Grupo NotreDame Intermédica

Earnings Call Presentation

Conference Call | 3Q20

November 17, 2020 | 11:00

Disclaimer

This is a presentation of the highlights from the annual consolidated financial statements of NotreDame Intermédica Participações S.A. (“Company”) for the three-month period ended September 30, 2020 (Financial Statements”), as well as of the review report prepared by Ernst & Young Auditores Independentes S.S.

The information is summarized and does not purport to be complete. The Company's shareholders and potential investors should read this presentation always jointly with the Quarterly Financial Statements

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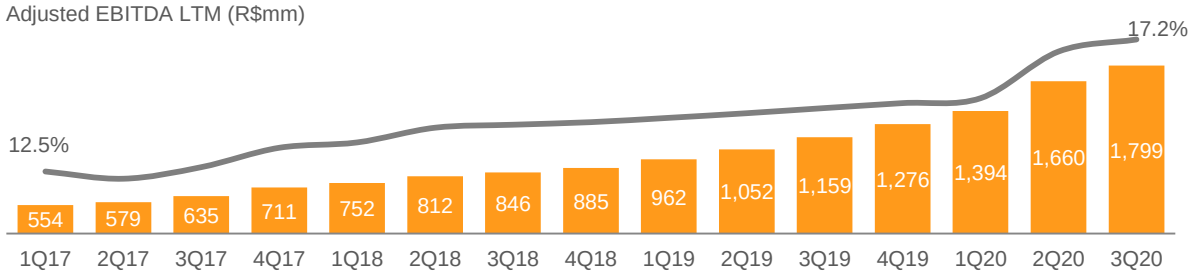
Financial Highlights

Beneficiaries Growth and Cash MLR Reduction Translates into Margin Expansion

	3Q20 vs. 3Q19		9M20 vs. 9M19	
Avg. Health Members:	**3,620.1k**	**+24.8%**	**3,547.7k**	**+27.6%**
Avg. Dental Members :	**2,556.5k**	**+4.6%**	**2,553.9k**	**+20.4%**
Net Revenue:	**R$ 2,698.6mm**	**+24.1%**	**R$ 7,862.1mm**	**+28.7%**
Health Plan	*R$ 2,488.3mm*	*+29.5 %*	*R$ 7,234.7mm*	*+33.0%*
Hospital Services	*R$ 135.9mm*	*-25.3%*	*R$ 401.7mm*	*-17.2%*
Dental Plan	*R$ 74.4mm*	*+4.2%*	*R$ 225.7mm*	*+22.5%*
Cash MLR:	**68.6%**	**2.0p.p. better**	**67.2%**	**4.0p.p. better**
Cash G&A:	**8.9%**	**0.4p.p. better**	**9.1%**	**0.1p.p. better**
Adjusted EBITDA:	**R$ 458.4mm**	**+43.4%**	**R$ 1,403.2mm**	**+59.3%**
% Margin	*17.0%*	*2.3p.p. better*	*17.8%*	*3.4p.p. better*
Net Income:	**R$ 196.8mm (7.3%)**	**+97.4%**	**R$ 580.6mm (7.4%)**	**+98.7%**
Adjusted Net Income:	**R$ 265.5mm (9.8%)**	**+70.5%**	**R$ 777.3mm (9.9%)**	**+79.1%**
Net Cash:	**R$ 103.9mm**	**0.1x EBITDA**		

