

Q3 – 19

Earnings call
Presentation

December 2, 2019



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, 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.

We undertake no obligation to update any forward-looking statements made in this presentation to reflect events or circumstances after the date of this presentation or to reflect new information or the occurrence of unanticipated events, except as required by law. The achievement or success of the matters covered by such forward-looking statements involves known and unknown risks, uncertainties and assumptions. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, our results could differ materially from the results expressed or implied by the forward looking statements we make. You should not rely upon forward-looking statements as predictions of future events. Forward-looking statements represent our management’s beliefs and assumptions only as of the date such statements are made. Further information on these and other factors that could affect our financial results is included in filings we make with the Securities and Exchange Commission from time to time, including the section titled “Risk Factors” in our most recent Rule 424(b) prospectus. These documents are available on the SEC Filings section of the investor relations section of our website at: <https://ir.afya.com.br/>.

Momentum continued into the third quarter, on track to achieve the guidance of second half 2019



3Q19 Highlights (R\$mmm)

+123.7%

Net Revenue growth (YoY)

+112.4%

Undergraduate medical students' growth (YoY)

+147.3%

Adjusted EBITDA growth (YoY)

+380 bps

Adjusted EBITDA margin expansion (YoY)

108.4%

Operating Cash Conversion Ratio (9M19)

+936

Medical school seats (YoY)

- Leading medical education company in Brazil, adding seats through both organic growth and acquisitions while expanding geographic reach
- Moving forward with our strategy to add 1,000 seats over the next three years
 - August'19 acquisition of IPEC in Marabá added 120 medical seats
 - In November'19 agreed to acquire UniRedentor in Itaperuna adding 112 medical school seats and medical graduate programs portfolio. Closing upon anti-trust approval
- Continue to deliver strong top line growth driving operational leverage and higher cash flow generation

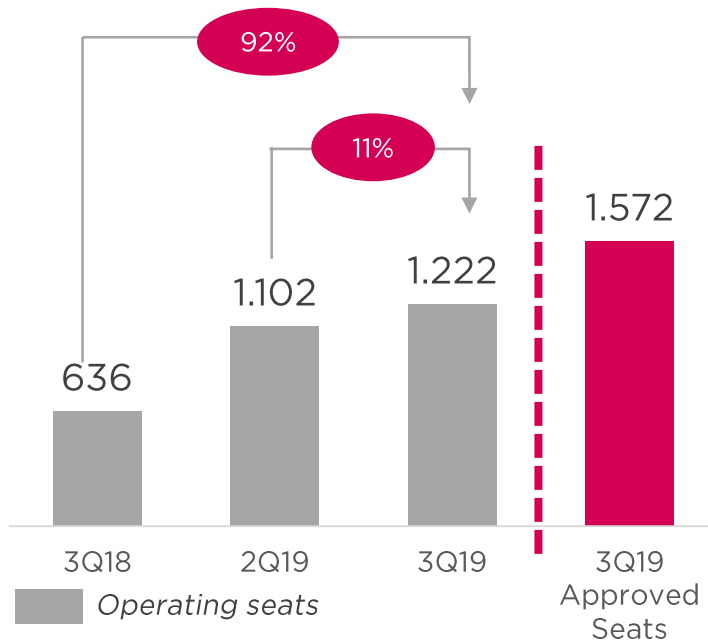
Strong operating metrics in both of our business units



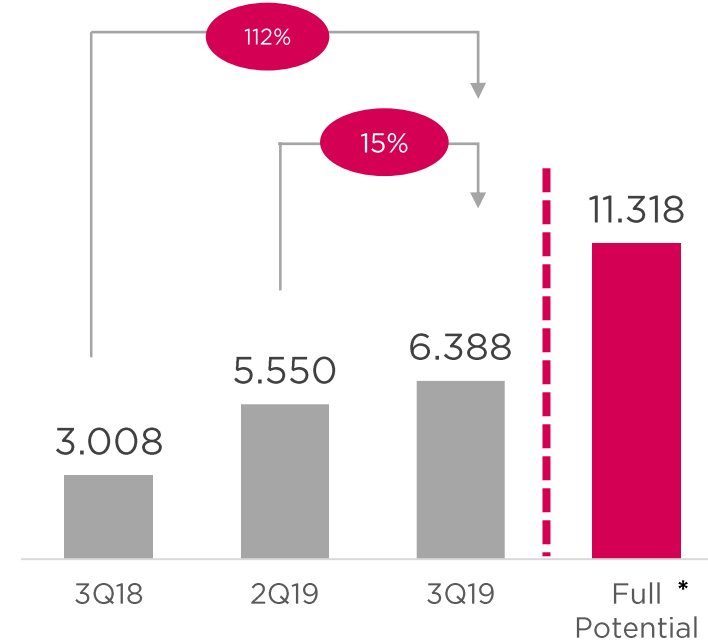
UNDERGRADUATE EDUCATIONAL SERVICES (BU1)

