



2020 First Quarter  
Results  
Earnings Call  
Presentation

May 29, 2020



## Forward – Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which statements involve substantial risks and uncertainties. All statements other than statements of historical fact could be deemed forward-looking, including risks and uncertainties related to statements about our competition; our ability to attract, upsell and retain customers; our ability to increase the price of our solutions; our ability to expand our sales and marketing capabilities; general market, political, economic, COVID-19, and business conditions; and our financial targets such as revenue, share count and IFRS and non-IFRS financial measures including gross margin, operating margin, net income (loss) per diluted share, and free cash flow.

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1Q20 Results  
General Overview

Virgilio Gibbon - CEO



# Thank you

*...to the medical community, for the sacrifices you make, every day and especially during this pandemic. Your dedication, commitment and courage deserve our deepest gratitude and admiration. Your service to patients is saving countless lives and making a difference in more ways than we can count.*

Afya is with you during the COVID-19 pandemic

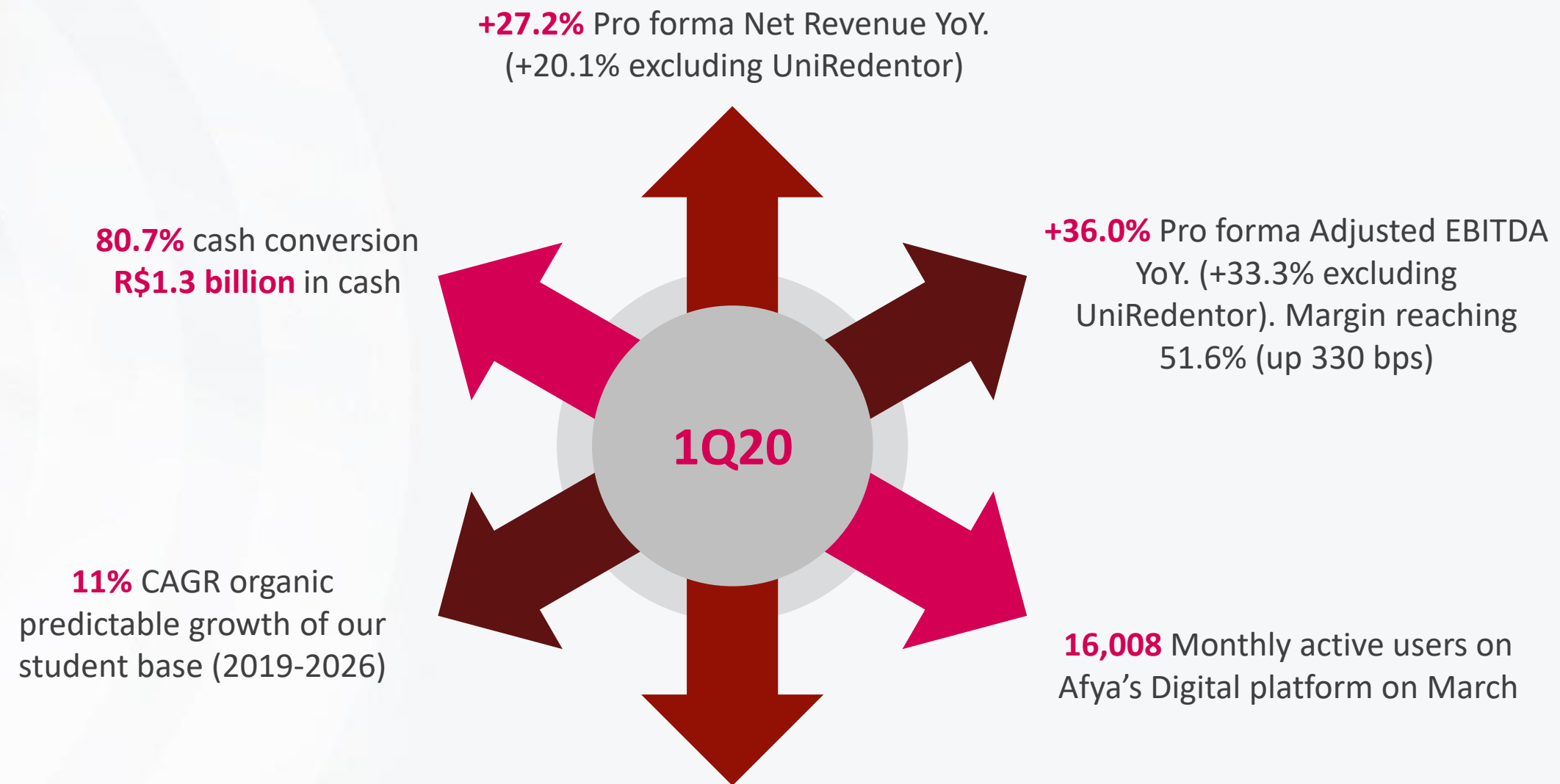


or [CLICK HERE](#)



# 1Q20 Highlights

*Another strong quarter on the back of positive dynamics and strong intake process*



1Q20 financial results **not impacted by COVID-19**:

- 100% occupancy in medical school
- Intake process for 2H20 with more candidates than available medical seats, ensuring 100% occupancy and a 22% growth in number of students in 2H20, when compared to 1Q20.
- No discount policy in place, no issues with cancellations

# COVID-19: taking care of our stakeholders

Immediate actions and social contribution

## COMMUNITY

- **Donation** of masks, gloves and other safety equipment to health departments and hospitals to the **13 cities** where Afya's medical courses are located
- **MedCel Platform made** available for **free** to **students outside Afya**, being already accessed by more than 9,000 medical students at 32 public and private medical schools
- **Free Content** available for the medical community:
  - *"Conducts for Emergencies in COVID-19"* with more than **23,000** participants and 34 institutions enrolled
  - *"Therapeutic Update in the Era of Telemedicine"* with **60** study units, including **+400** video lessons, **+50** podcasts, **+170** questions resolution, among others, with **1,572** users accessing the platform
  - Webinar Week to discuss the "Impacts of COVID in the World's Health Systems" with the audience of **5,800 participants**



## EMPLOYEES, PROFESSORS & STUDENTS

- **100%** of on campus classes moved to online platform **in less than 1 week**
- **+4,000** employees working from home, no reduction in workforce
- **Internship activities** inside the hospitals for the 5<sup>th</sup> and 6<sup>th</sup> year medical students **already resumed**
- **HR initiatives** to support such as online yoga classes, free psychological care, launch of corporate courses platform, free lectures, support for family professional placement, among others

### Afya in numbers

- **7,956** med students
- **4,187** med specialization students
- **600** med physicians
- **16,008** monthly active users on Afya Digital





# Revenues and Intake Process

*No impact in Q1 and minimum impact expected moving forward*

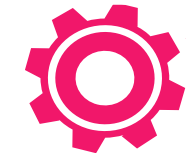
## Intake Process:

1H20 completed | 2H20: high demand with more candidates than seats available  
100% digital residency prep courses



## Occupancy Rate:

Steady 100% occupancy for medical school



## Discounts/ Cancellations

No discount policy in place, no issues with cancellations



## Higher collection rate

Cash Collection 400 basis points above 2019 (Jan – Apr)



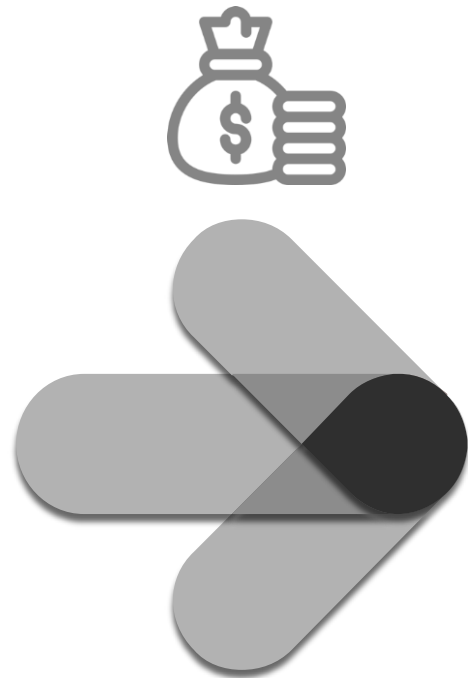
## Revenue recognition

For practical classes that will need to be replaced: between 1<sup>st</sup> and 4<sup>th</sup> year, minimum impact in Q1, probable impact in Q2 (already reflected in guidance). Practical classes in the 5<sup>th</sup> and 6<sup>th</sup> year already resumed



