

2Q24 Earnings Call Presentation



August 9th, 2024 | 10am (EDT – NY) | 11am (BRT)

HAPV
B3 LISTED NM

Summary

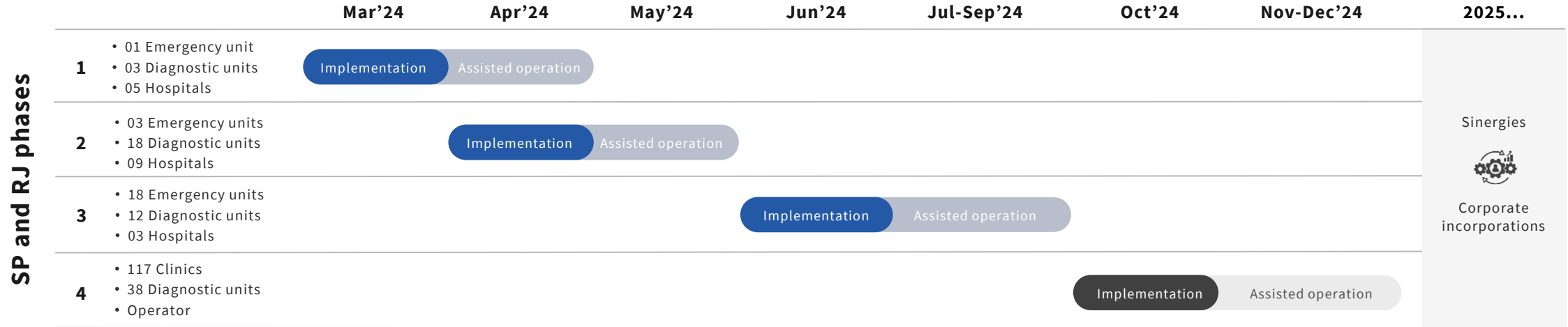
	2Q24	2Q23	Δ%	1H24	1H23	Δ%
Net Revenue:	R\$7,150MM	R\$6,840MM	+4.5%	R\$14,142MM	R\$13,566MM	+4.2%
Health Beneficiaries (EoP):	8,840.6k	9,015.4k	-1.9%			
Dental Beneficiaries (EoP):	6,899.5k	7,106.8k	-2.9%			
Avg Health Ticket:	R\$267.4	R\$245.0	+9.1%	R\$264.2	R\$240.5	+9.8%
Cash MLR:	70.5%	73.9%	-3.4p.p.	69.2%	73.1%	-3.9p.p.
Cash SG&A⁽¹⁾:	8.9%	9.1%	-0.2p.p.	8.9%	9.3%	-0.4p.p.
Sales Expenses:	6.9%	7.0%	-0.1p.p.	7.4%	7.4%	0.0p.p.
Adjusted EBITDA⁽¹⁾:	R\$958MM	R\$606MM	+58.0%	R\$1.969MM	R\$1,241MM	+58.7%
% Margin	13.4%	8.9%	4.5p.p. better	13.9%	9.1%	4.8p.p. better
Adjusted Net Income⁽²⁾:	R\$490MM	R\$222MM	+121.2%	R\$997MM	R\$255MM	+291.5%
Net Debt:	R\$4,348MM	R\$5,275MM	-17.6%			
	1.03x EBITDA	1.61x EBITDA	-0.57x EBITDA			
CapEx:	R\$185MM	R\$122MM	+51.6%	R\$290MM	R\$239MM	+21.6%

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

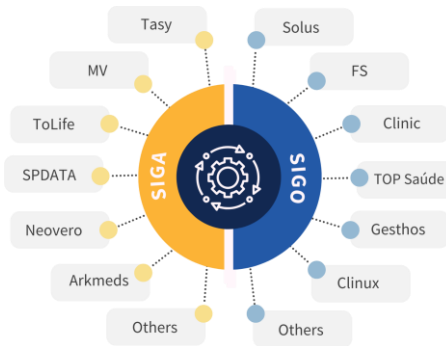
(2) Correspond to Net Income excluding expenses with SOP/ILP; Amortization of Customer Portfolio and Trademarks & Patents

Integration of SP, RJ, and MG

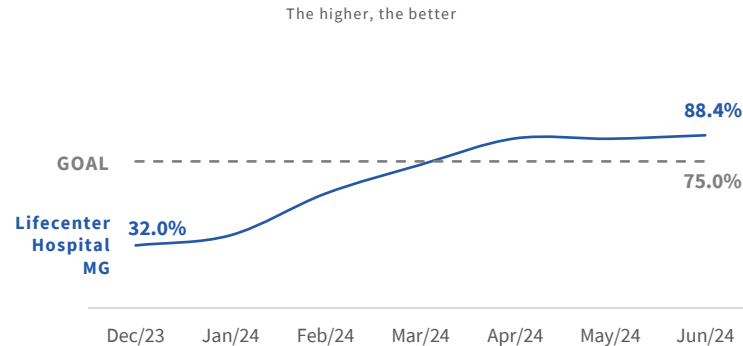
Successful implementations with quality increase and complaints reduction



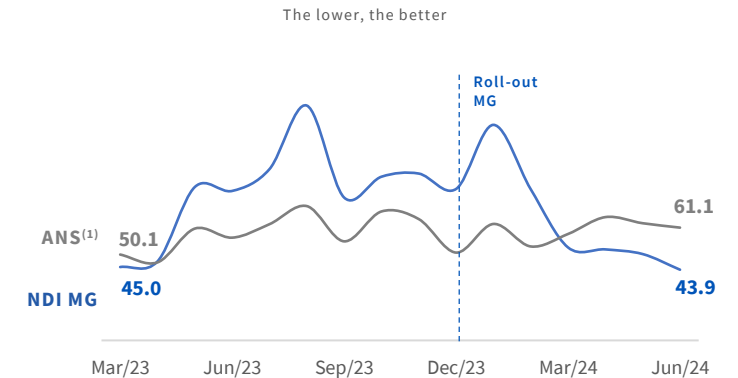
More Efficiency and Quality Through System Simplification



