

**Conference Call Transcript**  
**2Q20 Results**  
**Hapvida (HAPV3 BZ)**  
**August 14, 2020**

**Operator:**

Good afternoon, and welcome to Hapvida's 2Q20 earnings conference call. Today with us, we have Jorge Pinheiro, CEO; Bruno Cals, CFO; and Guilherme Nahuz, Investors Relations 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. After Hapvida's remarks, there will be a question and answer session 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 at [www.hapvida.com.br/ir](http://www.hapvida.com.br/ir).

Before proceeding, let me mention that forward-looking statements made during this conference 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, depend on 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.

Now I will turn the conference over to Mr. Jorge, who will begin the presentation. Mr. Jorge, you may begin your conference.

**Jorge Pinheiro:**

Thank you. Good afternoon, everyone, and thank you for participating in our conference call. It is a great satisfaction to present to you the results of Hapvida of the 2Q20.

During this extremely challenging pandemic, I am constantly reminded of the amazing and resilient company that we have built. I witness our employees, physicians and health care professionals working hard every day to save lives. I would like to thank their dedication and commitment to our members and the sacrifices they and their families have made during this health care crisis. Thank you very much.

We have continued to present excellent numbers, and that makes us really proud. We have achieved financial and operating results that are spectacular, and once again, we have reached an unprecedented level for Hapvida in several spheres.

The net revenue in the 2Q20, including Hapvida's acquisitions, grew by 62.7% when compared to the 2Q19, boosted both by the acquisitions and the increase in the number of members and readjustments implemented in the period. Our EBITDA was R\$607.8 million, a 107% increase when compared to the 2Q19.

The number of health care and dental members considering Hapvida and acquisitions grew by 53.3%. Now if we consider Hapvida, excluding acquisitions, we lost around 35,000 members, especially in the corporate book, as a consequence of the workforce adjustments that our corporate clients have had to make to go through this crisis caused

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by the pandemic and also the active cancellation of some corporate contracts that had negative contribution margins, to which we have not been able to reach an agreement.

For us, the month of May was the hardest hit in the quarter, but the month of June showed a strong recovery. It is important to mention that even in the regions that were affected by the pandemic first, such as Manaus, Recife, Fortaleza, Belem and San Luis, cities where 43% of our membership base is located have already come back to normal level operations. Also, as we said previously, Hapvida usually benefits from moments like this, in which companies and families have to make budget adjustments and they can count on a smart health care plan such as Hapvida's.

So our pipeline in these regions is already warming up with relevant quotes coming to the market, and Hapvida is very well positioned to attract these new clients. We have already closed a few deals in those regions and also in the regions where the recently acquired companies are located. This represents a very positive prospect for Hapvida in the 2H20.

With regards to claims, social distancing rules and the suspension determined by the regulator, ANS, promoted a dramatic drop of demand for elective procedures in the quarter. So the cash flow MLR of Hapvida, excluding acquisitions in the 2Q20, was 49.8% and an extraordinary reduction in MLR of 7.3 p.p. when compared to the 2Q19.

An important piece of information is that since the beginning of June, we started to address the backlog of elective surgeries that were contained because of the pandemic. So I am happy to say that up until now, excluding the regions in which the elective surgeries are not yet advised, over 90% of these procedures have been conducted and accommodated and have not caused impacts on our operations.

When it comes to elective examinations and appointments that started to recover since May, already present about 90% of the monthly historical volume. We believe that this level will normalize until the end of the year.

Our Company is still growing and expanding its operations, being now present in new regions of the country. The 2Q of the year, we started organic operations in the city of Brasília, the capital city of the country, with a portfolio of around 13,000 members operating for now with an accredited network.

We also continued to execute our inorganic expansion plan with the announcement of the acquisition of Grupo São Jorge, one of the main health care players, private health care players in São Jose dos Campos, in the state of São Paulo. The private health care market is still very fragmented, so this consolidation process should continue in the next years.

We are certain that Hapvida is well prepared to seize and make the most of the opportunities that will arise. With a free cash flow of R\$3.4 billion, we believe that we have a competitive edge to take part in this process. Currently, we have around 15 prospects in our pipeline in different M&A steps.

