

## Afya Limited Announces Second Quarter and First Half 2020 Financial Results

### Surpassed 1H20 Guidance; Synergies and Maturation Driving Margin Expansion

**Nova Lima, Brazil, August 27, 2020 – Afya Limited (Nasdaq: AFYA)** (“Afya” or the “Company”), the leading medical education group in Brazil, today reported financial and operating results for the three and six-month periods ended June 30, 2020 (second quarter 2020, 2Q20 and first half 2020, respectively). Financial results are expressed in Brazilian Reals and are presented in accordance with International Financial Reporting Standards (IFRS).

#### Second Quarter 2020

- Net Revenue in 2Q20 increased 53.6% year over year (YoY) to R\$274.2 million, this value does not include R\$14.4 million of net revenue, that was deferred due to the interruption of practical activities on campus. Net Revenue excluding UniRedentor and UniSL grew 22.6%, reaching R\$218.8 million.
- Adjusted EBITDA in 2Q20 increased 76.6% YoY reaching R\$118.2 million, considering the deferred revenue recognition of R\$14.4 million related to the interruption of practical activities on campus, with Adjusted EBITDA margin of 43.1%, expanding 560 basis points (bps). Adjusted EBITDA excluding UniRedentor and UniSL grew 46.6%.
- Adjusted Net Income in 2Q20 of R\$82.6 million was 163.1% higher than 2Q19.

#### First Half 2020 Highlights

- First Half 2020 Net Revenue of R\$546.5 million, up 69.2% YoY, this value does not include R\$14.4 million of net revenue, that was deferred due to the interruption of practical activities on campus. Net Revenue excluding UniRedentor and UniSL increased 47.3% YoY reaching R\$475.8 million.
- Adjusted EBITDA for first half 2020 (1H20) increased 82.7% YoY reaching R\$258.8 million, with Adjusted EBITDA margin of 47.4%, expanding 360 bps. Adjusted EBITDA excluding UniRedentor and UniSL increased 66.5% YoY, reaching R\$235.9 million, with Adjusted EBITDA margin of 49.6%.
- Adjusted Net Income in 1H20 of R\$206.6 million was 143.3% higher than 1H19.
- Cash conversion of 82.6% with a solid cash position of R\$1.1 billion at quarter-end.
- Subsequent events:
  - ⊗ Entrance into the digital health services segment with the acquisition of PEBMED, strengthening BU-2. PEBMED helps physicians in the decision making process through Whitebook with more than 165,000 active users per month, of which 91,000 are paying subscribers. It also provides Nursebook app and PEBMED portal;
  - ⊗ Entrance into a purchase agreement for the acquisition of Faculdade Ciências Médicas da Paraíba, or FCMPB and Faculdade de Ensino Superior da Amazônia Reunida, or FESAR, adding a combined total of 277 medical seats. The transactions are subject to customary closing conditions and antitrust regulatory approvals. It is Afya’s first medical school in Paraíba state and FESAR, the second one, in the state of Pará.

Table 1: Financial Highlights

|   | For the three months period ended June 30, |                                     |         |         |                                      | For the six months period ended June 30, |                                     |         |         |                                      |
|---|--|-------------------------------------|---------|---------|--------------------------------------|--|-------------------------------------|---------|---------|--------------------------------------|
|   | 2020                                       | 2020 Ex<br>Uniredentor<br>and UniSL | 2019    | % Chg   | % Chg Ex<br>Uniredentor<br>and UniSL | 2020                                     | 2020 Ex<br>Uniredentor<br>and UniSL | 2019    | % Chg   | % Chg Ex<br>Uniredentor<br>and UniSL |
| <i>(in thousand of R\$)</i>                                   |  |                                     |         |         |                                      |  |                                     |         |         |                                      |
| (a) Net Revenue <sup>1</sup>                                  | 274,211                                    | 218,813                             | 178,493 | 53.6%   | 22.6%                                | 546,515                                  | 475,811                             | 323,071 | 69.2%   | 47.3%                                |
| (b) Pro forma Net Revenue <sup>1 2</sup>                      | 274,211                                    | 218,813                             | 184,229 | 48.8%   | 18.8%                                | 546,515                                  | 475,811                             | 402,172 | 35.9%   | 18.3%                                |
| (c) Adjusted EBITDA <sup>3</sup>                              | 118,152                                    | 98,072                              | 66,909  | 76.6%   | 46.6%                                | 258,796                                  | 235,867                             | 141,639 | 82.7%   | 66.5%                                |
| (d) = (c)/(a) Adjusted EBITDA Margin <sup>2</sup>             | 43.1%                                      | 44.8%                               | 37.5%   | 560 bps | 730 bps                              | 47.4%                                    | 49.6%                               | 43.8%   | 360 bps | 580 bps                              |
| (g) Pro forma Adjusted EBITDA <sup>1 2</sup>                  | 118,152                                    | 98,072                              | 68,127  | 73.4%   | 44.0%                                | 258,796                                  | 235,867                             | 152,509 | 69.7%   | 54.7%                                |
| (h) = (e)/(b) Pro forma Adjusted EBITDA <sup>1 2</sup> Margin | 43.1%                                      | 44.8%                               | 37.0%   | 610 bps | 780 bps                              | 47.4%                                    | 49.6%                               | 37.9%   | 950 bps | 1170 bps                             |
| (i) Adjusted Net Income <sup>3</sup>                          | 82,558                                     | 68,689                              | 31,376  | 163.1%  | 118.9%                               | 206,569                                  | 190,654                             | 84,907  | 143.3%  | 124.5%                               |

1. Due to the interruption of practical classes during the pandemic R\$ 14.4 million of 1H2020 Net Revenue will be recognized in the 2H2020.

2. Includes the pro-forma results of Medcel, IPEMED and FASA, as if the acquisition had been consummated on January 1, 2019.

3. See more information on “Non-GAAP Financial Measures” (Item 8).

## Message from Management

*Virgilio Gibbon, Afya's CEO, stated:*

Our organization has responded and adapted to the challenges of the COVID-19 in an incredible and agile manner. I am extremely proud of the way Afya has adapted and executed to meet the significant changes and delivered an outstanding performance during the second quarter, which was ahead of our expectations.