Faster Emergency Services Up to 15 minutes



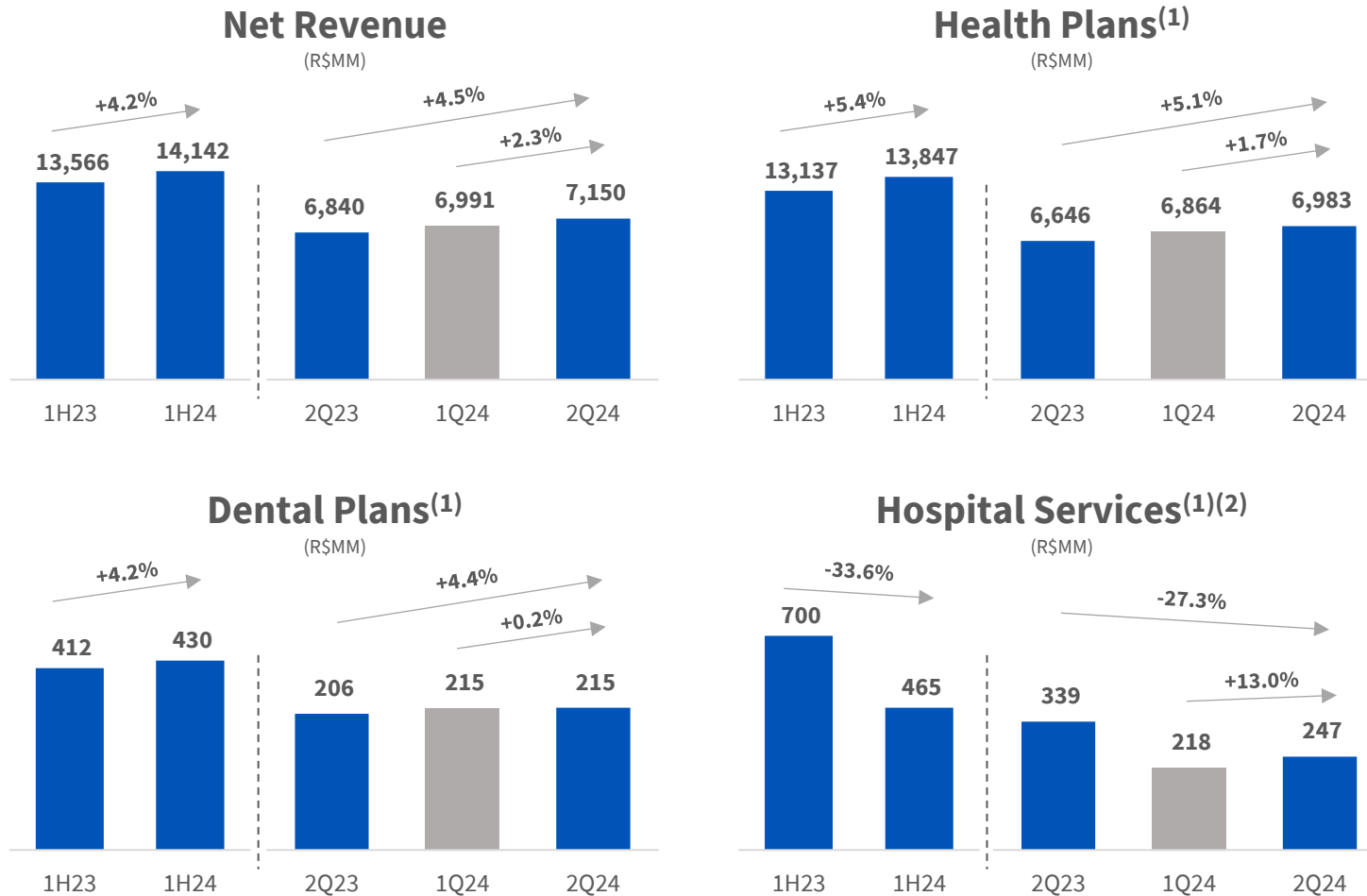
Best GCI⁽¹⁾ of Recent Months



(1) GCI (General Complaint Index) of the sector – ANS, Jun'24

Net Revenue

Consistent revenue increase driven by average ticket improvement



NET REVENUE: +4.5% vs. 2Q23

HEALTH PLANS: +5.1% vs. 2Q23

Avg. ticket: +9.1%

Avg. beneficiaries: -3.7%

- **-336.7k** Organic

DENTAL PLANS: +4.4% vs. 2Q23

Avg. ticket: +5.6%

- A result of price adjustments

Avg. beneficiaries: -1.2%

- **+82.0k** Organic

HOSPITAL SERVICES: -27.3% vs. 2Q23

- **-R\$47.5MM** in Hospital Services: lower demand in the period and a more selective approach in offering services to third parties