Another important point is that we continue firm and we are progressing well with the integration of the recently acquired São Francisco, America and RN Saúde, which together with Medical and São Jose Group, will become one of the main regional platforms of growth for the Company.

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In August, we have started the second major integration phase implementing Hapvida's systems in the acquired companies. We started with America and RN, and after that, we will implement the systems in the São Francisco Group. We are still working hard in our verticalization increase plans, both in the North and Northeast regions, as well as in the regions of the recently acquired companies.

And we are working in many different locations. We have civil construction in operations, and we are also working hard to deliver health care assets in the next 12 months. We have ten hospitals that are either being designed right now or are being built. One hospital located in Manaus, the state of Amazonas; one in Maceio, state of Alagoas; two in Recife, state of Pernambuco; one medical tower in Natal, Rio Grande do Norte state; one hospital in Dorados, Mato Grosso do Sul; one hospital in Uberlandia; and three hospitals in the countryside of the state of São Paulo in the cities of Barretos, São Carlos and Bauru.

Reinforcing Hapvida's commitment to transparency and care to environmental, social and governance issues, we have just published our first sustainability report. Our report follows the directives of the global reporting initiative, which is the first and most widely used methodology for the production of reports around the world. Now anyone can consult important information about our ESG performance in that document.

Just a curious point. In terms of diversity and gender equality, Hapvida has 62% of female employees in leadership positions in the Company. We are happy to say that we have a new executive Vice President for people, management and diversity, who is also a woman. Her name is Majô Campos. She has a vast market experience, and she is here to add to the strategy of the Company and help us in our solid growth. She is also part of the Board of Hapvida's and the first female Vice President in the Company.

When it comes to technology, one of the novelties in the quarter is the launch of our new app, HapMed. It is one of the physician apps that Hapvida provides. Physicians can check in real time, schedule surgeries and have access to the medical record of every patient, including seeing imaging tests and reports.

When it comes to innovation, we are still pioneers in the use of artificial intelligence in health care. And we have gained efficiency through Maida, our health tech. In recent months, we implemented 3 new features with the use of machine learning. We are doing x-ray imaging analysis, and we have started to conduct dental procedures, audits and also medical procedures audit with this app.

Before we start talking about our results, I would like to emphasize a few points that show our commitment and transparency in the way we deal with the pandemic. We are the only health care operator in Brazil that publishes, since the beginning of the pandemic, daily newsletters about our combat operations to COVID-19 with data about the number of services, hospitalizations, deaths and recovered patients.

Up until the date of this release, over 12,700 patients had recovered from the disease. Since the beginning of the pandemic, we have provided over 70,000 appointments and medical guidance on telemedicine for COVID-19 to our members. We also provided another 30,000 online appointments that were not COVID-19 related, reducing the exposure to the virus. About 5% of the members use this type of service and had to go to one of our physical units.

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We are very agile, and we customized our telemedicine platform right after the beginning of the pandemic. We believe that this technology has come to stay. Telemedicine gives us the possibility of making available more specialist physicians regardless of where they live in the country, being comfortable both for physicians and patients.

But that is not all. We are also implementing some innovations with the use of telemedicine. For example, at our hospitals, we created a service for general physicians to make video calls with an intensivist to help them decide how to refer these patients and if there is a need to send them to the ICU. We also created a digital emergency room with a screening and everything else.

But we also believe that some patients need in person appointments. Therefore, we are still investing smartly here, with the goal of providing our members with high-quality health care whenever and wherever they need it. Telemedicine will be yet another tool used by Hapvida to increase the operating efficiency and to make sure that we always provide high-quality care.

We have exceeded R\$110 million spent in combating COVID-19 up until now. That includes the purchasing of ventilators and personal protective equipment. During the pandemic, all of our units were fully supplied with personal protective equipment to protect customers, physicians, nurses, and frontline personnel as well as support personnel, with materials, drugs and everything we needed to treat our customers with outpatient and ICU beds available when needed.

