

# 1Q24 Earnings Call Presentation



May 14<sup>th</sup>, 2024 | 12:30pm (EDT – NY) | 1:30pm BRT

**HAPV**  
B3 LISTED NM

# Summary

	1Q24	1Q23	Δ%
<b>Net Revenue:</b>	<b>R\$6,991MM</b>	<b>R\$6,726MM</b>	<b>+3.9%</b>
<b>Health Beneficiaries (EoP):</b>	<b>8,853.4k</b>	<b>9,131.0k</b>	<b>-3.0%</b>
<b>Dental Beneficiaries (EoP):</b>	<b>6,958.7k</b>	<b>6,984.4k</b>	<b>-0.4%</b>
<b>Avg Health Ticket:</b>	<b>R\$261.0</b>	<b>R\$236.1</b>	<b>+10.6%</b>
<b>Cash MLR:</b>	<b>68.0%</b>	<b>72.3%</b>	<b>-4.3p.p.</b>
<b>Cash SG&amp;A <sup>(1)</sup>:</b>	<b>16.8%</b>	<b>17.2%</b>	<b>-0.4p.p.</b>
<b>Adjusted EBITDA<sup>(1)</sup>:</b>	<b>R\$1,012MM</b>	<b>R\$635MM</b>	<b>+59.4%</b>
% Margin	14.5%	9.4%	5.0p.p. better
<b>Adjusted Net Income<sup>(2)</sup>:</b>	<b>R\$507MM</b>	<b>R\$33MM</b>	<b>+1,433.5%</b>
<b>Net Debt:</b>	<b>R\$4,392MM</b>	<b>R\$7,480MM</b>	<b>-41.3%</b>
	1.13x Ebitda	2.32x Ebitda	-1.19x Ebitda
<b>CapEx:</b>	<b>R\$105MM</b>	<b>R\$117MM</b>	<b>-10.1%</b>

## FIRST QUARTER OF 2024

- ✓ Net Revenue growth
- ✓ Cash MLR reduction
- ✓ Cash G&A dilution
- ✓ Strong cash generation
- ✓ Net debt reduction

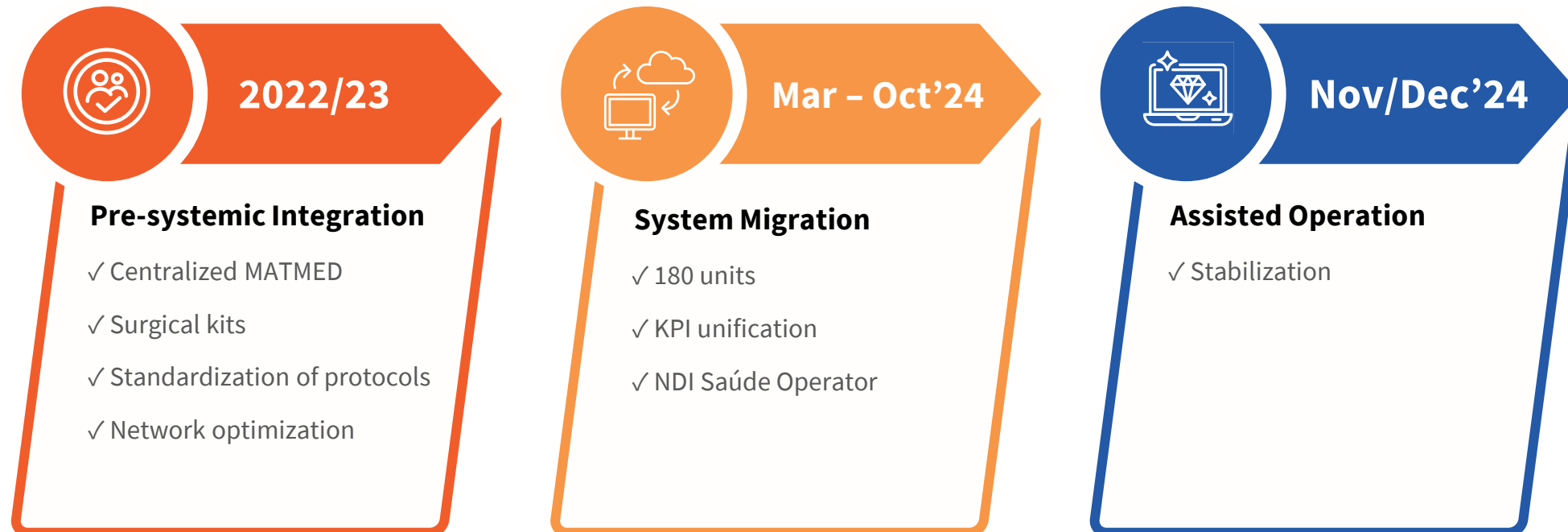
Continuity of ticket recompositing and integration and verticalization initiatives

(1) Excluding non-cash expenses Stock Options Plan (SOP), Long-Term Incentive Plan (LTIP); and Depreciation & Amortization

(2) Correspond to Net Income excluding expenses with SOP/ILP; Amortization of Customer Portfolio and Trademarks & Patents