Consistent Growth in Operational Results



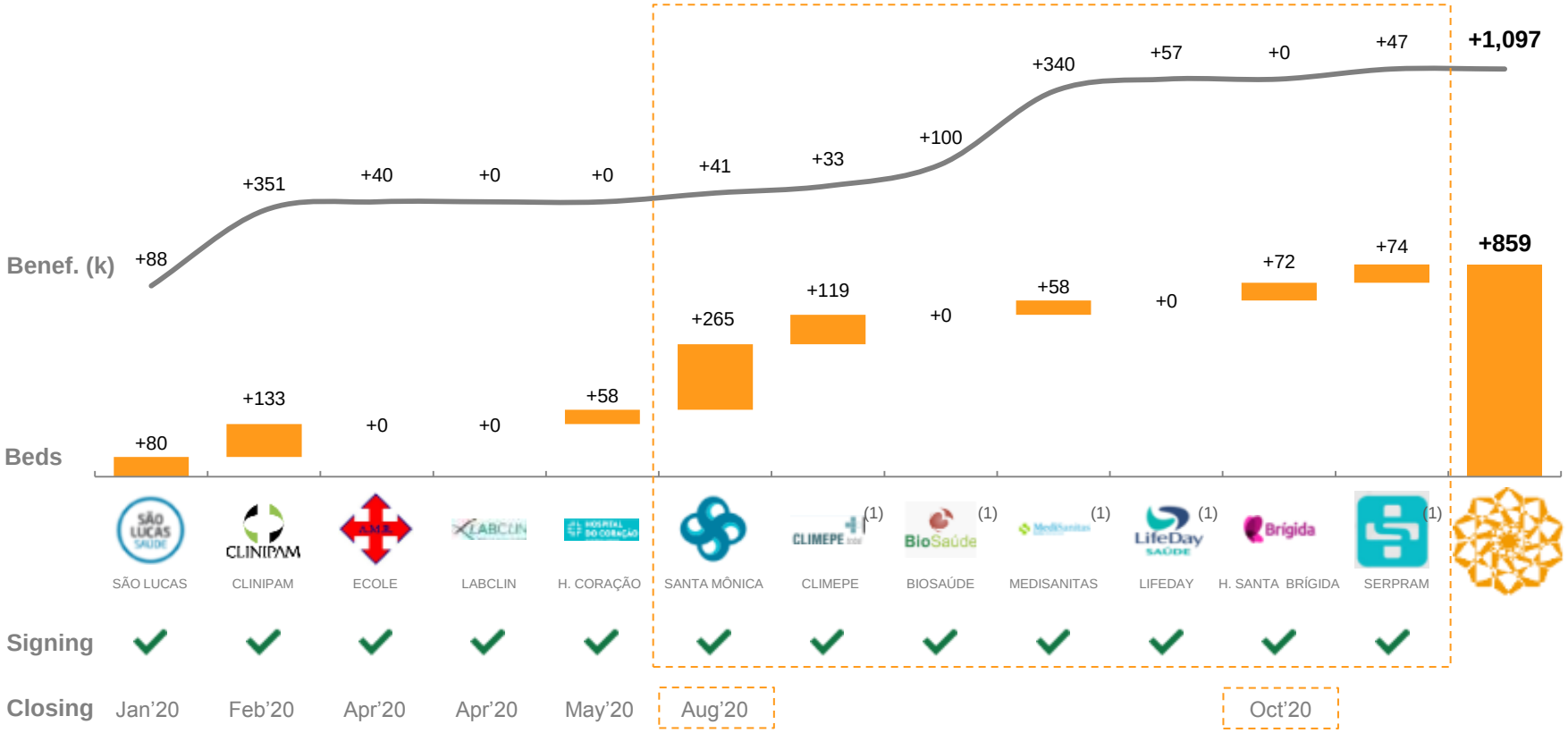
Operational Highlights | M&A

Market Consolidation Continues and M&A Strategy Has Been Sharp, Despite COVID-19

2020 M&A's

Throughout 2020, we were able to execute our M&As strategy, with 12 acquisitions totaling 1,097k beneficiaries and 859 beds, especially entering some of the most relevant private health markets in Brazil, such as Paraná, Santa Catarina, and Minas Gerais.

Since Jul'20 we have acquired 618k Beneficiaries and 588 Beds. GNDI is evaluating ~10 possible acquisition targets[2]



(1) Pending approval by ANS and/or CADE
(2) Information added due to clarifications provided in the conference call

Operational Highlights | M&A

Paraná and Santa Catarina: Access to 4.3 million Private Healthcare Beneficiaries

GNDI Acquisitions: South Branch

Clinipam – Curitiba/PR (Closing Feb'20)

- ✓ **351k health beneficiaries,** 52% corporate
- ✓ 2 hospitals with 133 beds (30 ICUs)
- ✓ 23 clinics and ERs
- ✓ Clinical Analysis and Image Laboratory

H. do Coração – Balneário Camboriú/SC (Closing May'20)

- ✓ **58 beds, 10 of which are ICUs**

Hospital Santa Brígida – Curitiba/PR (Closing Oct'20)

- ✓ **72 beds, 21 of which are ICUs**

LifeDay – Santa Catarina (Signing Oct'20)

- ✓ **57k health beneficiaries**, 96% corporate

H. Ônix Batel – Clinipam

H. Ônix Mateus Leme – Clinipam

H. do Coração de Balneário Camboriú

Hospital Santa Brígida

Operational Highlights | M&A

Minas Gerais: 4 Acquisitions, 461k Beneficiaries and 6 Hospitals (516 beds) in 2020

GNDI Acquisitions: MG Branch

Santa Mônica – Divinópolis/MG (Closing Aug'20)

- ✓ **2 hospitals**: 1 in Divinópolis e 1 in Nova Serrana (opened Oct'20)
- ✓ 265 beds, 65 of which are ICUs
- ✓ **41k beneficiaries**, 88% corporate
- ✓ Clinical Analysis Laboratory and Diagnostic Imaging Center

Climepe Total – Poços de Caldas/MG (Signing Aug'20)

- ✓ **1 hospital:** 119 beds, 16 of which are ICUs
- ✓ 33k beneficiaries, 81% corporate/affinity
- ✓ Diagnostic Imaging Center

MediSanitas – Belo Horizonte/MG (Signing Aug'20)

- ✓ **340k health beneficiaries**, 84% corporate
- ✓ 1 hospital: 58 beds, 10 of which are ICUs
- ✓ 1 emergency room, 5 clinical centers, 5 Clinical Analysis Laboratory, 3 dental clinics, 1 ophthalmologic center e 1 oncology clinic

Serpram – Varginha/MG (Signing Oct'20)

- ✓ **2 hospitals: 74 beds**, 21 of which are ICUs, ONA1 and ONA2 accreditation
- ✓ 47k health beneficiaries, 96% corporate