PREP. COURSES & CME AND MEDICAL SPECIALIZATION (BU2)

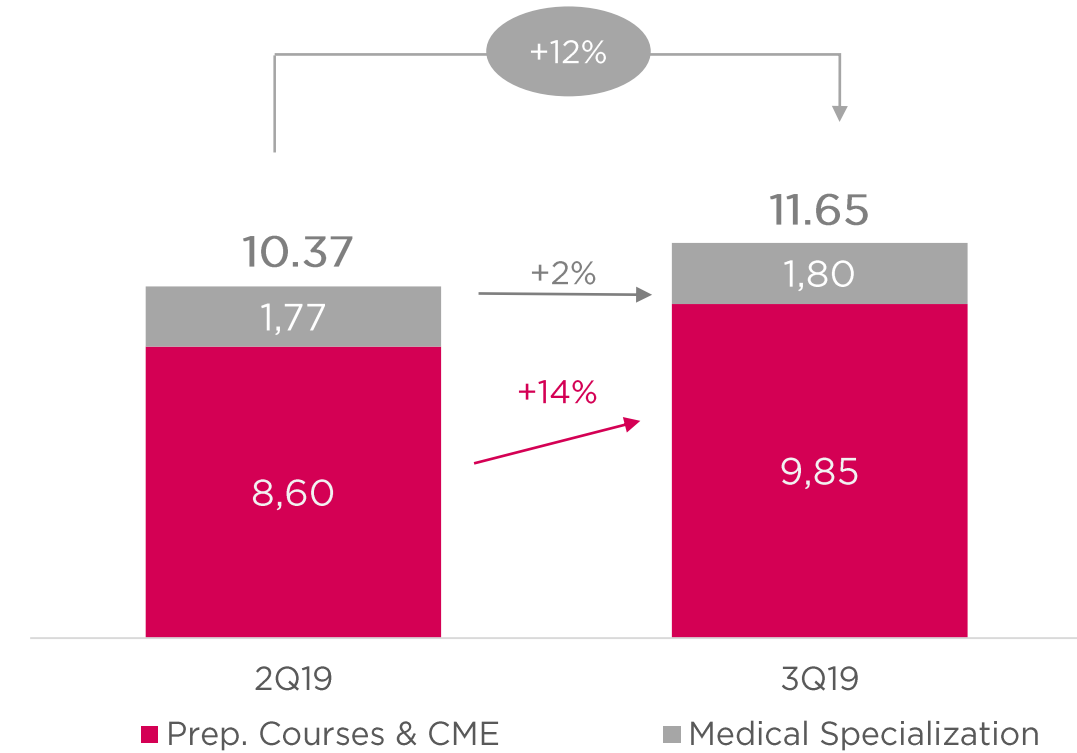
Approved & operating Medical School Seats