- **-R\$45.0MM** divestments of São Francisco Resgate and Maida Health

(1) Gross Revenue

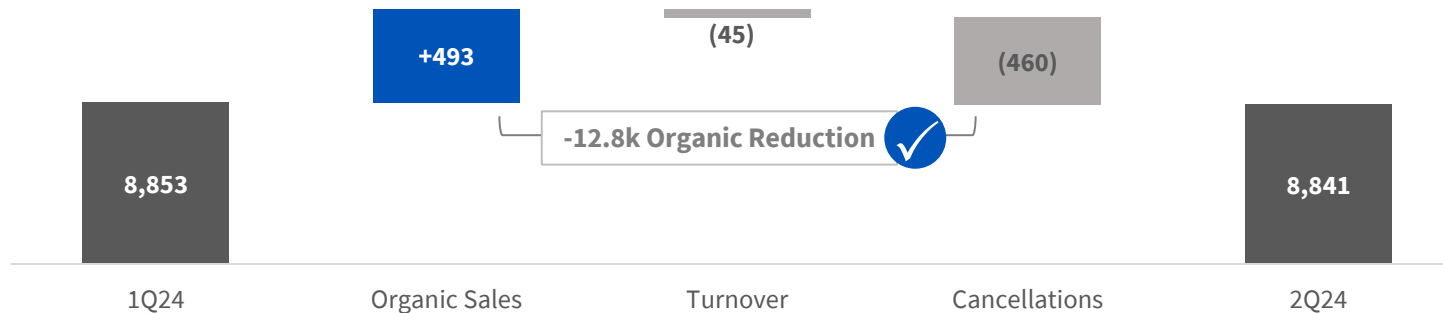
(2) Including revenues with third party hospital services, patient transportation services (ambulances) and other

Health Plans

Resilient increase in average ticket, up 9.1% since 2Q23

Health Beneficiaries Evolution

(thousand; EoP)

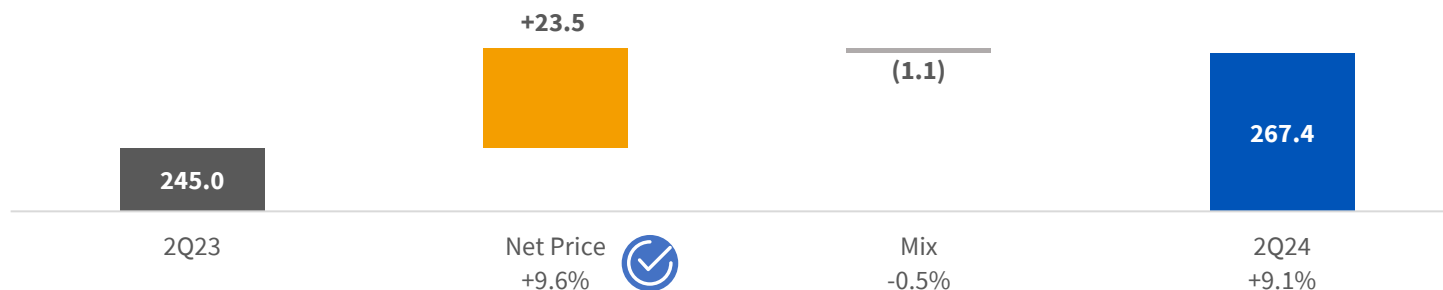


BENEFICIARIES: -12.8k vs. 1Q24

- Strong **organic sales**, as a result of robust gross sales
- Negative **turnover**
- **Cancellations** at high levels, concentrated in loss-making contracts, due to portfolio optimization, verticalization, and regulation of the accredited network of providers

Average Ticket Breakdown

(R\$/month)



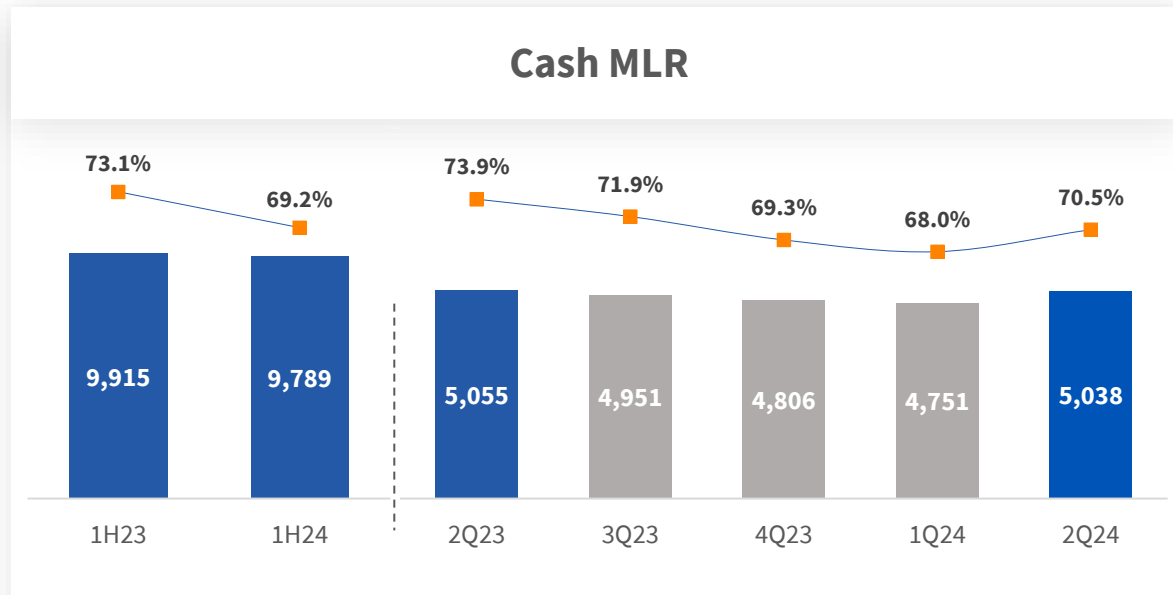
AVG. TICKET: 9.1% BETTER vs. 2Q23

Reflection of price recomposition strategy and review of the client portfolio, seeking profitability and sustainability