The story of the second quarter was dictated by the COVID-19 pandemic. Our priorities remain unchanged as we continue to navigate these challenging times. We are focused on taking care of our employees and students and operating in a safe environment that protects both our team members and students. To that end, in mid-March, we shifted all our classes online and moved to a remote work situation for all corporate employees. Our ability to adapt to these changes allowed us to deliver a strong performance in the second quarter and surpass our first half guidance. Importantly, we closed the quarter having exceeded all the key financial targets we laid out for first half 2020.

We began the year with a very strong intake process, had completed the enrollment process and delivered 100% occupancy for the first half. We also saw strong demand for medical seats for the upcoming semester, thus, we are once again assured of 100% occupancy for the remainder of the year.

The COVID-19 pandemic intensified and accelerated some behavior shifts that were already underway, and caused us to rethink where best to invest our resources. In addition, as evidenced by the pandemic, the medical community and patients alike have embraced a digital component to healthcare. We discussed in the past that digital assets were appealing to us so that we can add more services to medical students and professionals, thus maximizing our product offering. Subsequent to quarter end, we furthered our Afya Digital with the acquisition of PEBMED, our first and significant acquisition in the health tech segment. This acquisition enables us to deepen our relationships with our students as well as getting our brand in front of many new doctors, nurses and other medical personnel and students, enhancing our competitive position and our capabilities.

Additionally, and also subsequent to quarter end, we announced two medical school acquisitions adding a further 277 seats – marking our entry in the state of Paraíba and strengthening our presence in the state of Pará. We are successfully executing on our strategy as we have completed 15 acquisitions over the past 2 years - 6 since we became public one year ago - and have added close to 700 medical seats in less than one year, or approximately 70% of our three-year target of 1,000 seats shared during our IPO. Importantly, we have a solid track record of integrating acquired companies and delivering cost efficiencies and synergies that can be seen in the margin expansion we are delivering. These acquisitions set us up to deliver continued strong results in the months and years to come.

We continue to have a peer-leading capital structure, providing agility to adapt to the dynamic environment we are operating in. Given our strong free cash flow and liquidity, we remain committed to our long-term capital priorities, with a balanced approach to invest in the business and return strong cash to our stockholders, all while keeping our students, faculty members and employees safe and managing through this volatile environment.

We are celebrating our one year anniversary of being a public company. Since then, we have all experienced significant change and new challenges over these past several months. Things we never predicted are now realities that we are all adapting to. Things we thought would evolve over the course of several years have changed in weeks. We are very pleased with our first half performance and are encouraged with how the back half is shaping up which is reflected in the guidance that we are introducing today.

To close, I could not be prouder of the Afya organization for how they have responded, the way we kept our focus on our people, students and physicians and delivered superior execution, leading to an outstanding first half in 2020.

## 1. First Half 2020 Guidance

|                                       | Guidance for 1H20         | Actual 1H20 |
|---------------------------------------|---------------------------|-------------|
| Net Revenue <sup>(1)(2)</sup>         | R\$475 mn ≤ Δ ≤ R\$510 mn | R\$516.1 mn |
| Adjusted EBITDA Margin <sup>(3)</sup> | 45% ≤ Δ ≤ 46.5%           | 48.1%       |

(1) Includes Uniredentor starting February 1<sup>st</sup>, 2020, and excludes any acquisition that was concluded after the issuance of the guidance; for instance, it does not include UniSL that was concluded on May 5, 2020, subsequent to the original issuance of guidance.

(2) Includes the postponement in the recognition of Net Revenue in the amount of R\$14.4 million, due to the interruption of practical classes during the pandemic.

(3) Includes the impact of the adoption of IFRS16.

## 2. Second Half 2020 Guidance

The Company is introducing guidance for 2H20 which takes into account the successfully concluded acceptances of new medicine students for the second half of 2020 and assuming a certain degree of potential impacts of COVID-19 into the business during 2H20. We assume that the practical educational on-campus activities resume in second half but some portion might be provided only in 2021.

The global Coronavirus outbreak is an unprecedented and still evolving situation. When considering Afya's guidance for 2H20, it is paramount that shareholders and the market in general be advised that the COVID-19 pandemic is still evolving in Brazil, some state authorities may maintain quarantines or "shelter in place" status for a still undefined period of time and/or take other actions not contemplated into the guidance, all of which are outside of the Company's control.

Considering the above factors, the guidance for 2H20 is defined in the following table.

| Guidance for 2H20   | Important considerations  |
|---|---|
| Net Revenue is expected to be between R\$600 million – R\$640 million | <ul style="list-style-type: none"> <li>▪ Includes PEBMED starting on July 20, 2020.</li> <li>▪ Includes R\$14.4 million of Net Revenue related to the 1H20 that was not recognized due to the postponement of practical classes during the pandemic.</li> <li>▪ Excludes any acquisition that may be concluded after the issuance of the guidance. For instance does not include FCMPB and FESAR.</li> </ul>  |
| Adjusted EBITDA margin is expected to be between 45.5-47.0%           | <ul style="list-style-type: none"> <li>▪ Includes PEBMED starting on July 20, 2020.</li> <li>▪ Includes R\$14.4 million of Net Revenue related to the 1H20 that was not recognized due to the postponement of practical classes during the pandemic.</li> <li>▪ Excludes any acquisition that may be concluded after the issuance of the guidance. For instance does not include FCMPB and FESAR.</li> <li>▪ Includes the impact of the adoption of IFRS 16.</li> </ul> |

## 3. Overview of 2Q20

### Operational Review

Afya is the only company offering technological solutions to support students across every stage of the medical career, from undergraduate students in its medical school years through medical residency preparatory courses, medical specialization programs and continuing medical education.

The Company operates two distinct business units. The first (**Business Unit 1 or BU1**), is comprised of Undergraduate – medical schools, other healthcare programs and ex-health degrees. Revenue is generated from the monthly tuition fees the Company charges students enrolled in the undergraduate programs. The Company also offers Residency Preparatory and Specialization Programs, as well as Digital Health Services (**Business Unit 2 or BU2**). Revenue is comprised of fees from these programs.

