

## Webcast Transcript 2Q22 Results Hapvida (HAPV3)

### **Operator:**

Good morning, everyone, and thank you for waiting. Welcome to Hapvida's 2Q22 earnings conference call. Joining us today are Mr. Jorge Pinheiro and Irlau Machado, co-CEOs, Maurício Teixeira, VP of Finance, Marcelo Moreira, VP of Investors Relations and Guilherme Nahuz, Investor Relations Director.

Should you need simultaneous translation into English, be aware that this is available on our platform. To access it, please click on the interpretation button represented by the globe icon on the bottom of the toolbar and choose your preferred language.

For those of you listening to this conference in English, be aware that you have the option to mute original audio in Portuguese. To do so, click on mute or original audio. We would like to inform you that this conference is being recorded and will be made available on the Company's IR website, where the complete earnings release material is also available. You can download the presentation on the website as well.

During the Company's presentation, all participants will have their microphones disabled. After the Company's remarks, there will be a question-and-answer session. To ask a question, please click on the Q&A button on the bottom of your screen and write your name, company and language to enter the queue.

Now I would like to turn the floor over to the Co-CEO, Irlau Machado, who will begin the presentation. You have the floor, sir.

### **Irlau Machado:**

Thank you. Good morning, everyone. Thank you so much for joining our earnings conference call. We are all together here in our Paulista headquarters, Jorge, Marcelo, Mauricio, Guilherme Nahuz. And we are all very happy to be disclosing our results with you today.

In spite of this very challenging scenario, we are very excited about the performance of the Brazilian market and the industry as a whole that is now benefiting 50 million members, historical records.

In the last quarter, all our indicators, both financial indicators and operational indicators, evolved positively in all of our business lines. There is an important trend here in our organic growth.

And now, together with Marcelo, to whom I would like to turn the floor, we will focus on each one of those lines so that we can better understand our numbers in this quarter.

Marcelo, you have the floor.

### **Marcelo Moreira:**

Thank you, Irlau. Thank you, Jorge, Maurício. Good morning, everyone.

Let's get started on slide two, where you can find a summary of our main financial indicators. This quarter, a highlight was our strong and robust organic growth with improvement of our cash MCR. Just to make it easier for you, the whole presentation here will show you data of 2021 and 2022.

In 2021, we are going to have the data combined for Hapvida and NDI, and the data for 2022 are covering six months. So, they include the month of January, to make it easier for us to compare these data.

Sustainable growth, our net revenue achieved 6 billion and 100 million, up 8.7% this quarter. This growth will go up to 11.3% when we look at the first half of the year.

The main lever here was the expansion in the number of members. We have had an expansion of 6.8% in our health care member base, and the member base of our dental plans has gone up 12%, achieving almost 9 million members. So, we are an absolute leader in this market. As you can see, quite a solid and sustainable growth in this revenue front.

Now, looking at our costs and expenses, our cash MCR or cash MCR, had a reduction of 3.5 percentage points year over year. A significant reduction, we are operating at 72.3% MCR right now, which is a benchmark for the industry: a very efficient MCR in terms of managing health care costs here for Brazil.

In terms of SG&A, we had a two-percentage point increase. Now, considering our base in 2021, which was extremely low, at 15% in 21, there are other factors that impacted this number that we will talk about during this presentation.

As a result, our EBITDA reached R\$582 million, a 34% growth. We are saying this is adjusted EBITDA, but the only adjustment that is made is for non-cash expenses of the stock options.

So, this is quite a significant number that shows how robust our operations are, even in challenging scenarios such as the one we faced since the beginning of the year.

Now moving to slide three, the main topics of our strategic agenda. Let's talk about the advances in our integration. What we can see here, on a daily basis, is a firm commitment of the whole organization to capture synergies and have a state-of-the-art management governance.

Since February, we have had a new board with a 100% independent audit committee. In our Assembly meeting in April, we elected a fiscal council, which is already working. We have implemented several management committees with company executives, members of the board of directors and external experts that are also helping us on specific topics.

More recently, about a month ago, we reported the merger of all of the Directorate boards to the Co-CEOs, except for health operations and integration.