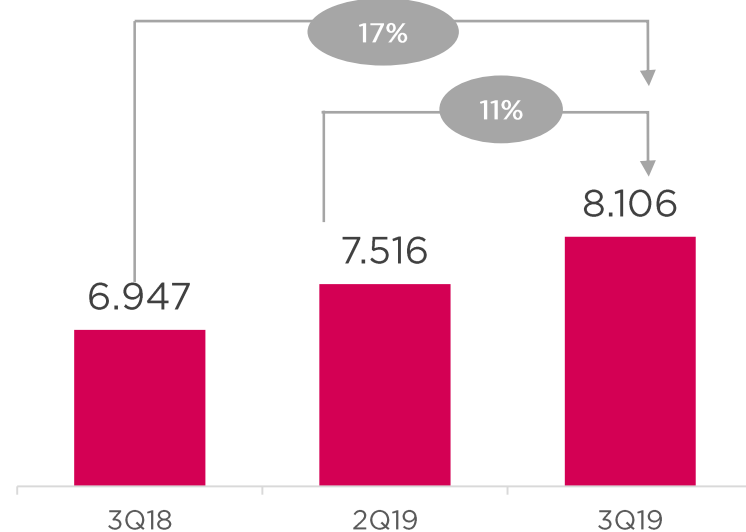
Medical School Students



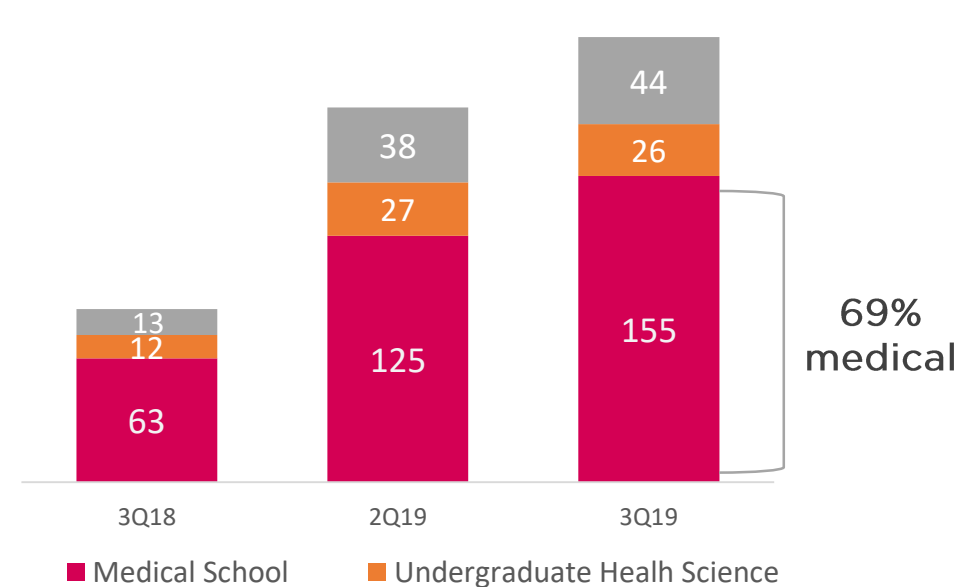
Active paying students ('000 students)



Medical School Average ticket (R\$/month)



Combined tuition fees (R\$ mm)



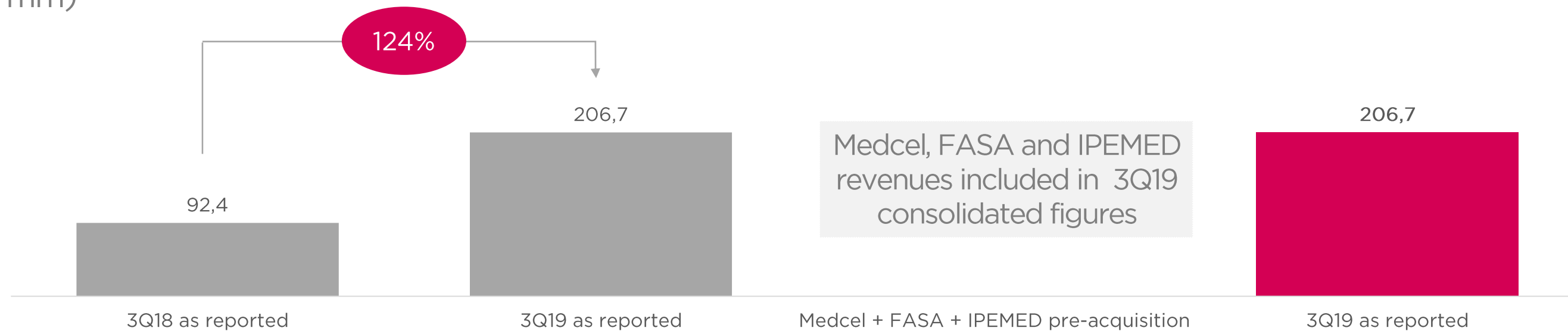
Recent acquisition of UniRedentor, brings a complementary portfolio of specialization courses in medical and other healthcare related area