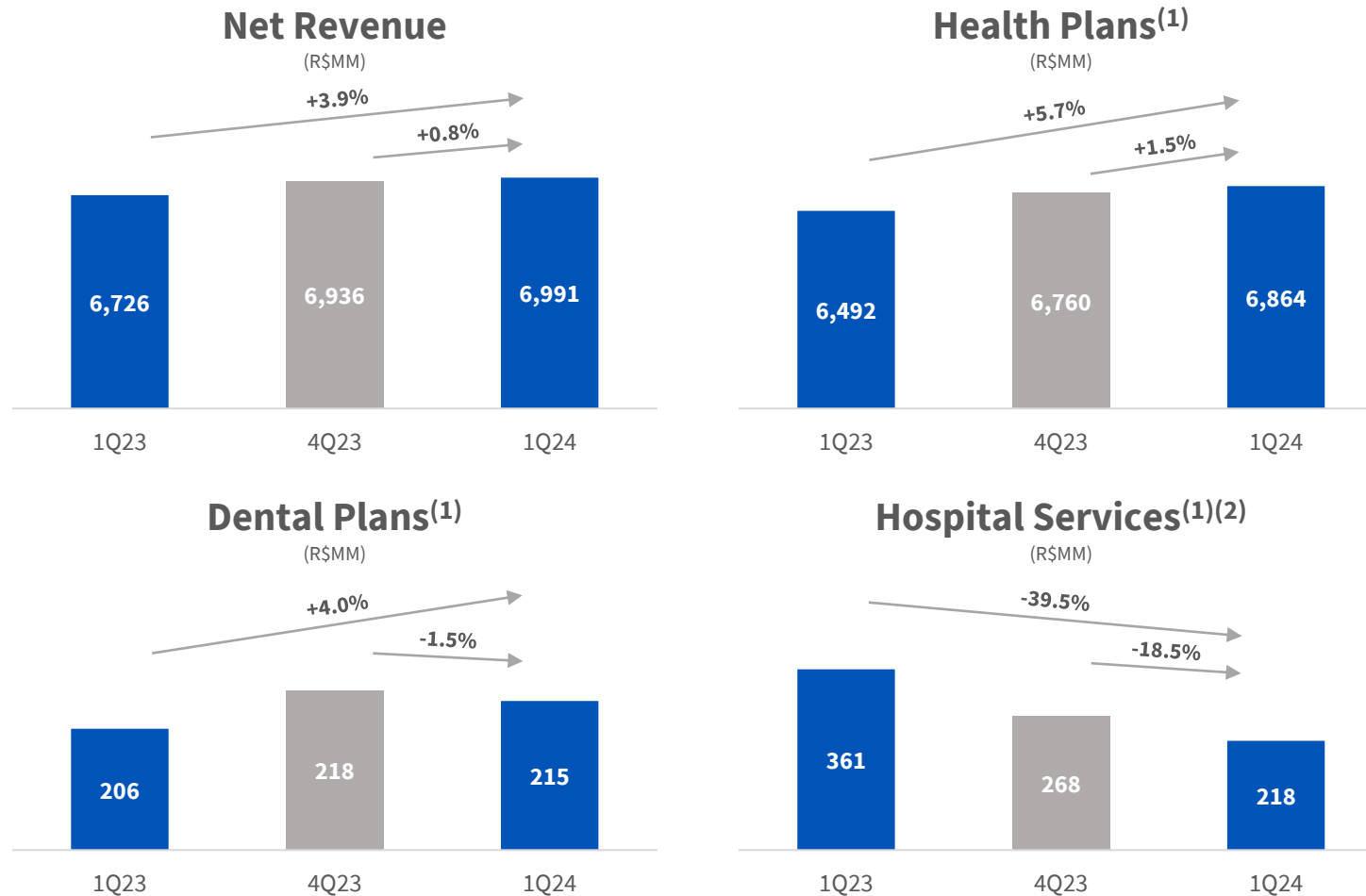
# São Paulo Integration

*Implementation of systems in care units in the final phase*



# Net Revenue

Consistent revenue increase driven by average ticket improvement



**NET REVENUE: +3.9% vs. 1Q23**

**HEALTH PLANS: +5.7% vs. 1Q23**

Avg. ticket: +10.6%

Avg. beneficiaries: -4.4%

- **-401k** Organic

**DENTAL PLANS: +4.0% vs. 1Q23**

Avg. ticket: +3.8%

- This is the result of contract readjustments and a cross-selling and customer loyalty strategy

Avg. beneficiaries: +0.2%

- **+14k** Organic

**HOSPITAL SERVICES: -39.5% vs. 1Q23**

- **-R\$72.4mi** in Hospital Services: lower demand in the period and our more selective approach in offering services to third parties
- **-R\$70.3mi** divestments in San Francisco Resgate, Maida Health and occupational health

(1) Gross Revenue

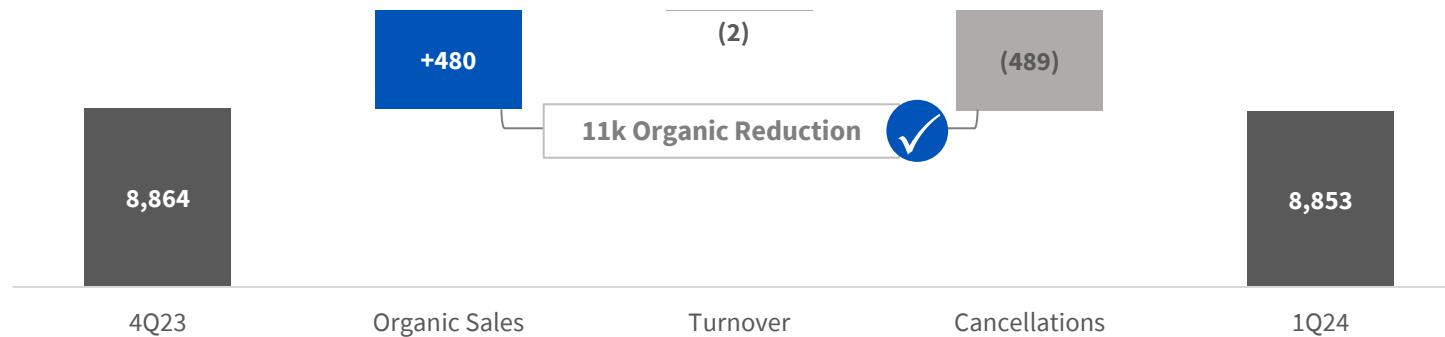
(2) Including revenues with third party hospital services, patient transportation services (ambulances) and other

