



Conference Call Transcript 4Q20 Results

Hapvida (HAPV3 BZ)

Operator: Good morning. Welcome everyone to Hapvida 4Q 20 earnings conference call. Joining us today are:

- Mr. Jorge Pinheiro, CEO;
- Mauricio Teixeira, Financial VP and Investor Relations Director; and
- Guilherme Nahuz, Investor Relations Director and Sustainability Director.

We would like to inform you that this event is being recorded and all participants will be in a listen-only mode during the company's presentation. Then there will be a Q&A session save it for investors and analysts, when further instructions will be given. Should any participant need assistance during this call please press *0 to reach the operator.

Today's live webcast may be accessed through the Internet address that www.hapvida.com.br/ir.

Before proceeding, let me mention that forward-looking statements that may be made during this conference call are based on the beliefs and assumptions of Hapvida's Management and on information currently available to the company. They involve risks, uncertainties and assumptions because they relate to future events and therefore dependent circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Hapvida and could cause results to differ materially from those expressed in such forward-looking statements.

For those of you who are watching via webcast the slide deck that you see on your screen will not be changed automatically. You must use the navigation keys that you see below the slide deck.

Now I will turn the conference over to Mr. Jorge, who will begin the conference. Mr. Jorge you have the floor.



Mr. Jorge Pinheiro: Good morning everyone and thank you so much for joining us in our earnings conference call. It is with great satisfaction and a feeling of accomplishment that we release Hapvida's 4Q 20 and YTD earnings to the market.

So sliding on **slide number 2** I will give you an overview of the main highlights of 2020. We are extremely grateful for, in such challenging times, been able to provide our members throughout the five regions of the country all the care and support that they needed. With the COVID 19 pandemic we worked together to save lives, families and histories.

The year of 2020 was very difficult for all of us, with irreparable losses for many Brazilian families. We made everything we could to go through this pandemic in the best possible way, making sure our members would have access to whatever they needed.

We equipped ourselves to better face this pandemic: we invested hard in the protection, drugs, equipment and logistics; we resized our service network, opening hundreds of new beds; we hired more professionals, and now I take the opportunity to thank once again all the healthcare professionals in the frontline, and also all of those working behind the scenes, who amidst so much uncertainty moved on with a lot of courage and selflessness. We are very, very grateful to all of you.

We conducted studies and we found more efficient approaches to treat this disease. We quickly made available a new telemedicine platform that was 100% developed in-house to serve our members who had COVID 19 symptoms. Today we are conducting around 7000 televisits/month.

And finally we were very transparent when communicating with our company's audiences, telling them about our main actions taken through internal newsletters and announcements to the market and to the society, with daily notices been published in our social network. We worked restlessly, because here at Hapvida we have a largest commitment, which is a noble commitment to life.

Now **slide number 3** please. We learned a lot from this pandemic, but we kept on growing. Our investments in physical structure totaled over 233 million BRL with 235,000 m² of physical infrastructure built or renovated. We closed the year with a total of 464 care units among hospitals, ERs, clinics and diagnostic units. With the closing of the Sao Jose and Medical transactions we added 12 care units, including 3 hospitals.



In addition to that we now have 12 hospitals in the different phases; some of them are still under planning phase and others are in advanced stage of construction. We closed the quarter with 3240 beds, an addition of 605 beds compared to the same period of 2019.

This quarter we made 764 beds available for COVID 19 patients; however, with the second wave of the pandemic in several regions of the country we added 1497 beds in 1Q 21.

On **slide 4** we are going to talk about our inorganic front, that is expansion through acquisitions. We announced 8 new transactions in 2020: with the purchasing of the São Jose Group in the city of Sao Jose dos Campos, countryside of Sao Paulo; Promed Group in Belo Horizonte; Hospital Nossa Senhora de Aparecida; and customer portfolios from SAMEDH and PLAMHEG in Goias, in addition to the acquisition of the Santa Filomena Group in Rio Claro, countryside of the State of Sao Paulo; and finally in November we announced the acquisition of PREMIUM SAUDE with a portfolio of around 125,000 members concentrated in the cities of Belo Horizonte and Montes Claros, State of Minas Gerais, and in Brasilia, Federal District.