*Full potential does not include Uniredentor acquisition

...supports robust topline growth

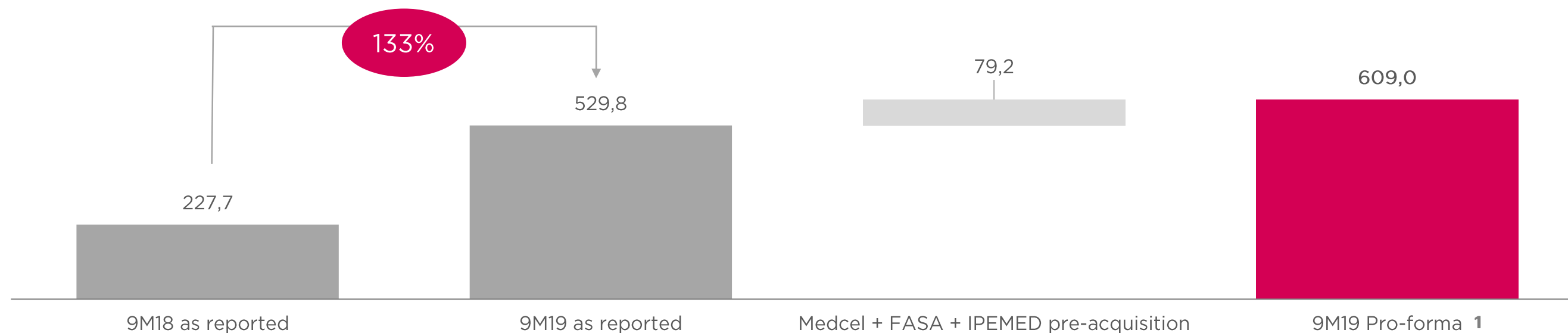
3Q19 Net Revenues

(R\$ mm)



9M19 Net Revenues

(R\$ mm)



1) Pro forma information for the three months and nine months periods ended September 30, 2018 are based on the historical consolidated financial statements of Afya Brazil, and give effect of the acquisitions of Medcel, FASA and IPEMED by Afya Brazil as if they had occurred on January 1, 2018.

Revenue breakdown

Net Revenue breakdown by business unit

(R\$ mm)

(in thousand of R\$)	Third Quarter			Nine Months		
	2019	2018	% Chg	2019	2018	% Chg
Net Revenue Mix						
Business Unit-1	176,113	92,426	90.5%	477,631	227,695	109.8%
Business Unit-2	32,662	0	-	56,033	0	-
Inter-segment transactions	-2,062	0	-	-3,880	0	-
Total Reported Net Revenue	206,713	92,426	123.7%	529,784	227,695	132.7%
Total Pro Forma¹ Net Revenue	206,713	-	-	608,984	-	-

1) Pro forma information for the nine months period ended September 30, 2019 are based on the historical consolidated financial statements of Afya Brazil, and give effect of the acquisitions of Medcel, IPEMED and FASA by Afya Brazil as if they had occurred on January 1, 2019.

Strong growth and Adjusted EBITDA Margin expansion



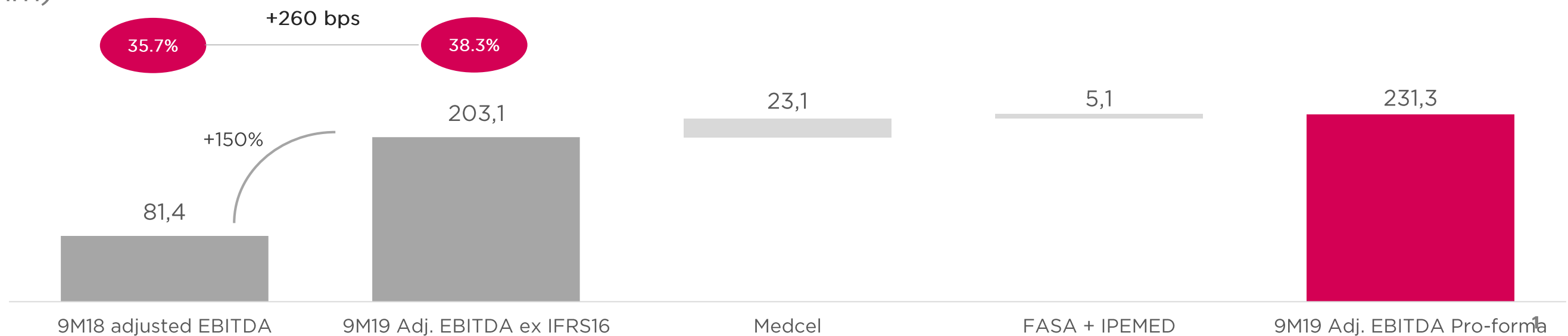
3Q19 Adjusted EBITDA and Adjusted EBITDA margin

(R\$ mm)



9M19 Adjusted EBITDA and Adjusted EBITDA margin

(R\$ mm)



