

4Q23 Earnings Call Presentation



April 1ST, 2024 | 2pm (EDT – NY) | 3pm BRT

HAPV
B3 LISTED NM

Summary

	2023	2022	Δ%	4Q23	4Q22	Δ%
Net Revenue:	R\$27,383MM	R\$24,870MM	+10.1%	R\$6,936MM	R\$6,502MM	+6.7%
Health Beneficiaries (EoP):	8,864.2k	9,138.0k	-3.0%			
Dental Beneficiaries (EoP):	6,994.3k	6,933.7k	+0.9%			
Avg Health Ticket:	R\$247.2	R\$222.8	+11.0%	R\$256.5	R\$231.6	+10.8%
Cash MLR:	71.8%	73.3%	-1.5p.p.	69.3%	72.9%	-3.6p.p.
Cash SG&A ⁽¹⁾:	16.7%	17.3%⁽³⁾	-0.6p.p.	16.7%	17.7%⁽³⁾	-1.0p.p.
Adjusted EBITDA⁽¹⁾:	R\$2,932MM	R\$1,987MM⁽³⁾	+47.6%	R\$950MM	R\$512MM⁽³⁾	+85.7%
% Margin	10.7%	8.0%	2.7p.p. better	13.7%	7.9%	5.8p.p. better
Adjusted Net Income⁽²⁾:	R\$846MM	R\$612MM⁽³⁾	+38.3%	R\$331MM	R\$74MM⁽³⁾	+345.6%
Net Debt:	R\$4.796MM	R\$7,100MM	-32.5%			
	1.38x EBITDA	2.45x EBITDA	-1.07x EBITDA			
CapEx:	R\$441MM	R\$736MM	-40.1%	R\$101MM	R\$236MM	-86.6%

2022 data include the simple sum of the January'22 numbers of BCBF Participações S.A. to the Hapvida Investimentos e Participações results

(1) Excluding non-cash expenses Stock Options Plan (SOP) and Long-Term Incentive Plan (LTIP); Depreciation & Amortization and Non-current expenses regarding to divestment in São Francisco Resgate

(2) Correspond to Net Income excluding expenses with SOP/ILP; Amortization of Customer Portfolio and Trademarks & Patents and Non-current expenses regarding to divestment in São Francisco Resgate

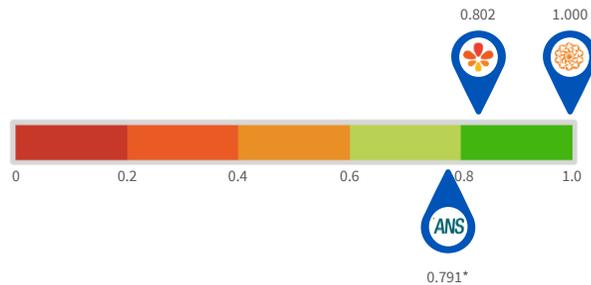
(3) 3Q22 and 4Q22 excluding the positive impact of R\$417.4 million and R\$87.2 million, respectively, related to the reimbursement of expenses under the purchase and sale agreement of companies acquired by the Company, Promed and Premium

Quality of Care

Permanent focus on qualifying our own network

IDSS ANS (Supplementary Health Performance Index)

For another consecutive year, the company maintained its high-quality standards in relation to the ANS indicators (IDSS) for the base year 2022. The higher, the better.



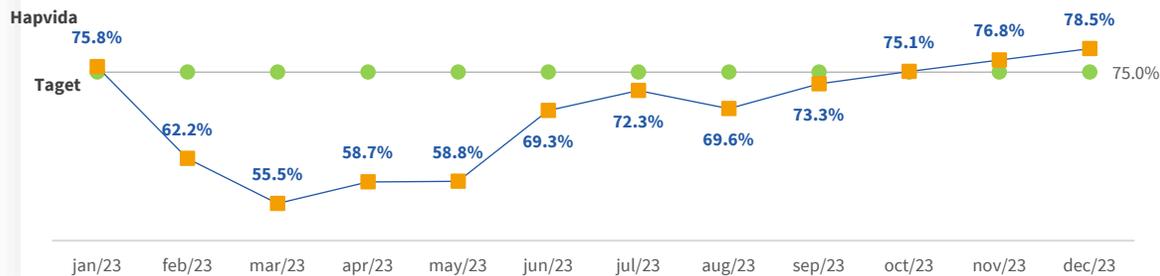
Standardized ICU Mortality Rate

The standardized mortality ratio is the ratio between the deaths observed in the study group and the deaths expected in the general population. The lower the rate, the better.



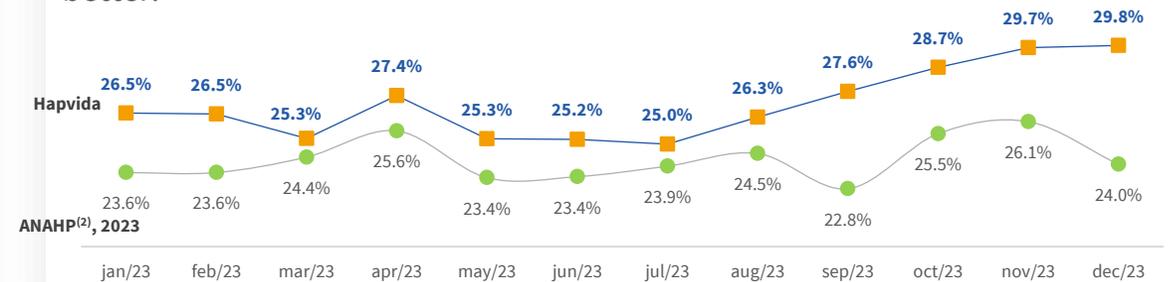
Waiting in Emergencies

Rate of service within 15 minutes in emergencies. The higher, the better.