We also innovated to accelerate our verticalization process with new hiring arrangements, such as the lease of the Sinha Junqueira Hospital in Ribeirao Preto and part of the Mario Palmerio Hospital in Uberaba, countryside of the State of Minas Gerais.

About the status of the acquisitions, on the right-hand side of the slide you can see that we are moving on with the integration of the recently acquired assets that we finished incorporating the operators and care assistance units of the AMERICA Group in less than one year.

The second stage of integration of the Sao Francisco Group is following the original timeline, with the systems deployment stage started in the last month of February.

Another two acquired companies will start being consolidated in 4Q 20 started: so Medical and the Sao Jose Group. So they now enter the pipeline of the integration process and the synergy capture starting from day one. We continue focused on preparing these assets so that they can become major regional platforms for organic and inorganic growth.

Now moving on to **slide number 5**. About the financial numbers we are very happy with Hapvida's performance throughout the year of 2020, and particularly in 4Q 20



we had 271,000 net members added in 4Q alone, overcoming 6.7 million customers in health and dental plans. Throughout the year we added 344,000 members achieving 8.6 billion BRL in annual net revenue, up 51.8% YoY.

Cash MLR in 4Q was of 59.5%, a great result since in 4Q we had additional costs coming from the new operations of new care units, a higher level of MLR of the acquired companies, and also with elective procedures in COVID 19 admissions happening at the same time.

On the other hand, we were very efficient in the management of the sales expenses that achieved 7.4%, and administrative expenses achieving 9.1%. Thus we increased our EBITDA by 63.8% achieving 2 billion BRL/year.

The net revenue of the company in the quarter achieved 2.3 billion BRL, up 27.3% as compared to the same quarter of the previous years, considering the contribution of our acquisitions.

And our EBITDA grew by 15.2% achieving 431.8 million BRL in 4Q 20.

In addition to this expansion, we also grew in innovation and intelligence with changes of operating side marking the year of 2020. For example we renewed our brand. We saw the need of adopting a new corporate brand to make sure we would have even more recognition and performance in our business.

We also changed our purpose, which is now to provide access to high-quality healthcare to our people. So this is our focus: to give our best to support people with the high-quality healthcare that they deserve.

We also opened our Operating Technical Center in the city of Recife, Pernambuco, the first installation with this type of technology outside Europe. With the ability to process up to 5 million tests/month this center in Recife will replace 18 regional technical centers and will process about 95% of the lab tests, increasing even more our verticalization level.

We implanted Octopus, an artificial intelligence platform that assesses medical requests, and therefore the previous authorization process has higher quality, higher efficiency and higher speed.

We launched our new telemedicine platform developed in-house, which as I mentioned in the beginning of my speech.

We expanded our digital experience, having for the first time online commercial conventions to energize our sales and aftersales team.



We launched a new digital platform making it easier for people to hire healthcare plans in a direct and safe way.

In 4Q we also created the Digital and Innovation Vice-Presidency position in order to increase the speed and strengthen our new innovation pillar, continuing as a pioneer in the creation, use and enhancing of new technologies.

In 2020 we published our first annual sustainability report following the directives of the Global Reporting Initiative, the first and more widely used methodology to produce reports in Brazil and around the world.

Hapvida was inserted in the FTSE4Good, one of the most important sustainability international indexes composed of companies that show strong ESG practices.

To reinforce the concern and care we have with our employees, we are happy to announce the new Executive VP for People, Management and Diversity position.

All of these efforts resulted in us being recognized by the Institutional Investor 2020, among other things. This is the largest and more respected market ranking, market capital ranking in the world, and Hapvida received several awards in the healthcare industry in Latin America.

We were chosen as the most innovative insurance and healthcare plan and one of the 100 most innovative companies in Brazil, receiving the UOL innovation plan in 2020.

In the recent Conarec Award we were awarded as the best relationship company in the healthcare industry. This shows our intelligence and the relationship and engagement with the customers in this market.

Another important step that we took and is worth mentioning is what you can see on **slide 6**. On February 27 we announced to the market a transaction that involves the potential business combination between Hapvida and the Notredame Intermedica Group - GNDI.

I would like to tell you how excited we are here at our company for the privilege of taking part in this historical moment of the private healthcare industry in Brazil. With the combination of business of such magnitude this can transform healthcare in the country.