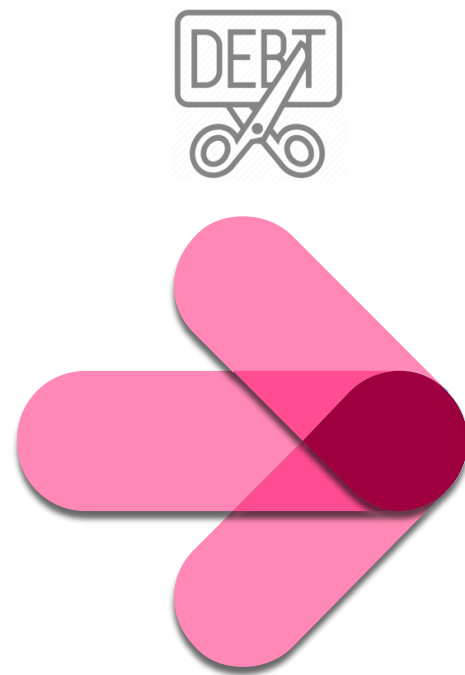
# Balance Sheet & Cash Flow

*Solid cash position and cash flow predictability*



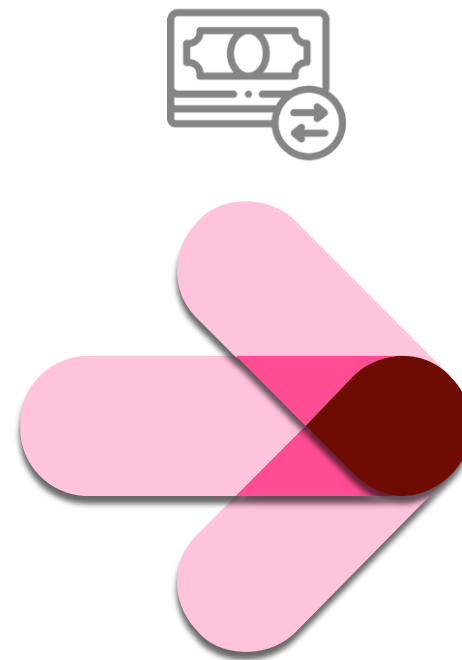
## Cash

- R\$1.3 bn solid cash position with IPO and follow-on



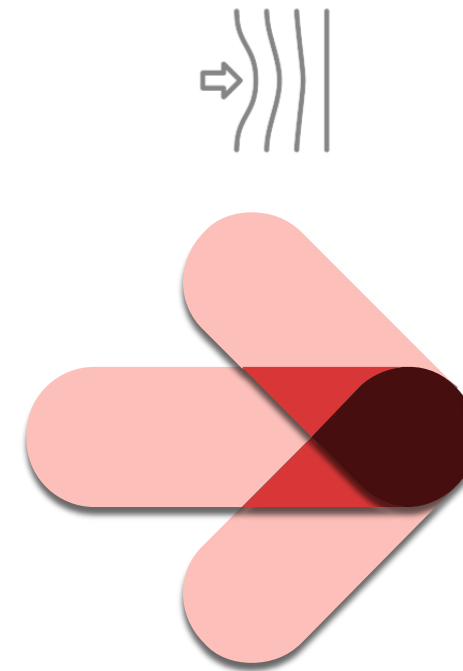
## Debt

- Very low indebtedness



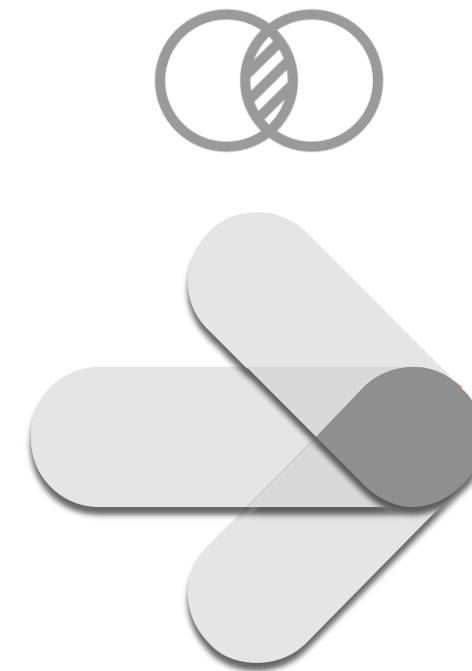
## Cash Flow

- 81% cash conversion rate
- Cash collection ratio in April/May above 2019



## Resilient Market

- High demand
- High predictability with 100% occupancy



## Synergies

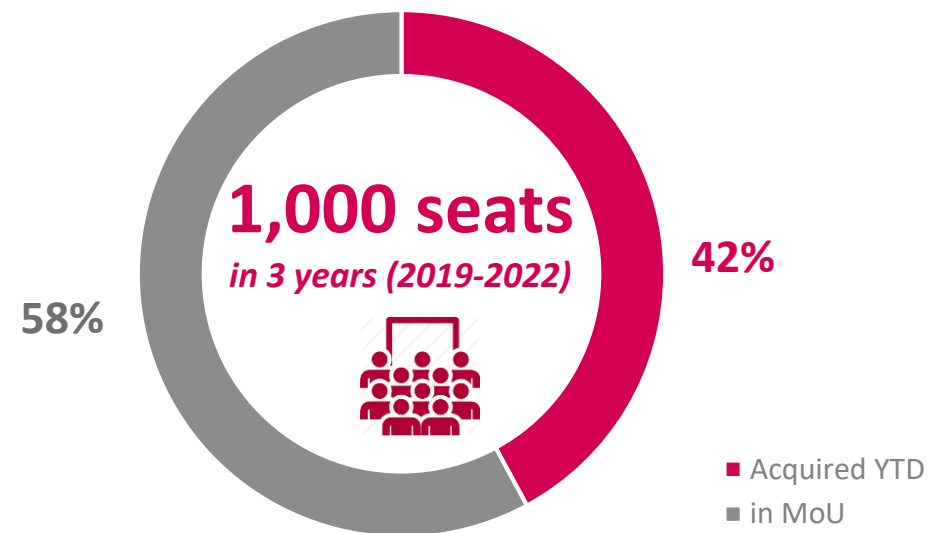
- M&A integration releasing even more cash



# M&A: strong pipeline and opportunities ahead

Proven M&A track record in an industry with intensive M&A activity

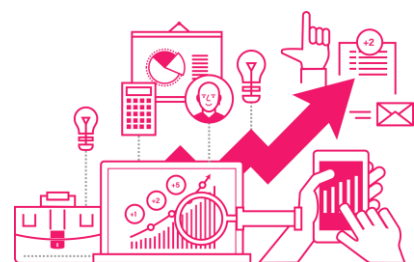
## M&A Targets



- +400 seats acquired in less than 1 year
- +550 in MoU phase
- Financial soundness and cash flow generation allowing us flexibility
- Small and medium targets to become even more attractive

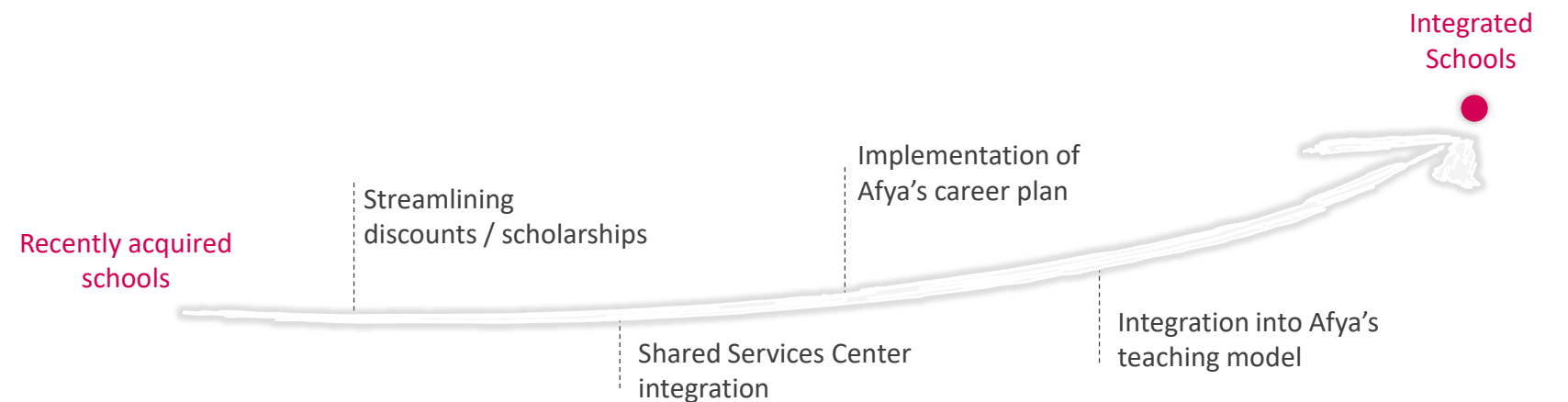
## Digital Platforms

Attractive targets to maximize strengths and add services  
2 assets in MoU stage