**Table 2: Key Revenue Drivers**

|   | Six months ended June 30, |                |              |
|---|---------------------------|----------------|--------------|
|   | 2020                      | 2019           | % Chg        |
| <b>Business Unit 1: Educational Services Segment <sup>1</sup></b>             |                           |                |              |
| <b>MEDICAL SCHOOL</b>   |                           |                |              |
| Approved Seats <sup>2</sup>   | 1,866                     | 1,352          | 38.0%        |
| Operating Seats   | 1,516                     | 1,102          | 37.6%        |
| Total Students  | 9,097                     | 5,550          | 63.9%        |
| Total Students (ex-UniSL and ex-Uniredentor)                                  | 7,319                     | 5,550          | 31.9%        |
| Tuition Fees (ex- UniSL and ex- Uniredentor - R\$MM)                          | 358,214                   | 239,280        | 49.7%        |
| <b>Tuition Fees (Total - R\$MM)</b>   | <b>406,439</b>            | <b>239,280</b> | <b>69.9%</b> |
| <b>Medical School Avg, Ticket (ex- UniSL and ex- Uniredentor - R\$/month)</b> | <b>8,157</b>              | <b>7,186</b>   | <b>13.5%</b> |
| <b>UNDERGRADUATE HEALTH SCIENCE</b>   |                           |                |              |
| Total Students  | 13,853                    | 6,939          | 99.6%        |
| Total Students (ex-UniSL and ex-Uniredentor)                                  | 7,031                     | 6,939          | 1.3%         |
| Tuition Fees (ex- UniSL and ex- Uniredentor - R\$MM)                          | 52,249                    | 49,570         | 5.4%         |
| <b>Tuition Fees (Total - R\$MM)</b>   | <b>68,723</b>             | <b>49,570</b>  | <b>38.6%</b> |
| <b>OTHER UNDERGRADUATE</b>  |                           |                |              |
| Total Students  | 16,031                    | 12,711         | 26.1%        |
| Total Students (ex-UniSL and ex-Uniredentor)                                  | 8,723                     | 12,711         | -31.4%       |
| Tuition Fees (ex- UniSL and ex- Uniredentor - R\$MM)                          | 58,829                    | 60,504         | -2.8%        |
| <b>Tuition Fees (Total - R\$MM)</b>   | <b>80,707</b>             | <b>60,504</b>  | <b>33.4%</b> |
| <b>Business Unit 2: Prep Courses &amp; CME and Medical Specialization</b>     |                           |                |              |
| <b>Active Paying Students</b>   |                           |                |              |
| Prep Courses & CME - B2C  | 10,594                    | 8,415          | 25.9%        |
| Prep Courses & CME - B2B  | 890                       | 732            | 21.6%        |
| Medical Specialization & Others   | 4,513                     | 1,728          | 161.2%       |
| Medical Specialization & Others (ex-Uniredentor)                              | 2,188                     | 1,728          | 26.6%        |
| Revenue from courses (ex- Uniredentor - R\$MM) <sup>3</sup>                   | 86,643                    | 23,371         | 270.7%       |

1. Uniredentor average tuition fee for medical school in 1H2020 was R\$9,431 and for UniSL was R\$7,691.

2. This number does not includes FCMPB and FESAR that were acquired in August, 2020 and contribute 277 seats to Afya.

3. As Medcel and Ipemed were acquired on March 31, 2019 and on May 9, 2019 respectively, revenue from courses for BU2 were not accounted for in 1Q19. The number of students is disclosed to contribute with investors analysis.

Along with the active paying students, 11,619 medical students from 46 public and private medical schools are still accessing the Company's Digital platform with a temporary free access during the pandemic crisis.

Total monthly active users (MaU) increased 27.6% quarter over quarter, reaching 20,420 users at the end of June. MaU represents the number of unique individuals that consumed Afya's digital content in the last 30 days. Afya's offers to its MaU a significant amount of learning assets, comprised of e-books, videos, podcasts and question/answer documents.

| <b>Table 3: Key Operational Drivers for BU2</b> | 2020   |        |       |
|---|--------|--------|-------|
|   | 2Q20   | 1Q20   | % Chg |
| Total Monthly Active Users (MaU)                | 20,420 | 16,008 | 27.6% |

\*Does not include PEBMED's numbers

## Seasonality

Afya's two businesses are impacted by seasonality but at different time periods. The first is associated with the concentration of prep course revenues in the first and fourth quarters of each year, when new content (books and e-books) is delivered and most part of the revenues are recognized. The second is associated with the maturation of several medical schools, which leads to a higher enrollment base in the second half of each year. As a result, in a typical year, the first quarter is normally the strongest. The fourth quarter is normally the second strongest, followed by the third and second quarters, respectively. Finally, the second half of the year is normally stronger than the first half.

## Revenue

Total Net Revenue for second quarter 2020 was R\$274.2 million, an increase of 53.6% over the same period of prior year. Pro forma Net Revenue, which considers results of Medcel, IPEMED and FASA as if they were acquired on January 1<sup>st</sup> 2019, was R\$274.2 million in 2Q20, up 48.8% over the same period of the prior year. Excluding UniSL and UniRedentor, Pro Forma Net Revenue in 2Q20 increased 18.8% YoY, reaching R\$218.8 million. This increase was primarily driven by organic revenue growth, mainly due to the maturation of medical school seats and increase in average ticket.

For the six-months ended June 30, 2020 Total Net Revenue was R\$546.5 million, an increase of 69.2% over the same period of last year. For the six-months ended June 30, 2020, Pro forma Net Revenue increased 35.9% over the same period of last year, to R\$546.5 million. Excluding UniSL and UniRedentor, Pro Forma Net Revenue in six-months ended June 30 increased 18.3% YoY, reaching R\$475.8 million.