Natural Birth

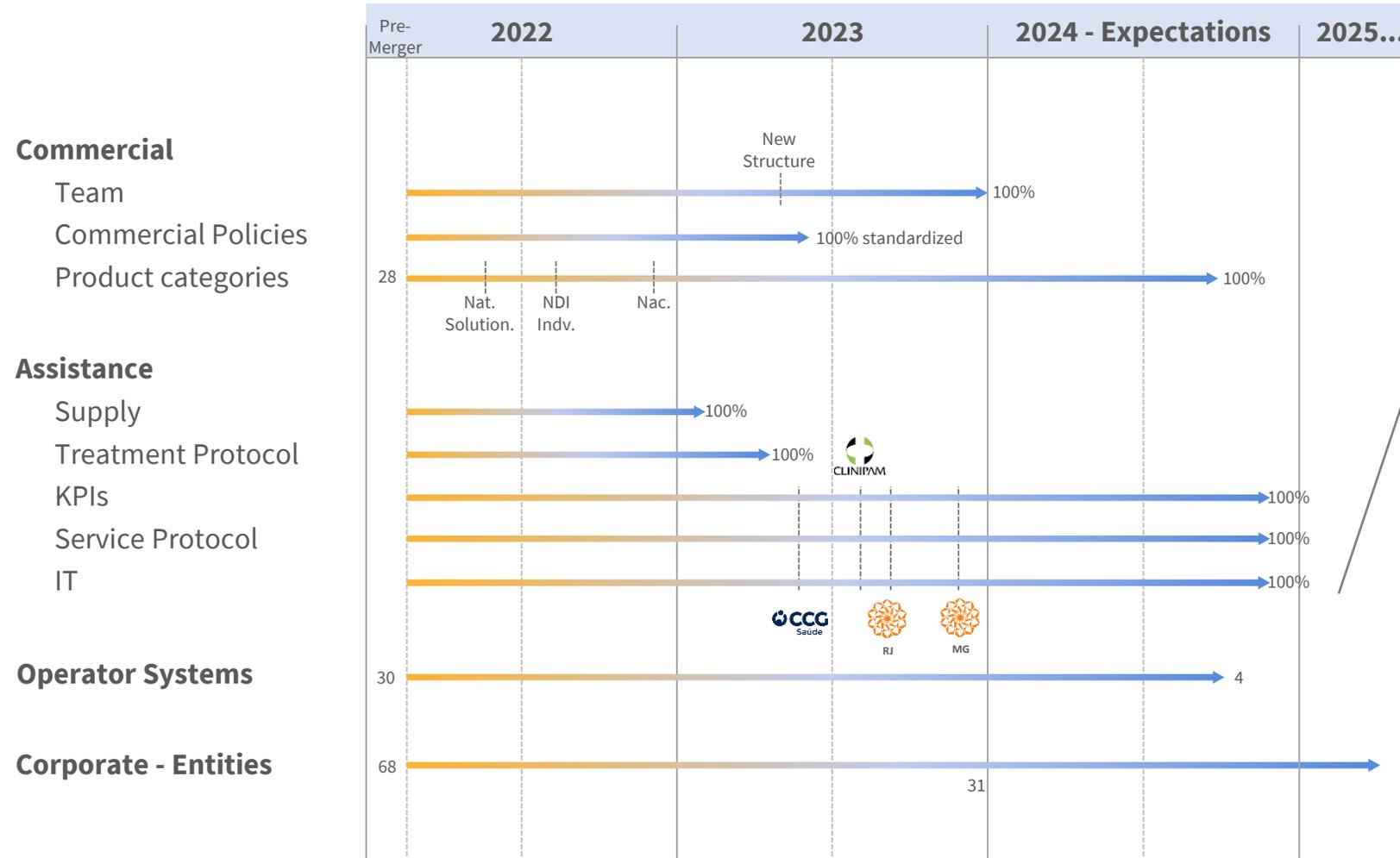
Rate of natural birth deliveries per total number of deliveries. The higher, the better.



* ANS consists of the weighted average by beneficiaries of the 3 largest operators/insurers
 (1) AMIB - Brazilian Intensive Care Medicine Association (2) ANAHP - National Association of Private Hospitals

Integration

Simplified overview of integration with NotreDame Intermédica



Development

- 6 months of analysis and interviews
- New Modules: Sale of Services
- Customizations:
 - 345 systemic
 - 1,184 processes
 - 428 multi-operator construction

2023 Implementation

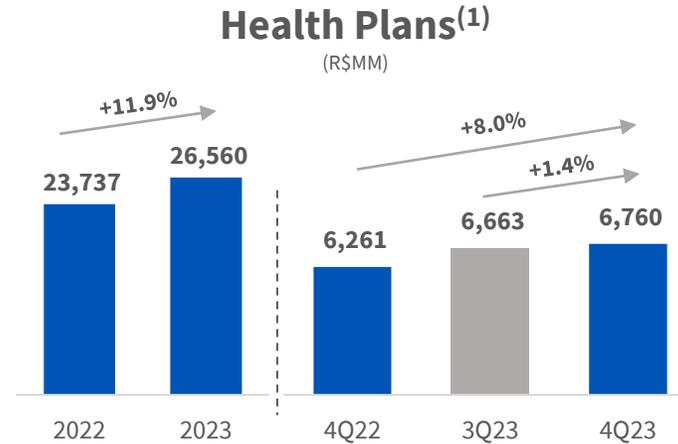
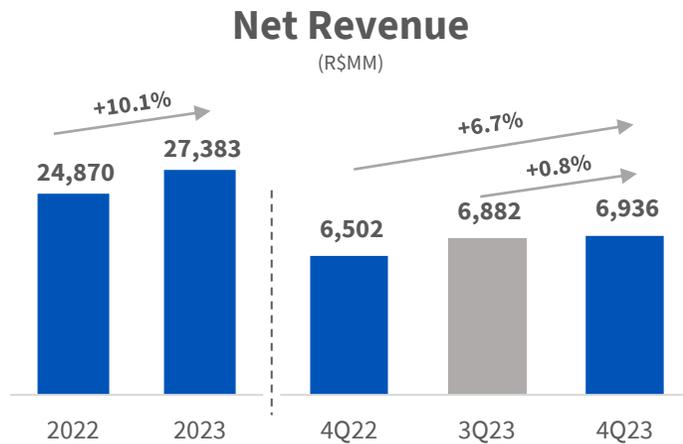
- 1.1MM beneficiaries
- 82 care units
- 1.6k products
- 9.3k trained providers
- 5k employees involved