## Integration Process

### Synergies extraction chronology



### Smooth integration processes already resulting in synergies:



Concluded  
May 11<sup>th</sup>

Integration on track even during the pandemic

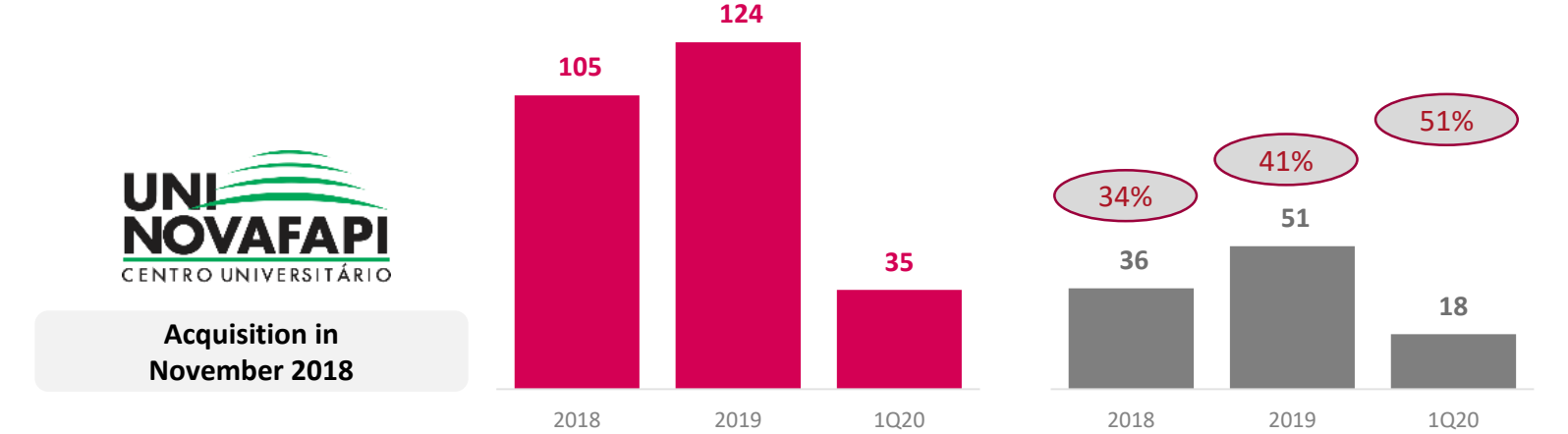
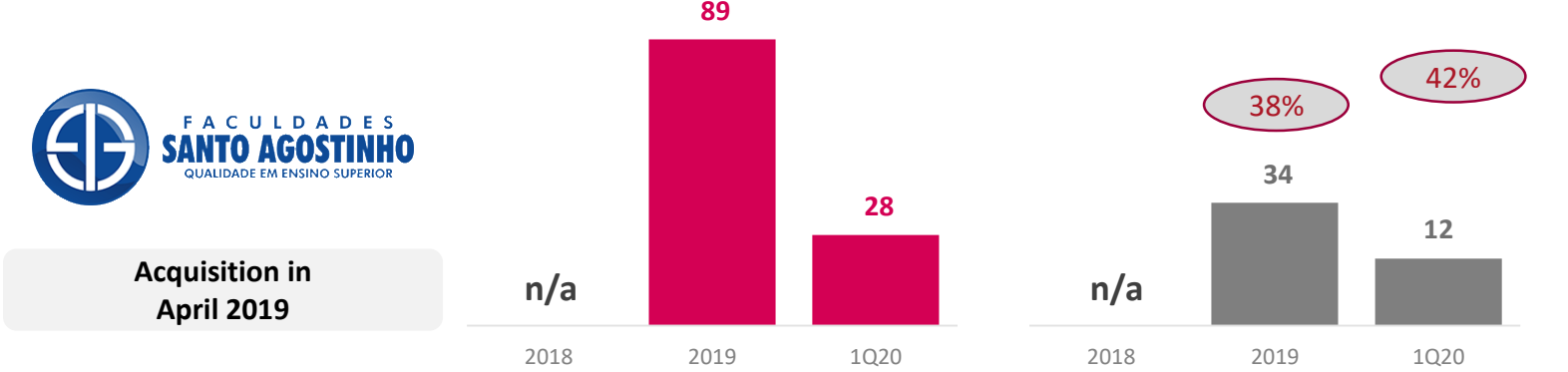
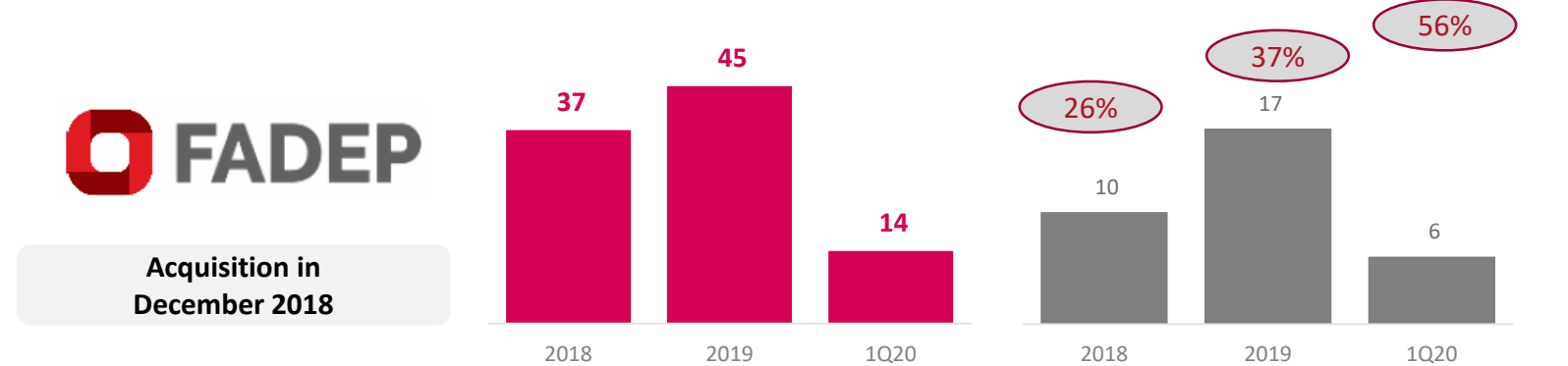
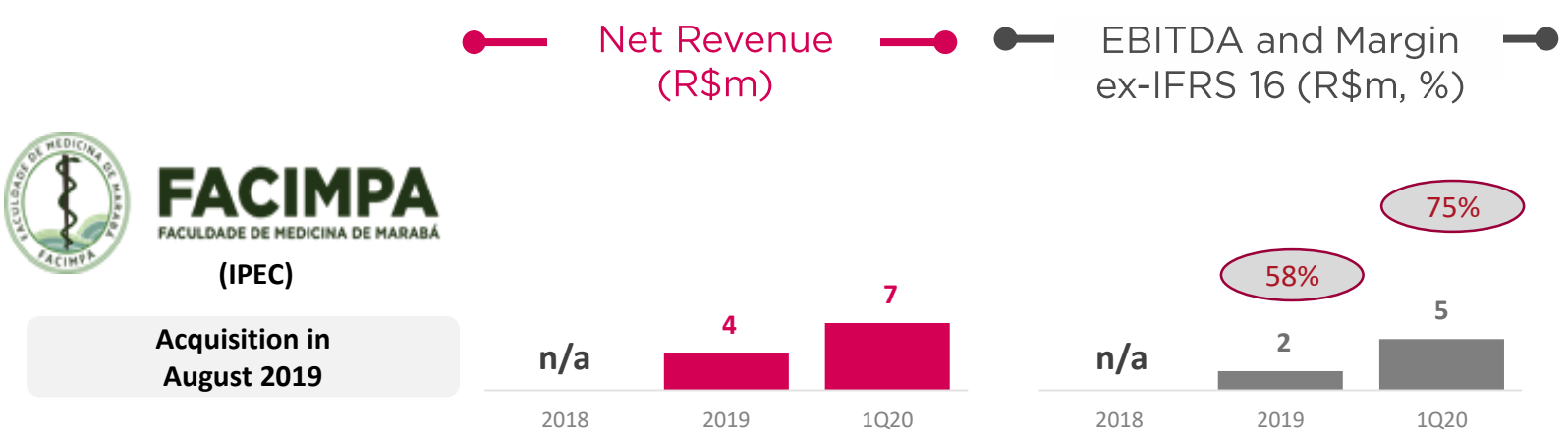
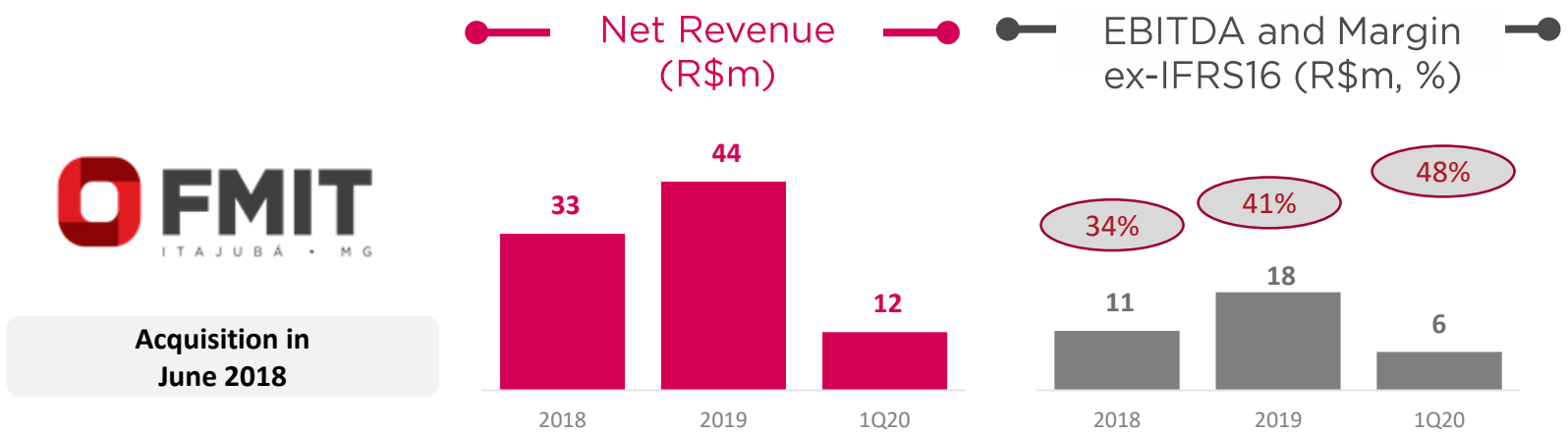
Expected  
3Q20



# M&A: successful integration maximizing synergies



Afya's recent acquisitions have seen top line growth coupled with margin expansion



Source: Company's unaudited adjusted internal filings

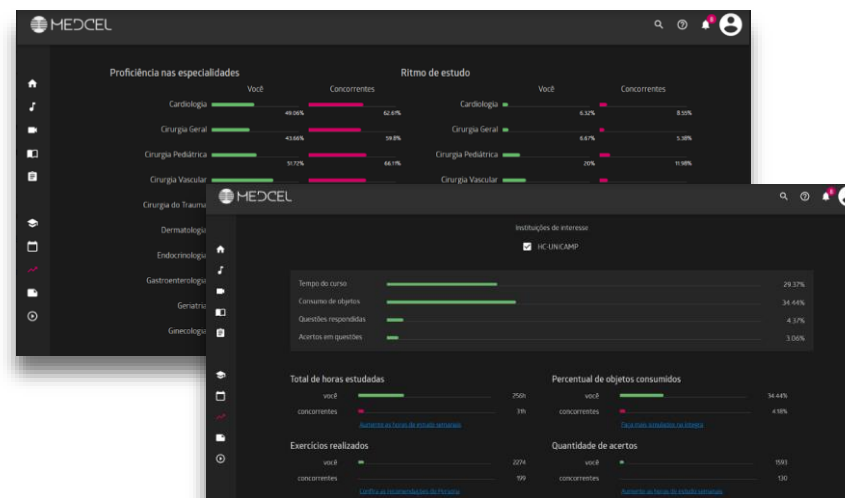
# Innovation & Technology leading the way...

Digital platform strengthening our brand and positioning...

## Website and In-app Communication



## Tutoring / Mentoring Service



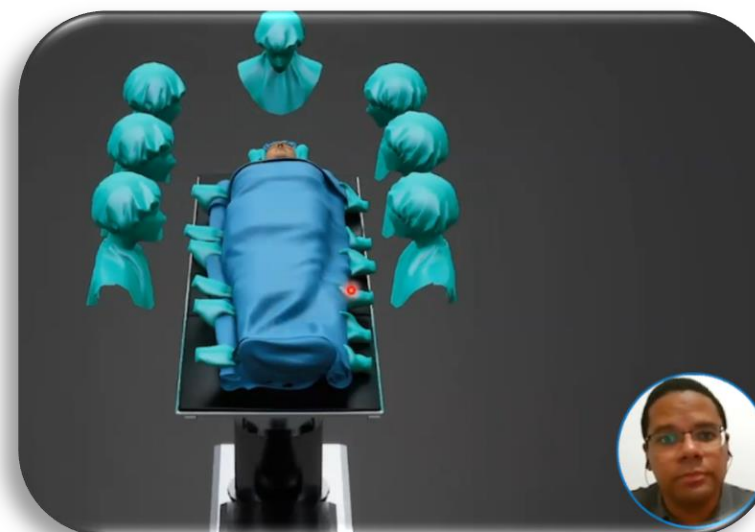
Launch: 2<sup>nd</sup> season of the “Medical Residency” webseries



## Learning / Assessment Tools



## Synchronous online classes

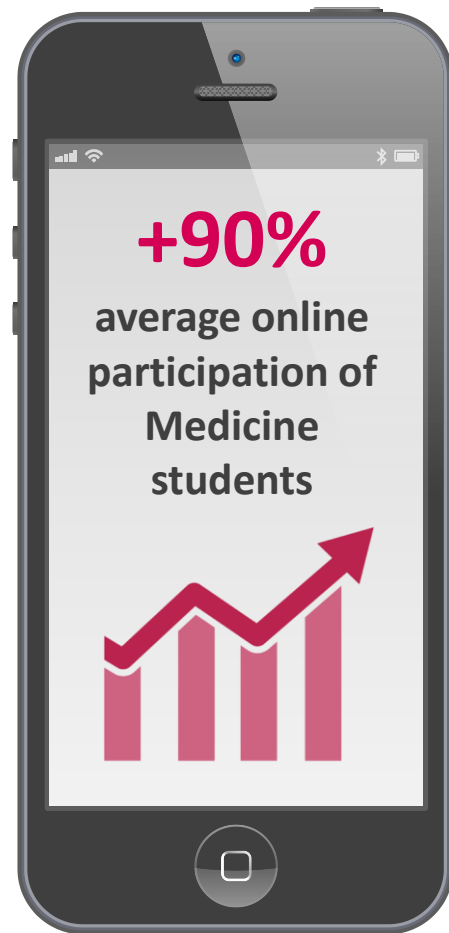


# ...as a key driver of our growth strategy

...in sync with our strategy to combine quality medical education with intensive use of technology minimizing the operational impact of COVID-19