We might be able to expand and democratize to the whole country our purpose of existence, which has always been to provide high-quality healthcare to our people.



These 42 years of experience that Hapvida has, plus the 53 years of GNDI, will be the foundation of a very promising future for the company that may be formed, with the possibility of combining experiences, knowledge, exceptional people and being able to join all this wealth in order to intensify the possibility of offering more affordable, with higher-quality products to the Brazilian population.

We are now approving, waiting for the approval of the shareholders of both companies in their extraordinary general assemblies that will take place on March 29, 2021 simultaneously, and the operation should also be submitted for approval by the regulatory organs.

So I would like to close my speech by saying that we are very proud of our employees and of our accomplishments in the year of 2020. We are committed to continuing making sure our members have access to high-quality healthcare, even in such a challenging phase of the pandemic that is still hitting us.

Differently from the first wave, in which the national private healthcare regulator - ANS determined all elective procedures to be suspended, I mean the pandemic achieved the country in a heterogeneous way; now the COVID 19 cases have been growing strongly in many cities at the same time. So we had the suspension of surgical procedures only in some regions, determined by the state healthcare departments.

Right now we have around 20 to 30% more beds available for COVID 19 patients than we had in the first wave of the pandemic last year. However, even with this increase in volume of COVID 19-related procedures, including high-complexity ones, Hapvida, with its very expensive own network and its verticalized and integrated model, through a lot of innovation in technology, enables us to absorb these specific increases without major impacts.

Our country has been seeing historical numbers of this disease in recent days. Some cities, however, are already leaving this second wave behind, such as Manaus.

With the advance in vaccination we are hopeful that we will not have to face a third wave. We continue firm, engaged and restless to provide the services that our members deserve. You can keep on counting on us in 2021.

Having said that I would like to welcome Mauricio Teixeira, our new Financial VP and Financial and Investor Relations VP, who is here to strengthen our company. He is going to give you further details about our quarterly numbers and then we are going to open for questions.



Welcome Mauricio, thank you. You have the floor.

Mr. Mauricio Teixeira: Thank you Jorge, good morning everyone. It is a pleasure and a great satisfaction to be here sharing Hapvida's earnings with you for the first time.

So if we move on to **slide number 7** we can see that the number of healthcare plan members at the end of the year grew by 6.6% as compared to the same period of the previous year. This was boosted by the entrance of 75,000 members from Medical, 53,000 from the Sao Jose Group and 44,000 from RN Saude. In addition to that we had an organic growth of 61,000 members in the companies that were already part of the group since the end of 2019.

On the left-hand side of this page we can see the history evolution of the members in healthcare and dental plans since 2017. For healthcare we had 19% growth CAGR and in dental 27.4%.

On **slide number 8** you can see the evolution of our average ticket. In 4Q 20 we are considering only readjustments of that quarter, leaving aside any retroactive adjustments from May to September of 2020.

So for healthcare the average ticket grew by 5.8% as compared to 4Q 19, especially boosted by the new sales and the contract readjustments.

The dental average ticket grew 0.5% compared to 4Q 19 with a drop of 5.3% in individual... corporate plans.

Moving on to **slide number 9** we can see that the net revenue in 4Q 20 grew by 27.3% as compared to 4Q 19. This was impacted by the revenue of the acquired companies totaling 319 million BRL, as well as organic growth and the number of sales, and 155 million with the revenue recognition of the readjustments that had been retained in 2020. This amount will be charged in 12 installments throughout 2021, as defined by ANS; but they refer to the year of 2020.

We achieved 8.6 billion BRL in net revenues in 2020, 51.8% growth.

On **slide number 10** we can see our MLR rates. Cash MLR in 4Q 20 was 59.5% with an increase of 2.7 p.p. compared to the same quarter in 2019, and this is due to a higher level of MLR of the acquired companies Sao Francisco, AMERICA, Medical and Sao Jose, as well as to the conduction of elective procedures and COVID 19 admissions at the same time.

However, in spite of all these factors we were able to close the year with this indicator 1 p.p. better than in 2019, due to all of our MLR management initiatives and the suspension of elective procedures in 2Q and 3Q 20.

