

Afya Limited

4Q23 Review: Margin expansion in 2024 should support earnings revision

Maintain Rating: BUY | PO: 24.00 USD | Price: 20.29 USD

Margins remained pressured by digital and cont. education

Afya reported solid results in 4Q23 with revenues at R\$730mn, 3% above consensus. Adj. EBITDA margins came at 39%, 70bps below BofAe and consensus impacted by lower margins from integrating units (FIT), digital and continuing education. Net income came in at R\$102mn, 4% above BofAe. The positive highlight was better than expected 2024 guidance, especially on margins, while Medcel continued to struggle on volumes.

2024 guidance: Slightly better than expected

Afya released a guidance of R\$3,150mn – R\$ 3,250mn for 2024Y revenues. This is in-line with BofAe (R\$3,220mn) but slightly better than consensus which is at the bottom of the range at R\$3,152mn. Regarding Adj. EBITDA margins, it ranges from 40% - 44.5%, which compares to 40% from consensus and 41% BofAe. Overall, we see room for earnings review given slightly better guidance.

Conf. Call: Margin expansion coming from all segments

Afya expects margin expansion in 2024 to be supported by all segments. On undergrad, expansion should come from the phase-out of UNIMA and FIT integration (finished by Nov/2023) and the ramp-up of Mais Médicos units opened in 2021-2022. On continuing education and digital, operational leverage should be the main drivers. Finally, on regulatory updates, Afya expects to submit 23 proposals to the third auction of Mais Médicos, vs. 36 before after recent changes on the rule (see: [Changes on Mais Médicos](#))

Our take: Maintain Buy on a positive 2024 outlook

We maintain our Buy on Afya as we see opportunity for earnings revision ahead of the better-than-expected guidance. As regulation should continue to be the main driver for stock performance, we see a diminished risk from unlimited opening of new medicine courses after Supreme Court decision in Aug/2023 (see: [Supreme Court goes against injunctions on medicine courses](#)).

| Estimates (Dec) (BRL) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---------------------------|--------|-------|-------|-------|-------|
| EPS | 4.67 | 5.91 | 6.38 | 7.91 | 9.90 |
| GAAP EPS | 4.67 | 5.84 | 6.38 | 7.91 | 9.90 |
| EPS Change (YoY) | 0.6% | 26.6% | 8.0% | 24.0% | 25.2% |
| Consensus EPS (Bloomberg) | | | 5.62 | 7.64 | 17.42 |
| DPS | 0 | 0 | 0 | 0 | 0 |
| Valuation (Dec) | | | | | |
| P/E | 24.2x | 18.1x | 15.4x | 12.8x | 10.2x |
| GAAP P/E | 24.2x | 18.3x | 15.4x | 12.8x | 10.2x |
| EV / EBITDA* | 6.0x | 4.7x | 3.8x | 3.4x | 3.1x |
| Free Cash Flow Yield* | -18.7% | 8.9% | 13.8% | 14.8% | 19.7% |

* For full definitions of *IQmethod*SM measures, see page 6.

15 March 2024

Equity

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Stock Data

| | |
|---------------------------------|----------------------|
| Price | 20.29 USD |
| Price Objective | 24.00 USD |
| Date Established | 31-Jul-2023 |
| Investment Opinion | C-1-9 |
| 52-Week Range | 9.66 USD - 22.48 USD |
| Mrkt Val (mn) / Shares Out (mn) | 932 USD / 45.9 |
| Free Float | 46.0% |
| Average Daily Value (mn) | 1.96 USD |
| BofA Ticker / Exchange | AFYA / NAS |
| Bloomberg / Reuters | AFYA US / AFYA.OQ |
| ROE (2023E) | 16.6% |
| Net Dbt to Eqty (Dec-2022A) | 42.5% |
| ESGMeter TM | Low |

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

Mais Médicos – government's auction for opening of new undergrad medicine courses

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Refer to important disclosures on page 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