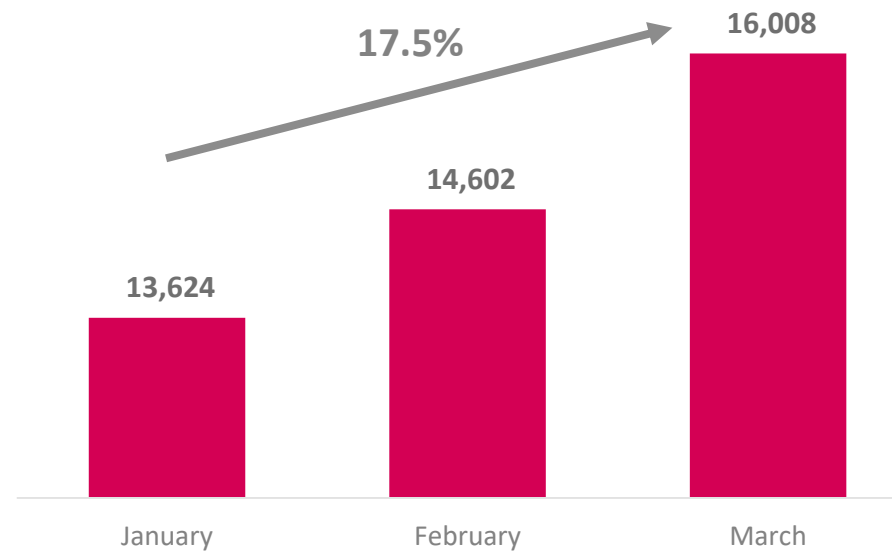
## UNDERGRADUATE STUDENTS

- Synchronous classes
- High engagement and acceptance

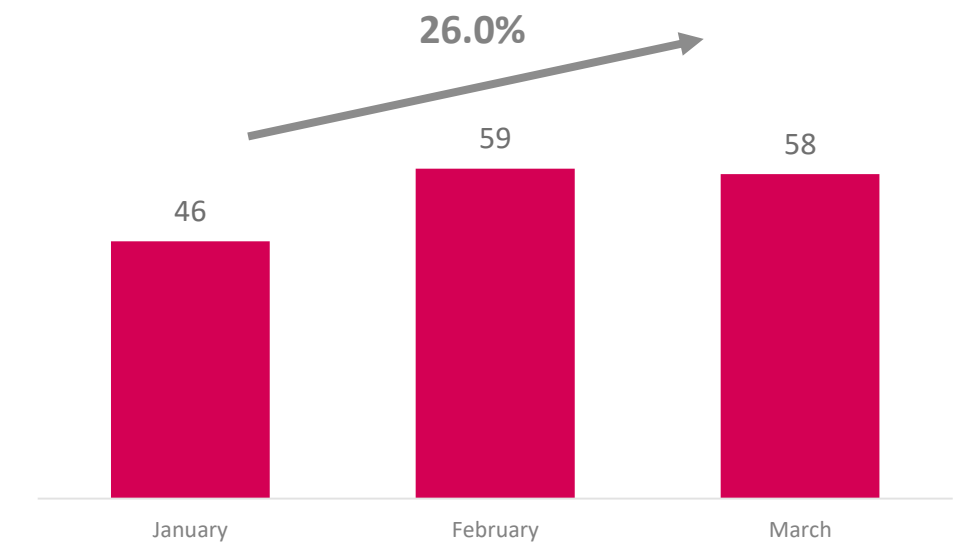


## OTHER STUDENTS

### Monthly Active Users (MaU)



### Average Learning Assets Consumption per User



### 1Q20 Content Consumption

- 978,220 video lessons
- 70,813 podcasts
- 83,453 e-books
- 1,287,848 questions

### 2<sup>nd</sup> season "Residência Médica" figures

- 50 new clinic cases explored
- 100 bonus videos with medical content
- 120 commented questions
- 15 professors
- Cases focused in mental health of medicine student





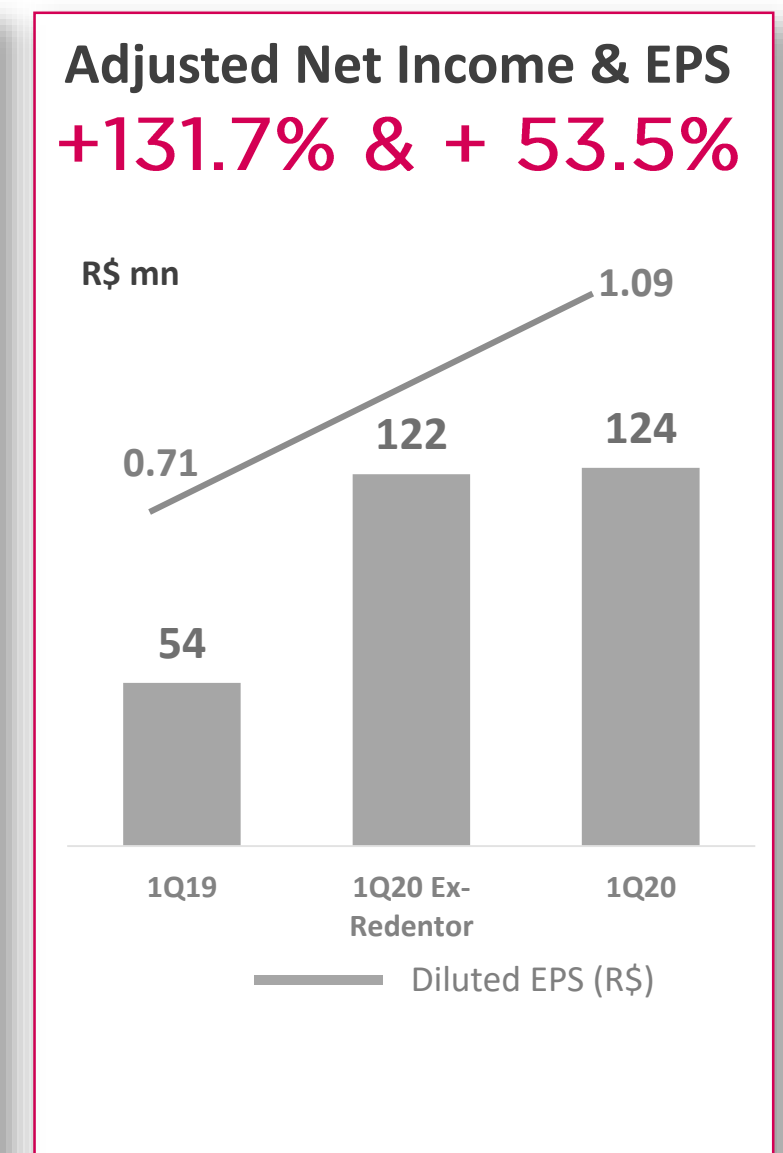
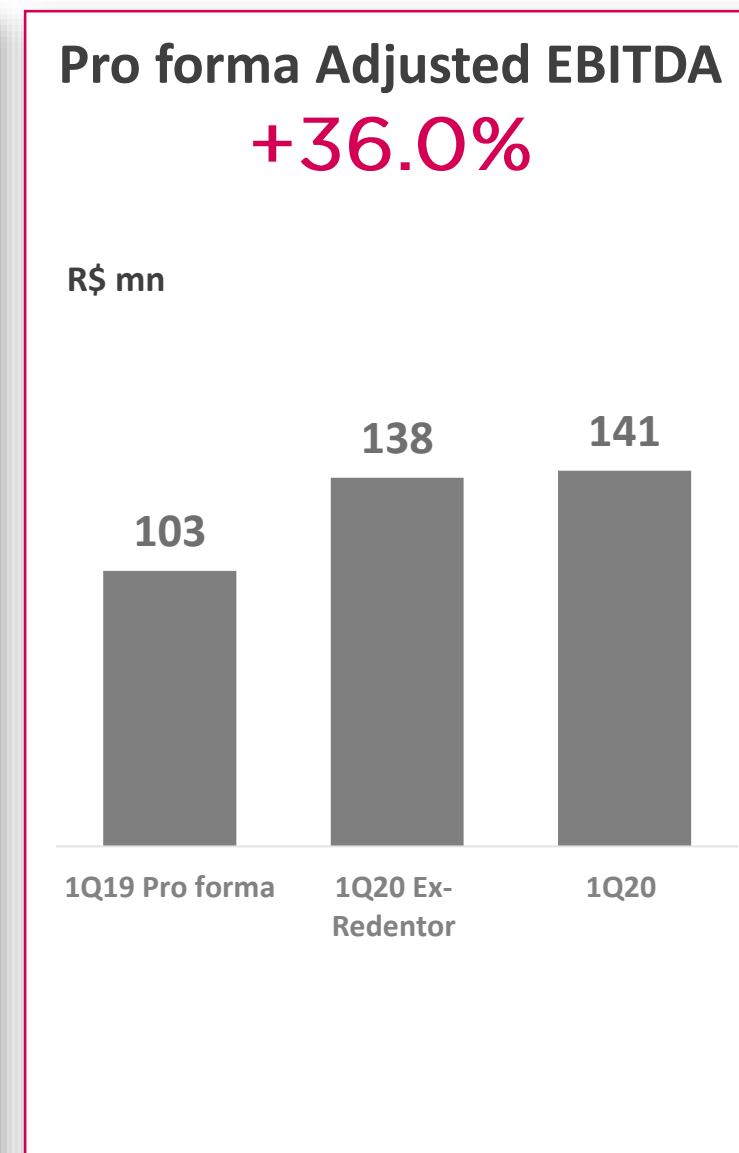
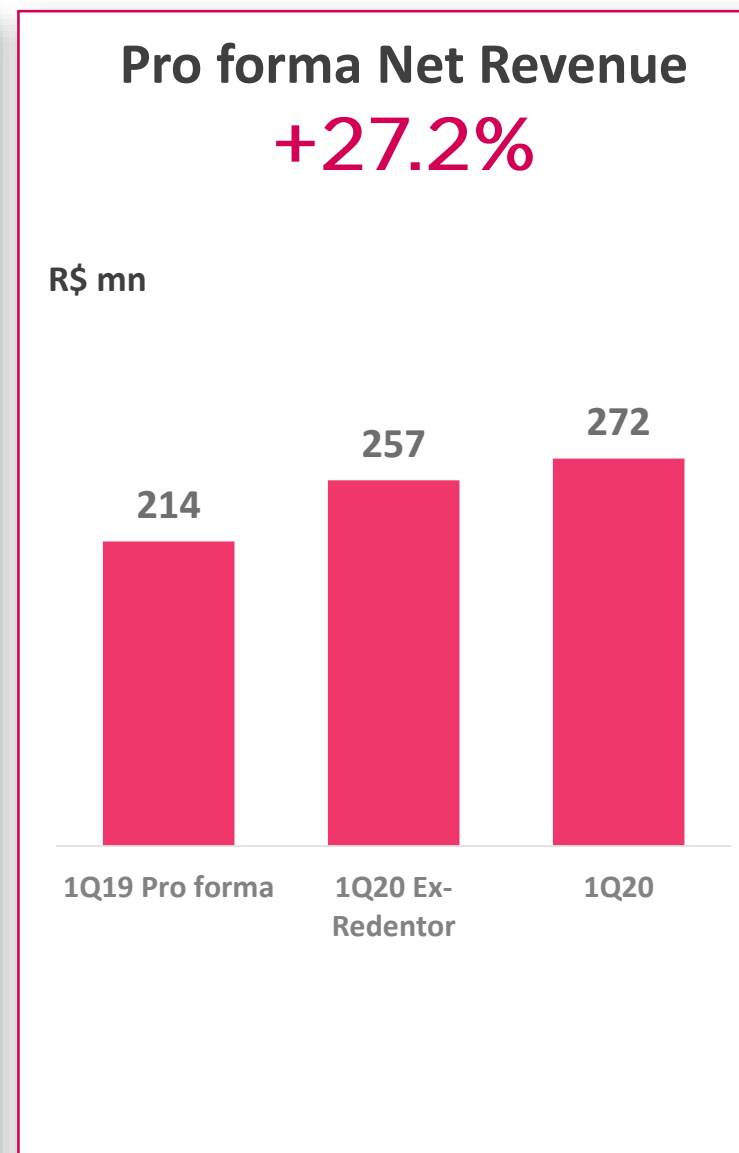
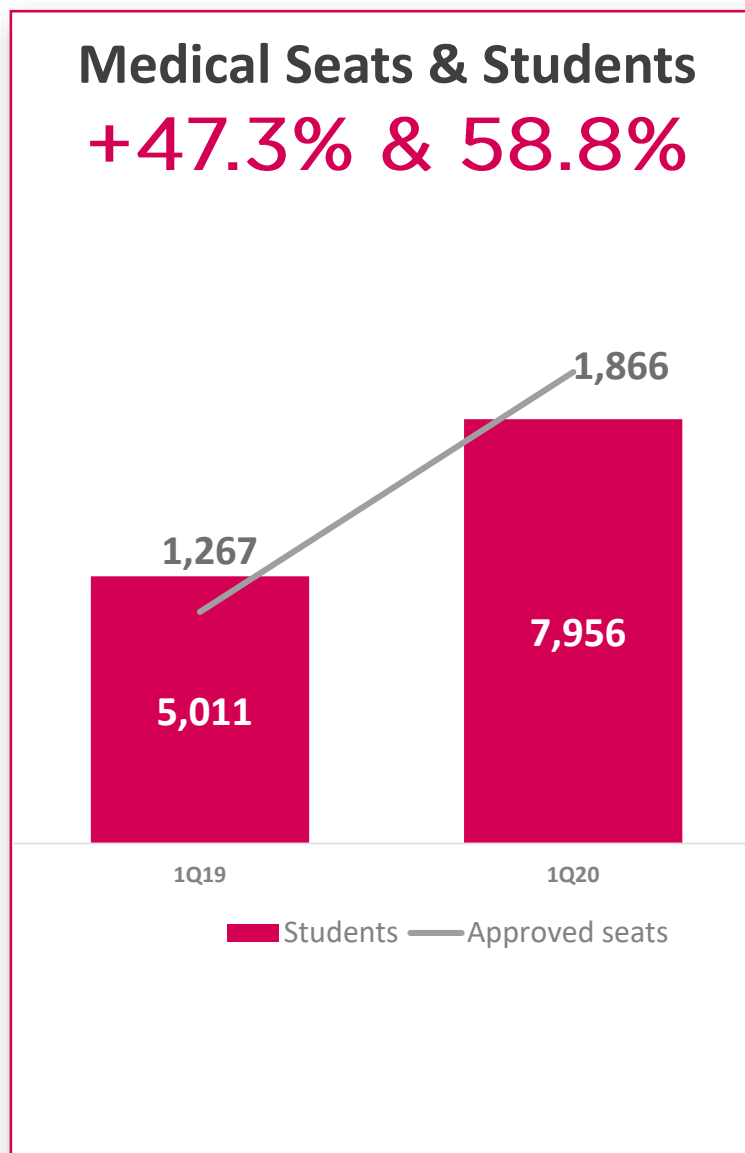
# 1Q20 Results