# Health Plans

Resilient increase in average ticket, up 10.6% since 1Q23

## Health Beneficiaries Evolution

(thousand; EoP)

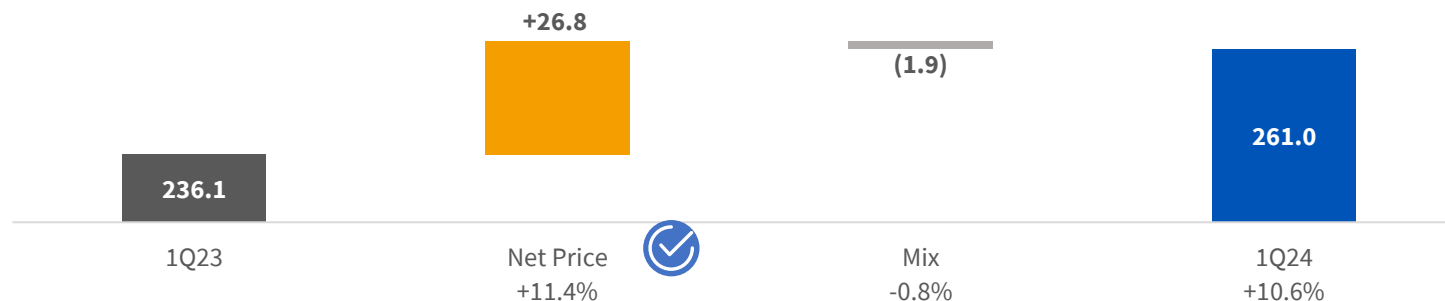


**BENEFICIARIES: -10.8k vs. 4Q23**

- **Organic sales**, a result of dynamic gross sales
- **Turnover** closer to a balanced number
- **Cancellations** at higher levels due to increased defaults

## Average Ticket Breakdown

(R\$/month)