Taking into account the interruption of on-campus activities and that some non-practical educational activities had to be rearranged to 2H20, according to IFRS15, the Company concluded it was necessary to defer R\$14.4 million of its 2Q20 Net Revenue, with no postponement of costs or expenses in the same period. The Company expects these activities to gradually resume during 2H20 and the associated deferred revenues to be recognized at that time.

**Table 4: Revenue & Revenue Mix**

(in thousand of R\$)

|  | For the three months period ended June 30, |                               |                |              |                                | For the six months period ended June 30, |                               |                |              |                                |
|--|--|-------------------------------|----------------|--------------|--------------------------------|--|-------------------------------|----------------|--------------|--------------------------------|
|  | 2020                                       | 2020 Ex Uniredentor and UniSL | 2019           | % Chg        | % Chg Ex Uniredentor and UniSL | 2020                                     | 2020 Ex Uniredentor and UniSL | 2019           | % Chg        | % Chg Ex Uniredentor and UniSL |
| Net Revenue Mix                                |  |                               |                |              |                                |  |                               |                |              |                                |
| Business Unit-1                                | 240,102                                    | 190,064                       | 156,940        | 53.0%        | 21.1%                          | 451,886                                  | 389,168                       | 301,518        | 49.9%        | 29.1%                          |
| Business Unit-2                                | 34,109                                     | 28,749                        | 23,371         | 45.9%        | 23.0%                          | 95,606                                   | 86,643                        | 23,371         | 309.1%       | 270.7%                         |
| Inter-segment transactions                     | -  | -                             | (1,818)        | -            | -                              | (977)                                    | -                             | (1,818)        | -46.3%       | -                              |
| <b>Total Reported Net Revenue</b>              | <b>274,211</b>                             | <b>218,813</b>                | <b>178,493</b> | <b>53.6%</b> | <b>22.6%</b>                   | <b>546,515</b>                           | <b>475,811</b>                | <b>323,071</b> | <b>69.2%</b> | <b>47.3%</b>                   |
| <b>Total Pro Forma Net Revenue<sup>1</sup></b> | <b>274,211</b>                             | <b>218,813</b>                | <b>184,229</b> | <b>48.8%</b> | <b>18.8%</b>                   | <b>546,515</b>                           | <b>475,811</b>                | <b>402,172</b> | <b>35.9%</b> | <b>18.3%</b>                   |

1. Includes the pro-forma results of Medcel, IPEMED and FASA, as if the acquisition had been consummated on January 1, 2019.

## Adjusted EBITDA

Adjusted EBITDA in the three-months ended June 30, 2020 increased 76.6% to R\$118.2 million, from R\$66.9 million in the same period of the prior year. Adjusted EBITDA margin of 43.1% was up from 37.5% reported in the three-months ended June 30, 2019. For the six-months ended June 30, 2020, Adjusted EBITDA increased 82.7% to R\$258.8 million, from R\$141.6 million in the six-months ended June 30, 2019. Adjusted EBITDA margin of 47.4% was 360 basis points higher than the 43.8% reported in the six-months ended June 30, 2019.

Excluding the consolidation of UniRedentor and UniSL, Pro forma Adjusted EBITDA in the three-months ended June 30, 2020 increased 44.0% YoY to R\$98.1 million from R\$68.1 million while Pro forma Adjusted EBITDA margin increased 780 basis points, to 44.8% from 37.0%. For the six-months ended June 30, 2020, Pro forma Adjusted EBITDA excluding Uniredentor and UniSL increased 54.7% YoY to R\$235.9 million up from R\$152.5 million and Pro forma Adjusted EBITDA margin increased 1170 basis points, to 49.6% from 37.9%. Both improvements reflect mainly operational leverage, synergies obtained from recent acquisitions and other improvements.

**Table 5: Adjusted EBITDA**

(in thousand of R\$)

|                                       | For the three months period ended June 30, |                              |        |         |                               | For the six months period ended June 30, |                              |         |         |                               |
|---------------------------------------|--|------------------------------|--------|---------|-------------------------------|--|------------------------------|---------|---------|-------------------------------|
|                                       | 2020                                       | 2020 Ex Unireditor and UniSL | 2019   | % Chg   | % Chg Ex Unireditor and UniSL | 2020                                     | 2020 Ex Unireditor and UniSL | 2019    | % Chg   | % Chg Ex Unireditor and UniSL |
| Adjusted EBITDA                       | 118,152                                    | 98,072                       | 66,909 | 76.6%   | 46.6%                         | 258,796                                  | 235,867                      | 141,639 | 82.7%   | 66.5%                         |
| % Margin                              | 43.1%                                      | 44.8%                        | 37.5%  | 560 bps | 730 bps                       | 47.4%                                    | 49.6%                        | 43.8%   | 360 bps | 580 bps                       |
| Proforma Adjusted EBITDA <sup>1</sup> | 118,152                                    | 98,072                       | 68,127 | 73.4%   | 44.0%                         | 258,796                                  | 235,867                      | 152,509 | 69.7%   | 54.7%                         |
| % Margin                              | 43.1%                                      | 44.8%                        | 37.0%  | 610 bps | 780 bps                       | 47.4%                                    | 49.6%                        | 37.9%   | 950 bps | 1170 bps                      |

1. Includes the pro-forma results of Medcel, IPEMED and FASA, as if the acquisition had been consummated on January 1, 2019.

## Net Income

Adjusted Net Income for the second quarter 2020 was R\$82.6 million, increasing 163.1% over the same period of the prior year. For the six-months ended June 30, 2020, the Company reported Adjusted Net Income of R\$206.6 million, compared to an Adjusted Net Income of R\$84.9 million in the six-months ended June 30, 2019, an increase of 143.3%. Both increases reflect mainly the revenue contribution, synergies captured and margin expansion from the consolidation of acquisitions as well as organic growth.