# Financial Overview

Luis André Blanco - CFO

# 1Q20 Highlights

Business tracking in line with 1H20 expectations; Successfully executing long-term strategy



- Subsequent event: closing of UniSL (182 medical school seats to Afya, with a potential upside of 100 additional seats)

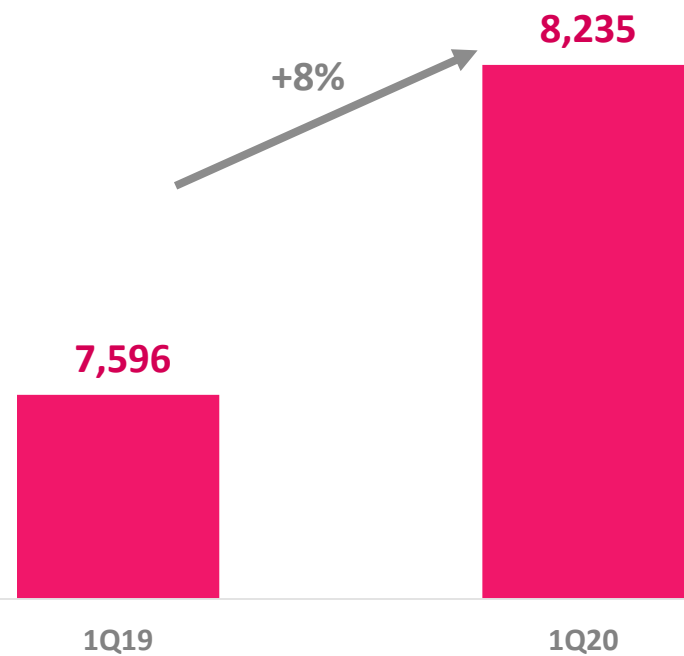
# Operational Metrics

Both business units presenting strong and solid contributions

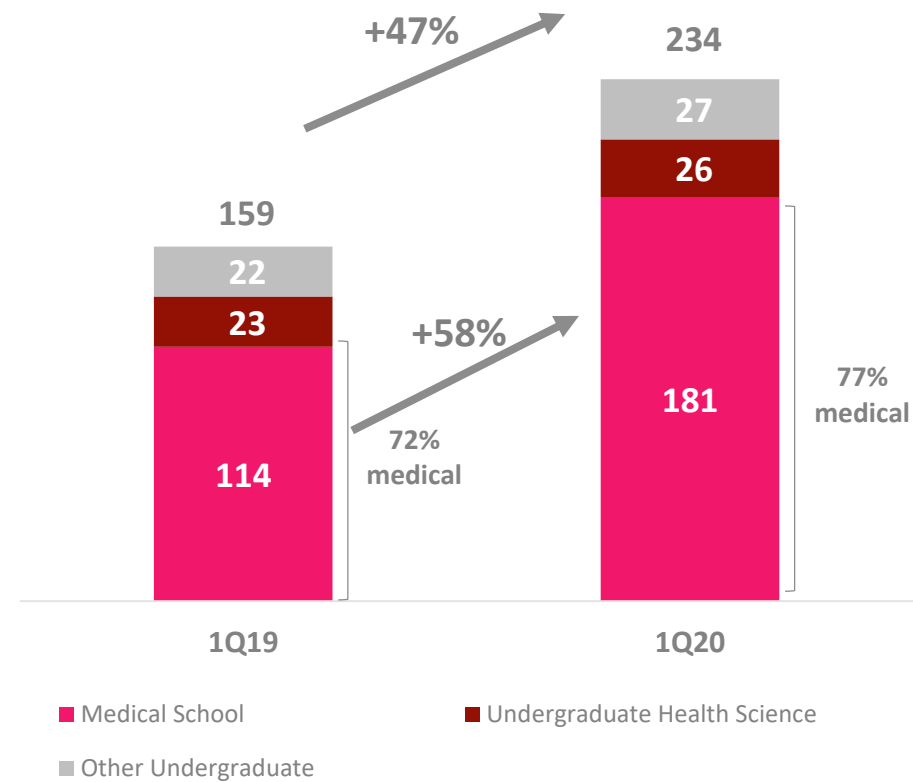
## UNDERGRADUATE EDUCATIONAL SERVICES (BU1)

## PREP. COURSES & CME AND MEDICAL SPECIALIZATION (BU2)

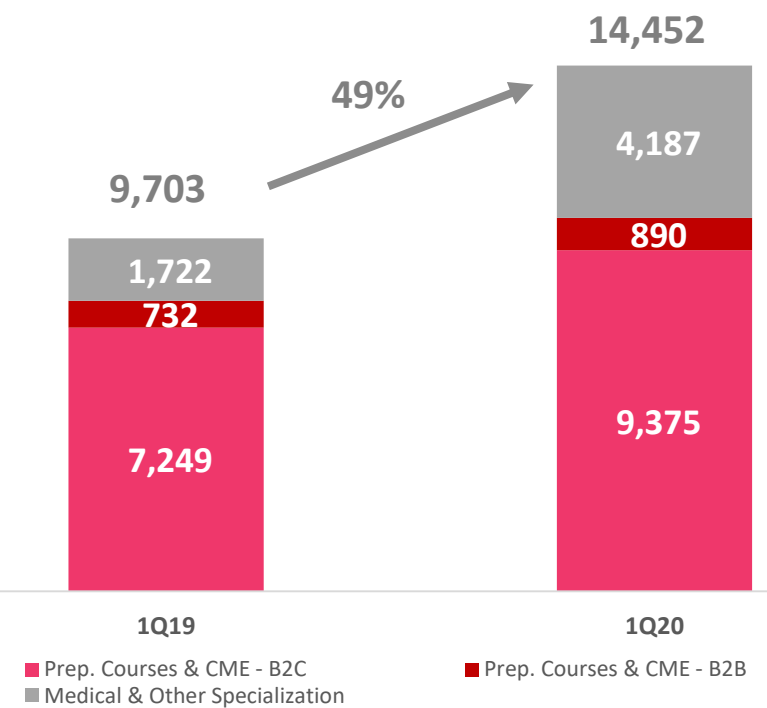
Medical School average ticket<sup>1</sup> (R\$/month)



Combined tuition fees<sup>1</sup> (R\$ mn)



