Atento Reports Fiscal 2022 Second Quarter and First Half Results

Demanding quarter, but management believes positive inflection point has been reached with strong 2H trend underway

Record June sales of $34 million and Total Annual Value of Sales in Q2 increasing 16.4% to $54.7 million, growing to 60% in hard currency

Accelerated 2022 cost efficiency program, targeting $15 million in cost reductions by year-end, or $25 million on annualized basis

Cash position rose 6.1% to healthy $103 million, with strong free cash flow turnaround to positive $5 million, versus negative $26 million in 2Q21 and negative $65 million in 1Q22

Working capital improved to positive $9 million in 2Q22, versus negative $25 million in 2Q21

Due to uncertain macroeconomic conditions, annual guidance revised to flat revenue growth, EBITDA margin of 11.5% to 12.5%, and leverage ratio of 3.0x to 3.5x

Strong year-end exit rate forecasted, based on sales momentum and improving cost structure

NEW YORK, August 03, 2022 – Atento S.A. (NYSE: ATTO) ("Atento" or the "Company"), one of the five largest providers of Customer Relationship Management and Business Process Outsourcing (CRM / BPO) services worldwide and sector leader in Latin America, announced today its second quarter operating and financial results for the period ending June 30, 2022. All comparisons in this announcement are year-over-year (YoY) and in constant-currency (CCY), unless otherwise noted.

Volume recovery slower than expected

- Total Annual Value of sales (TAV) increased 16.4% to $54.7 million, growing 88.7% in hard currencies that accounted for 60.2% of TAV
- Excluding the effect of a large one-time Covid-19 services contract signed with State of Maryland in first quarter 2021, TAV would have increased 27.7% in first-half 2022
- Revenue decreased 4.0% to $363.8 million, with Multisector and Telefónica (TEF) sales decreasing 3.3% and 5.5%, respectively, due to lower client volumes, mainly in Brazil and the US, partially offset by inflation pass-through
- Hard-currency revenues expanded to 26% of total revenue
- Brazil TEF sales declined 14.7%, due to the cost-cutting program that this client implemented in the first quarter, which requires reduced CX volumes

EBITDA impacted by reduced volumes, additional one-time severance costs and higher inflation

- EBITDA decreased 44.2% to $28.5 million on aforementioned declines in Multisector and TEF sales, coupled with high severance costs related to new cost efficiency initiatives, ramp up of new client programs and higher inflation, as well as positive one-offs in second quarter of 2021
- Decrease in EBITDA and 543 bps margin contraction were partially offset by improved inflation pass-through
- Net loss of $12.1 million, or negative EPS of $0.83, mainly due to net financial expenses of $12.9 million, $8.7 million of which was non-cash items related to change in fair value of hedges
- Cash financial costs were $29.6 million, of which $20.9 million was a bond interest payment and other interest expenses, primarily those related to the Company's hedges and bank credit facilities
- Free cash flow of $4.5 million
- Despite decreased EBITDA, improved working capital management and lower Capex resulted in positive operating cash flow of $7 million
- Healthy exit rate at quarter-end, with revenue, EBITDA and operating cash flow forecasted to accelerate during second half of year

Healthy cash position

- Healthy cash position of $102.9 million, including $75 million from existing credit revolvers
- At the end of 2Q22, LTM net debt-to-EBITDA was 5.3x, or 3.8x when excluding EBITDA impact of cyberattack in Q4 2021
- Shareholders' equity was negative $130.9 million at June 30, 2022, mainly due to $108.5 million in financial items consisting of $68.8 million in balance sheet and P&L conversion, $39.7 million in financial costs and a negative net $7.1 million change in fair value of hedging instruments

Additional cost reduction initiatives

- Cost reduction initiatives began in April 2022, focused on two areas: SG&A efficiencies, Labor Cost/Headcount and 360° Vendor Revision
- Reduction of fixed costs expected to reach $25 million on an annualized basis ($15 million realizing through July)

Summarized Consolidated Financials

($ in millions except EPS)	Q2 2022	Q2 2021	*CCY Growth* (1)	YTD 2022	YTD 2021	*CCY Growth* (1)
Income Statement (5)						
Revenue	**363.8**	382.7	-4.0%	**720.4**	753.3	-3.2%
EBITDA	**28.5**	50.7	-44.2%	**63.5**	89.8	-29.5%
EBITDA Margin	***7.8%***	*13.3%*	*-5.4 p.p.*	***8.8%***	*11.9%*	*-3.1 p.p.*
Net Loss (2)	**(12.1)**	(14.7)	*-19.0%*	**(82.6)**	(34.9)	-134.7%
Earnings Per Share on the reverse split basis (2) (4)	**($0.83)**	($1.05)	*N.M.*	**($5.66)**	($2.48)	*N.M.*
Cash Flow, Debt and Leverage						
Net Cash Used in Operating Activities	**27.5**	14.9		**(15.6)**	14.4	
Cash and Cash Equivalents	**102.9**	153.8		**102.9**	153.8	
Net Debt (3)	**633.1**	589.5		**633.1**	589.5	
Net Leverage (3)	**5.3x**	4.0x		**5.3x**	4.0x	
Net Leverage (w/o Cyber Q4-2021) (3)	**3.8x**	4.0x		**3.8x**	4.0x	

(1) Unless otherwise noted, all results are for Q2; all revenue growth rates are on a constant currency basis, year-over-year; (2) Reported Net Loss and Earnings per Share (EPS) include the impact of non-cash foreign exchange gains/losses on intercompany balances; (3) Includes IFRS 16 impact in Net Debt and Leverage; (4) Earnings per share on the reverse split basis is calculated with weighted average number of ordinary shares outstanding. (5) The following selected financial information are unaudited.

Message from Management

The second quarter was a challenging one, as the recovery in volumes was slower than our expectations, with continued higher inflation across our markets and one-off costs on accelerating structural efficiency programs.

However, based on strong sales in June and July and a growing pipeline, we are expecting 2022 to be the fourth consecutive year of record sales. Moreover, with the investments that we made in further reducing Atento's cost structure, we expect to reap the benefits of $25 million in annualized cost savings, as revenues rise and we continue ramping up new client programs during the remainder of the year and into 2023.

A new account management structure combined with expanding partnerships and effective channel marketing are enabling us to sell more, sell better and sell what we want, namely delivering higher-value services to higher-growth, higher-margin clients. A more effective sales organization also means increasing hard currency revenues, which represented 60% of sales in Q2, versus 37% last year.

Also encouraging was the nearly $5 million in free cash flow that we generated in the quarter, which allowed us to finish with healthy cash position. The cash flow reflects not just a leaner cost structure, but also greater efficiencies, including significantly better working capital management, thanks to new processes and systems that have been implemented to improve the core of our organization. After passing the halfway mark, we remain ahead of plan with regard to inflation pass-through, which we still expect to be approximately 80% of total contract value by year-end.

Given the uncertain macroeconomic conditions, annual guidance was revised to flat revenue growth, EBITDA margin of 11.5% to 12.5%, and a leverage ratio of 3.0 to 3.5x. Although we have revised guidance downward, we still forecast a healthy exit rate at the end of the year, in terms of revenue growth and EBITDA margin, putting us back on a course for much-improved cash flow and debt leverage in 2023.

Carlos López-Abadía
Chief Executive Officer

Sergio Passos
Chief Financial Officer