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Timestamp: 15 March 2024 12:57AM EDT

iQprofileSM Afya Limited

iQmethodSM – Bus Performance*

| (BRL Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|----------------------------|-------|-------|-------|-------|-------|
| Return on Capital Employed | 8.6% | 11.1% | 12.0% | 11.8% | 12.4% |
| Return on Equity | 15.1% | 17.1% | 16.6% | 17.7% | 18.4% |
| Operating Margin | 25.6% | 28.5% | 28.0% | 29.5% | 30.1% |
| Free Cash Flow | (940) | 430 | 624 | 685 | 916 |

iQmethodSM – Quality of Earnings*

| (BRL Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|--------------------------|--------|-------|-------|-------|-------|
| Cash Realization Ratio | 1.4x | 1.4x | 1.5x | 1.5x | 1.4x |
| Asset Replacement Ratio | -10.2x | -1.5x | -0.8x | -1.2x | -1.0x |
| Tax Rate | 11.4% | 8.3% | 10.3% | 12.5% | 12.0% |
| Net Debt-to-Equity Ratio | 39.6% | 42.5% | 45.1% | 22.3% | 1.3% |
| Interest Cover | 1.8x | 1.9x | 1.8x | 2.6x | 2.9x |

Income Statement Data (Dec)

| (BRL Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|------------------------------|-------------|--------------|-------------|--------------|--------------|
| Sales | 1,719 | 2,329 | 2,849 | 3,138 | 3,405 |
| % Change | 43.1% | 35.5% | 22.3% | 10.2% | 8.5% |
| Gross Profit | 1,067 | 1,470 | 1,755 | 1,963 | 2,136 |
| % Change | 39.2% | 37.7% | 19.5% | 11.8% | 8.8% |
| EBITDA | 755 | 962 | 1,176 | 1,318 | 1,442 |
| % Change | 34.0% | 27.4% | 22.2% | 12.1% | 9.4% |
| Net Interest & Other Income | (167) | (236) | (335) | (262) | (192) |
| Net Income (Adjusted) | 440 | 535 | 578 | 717 | 897 |
| % Change | 0.7% | 21.5% | 8.0% | 23.9% | 25.2% |

Free Cash Flow Data (Dec)

| (BRL Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|--|-------------|------------|--------------|-------------|--------------|
| Net Income from Cont Operations (GAAP) | 223 | 374 | 392 | 550 | 695 |
| Depreciation & Amortization | (154) | (206) | (284) | (310) | (333) |
| Change in Working Capital | 85 | 78 | 101 | 72 | 51 |
| Deferred Taxation Charge | NA | NA | NA | NA | NA |
| Other Adjustments, Net | 484 | 503 | 630 | 743 | 837 |
| Capital Expenditure | (1,578) | (318) | (215) | (371) | (334) |
| Free Cash Flow | -940 | 430 | 624 | 685 | 916 |
| % Change | 3.3% | NM | 45.1% | 9.7% | 33.8% |
| Share / Issue Repurchase | NA | NA | NA | NA | NA |
| Cost of Dividends Paid | 0 | 0 | 0 | 0 | 0 |
| Change in Debt | 919 | 357 | 148 | 0 | 0 |

Balance Sheet Data (Dec)

| (BRL Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash & Equivalents | 749 | 1,093 | 884 | 1,569 | 2,486 |
| Trade Receivables | 378 | 453 | 568 | 616 | 658 |
| Other Current Assets | 80 | 92 | 116 | 122 | 128 |
| Property, Plant & Equipment | 420 | 542 | 599 | 605 | 605 |
| Other Non-Current Assets | 4,821 | 5,020 | 5,798 | 5,853 | 5,855 |
| Total Assets | 6,447 | 7,200 | 7,965 | 8,765 | 9,731 |
| Short-Term Debt | 0 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 767 | 906 | 1,189 | 1,273 | 1,341 |
| Long-Term Debt | 1,935 | 2,475 | 2,554 | 2,554 | 2,554 |
| Other Non-Current Liabilities | 746 | 569 | 521 | 521 | 521 |
| Total Liabilities | 3,447 | 3,949 | 4,264 | 4,348 | 4,417 |
| Total Equity | 3,000 | 3,250 | 3,700 | 4,417 | 5,314 |
| Total Equity & Liabilities | 6,447 | 7,200 | 7,965 | 8,765 | 9,731 |