H. de Divinópolis – Santa Mônica

H. de Nova Serrana – Santa Mônica

H. Barreiro – MediSanitas

H. de Poços de Caldas - Climepe

H. IMESA – Serpram

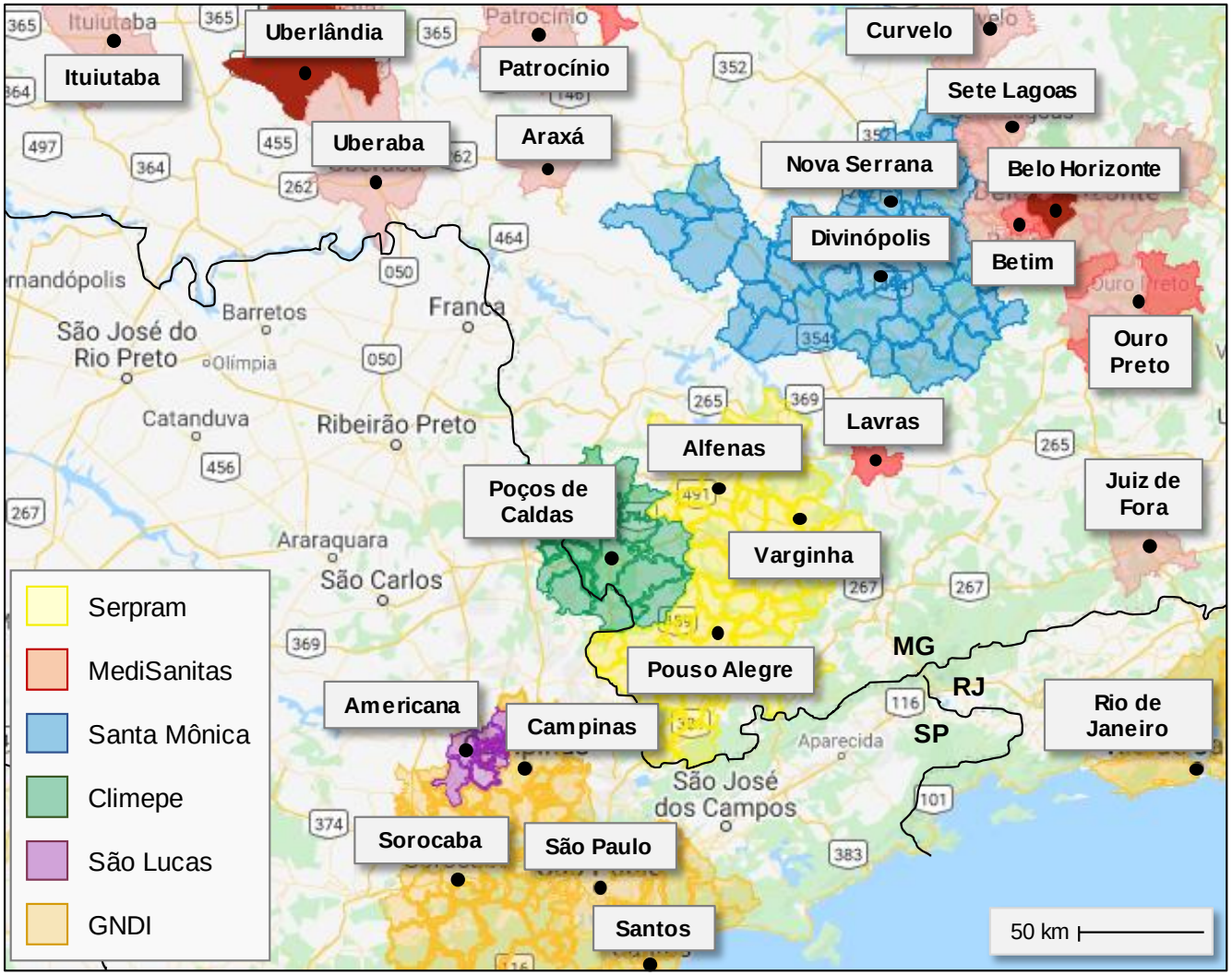
H. Varginha – Serpram

Operational Highlights | M&A

Minas Gerais, a Relevant State With a Significant Private Healthcare Market

✓ 3rd largest GDP in the country - R$ 152.5 billion

✓ 2nd most populous state in the country with ~20.1 million inhabitants



Operational Highlights | Integration

A Consistent Strategic Agenda Focused on Sustainable Value Creation

Integration & Synergies

Integration Agenda:

- ✓ **Integrations**: GNDI continues to execute an efficient integration agenda and capturing synergies from acquisitions, despite the restrictions imposed by the COVID-19 pandemic
- ✓ **Corporate Optimization**: Since 2015, **21 acquisitions have been completed, 13 of which have already been merged**, 5 of which only in 2020 (Belo Dente-MG, São José dos Lírios-RJ, LabClin-SP, AMR Ecole-SP, and Ghelfond-SP). GNDI may have possible positive impacts on solvency with the continuity of Corporate Optimization of the already acquired healthcare operators[(1)]

Ghelfond – São Paulo/SP

- ✓ **~320k exams/month**
- ✓ **GNDI's beneficiaries represent 80% of the exams**

New Command

- ✓ The Integration Area has a new leader, Dr. Massanori Shibata Jr., who has the mission to continue to execute our flawless integration efforts and now disseminate our medical best practices in the new regions of Santa Catarina, Paraná and Minas Gerais. Mr. Shibata was our Medical Director since 2015, playing a key role in all of our integrations

Clinipam – Curitiba/PR

- ✓ **New portfolio** of health plans, expansion of customer relationships and increase in the number of brokers
- ✓ **Verticalization indicators are starting to improve** in Santa Catarina and will also increase in Curitiba with the newly acquired hospital
- ✓ Exchange of knowledge, processes and medical protocols among GNDI regionals and hospitals, allowing to address quickly and efficiently the COVID-19 in the South Region
- ✓ Launched the first Clinipam Oncology Clinical in Curitiba. Modern structure with 6 consultation rooms, 1 urgency room and chemotherapy infusion ward with capacity of 900 treatments/month
- ✓ **Dr. Clinipam App went from 4k to 29k consultations/month, ~30% of the total volume**
- ✓ G&A Synergies with savings of **R$ 1.7mm/year** so far

(1) Information added due to clarifications provided in the conference call

Operational Highlights | Owned Network

Consistent Strategic Agenda Focused on Creating Sustainable Value

Santo André Advanced Unit (New ER)

Santo André Advanced Unit

- ✓ Opened in September 2020
- ✓ Reference for urgent and emergency care in the region
- ✓ Capacity of +30k consultations/month without appointment
- ✓ 24h quality care: Pediatrics, General Clinic, Orthopedics and Adult and Child Emergency Care
- ✓ Unit with 6,000 m² of floor area with:
  - +20 consultation room
  - 20 adult's ER beds
  - 10 children's ER beds
  - 4 rooms for small surgical procedures
  - 2 x-ray equipment
  - 1 tomography equipment
  - Ultrasound equipment
  - Clinical analysis collection point (NotreLabs)

Operational Highlights | Owned Network

A Consistent Strategic Agenda Focused on Sustainable Value Creation

Quality Care Investments in the ABC Region

Hemodynamics in H. São Bernardo

To improve the performance of the surgical center, raise quality and safety standards of the diagnosis, our beneficiaries in the ABC Region now have the Hemodynamics Center in the São Bernardo Hospital, starting 3Q20

The new equipment assists daily activities and reduces the time for procedures not only for GNDI's beneficiaries but also for other health plans

Redesigned Owned Network in the Region

Investments in the ABC Region started with some clinics in Santamalia back in 2015, then with the acquisition of Intermédica ABC hospital in 2016 (formerly Unimed ABC), São Bernardo and NotreCare ABC (formerly Baeta Neves) in 2017

We renovated and opened Clinical Centers and Standalone ERs in Diadema, Mauá, Ribeirão Pires among others

Hospital São Bernardo

Hospital São Bernardo

Hospital Unimed ABC

Hospital Intermédica ABC (formerly Unimed ABC)

Hospital Baeta Neves

Hospital NotreCare ABC (formerly Baeta Neves)

Operational Highlights

Consistent Strategic Agenda Focused on Creating Sustainable Value

GNDI Digital

GNDI EASY

- ✓ **+2.0 million** downloads
- ✓ **4.2 rating** by users as opposed 2.4 rating to similar apps, in Aug'20
- ✓ **New features available**, including 100% digital refund request
- ✓ 47% of **consultation appointments** in the Owned Network using the app

Telemedicine

Since implementation in Apr'20:

- ✓ **+406k consultations**
- ✓ **~667k prescriptions performed**
- ✓ **~111k special recipe prescriptions**
- ✓ **90% of patients discharged without the need for physical contact**
- ✓ **+900 doctors using the platform**