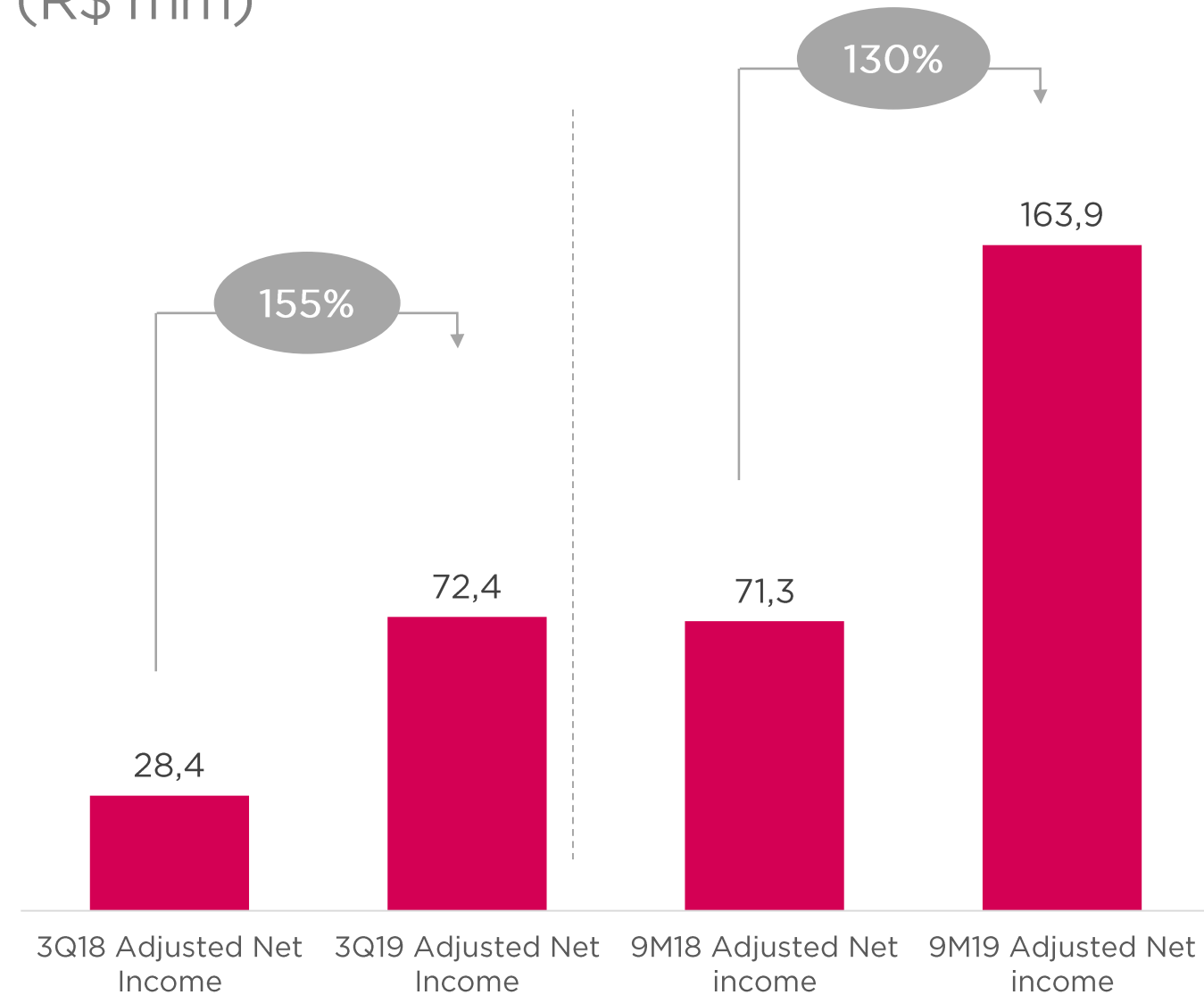
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% Adj. EBITDA margin

Strong bottom line performance

Adjusted Net income

(R\$ mm)



- 3Q19 Adjusted net income of R\$72.3 million, compared to R\$28.4 million in 3Q18 benefiting from:
 - Synergies captured and margins expansion
 - Acquisitions consolidated during this period
 - An increase in financial income from higher net cash position after IPO

Solid balance and cash flow generation to continue funding growth

Operating Cash Conversion Ratio

- Higher cash flow generation in 3Q due to a higher pre-payment of students and Medcel seasonality
- Cash and equivalent position of R\$993.5 million at 3Q19
- Total debt of R\$82.2 million at 3Q19

(R\$ thousand)	As of September	
	2019	2018
Cash & equivalents	993,486	62,260
Total Debt	(82,192)	(77,829)
Net Cash Position	911,294	(15,569)