Brazil is a country of continental dimensions, and some regions were more hardly hit by the pandemic. Some of them were hit in the beginning, and they are now recovering like Manaus, Belem, Fortaleza and Recife. And others that are still facing a difficult phase, like Goiania, the countryside of the state of São Paulo and others.

So our fight continues, and we will not let our guards down. That is why we are still monitoring every day the occupancy rate of our hospitals and offering great infrastructure to our members, especially in the regions that are to still seeing a growing curve in the number of cases.

Health care plans have always been really relevant in the country, being listed among the top three objects of desire of the Brazilians. The pandemic made this become the top desire of the Brazilian population. This should continue like that in the short and medium terms, with the potential to increase the demand for health care plans.

We expect to bring more people into the prevention and health care promotion programs. And that's where Hapvida has a great advantage that no other operator has, with the possibility of being served and seeing the examination results at home.

Having said that, I give the floor now to Bruno Cals, our CFO; and Guilherme Nahuz, our Investors Relations Director, who will give you further details about the numbers of the quarter. And then I will come back for the Q&A session at the end. Thank you very much.

**Bruno Cals:**

Thank you, Jorge. Good afternoon, everyone. Let us start with the slides of the presentation.

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On slide two, you can see the main operating and financial highlights of the 2Q20, consolidated data of Hapvida and recently acquired companies, São Francisco Group, América Group and RN Saúde.

Our net revenue grew by 62.7%, boosted mainly by the revenue coming from the acquisitions, R\$528 million from the São Francisco Group, R\$103 million from the América Group and R\$35 million from RN Saúde. This also impacted the average ticket of Hapvida ex acquisition of 10.7% because of the price readjustments and new sales. They also contributed with 135,000 lives to our dental portfolio. The net revenue growth of Hapvida ex acquisitions was of 10.4%, even considering this adverse macroeconomic scenario and the readjustments in small and medium enterprises, health care plans and group plans.

There was a 53.3% growth in the number of members, as Jorge said. The MLR drop of Hapvida ex SUS and ex acquisitions was 6.1 p.p. MLR of Hapvida ex acquisitions was also significant, 7.3 p.p.

Our EBITDA more than doubled in the period with a 106.9% growth and a margin that was 6.3 p.p. higher because of the reduction in the MLR and a good management of the consolidated expenses, which made us reach expense levels of 8.7% with sales and 9.6% with administrative expenses.

Before I go on to the next slide, I would like to emphasize that our net profit does not necessarily represent our cash generation well. It is about R\$100 million per quarter or R\$400 million per year in amortization. This is a noncash line that increases the administrative expenses and reduces the income taxes and social contribution to pay, leaving cash in the Company for investments and M&A.

On Slide 3, you can see that starting the 2Q19, we have added 1,190 beds to our network. In the 2Q of this year alone, we added over 300 beds to face COVID-19. And we also reserved in under 1,000 beds in our own network.

During the pandemic, there was not a single case that could not be served because of a lack of capacity. And in the regions where the epidemiological curves are going down, we have already freed part of the beds, but we also have some of the beds reserved in case there is a second wave of the pandemic. Part of the equipment was sent to the regions in which the curves are still going up.

Here we have a map to show you that we have 41 walk-in emergency units, 184 clinics, 174 labs and imaging clinics, which totals 438 million units that can be accessed by our members in all the 5 regions of the country.

In the 2Q, we opened two medical clinics and finished the works in 11 medical clinics. We also opened one emergency room and three diagnostic units that will give us more operating efficiency.

It is also important to highlight that in recent months, we opened several medical units in Goiania. The Cora Coralina walk-in emergency unit was opened with over 2,500 square meters of built area to offer adult and pediatric emergency service 24 hours a day. In Uberaba, state of Minas Gerais, we opened a primary care clinic and another ward in

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Hospital Mário Pálmério for medium and high complexity procedures. In Mossoro, we opened a lab within the premises of our brand-new hospital.

ANS numbers for June have not yet been available. So in the market share of this slide, we see the numbers of March 30, 2020. So at the time, we had a total market share of 7.6%. Here, you can also see the percentage by region. You can see that in the North and Northeast regions, we have the largest market share of 29.9% and 25.1%, respectively.