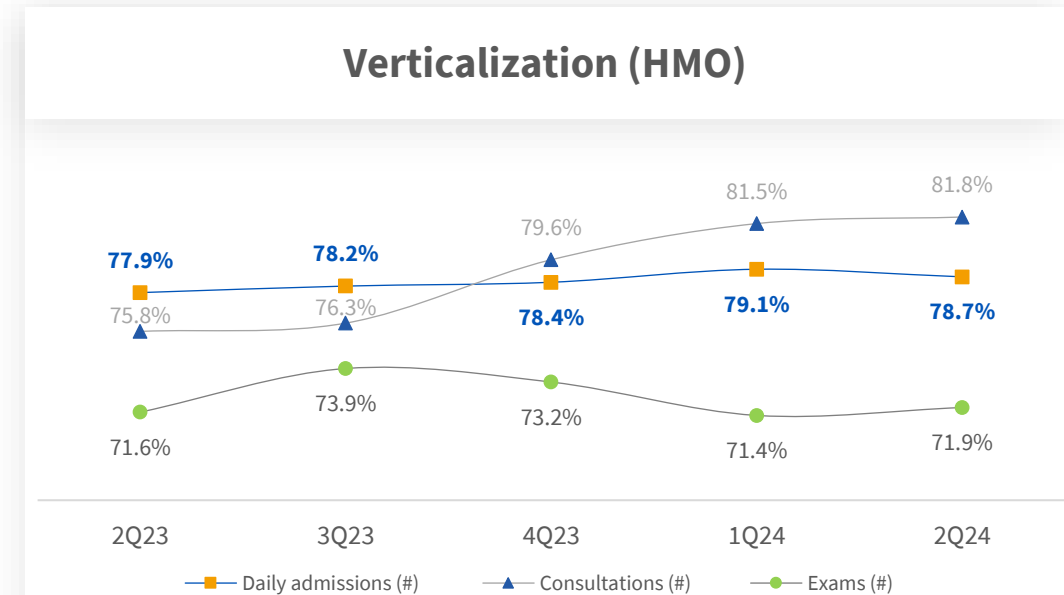
- **+9.6%** Net Price: contract price adjustments, increase in verticalization and co-participation
- **-0.5%** mix of sales and cancellations

Cash MLR

Significant reduction of 3.4p.p. vs. 2Q23 and 3.9p.p. compared to 1H23



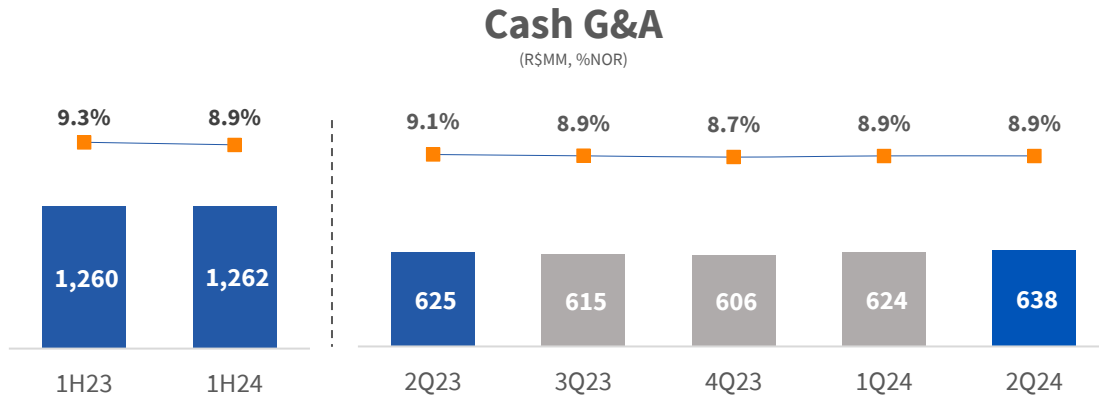
- MLR decreased significantly, dropping from 73.9% in 2Q23 to 70.5% in 2Q24, an important reduction of 3.4p.p., and decreased from 73.1% in 1H23 to 69.2% in 1H24, a reduction of 3.9p.p., overcoming the seasonality implicit for these periods and reflecting the various successful margin recovery strategies developed
- An increase of 2.5p.p. vs. 1Q24, reflecting seasonal increases in utilization, inherent to the sector in Brazil, a significant increase in dengue fever cases and fewer holidays during the period



- Intense efforts are being made to enhance verticalization, standardizing protocols, and optimizing the network of providers
- In 2Q24, HMO plans reached levels of verticalization (services carried out within our Own Network) of 81.8% for consultations and 78.7% for hospital admissions
- This increase translates into fairer prices and less exposure to the accredited network of providers

Cash G&A

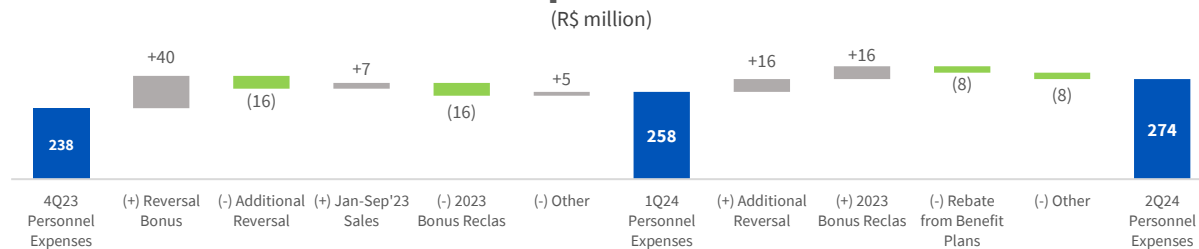
Balanced Administrative Expenses



Cash G&A | Breakdown

(R\$ million)	2Q23	3Q23	4Q23	1Q24	2Q24
Personnel	283.2	287.8	237.8	257.9	273.9
Third Party Services	171.5	190.3	165.3	194.0	161.1
Occupation and Utilities	72.7	72.6	93.9	68.3	77.1
Contingencies & Taxes	118.9	96.6	122.1	117.7	154.8
Other (revenue)/expenses	(21.4)	(32.4)	(12.9)	(14.0)	(28.5)
Cash G&A	624.8	614.9	606.3	624.0	638.3
%NOR	9.1%	8.9%	8.7%	8.9%	8.9%

