROSS PROFIT	37.9	30.3	134.2	138.3
Operating income (expenses)	(46.1)	(35.0)	(167.5)	(152.4)
Selling expenses	(20.2)	(19.2)	(71.6)	(76.8)
General and administrative expenses	(26.5)	(16.0)	(96.8)	(76.4)
Other operating income (expenses), net	0.6	0.2	0.9	0.9
Income before financial results and income taxes	(8.2)	(4.6)	(33.3)	(14.0)
Depreciation and amortization	17.5	19.4	66.3	74.8
EBITDA	9.3	14.8	33.0	60.7

* Selling Expenses also consider the amount of the "impairment loss", which is open in the Income Statement.

// ATTACHMENT III - INCOME STATEMENT Commerce

Income Statement (in R\$ million)	4Q21	4Q22	2021	2022
GROSS REVENUE, net of rebate	156.6	226.2	442.7	790.4
Taxes and rebates	(15.5)	(19.8)	(45.9)	(68.7)
NET REVENUE	141.0	206.4	396.8	721.7
Cost of Services	(70.9)	(102.2)	(166.5)	(345.8)
GROSS PROFIT	70.1	104.1	230.3	375.9
Operating income (expenses)	(67.6)	(81.7)	(188.5)	(313.3)
Selling expenses	(34.9)	(47.3)	(90.9)	(175.1)
General and administrative expenses	(33.5)	(35.6)	(99.2)	(139.5)
Other operating income (expenses), net	0.8	1.2	1.6	1.3
Income before financial results and income taxes	2.5	22.4	41.8	62.6
Depreciation and amortization	7.4	8.1	21.0	28.2
EBITDA	9.9	30.5	62.9	90.8

* Selling Expenses also consider the amount of the "impairment loss", which is open in the Income Statement.

// ATTACHMENT IV - Consolidated Balance Sheet

	4Q21	4Q22
	31/12/2021	31/12/2022
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	1,584.4	1,448.2
Restricted cash	1.7	-
Accounts receivable	503.6	671.5
Taxes recoverable	6.2	8.4
Income tax and social contribution to be recovered	25.3	32.0
Derivatives	8.7	-
Other assets	22.0	29.4
Total current assets	2,151.9	2,189.5
Non-current assets		
Marketable Securities		13.4
Restricted cash	-	
Judicial deposits	0.5	1.1
Other assets	4.3	6.5
Deferred income taxes	42.0	66.4
Investments	-	-
Property and equipment	88.7	96.5
Right of Use Assets	69.6	68.8
Intangible assets	2,218.8	2,282.5
Total non-current assets	2,423.9	2,535.1
Total assets	4,575.9	4,724.6

// ATTACHMENT IV - Consolidated Balance Sheet

	4Q21	4Q22
Liabilities and Equity	31/12/2021	31/12/2022
Current liabilities		
Suppliers	42.1	51.3
Loans and financing	28.7	0.4
Lease liability	9.3	11.5
Salaries and related charges	71.7	90.3
Income tax and social contribution payable	1.0	-
Other taxes payable	9.4	11.3
Deferred revenue	58.2	79.5
Payables to clients	414.8	537.1
Interest on shareholders' equity and dividends payable	0.0	7.2
Taxes in installments	2.9	2.9
Accounts payable to former shareholders	36.1	311.9
Other liabilities	2.7	5.1
	677.0	1,108.6
Loans and financing		
Deferred revenue	0.3	0.0
Deferred revenue	1.1	2.6
Provision for legal proceedings	2.7	3.7
Accounts payable to former shareholders	868.1	543.5
Lease liability	67.6	65.3
Taxes in installments	17.3	16.0
Deferred income tax and social contribution	1.4	3.1
Other liabilities	5.2	4.1
Total non-current liabilities	963.8	638.4
EQUITY		
Capital Stock	2,926.8	2,934.2
Shares held in Treasury	(45.8)	(47.5)
Capital reserves	49.6	63.3
Earning reserves	4.4	27.5
Earnings of the period	-	-
Total EQUITY	2,935.1	2,977.6
Total liabilities and equity	4,575.9	4,724.6

// ATTACHMENT V - Cash Flow

Cash Flow (R\$ mln)	4Q21	4Q22	2021	2022
Net Cash provided by operating activities				
Income (loss) before income taxes	(826)	16,854	12,559	63,113
Items that do not affect cash	47,768	58,090	156,025	217,613
Variations in working capital	(7,900)	(4,775)	(16,814)	(67,808)
Net cash provided by operating activities	39,042	70,169	151,771	212,918
Net cash provided by investment activities				
Purchase of property and equipment	(5,937)	(9,361)	(42,274)	(42,362)
Accounts payable for acquisition of equity interest	(8,129)	(15,056)	(9,198)	(176,359)
Restricted Financial Application	1,655	(100)	5,319	(11,696)
Acquisition of subsidiaries, net of cash acquired	(183,185)	-	(1,053,181)	(28,062)
Acquisition and development of intangible assets	(13,582)	(17,286)	(42,139)	(58,238)
Net cash provided by investment activities	(209,178)	(41,803)	(1,141,474)	(316,717)
Net cash provided by investment activities	(45,796)	(1,065)	2,169,475	(32,369)
Net increase (decrease) in cash and cash equivalents	(215,932)	27,301	1,179,772	(136,168)
Cash and cash equivalents at beginning of the year	1,800,333	1,420,930	404,628	1,584,399
Cash and cash equivalents at end of the year	1,584,399	1,448,231	1,584,399	1,448,231
Net increase (decrease) in cash and cash equivalents	(215,934)	27,301	1,179,771	(136,168)