(in thousands of R\$)	Third Quarter			Nine Months		
	2019	2018	% Chg	2019	2018	% Chg
(a) Cash flow from operations	121,837	30,450	300.1%	230,647	63,861	261.2%
(b) Payment of lease liabilities ¹	-10,495	0		-27,811	0	
(c) =(a)+(b) Adjusted cash flow from operations	111,342	30,450	265.4%	202,836	63,861	217.6%
Operations						
(d) Adjusted EBITDA	80,929	26,912	200.4%	203,104	81,361	149.6%
(e) Non-recurring expenses:	7,728	3,809	102.9%	16,058	5,305	202.7%
- Integration of new companies ²	893	133	573.0%	4,500	635	608.6%
- M&A advisory and due diligence ³	289	7	4033.4%	1,388	157	784.1%
- Expansion projects ⁴	468	5	10003.2%	1,411	351	302.3%
- Restructuring Expenses ⁵	6,078	3,664	65.9%	8,759	4,162	110.5%
(f)=(d)-(e) Adjusted EBITDA ex- non-recurring exp	73,201	23,103	216.5%	187,046	76,056	145.9%
(g) = (c) / (f) Operating cash conversion ratio	152.1%	131.8%	20.4%	108.4%	84.0%	24.5%

(1) Consists of payment of lease liabilities recorded under IFRS 16 as from January 1, 2019.

(2) Consists of expenses related to the integration of newly acquired companies.

(3) Consists of expenses related to professional and consultant fees in connection with due diligence services for M&A transactions.

(4) Consists of expenses related to professional and consultant fees in connection with the opening of new campuses.

(5) Consists of expenses related to the employee redundancies in connection with the organizational restructuring of acquired companies.

Comparing 3Q19 results to market consensus



<i>R\$ Million (Ex-IFRS)</i>	Market Consensus							Afya (ex-IPEC)
	Bank 1	Bank 2	Bank 3	Bank 4	Bank 5	Average	Median	
Revenue	205.4	211.0	205.0	208.0	193.0	204.5	205.4	205.9
Adjusted EBITDA	74.7	75.0	73.0	74.0	72.0	73.7	74.0	80.6
Adjusted EBITDA Margin	36.4%	35.5%	35.6%	35.6%	37.3%	36.1%	35.6%	39.1%

The consensus estimate is based on estimates, forecasts and predictions made by third party financial analysts. It is not prepared based on information provided or checked by Afya and can only be seen as a consensus view on Afya's results from an outside perspective. Afya has not provided input on these forecasts, except by referring to past publicly disclosed information. Afya does not accept any responsibility for the quality or accuracy of any individual forecast or estimate. This press release may contain forward-looking statements based on current assumptions and forecasts made by Afya or third parties. Various known and unknown risks, uncertainties and other factors could lead to material differences between Afya's actual future results, financial situation, development or performance, and the estimates given here. Further information on these and other factors that could affect our financial results is included in filings we make with the Securities and Exchange Commission from time to time, including the section titled "Risk Factors" in our most recent Rule 424(b) prospectus. These documents are available on the SEC Filings section of the investor relations section of our website at: <https://ir.afya.com.br/>.

Reaffirming 2H19 guidance



2H19 Pro Forma Net Revenues between R\$415 million and R\$430 million



2H19 Pro Forma Adjusted EBITDA margin between 38% and 40%

Guidance Assumptions

- Maturation of several medical schools is expected to result a higher enrollment base in 2H vs 1H of each year.
- Expect to improve efficiencies and extract synergies from companies acquired along 2Q19 (FASA and IPEMED), which is therefore expected to improve revenues and margins of such companies in 2H19.
- Excludes acquisition of IPEC and any other acquisition that we may conclude in 2H2019.
- Eliminates the impact of the adoption of IFRS16 in 2019

3Q19 Results (excluding IPEC)

(in millions of R\$)