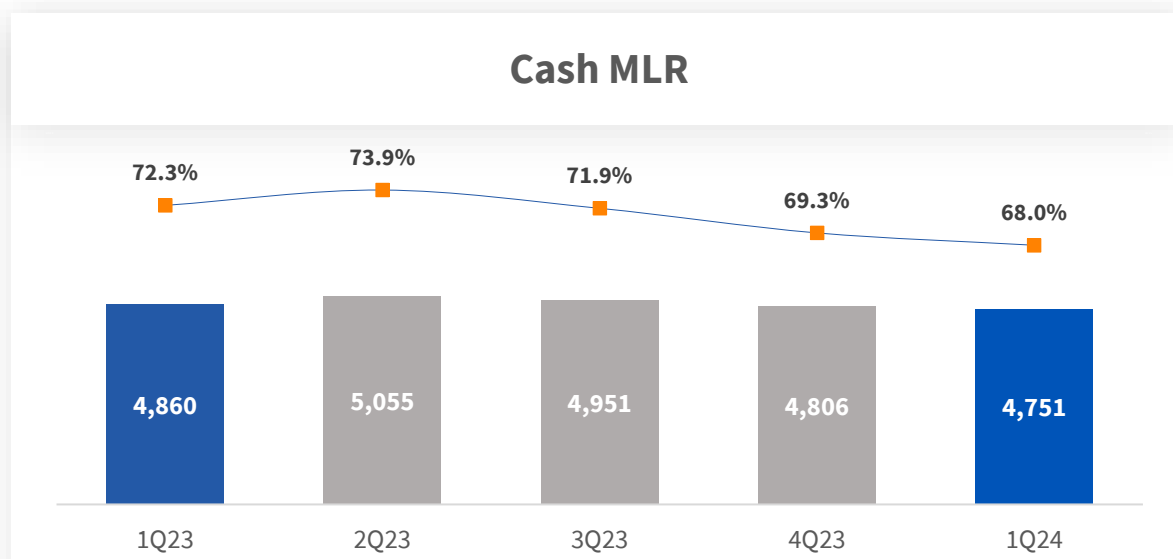
**AVG. TICKET: 10.6% BETTER vs. 1Q23**

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

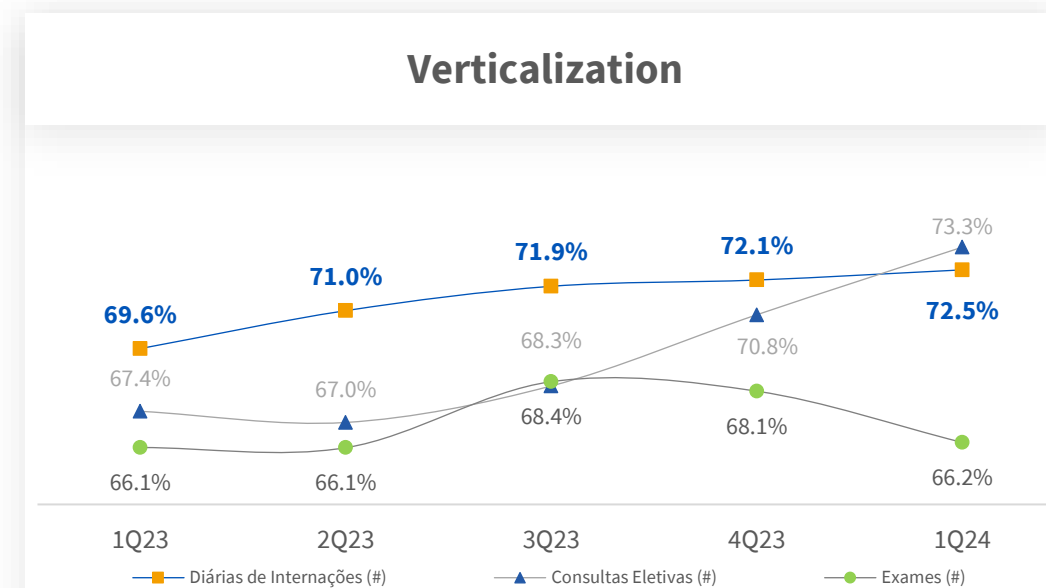
- **+11.4%** Net Price: contract adjustments, increase in verticalization and co-participation
- **-0.8%** Sales and Cancellations Mix

# Cash MLR

Significant reduction of 4.3 p.p. and 1.3 p.p. compared to 1Q23 and 4T23



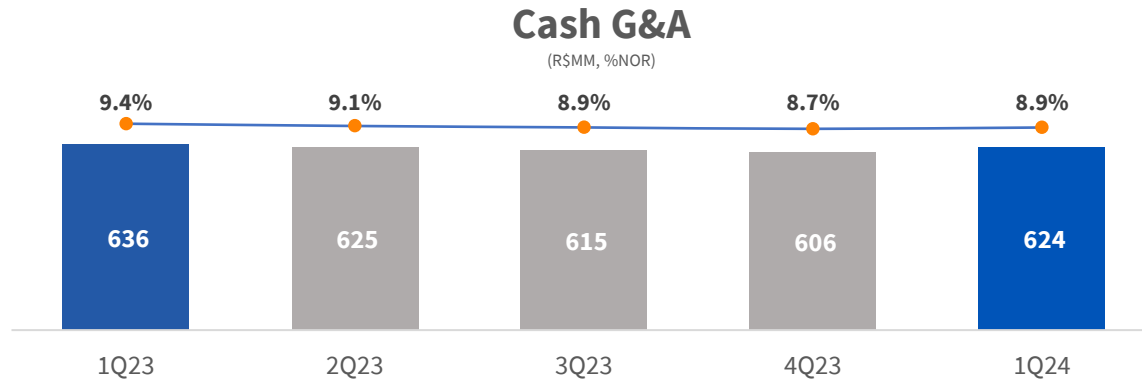
- In 1Q24, Cash MLR had a significant improvement of 4.3p.p. and 1.3p.p. compared to 1Q23 and 4Q23
- The decrease captured was superior to the implicit seasonality and reflects our price readjustments process (ongoing), increased verticalization, standardizing protocols and controlling costs measures
- There was an expansion in the levels of vertical integration in hospitalizations and elective consultations, resulting in a reduction in unit costs per procedure



- Over the months of January and February, the frequency of use was within the expected range for the period
- In March, the impact of dengue became noticeable, with a significant increase in consultations and exams, which was reflected, at a lower level, in hospitalizations
- These increases occurred mainly in the accredited network, which presents its accounts in subsequent months

# Cash G&A

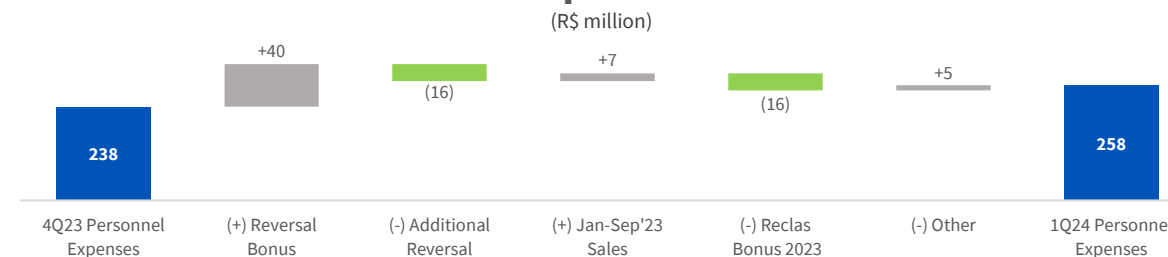
## Balanced Administrative Expenses



### Cash G&A | Breakdown

(R\$ million)	1Q23	2Q23	3Q23	4Q23	1Q24
Personnel	285.6	283.2	287.8	237.8	257.9
Third Party Services	174.2	171.5	190.3	165.3	194.0
Occupation and Utilities	77.5	72.7	72.6	93.9	68.3
Contingencies & Taxes	95.0	118.9	96.6	122.1	117.7
Other (revenue)/expenses	3.3	(21.4)	(32.4)	(12.9)	(14.0)
<b>Cash G&amp;A</b>	<b>635.5</b>	<b>624.8</b>	<b>614.9</b>	<b>606.3</b>	<b>624.0</b>
%NOR	9.4%	9.1%	8.9%	8.7%	8.9%