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Education & Training Services

Company Description

Afya was founded in 1999 as a thematic educational service provider that produces and delivers content and technology to support the learning career of doctors in Brazil. The company has developed a high-quality educational platform and increased its presence country-wide on both the organic and M&A fronts, besides widening its business plan to supplemental health-related courses and services.

Investment Rationale

We have a Buy rating on Afya mainly due to its focus on the medicine segment, which is the most premium in Brazil and operates in a completely different market from other undergrad programs, we see Afya as better-positioned than its peers to develop an ecosystem that increases the length of engagement: from turning a student into a doctor, right up to adding value to physicians in several ways post-graduation.

Stock Data

Average Daily Volume 102,644

Quarterly Earnings Estimates

| | 2022 | 2023 |
|----|-------|------|
| Q1 | 1.77A | NAA |
| Q2 | 1.32A | NAA |
| Q3 | 1.33A | NAA |
| Q4 | 1.42A | NAE |

Exhibit 1: Net revenue came in-line with BofAe and consensus at R\$730mn

Afya 4Q23 Review

| Afya R\$mm | 4Q23a | 4Q23e | Consensus | A x E | E x C | 4Q22 | YoY | 3Q23 | QoQ |
|--------------------------------|-------|-------|-----------|---------|---------|-------|---------|-------|---------|
| Net Revenues | 730 | 716 | 712 | 1.9% | 2.6% | 584 | 25.0% | 723 | 0.9% |
| Gross Profit | 440 | 431 | n/a | 2.0% | n/a | 347 | 26.8% | 435 | 1.1% |
| Gross Margin | 60.3% | 60.2% | n/a | 10bps | n/a | 59.4% | 90bps | 60.2% | 20bps |
| EBITDA | 248 | 263 | n/a | -5.8% | n/a | 202 | 23.0% | 264 | -6.2% |
| EBITDA Margin | 34.0% | 36.7% | n/a | -280bps | n/a | 34.5% | -50bps | 36.5% | -250bps |
| Adj. EBITDA | 289 | 289 | 287 | 0.0% | 0.8% | 242 | 19.3% | 278 | 3.8% |
| Adj. EBITDA Margin | 39.6% | 40.3% | 40% | -80bps | -70bps | 41.5% | -190bps | 38.5% | 110bps |
| Net Income | 102 | 103 | 109 | -1.3% | -6.8% | 71 | 42.8% | 98 | 3.7% |
| Net Margin | 14.0% | 14.4% | 15.4% | -50bps | -140bps | 12.2% | 170bps | 13.6% | 40bps |
| Adj. Net Income | 164 | 143 | n/a | 14.8% | n/a | 129 | 27.7% | 128 | 28.1% |
| Adj. Net Margin | 22.5% | 20.0% | n/a | 250bps | n/a | 22.0% | 50bps | 17.7% | 480bps |
| Undergrad Net Additions | | 5.5 | n/a | -100.0% | n/a | (0.8) | -100.0% | 0.2 | -100.0% |
| Continuing Net Additions | | (0.1) | n/a | -100.0% | n/a | 0.1 | -100.0% | 0.1 | -100.0% |
| Digital Services Net Additions | | 5.3 | n/a | -100.0% | n/a | 9.4 | -100.0% | 10.2 | -100.0% |

Source: BofA Global Research, Bloomberg

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Exhibit 3: We are at the low band for FY24 EBITDA guidance

