



AFYA ANNOUNCES SOFTBANK INVESTMENT

APRIL 2021

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Transaction Summary



Sale of R\$822 mm, equivalent to US\$150 mm, in newly created Series A Perpetual Preference Shares which are convertible into Class A common shares, on a private placement basis **to Softbank Latin America Fund**, subject to customary closing conditions.



Use of proceeds from this transaction: **to fund future acquisitions and investments in complementary businesses, products or technologies.**



More details:

- ✓ **6.5% per annum cumulative dividend** payable quarterly and in BRL (payable in USD in BRL equivalent)
- ✓ **Perpetual Preference Shares** are subject to conversion **to US\$25.35** (20% premium in VWAP – US\$21.12)
- ✓ Softbank shall have the right at any time, **to convert its Series A Preference Shares into 5,917,888 common shares**, established at the conversion rate
- ✓ Softbank shall have the right to redeem any time after the **5th year anniversary at 105% premium**
- ✓ Afya will have the right to **force conversion after the 3rd year anniversary** if forced conversion trigger conditions are **satisfied** (if for 20 out of 30 consecutive trading days prior, Afya's stock price \geq 150% of the conversion rate, if the conversion is forced prior to the 5th year anniversary, it is subject to the payment of the PV of remaining cash dividends through the 5th year anniversary)

Strategic Rationale

Attractive Cost of Capital to Fund Growth Initiatives with a Highly Respected Strategic Investor

An instrument structured to **optimize our cost of capital** while creating long term alignment with Softbank for value creation

New source of funding through a Private Convertible Preferred to **further pursue organic and inorganic growth** – while maintaining flexibility to access traditional capital markets in the future

Utilize a security common in the U.S. market but **without creating any currency exposure** through a BRL denominated instrument

Entry into partnership with Softbank, who has extensive experience and **strong track record in technology / high growth companies** and in emerging markets and is a natural partner for Afya given its demonstrated **interest in the health technology market** through its 2020 investment in iClinic

New Board Member



In order to assure a board seat for the SoftBank Latin America Fund, Crescera Educacional II Fundo de Investimento em Participações Multiestratégia and Esteves Family have agreed to sell 2,270,208 Class A shares to SoftBank.



Paulo Passoni from Softbank shall be appointed as Afya's board member within the next 30 days.



“Paulo co-leads the Latin America Fund with Shu Nyatta and Alex Szapiro. Before SBLA, Paulo spent over seven years at Third Point LLC, as Managing Director of emerging markets focusing on Latin America across the capital structure. Before Third Point, he was a founding member of Eton Park's special situation effort in Latin America. Paulo started his career at Morgan Stanley in the investment banking division based in São Paulo. He holds a joint degree in business from Harvard Business School (Baker Scholar) and in public policy from the John F. Kennedy School of Government. Paulo obtained his undergraduate business degree from Fundação Getulio Vargas in São Paulo, Brazil (honors).”

Summary of Key Terms



Issuer	<ul style="list-style-type: none"> Afya Limited (the “Company” or “Afya”)
Investor / Shareholder	<ul style="list-style-type: none"> SBLA Holdco L.P.
Asset / Amount	<ul style="list-style-type: none"> Series A Perpetual Preference Shares (“Series A Preference Shares”) / R\$822 mm⁽¹⁾ (~US\$150 mm)
Conversion Rate	<ul style="list-style-type: none"> The conversion rate per Series A Preference Share will be equal to US\$1,000 divided by a USD price equal to a 20.0% premium to the VWAP of the NASDAQ USD listing of the Class A common shares of the Company over the 30 trading days immediately prior to the signing
Liquidation Preference	<ul style="list-style-type: none"> R\$5,478.7⁽²⁾ per Series A Preference Share, plus any accumulated and unpaid dividends as of any determination date
Shares Converted	<ul style="list-style-type: none"> 5,917,888 shares are subject to conversion at USD 25.35⁽³⁾
Redemption by Investor	<ul style="list-style-type: none"> Redeemable after the 5 year anniversary of closing at 105% of premium Redeemable in cash, common shares, or a combination at Afya’s option
Redemption by Afya	<ul style="list-style-type: none"> In case SBLA does not redeem partially or totally its Series A Preference Shares, Afya may redeem after the 7 year anniversary of closing at 105% of premium Redeemable in cash, common shares, or a combination at Afya’s option
Afya’s Forced Conversion Rights	<ul style="list-style-type: none"> On or after the 3 year anniversary of closing, Afya may force the Series A Preference Shares to convert into common stock at the Conversion Rate if the forced conversion trigger⁽⁴⁾ conditions are satisfied If the Company forces conversion prior to 5 year anniversary of closing, will pay the Investor the PV of remaining cash dividends through the 5 year anniversary
Governance / Voting Rights	<ul style="list-style-type: none"> SBLA shall be entitled to designate one non-voting observer to the Board so long as SBLA is the beneficial owner of at least 5% of the Company’s outstanding common equity⁽⁵⁾
Anti-dilution Protection	<ul style="list-style-type: none"> Customary anti-dilution protection for public market 144A convertible securities offerings by U.S.-listed issuers, with proportional adjustments for stock splits, stock dividends, issuances of options and warrants, and similar events, but excluding any adjustments for events with respect to which the Series A Preference Shares participate on an as-converted basis
Pro Rata Rights	<ul style="list-style-type: none"> For up to 3 years following closing, SBLA shall have a pro rata rights based on fully diluted ownership, to participate in subsequent issuance of equity, subject to exclusions

Note: (1) Based on 5.4787 BRL/USD FX rate as of 04/23/2021 and US\$150 million investment. (2) Based on 5.4787 BRL/USD FX rate as of 04/23/2021 and US\$1,000 liquidation preference per share. (3) As of 23/04/2021. (4) “Forced Conversion Trigger” on any day means the product of (i) 150% multiplied by (ii) the Liquidation Preference as of such day divided by the Conversion Rate as of such day, multiplied by (iii) the BRL to USD FX rate as of such day. (5) On an as-converted basis and taking into account the full number of Common Shares issuable upon conversion of the Series A Preference Shares.



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