ESG

- ✓ In Oct'20, **a new Vice Presidency focused on ESG** (Environmental, Social and Governance) was created, under the command of Anderlei Buzelli, a senior executive at GNDI
- ✓ The objective is **to deepen the Company's actions, communication, and transparency for its stakeholders**, reinforcing the Group's business model's commitment to sustainability, whether in assistance, environmental, and social matters, in addition to ensuring the consolidation of the highest level of corporate governance

Reclame Aqui

Ótimo 8.1/10

Bom 7.2/10

Bom 7.0/10

Healthcare peers

Grupo NotreDame Intermédica

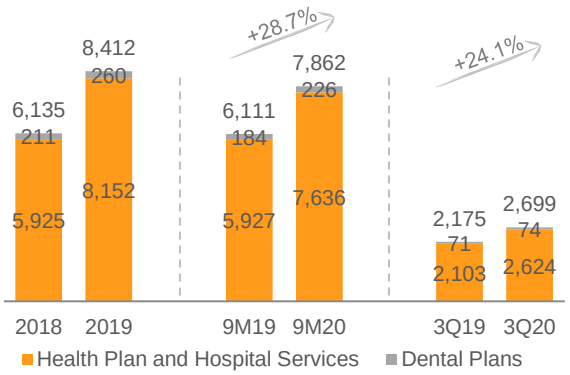
CLINIPAM

Net Revenue

Strong and Consistent Revenue Growth driven by Net Adds and Average Ticket

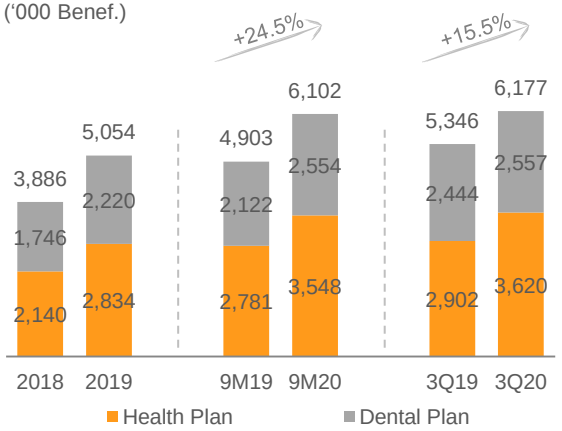
Net Revenue

(R$mm)



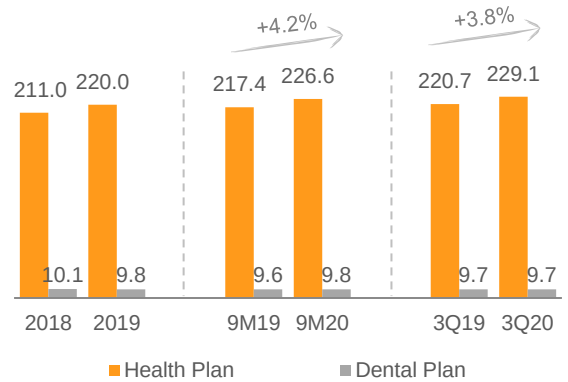
Average Number of Beneficiaries

('000 Benef.)



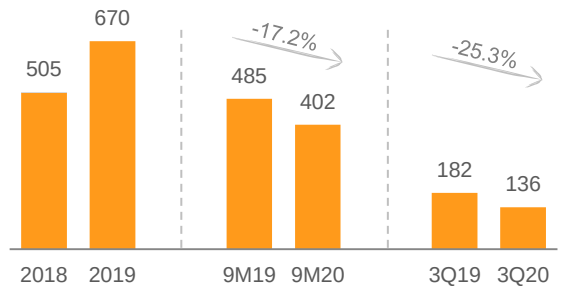
Net Monthly Average Ticket

(R$/mês)



Hospital Services Revenue

(R$mm)



Net Revenue: +24.1% vs. 3Q19

Avg. Health Benef.: +24.8% or +719k vs. 3Q19

- **+196k** Organic
- **+351k** Clinipam
- **+88k** São Lucas
- **+40k** Ecole
- **+27k** Santa Mônica
- **+17k** São José

Avg. Dental Benef.: +4.6% vs. 3Q19

- **+112k** Organic

Average Ticket: +3.8% vs. 3Q19

Health Plan

- **+5.9%** from price increase and sales mix
- **-2.1%** impacted by lower ticket from Clinipam

Dental Plan

- **Stable,** as a result of contractual adjustments, in addition to the continuity of the cross-sell strategy

Hospital Services: -25.3% vs. 3Q19

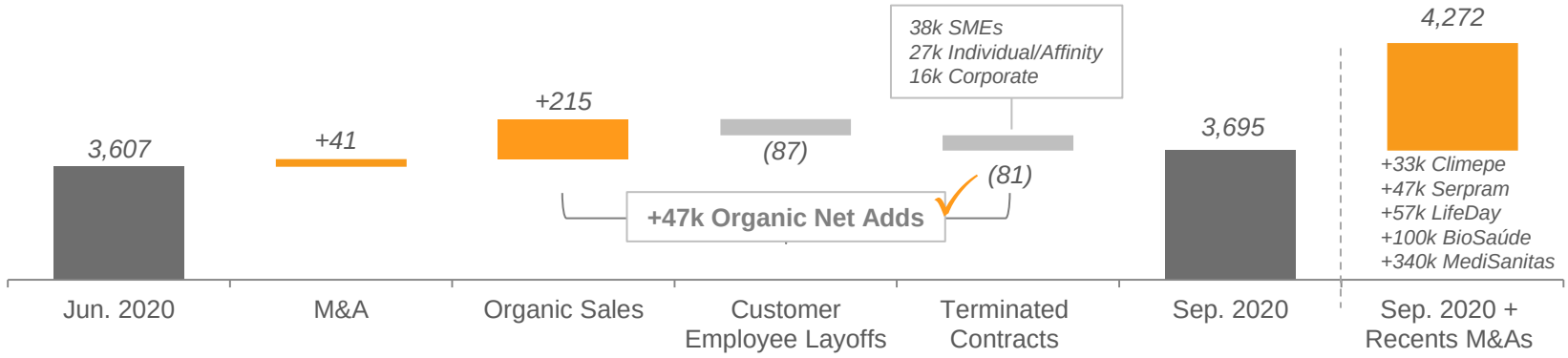
- **+R$39.9mm** from hospitals acquired in the last twelve months (H. São José, Ghelfond, H. São Lucas, LabClin, H. do Coração and Santa Mônica)
- "Same-hospital" revenue decreased 47.2% compared to 3Q19, mainly due to social distancing