The total MLR was 66.5% in 4Q, a 4.7 p.p. increase against 4Q 19. This is mainly due to the greater SUS reimbursement provisions. Total MLR in the year was 60.9%, an increase of 0.5 p.p. compared to 2019, and this is due to SUS reimbursements and higher MLR of the acquired companies. Throughout 2021 we will continue implementing our integration plans so as to bring the MLR levels of the acquired companies to the levels that are closer to Hapvida's.

On **slide number 11** you can see how the SUS reimbursement flow works. Due to the pandemic some procedures were suspended and therefore there were no new invoices in 2Q and 3Q 20. However, in 4Q ANS started issuing new invoices with a net impact of about 5.6 million in the provisions.

In 4Q we received two new batches of the claims notices, and because of this history of invoices sent by ANS we had more restitutions of claims notices with a net profit of 16 million. So the expectation is that ANS has now regularized the flow of issuing new GRUs and that this process will go back to normal from now on, without the expectation of major oscillations in this flow from now on.

On **slide number 12** you can see the relevance of the SUS reimbursement has been dropping as compared to the total MLR of the company. We used the value of the claims notices divided by the quarterly MLR numbers, and you can see that this drop was caused by the initiatives to reduce MLR coming from SUS, or the public healthcare system.

On **slide number 13** you can see our operational expenses that had a significant reduction in the quarter and throughout the year of 2020. Our selling expenses was of 7.4% in 4Q 20 and 7.8% in FY 20, a 0.8 p.p. reduction and 1.4 p.p. reduction respectively as compared to the same periods of the previous year.

This can be justified by the operational leverage with higher revenue in the period and loss of representativeness in some accounts. In addition to that, the recently acquired companies operate with selling expenses that are lower than Hapvida's.

Administrative expenses were 9.1% in 4Q 20 and 9.6% for 2020, a 1.5 p.p. and 0.6 p.p. reduction as compared to the same periods of the previous year. So this shows the scale gains of the company.



On **slide 14** you can see 431.8 million EBITDA in 2020 and over... In 4Q and over 2 billion in 2020, significant growth as compared to the previous year. EBITDA margin for 4Q was 19% and for 2020 23.6%, a 2.4% reduction in 4Q, but a growth of more than 1 p.p. for FY 20.

Net income 94 million in 4Q 20 and 700, more than 700 million in 2020. If we exclude non-cash amortization and of value added of the acquired company we had 281 in net income in 4Q and 1.3 billion BRL in 2020. This represents an annual growth of 41.8%.

On the **last slide** you can see our cash flow ex-acquisitions, 431 million in 4Q and in FY 20 the free cash flow ex-acquisitions was of 1.513 billion BRL that represents 52.3% growth as compared to 2019, because of the higher EBITDA and the maintenance of strong cash conversion. This was almost enough to support all of the acquisitions made in 2020.

We continue firm with our purpose to offer high-quality healthcare to our people and to generate value to our shareholders.

We are now open for questions, thank you very much.

Q&A Session

Operator: Thank you. We shall now begin our Q&A session for investors and analysts only. If you have a question please press star one. If at any point in time your question is answered you may remove yourself from the queue by pressing star two.

Questions will be taken in the order that they are received. We do ask you to pick up your handset when posing a question to provide optimum sound quality. Please hold while we poll for questions.

Our first question is from Yan Cesquin from BTG Pactual.

Mr. Yan Cesquin: Good morning Jorge, Mauricio, Guilherme and everyone. I have two questions about the status of the COVID 19 impact on your network right now. First can you give us some, you know, ballpark number about COVID 19 impact on the company's MLR for 4Q 20?

Now next question: can you also give us more details about the frequency status in 1Q 21? I think you were very clear in the information you shared with us. We know that the pandemic intensified in the end of 2020; but as you said in some locations the second wave of the pandemic is already being left behind, and there are other locations in which elective procedures are being postponed yet once again.

So can you please tell me how these movements are related and how they are going to impact you in 1Q 21? Do you see a similar trend, similar to what we saw in the end of last year or what can you predict? Thank you very much.

Mr. Pinheiro: Thank you for your question. Well, let me try and give you a general overview. I think we are a privileged player, because we understand the behavior of this disease throughout the country. I think we are the only operator with our own network throughout the country, I mean in all five Brazilian regions. We have our own network, including hospitals, and we see a different behavior in the second wave as compared to the first wave.