All the acquisitions together with the building of new assets contribute to our footprint expansion, reinforce our own network infrastructure and improve the member portfolio in several regions.

Since the end of 2019, the Company's exposures have become national. Our potential market has increased in a relevant way, and we see great growth opportunities ahead of us, the implementation of new business models in the regions will connect the Company to millions of customers who will have access to an intelligent and affordable health care plan.

Now I would like to give the floor to Guilherme Nahuz, our Investor Relations Director, who will give you further details about our results.

**Guilherme Nahuz:**

Thank you, Bruno. Thank you, Jorge. Good afternoon, everyone. I will try and be brief so that we can move on to the Q&A session as soon as possible.

In slide number four, you can see the membership base of our health care portfolio, which shows an excellent growth of almost 45% in the upper left corner. Acquisitions included, of course. And in the right-hand side of the slide, you can see that individual health care plans grew by 38.4% and group plans grew by 46.9%. So we are growing a bit more in the corporate book.

Hapvida ex acquisitions, we have lost 18,000 lives in individual plans basically due to the pandemic. We have also changed the contract policies. We have been talking to the market about this for a while. We are now stricter, actually since last year, and this has had impacts in all of the regions in the country. We want to make more qualified sales, reducing deadlines and reducing the churn.

In group plans, we had 18,000 lives net loss because of corporate contracts. So there were not many corporate contracts, but they are now reducing in size. And that is mainly due to the workforce adjustments that our corporate customers have to make because of the pandemic, as we said in the beginning. We lost 13,000 lives in individual plans. As Eduardo said, we see a strong recovery of sales starting now. People are now worried about their health because of the pandemic. This is highly positive. People are now seeking to protect their health care and their family health care with private health care plans.

May was hardly hit, but June and July are showing a strong recovery. In June, we had a net increase in the retail book for individual health care book. In group plans, we lost 55,000 lives, but we need to say that in Hapvida ex acquisitions, we lost 31,000 of those 55,000. And of those 31,000 lives, 20,000 were active cancellations of 3 contracts, as

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Eduardo mentioned, 3 contracts that had negative contribution margins and that we have not been able to reach an agreement.

So we canceled those contracts. In the acquired companies, we lost 24,000 lives of those 55,000, and most of them coming from one single contract that was also giving us negative margins. And it was located in Parana, which because of the size of the market, it did not make sense to us to verticalize.

So the Company is located in the North and Northeast regions, where our market share is very large, have already gone back to normal activities. So we have been seeing a lot of movement in the market, lots of requests for proposals. So we are doing really well in this recovery with relevant corporate contracts being signed. These contracts will be implemented in the coming months. ANS numbers will show that.

Now and still in Slide #4, in the lower part, you can see the long-term view, 27% for group plans and almost 22% for individual health care plans.

On slide five, you can see numbers of our dental portfolio. We had a strong growth of 66%, including acquisitions. Group plans grew 120%, so very strong growth and corporate dental plants. Compared to the first quarter of 2020, we lost about 44,000 lives net for the same reason of the health care portfolio.

But the drop was not as large here in the dental portfolio, which shows how resilient this portfolio is. The recovery is also happening in dental plans, and the opportunities ahead are still huge. The acquired companies have a low penetration of dental products. So when we look at Hapvida plus acquired companies, we see a great opportunity.

Now on slide six, average monthly ticket, Hapvida grew 10.7%, which is an intense growth considering the macro scenario and also considering that we have voluntarily suspended readjustments of small and medium enterprises and corporate groups for 3 months. Average tickets compared to previous quarters. And the dental portfolio has no stable margins. This is a fantastic product. So we have a huge potential there from 12.2 to 11.9, and this translates into a higher product participation.

On slide seven, you can see the net revenues. Bruno and Jorge already said that we had an amazing growth of revenue, 62.7% increase. This growth was boosted by the increase in the number of members and the growth in average ticket, as you can see there.

But also, organically, we grew by two digits which is also an excellent growth considering the macro scenarios, the price adjustments and life reductions, which proves that the revenue of our Company is quite resilient and has been able to resist even in challenging months like the ones we just faced.