Personnel Expenses Evolution⁽¹⁾



CASH G&A: Stable (%NOR) vs. 1Q24

Main favorable impacts:

- **R\$33.0MM** from Third Party Services: (i) R\$8.9MM from capitalization of investments in technology and (ii) R\$6.5MM from reclassification of expenses to cost in line with accounting practices, both referring to previous periods
 - Negative impact of R\$14.2MM in 1Q24 due to IT expenses related to the implementation and system integration process, affecting comparability
- **R\$14.5MM** in Other (income)/expenses: early settlement of retained installment payments from Medical and HC de Camboriú acquisitions

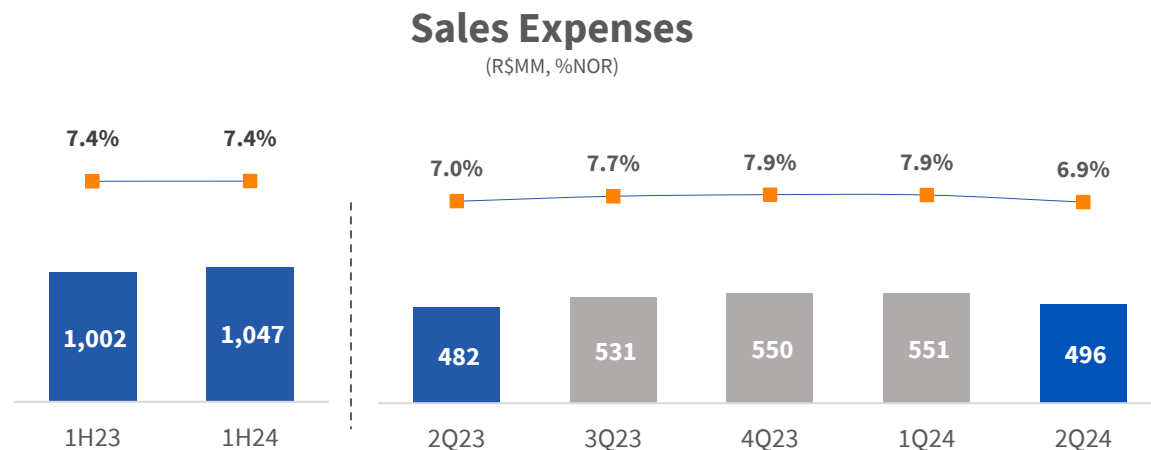
Unfavorable impacts:

- **R\$37.1MM** in Contingencies and Taxes: R\$12.9MM in contingencies from acquired companies and R\$8.6MM from unfavorable outcomes for the Company
 - Positive impact of R\$4.5MM in 1Q24 from judicial deposits, with reversal in 2Q24, affecting comparability by R\$9.0MM
- **R\$8.7MM** from Location and Operation: increase in expenses with utilities, travel and accommodation expenses and IT infrastructure expenses to accommodate new systems
- **R\$16.0MM** net in Personnel: impacted mainly by the receipt of R\$8.1MM in accumulated rebates from benefit plans in previous periods

(1) For comparative purposes, 1Q24 benefited from the additional reversal of the 2023 bonus and the reclassification of the 2023 bonus to cost and expenses

Sales Expenses

Improvement of 1.0p.p. compared to 1Q24



Sales Expenses | Breakdown

(R\$ million)	2Q23	3Q23	4Q23	1Q24	2Q24
Commission	306.0	334.9	332.1	315.8	314.3
Provision for credit losses	126.0	131.2	138.9	170.7	104.5
Marketing & Advertise	11.3	20.0	25.1	12.5	23.9
Personnel	34.3	33.4	43.1	43.6	42.1
Other expenses	4.4	11.7	10.9	8.7	11.1
Sales Expenses	482.0	531.2	550.0	551.2	496.0
%NOR	7.0%	7.7%	7.9%	7.9%	6.9%

SALES EXPENSES: -1.0p.p. (%NOR) vs. 1Q24

Main favorable impacts:

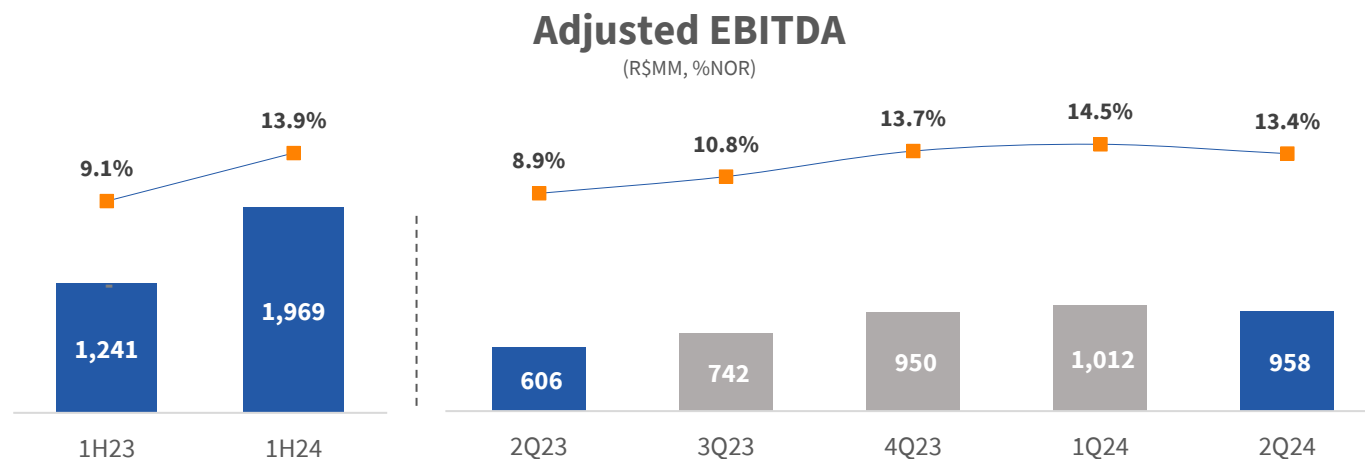
- **R\$66.1MM** in Provision for Credit Losses (PDD), of which:
 - R\$15.0MM from extraordinary receipts resulting from extraordinary collections resulting from a major campaign focused especially on SME and Individual clients
 - R\$20.0MM related to reconciliation and bank reconciliation of receipts made in previous years
 - In 1Q24, R\$32.2MM was provisioned on a one-off basis due to the adoption of additional parameters relating to IFRS 9, affecting comparability with 2Q24