2024 Implementation

- 6.7MM beneficiaries
- 181 care units
- 3.0k products
- 17k trained providers
- 22k employees involved

Net Revenue

Consistent revenue increase driven by average ticket improvement



NET REVENUE: +6.7% vs. 4Q22

HEALTH PLANS: +8.0% vs. 4Q22

Avg. beneficiaries: -2.5%

- **-334k** Organic
- **+106k** M&A

Avg. ticket: +10.8%

DENTAL PLANS: +8.6% vs. 4Q22

Avg. beneficiaries: +0.9%:

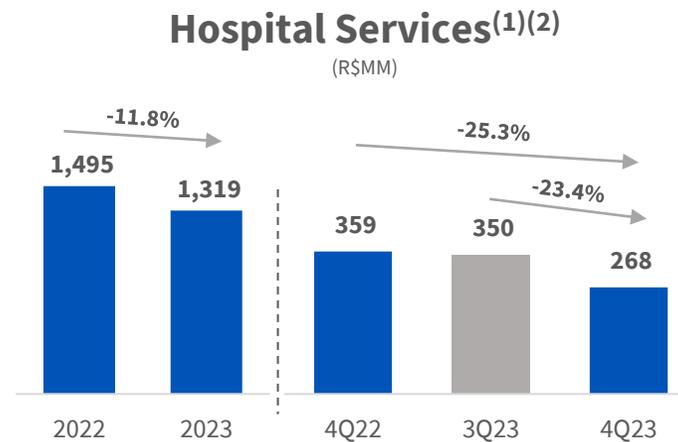
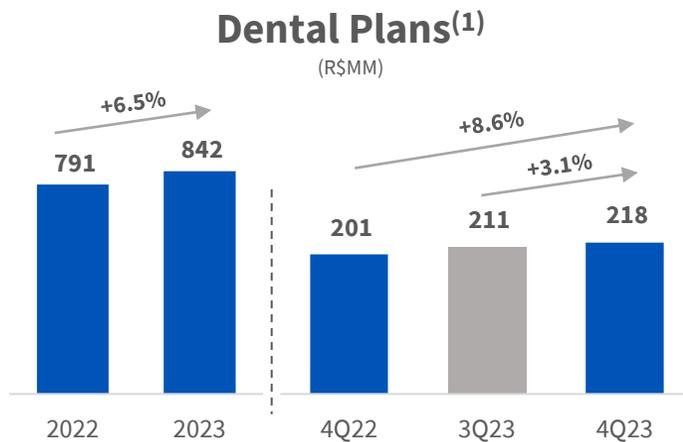
- **+41k** Organic
- **+24k** M&A

Avg. ticket: +7.6%

- Result of the contracts' readjustments, loyalty strategy and cross-selling

HOSPITAL SERVICES: -25.3% vs. 4Q22

- **R\$96.6MM:** divestments in San Francisco Resgate and Maida Health
- **R\$79.8MM:** reflection of seasonality and reduction of credit risk



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(1) Gross Revenue

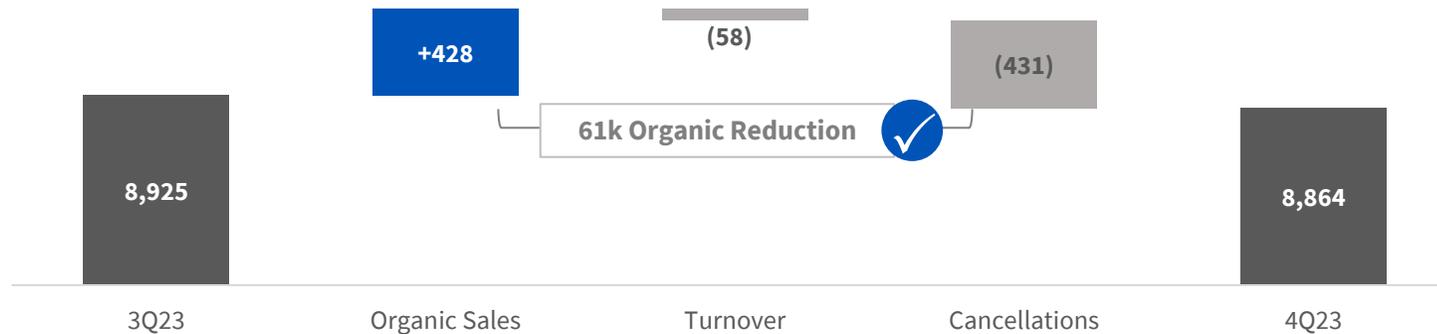
(2) Including revenues with third party hospital services, patient transportation services (ambulances) and other

Health Plans

Resilient increase in average ticket, up 10.8% since 4Q22

Health Beneficiaries Evolution

(thousand; EoP)

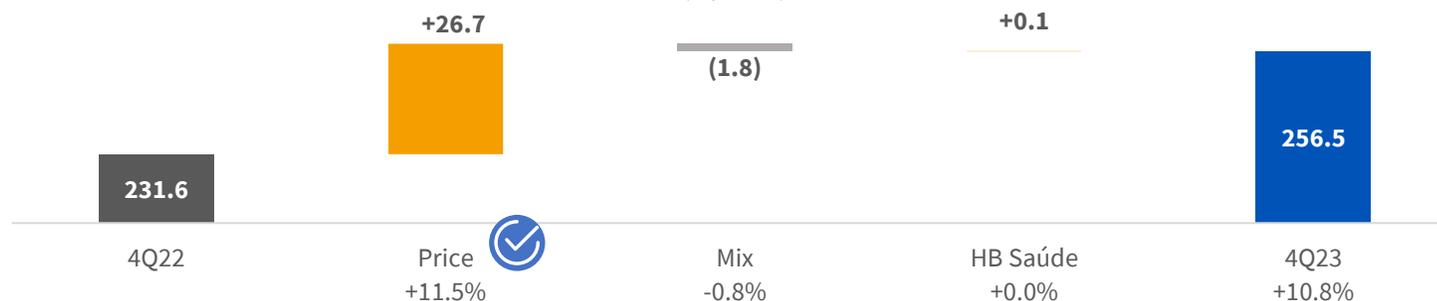


BENEFICIARIES: -61k in 4Q23 vs. 3Q23

- **Organic sales**, the result of dynamic gross sales
- **Turnover** was higher, reflecting our clients' sector and regional exposure
- **Cancellations** at higher levels due to increased defaults and termination of loss-making contracts