The pandemic hit the cities and regions at different times during the first wave, and did not even affect certain regions like in the South region of Brazil that was not as hardly hit as the Northeast or the North regions.

So at the time ANS determined that all elective procedures had to be suspended: so elective visits, elective procedures, elective surgeries. All of that was suspended and that determination helped the results of the companies in 3Q. The companies were therefore able to prepare and face the first wave of the pandemic; but the regions were affected at different times: some cities were more hardly hit at first and others later.

Now the second wave has different challenges. The first challenge is understanding that this new strain of the virus that apparently comes from the North of Brazil is more contagious, and it affects more severely younger people. Also it hit all regions of Brazil in and even the manner, differently from the first wave that hit different regions at different times.

What is the good news? Well, since Manaus, and since we are a leader in healthcare plans in the North of Brazil and Manaus was the first city to be hit by this wave in 4Q, then once again with our own network we were able to serve our members in spite of all the difficulties we had there. We made huge efforts and we were able to serve all of our members in our own network, and nothing was lacking there.



But this also helped us to develop a matrix, now then knowing exactly how many beds we would need in terms of ICUs and regular beds. Thinking about what happened in Manaus and projecting this to the rest of the country we prepared so that if the same happened in other regions where we operate, we would be ready to fully face those events.

And that is exactly what we did: we prepared early on, we purchased more equipment since the second wave requires, I mean has a higher level of admissions; so we purchased equipment and drugs and we prepared our premises to be able to face the second wave, which as I said is hitting the whole country in a more homogeneous manner.

Our own network has been able to serve our members with good quality, since it is quite extense and we were already prepared for the second wave.

And differently from the first wave, right now we are only performing, I mean we have only suspended elective surgeries; now elective visits and elective tests are being done normally.

Now another interesting point that I would like to emphasize is that we see that in certain locations the second wave seems to be being left behind, and we are going back to baseline levels. Some important cities such as Goiania, Fortaleza and Salvador are already seeing a slower increase of new cases. That happens also in Sao Paulo, Recife and some other locations.

And finally I think that the beauty and the strength of our model, as the most verticalized operator in the world, is that it enables us to absorb these increases in MLR and claims frequency.

In 4Q there was 1.2 million new lives coming into our portfolio due to the acquisitions as compared to 4Q 19 and the MLRs were going from 70 to 90% in those acquired companies, and although 4Q was more challenging because of a higher volume of COVID 19 cases, and with the addition of 1.2 million new lives with an MLR of 70 to 90%, we were able to have a 4Q with cash MLR at historical levels.

So this means that we are integrating the acquired companies very quickly and our own network can provide us with a certain buffer to any significant fluctuations in the frequency.

Mr. Cesquin: Thank you.

Operator: Our next question is by William Barrajad from Credit Suisse.

Mr. William Barrajad: Good morning everyone, hi Jorge, Mauricio and Guilherme, thank you for your time. I have two quick questions, the first one what is your review on the commercial forecasts for now on in terms of organic growth?

And the second one is about amortization. How should you think about this from now on? Should we think about this from now on?

Mr. Pinheiro: Well, thank you very much for your question. 4Q was encouraging in terms of organic growth. For 2021 I can predict a few different scenarios: the first one: some cities started facing the second wave earlier and we are now able to forecast the intensity of this wave in many other cities in the country, including those that are at the peak of the wave. We cannot forecast how long this is going to take.

So we believe and expect that with the vaccination process that is ongoing, we think that in 2Q we will see an acceleration of the vaccination process. So I believe we are going to see a strong recovery of the economy and this may help us greatly, especially in 2Q 21.

Now having a more optimistic scenario in mind like that I think that we can keep on our historical levels of growth. Brazilian people desire a healthcare plan more than ever now for obvious reasons, and I think this is going to be kept in the future. So we expect historic levels of organic growth, that has always been quite significant for us.

Now if we consider a more challenging scenario in which we have to face these pandemic for a longer period of time and if the economy does not recover as we expect, our company will continue gaining market share, as we saw in other challenging times that we went through in the past.

So regardless of what scenario comes through we are prepared to either gain market share or increase the penetration of healthcare plans in Brazil. The recent economic crisis removed 3 million members from the private healthcare market. These people went into the public healthcare market and I am sure they are eager to come back into the private healthcare market, and an economic recovery will definitely bring us with a growth in terms of number of lives.

