



2019

SUSTAINABILITY
REPORT

**SUSTAINABLE GROWTH:
CONNECTING PEOPLE,
CULTURE AND BUSINESS**



Algar
Telecom



Message from the Management

GRI 102-14

Reflecting Algar Telecom's strategy and its efficient implementation, our net revenue totaled R\$2,126.6 million, up by 5.7% over 2018. We recorded the highest result in the history of the Company, with net income reaching R\$303.2 million, up by 13.8% compared to the previous year.

The numbers, even with a slower than expected recovery in the Brazilian economy, reflect the new products and services launched, efficiency improved and geographic growth, ensuring new market opportunities and increasing our capillarity. We are now operating in new locations and strengthened our operations in the Northeast with the expansion process started in 2018. In 2019, to speed up the market takeover, we acquired assets from Smart Telecomunicações, in Recife, adding 5,500 km to our network.

We have grown our customer base, especially in the B2B segment, and expanded the offer of products and services to meet the integrated needs both in Telecom and IT. We are at the forefront of digital transformation and became a reference in launching disruptive solutions and products, to provide the best experience to the end customer, more efficiency in the processes and a high return on invested capital.

Considering that agile technology, methodology, and mindset play a key role in the development of products, services and business models, we are founding members of Brain, Private Institute of Science and Technology (*Instituto Privado de Ciência e Tecnologia*), which focuses on four main themes: Internet of Things (IoT), Cloud, Digital and 5G. Headquartered in Uberlândia, in 2019, Brain expanded its operations to Recife and São Paulo, leveraging the opportunity to build relationships and partnerships with innovation-focused institutions and startups.

At Algar Telecom, the internal structure responsible for absorbing solutions from Brain is Estação, which operates based on the agile methodology with multidisciplinary teams. The solutions from Brain, incorporated by Estação and made available to the market in 2019 increased sales by 75% compared to the previous year. Attesting the success and assertiveness of our actions, in 2019, we were recognized as Brazil's most innovative company in telecommunications by Valor Inovação Brasil Award.

We also work hard to be a reference in offering the best experience for our customers. Therefore, we continued to expand optical fiber networks and migrate B2C customers to fiber connections. The number of homes passed increased by 34% over the year and, at the end of 2019, more than half of Algar Telecom's broadband plans had speeds above 40Mbps. In addition, we expanded Algar Telecom Franquias program, launched in 2017, and which currently has 65 cities with operating franchises, favoring a personalized service.

To continuously improve the services and the quality of services to customers, we standardize processes and train our Algar Telecom employees. We value our professionals and worry about providing an environment for constant growth and opportunities, which helps the Company recurrently ranking among the best places to work in Brazil, according to Great Place to Work.

We were also champions in Guia Exame de Sustentabilidade, for the seventh consecutive year, showing that our approach to sustainability has been effective. We are signatories to the United Nations (UN) Global Compact Local Network in Brazil – this is one of the main initiatives for engaging the private sector, and we have mapped actions promoted by Algar Telecom that comply with the Sustainable Development Goals (SDGs), global goals set by a UN Meeting. In 2019, we invested in initiatives for environmental protection, with 50% in energy efficiency projects, including the installation of photovoltaic panels to generate our own energy.

In the financial scope, we successfully carried out the eighth and ninth public issues of debentures, totaling R\$700 million. These fundraising made it possible for the Company to ensure funds to continue investments and implement its business plan. Investments reached over R\$750 million in the year, especially to expand operations in B2B customers and broadband through optical fiber in retail. EBITDA grew 4.9%. Therefore, we closed 2019 with a stable leverage level of 1.7x YoY.

At the Extraordinary Shareholders' Meeting held in December 2019, the spin-off of Telecom and Tech – BPO/IT Management business segments was approved, which had been showing very different dynamics. Segregation provides both a better managerial focus and better understanding and monitoring of the respective performances by the market. Therefore, Algar Telecom is now focused on telecommunications services to B2B and B2C customers.

The outlook for 2020 was positive until the fast spread of the coronavirus (Covid-19) and the pandemic declared by World Health Organization (WHO) on March 11th. The outlook for local and world economy is constantly being revised, considering the impacts of the virus, with millions of people quarantined, production interrupted and borders closed. The 2020 scenario is challenging, but we will keep our focus on expanding operations and growing the business, providing products and services in more and more locations in the domestic territory, and paying attention to opportunities that may arise with the new regulatory framework for telecommunications. “People serving People”: This is our corporate purpose, which, in addition to our organizational culture, reflects our focus on providing the best customer service experience and the best environment for employees.



Jean Carlos Borges
Chief Executive Officer, Algar Telecom



Luiz Alexandre Garcia
Chairman of the Board of Directors, Algar Telecom