(in thousand of R\$)

|  | For the three months period ended June 30, |               |               | For the six months period ended June 30, |               |               |
|--|--|---------------|---------------|--|---------------|---------------|
|  | 2020                                       | 2019          | % Chg         | 2020                                     | 2019          | % Chg         |
| Net income   | 63,886                                     | 21,326        | 199.6%        | 167,556                                  | 70,802        | 136.7%        |
| Amortization of customer relationships and trademark (1) | 12,515                                     | 9,182         | 36.3%         | 24,416                                   | 12,196        | 100.2%        |
| Share-based compensation                                 | 6,157                                      | 868           | 609.3%        | 14,597                                   | 1,909         | 664.6%        |
| <b>Adjusted Net Income</b>                               | <b>82,558</b>                              | <b>31,376</b> | <b>163.1%</b> | <b>206,569</b>                           | <b>84,907</b> | <b>143.3%</b> |

(1) Consists of amortization of customer relationships and trademark recorded under business combinations.

## Balance Sheet and Cash Flow

Cash and cash equivalents, including restricted cash, at June 30, 2020 were R\$1.1 billion, compared to R\$1.3 billion at March 31, 2020, a decrease of 19.0% due to the acquisitions concluded during the 1H20.

For the six-month period ended June 30, 2020, Afya reported an Adjusted Cash Flow from Operations of R\$201.8 million up from R\$111.2 million in same period of previous year, an 81.5% year-over-year increase.

Operating Cash Conversion Ratio for the six-month period ended June 30, 2020 was 82.6% compared with 85.4% in same period of the previous year. This decrease was mainly due to the consolidation of Medcel results in 1H20 figures and our students renegotiation of overdue monthly installments due to Covid-19 crisis. Prep course's revenues are recognized mainly in the first and fourth quarters of each year, but the receivables are mostly stable during the year, Medcel's results negatively affects cash conversion in the first and fourth quarters.

**Table 6: Operating Cash Conversion Ratio Reconciliation**

(in thousand of R\$)

|   | For the six months period ended June 30, |                |                 |
|---|--|----------------|-----------------|
|   | Considering the adoption of IFRS 16      |                |                 |
|   | 2020                                     | 2019           | % Chg           |
| (a) Cash flow from operations                                     | 189,417                                  | 108,810        | 74.1%           |
| (b) Income taxes paid   | 12,397                                   | 2,392          | 418.3%          |
| <b>(c) = (a) + (b) Adjusted cash flow from operations</b>         | <b>201,814</b>                           | <b>111,202</b> | <b>81.5%</b>    |
| (d) Adjusted EBITDA   | 258,796                                  | 141,639        | 82.7%           |
| (e) Non-recurring expenses:                                       |  |                |                 |
| - Integration of new companies (1)                                | 4,982                                    | 3,607          | 38.1%           |
| - M&A advisory and due diligence (2)                              | 5,636                                    | 1,099          | 412.8%          |
| - Expansion projects (3)  | 2,091                                    | 943            | 121.7%          |
| - Restructuring Expenses (4)                                      | 1,762                                    | 5,749          | -69.4%          |
| <b>(f) = (d) - (e) Adjusted EBITDA ex- non-recurring expenses</b> | <b>244,325</b>                           | <b>130,241</b> | <b>87.6%</b>    |
| <b>(g) = (a) / (f) Operating cash conversion ratio</b>            | <b>82.6%</b>                             | <b>85.4%</b>   | <b>-280 bps</b> |

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

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

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

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

#### 4. Subsequent Events

##### Acquisition of PEBMED

On July 20, 2020, the Company announced the acquisition of 100% of the total share capital of PEBMED, through its wholly-owned subsidiary Afya Participações S.A. PEBMED offers content and clinical decision applications with the aim of assisting healthcare professionals make quicker and/or better decisions by providing up to date information at their fingertips, through its products WhiteBook, Nursebook and Portal PEBMED. The business model consists of both paid subscriptions and free content. The net purchase price was R\$132.9 million, with the assumption of estimated net debt of R\$7.1 million, of which: (i) 86.8% was paid in cash, and (ii) 13.2% was paid in Afya's stock. The price multiple is equivalent to 4x PEBMED's annual recurring revenue.

##### Acquisition of Faculdade Ciências Médicas da Paraíba (FCMPB)

On August 20, 2020, the Company announced it entered into a purchase agreement for the acquisition, through its wholly-owned subsidiary Afya Participações S.A., of 100% of the total share capital of Faculdade Ciências Médicas da Paraíba. FCMPB is a post-secondary education institution with government authorization to offer on-campus, undergraduate courses in medicine in the State of Paraíba. The projected Net Revenue for FCMPB in 2024 is R\$107.0 million with an EV/EBITDA post synergies and maturation of 6.3x, all derived from its medical school. The aggregate purchase price is R\$380.0 million, of which: (i) 50% is payable in cash on the transaction closing date, and (ii) 50% is payable in cash in four equal installments through 2024, adjusted by the CDI rate. The acquisition will contribute 157 medical school seats to Afya, increasing Afya's total medical school seats to 2,023.

##### Acquisition of Faculdade de Ensino Superior da Amazônia Reunida (FESAR)

On August 26, 2020, the Company announced it entered into a purchase agreement for the acquisition, through its wholly-owned subsidiary Afya Participações S.A., of 100% of the total share capital of Faculdade de Ensino Superior da Amazônia Reunida. FESAR is a post-secondary education institution with government authorization to offer on-campus, undergraduate courses in medicine in the State of Pará. The projected Net Revenue for FESAR in 2024 is R\$88.6 million with an EV/EBITDA post synergies and maturation of 4.7x adjusted by the real estate. The aggregate purchase price is R\$260 million, of which 100% is payable in cash on the transaction closing date. The enterprise value also includes real estate which is valued at R\$21.0 million. The acquisition will contribute 120 medical school seats to Afya, increasing Afya's total medical school seats to 2,143.

## 5. Conference Call and Webcast Information

**When:** August 28, 2020 at 11:00 a.m. ET.

**Who:** Mr. Virgilio Gibbon, Chief Executive Officer  
Mr. Luis André Blanco, Chief Financial Officer  
Ms. Renata Costa Couto, Head of Investor Relations

**Dial-in:** +55-11-3181-8565 or +1-844- 204-8586 or +1-412-717-9627 (International), conference ID: Afya

**Webcast:** [ir.afya.com.br](http://ir.afya.com.br)

**Replay:** available between August 28, 2020 until September 9, 2020, by dialing +1-412-317-0088 conference ID: 10147648.