Average Ticket Evolution

(R\$/month)



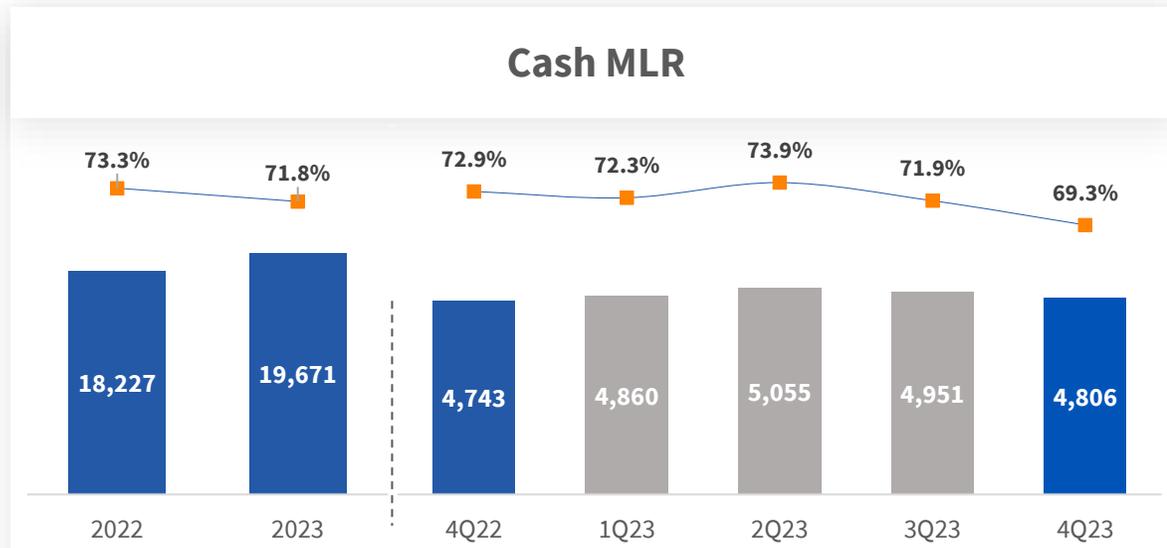
AVG. TICKET: 10.8% better vs. 4Q22

Reflection of the price re-composition strategy and review of the client portfolio, seeking profitability and sustainability

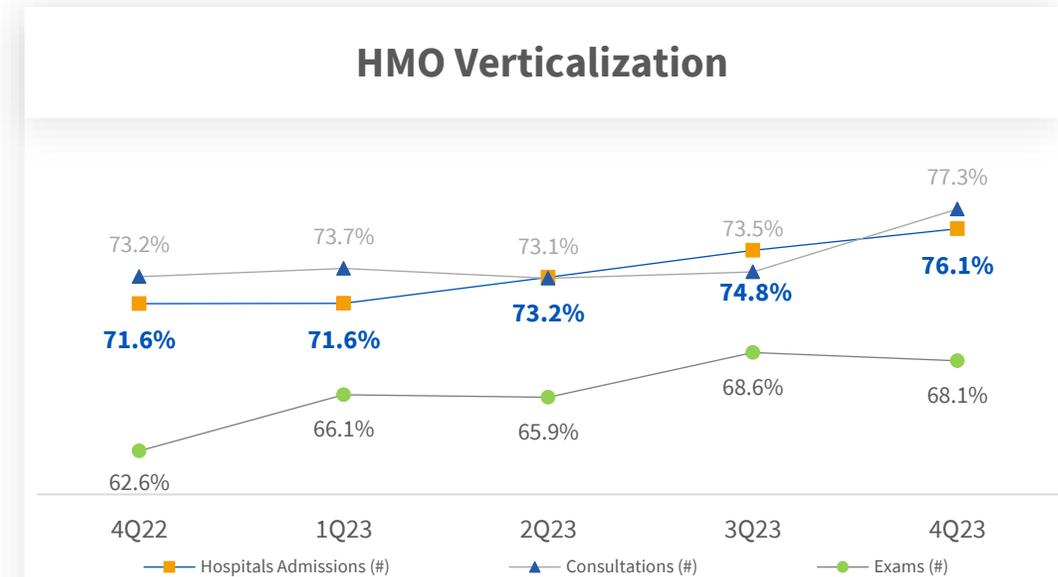
- **+11.5%** readjustments to existing contracts
- **-0.8%** sales and cancellations mix
- No impact from the HB Saúde acquisition

Cash MLR

Significant reduction of 3.6 p.p. and 1.5 p.p. compared to 4Q22 and 2022



- 4.6p.p. reduction in the cash loss ratio in 4Q23 vs. 2Q23, better than the historical pro forma average⁽¹⁾ of 3.3p.p.
- The decrease captured was superior to the implicit seasonality and reflects the successful price readjustment trajectory (still in progress), increase in verticalization, standardization of protocols and cost control
- Full year Cash MLR decreased by 1.5p.p.
- RJ, MG and South add 2.0p.p. to consolidated Cash MLR