Growth in an adverse economic scenario

Growth of the Number of Beneficiaries via Organic and M&As

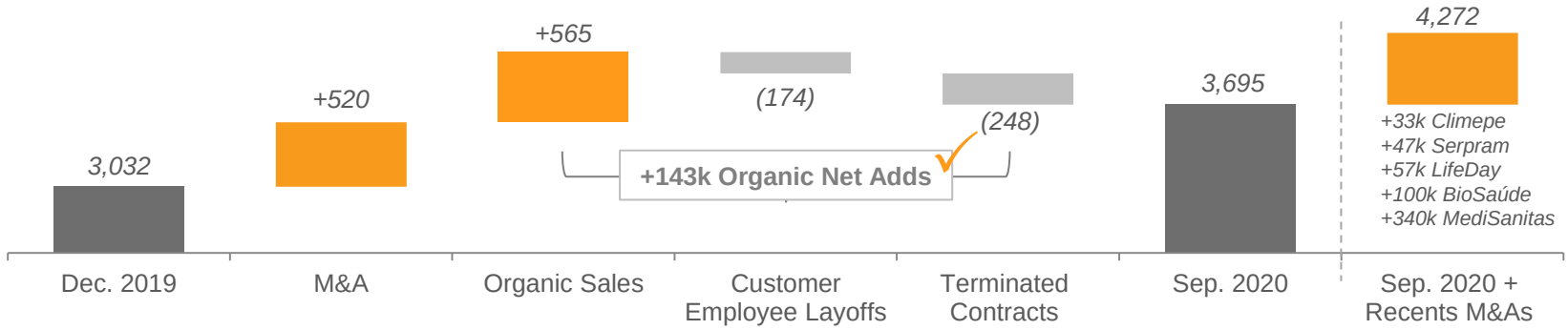
Number of Beneficiaries Evolution – 3Q20 | Health Plan

('000 Beneficiaries – End of Period)



Number of Beneficiaries Evolution – 9M20 | Health Plan

('000 Beneficiaries – End of Period)

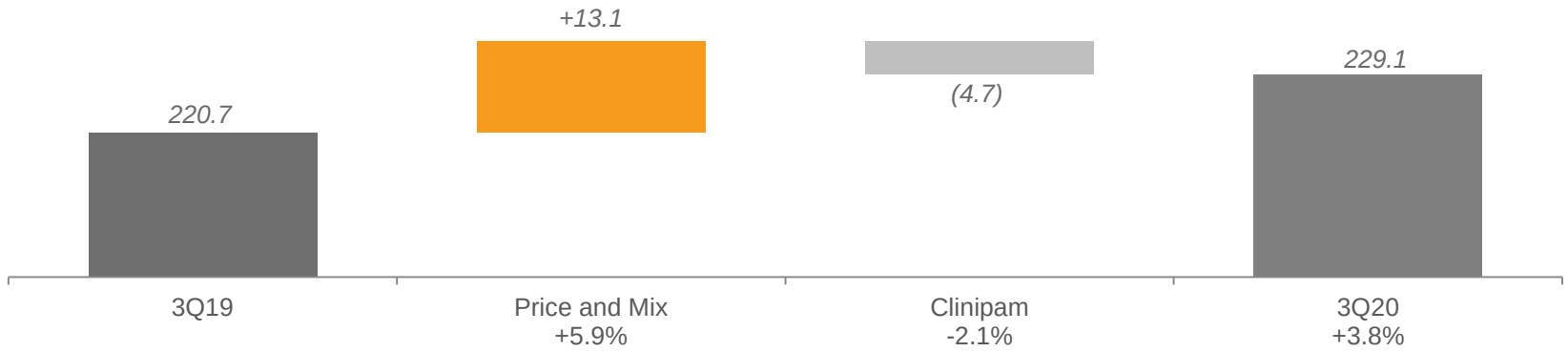


Growth in an adverse economic scenario

Still Focused on More Vertically Integrated and Lower Cost Products

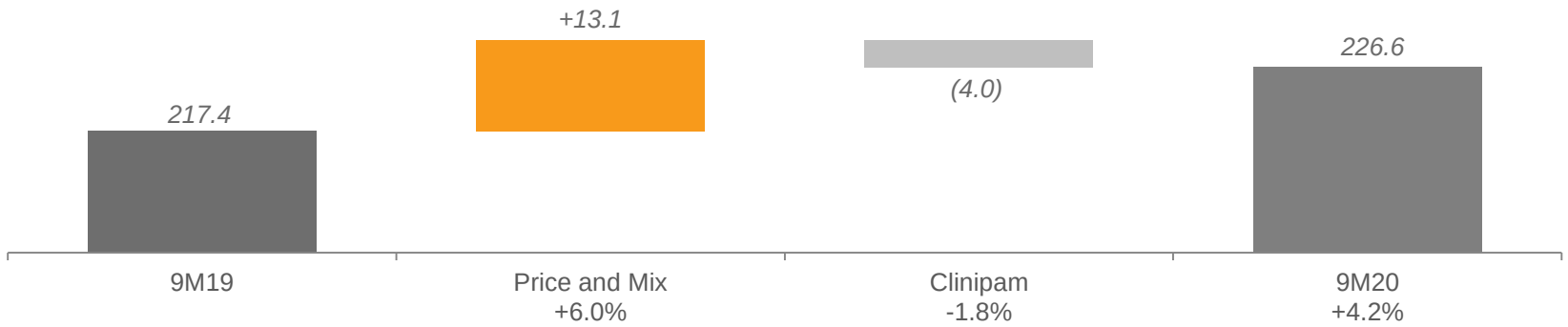
Average Ticket Evolution – 3Q20 | Health Plan

(R$/month)



Average Ticket Evolution – 9M20 | Health Plan

(R$/month)