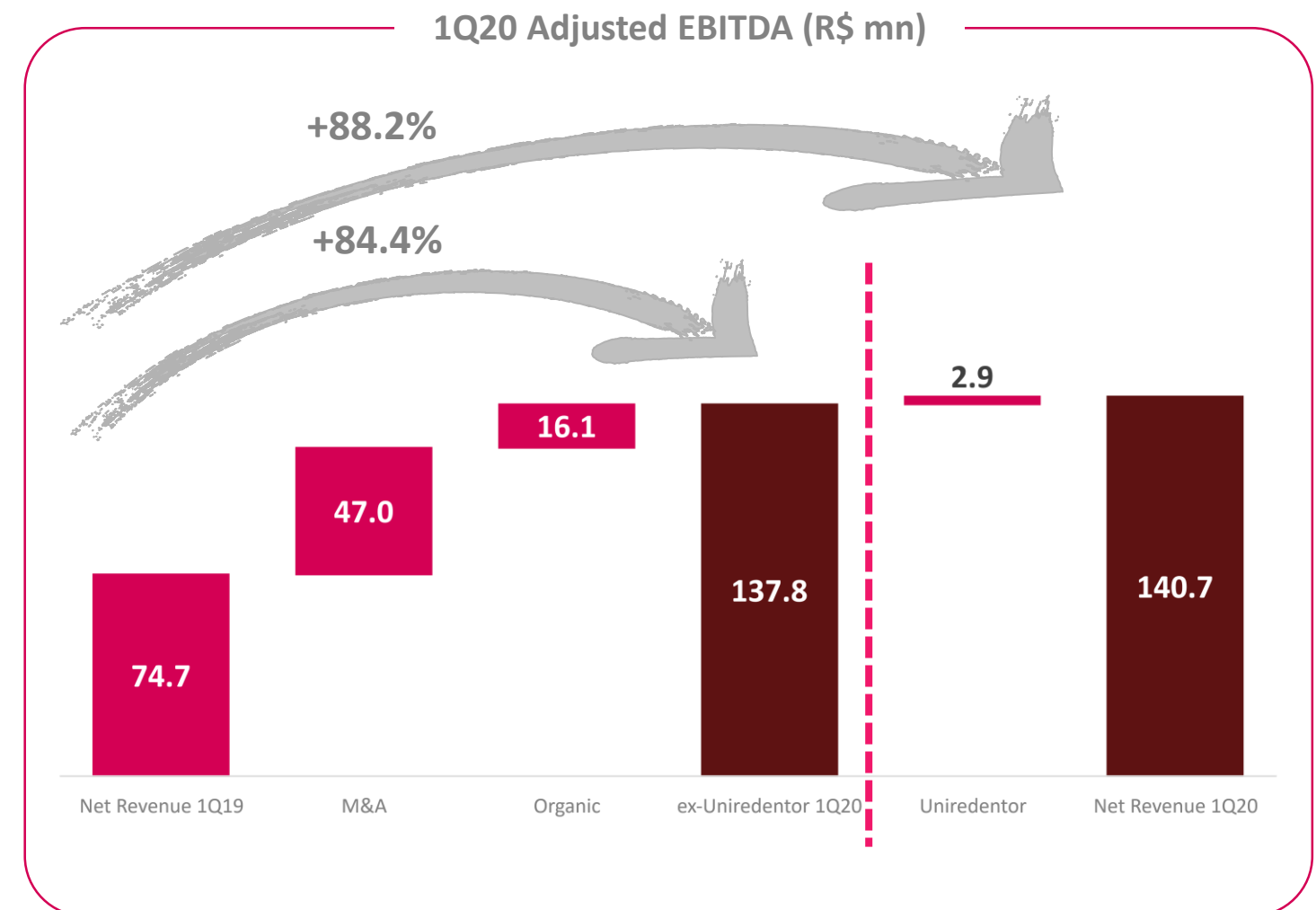
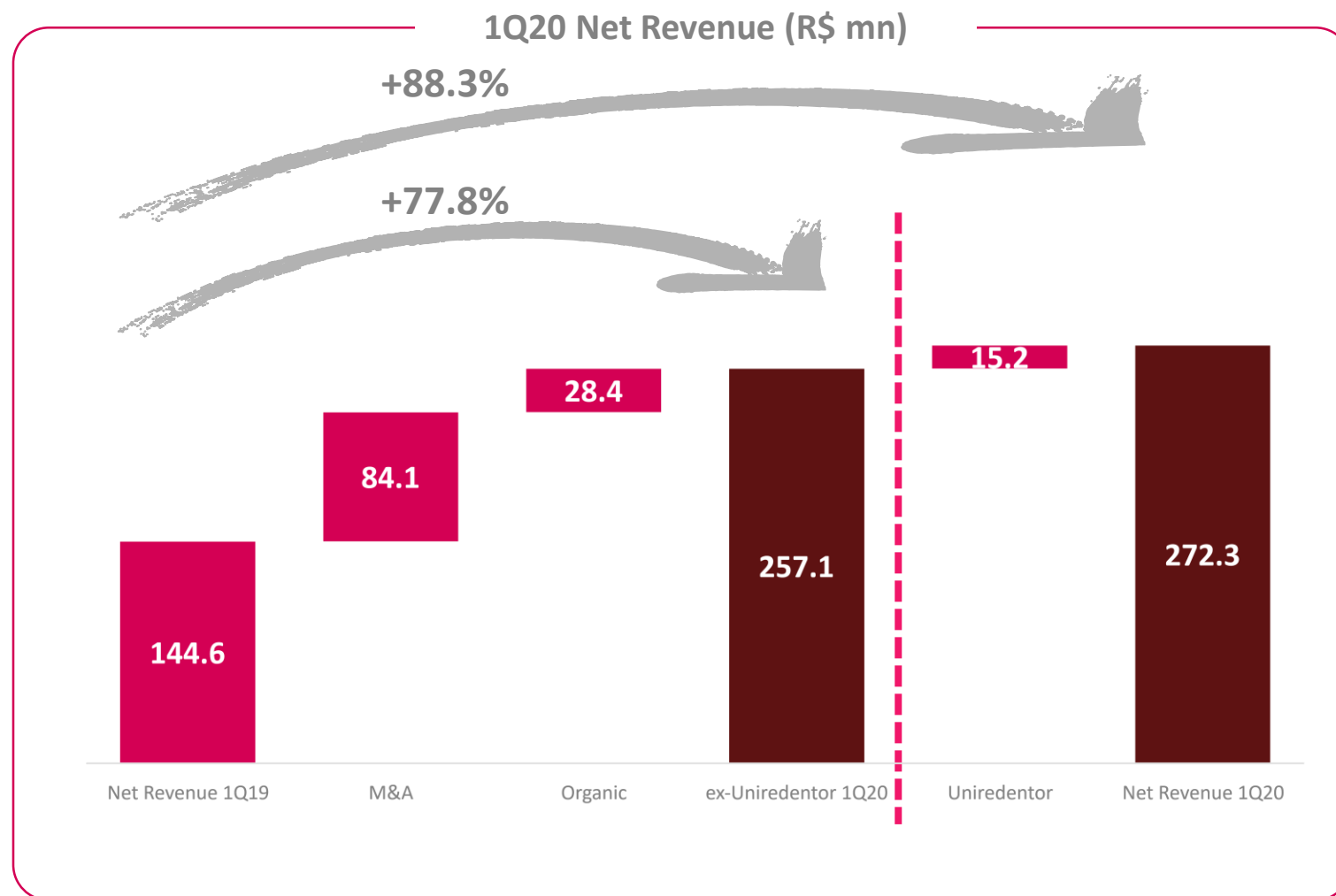
Active paying students ('000 students)



1. This number excludes the consolidation of of Uniredentor

# Financial Metrics

Robust topline growth from both organic and M&A; Synergies contributing to operational leverage



- Organic growth (25%) and M&A (75%) driving the Net Revenue growth (excluding Uniredentor acquisition)

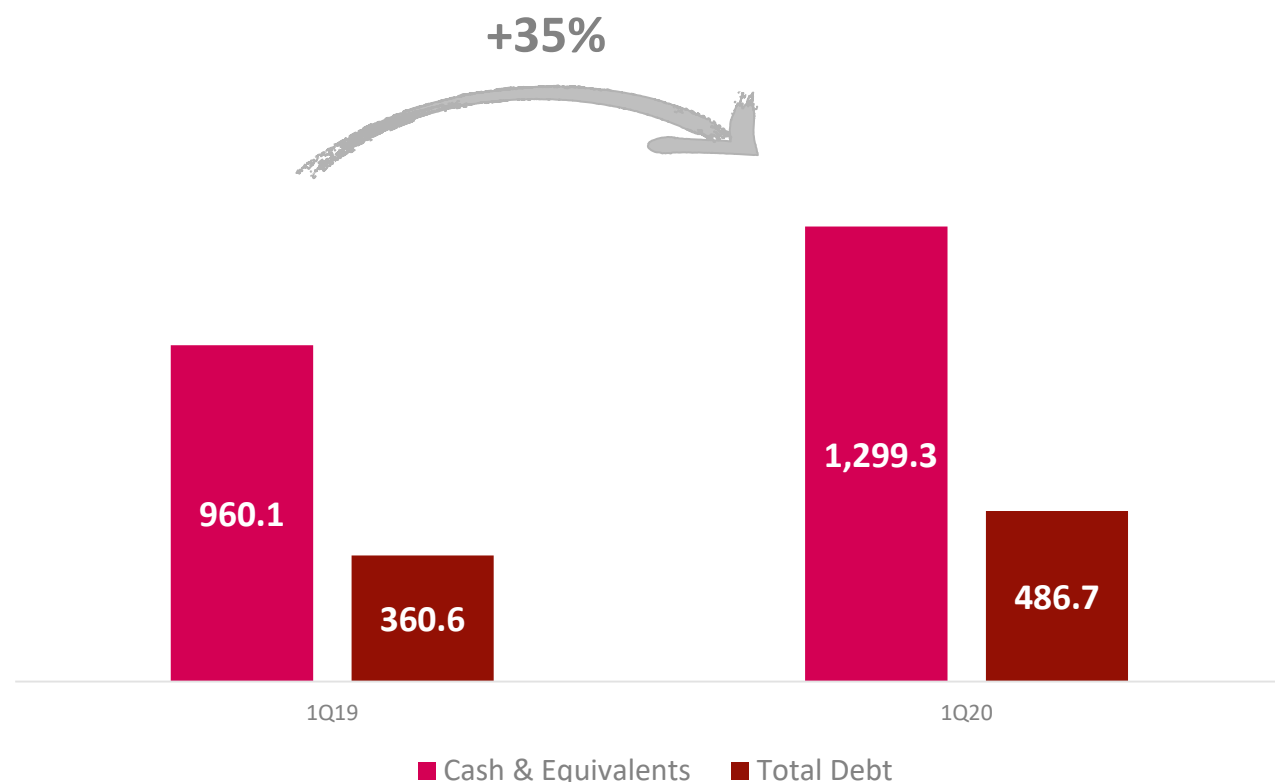
- Organic growth (25%) and M&A (75%) driving the Adjusted EBITDA growth (excluding Uniredentor acquisition)
- Operational leverage
- Synergies obtained from recent acquisitions
- Improvements in cash collection driving lower provisions for doubtful accounts



# Cash Flow

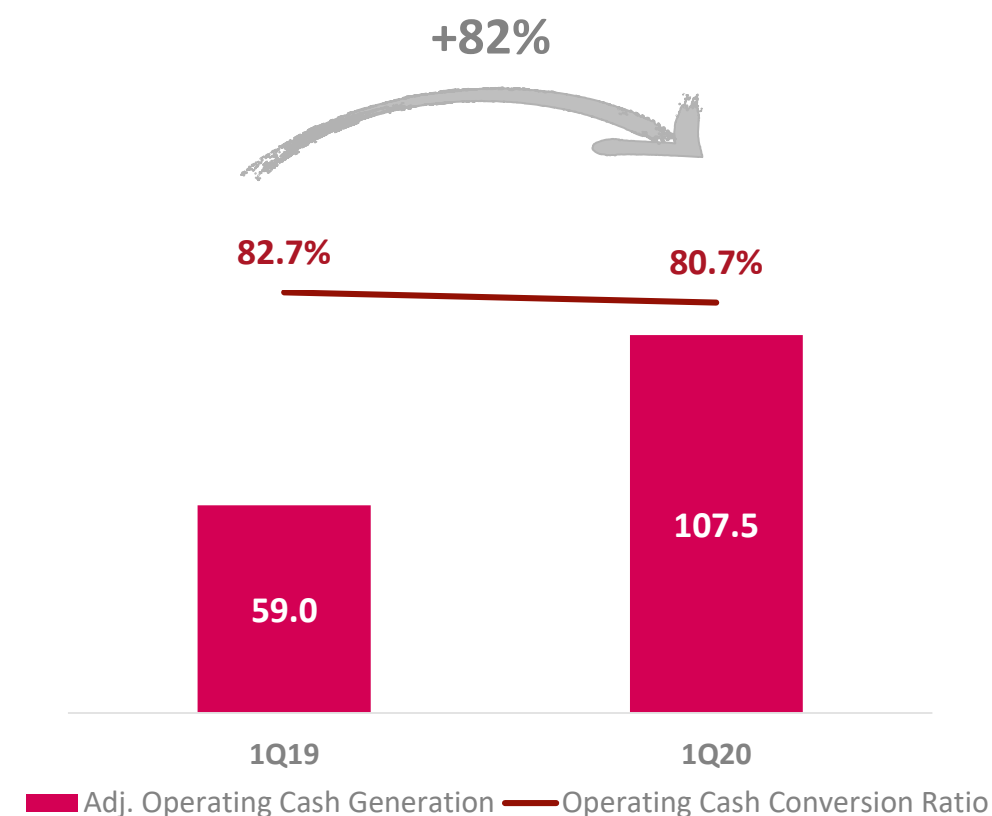
## Robust Operating Cash Generation

Cash & Debt<sup>1</sup> (R\$ mn)



- Cash and Equivalents of R\$1.3 billion at the end of 1Q20, 35% higher than 4Q19 due to Follow-on proceeds and cash generation.
- Total Debt includes accounts payable to selling shareholders and loans and financing.