Unfavorable impact:

- **R\$11.4MM** increase in Marketing & Advertise, reflecting the national and regional institutional campaigns carried out between March and May in the markets that are the focus of customer growth and retention

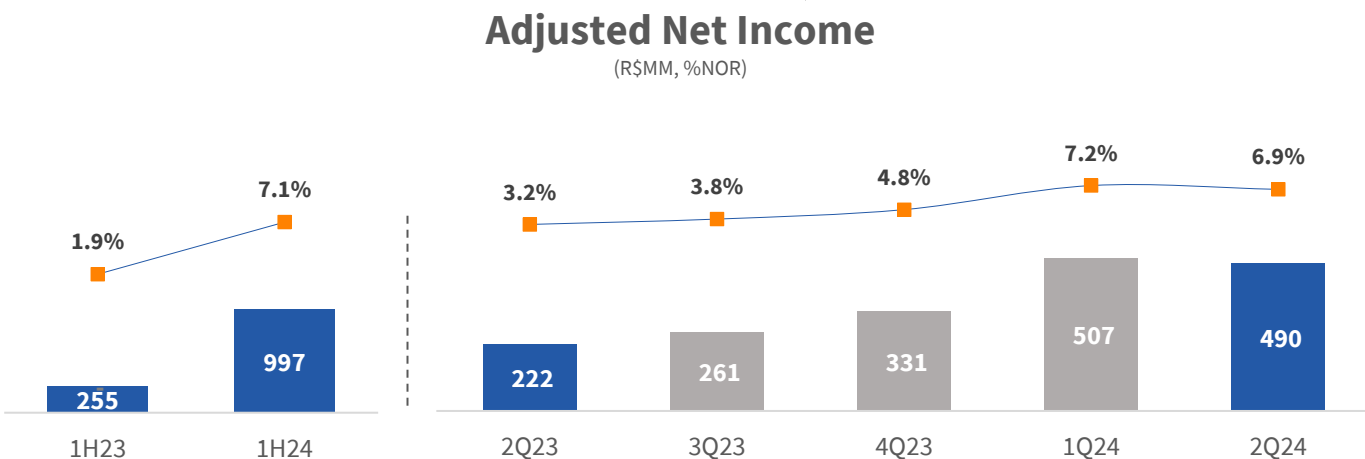
Adjusted EBITDA

Growth of 58.0% vs. 2Q23 and 58.7% compared to 1H23



ADJUSTED EBITDA⁽¹⁾: +58.0% vs. 2Q23

- **Increase in net revenue**, reflecting effective contract price adjustments, more than offsetting the slight reduction in the beneficiary base and the discontinuation of non-core activities
- **Reduction in Cash MLR**, due to intense efforts to increase verticalization and control costs



ADJUSTED NET INCOME⁽²⁾: +121.2% vs. 2Q23

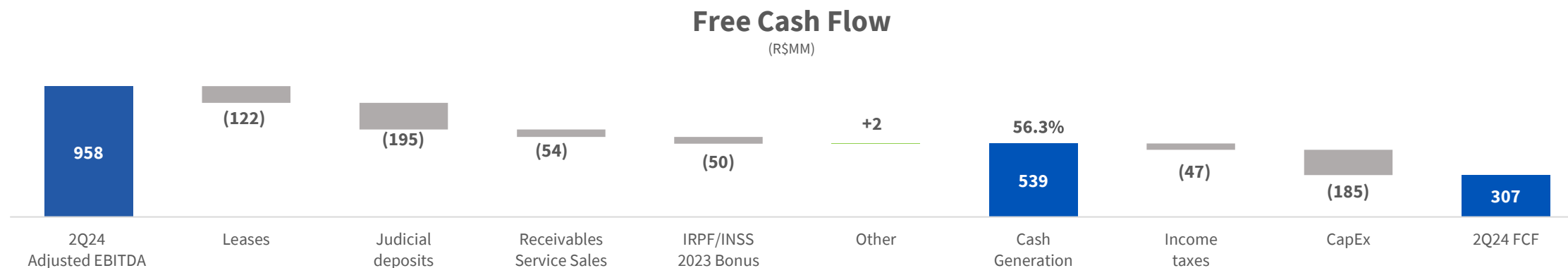
- Gradual recovery of the company's profitability

(1) Adjusted EBITDA for Long-Term Incentive Plan (LTIP) expenses, Stock Option Plan (SOP), and non-recurring expenses

(2) Adjusted Net Income for Long-Term Incentive Plan (LTIP) expenses, Stock Option Plan (SOP), non-recurring expenses, and amortization of goodwill