### Personnel Expenses Evolution



### CASH G&A: 0.2pp unfavorable vs. 4Q23

In 4Q23, there were some one-off and positive impacts which were not repeated in 1Q24:

- **R\$40.0MM** related to the one-off reversal of 2023 variable compensation
- **R\$7.2MM** from the expense reclassification (retroactive to Jan-Sept '23) for the dental sales team
- Extraordinary expenses on travel, maintenance, and concessionaires in Location and Operation

In 1Q24, there was a one-off reclassification of **R\$16.8MM** in system maintenance expenses, previously accounted in Location and Operation, now recognized with other contracts in Third-Party Services (with no retroactive effect)

Additionally, the Third-Party Services line was negatively impacted by R\$14.2 million due to IT expenses associated with process implementation and systemic integration

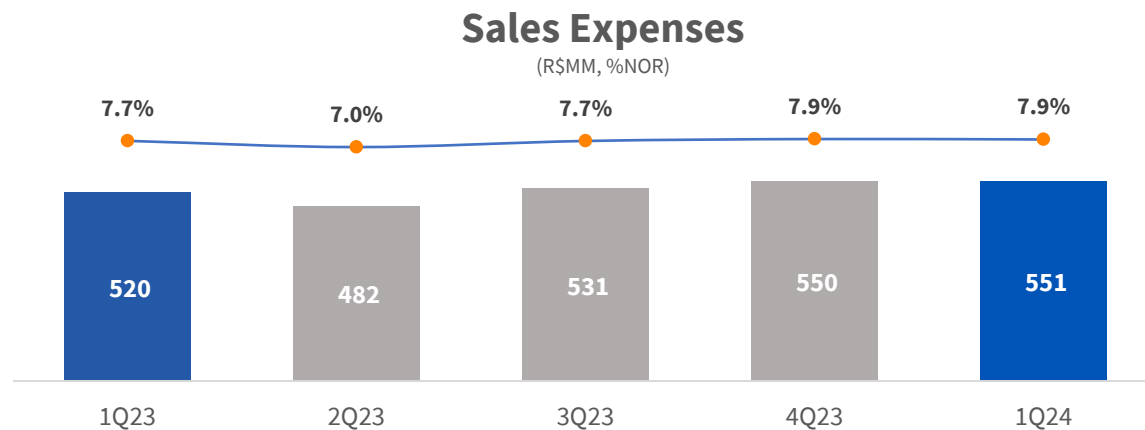
Finally, the main positive impacts in Personnel were:

- **R\$16.0MM** from the additional reversal of the 2023 variable compensation
- **R\$15.8MM** from the allocation of variable remuneration to costs and sales expenses

These gains were partially offset by the provision for severance pay included in Other (Personnel)

# Sales Expenses

Sales Expense ratio stable in relation to 4Q23



## Sales Expenses | Breakdown

(R\$ million)	1Q23	2Q23	3Q23	4Q23	1Q24
Commission	321.4	306.0	334.9	332.1	315.8
Provision for credit losses	154.1	126.0	131.2	138.9	170.7
Marketing & Advertise	12.4	11.3	20.0	25.1	12.5
Personnel	29.3	34.3	33.4	43.1	43.6
Other expenses	2.9	4.4	11.7	10.9	8.7
<b>Sales Expenses</b>	<b>519.9</b>	<b>482.0</b>	<b>531.2</b>	<b>550.0</b>	<b>551.2</b>
%NOR	7.7%	7.0%	7.7%	7.9%	7.9%

### SALES EXPENSES: **Stable** vs. 4Q23

The main positive impacts were:

- **R\$16.3MM** in Commissions due to:
  - a reduction in amortization on deferred agency fees due to a lower level of contract cancellations
  - an extension of the deferral period for Clinipam and NDI Minas Gerais after procedures standardization related to systems implementation
- **R\$12.6MM** reduction in Marketing & Advertise, in line with the seasonality that reflects a period for preparing and planning the year's campaigns

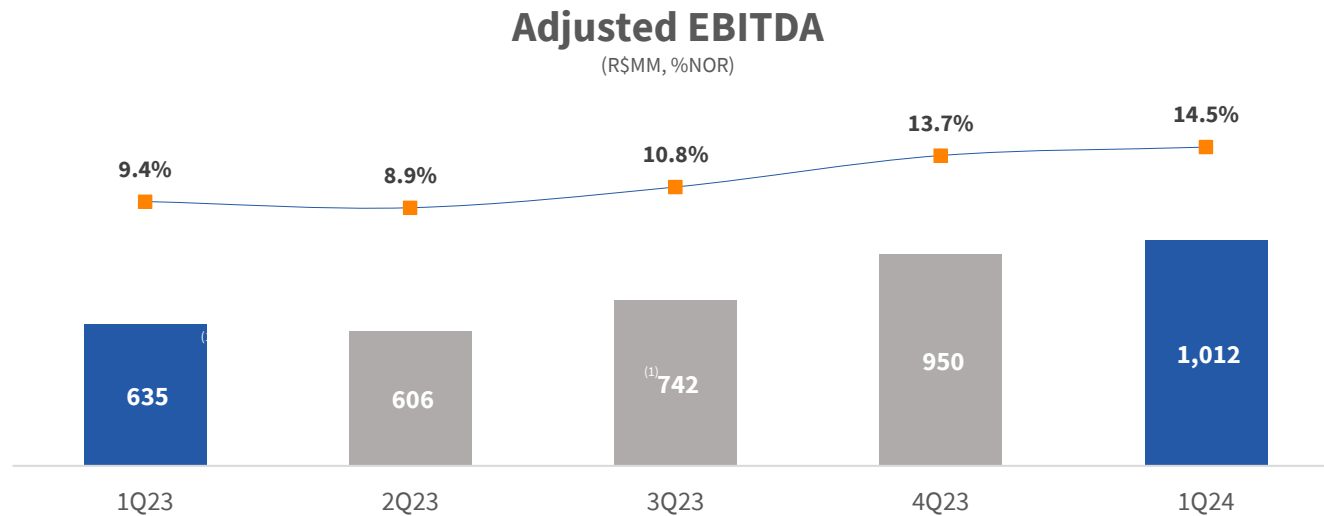
This was partially offset by:

- **R\$31.8MM** in Provision for loan losses (PDD) impacted by:
  - R\$25.0MM due to increased rigor in our credit analysis (IFRS-9)
  - R\$7.2MM from a specific client



# Adjusted EBITDA

The highest since the business combination, +59.4% vs. 1Q23 and +6.5% vs. 4Q23



## Adjusted EBITDA | Breakdown

(R\$ million)	1Q24	4Q23	Var. % 1Q24/4Q23	1Q23	Var. % 1Q24/1Q23
<b>Net Income (Losses)</b>	<b>83.3</b>	<b>(29.9)</b>	<i>n/a</i>	<b>(341.6)</b>	<i>n/a</i>
(+) Long term Incentive Plan (LTIP) and SOP	41.9	(20.5)	<i>n/a</i>	38.2	9.5%
(+) Intangible Amortization	369.4	380.9	-3.0%	336.4	9.8%
(+) Non-recurring expenses	12.3	-	100.0%	-	100.0%
<b>Adjusted Net Income</b>	<b>506.8</b>	<b>330.5</b>	<b>53.3%</b>	<b>33.1</b>	<b>1433.5%</b>
(+) Income tax and social contribution	74.0	141.3	-47.6%	4.9	1422.1%
(+) Financial result	256.2	306.5	-16.4%	430.0	-40.4%
(+) Depreciation and Amortization	174.5	171.4	1.8%	166.6	4.7%
<b>Adjusted EBITDA</b>	<b>1,011.6</b>	<b>949.7</b>	<b>6.5%</b>	<b>634.5</b>	<b>59.4%</b>
%NOR	14.5%	13.7%	0.8pp	9.4%	5.0pp

### ADJUSTED EBITDA: +59.4% vs. 1Q23

Mainly due to:

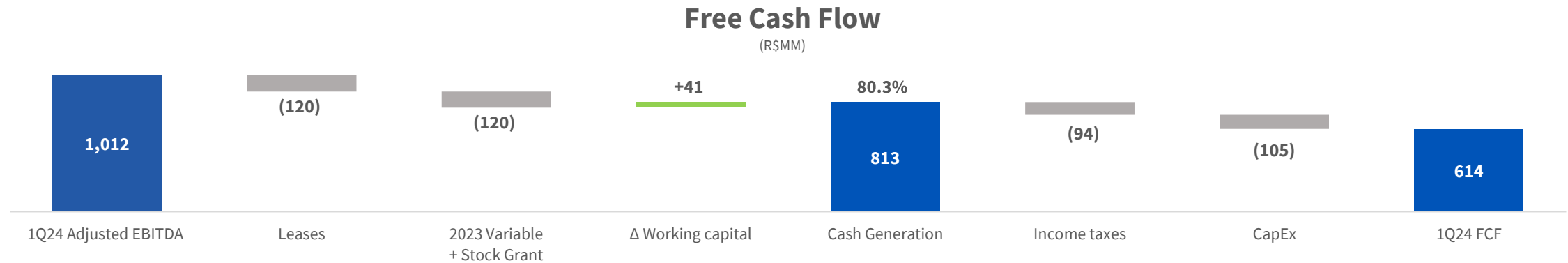
- Increase of 3.9% in net revenue, reflecting the contract readjustments implemented, which were necessary for financial rebalancing, despite the reduction in the beneficiary base and the discontinuation of ancillary activities (Resgate and Maida Health)
- Reduction of 4.3p.p. in the Cash MLR, a result of intense verticalization and cost control efforts
- Dilution of 0.5p.p. in Cash Administrative Expenses

### ADJUSTED NET INCOME: +1,433.5% vs. 1Q23

- Increase of R\$473.8MM compared to 1Q23 and R\$176.3MM compared to 4Q23
- Non-recurring adjustment of R\$12.3MM resulting from the write-off of investments with the sale of Maida Health