Adjusted Operating Cash Generation (R\$ mn)



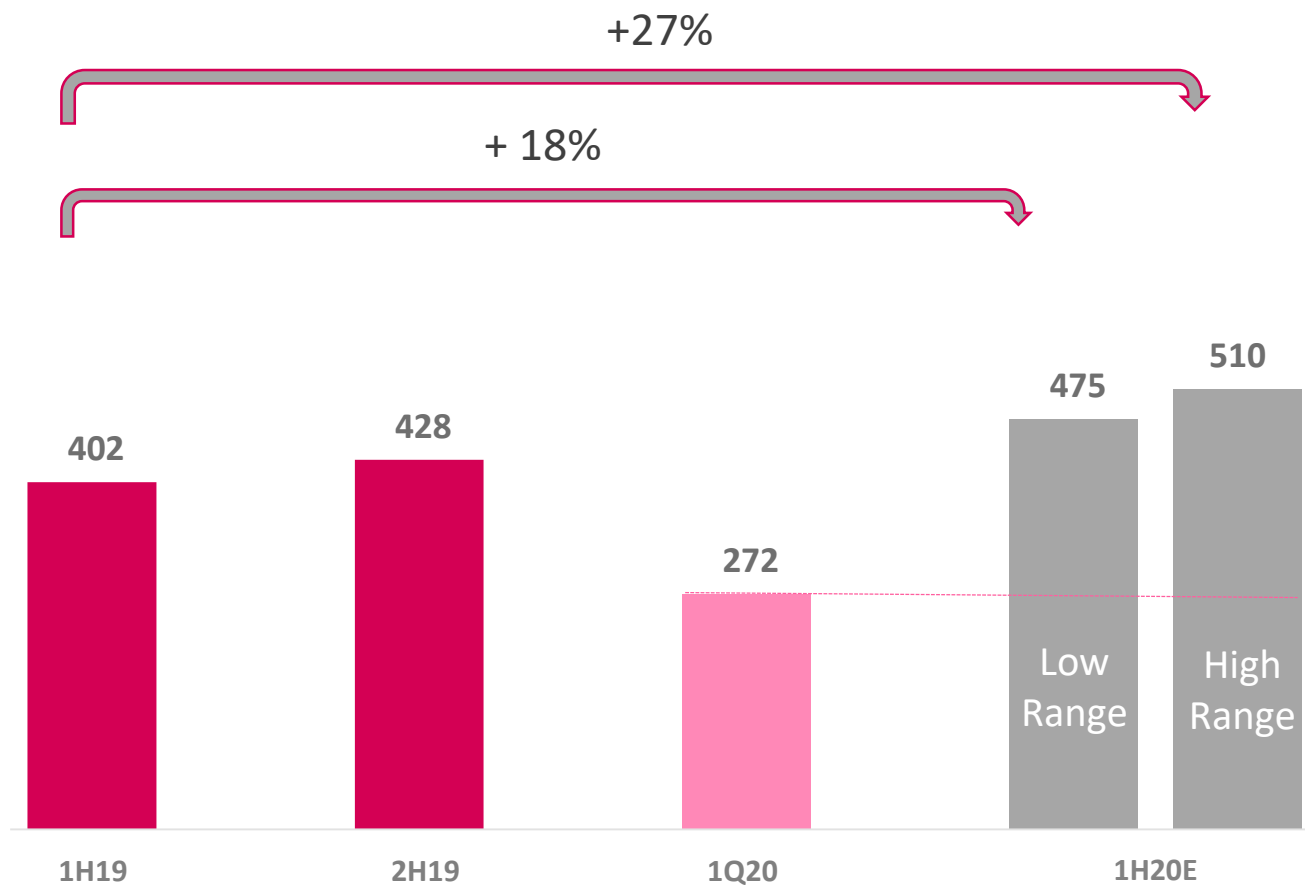
- Operating Cash Conversion Ratio for 1Q20 decreased to 80.7% from 82.7% in 1Q19, mainly due to Medcel's seasonality. Since the prep course's revenues are recognized mainly in the first and fourth quarters of each year, but the collections are mostly stable during the year, Medcel's negatively affects cash conversion in the first and fourth quarters.
- Excluding Medcel consolidation for comparison purposes, operating cash conversion in 1Q20 would be 91.6%, representing a 890 bps increase, when compared with 1Q19.

<sup>1</sup> Total Debt does not include derivatives and lease liabilities

# 1H20 Guidance Reaffirmed

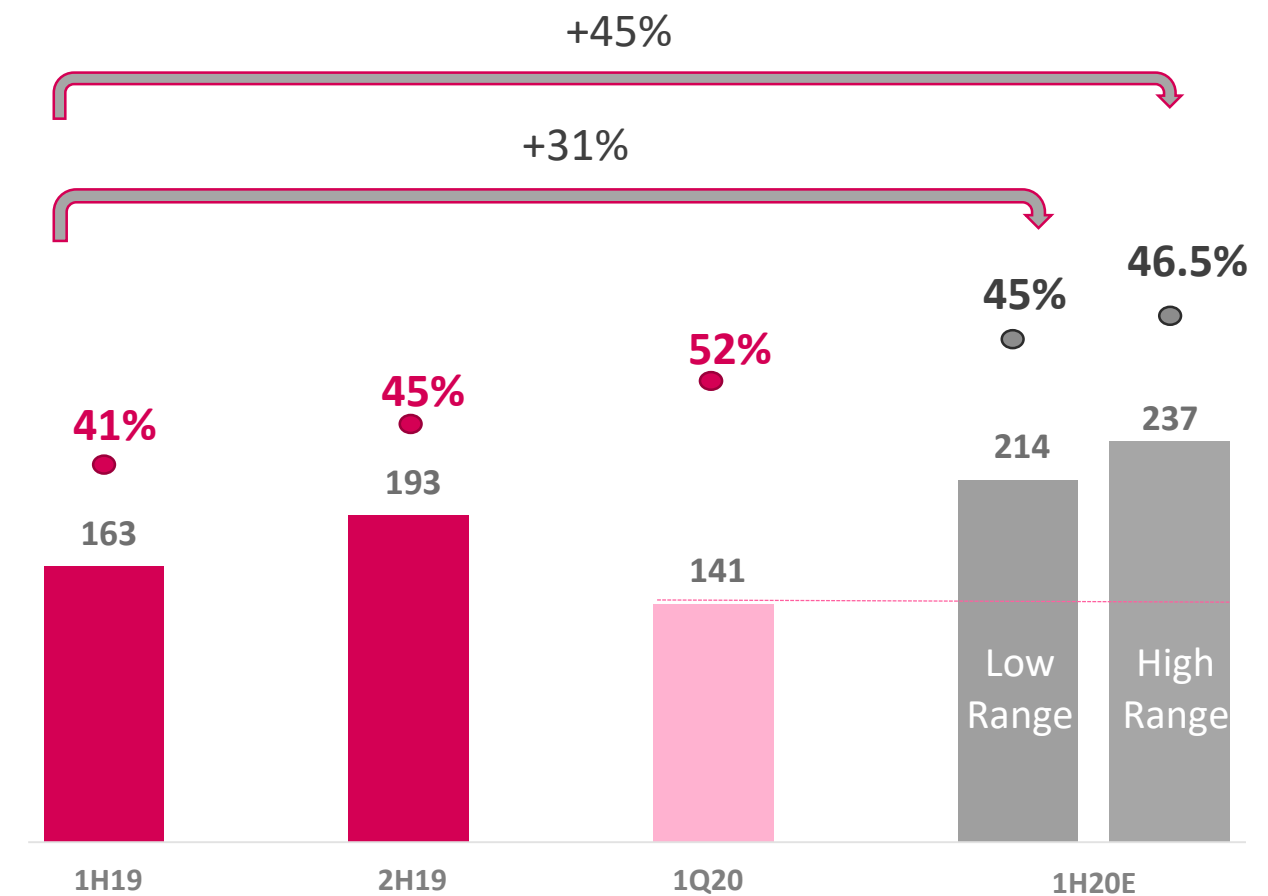
Continued expansion in Net Revenue and EBITDA offsetting potential COVID-19 impact

Net Revenue (R\$ mn) – Pro Forma



- Organic growth and acquisitions contributing to expected Net Revenue growth
- Successfully concluded admissions of new students for the 1H20