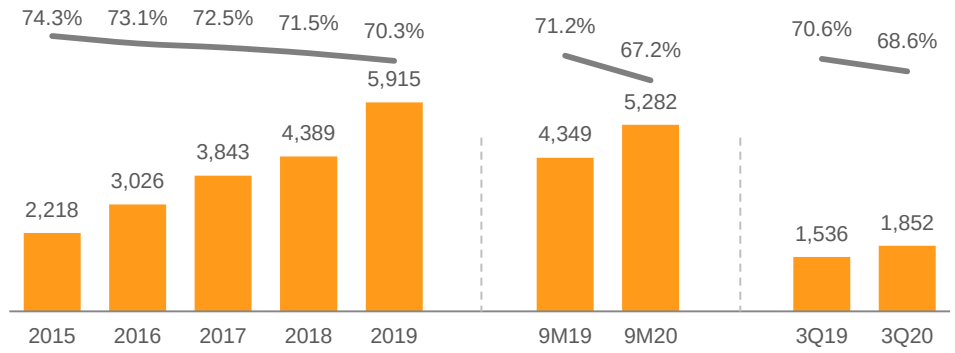


Cash MLR

68.6% Cash MLR, improving 2.0p.p. from 3Q19

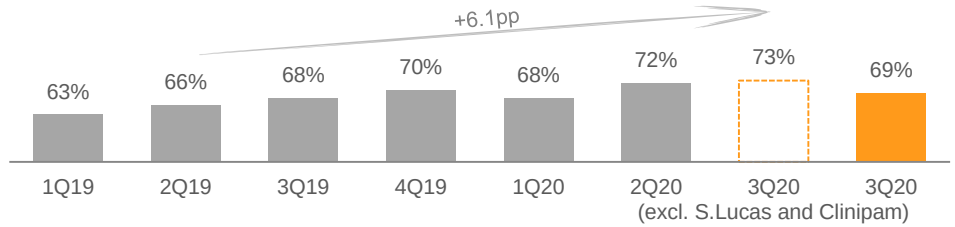
Cash MLR

(R$mm; % of NR)

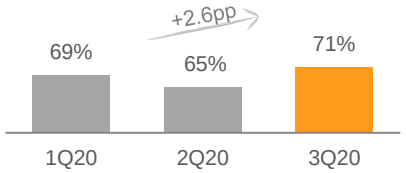


HMO Verticalization

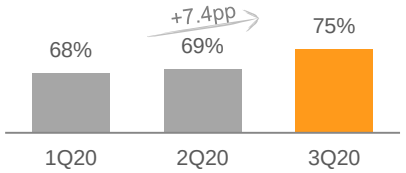
% Owned Network Cost / Total HMO Cost



Hospital Admissions



Consultations



Cash Loss ratio: 2.0p.p. better than 3Q19

Continuous improvements in Cash MLR driven by increasing levels of verticalization and capturing synergies in acquired companies

Verticalization: The gradual resumption of elective procedures (which had a significant reduction in 2Q20 due to COVID-19), as well as the increase in bed supply from the Owned Network, resulted in 69% HMO Cost Verticalization Level in 3Q20, and 71% Hospital Admissions within our Network

- **Telemedicine** was an important tool for the increase of verticalization of Consultations to 75%
- **NotreLabs and Ghelfond** have significantly insourced the exams demand for GNDI beneficiaries, as well as increased their total volume of exams

Synergies: we continue to extract synergies from acquired companies and during 2020 13 legal entities were merged to streamline processes and allow a leaner integration

COVID-19: during 3Q20 healthcare volumes continued to recover, progressively trending toward our historical averages

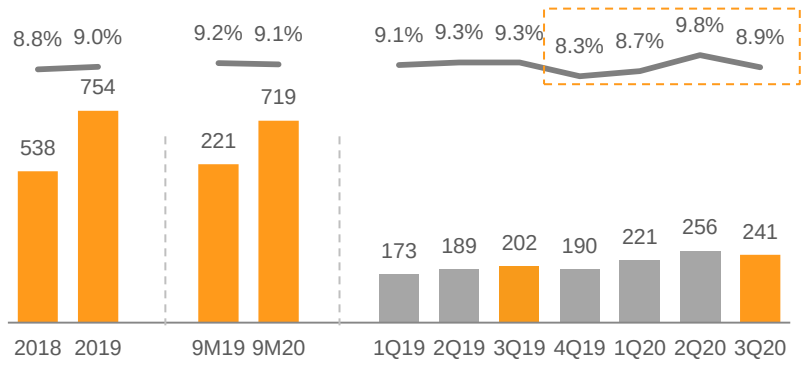
Dental Loss Ratio decreased from 36.0% in 3Q19 to 27.7% in 3Q20, reflecting the reduction in the usage of services during the pandemic

Cash G&A and Commercial Expenses

8.9% Cash G&A, 0.4p.p. favorable vs. 3Q19

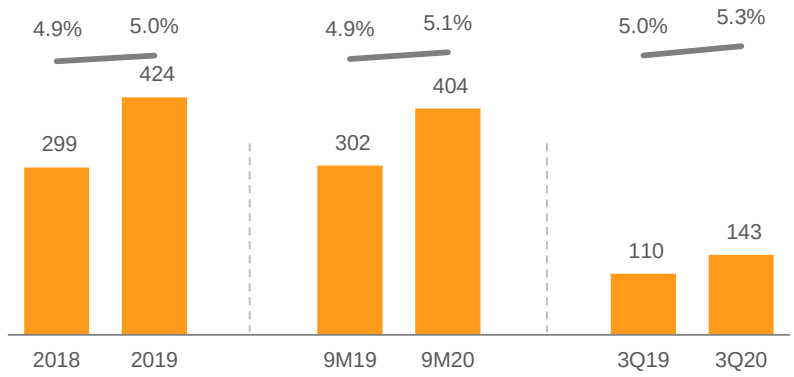
Cash G&A

(R$mm; % of NR)



Commercial Expenses

(R$mm; % of NR)



Cash G&A | Breakdown

R$mm	3Q20	3Q19	%RL20	%RL19	9M20	9M19	%RL20	%RL19
Personnel	126.0	99.4	4.7%	4.6%	358.6	274.6	4.6%	4.5%
Third Party Services	49.7	51.0	1.8%	2.3%	168.6	137.1	2.1%	2.2%
Occupation and Utilities	21.1	22.8	0.8%	1.1%	47.9	60.0	0.6%	1.0%
Allowance for doubtful acc.	28.0	14.1	1.0%	0.6%	83.2	53.5	1.1%	0.9%
Contingencies	15.3	14.2	0.6%	0.7%	28.2	34.6	0.4%	0.6%
Others	1.0	0.2	0.0%	0.0%	32.2	3.8	0.4%	0.1%
Cash G&A	**241.1**	**201.6**	**8.9%**	**9.3%**	**718.7**	**563.7**	**9.1%**	**9.2%**