## 6. About Afya Limited (Nasdaq: AFYA)

Afya is the leading medical education group in Brazil based on number of medical school seats, delivering an end-to-end physician-centric ecosystem that serves and empowers students to be lifelong medical learners from the moment they enroll as medical students through their medical residency preparation, graduation program, and continuing medical education activities. Afya also offers content and clinical decision applications for healthcare professionals, through its products WhiteBook, Nursebook and Portal PEBMED. For more information, please visit [www.afya.com.br](http://www.afya.com.br).

## 7. Forward – Looking Statements

This press release 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 students; our ability to increase tuition prices and prep course fees; our ability to anticipate and meet the evolving needs of student and teachers; our ability to source and successfully integrate acquisitions; 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. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about the potential impacts of the COVID-19 pandemic on our business operations, financial results and financial position and on the Brazilian economy.

The Company undertakes no obligation to update any forward-looking statements made in this press release to reflect events or circumstances after the date of this press release 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. Readers should not rely upon forward-looking statements as predictions of future events. Forward-looking statements represent management's beliefs and assumptions only as of the date such statements are made. Further information on these and other factors that could affect the Company's financial results is included in filings made with the United States Securities and Exchange Commission (SEC) from time to time, including the section titled "Risk Factors" in the most recent Rule 434(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/>.

## 8. Non-GAAP Financial Measures

To supplement the Company's consolidated financial statements, which are prepared and presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board—IASB, Afya uses Proforma Revenue, Adjusted EBITDA, Pro Forma Adjusted EBITDA, Pro Forma Adjusted Net Income and Operating Cash Conversion Ratio information for the convenience of investors, which are non-GAAP financial measures. A non-GAAP



financial measure is generally defined as one that purports to measure financial performance but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure.

Afya calculates Adjusted EBITDA as net income plus/minus net financial result plus income taxes expense plus depreciation and amortization plus interest received on late payments of monthly tuition fees, plus share-based compensation plus/minus income share associate plus/minus non-recurring expenses. Pro Forma Adjusted EBITDA is calculated as pro forma net income plus/minus pro forma net financial result plus pro forma income taxes expense plus pro forma depreciation and amortization plus pro forma interest received on late payments of monthly tuition fees, plus pro forma share-based compensation plus/minus pro forma income share associate plus/minus pro forma non-recurring expenses. The calculation for Adjusted Net Income is net income plus amortization of customer relationships and trademark, plus shared based compensation. We calculate Operating Cash Conversion Ratio as the cash flows from operations, adjusted with income taxes paid divided by Adjusted EBITDA plus/minus non-recurring expenses.

Management presents Adjusted EBITDA, Pro Forma Adjusted EBITDA and Pro Forma Adjusted Net Income because it believes these measures provide investors with a supplemental measure of the financial performance of the core operations that facilitates period-to-period comparisons on a consistent basis. Afya also presents Operating Cash Conversion Ratio because it believes this measure provides investors with a measure of how efficiently the Company converts EBITDA into cash. The non-GAAP financial measures described in this prospectus are not a substitute for the IFRS measures of earnings. Additionally, calculations of Adjusted EBITDA, Pro Forma Adjusted EBITDA, Pro Forma Adjusted Net Income and Operating Cash Conversion Ratio may be different from the calculations used by other companies, including competitors in the education services industry, and therefore, Afya's measures may not be comparable to those of other companies.

## **9. Unaudited Pro Forma Condensed Consolidated Financial Information**

The unaudited interim pro forma condensed consolidated statement of income for the three and six months ended June 30, 2019 is based on the historical unaudited interim consolidated financial statements of each company, and gives effect of the acquisition of Medcel, IPEMED and FASA by Afya Brazil as if it had been consummated on January 1, 2019. Pro forma adjustments were made to reflect the acquisition of Medcel, IPEMED and FASA by Afya Brazil.

## **10. Investor Relations Contact**

Renata Couto, Head of Investor Relations  
Phone: +55 31 3515.7564 | +55 31 98463.3341  
E-mail: renata.couto@afya.com.br

## **11. Financial Tables**

**Interim condensed consolidated statements of income and comprehensive income**  
**For the three and six-months periods ended June 30, 2020 and 2019**  
**(In thousands of Brazilian Reais, except earnings per share)**

|                                     | Three-month period ended        |                                 | Six-month period ended       |                              |
|-------------------------------------|---------------------------------|---------------------------------|------------------------------|------------------------------|
|                                     | June 30,<br>2020<br>(unaudited) | June 30,<br>2019<br>(unaudited) | June 30, 2020<br>(unaudited) | June 30, 2019<br>(unaudited) |
| Net revenue                         | 274,211                         | 178,493                         | 546,515                      | 323,071                      |
| Cost of services                    | (106,683)                       | (82,283)                        | (195,934)                    | (136,647)                    |
| <b>Gross profit</b>                 | <b>167,528</b>                  | <b>96,210</b>                   | <b>350,581</b>               | <b>186,424</b>               |
| General and administrative expenses | (90,039)                        | (59,584)                        | (176,762)                    | (90,818)                     |
| Other (expenses) income, net        | (689)                           | 576                             | (748)                        | 370                          |
| <b>Operating income</b>             | <b>76,800</b>                   | <b>37,202</b>                   | <b>173,071</b>               | <b>95,976</b>                |
| Finance income                      | 13,954                          | 4,650                           | 42,780                       | 9,817                        |
| Finance expenses                    | (23,130)                        | (19,721)                        | (40,802)                     | (31,957)                     |
| Finance result                      | (9,176)                         | (15,071)                        | 1,978                        | (22,140)                     |
| Share of income of associate        | 2,603                           | 920                             | 4,905                        | 920                          |
| <b>Income before income taxes</b>   | <b>70,227</b>                   | <b>23,051</b>                   | <b>179,954</b>               | <b>74,756</b>                |
| Income taxes expense                | (6,341)                         | (1,725)                         | (12,398)                     | (3,954)                      |
| <b>Net income</b>                   | <b>96 63,886</b>                | <b>21,326</b>                   | <b>167,556</b>               | <b>70,802</b>                |
| Other comprehensive income          | -                               | -                               | -                            | -                            |
| <b>Total comprehensive income</b>   | <b>63,886</b>                   | <b>21,326</b>                   | <b>167,556</b>               | <b>70,802</b>                |
| Income attributable to              |                                 |                                 |                              |                              |
| Equity holders of the parent        | 60,679                          | 16,317                          | 160,495                      | 57,852                       |
| Non-controlling interests           | 3,207                           | 5,009                           | 7,061                        | 12,950                       |
|                                     | <b>63,886</b>                   | <b>21,326</b>                   | <b>167,556</b>               | <b>70,802</b>                |
| <b>Basic earnings per share</b>     |                                 |                                 |                              |                              |
| Per common share                    | 0.65                            | 0.23                            | 1.74                         | 0.91                         |
| <b>Diluted earnings per share</b>   |                                 |                                 |                              |                              |
| Per common share                    | 0.65                            | 0.23                            | 1.73                         | 0.89                         |