Adjusted EBITDA (R\$ mn) and Margin – Pro Forma

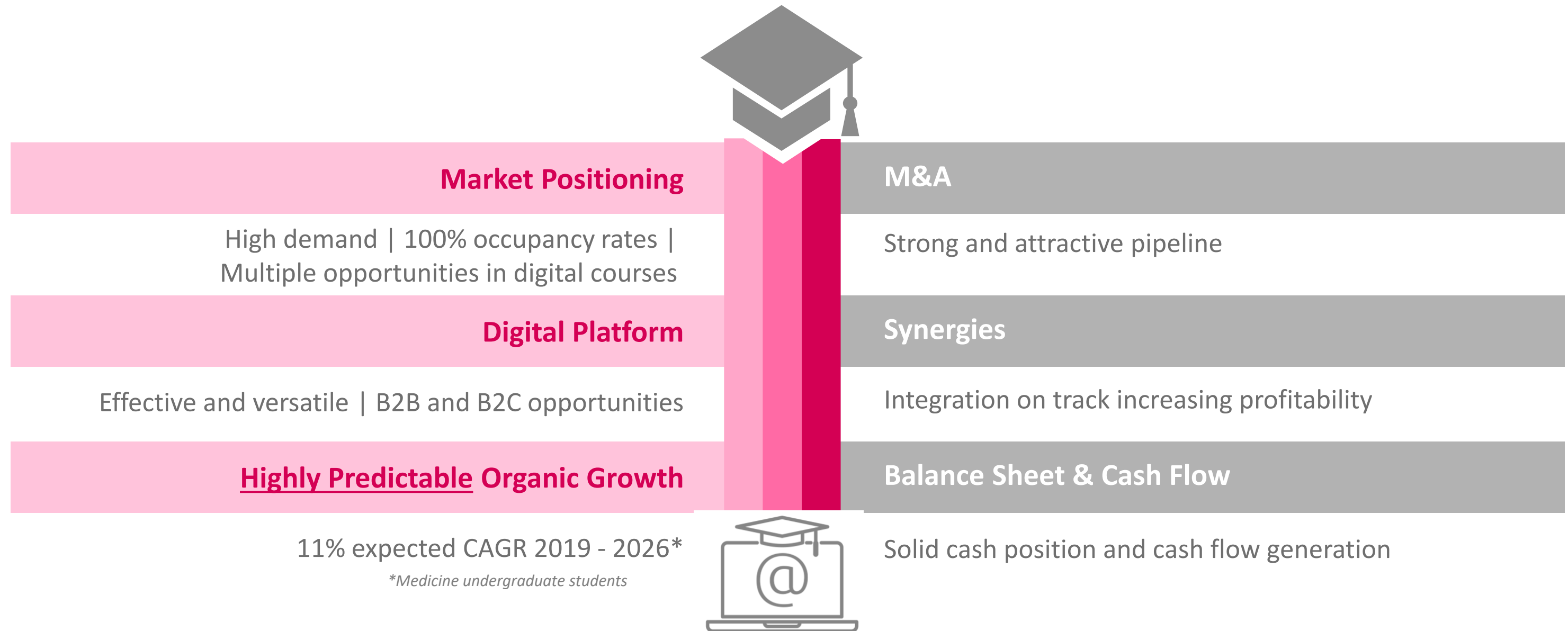


- M&A synergies and organic maturation contributing to margin gain

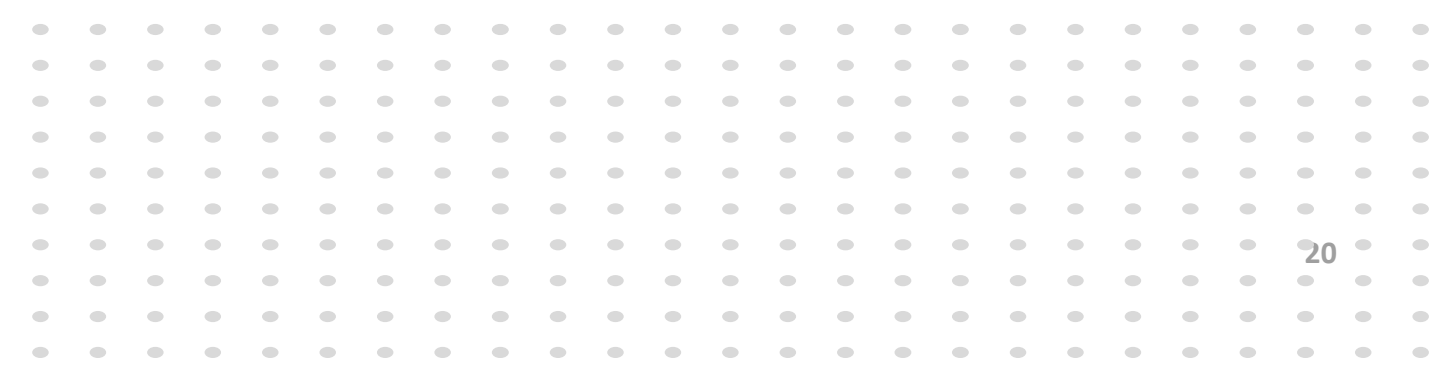
Impacts contemplated in guidance take into consideration the interruption of on-campus activities, with a significant portion of non-practical educational activities being temporarily offered through the Company's online platform (rather than on-site) and the calendar of the practical educational activities being rescheduled to when authorities allow on-campus activities to resume. It is important to mention that there is a possibility of practical classes revenues to be booked only when they resume, and that this can be postponed for the second half of 2020. On the other hand, practical classes for 5<sup>th</sup> and 6<sup>th</sup> years have already resumed

# Outlook: Operational resilience and strong differentiation during the crisis

*Well positioned to navigate the crisis and to grow even stronger to prepare the doctors of tomorrow*



# Q&A







# Appendix

# Reconciliation between Net Income and Adjusted EBITDA

R\$ thousand

(in thousand of R\$)

|                                      | First Quarter                       |                |               |                                   |               |               |
|--------------------------------------|-------------------------------------|----------------|---------------|-----------------------------------|---------------|---------------|
|                                      | Considering the adoption of IFRS 16 |                |               | Excluding the adoption of IFRS 16 |               |               |
|                                      | 2020                                | 2019           | % Chg         | 2020                              | 2019          | % Chg         |
| Net income                           | 103,670                             | 49,476         | 109.5%        | 103,670                           | 49,476        | 109.5%        |
| Net financial result                 | -11,154                             | 7,069          | -             | -11,154                           | 7,069         | -             |
| Income taxes expense                 | 6,057                               | 2,229          | 171.7%        | 6,057                             | 2,229         | 171.7%        |
| Depreciation and amortization        | 24,947                              | 9,054          | 175.5%        | 24,947                            | 9,054         | 175.5%        |
| Interest received (1)                | 3,517                               | 2,505          | 40.4%         | 3,517                             | 2,505         | 40.4%         |
| Payment of lease liabilities (2)     | -                                   | -              | -             | -11,735                           | -7,670        | 53.0%         |
| Share-based compensation             | 8,440                               | 1,041          | 710.8%        | 8,440                             | 1,041         | 710.8%        |
| Income share associate               | -2,302                              | 0              | -             | -2,302                            | 0             | -             |
| <b>Non-recurring expenses:</b>       | <b>7,469</b>                        | <b>3,356</b>   | <b>122.6%</b> | <b>7,469</b>                      | <b>3,356</b>  | <b>122.6%</b> |
| - Integration of new companies (3)   | 3,120                               | 1,000          | 212.0%        | 3,120                             | 1,000         | 212.0%        |
| - M&A advisory and due diligence (4) | 2,750                               | 140            | 1864.3%       | 2,750                             | 140           | 1864.3%       |
| - Expansion projects (5)             | 783                                 | 305            | 156.7%        | 783                               | 305           | 156.7%        |
| - Restructuring expenses (6)         | 816                                 | 1,911          | -57.3%        | 816                               | 1,911         | -57.3%        |
| <b>Adjusted EBITDA</b>               | <b>140,644</b>                      | <b>74,730</b>  | <b>88.2%</b>  | <b>128,909</b>                    | <b>67,060</b> | <b>92.2%</b>  |
| Adjusted EBITDA Margin               | 51.6%                               | 51.7%          | -10 b.p       | 47.3%                             | 46.4%         | +90 b.p       |
| <b>Pro Forma Adjusted EBITDA (7)</b> | <b>140,644</b>                      | <b>103,409</b> | <b>36.0%</b>  | <b>128,909</b>                    | <b>94,342</b> | <b>36.6%</b>  |
| Pro Forma Adjusted EBITDA Margin (7) | 51.6%                               | 48.3%          | +330 b.p      | 47.3%                             | 44.1%         | +260 b.p      |

(1) Represents the interest received on late payments of monthly tuition fees. (2) Consists of payment of lease liabilities recorded under IFRS 16 as from January 1, 2019. (3) Consists of expenses related to the integration of newly acquired companies. (4) Consists of expenses related to professional and consultant fees in connection with due diligence services for our M&A transactions. (5) Consists of expenses related to professional and consultant fees in connection with the opening of new campuses. (6) Consists of expenses related to the employee redundancies in connection with the organizational restructuring of our acquired companies. (7) See Pro Forma Adjusted EBITDA Reconciliation to Proforma Net Income.

# Reconciliation between Net Income and Adjusted Net Income

R\$ thousand

|  | Considering the adoption of IFRS 16 |               |               | Excluding the adoption of IFRS 16 |               |               |
|--|-------------------------------------|---------------|---------------|-----------------------------------|---------------|---------------|
|  | 2020                                | 2019          | % Chg         | 2020                              | 2019          | % Chg         |
| Net income   | 103,670                             | 49,476        | 109.5%        | 103,670                           | 49,476        | 109.5%        |
| Amortization of customer relationships and trademark (1) | 11,901                              | 3,014         | 2.95          | 11,901                            | 3,014         | 294.9%        |
| Depreciation of right-of-use of assets (2)               | -                                   | -             | -             | 5,953                             | 3,383         | 76.0%         |
| Interest expense of lease liabilities (3)                | -                                   | -             | -             | 9,900                             | 6,418         | 54.3%         |
| Payment of lease liabilities (4)                         | -                                   | -             | -             | -11,735                           | -7,670        | 53.0%         |
| Share-based compensation                                 | 8,440                               | 1,041         | 710.8%        | 8,440                             | 1,041         | 710.8%        |
| <b>Adjusted Net Income</b>                               | <b>124,011</b>                      | <b>53,531</b> | <b>131.7%</b> | <b>128,129</b>                    | <b>55,662</b> | <b>130.2%</b> |

(1) Consists of amortization of customer relationships and trademark recorded under business combinations. (2) Consists of depreciation of right-of-use of assets recorded under IFRS 16 as from January 1, 2019. (3) Consists of interest expenses of lease liabilities recorded under IFRS 16 as from January 1, 2019. (4) Consists of payment of lease liabilities recorded under IFRS 16 as from January 1, 2019. (5) Consists of provision for doubtful account (PDA) improvements, net of taxes, recognized in 4Q19 according to IFRS 9, but that relate to other quarters of 2019. The R\$3.1mn adjustment is divided in R\$1.2 relative to 3Q19 and R\$1.9 relative to 1H19. There is no adjustment for the full year of 2019 since the quarterly adjustments net one another.

# Reconciliation between Net Income and Pro Forma Adjusted EBITDA



R\$ thousand

| (in thousand of R\$)               | First quarter              |            | First quarter         |                               |                       |                |
|------------------------------------|----------------------------|------------|-----------------------|-------------------------------|-----------------------|----------------|
|                                    | 2019                       | 2019       | Pro Forma Adjustments | FASA + IPEMED EBITDA Pre Acq. | 2019                  |                |
|                                    | Afya Brazil Historical (1) | Medcel (2) |                       |                               | Afya Brazil Pro Forma |                |
| Net income                         | 49,476                     | 20,044     | -                     | 5,315                         | -                     | 64,205         |
| Net financial result               | 7,069                      | 65         | -                     | -                             | -                     | 7,134          |
| Income taxes expense               | 2,229                      | 1,409      | -                     | -                             | -                     | 3,638          |
| Depreciation and amortization      | 9,054                      | 1,726      | 5,315                 | -                             | -                     | 16,095         |
| Interest received (3)              | 2,505                      | -          | -                     | -                             | -                     | 2,505          |
| Payment of lease liabilities (4)   | -                          | -          | -                     | -                             | -                     | 0              |
| Share-based compensation           | 1,041                      | 70         | -                     | -                             | -                     | 1,111          |
| <b>Non-recurring expenses:</b>     | <b>3,356</b>               | -          | -                     | -                             | -                     | <b>3,356</b>   |
| Integration of new companies (5)   | 1,000                      | -          | -                     | -                             | -                     | 1,000          |
| M&A advisory and due diligence (6) | 140                        | -          | -                     | -                             | -                     | 140            |
| Expansion projects (7)             | 305                        | -          | -                     | -                             | -                     | 305            |
| Restructuring expenses (8)         | 1,911                      | -          | -                     | -                             | -                     | 1,911          |
| Adjusted EBITDA                    | 74,730                     | 23,314     | -                     | 5,365                         | -                     |                |
| <b>Pro Forma Adjusted EBITDA</b>   |                            |            |                       |                               |                       | <b>103,409</b> |

(1) Represents the historical consolidated statement of income of Afya Brazil for the six months ended June 30, 2019. (2) Represents the historical consolidated statement of income of Medcel for the period from January 1, 2019 to March 28, 2019. (3) Represents the interest received on late payments of monthly tuition fees. (4) Consists of payment of lease liabilities recorded under IFRS 16 as from January 1, 2019. (5) Consists of expenses related to the integration of newly acquired companies. (6) Consists of expenses related to professional and consultant fees in connection with due diligence services for our M&A transactions. (7) Consists of expenses related to professional and consultant fees in connection with the opening of new campuses. (8) Consists of expenses related to the employee redundancies in connection with the organizational restructuring of our acquired companies.





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