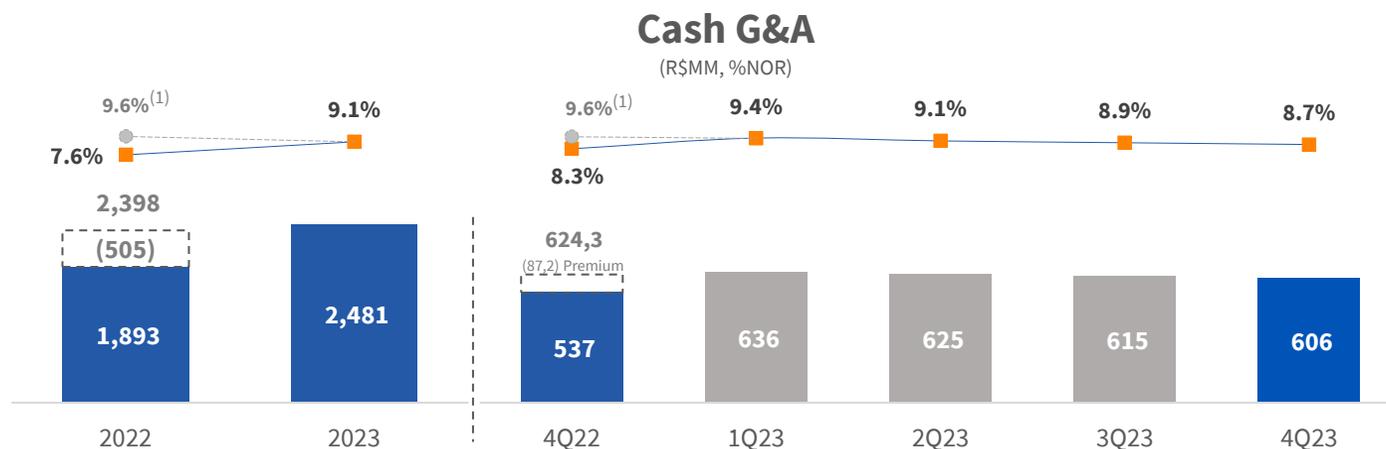
- High frequency of use since 2022, including the a considerable increase in therapies from 0.17 proced./benef. in 1Q22 to 0.25 in 4Q23
- We reduced our exposure to medical inflation by intensifying verticalization efforts in consultations, hospital admissions and exams carried out in our own network
- Bringing more agility, quality and uniformity to the care provided to our beneficiaries

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(1) Considering the average for the years 2017, 2018 and 2019 from the combination of the information disclosed by Hapvida Participações and NotreDame Intermédica for Cash MLR

Cash G&A

Strong control of Administrative Expenses



Cash G&A | Breakdown

(R\$ million)	4Q22	1Q23	2Q23	3Q23	4Q23
Personnel	291.6	285.6	283.2	287.8	237.8
Third Party Services	182.6	174.2	171.5	190.3	165.3
Occupation and Utilities	78.1	77.5	72.7	72.6	93.9
Contingencies & Taxes	63.3	95.0	118.9	96.6	122.1
Other (revenue)/expenses	(78.5)	3.3	(21.4)	(32.4)	(12.9)
Cash G&A	537.1	635.5	624.8	614.9	606.3
%NOR	8.3%	9.4%	9.1%	8.9%	8.7%

CASH G&A: 0.2pp better vs. 3Q23

The main positive impacts were:

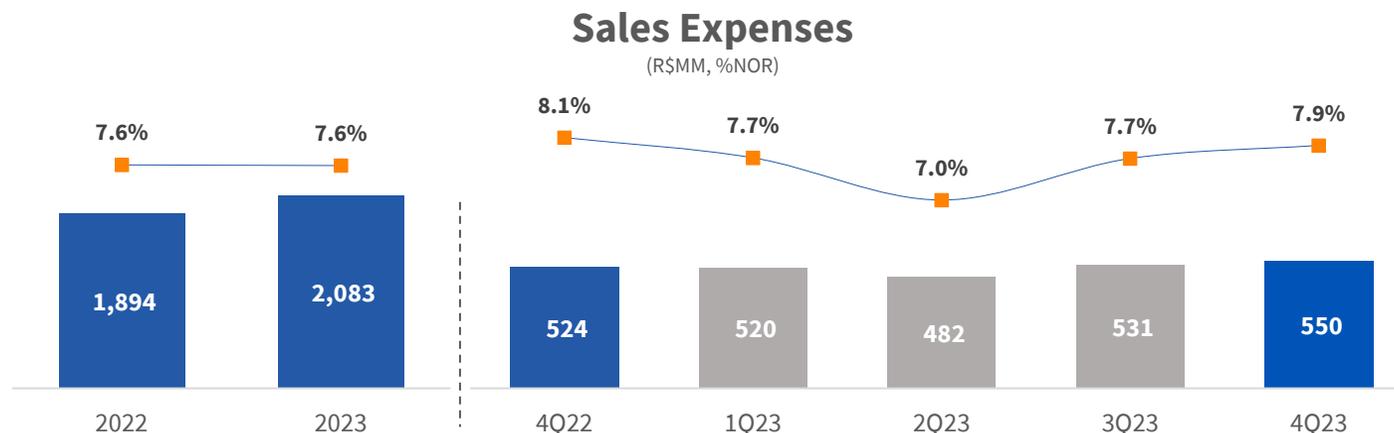
- **R\$49.9MM** in Personnel: the one-off reversal of R\$40.0MM in variable remuneration provisioned and reallocation of R\$9.6MM to sales expenses
- **R\$25.0MM** in Third-Party Services: 3Q23 increased by R\$18.9MM with acquisitions, services related to system implementations (MG, RJ and South) and integration consultancies

And they were partially offset by:

- **R\$25.5MM** in Contingencies and Taxes, in line with previous quarters. 3Q23 was positively impacted by the reversal of R\$20MM from Promed after the price adjustment agreement
- **R\$21.2MM** in Location: mainly due to the additional infrastructure load of the newly integrated units, including maintenance, processing and storage, links and non-recurring expenses related to system implementations

Sales Expenses

Sales Expense ratio stable in relation to 3Q23



SALES EXPENSES: 0.2pp unfavorable vs. 3Q23

In the quarter, the Company showed an increase in all sales expense lines, except for expenses with Commissions and other expenses.