Afya's FY24 Guidance

| | FY24 Guidance | FY24 BofAe | FY24 consensus |
|-----------------|-------------------------------|------------|----------------|
| Net Revenue | R\$ 3,150mn ≤ Δ ≤ R\$ 3,250mn | 3,224 | 3,152 |
| Adjusted EBITDA | R\$ 1,300mn ≤ Δ ≤ R\$ 1,400mn | 1,317 | 1,272 |
| Capex | R\$ 220mn ≤ Δ ≤ R\$ 260mn | 306 | 262 |

Source: BofA Global Research, Bloomberg

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Exhibit 4: Afya increased Net Debt by R\$82mn in 4Q23

Net Debt variation QoQ (R\$mn)

| Net Debt variation (not including lease) | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 |
|--|------|------|-------|------|------|------|------|------|------|
| Afya | -271 | 8 | -116 | 131 | -36 | -652 | 22 | 193 | -82 |
| Anima | -219 | 858 | -252 | -32 | -262 | -57 | 13 | 234 | |
| Cogna | 205 | -68 | 36 | -82 | -109 | -20 | -54 | 75 | |
| CSED | -29 | 26.8 | -62 | 114 | -79 | 93 | -29 | 65 | |
| Ser | -81 | -343 | -25 | -78 | -11 | 64 | -18 | -3 | |
| Vitru | -23 | 24 | -2722 | 35 | 431 | 22 | 50 | 107 | |
| YDUQS | -411 | 10 | -272 | -5 | -194 | 167 | -14 | 135 | -184 |

Source: BofA Global Research

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Exhibit 5: 4Q23 PDA came in at 3.8% of revenues vs. 3.5% in 4Q22

PDA as % of net revenue

| PDA | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 |
|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Afya | 3.0% | 3.3% | 3.6% | 3.3% | 2.9% | 3.2% | 3.4% | 3.5% | 3.3% | 3.6% | 3.5% | 3.8% |
| Anima | 6.2% | 7.2% | 3.2% | 5.3% | 5.8% | 4.4% | 5.8% | 5.9% | 6.0% | 4.4% | 5.8% | |
| Cogna | 12.8% | 14.6% | 10.6% | 4.2% | 8.6% | 10.3% | 8.7% | 7.2% | 7.7% | 8.5% | 7.5% | |
| Cruzeiro | 5.7% | 5.5% | 5.4% | 5.1% | 5.1% | 7.9% | 5.7% | 7.7% | 3.5% | 8.9% | 2.8% | |
| Ser | 5.6% | 10.5% | 6.8% | 9.7% | 7.6% | 5.9% | 4.2% | 9.2% | 5.8% | 8.4% | 10.7% | |
| Vitru | 16.6% | 16.8% | 16.0% | 20.6% | 14.5% | 12.5% | 10.4% | 18.9% | 10.7% | 15.3% | 10.5% | |
| Ydqus | 8.8% | 13.7% | 8.1% | 16.2% | 10.8% | 15.3% | 8.8% | 16.3% | 9.8% | 12.7% | 10.1% | 15.7% |

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 6: Afya delivered 8% YoY increase for medicine avg. ticket

Medicine ticket per company *Gross ticket for Afya. YDUQS and Ânima tickets are net avg. tickets

| Ticket Medicine | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 |
|-----------------|------|------|------|------|------|------|------|------|-------|-------|-------|-------|
| Afya | 8645 | 8260 | 8680 | 8955 | 9540 | 9499 | 9642 | 9470 | 10101 | 10121 | 10445 | 10262 |
| Inspirali | | 4246 | 7386 | 7904 | 8102 | 8265 | 8309 | 7837 | 8746 | 8257 | 8710 | |
| Ydqus | 8354 | 8585 | 8323 | 8344 | 9610 | 9350 | 9499 | 9487 | 10239 | 9179 | 9937 | 9981 |
| Afya YoY% | 6% | 6% | 3% | 13% | 10% | 15% | 11% | 6% | 6% | 7% | 8% | 8% |
| Inspirali YoY% | | | | | | 95% | 12% | -1% | 8% | 0% | 5% | -100% |
| Ydqus YoY% | -1% | 10% | 30% | 27% | 15% | 9% | 14% | 14% | 7% | -2% | 5% | 5% |