Third Quarter

2019

Net Revenue 205.9

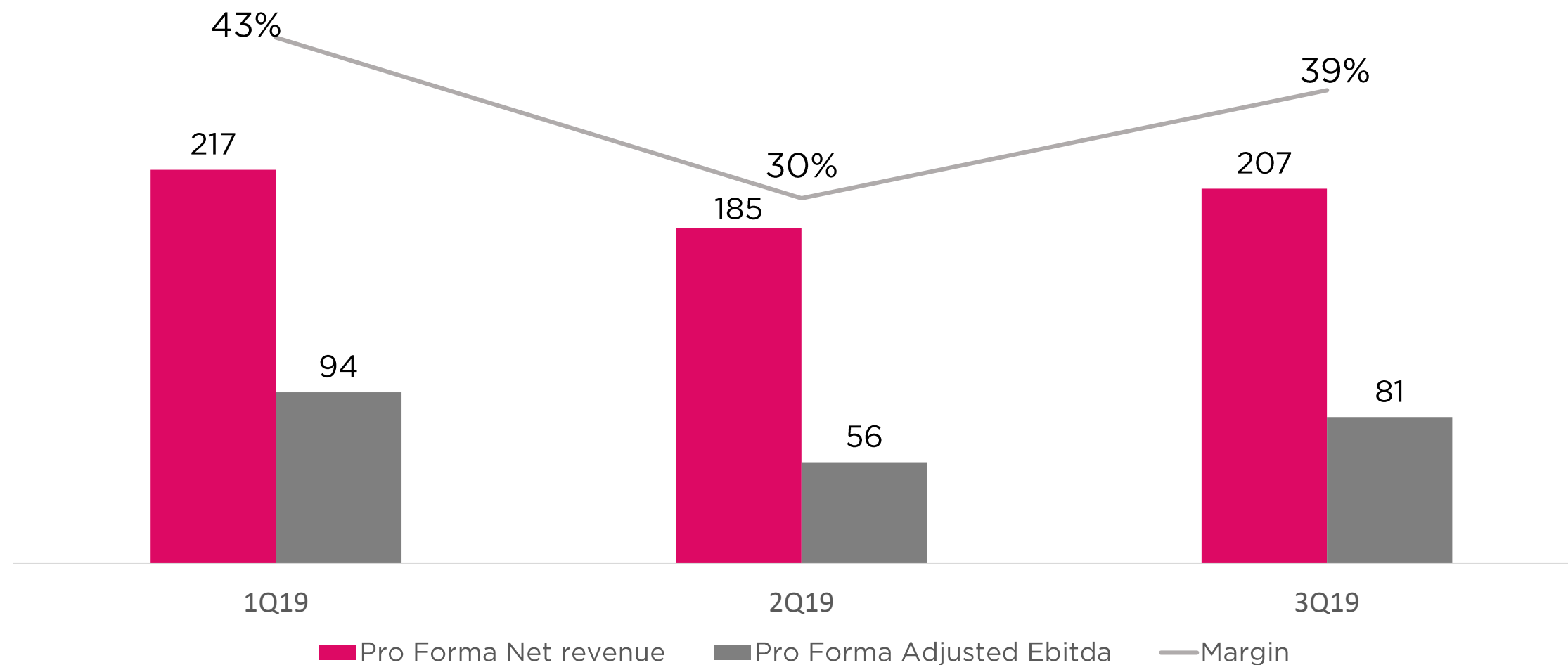
Adjusted EBITDA 80.6

* Results in the same terms of 2H2019 Guidance

Seasonality

Pro Forma Net Revenue and Pro Forma EBITDA

(R\$ mm)



Business Seasonality

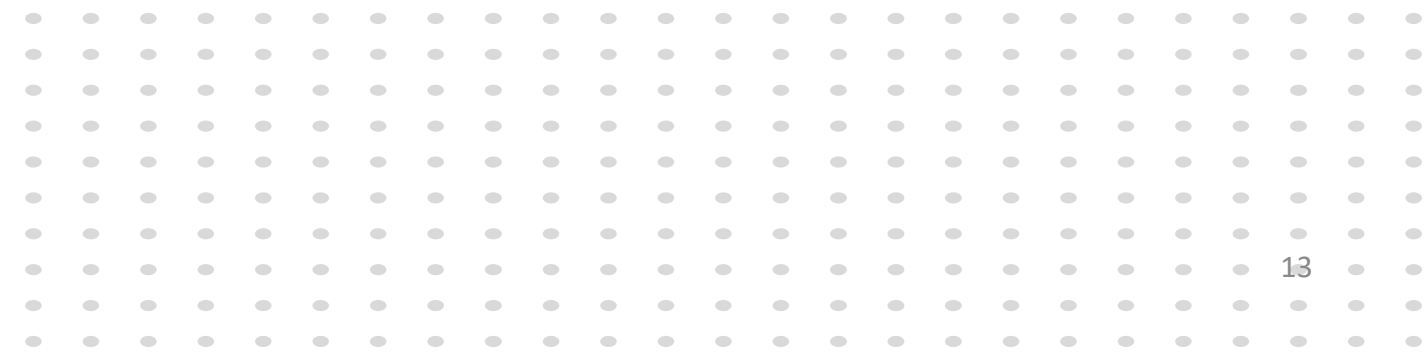
Business Unit 1

- BU1's net revenues do not have significant fluctuations during the year
- Maturation process makes 2H stronger than 1H for each year