We highlight the increases in:

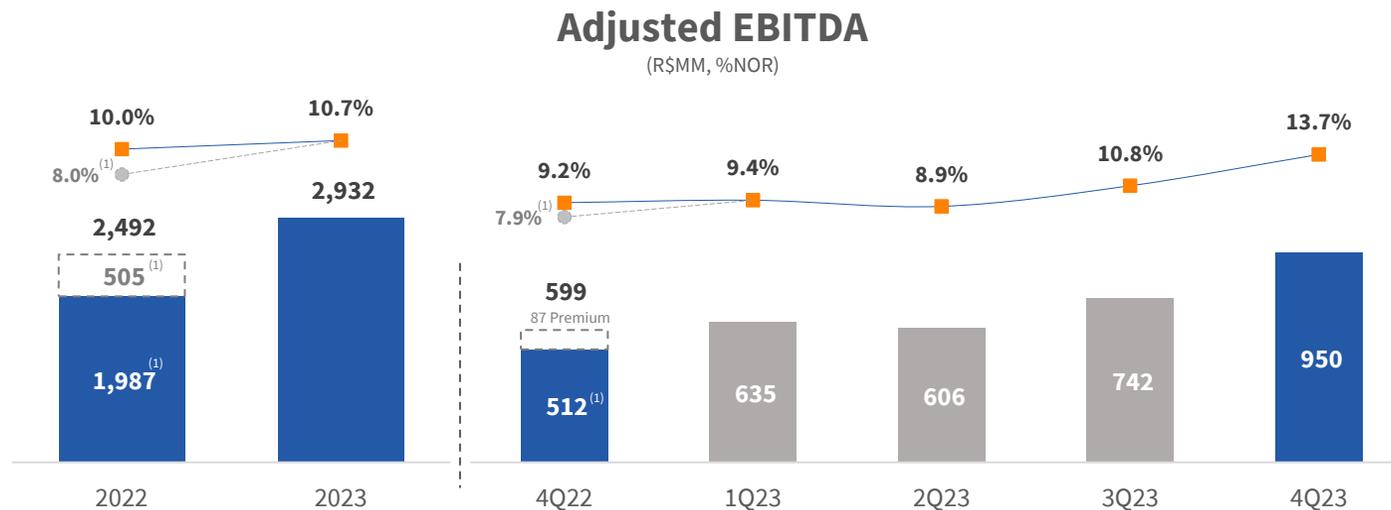
- **R\$9.6MM** in Personnel reclassification from administrative to sales, of which R\$7.2MM from Jan to Sep'23
- **R\$7.7MM** in Provision for credit losses (PDD), impacted by a specific client who, after contract cancellation, we reduced the expectation of receipt by R\$6.0MM
- **R\$5.1MM** in Advertise, the result of marketing campaigns concentrated in the second half of the year in an effort to strengthen the brand in all regions

Sales Expenses | Breakdown

(R\$ million)	4Q22	1Q23	2Q23	3Q23	4Q23
Commission	301.6	321.4	306.0	334.9	332.1
Provision for credit losses	153.7	154.1	126.0	131.2	138.9
Marketing & Advertise	35.7	12.4	11.3	20.0	25.1
Personnel	27.8	29.3	34.3	33.4	43.1
Other expenses	5.0	2.9	4.4	11.7	10.9
Sales Expenses	523.9	519.9	482.0	531.2	550.0
%NOR	8.1%	7.7%	7.0%	7.7%	7.9%

Adjusted EBITDA

Increase of 85.7% vs. 4Q22⁽¹⁾ and 47.6% vs. 2022⁽¹⁾



ADJUSTED EBITDA: +47.6% vs. 2022⁽¹⁾

Mainly due to:

- Increase of 10.1% in net revenue, reflecting the contract readjustments implemented, which were necessary for financial rebalancing, despite the reduction in the beneficiary base and the discontinuation of ancillary activities (Resgate and Maida Health)
- Reduction of 1.5p.p. at Cash MLR
- Dilution of 0.6p.p. in Cash Administrative Expenses

Adjusted EBITDA | Breakdown

(R\$ million)	4Q23	3Q23	Var. % 4Q23/3Q23	4Q22	Var. % 4Q23/4Q22	2023	2022 ⁽¹⁾	Var. % 2023/2022 ⁽¹⁾	2022
Net Income (Losses)	(29.9)	(206.7)	-85.6%	(316.7)	-90.6%	(739.2)	(1,370.9)	-46.1%	(866.3)
(+) Long term Incentive Plan (LTIP) and SOP	(20.5)	35.3	-158.0%	69.8	-129.4%	61.7	486.3	-87.3%	486.3
(+) Intangible Amortization	380.9	372.0	2.4%	408.2	-6.7%	1,463.4	1,496.4	-2.2%	1,496.4
(+) Non-recurring expenses	-	60.4	100.0%	-	100.0%	60.4	-	100.0%	-
Adjusted Net Income	330.5	261.0	26.6%	161.4	104.8%	846.2	611.8	38.3%	1,116.4
(+) Income tax and social contribution	141.3	(59.0)	-339.7%	(299.7)	-147.1%	66.2	(691.2)	-109.6%	(691.2)
(+) Financial result	306.5	371.4	-17.5%	515.7	-40.6%	1,354.9	1,346.9	0.6%	1,346.9
(+) Depreciation and Amortization	171.4	168.5	1.7%	221.3	-22.5%	665.1	719.8	-7.6%	719.8
Adjusted EBITDA	949.7	742.0	28.0%	598.7	58.6%	2,932.4	1,987.3	47.6%	2,491.9
% margin	13.7%	10.8%	2.9pp	9.2%	4.5pp	10.7%	8.0%	2.7pp	10.0%