You can see the long list here involving human resources, I.T., administrative, commercial, financial, legal, lab, including dental.

You all know that both Companies were already operating at a national level, so all these areas have been unified now. The goal is to streamline administration activities and to have more agility in the decision-making process, making it easier for us to capture all synergies.

Let's look at the synergies here. On February 22, we presented a target for monthly and recurring synergy capture. Our target was R\$46 million in synergies in the month of February 23. So, these were recurring synergies, and this number was going up, year after year, until it could reach 115 million by February 2025.

The good news here is: the target of February 23 has already been identified and it is already scheduled. We already have action plans in place or initiatives in place that make us realize that we will be able to achieve this target by February 23.

We are on this progressive ramp up to reach those 43 and in 2Q22 we have already captured and we can already see this reflected on the results, R\$29 million throughout these three months.

We would like to emphasize that the national solution has been implemented with 64,000 lives already signed, of which 40,000 are active.

The individual product and these regions of Notre Dame Intermédica have already been extended to 70 new municipalities, so we currently have 23,000 active lives on June the 30th.

We have already implemented new tables for purchasing of materials and drugs, and at every purchase we make we already collect synergies of materials, drugs, special materials, and inputs. Many important fronts, supplies as well. When we look at the service perspective, all different types of services.

Finally, it is worth mentioning the cross accreditation. What do I mean by cross accreditation? I mean verticalization through network sharing.

That was one of the initiatives that, when we announced our synergies in the beginning of this journey, that was one of the things that made us notice that we could have many additional gains.

As we took a deep dive in each one of the geographies throughout the country, we saw these possible gains and we have already implemented those. So, there are many initiatives and as per your request, we did an exercise to break down the synergy of 46 million EBITDA on February 23 into its three main components.

As it is today, in February, R\$14 million will come from revenue synergies and another R\$32 million will come from synergies of costs and expenses.

This accounts for a gain of 1.2 percentage points in MLR, especially because of the gains in purchases of materials, supplies, drugs, already talking a bit about protocols and the cross accreditation that I just mentioned and point four percentage points will come from G&A gains.

So, this is broken down for February 23. Of course, as time goes by, we will see a higher weight of the commercial part coming in. But for now, we can already see this gaining traction very quickly. MLR and G&A synergies are mostly here, at first.

On slide four, we will tell you a bit about our ESG agenda. Our focus is to have sustainability as a pillar of our development. You all know that a lot has been done at our organization on each one of the fronts.

The environmental front, the social front, the governance front. What you can see on the slide is a selection of initiatives that happen almost every day in all our operations and reach all our 70,000 employees.

A lot of awareness raising is being done. But what I want to highlight here is the stable that mentions our goal of becoming carbon neutral by 2023.

You all know that since 2021, Notre Dame Intermédica is carbon neutral and has been a carbon neutral already and now it has been six months since our merger and we are now making a public commitment to make the entire have for the Notre Dame Intermédica Group carbon neutral in 100% of our operations by 2023.

This is a very bold goal, but it is a goal that makes us all very, very proud, because we know that we are contributing not only to a more sustainable planet, but also to the spread of values that are in tune with the demands of society for the whole productive sector and the healthcare industry could not be any different from that.

This is important to us, and we are very proud of this pioneering movement.

Now let's talk about our results on slide five, starting with our net revenue. We have had solid organic growth, especially boosted by our health care plans. We grew both in our Hapvida operations and our Notre Dame Intermédica operations.

We grew in all our business lines. As you can see there, hospital services have had growth, dental plans have had growth. But mostly the main lever here was our health care plan operation, our main operations that grew almost 10%. This 10% growth is a growth that, as I said, was boosted by an increase in the average number of members at our Company. Since the average ticket is still influenced by the scenario we faced in the last 18 months, a scenario of relative stability.

Let us see this in more detail in the next slides. For now, I would like to focus on dental plans, where we saw a growth of almost 12% of our member base, with almost 750,000 members that were added to our dental platform. Our average ticket had a reduction of 8.6% and this is something that you all know in the last 18 months.