**Interim condensed consolidated statements of financial position**

**As of June 30, 2020 and December 31, 2019**

**(In thousands of Brazilian Reais)**

|  | <b>June 30, 2020</b> | <b>December 31, 2019</b> |
|--|----------------------|--------------------------|
|  | (unaudited)          |                          |
| <b>Assets</b>  |                      |                          |
| <b>Current assets</b>                                      |                      |                          |
| Cash and cash equivalents                                  | 1,041,462            | 943,209                  |
| Restricted cash  | 10,902               | 14,788                   |
| Trade receivables  | 238,874              | 125,439                  |
| Inventories  | 5,375                | 3,932                    |
| Recoverable taxes  | 18,774               | 6,485                    |
| Derivatives  | 8,720                | -                        |
| Other assets   | 14,108               | 17,912                   |
| <b>Total current assets</b>                                | <b>1,338,215</b>     | <b>1,111,765</b>         |
| <b>Non-current assets</b>                                  |                      |                          |
| Restricted cash  | 2,053                | 2,053                    |
| Trade receivables  | 13,611               | 9,801                    |
| Other assets   | 41,240               | 17,267                   |
| Investment in associate                                    | 50,539               | 45,634                   |
| Property and equipment                                     | 192,686              | 139,320                  |
| Right-of-use assets  | 376,023              | 274,275                  |
| Intangible assets  | 1,835,823            | 1,312,338                |
| <b>Total non-current assets</b>                            | <b>2,511,975</b>     | <b>1,800,688</b>         |
| <b>Total assets</b>  | <b>3,850,190</b>     | <b>2,912,453</b>         |
| <b>Liabilities</b>   |                      |                          |
| <b>Current liabilities</b>                                 |                      |                          |
| Trade payables   | 23,234               | 17,628                   |
| Loans and financing  | 42,094               | 53,607                   |
| Derivatives  | -                    | 757                      |
| Lease liabilities  | 46,920               | 22,693                   |
| Accounts payable to selling shareholders                   | 149,879              | 131,883                  |
| Notes payable  | 9,322                | -                        |
| Advances from customers                                    | 40,621               | 36,860                   |
| Labor and social obligations                               | 98,916               | 46,770                   |
| Taxes payable  | 32,483               | 19,442                   |
| Income taxes payable                                       | 4,395                | 3,213                    |
| Other liabilities  | 14,662               | 376                      |
| <b>Total current liabilities</b>                           | <b>462,526</b>       | <b>333,229</b>           |
| <b>Non-current liabilities</b>                             |                      |                          |
| Loans and financing  | 19,308               | 6,750                    |
| Lease liabilities  | 347,320              | 261,822                  |
| Accounts payable to selling shareholders                   | 245,567              | 168,354                  |
| Notes payable  | 69,115               | -                        |
| Taxes payable  | 23,924               | 21,304                   |
| Provision for legal proceedings                            | 19,807               | 5,269                    |
| Other liabilities  | 3,048                | 1,999                    |
| <b>Total non-current liabilities</b>                       | <b>728,089</b>       | <b>465,498</b>           |
| <b>Total liabilities</b>                                   | <b>1,190,615</b>     | <b>798,727</b>           |
| <b>Equity</b>  |                      |                          |
| Share capital  | 17                   | 17                       |
| Additional paid-in capital                                 | 2,300,513            | 1,931,047                |
| Share-based compensation reserve                           | 32,711               | 18,114                   |
| Retained earnings  | 276,411              | 115,916                  |
| <b>Equity attributable to equity holders of the parent</b> | <b>2,609,652</b>     | <b>2,065,094</b>         |
| Non-controlling interests                                  | 49,923               | 48,632                   |
| <b>Total equity</b>  | <b>2,659,575</b>     | <b>2,113,726</b>         |
| <b>Total liabilities and equity</b>                        | <b>3,850,190</b>     | <b>2,912,453</b>         |

**Interim condensed consolidated statements of cash flows**  
**For the six-months periods ended June 30, 2020 and 2019**  
**(In thousands of Brazilian Reais)**