ADJUSTED NET INCOME: +38.3% vs. 2022⁽¹⁾

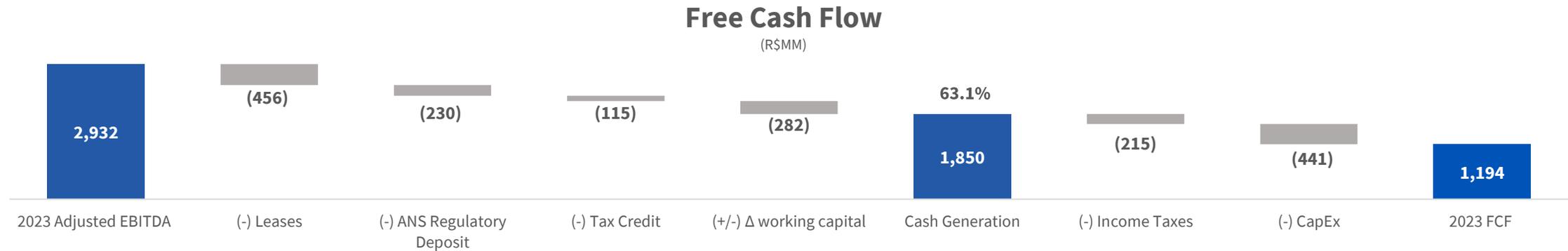
Excluding the non-recurring and non-cash effects of Premium and Promed

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(1) 3Q22 and 4Q22 excluding the positive impact of R\$417.4 million and R\$87.2 million, respectively, related to the reimbursement of expenses under the purchase and sale agreement of companies acquired by the Company, Promed and Premium

2023 Cash Flow

63.1% conversion of EBITDA into cash



2023 Cash Evolution

(R\$ million)	2023
Dec'22 Total Cash	5,864.7
(+/-) Free CashFlow to Firm	1,194.2
(+/-) M&A Activities	(404.9)
(+/-) Financing Activities	1,236.0
(=) Free CashFlow to Equity	2,025.2
Dec'23 Total Cash	7,889.9

FREE CASH FLOW: **R\$1,194.2MM** in 4Q23 & CASH CONVERSION: **63.1%** in 2023

- **R\$455.6MM** in Leases referring to rental contracts, which increased during the year following the Sale & Leaseback operation
- **R\$229.9MM** ANS Regulatory Deposit to cover Re-SUS charges
- **R\$115.1MM** of Tax Credits with quarterly advances and withheld at source, will be used in subsequent years, reducing future tax payments
- **R\$214.6MM** income taxes: although the current tax was R\$190.7 million, there is a shift between the calculation and the actual disbursement
- **R\$440.7MM** of CapEx, consistent with the strategy of preserving cash and deleveraging, while guaranteeing the quality and integrity of our own network, including new units such as the 3 hospitals, 19 clinics and 52 ASD rooms that we inaugurated in 2023

2023 Cash Flow

Favored by fundraising events

M&A Activities



M&A Activities consumed **R\$404.9MM**:

- **R\$567.4MM** from the acquisition of HB Saúde in January'23
- **R\$97.1MM** of Amortization of installments retained from acquisitions made by the Company during the year

And negatively offset by:

- **R\$151.1MM** expense reimbursement from Promed in 3Q23
- **R\$108.4MM** from the disinvestment of the São Francisco Resgate operation in August'23

Financing Activities



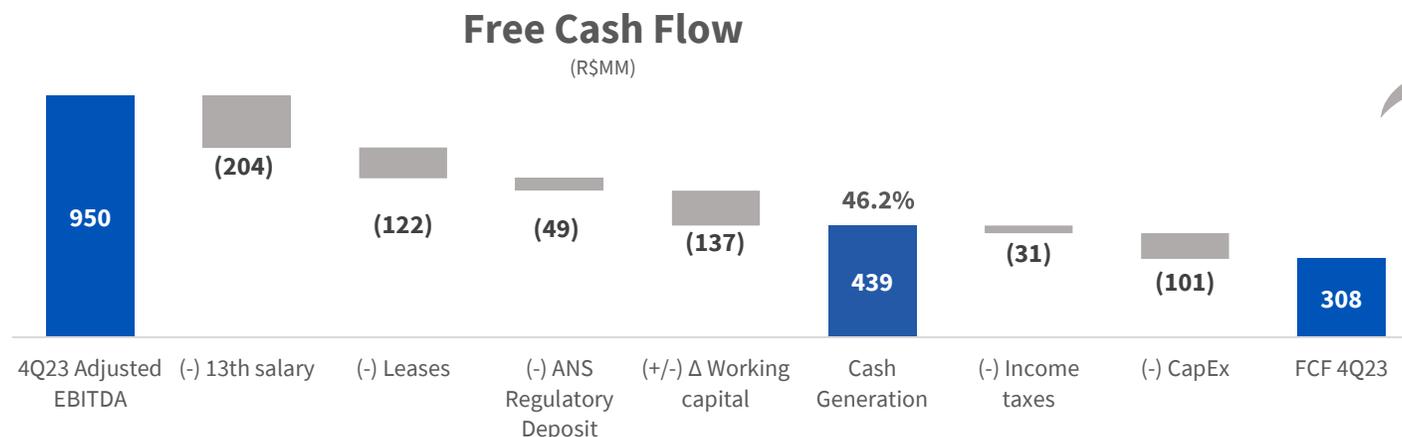
Financing Activities positive by **R\$1,236.0MM**, of which:

- **R\$1,250.0MM** resulting from the Sale & Leaseback operation in May'23
- **R\$1,034.4MM** from the 3rd Follow-on in April'23
- **R\$2,004.0MM** raised through debentures and loans, lengthening the debt profile
- **R\$699.1MM** of Financial Revenue, a yield of 12.1% on the Company's weighted cash, close to the CDI rate

And negatively offset by payments of R\$3,751.4MM in interest and principal.