Source: BofA Global Research

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Exhibit 7: Afya reported an Adj. EBITDA margin of 40%, 187bps below 4Q22

Adj EBITDA margins - consolidated

| | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 |
|---------------|------|------|------|---------|---------|---------|----------|---------|---------|--------|--------|---------|
| Anima | 34% | 28% | 42% | 19% | 38% | 30% | 31% | 21% | 37% | 30% | 33% | |
| Afya | 53% | 43% | 42% | 39% | 48% | 37% | 39% | 41% | 47% | 38% | 38% | 40% |
| Cogna | 29% | 25% | 20% | 27% | 34% | 31% | 22% | 28% | 34% | 31% | 24% | |
| Cruzeiro | 30% | 28% | 30% | 29% | 30% | 30% | 31% | 24% | 31% | 31% | 32% | |
| Ser | 22% | 25% | 21% | 22% | 17% | 22% | 14% | 16% | 17% | 24% | 16% | |
| Vitru | 27% | 34% | 26% | 29% | 27% | 38% | 36% | 32% | 38% | 39% | 38% | |
| Ydqus | 30% | 30% | 36% | 25% | 34% | 30% | 36% | 28% | 37% | 32% | 36% | 28% |
| Anima YoY% | | | | 134bps | 352bps | 219bps | -1093bps | 238bps | -63bps | -5bps | 157bps | |
| Afya YoY% | | | | -575bps | -484bps | -633bps | -273bps | 231bps | -131bps | 82bps | -92bps | -187bps |
| Cogna YoY% | | | | 3346bps | 561bps | 554bps | 163bps | 84bps | -11bps | -16bps | 230bps | |
| Cruzeiro YoY% | | | | -738bps | 10bps | 177bps | 109bps | -532bps | 52bps | 159bps | 61bps | |
| Ser YoY% | | | | -136bps | -488bps | -350bps | -691bps | -548bps | -15bps | 221bps | 204bps | |
| Vitru YoY% | | | | -21bps | -2bps | 414bps | 972bps | 381bps | 1126bps | 86bps | 230bps | |
| Ydqus YoY% | | | | -233bps | 361bps | -80bps | -1bps | 332bps | 332bps | 227bps | 6bps | -41bps |

Source: BofA Global Research

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Price objective basis & risk

Afya Limited (AFYA)

We base our price objective of US\$24 per share on a DCF-to-Firm with 10 years, discounted at a moving weighted-average cost of capital (WACC) averaging 16.1% (Nominal, BRL). Our Ke is composed of a Beta of 1.2, a risk-free rate of 3%, an equity risk premium of 6%, a sovereign spread of 3% and inflation differential of 2.5%, while our Kd is 7.7% (BRL Nominal) and we add a sector risk premium of 1%. We use terminal growth rate of 4%.

Risks: (i) Medicine undergrad courses regulation, (ii) possible changes in Prouni, (iii) macro downturn, (iv) M&A execution.