|  | <b>June 30, 2020</b>    | <b>June 30, 2019</b>    |
|--|-------------------------|-------------------------|
|  | (unaudited)             | (unaudited)             |
| <b>Operating activities</b>                              |                         |                         |
| Income before income taxes                               | 179,954                 | 74,756                  |
| Adjustments to reconcile income before income taxes      |                         |                         |
| Depreciation and amortization                            | 51,330                  | 28,441                  |
| Allowance for doubtful accounts                          | 13,953                  | 8,606                   |
| Share-based compensation expense                         | 14,597                  | 1,909                   |
| Net foreign exchange differences                         | (14)                    | (1,858)                 |
| Net (gain) loss on derivatives                           | (19,430)                | 2,809                   |
| Accrued interest   | 11,017                  | 9,873                   |
| Accrued lease interest                                   | 20,428                  | 14,540                  |
| Share of income of associate                             | (4,905)                 | (920)                   |
| Provision for legal proceedings                          | 1,183                   | (347)                   |
| <b>Changes in assets and liabilities</b>                 |                         |                         |
| Trade receivables  | (104,831)               | (28,624)                |
| Inventories  | (976)                   | 884                     |
| Recoverable taxes  | (11,464)                | (2,827)                 |
| Other assets   | 2,940                   | (15,758)                |
| Trade payables   | 996                     | 5,257                   |
| Taxes payables   | 10,214                  | 1,139                   |
| Advances from customers                                  | (13,317)                | 1,428                   |
| Labor and social obligations                             | 39,605                  | 13,352                  |
| Other liabilities  | 10,534                  | (1,458)                 |
|  | <u>201,814</u>          | <u>111,202</u>          |
| Income taxes paid  | (12,397)                | (2,392)                 |
| <b>Net cash flows from operating activities</b>          | <b><u>189,417</u></b>   | <b><u>108,810</u></b>   |
| <b>Investing activities</b>                              |                         |                         |
| Acquisition of property and equipment                    | (37,583)                | (20,674)                |
| Acquisition of intangibles assets                        | (7,766)                 | (718)                   |
| Restricted cash  | 3,870                   | (1,153)                 |
| Payments of accounts payable to selling shareholders     | (67,304)                | (30,674)                |
| Payments of notes payable                                | (1,611)                 | -                       |
| Acquisition of subsidiaries, net of cash acquired        | (240,631)               | (148,880)               |
| Loans to related parties                                 | -                       | (1,695)                 |
| <b>Net cash flows used in investing activities</b>       | <b><u>(351,025)</u></b> | <b><u>(203,794)</u></b> |
| <b>Financing activities</b>                              |                         |                         |
| Payments of loans and financing                          | (99,096)                | (23,868)                |
| Issuance of loans and financing                          | 911                     | -                       |
| Payments of lease liabilities                            | (25,538)                | (17,316)                |
| Capital increase   | -                       | 150,000                 |
| Proceeds from issuance of common shares                  | 389,170                 | -                       |
| Shares issuance cost                                     | (19,704)                | -                       |
| Dividends paid to non-controlling interests              | (5,770)                 | (7,621)                 |
| <b>Net cash flows from financing activities</b>          | <b><u>239,973</u></b>   | <b><u>101,195</u></b>   |
| Net foreign exchange differences                         | 19,888                  | -                       |
| <b>Net increase in cash and cash equivalents</b>         | <b><u>78,365</u></b>    | <b><u>6,211</u></b>     |
| Cash and cash equivalents at the beginning of the period | 943,209                 | 62,260                  |
| Cash and cash equivalents at the end of the period       | 1,041,462               | 68,471                  |

## Reconciliation between Net Income and Adjusted EBITDA, Pro Forma Adjusted EBITDA

(in thousand of R\$)

|   | For the three months period ended June 30, |               |               | For the six months period ended June 30, |                |               |
|---|--|---------------|---------------|--|----------------|---------------|
|   | 2020                                       | 2019          | % Chg         | 2020                                     | 2019           | % Chg         |
| Net income                                    | 63,886                                     | 21,326        | 199.6%        | 167,556                                  | 70,802         | 136.7%        |
| Net financial result                          | 9,176                                      | 15,071        | -39.1%        | -1,978                                   | 22,140         | n.a.          |
| Income taxes expense                          | 6,341                                      | 1,725         | 267.6%        | 12,398                                   | 3,954          | 213.6%        |
| Depreciation and amortization                 | 26,383                                     | 19,387        | 36.1%         | 51,330                                   | 28,441         | 80.5%         |
| Interest received (1)                         | 1,810                                      | 1,410         | 28.4%         | 5,327                                    | 3,915          | 36.1%         |
| Income share associate                        | -2,603                                     | -920          | 182.9%        | -4,905                                   | -920           | 433.2%        |
| Share-based compensation                      | 6,157                                      | 868           | 609.3%        | 14,597                                   | 1,909          | 664.6%        |
| <b>Non-recurring expenses:</b>                | <b>7,002</b>                               | <b>8,042</b>  | <b>-12.9%</b> | <b>7,002</b>                             | <b>8,042</b>   | <b>-12.9%</b> |
| - Integration of new companies (2)            | 1,862                                      | 2,607         | -28.6%        | 4,982                                    | 3,607          | 38.1%         |
| - M&A advisory and due diligence (3)          | 2,886                                      | 959           | 200.9%        | 5,636                                    | 1,099          | 412.8%        |
| - Expansion projects (4)                      | 1,308                                      | 638           | 105.0%        | 2,091                                    | 943            | 121.7%        |
| - Restructuring expenses (5)                  | 946  | 3,838         | -75.4%        | 1,762                                    | 5,749          | -69.4%        |
| <b>Adjusted EBITDA</b>                        | <b>118,152</b>                             | <b>66,909</b> | <b>76.6%</b>  | <b>258,796</b>                           | <b>141,639</b> | <b>82.7%</b>  |
| Adjusted EBITDA Margin                        | 43.1%                                      | 37.5%         | 560 bps       | 47.4%                                    | 43.8%          | 360 bps       |
| <b>Adjusted EBITDA comparable to guidance</b> | <b>107,363</b>                             | <b>66,909</b> | <b>60.5%</b>  | <b>248,007</b>                           | <b>141,639</b> | <b>75.1%</b>  |
| Adjusted EBITDA Margin comparable to guidance | 44.0%                                      | 37.5%         | 650 bps       | 48.1%                                    | 43.8%          | 430 bps       |
| <b>Pro Forma Adjusted EBITDA</b>              | <b>118,152</b>                             | <b>68,127</b> | <b>73.4%</b>  | <b>258,796</b>                           | <b>152,509</b> | <b>69.7%</b>  |
| Pro Forma Adjusted EBITDA Margin              | 43.1%                                      | 37.0%         | 610 bps       | 47.4%                                    | 37.9%          | 950 bps       |

(1) Represents the interest received on late payments of monthly tuition fees.

(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 our 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 our acquired companies.