4Q23 Net Debt & Cash Flow

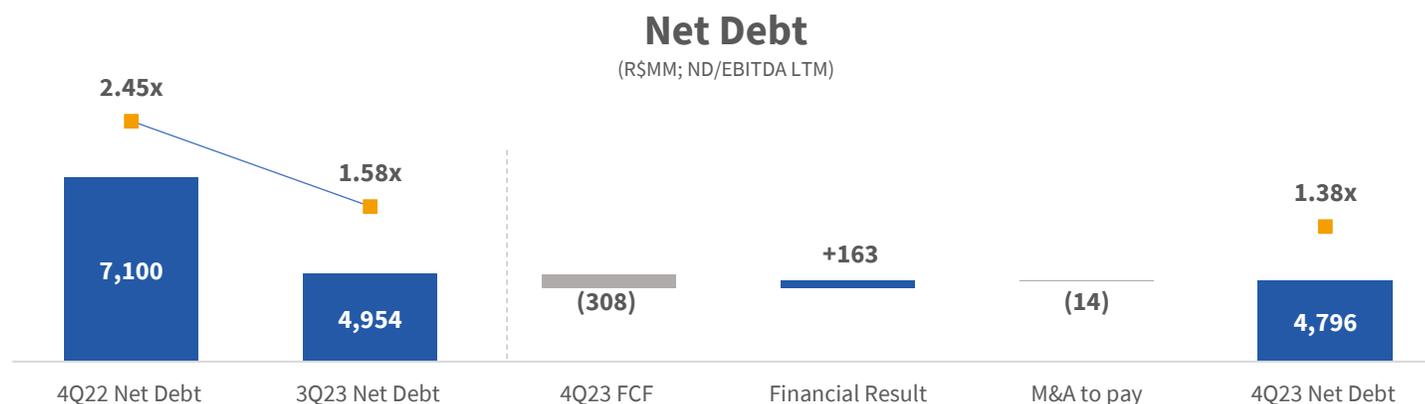
Balanced management with leverage reducing to 1.38x EBITDA vs. 2.45x EBITDA 2022



FREE CASH FLOW: R\$308.0MM in 4Q23

Continuing the cash generation presented in 2023, including:

- Cash Generation reached 67.7% of Adjusted EBITDA, excluding the payment of the 13th salary
- **R\$121.5MM** of Leases referring to rental contracts, which increased during the year following the Sale & Leaseback operation
- **R\$48.7MM** of ANS Regulatory Deposit to cover Re-SUS charges



NET DEBT reduced by R\$158.5MM

Mainly due to:

- Cash generation above financial results
- **R\$348.8MM** increase in Adjusted EBITDA 4Q23 vs. 3Q23

Regulatory Requirements

Maintenance of Regulatory Requirements

Technical Provisions / Guarantor Assets

(R\$ million)	4Q23	3Q23	Var. R\$	4Q22	Var. R\$
Required Technical Provisions	3,139.8	3,145.5	(5.7)	3,031.7	108.1
(+) SUS Provisions (net of judicial deposits)	1,383.5	1,405.1	(21.6)	1,280.7	102.7
(+) IBNR Provision	990.2	1,031.3	(41.1)	998.8	(8.5)
(+) Outstanding claims reserve	762.6	705.2	57.4	748.0	14.6
(+) Reserve for benefit granted	3.5	3.9	(0.4)	4.2	(0.7)
Assets	8,008.9	7,244.6	764.3	6,099.2	1,909.7
(+) Cash and financial investments	7,889.9	7,124.9	765.0	5,864.7	2,025.2
(+) Real estate pledged	119.0	119.7	(0.7)	234.5	(115.6)
Free Cash	4,869.1	4,099.0	770.0	3,067.5	1,801.6

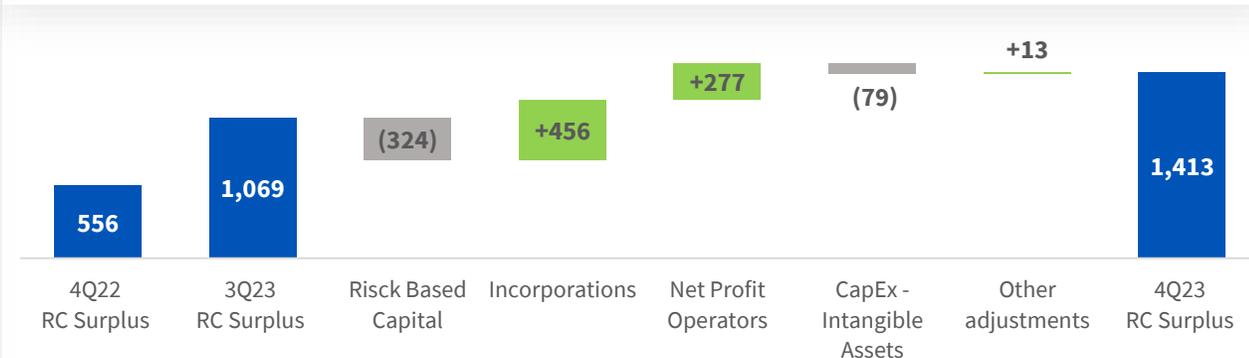
Cash and Financial Investments increased by **R\$765.0MM** for:

- **R\$1.0BI** raised by the 5th debentures issue
- **R\$308.0MM** generated from Free Cash Flow
- **R\$181.7MM** in income from financial investments

And negatively offset by:

- **R\$673.8MM** in principal and interest payments
- **R\$47.5MM** in retained installments from acquisitions

Regulatory Capital (RC)



All the group's operators showed a Regulatory Capital surplus

Risk Based Capital increased, mainly reflecting the nominal increases in Revenue and MLR and the effects of the incorporation of Ultra Som by the operator Hapvida Assistência Médica

Adjusted Equity increased, due to:

- **R\$456.0MM**: incorporation of US, S.Francisco and HAP by HAM, increasing the Operators' Net Assets by R\$2,837.2MM and partially offset by the reclassification of R\$2,381.2MM in Intangible Assets
- **R\$277.3MM** in net income for the operators after the payment of Interest on Equity to their parent companies

And partially offset by the negative impact of **R\$79.1MM** in Intangible Assets for investments in technology

Q&A Session



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