I think that the M&As that we did, in fact, has opened an incredible opportunity for our Company to promote cross-selling. And we have tried to do that. Obviously at the cost of this lower ever seek, but to sell to our members health plans and dental plans, bring benefits not only regarding margin because they do contribute to a greater margin, but also to have the fidelity of our customers. So we are very happy with the things we have conquered in the dental front.

Now about the health plans on slide six, talking about our promise, in fact, the increase of a member base was the real reason for our growth in the last 12 months. Now what we can see is that we have an acceleration of their organic growth.

So, looking at the table on the left side, we are really happy to see 139,000 new members regarding organic additions in this quarter only, which is a target that represents a very important number for us. And was really pursued by all fronts.

We had already been telling you that we could see an improvement in this competitive dynamic

and this is the result: 139,000 lives included in this quarter.

But I would like to emphasize that this growth is a nice target for the quarter, but it is also consistent. Why? Because, on several fronts, what we see is this growth that is happening in our more mature markets and we are also seeing an increase and the BMA, in the South and Southeast region of the country, which is very robust, has a lot of attraction.

We are also seeing that what we decided to do, which is this additional solution, has already brought results in such a short period of time with this buying from our customers, they are buying this product and the expansion of the individual plans within this and the network. This plurality and this growth are something that gives us a lot of confidence and the most important is to come.

About the average ticket on slide seven. The good news regarding average tickets is that we are starting a new readjustment cycle as of May 2022.

When we analyze the average ticket in an organization like ours, we have a lot of activities and M&A, and it's very important to break down the average ticket. And when we do this, what can we see? We can see that in the price mix. We had a 2.2% growth over the last 12 months. We know that these 2.2 is not enough for the cost phenomenon that we are observing, but it is acceptable.

This is something that when we look back, it is different from what we see when we look forward. But we should also emphasize the impact of individuals or individual impact of 1.5% less and amazed that normally always bring lower average tickets.

In this case, we are analyzing this period with 668,000 lives that have ever shaken R\$166. We can see that we have some outpatient products, major premiums that have helped to compress our average ticket.

This stable average ticket scenario has provided all the health industry and was already happening for more than 18 months. So, the good news is that this cycle has been completed and we are now entering a new era.

You can see that we are trying to readjust funds as of May 22 from 60.2% to 18.5% for premium products, 15% point five in individual products and 16% for adhesions and or affinities.

And then these readjustments are being included in our revenues and in our results in the last MAX albums. They account for 55% of our revenue.

We have already made a readjustment for more than half of our revenue and we still must include hybrid products.

As you know, this is a case-to-case basis analyst that based on the real and effective MLR table and we are promoting these readjustments in a more of a robust manner, Steve, based on this change scenario. As we change cycles, we can see that this has been observed on all fronts as to readjustments. This will be very important to improve our morale.

But to a Company like ours, they are not the only tool that we have. Different from other players of NotreDame and Intermédica, we do not depend only on readjustment to correct for MLR.

I think we have a weaponry of tools, actually. So let's check our earnings in 2Q22. We had that MLR up 72.3% compared to the same period in the previous year is a gain of 3.5% points.

Compared to what we had in the last quarter is an increase of 8.6% point. And compared to the full quarter is 2.6% of gain.

It does not matter how you want to look at it. Our MLR has improved in the second quarter, and I would like to include another data. We know that, seasonally, the second quarter historically is higher than the first one.

But check the table and see how interesting it is to see that in barrels, in nominal values, our total MLR dropped from 5.6 billion to 4.400-4500. So, this is not only a percent reduction.

We are talking about a lower MLR or a reduction in MLR. I think this breaking down of our cash MLR shows that 72.3 is something that we still see as an outlier.

The COVID cost itself has had an impact in the quarter, 8% points. The negative readjustment of individual plans has also impacted by 1% point. And, also, we had 0.9% points of this higher morale of companies that were acquired that require greater virtualization over time.

In this second part the impact of the capturing of synergies is still low or small, but over the course of the next quarters, we believe this will be more relevant, progressively more relevant.

The COVID caused entry adjustments, the negative adjustments are improvements that over the course of the next quarters shall be captured. But the major opportunity that we can see is the MLR of the companies that were acquired using our strategies.