Mr. Barrajad: Now regarding your second question about a perspective on amortization from now on?

Mr. Teixeira: Oh yes, thank you for your question. We will see amortization in the next 3 to 4 years at higher levels because of the acquisition of the Sao Francisco Group, a large acquisition, and that is why we usually show you our ex-value-added profit.

This was a large acquisition and the amortization is already happening. So we will see approximately for the Sao Francisco Group only about 100 million in amortization per quarter, not to mention other acquisitions that we may make.

Mr. Barranjd: Okay thank you very much.

Operator: Our next question is by Vinicius Ribeiro from UBS.

Mr. Vinicius Ribeiro: Good morning everyone, thank you for taking my question, I hope you are all safe and well.

So my first question is related to a previous question. Can you tell me about the commercial dynamic? You know, your member base, I would like to understand how this dynamic is related to the legacy operations, the pricing, competition dynamics?

Now about the acquired companies can you give us an update of more verticalized products in the new locations with the investments in infrastructure that you made in recent months?

Now the accounting numbers were clear; now is there any initiative being implemented to decrease your exposure? Can you tell us about the type of initiatives that are being implemented and what we can expect to see to reduce this metric even further? Thank you very much.

Mr. Pinheiro: Hi Vinicius, thank you very much. We could not hear you well; but your first question then was about commercial strategies for Hapvida and acquired companies, is that right?

Mr. Ribeiro: Yes that is right, Jorge. Can you give me a breakdown of the dynamics you have in the legacy locations in terms of competition and pricing, and an update about the new locations, whether you are launching more verticalized products after investing in those locations?

Mr. Pinheiro: Okay, we can hear you better now. So when it comes to growth I think it is more of the same: in 4Q we saw a spread growth coming from retail sales and corporate sales.



Now in a more challenging landscape, if the economy does not recover I see the possibility of growing in the corporate channels that keep on launching new bids, and it is always an opportunity for us to offer our high-quality products to them. Our products are also quite predictable, and this has been attracting more and more customers that come and remain with us for a long period of time.

Now if we do have a more optimistic landscape I believe that we are going to see growth in our retail channel, and in the corporate channel when the companies start rehiring employees after cutting some of them in the past, we are going to have lower commissions, that is going to bring us even more growth.

And I see that same dynamic happening in the five regions of Brazil. For recently-acquired companies, once we are able to implement a model that is closer to ours enhancing verticalization - and this is what we have been doing in all acquired companies - in the Midwest we opened two units in Goiania, we acquired a hospital in Anapolis that is being renovated; we have three hospitals in the State of Sao Paulo, in the Center-West several ERs and hospitals, we are also expanding in the South through organic growth.

So once we are able to implement a model that is closer to ours with a more verticalized approach controlling quality and predictability, then I am sure we can be much more attractive and competitive, and therefore gain market share.

We have been seeing that in some regions more than others, in agribusiness states our operations have been receiving a lot of attention. So I see these opportunities spread out throughout the country.

Now about your second question, you were asking about SUS reimbursement, right? I think there are several factors. We increased our verticalization and we have our old units closer to where our members live and work, so we are expanding access to our own network, and therefore we can prevent something that is quite common in our industry for all Brazilians operators.

So we have been able to reduce that; but we are also actively identifying members that may be using the public healthcare system, or SUS, and we get in touch with them and bring them to our own unit.

And so SUS reimbursement is not a good deal for us, because we are quite efficient in our own network providing our members with high-quality healthcare, and because of our purchasing power and the volumes of our purchase, we have attractive costs for procedures performed in our own network. And the SUS reimbursement table is based on a compensation, so there is a fine there, so we



need to be able to identify these users and we have been doing that and bringing them in house - and this has had great results.

Mr. Ribeiro: Great Jorge that was very clear, thank you very much.

Operator: Our next question is by Gustavo Tiseo from Bradesco.

Mr. Gustavo Tiseo: Good morning everyone, thank you for taking my question and congratulations on your results. I have two quick questions, one about the increase in the number of lives from the acquired companies. You added 17,000 lives in the last quarter for individual plans. Are you actively selling individual healthcare plans in these new acquired companies?

And what may happen with GNDI in the short term in terms of increase in the individual plans?