In the next slide, on the right-hand side, you can see the medical costs and MLR. We have consolidated medical loss ratios here. The 2Q20 had the lowest level of MLR in the history of our Company. Cash flow MLR, as Jorge and Bruno said, was below 50% for the first time, 49.8%, so Hapvida ex acquisitions in this case. So an exceptional performance.

We already talked about the impact on the quarter and the drop in the number of procedures, so not repeat that. I just want to say that our medical and operational teams

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worked spectacularly during this very challenging times, led by Anderson Nascimento and others, which were amazing during the pandemic.

In the upper right side of the slide, you can see that we were able to increase the verticalization volume. You can see there the numbers of hospitalizations, medical appointments, exams in general. We internalize 82% of the claims, so a growth of 1.8 p.p. in the quarter. No constructions were suspended during the pandemic. This area was led by Andre Melo, who led all the construction, even though they had to face many challenges during the pandemic.

MLR elective claims were reduced because of the regulators, social distancing recommendations. So we also had a medical expense reduction. And because we reduced the number of procedures in our accredited network, we also had an IBNR reversion.

In the next slide, you can see SUS reimbursement. We received one ABI, ABI number 81 in the month of May, of the market actually received it. On the left-hand side, you can see the reimbursement flow. At the end, you can see that ANS analyzes the operators' return. And they were not able to keep up the pace they had before the pandemic, and that's why we had an extraordinary reduction in the reimbursement volume, only R\$17 million in claims, and R\$12.6 million in interest, monetary restatement fines, which impact our financial expenses. Once ANS goes back to the same pace they had before the pandemic, we expect these numbers to grow once again.

On slide ten, you can see that the levels are stable. You can see SG&A, administrative expenses in the quarter has shown a small improvement, an impact of the operational leverage. Bonus payout, new hires were positive and traveling expenses were reduced because of the pandemic.

When it comes to selling expenses, we also saw a drop in the quarter because of a smaller sales volume. So the expenses with commissions were reduced. And also, we had a reduction in the advertisement expenses. If we include the acquisitions, this number drops even further because of the selling expenses, which are smaller as a percentage of the revenue in the acquired companies.

Now on slide 11, we talked a lot about EBITDA already. I just want to reinforce Bruno's message. We had depreciation and amortization, making pressure, but this will continue in the coming years. So EBITDA and EBITDA margins are the ones that will become the representation, a good representation of our performance and not only net margin. We did not have to declare interest over own capital.

So now on the last slide, 12, free cash flow and CAPEX. The Company is still generating a lot of cash, so there is a positive impact here of an amazing cash flow generation in the quarter and in the semester.

And the only negative impact in the quarter was a slight increase in our working capital as a consequence of higher stock levels, higher inventory levels in the Company as we try to maintain all of our units very well supplied because of the pandemic with personal protective equipment, devices and drugs. Our CAPEX for investments were impacted by additions of the new units that Bruno and Jorge already talked about, and you can see on this slide once again.



So now I close our presentation and open for questions now. Thank you very much.

**Mauricio Cepeda, Credit Suisse:**

Good morning. Thank you for answering our questions. My question is more about the future perspectives. We know that we are going through hard times. But on the other hand, you are in a good position to attract new corporate contracts. So can you tell us a bit more about that? What do you feel in the field? Do you think that there are already companies that are looking for you and asking you for proposals?

**Jorge Pinheiro:**

Thank you very much for your question, Mauricio. I am quite excited about the 2Q because we have a good concentration of lives in places that are already coming out of the pandemic. So the economy is going back to pre-pandemic levels. In those regions, we are already seeing a recovery of retail health care plan sales there, which is already very close to our historic levels. Corporate clients have not yet started to rehire employees. This will probably happen in the 2H20.

On the other hand, our Company always benefits from difficult economic times, and we already have contracts signed of large corporate clients that have terminated their contracts with other operators, and our contracts will now start to be implemented in the North and Northeast regions and other regions where the acquired companies work.