And I think that owns like nine. We have complementary data that is almost a self-explanatory slide. As on the left side we can see the results of the operations virtualization and on the right not to the edge.

But on the top of this page, what can we see? You can see clearly that Hapvida operated in high standards. The best in the industry regarding verticalization, reaching 96% of radicalization of hospital admissions and consultations.

In the end of the operations, we can see this progressive increase of verticalizations as we have been working out of it in the last few years.

It is interesting to see that on the lower part of this table, both Companies have put a lot of M&A efforts to expand their operations beyond their frontiers and entering new territories.

Their results show that we had a dilution of our verticalization, and this is the work that is being done by all the operations.

In each geography, trying to analyze what needs to be verticalized: the hospital, diagnostic unit, oncology, low cost, high cost. This is the permanent work that is being done by our operational teams.

I believe that, in this view, I would like to show you and talk about our prepared, our network because in the current scenario of health in Brazil, these verticalization strategy that we have adopted, that we medical quality and other infrastructure, is fundamental for us to be able to face

this challenge of delivering good quality health at affordable prices.

We present our new hospital in Brasília opened in April 2022, we present the Emergency Unit Salvalus opened in SP, Mandacaru Hospital and Emergency Unit Cidade Nova in Rio de Janeiro. So, several regions with an infrastructure that is really something that should be envied.

The ability to unite a well-planned flow and agility and productivity with efficient investments. Also, I think we should emphasize these two units on the top of the page to give you an overview of the different time points of a Company that has a national presence.

Brasiliense Hospital, our first hospital in the Brasília region. Hapvida was growing in Brasília, NDI also had lives in Brasília, and now it becomes not only a tool for verticalization of high complexity, but also becomes a banner to help us sell in the region.

What happens when we have an area with a density of members such as the city of São Paulo in the eastern side of the city? In this case, I believe you all know Hospital São Paulo and this was our objective: to eliminate our outpatient services. So, 46 new services that have been upgraded. So, we are taking this away from those of others to create a higher complexity structure to gain scale and benefits.

I believe that in summary, this improvement of costs with quality in a Company such as ours is a continuous thing. It happens in new markets where we have entered and is also something that can happen in these more mature regions where you are operating.

Moving on to slide 11. Our admin expenses and selling expenses, SG&A. Starting with administrative expenses, they reached 9.6% in the second quarter, which is slightly higher than in the last two quarters, where we achieved 9.3% and 9.2%.

When we break down to see the main factors that led to this improvement of 0.2 and 0.3%, what we can see is that this is very much related to our efforts, almost investments that we have been making, not only in integrating both Companies but also in i.t.

We are now going into a critical phase to complete several extremely important projects. And this is the third-party service line that is growing the most.

Compared to 2Q21, would be a bit unfair because it was an outlier, especially because in that order we had a reversion of contingencies when the normal thing is to have a certain level of contingency expenses.

In terms of administrative expenses, my main message is: we are aware of this, we are paying attention to this, we see this as fixed costs that must be diluted.

On a daily basis here, we notice that there are many opportunities. So, this is a commitment to discipline that we make here again with all of you.

In terms of commercial expenses, you can see that the last three quarters have been stable, at around 7.5%.

I only have two brief comments about this. The first is that we have promoted a re-allocation throughout the whole historical period that you can see here of two lines, which are marketing, advertising and BDD. They leave from G&A and they go to commercial expenses. But this

movement happened in all lines and it does compare if this has not been affected by that. So just a clarification.

Now, another important comment is looking at the commercial expenses is that we continue to see a stable delinquency level. We have not seen any pressure here for delinquency. That is another indicator that we monitor, and we have not seen any increases in that level.

The last comment about this slide, I just want to emphasize that in administrative expenses, we are sharing cash administrative expenses and the only adjustments we make here are for stock options.

That is the accounting expenses of the stock options, which was R\$144 million this quarter.

In 3Q22, we expect to have a similar level of R\$130 to 140 million. But starting in the fourth quarter, we have a drop to around 60 to 70 million, a significant drop that is part of our amortization schedule stock option. This is related to the vesting period. So, in the last quarter of the year, we expect to see a significant decrease in that line.