Now the second question is about the postponed installments that are being paid in 1Q 21 for the individual plans; the default level is low? Is it being hard to charge these installments from your members? Thank you.

Mr. Pinheiro: Thank you Gustavo for your questions. About the individual plans you know that the individual plan is a very efficient channel for us. We have been selling this type of product for over 30 years now, and throughout this whole time it is being one of the most profitable channels in our portfolio.

However, we must be cautious when selling this type of product, first because of the full verticalization. We do not sell individual plans if we do not have full control of our patient and low, medium and high-complexity procedure admissions, and we have agreements with our own network and with physicians and systems and so on. So we have to be very careful and knowledgeable to develop this product appropriately, and thus we can only sell individual plans in cities where we have already been able to fully implement all of these premises, and verticalization of the service is the premise that requires more time.

So we are in an intermediate phase. We are already selling individual plans in some cities; but in others we are being cautious and we will only start selling individual plans once we achieve full verticalization.

Remember that we currently have 12 hospitals being built in several regions of Brazil and we want to increase the level of verticalization where we already operate, and also we want to have a broader product portfolio including individual

plans. And as these hospitals get ready I think that we can benefit from the growth in the individual channel.

With regard to default no; our default levels have not been impacted in any of the individual channels, including retail. It is important to emphasize that our members value our product more and more, especially now during the pandemic, and we have been serving our members with high-quality and with the right infrastructure. So users really value our product and therefore we have not seen any changes in the default levels for now - including 1Q 21.

Mr. Tiseo: Okay thank you Jorge.

Operator: If you wish to pose a question please dial star one. Please hold once again why we poll for questions.

The next question is from Gustavo Schroden with Goldman Sachs.

Mr. Gustavo Schroden: Good morning everyone, thank you for this opportunity. I would like to talk about pricing and readjustments or increases. Last year was a bit atypical with restrictions from ANS. What can we expect for 2021? How have the conversations with ANS been? Any expectations for 2021 considering that we are still facing the second wave of the pandemic? Thank you very much.

Mr. Pinheiro: Hi, thank you for your question. So I think it is too early to talk about that. We do not have anything very substantial to share with you; but what we can say is that our business model is quite fit to absorb any type of fluctuation. We are able to absorb that much better than any other business model.

So in terms of when we have high readjustments that is actually good for us, because people migrate from the competition to us, and historically we have had lower increases than the rest of the industry. While the market was at 10% increase we were asking for 7, or when the market was asking for 20 we were asking for 14.

So our price increases are usually lower than the rest of the industry, and that is mainly because of our verticalized model and our really hard work on prevention, identifying users that could have acute or high-complexity diseases. Standardizing procedures, gaining scale, all of that helped us also with the support of technology, this helped us to buffer the medical inflation that we see in the industry in Brazil as a whole.



Mr. Schroden: Okay thank you Jorge. Now about depreciation and amortization that you commented on earlier, just to make sure I understand: we are expecting higher amortization levels because of the acquisitions that were made, and Mauricio said at least 100 million BRL for the quarter in terms of depreciation and amortization; was that right?

Mr. Teixeira: That was the level of 2020 for the acquisition of Sao Francisco and this is going to remain like that for the next four years, and once this amortization finishes there will be a great impact on our numbers; but for the next four years that is going to be around that level.

But that also depends on the new acquisitions that we might make; but for the Sao Francisco amortization level it is around 100 million/quarter for the next four years.

Mr. Schroden: Okay thank you.

Operator: Thank you. If there are no further questions I would like to turn the floor back to Mr. Jorge for any closing remarks. Mr. Jorge you have the floor.

Mr. Pinheiro: So I would like to close this call thanking our partners and investors, who believe in our project of providing high-quality healthcare at affordable prices to the Brazilian population.

Once again I would like to thank our employees, who have been working really hard, with a lot of dedication, and this actually moves me when I see their effort of our amazing team trying to support and care for our members with a lot of courage and strength to save lives, day in and day out. So thank you very much.

And also our commitment to our customers is always there. You can count on us, we will keep on working really hard to serve you - and I am sure that better days will come; but until then you can count on us to face this pandemic.

Thank you very much and have a great day.

Operator: Thank you. This concludes Hapvida's earnings conference call. You may disconnect your lines at this time and have a nice day.