Cash Flow

56.3% conversion of EBITDA into Cash



Cash Evolution

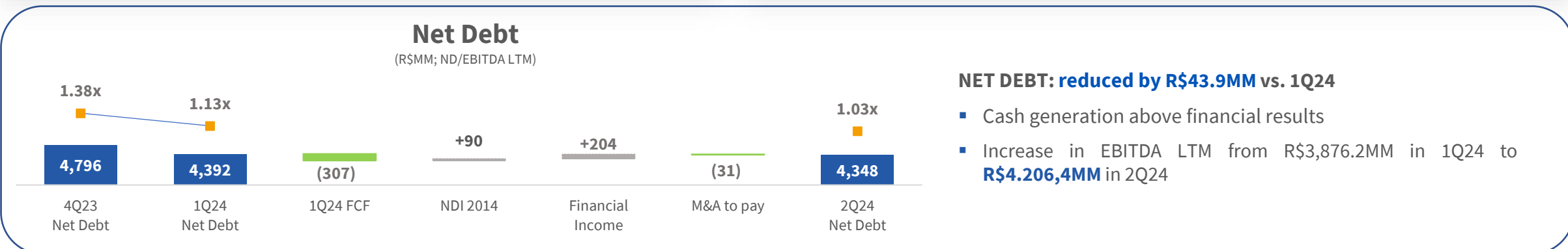
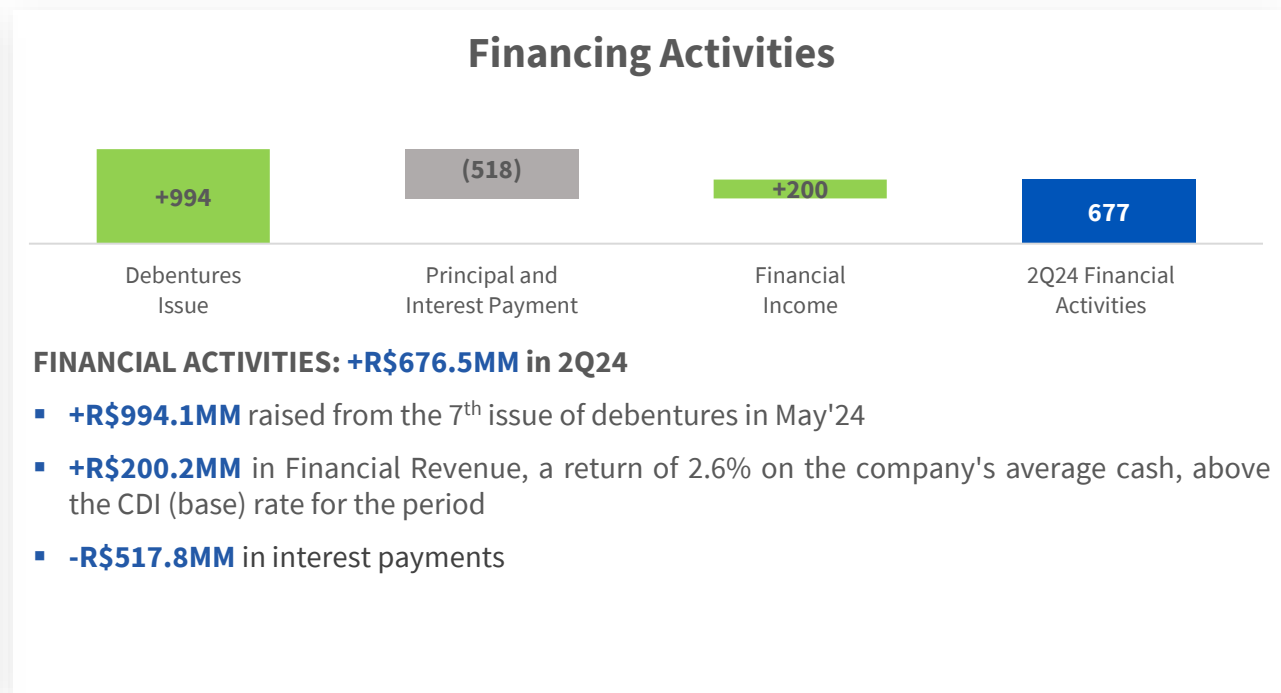
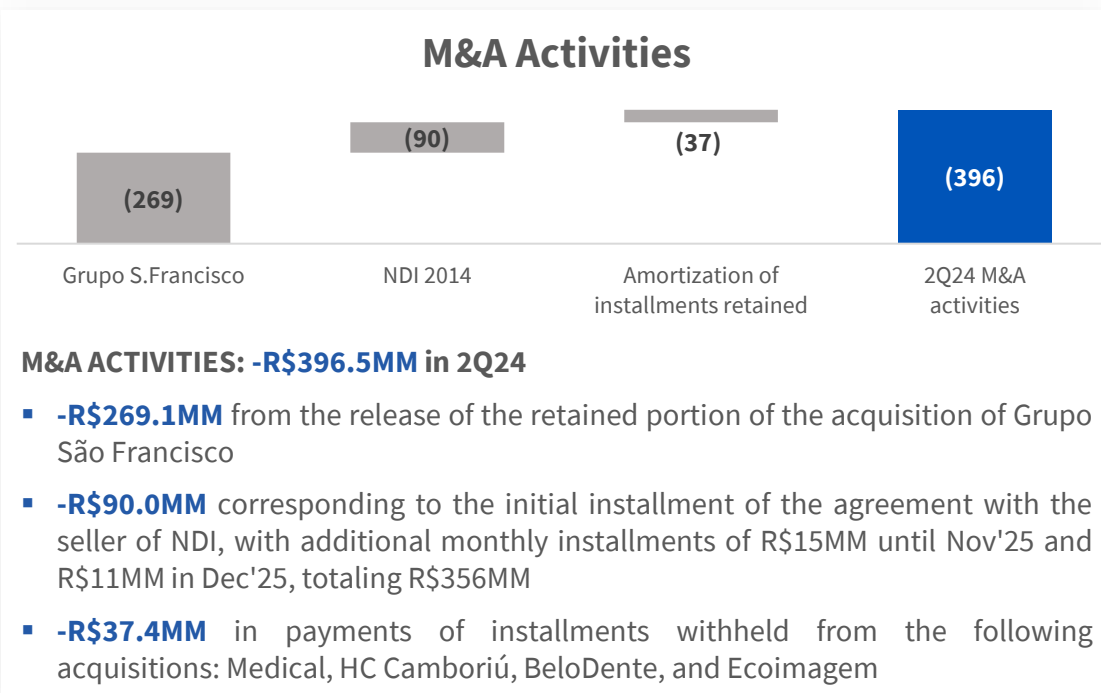
(R\$ million)	2Q24
Mar'24 Total Cash	7,757.5
(+/-) Free Cash Flow to Firm	307.4
(+/-) M&A Activities	(396.5)
(+/-) Financing Activities	676.5
(=) Free Cash Flow to Equity	587.4
Jun'24 Total Cash	8,345.0