Business Unit 2

- BU2's net revenues are concentrated in the first and last quarter of the year when printed books and e-books are delivered to students

Q&A





Appendix

Reconciliation between Net Income and Adjusted EBITDA

R\$ thousand

	Third Quarter			Nine Months		
	2019	2018	% Chg	2019	2018	% Chg
Net income	48,984	26,946	81.8%	119,786	68,396	75.1%
Net financial result	-5,066	-2,323	118.1%	17,074	-4,630	-468.8%
Income taxes expense	5,748	1,477	289.2%	9,702	3,138	209.2%
Depreciation and amortization	22,262	772	2783.7%	50,703	4,177	1113.9%
Interest received (1)	3,813	1,421	168.3%	7,728	3,439	124.7%
Payment of lease liabilities (2)	-10,495	0	-	-27,811	0	-
Share-based compensation	7,955	625	1172.8%	9,864	1,536	542.2%
Non-recurring expenses:						
- Integration of new companies (3)	893	133	571.4%	4,500	635	608.6%
- M&A advisory and due diligence (4)	289	7	4028.6%	1,388	157	784.1%
- Expansion projects (5)	468	5	9736.2%	1,411	351	302.3%
- Restructuring expenses (6)	6,078	3,665	65.8%	8,759	4,162	110.5%
Adjusted EBITDA	80,929	32,728	147.3%	203,104	81,361	149.6%
Adjusted EBITDA Margin	39.2%	35.4%	+ 370 b.p	38.3%	35.7%	+ 260 p.p
Pro Forma Adjusted EBITDA (7)	80,929	-	-	231,290	-	-
Pro Forma Adjusted EBITDA Margin (7)	39.2%	-	-	38.0%	-	-

(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.

Reconciliation between Net Income and Adjusted Net Income



R\$ thousand

	Third Quarter			Nine Months		
	2019	2018	% Chg	2019	2018	% Chg
Net income	48,984	26,946	81.8%	119,786	68,396	75.1%
Amortization of customer relationships and trademark (1)	12,058	820	0.0%	25,640	1,367	0.0%
Depreciation of right-of-use of assets (2)	5,104	0	0.0%	13,122	0	0.0%
Interest expense of lease liabilities (3)	8,797	0	0.0%	23,337	0	0.0%
Payment of lease liabilities (4)	-10,495	0	0.0%	-27,811	0	0.0%
Share-based compensation	7,955	625	0.0%	9,864	1,536	0.0%
Adjusted Net Income	72,403	28,391	154.7%	163,938	71,299	129.9%

(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) Consists of amortization of customer relationships and trademark recorded under business combinations. (4) Consists of depreciation of right-of-use of assets recorded under IFRS 16 as from January 1, 2019. (5) Consists of interest expenses of lease liabilities recorded under IFRS 16 as from January 1, 2019. (6) Consists of payment of lease liabilities recorded under IFRS 16 as from January 1, 2019.

Reconciliation between Net Income and Pro Forma Adjusted EBITDA

R\$ thousand

	Nine months 2019	Three months 2019			Nine months 2019
	Afya Brazil Historical (1)	Medcel (2)	Pro Forma Adjustments	FASA + IPEMED EBITDA Pre Acq.	Afya Brazil Pro Forma
Net income	119,786	20,044	-5,315	-	134,515
Net financial result	17,074	65	0	-	17,139
Income taxes expense	9,702	1,409	0	-	11,111
Depreciation and amortization	50,703	1,726	5,315	-	57,744
Interest received (3)	7,728	0	0	-	7,728
Payment of lease liabilities (4)	-27,811	-228	0	-	-28,039
Share-based compensation	9,864	70	0	-	9,934
Non-recurring expenses:	0	0	0	-	0
Integration of new companies (5)	4,500	0	0	-	4,500
M&A advisory and due diligence (6)	1,388	0	0	-	1,388
Expansion projects (7)	1,411	0	0	-	1,411
Restructuring expenses (8)	8,759	0	0	-	8,759
Pro Forma Adjusted EBITDA	203,104	23,086	0	5,100	231,290

(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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