About our EBITDA, moving on slide 12, the improvement in MLR was what boosted our EBITDA growth, which was 34% better than last quarter, achieving 9.6%. I will not mention the levers because we covered that already, but I want to highlight our adjusted net income.

As you can see, we are reporting a net loss of R\$312 million. I know how important net income is and I know that many of you monitor this number. But net income is always seen as a proxy of cash flow, and I think that in this particular case we have two rubrics that would have negatively affected our net income, which is the amortization of this SOP program and the amortization of the intangibles of all the M&As that we carried out, which have a very large weight, but do not have this cash impact.

We are looking at the adjusted net income, which this quarter was 241 million. When you have net income tax, the result is appreciation. And then we get to that EPD level. And since we're talking about cash, we had a strong EBITDA conversion into cash and we have had that even in challenging periods. And you can see that the cash flow of our operations this quarter achieved 569 million.

We invested 168 million to open these beautiful units. We had a cash flow of 401 million.

Now, the last two comments that should be made. First, it is about the lengthening of our debt profile. Mauricio, Rodrigo and the whole team have completed this quarter in the month of May the issuance of a new debenture worth billions.

This issuance of debentures was important to us not only to lengthen our profile, because some of the debts would mature in 22, 23 and 24, and they will now mature in 28 and 29, but mostly to reduce the cost of debt. In this case, specifically, those debentures were captured at CDI of point six and we paid for debts that had a 2.5 CDI.

The global cost of that went from 1.79 to 1.69, and the average duration of our debt went to four years. That was a major effort that is being added to other efforts that have been made, such as the issuance of CRE, lengthening our debt to 2031. And now we are on this trajectory to recover our profitability levels.

This is another hard work that has been done by the team to perform a thorough assessment of our goodwill balance. And we divided this into two groups. The M&As before February 22, we have almost 14 million that are being used and will continue to be used as we incorporate all of the M&As that we made.

This is a healthy balance that is being used and that we plan to use until 2024 or 2025. After that, we will have a new coverage, this shield of almost R\$30 billion that comes from the merger of Hapvida and Notredame Intermédica and this card you will cover the years up until 2031.

So we were telling that we saw an efficient fiscal structure for the next six to seven years. But now we think that this is going to be, you know, covering the next nine years as well. So now I closed my part of the operations and I turn the floor over to my colleague.

**Jorge Pinheiro:**

That was great. Marcelo, congratulations on your presentation. It was very clear you shared so much data that most of the investors wanted to see.

So the team got organized to meet their needs in the best way we could. So Irlau and I would like to thank you all for joining us in today's call. And just a quick reminder to all of you, I just want to emphasize what has already been said: we are reporting results for the second quarter, which was hardly hit by the COVID 19 pandemic as you all know.

So we would like to thank the over 70,000 employees who worked diligently to serve all of our patients on time with a warm service and the high quality service that we provide, thank you all very much.

And this quarter was still hardly hit by the negative readjustments. The month of April, for example, had a higher impact on all our customer base that had a negative re-adjustment of 8% this quarter.

We also had inflation pressures. But in spite of this very challenging call context, the company has shown, because of the strength of its model and the discipline of its teams, the company has presented satisfactory and positive numbers with organic growth in a country that is resuming growth and Hapvida and GNDI are leaders in this movement, gaining market share more than any other competitor, which proves how attractive our products are.

Now, the second point, of course, is the control of our MLR levels. Considering all of our conditions of work colorization, integration, tool, knowledge, technology, know how the Company is a highlight in MLR control.

And finally, this is a quarter that has started to capture synergies and we have been sharing important numbers of synergies coming from the commercial area, coming from SG&A costs and so on and so forth.

We are very happy about the results. Of course, we have not yet reached historical MLR levels because of this whole environment that is surrounding us, but we are very confident that we are on the best track to make a difference and deliver high quality health care at an affordable price.

So we are now opening for questions and we are available to all of you for any other clarification you might need. Thank you all very much.

**Vinicius Figueiredo, Itaú BBA:**

Good morning, everyone. Thank you for taking my question. The MLR behavior, as you well said, was positively surprising, especially after we saw the results of other listed companies in the industry. I would like to understand whether you think that this verticalized model with this more coordinated care you already anticipated this resumption of the procedure volume that has been affecting the industry so much or can you channel the spike in frequency better to distribute it throughout the coming quarters?