So I see a sound and consistent recovery of organic growth. I am really excited. Yes, I believe that the worst has passed. And I would like to remind you that since our Company is the first in the country to have its own network in all 5 regions, we are very happy. In the Midwest, we are seeing great growth, many investments in the region with new hospitals being built there.

We are now present in Brasília, and all the cities in the Midwest are being now benefited from us, and I think that this region is going to help us with the organic and inorganic growth. Also, the regions of São Paulo in the Southeast will continue to help us grow. So I am quite excited about the recovery of the economy. The worst is behind us, in my point of view. Of course, this country is still very fragmented, but we are present in all regions, and we can have a great consolidation because of that.

**Mauricio Cepeda:**

Thank you. Jorge. That was very clear.

**Samuel Alves, BTG Pactual:**

Good afternoon. I have two questions about topics that you have already mentioned, but I would like further details. First, which regions are leading the commercial recovery? Are there any highlights or the growth is well distributed throughout all regions of the country?

My second question, can you tell us a bit more about the integration of RN, América and São Francisco, the deadlines and all that?

**Jorge Pinheiro:**

Samuel, thank you very much for your question. Generally speaking, retail is leading this recovery. For example, in the month of June and beginning of August, Hapvida's regions of the North and Northeast are now very close to our historic levels.

But when it comes to corporate clients, these clients are not yet rehiring employees, but we already see that the country is going back to pre-pandemic levels. North and Northeast regions are already heating up and the retail growth, so individual health care plans.

We also implemented containment measures. As Guilherme said, we postponed readjustments for small and medium enterprises, for individual plans as well. So these readjustments will probably be made in the third or fourth quarter. Now in recent months, we said that we would integrate the São Francisco group in 4 years, América in 30 months.

And we are going to do it even faster than what we promised. The most complex steps of the integration have already been given. Our integration philosophy is quite so generous. Whenever we implement a system, all of the intelligence, business intelligence requires the asset to be prepared to receive our systems.

Our MLRs, the rounds in those acquired companies is of around 70%, but we believe that we can take this MLR closer to that of Hapvida. Depending, of course, on the characteristics of the asset.

So yes, we will finish the integration before we said, in the third quarter, we are going to start integrating the systems in the Americas. And we will actually integrate all of our assets before the deadlines we gave you.

**Bruno Cals:**

I just want to give you further details about what Jorge was saying. We are going to implement systems in América and RN Saúde this year, and next year, we are going to implement the system at São Francisco Group. For risk mitigation, the hospital systems will be implemented in on unit per month to contain risks of doing this in many units at the same time.

This is a risk mitigation measure. But this is our plan that will be executed in the coming months. Now also, what we have been doing when it comes to integration, cannot be characterized as systems integration. It is actually the implementation of our own systems.

We rarely keep the systems of any of the acquired companies because all of our tools are required to be implemented with this new management philosophy. So it goes way beyond an integration. We do a complete implementation to keep the high quality of the health care services we provide, and also a great cost control.

**Samuel Alves:**

Thank you very much. Very clear.

**Gustavo Miele, Itaú BBA:**

Good afternoon. Thank you for your presentation. My question is very brief with regards to PDD. We were worried about how this line will be shown to you and also worried about the pandemic, but you have mentioned sound numbers. Of course, this line has a macroeconomic exogenous effect. But has the Company implemented any measures that made it easier for you to control PDD? Or was there any beneficial effect of the acquired companies when it comes to that? So can you tell us a bit more of the PDB dynamic?

**Bruno Cals:**

We have been talking a lot about that to the market. This was actually one of the pleasant surprises we have had in these challenging moments. We reduced the default rates of our customers, which shows how they prioritize the payment of the health care plans for obvious reasons, of course. They do not want to lose their health care plans, especially in uncommon moments like this.

So PDD has been stable and sound, as you said, which is different from other industries. But this shows the resilience of our countries, especially in times like the ones we are going through right now. So we expect this to continue like that in the future.

The 2Q20 compared to the 1Q20 had higher commercial expenses because of contract cancellations, commissions are acquired, depending on the medium-term of the contract. And once the contract is canceled, we have to pay everything that is left. But we expect the PDB levels to continue at high. Our customers have been showing that they are not intending to be in default.