# Cash Flow

80.3% conversion of EBITDA into cash



## Cash Evolution

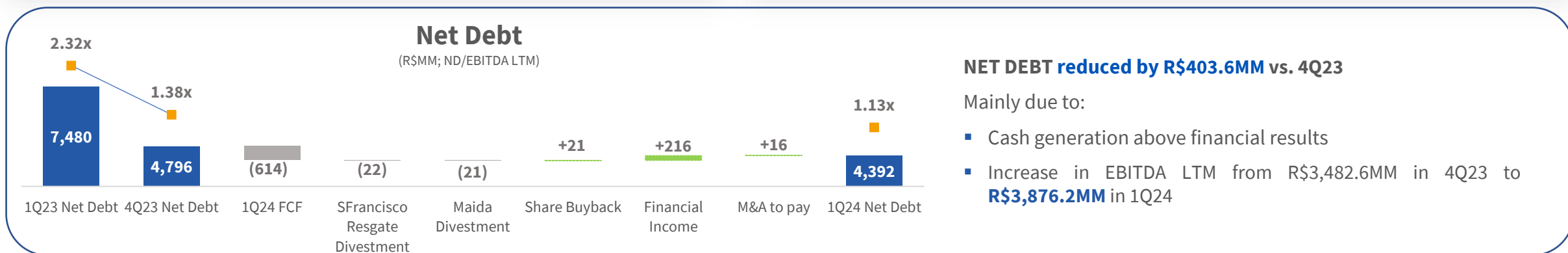
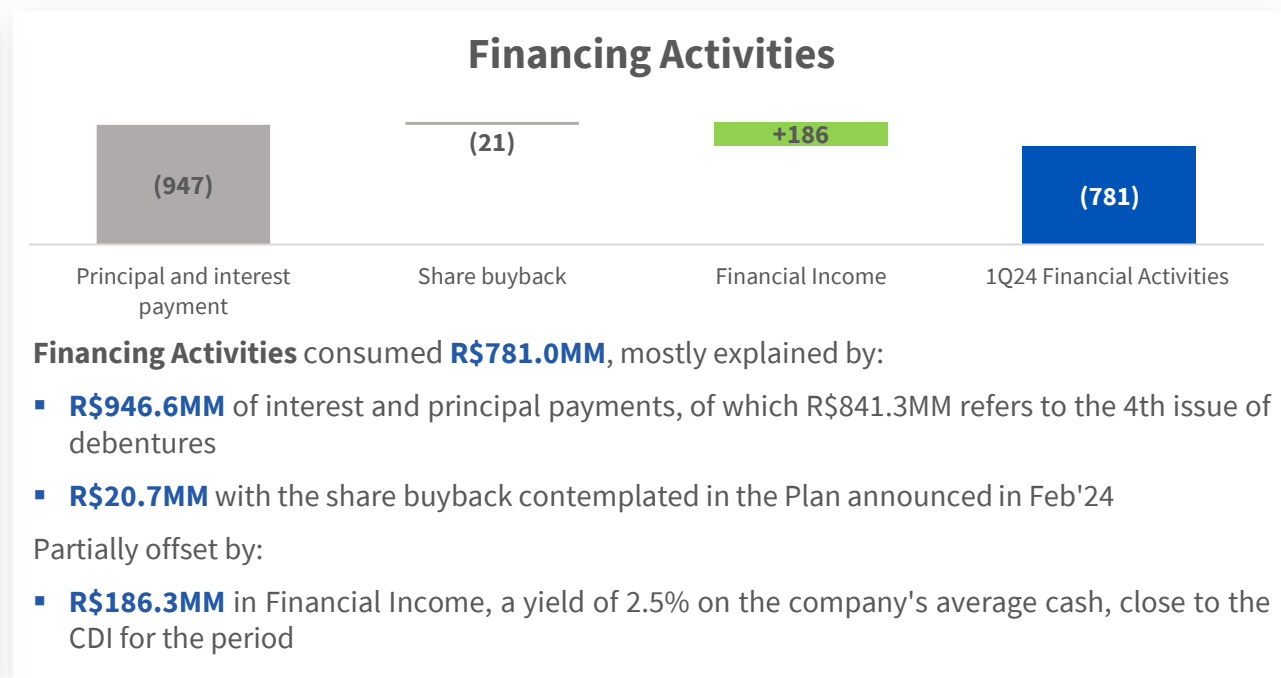
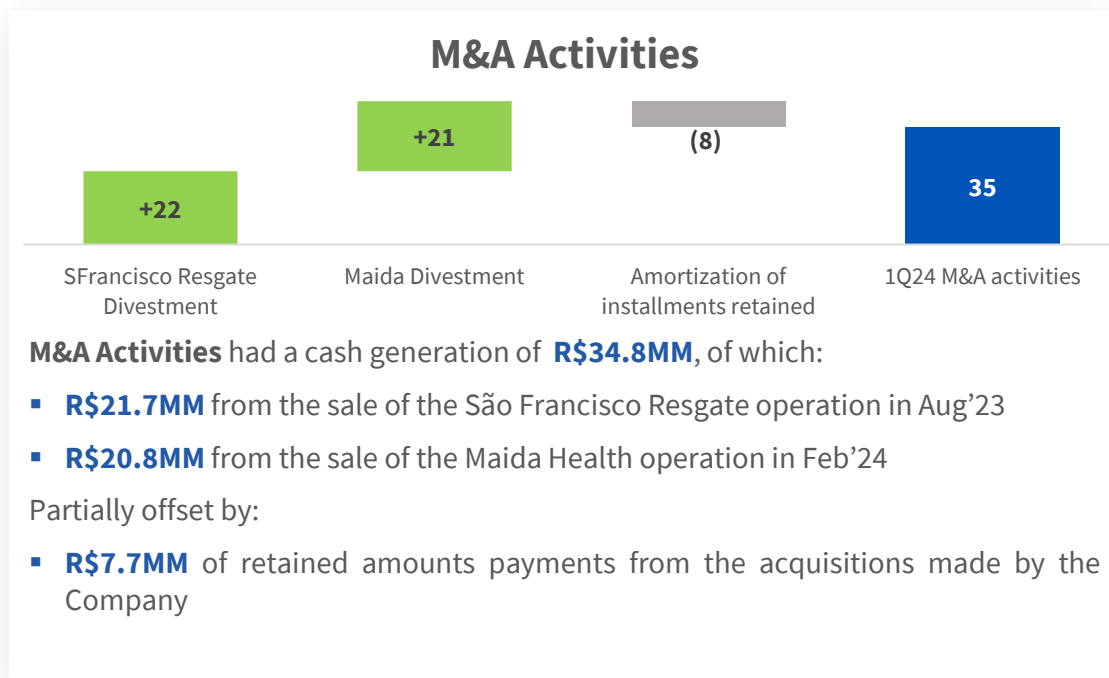
(R\$ million)	1Q24
<b>Dec'23 Total Cash</b>	<b>7,889.9</b>
(+/-) Free Cash Flow to Firm	613.9
(+/-) M&A Activities	34.8
(+/-) Financing Activities	(781.0)
<b>(=) Free Cash Flow to Equity</b>	<b>(132.4)</b>
<b>Mar'24 Total Cash</b>	<b>7,757.5</b>