Now, another point here, I would like to understand whether the increase in more verticals, health care plans and the Belo Horizonte operations, because you said that in the hospital vertical, the share of these plans has been increasing and also the gain of copayment products. Are they significant enough to help you reduce the MLR in this coming quarter? Thank you very much.

**Jorge Pinheiro:**

Vinicius, thank you very much for the questions. Yes, I believe our company, APD, as I said, behaved within the major guidelines for verticalization and has integrated its units for the company to be protected from volume oscillations.

This is what we saw for the course of this second quarter. We had a lot of requests for emergency services in the whole country, almost simultaneously, and almost everyone has done this.

People who were affected with COVID symptoms and other viral diseases, for the most case, have sought services, our services. Even our models of digital platforms that had an important impact in this period and different integrations that brought us more effectiveness from outpatient services to hospitals in a continuous process of verticalization. As Marcello has alluded to, we still inaugurated new units over the last few months in São Paulo, Rio de Janeiro, Belo Horizonte, Brasília, Recife and Manaus, among other regions and cities.

And our plan of radicalization is ongoing and is a continuous process. And this protects our company due to the use of technology and other tools for prevention and these allow us to be protected.

So, we're offering a volume that's higher than the usual one that's why we saw in the second quarter. We are confident in our trajectory, and it is important to remember that the second and third quarters have these characteristics and have a higher volume.

We also expect that over the next few months, the fourth quarter or first part of the next year, we will be able to recompose our average ticket.

Combined with the return of our current volumes, we observe volumes that are close to historical levels and this brings us a lot of confidence that we are on the right track to achieve our MLR at levels and verticalization, as I said in Belo Horizonte.

We had synergies and CapEx and they inaugurated a huge unit in Imbetim (/) of emergency services that will service both verticals in one single regional common with a lot of synergy. We will benefit from this and also our dynamic work and we have inflation. It is easier to implement co-pay which is very effective and is something that pleases our contractors and satisfies their needs and regulates in a more intelligent manner our MLR.

**Vinícius Figueiredo:**

Excellent, Jorge. Thank you very much for your answer. I would like to congratulate you and the content of your presentation, which is very complete and your comments were very useful. Thank you.

**Fred Mendes:**

Thank you. Good morning. I have two questions. I think the first one seems to me that in this quarter in particular, we had some big contracts that were concluded, completed. And just for me to understand the dynamics, the McDonald's contract, is this already included in the national plans? This is the first point.

Was there already any kind of prior negotiations in this respect or was it something that was started when you launched a national plan in the short term for you to close or complete such a contract?

And the second question, as Marcelo has alluded to in his second slide presentation, detailing explanations about synergy, I would like to know if that's 46 minutes was this and that based on the case basis that you had initially or you have been reviewing the initial presentation?

We had an episode of things that were presented just for me to understand how this synergy connects to the first slide on synergy. Thank you.

**Hapvida:**

First of all, regarding contracts and the interesting point is the quality of the growth, the organic growth that we are achieving, which is something that we see in our units as a whole, and B and I individual and affinity and corporate clients in all lines, we can see a similar growth. And this is something that encourages us very much.

And in the case of McDonald's, no. In reality, we were able to make this possible along with many details about negotiation with customers. But of course that means we have a national product. This is what has motivated this process as a whole of the acquisition of this customer.

Our interest growth was pulverized in our lines and we are very happy with good perspectives in this sense and the specific case of synergies. I think Marcelo will be able to answer your question better than me, but this number is something that shows that we have an opportunity.

We are still at the beginning of a process. We're talking about 190 days working together with a spectacular team. And Marcelo is a member of this team and those teams are building a scenario of synergy opportunities.

**Marcelo Moreira:**

I think that you have achieved this target of 46 millions in the month of February was something that we have celebrated. Really. That was the reason for celebration in our organization and our team.

Myself and Heraldo are the leaders of this team on Hapvida's side, but we have already mentioned that we won't stop there.

So, Fred, for now, as we have told you, we have a roadmap which is very clear, and shows that we will deliver this for this is on February 23.