G&A Cash: 0.4p.p. favorable compared to 3Q19

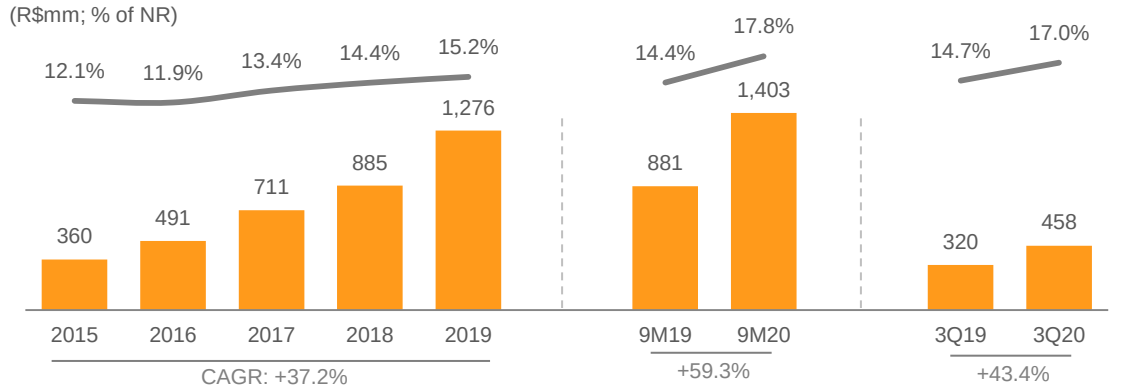
3Q20 Cash G&A came 5.9% lower than 2Q20 as we continue to implement our efforts to integrate the recently acquired companies. The synergies and savings obtained allowed for a dilution on Cash G&A, from 9.3% in 3Q19 to 8.9% in 3Q20. Most G&A lines presented savings, with the exception of Personnel and Allowance for doubtful accounts:

- **Personnel**: In addition to the impact of recent acquisitions, we made important investments to support our rapid, sustainable and continuous expansion, notably as we entered some new regions (States of SC, PR and MG)
- **Allowance for doubtful accounts** decreased from 1.3% in 2Q20 to 1.0% in 3Q20, reflecting the overall recovery of the economy. Delinquency in 3Q20 is still higher than 3Q19, however we see signs of a continuous improvement

Adjusted EBITDA

EBITDA of R$458.4mm (17.0% Margin), +43.4% vs. 3Q19

Adjusted EBITDA



Adjusted EBITDA | Breakdown

R$mm	3Q20	3Q19	*Var.*	*Var. %*	9M20	9M19	*Var.*	*Var. %*
Net Income	**196.8**	**99.7**	***97.1***	***97.4%***	**580.6**	**292.2**	***288.4***	***98.7%***
Income tax and social contribution	120.8	59.3	*61.5*	*103.8%*	408.9	205.3	*203.5*	*99.1%*
Net Interest	31.9	50.6	*(18.7)*	*-37.0%*	93.9	122.5	*(28.6)*	*-23.4%*
Depreciation and Amortization	88.0	68.8	*19.2*	*28.0%*	247.7	174.3	*73.4*	*42.1%*
EBITDA	437.5	278.4	*159.1*	*57.2%*	1,331.0	794.3	*536.7*	*67.6%*
(+/-) Stock Options	12.6	13.5	*(0.9)*	*-7.0%*	36.1	32.8	*3.2*	*9.8%*
(+/-) M&A/Integration Expenses	2.6	18.1	*(15.5)*	*-85.7%*	13.5	30.4	*(16.9)*	*-55.6%*
(+/-) Inter. Revenue (Restricted Cash)	5.8	9.6	*(3.9)*	*-40.4%*	22.6	23.5	*(0.9)*	*-3.8%*
Adjusted EBITDA	**458.4**	**319.6**	***138.8***	***43.4%***	**1,403.2**	**881.1**	***522.1***	***59.3%***
% margin	*17.0%*	*14.7%*		*2.3pp*	*17.8%*	*14.4%*		*3.4pp*

Adjusted EBITDA: 43.4% better than 3Q19
3Q20 includes Clinipam, São Lucas, Ecole, LabClin, H. do Coração and two months of Santa Mônica

The consistent revenue growth, continuous improvement in Cash MLR and Cash G&A dilution drove the Adjusted EBITDA increase

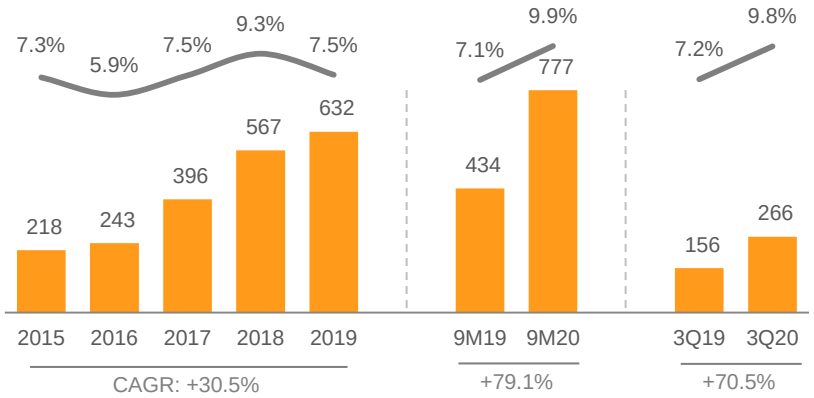
- **Excluding Clinipam and São Lucas**, Adjusted EBITDA would be R$ 402.7mm or 16.5% of Net Revenue, 26.0% better than 3Q19
- **IFRS16**: excluding this accounting impact, Adjusted EBITDA would be R$ 433.3mm (16.1% of Net Revenue), 42.5% better than 3Q19 also without the effect of IFRS16
- During 9M20, EBITDA was impacted by :
  - **IBNR** increased R$15.4mm vs. 9M19 due to the increase in the Company's operations in the last 12 months
  - **SUS Reimbursements** increased R$ 22.6mm vs. 9M19, reflecting the acceleration of ANS charges started at the end of 2019

Adjusted Net Income and CapEx

Consistent Net Income Growth and Net Margin Expansion

Adjusted Net Income

(R$mm; % of NR)