We are also working hard with our clients to show everything we have been doing in the Company, not only to our clients but to society, in general. We have videos. We are interacting on social networks. We have been giving market notices during the 2Q to show them that we are there for them, so we postponed PMS. The readjustment of small and medium enterprise plans. For some customers, we temporarily replaced complete health care plans for hospital expenses only plans, so they could pay prices that were 30% lower during these difficult times.

So with these macro scenarios of resilience and private health care plans, we were able to achieve sound levels of PDD, as you said.

**Gustavo Miele:**

Excellent, Bruno. Thank you very much.

**Fred Mendes, Bradesco:**

Good afternoon. Thank you for this call. I have two questions. The first one, I am not sure you can talk about this, but do you have any idea of the percentage of the gross sales? Are they growing? Are they stable? Can you just tell me a bit more about gross sales? That is my first question.

**Jorge Pinheiro:**

Fred, I am sorry. Your audio was cutting out, and I cannot understand your question. Can you please repeat it?

**Fred Mendes:**

Sure. No problem. I think I got an incoming call, and that is why my sound cut off. So my first question is about gross sales. You told us that 2 of the contracts were canceled actively by you. What about gross sales? Are they improving? And of course, you talked about workforce adjustments. So can you tell us about the lives? What about MLR in acquired companies? Because acquired companies that are not as verticalized would have more possibilities to reduce MLR, but it was actually the opposite. The reduction of MLR was much higher at Hapvida. So can you tell me why?

**Jorge Pinheiro:**

Thank you for your question. About sales, retail sales are already very close to pre-pandemic levels, so that is already recovering. Now new customers coming into corporate plans, which would reflect that our corporate clients are rehiring employees. These numbers have not yet recovered to pre-pandemic levels. We believe this is going to happen in the 2H20.

But we are excited. Starting in June, July, we saw negotiations taking place. Some contracts have been signed. And I am talking about large contracts in several regions. And generally speaking, we believe that the 2H20 will show us a recovery of the Company's organic growth.

Now about your second question about MLR reduction, in the 2Q for the acquired companies. The acquired companies had a loss ratio around 69%, 70%, up to 85%. In the set of acquired companies, and thus were not in our reports last year.

The 2Q and 3Q for those companies, had the highest loss ratio levels. The 2Q MLR was 59%. So if you compare the 2Q20 of these companies to the 2Q19, there was a significant reduction in their MLRs.

**Bruno Cals:**

In addition to that, Fred, I just want to add something. Comparing the 2Q20 to the first quarter of 2020, Hapvida ex acquisitions drop was higher because Hapvida ex acquisitions in the first quarter was impacted by SUS reimbursement, 3 p.p. of the revenue.

So if you exclude that, you would have a similar drop in p.p. comparing Hapvida's ex acquisitions and acquired companies. So compared to the first quarter of 2020, this is what we saw.

**Fred Mendes:**

Thank you very much. That is very clear.

**Operator:**

If there are no further questions, I would like to give the floor to Mr. Jorge for closing remarks. Mr. Jorge, you can proceed.

**Jorge Pinheiro:**

I would like to thank you very much for your presence, and I would like to tell you that our Company has been committed to saving lives and helping people for over 40 years. The first half of 2020, we faced a huge challenge, but we have been able to fully deliver on our mission, which is to save lives.

I would like to give special thanks, heartfelt thanks to all of our team who worked really hard and fought really hard in order to help people and provide them with high-quality service. So we have fulfilled our mission of helping people in the best possible way.

I would also like to thank our other partners, our shareholders who are working with our team, giving us strength to continue investing and growing and innovating to fulfill this wonderful mission. And finally, I would like to thank our users who deserve all of our efforts and dedication. We believe that the worst is behind us, but we know that we still have a great challenge ahead of us, and we continue firm and committed to all of them.

So thank you very much, and see you next time.

**Operator:**

Thank you. This concludes Hapvida's earnings conference call. Please disconnect your lines, and have a good day.

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