Analyst Certification

We, Fred Mendes, CFA, Gustavo Tiseo, Lucca R Brendim and Mirela Oliveira, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Latin America - Healthcare & Education Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|-----------------|-------------|------------------|------------------|
| BUY | | | | |
| | Afya Limited | AFYA | AFYA US | Fred Mendes, CFA |
| | Anima Educacao | XUMLF | ANIM3 BZ | Fred Mendes, CFA |
| | Cruzeiro do Sul | XCZZF | CSED3 BZ | Fred Mendes, CFA |
| | Fleury | XPOXF | FLRY3 BZ | Fred Mendes, CFA |
| | Hapvida | XDUFF | HAPV3 BZ | Fred Mendes, CFA |
| | Oncodínicas S.A | XOBXF | ONCO3 BZ | Fred Mendes, CFA |
| | Vitru Limited | VTRU | VTRU US | Fred Mendes, CFA |
| | YDUQS | ECPCF | YDUQ3 BZ | Fred Mendes, CFA |
| NEUTRAL | | | | |
| | Mater Dei | XXUDF | MATD3 BZ | Fred Mendes, CFA |
| | Odontoprev | ODPVF | ODPV3 BZ | Fred Mendes, CFA |
| | Rede D'Or | XPUSF | RDOR3 BZ | Fred Mendes, CFA |
| | Ser Educacional | XSAOF | SEER3 BZ | Fred Mendes, CFA |
| | Viveo | XCUXF | VVEO3 BZ | Fred Mendes, CFA |
| UNDERPERFORM | | | | |
| | Cogna Educacao | KROTF | COGN3 BZ | Fred Mendes, CFA |
| | DASA | DIAOF | DASA3 BZ | Fred Mendes, CFA |
| | Qualicorp | QUAIF | QUAL3 BZ | Fred Mendes, CFA |
| | Vasta Platform | VSTA | VSTA US | Fred Mendes, CFA |



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

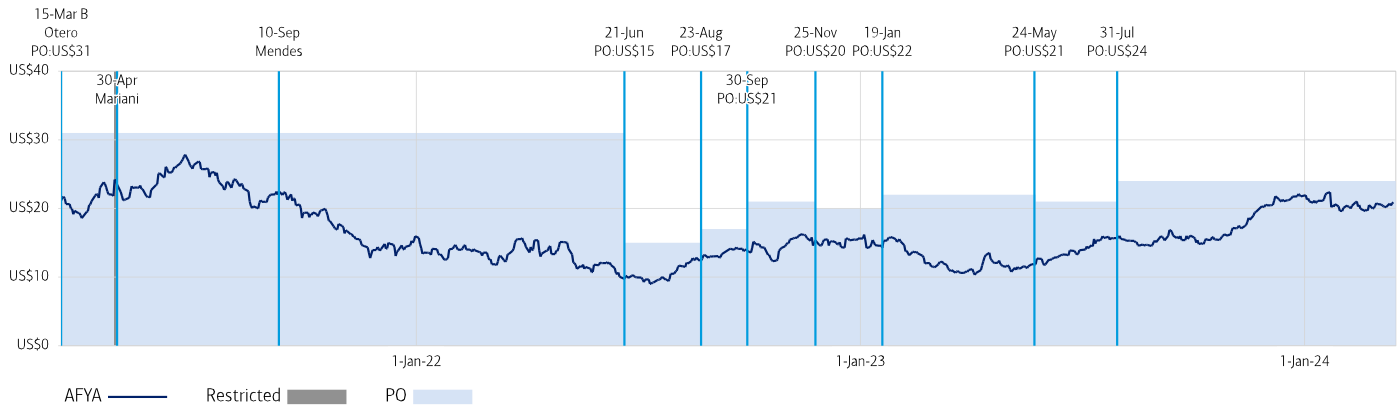
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Disclosures

Important Disclosures

Afya Limited (AFYA) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Education & Training Services Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 8 | 53.33% | Buy | 2 | 25.00% |
| Hold | 4 | 26.67% | Hold | 1 | 25.00% |
| Sell | 3 | 20.00% | Sell | 0 | 0.00% |

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 1895 | 53.62% | Buy | 1083 | 57.15% |
| Hold | 832 | 23.54% | Hold | 454 | 54.57% |
| Sell | 807 | 22.84% | Sell | 383 | 47.46% |

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster ^{R2} |
|-------------------|---|--|
| Buy | ≥ 10% | ≤ 70% |
| Neutral | ≥ 0% | ≤ 30% |
| Underperform | N/A | ≥ 20% |

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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