FREE CASH FLOW: **R\$307.4MM** & CASH CONVERSION: **56.3%** in 2Q24

- **R\$195.1MM** in judicial deposits and blockages, which mainly arise from cases related to SUS reimbursement and civil cases
- **R\$53.8MM** increase in receivables from medical and hospital services' clients
- **R\$50.0MM** in IRPF and INSS disbursements related to the payment of the 2023 variable compensation in 1Q24
- **R\$46.7MM** in in tax credits, although the Current Tax was R\$84.5MM, there is a displacement between calculation and actual disbursement
- **R\$185.1MM** in CapEx, mainly in IT, with a gradual return to historical levels

Net Debt

Balanced management with leverage reducing to 1.03x EBITDA vs. 1.13x EBITDA QoQ



Regulatory Requirements

Maintenance of regulatory requirements

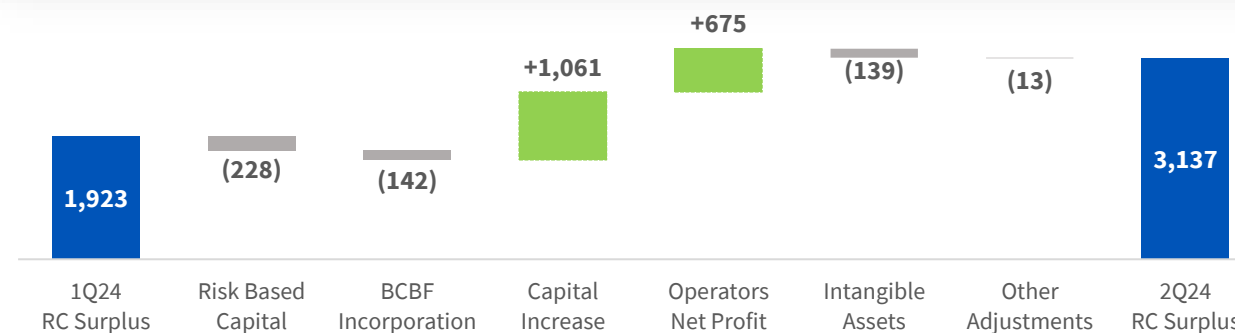
Technical Provisions / Assets

(R\$ million)	2Q24	1Q24	Var. R\$ 2Q24/1Q24	2Q23	Var. R\$ 2Q24/2Q23
Required Technical Provisions	(3,131.4)	(3,056.4)	(75.0)	(3,157.4)	26.0
(-) SUS Provisions (net of judicial deposits)	(1,130.8)	(1,042.4)	(88.4)	(1,395.2)	264.4
(-) IBNR Provision	(953.6)	(991.2)	37.7	(1,039.3)	85.8
(-) Outstanding claims reserve	(1,044.0)	(1,019.5)	(24.5)	(718.9)	(325.1)
(-) Reserve for benefit granted	(3.0)	(3.2)	0.2	(4.0)	1.0
Assets	8,611.1	7,875.7	735.4	7,538.3	1,072.9
(+) Cash and financial investments	8,345.0	7,757.5	587.4	7,417.8	927.2
(+) Real estate pledged	266.2	118.2	148.0	120.5	145.7
Free Cash	5,479.7	4,819.3	660.4	4,380.9	1,098.8

REQUIRED TECHNICAL PROVISIONS: increase of R\$75.0MM vs. 1Q24

- Reduction in the adjustments to the SUS reimbursement provisions in accordance with ANS rules
- Increase in medical costs received at the end of the quarter (Outstanding claims reserve)
- ASSETS: +R\$735.4MM vs. 1Q24**
- R\$587.4MM** due to the net increase in cash and financial investments
- R\$148.0MM** due to the inclusion of additional hospitals' real estate pledged

Regulatory Capital (RC)



RISK-BASED CAPITAL: increase of R\$228.5MM vs. 1Q24

- R\$135.6MM** from the incorporation of BCBF Participações by the operator NDI Saúde
- R\$92.9MM** was due to the nominal increases in Revenue and MLR from the operators' recurring activities

ADJUSTED SHAREHOLDERS' EQUITY: +R\$1,442.1MM vs. 1Q24

- +R\$1,060.6MM** capital increase, net of HAM's hedge accounting (R\$51.4MM)
- +R\$675.5MM** in net income for operators
- R\$138.7MM** in Intangible Assets, mainly due to investments in technology
- R\$142.4MM** from the net effects of the incorporation of BCBF by NDI Saúde

Q&A Session



Disclaimer

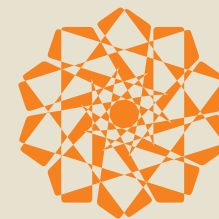
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Relações com Investidores

ri@hapvida.com.br

ri.hapvida.com.br