We haven't adjusted this figure because I think that the organization as a whole is pursuing new fronts. We won't stop there, but for now we are happy with 46.

**Maurício Cepeda, Credit Suisse:**

Good morning. Thank you for giving me the opportunity to talk. I have some questions about the competitive environment. I believe that this environment is a little unruffled and we are facing difficulties regarding regulatory demands.

And I would like to know if you are receiving the return of some customers and the magnitude of this return in the future.

If you can feel a more rational environment to negotiate at all the contracts in all but all the opportunities that are being opened in this competitive environment and in a sense, as we may have a more rational environment and I had the similar question in the prior quarter about the clean up of our businesses. In our contracts. We had some clean up wise with relatively high turnover.

And do you see a risk of more clean up? And do you see some sort of solution of commercial transition given to you by operators that many times does not have the same profile of members and contracts?

And do you think about coming up with a solution, a transition at least in this transitional phase in those regions where you have been working? Thank you.

**Hapvida:**

First of all, as to cleaning up, we talk about this when it's more intense due to the acquisitions that we carried out. But this is something that is ongoing and accompanied because our purpose is to keep a balance in our contract.

This is something that we need to do to generate what our shareholders desire. Many times we offer different products and we have companies that we have acquired which we have given towards the verticalized product so that we can deal with these customers and include readjustments.

But this is something that is ongoing right now. We have done very good work with companies that were recently acquired.

We are not seeing and having much more robustness in the next few months as to the rationality of the market. You are right. The varnishes that have been recently published can show that some data that have been disclosed by several of our competitors and we can see that these companies are not having a good performance and they will need maintenance and better performance. And this opens a lot of competitive opportunities for us.

What we can see and do is that a lot of our competitors are aware of the difficulties and we have originality in the market. In some cases, fruits of despair are selling us to recompose their revenues in the short term, maybe products or with some level of loss that can offer revenue but not necessarily have a high cost. So, we have a greater opportunity for competitive competitiveness.

**Maurício Cepeda:**

Very clear. Thank you very much. I would also like to congratulate you on your well-structured presentation with very clear points. Thank you.

**Ian, BTG Pactual:**

Good morning. I also have two questions. One is about the growth of individual sales. I can say that these sales are progressing, reaching almost half of the net acquisitions of the quarter. And this is on the app feeder side while Intermédica grows more slowly, which is natural.

I would like to know if you can talk about the drivers of this growth and if you expect this rhythm to persist. And the second question is a more technical one about balance. We have seen that the negativity has increased by 6.2 billion from 6.2 to 6.7.

So, 5 billion increase. But you have a cash flow of 500 million. So, we have this difference due to acquisitions. And I would like to understand how this valuation of this is related to the data of operational cash flow generation? And is that an effect that can explain this or adjustments of acquisitions and monetary updating of the debt that can explain these effects?

These are my questions.

**Hapvida:**

First, the individual, what we see is the following. Maybe this is a bit mysterious for you, but NDI was already selling individual plans in the past. But you know, through companies that were acquired throughout time.

Now, with the merger of technology with Hapvida, we launched this in another 72 municipalities, which was key for us to acquire more knowledge and know-how in selling these individual products in those locations.

And we expect to see this dynamic continue. We are one of the few companies in the country that is still selling individual plans. Some of the companies that are still selling individual plans are facing difficulties, and they might have more difficulty because pricing offers efficient competition.

In the case of the balance sheet, I would like to turn the floor over to Mauricio, but maybe the focus should be different here. Mauricio, you have the floor.

**Maurício Teixeira:**

Thank you for your question. While the growth in net debt has a metro effect of hiking interest rates here in Brazil and a residual part of the M&A, the merger of Hapvida and Intermédica that had some foreign investors that had an to be paid in the second quarter and the relevant CapEx

that was strong in the second quarter with the units opened and with the tax income being paid, removing the goodwill benefits. But that was all.

**Operator:**

This concludes the question and answer session. So, we're now close to Hapvida's second quarter 2022 Earnings Conference Call. The questions that have not been answered during the call will be answered shortly through the IR Investors Relations website. Thank you very much and have a great day.