### FREE CASH FLOW: R\$613.9MM in 4Q23 & CASH CONVERSION: 80.3% in 1Q24

- **R\$120.0MM**, of which R\$100.0MM from the 2023 Variable Compensation and R\$20.0MM from Stock Grant
- **R\$93.4MM** in income taxes, although the current tax was R\$109.0MM, there is a shift between the calculation and the actual disbursement
- **R\$104.8MM** in CapEx, showing a gradual recovery of its normal investment levels

# Net Debt

Balanced management with leverage reducing to 1.13x EBITDA vs. 2.32x EBITDA 1Q23



# Regulatory Requirements

## Maintenance of regulatory requirements

### Technical Provisions / Guarantor Assets

(R\$ million)	1Q24	4Q23	Var. R\$ 1Q24/4Q23
<b>Required Technical Provisions</b>	<b>(3,056.4)</b>	<b>(3,015.0)</b>	<b>(41.4)</b>
(-) SUS Provisions (net of judicial deposits)	(1,042.4)	(1,057.6)	15.2
(-) IBNR Provision	(991.2)	(990.2)	(1.0)
(-) Outstanding claims reserve	(1,019.5)	(963.6)	(55.9)
(-) Reserve for benefit granted	(3.2)	(3.5)	0.3
<b>Assets</b>	<b>7,875.7</b>	<b>8,008.9</b>	<b>(133.1)</b>
(+) Cash and financial investments	7,757.5	7,889.9	(132.4)
(+) Real estate pledged	118.2	119.0	(0.8)
<b>Free Cash</b>	<b>4,819.3</b>	<b>4,993.9</b>	<b>(174.5)</b>

**Required Technical Provisions** increased by **R\$41.4MM**, of which:

- **R\$55.9MM** of higher medical costs received at the end of the quarter and paid in April

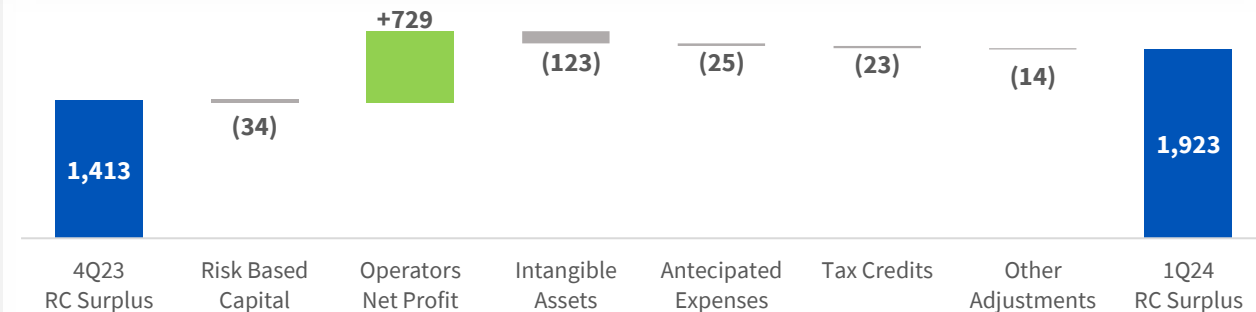
**Cash and Financial Investments** decreased by **R\$132.4MM** for:

- **R\$946.6MM** from interest and principal payment

And partially offset by:

- **R\$613.9MM** generated from Free Cash Flow
- **R\$186.3MM** from income from financial investments

### Regulatory Capital (RC)



All the group's operators showed a Regulatory Capital surplus

**Risk-Based Capital** increased R\$33.7MM, primarily reflecting nominal increases in Revenue and MLR

**Adjusted Shareholders' Equity** increased mainly due to:

- **+R\$729.5MM** in operators' net income after Equity Interest payment to their parent companies and excluding the effect of amortization
- **-R\$123.4MM** in Intangible Assets mainly due to investments in technology

# Q&A Session



# Disclaimer

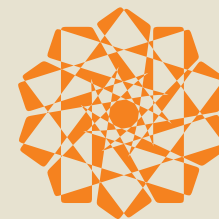
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Relações com Investidores  
[ri@hapvida.com.br](mailto:ri@hapvida.com.br)  
[ri.hapvida.com.br](http://ri.hapvida.com.br)