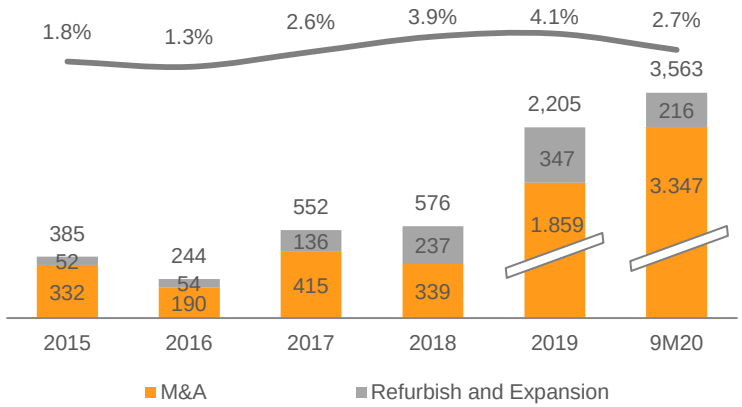


R$mm	3Q20	3Q19	*Var.*	*Var. %*	9M20	9M19	*Var.*	*Var. %*
EBITDA	**437.5**	**278.4**	*159.1*	*57.2%*	**1,331.0**	**794.3**	*536.7*	*67.6%*
Income tax and social contribution	(120.8)	(59.3)	*(61.5)*	*103.8%*	(408.9)	(205.3)	*(203.5)*	*99.1%*
Net Interest	(31.9)	(50.6)	*18.7*	*-37.0%*	(93.9)	(122.5)	*28.6*	*-23.4%*
Depreciation and Amortization	(88.0)	(68.8)	*(19.2)*	*28.0%*	(247.7)	(174.3)	*(73.4)*	*42.1%*
Net Income	**196.8**	**99.7**	*97.1*	*97.4%*	**580.6**	**292.2**	*288.4*	*98.7%*
(+/-) Stock Options	12.6	13.5	*(0.9)*	*-7.0%*	36.1	32.8	*3.2*	*9.8%*
(+/-) Intang. asset amort.*	37.6	33.5	*4.1*	*12.2%*	99.3	65.8	*33.5*	*50.9%*
(+/-) Deferred taxes	18.6	9.0	*9.6*	*106.2%*	61.4	43.2	*18.2*	*42.1%*
Adjusted Net Income	**265.5**	**155.7**	*109.8*	*70.5%*	**777.3**	**434.0**	*343.3*	*79.1%*
% margin	*9.8%*	*7.2%*		*2.7pp*	*9.9%*	*7.1%*		*2.8pp*

* Intangible asset amortization of acquired companies

CapEx

(R$mm; (Refurbish and Expansion) / NR)



CapEx: R$3,563mm in 9M20

R$3,347mm: Acquisition:

- **R$2,642mm**: Clinipam
- **R$377mm**: São Lucas
- **R$206mm**: Santa Mônica
- **R$66mm**: H. do Coração de B. Camboriú
- **R$49mm**: Ecole
- **R$7mm**: LabClin

R$216mm: Invested in Owned Network improvement and technology, especially with new systems and equipment

Net Debt

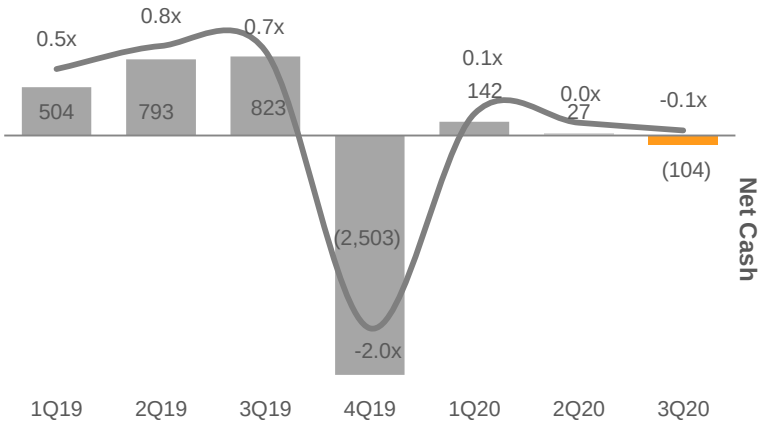
GNDI Maintains a Robust Capital Structure with Low Leverage

GNDI3 | Debt Profile

	June 2020	September 2020
***NDI**Par*	Seller's Note R$78.7mm (10.0% a.a.) Jun/2020	Seller's Note R$67.5mm (10.0% a.a.) Jun/2020
BCBF	Debenture (BCBF12) R$121.9mm (CDI + 2.25% a.a.) Aug'20/Feb'21 Promissory Note R$366.8mm (CDI + 1.40% a.a.) Aug'20/Feb'21/Aug'21/Feb'22 Bank Loans R$521.6mm (CDI + 2.49% a.a.) Jun'22/May'23/Jun'23/Jun'24	Debenture (BCBF12) R$60.1mm (CDI + 2.25% a.a.) Feb'21 Promissory Note R$277.5mm (CDI + 1.40% a.a.) Feb'21/Aug'21/Feb'22 Bank Loans R$526.1mm (CDI + 2.49% a.a.) Jun'22/May'23/Jun'23/Jun'24 Debenture (BCBF14) R$750.3mm (CDI + 2.65% a.a.) Sep'23/Sep'24/Sep'25
NDI**Saúde* ***(OpCo)	4131 (II) R$66.4mm (85%CDI+1.955%a.a.) Dec'20 Debenture (NDMI13) R$812.4mm (CDI + 1.60% a.a.) Aug'22/Aug'23/Aug'24	4131 (II) R$66.4mm (85%CDI+1.955%a.a.) Dec'20 Debenture (NDMI13) R$801.2mm (CDI + 1.60% a.a.) Aug'22/Aug'23/Aug'24 Bank Loan R$298.7mm (CDI + 2.3% a.a.) Sep'23/Sep'24/Sep'25
Acquired Subsidiaries	Other Borrowings: R$46.7mm	Other Borrowings: R$68.8mm

Net Debt

(R$mm; ND / EBITDA LTM)



In 3Q20, **the Company paid for Santa Mônica acquisition**, as well as the investments in the improvement of our Owned Network

In the same period, from a cash/liability management perspective and to maintain the expansion of its business, **the Company decided to raise R$1,050mm using debt instruments**

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