Q1 2022 Earnings Call

Company Participants

- Bruno Blatt, Chief Executive Officer
- Elton Hugo Carluci, Director
- Frederido de Aguiar Oldani, Chief Financial Officer and IRO
- Unidentified Speaker

Other Participants

- Analyst
- Leandro Bastos
- Mauricio Capeda
- Pedro Bueno Da Rocha Lima
- Vinicius Ribeiro

Presentation

Operator

Good afternoon, ladies and gentlemen, and thank you for holding. Welcome to the Quali Webcast to discuss the Results of the First Quarter '22. Present with us today, are Mr.Bruno Blatt, the CEO; Mr.Fred Oldani, Chief Financial and Investor Relations Officer; Mr.Elton Carluci, Vice President for Commercial Innovation and New Business.

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I would like to give the floor to Mr.Bruno Blatt, who'll begin the presentation.

Bruno Blatt {BIO 21352052 <GO>}

A good morning to everyone. It has been a really more than 40 days since I was here presenting the results for the year 2021. We are here again together to share our results, our achievements and our evolution. I am coming from a big event in Bahia with more than 1,000 brokers and partners from all over the Brazil. This event, after two years of pandemic served to celebrate our commercial achievements.

We have changed levels. We are now able to sell 0.5 million lives a year. It was great to see the sales champions (inaudible) program celebrating the highest number of sales and that company's history. Yes, these were days to celebrate as we said but there were also days of hard work to ensure that 2022 will be as remarkable as 2021.

We have finally returned to the office after two years of remote work during the pandemic, the Quali's have more gone back to live their day-to-day life. Our headquarters in Sao Paulo move to Avenida Paulista symbol of the city. We also have a new delivery, a new office in the historic center baptized Quali city on the street quinta de[ph] novembro a symbolic landmark of the birthplace of the activities of both the company and health insurance brokers.

The building, which was completely renovated and restored serves as a co-working space for Quali's employees and as a relationship point with the broker channel, we can speak about products, campaigns, market, and events to boost our sales of course now, in (inaudible) we inaugurated Quali state, the former metropolitan a venue for major cultural celebrations in the capital city of (inaudible) this will strengthen our brand and bring us closer to the consumer market.

We have also launched Qualiclass yet another proof of our spirit of innovation and our vocation to take care of lives. Qualiclass is much more than a health concern -- seared service it is a quality health management that is integrated and multidisciplinary and we have the possibility of offering more chances of cure and better quality of life now Qualicity, Qualistage, Qualiclass, Qualiviva Qualistore, Qualiseguros, Qualivendors are not just acronyms they are deliverables their concepts transformed into reality.

That is why I speak about a company that is ever more solid that works with the vision for the future each delivery requires planning an integrated cohesive team led in the direction of bring the right thing for our shareholders, our employees and our clients to think in the short term is to disregard the importance of our business and its huge potential.

It is never too much to remember that one of the biggest dreams of every Brazilian is to have a health plan and we are here for that. The crisis we are living in the world and Brazil is not news for any view. It is a hindrance to the company, including ours.

The return of inflation, the increase of unemployment, default and interest rates are a problem for everybody now. The pandemic is not over yet. We cannot stop for one minute to look and try to understand the world we are living in.

This scenario still impacts us with a significant number of cancellations with all the deliveries made, plus the case-by-case follow-up we're starting to show results. In the first quarter of '22, we had a reduction of cancellations of 12.7% over the previous year and 16.9% over the fourth quarter '21.

This brings the churn to the lowest level in the last five quarters. We are still not satisfied. We look at this daily to be convinced that we are on the right track in sales, we had gross add-ons of a 115.2 thousand lives, respecting the typical seasonality of the quarter and reflecting the Omicron challenges at the beginning of the year.

Despite this, we had a growth of 15% over the first quarter '21. Thus, we continue to converge towards our goal of presenting organic growth in our subscription portfolio. With our growth pillar in mind, we continue expanding our portfolio of HMOs.

We have added 67 new HMOs, we have signed new partnerships and several cities around the country. We have only Guarulhos, Sulmed in Porto Alegre and Sao Cristovao in Sao Paulo besides expanding the offer of new products of the current operators in our portfolio.

When I see a company capable of making these deliveries that is lighter more open to diversity, more ethical and happier, I thank the team we were able to form and the image we were able to build in a country so, lacking in correct examples a team that transformed the company which today is multi-product. Multi-channel a platform ready to ensure a bigger and better company.

Congratulatios Quali, we have 200 Qualis listening to us and this simply reinforces the passion for our company, we have problems in common, we have problems in the country, and they are able to lead us to times.

We are ready for these new times, so that we can grow in a sustainable way in any scenario. This season has always been the focus of this management.

I would like to thank you for your trust and leave other details for our Vice President, Elton Carluci.

Elton Hugo Carluci {BIO 21743831 <GO>}

Hey, good morning to all of you and thank you, Bruno. It's always a pleasure to be with all of you in earnings release call. I would like to refer to the figures of the first quarter 2022. We go straight to the figures and I would like all of you to go to Slide 15, where I will begin speaking about an important point, which has had a positive impact on our cost of acquisition.

It is our partnership with of Escale. You will all be able to observe that we have had a reduction in the cost this year. These are the first quarter of '21, and this is due to what gained in synergies, a reduction of costs, marketing expenses. We did have an important increase in quantity and quality of lives, of course, to service our commercial area and a reduction of cost reductions obtained because of this gain in operational efficiency, a consolidation of contracts.

We had several contracts that have come about through Escale[ph] and a management that is more focused on leads, always looking at conversion. So our remuneration model is based on conversion through acquisition and not based on the cost of generation of leads.

Now, what I would like to highlight here and most of you may have noticed this, there was a reduction in the values of CAC that have been activated and they represent approximately 30%, but I would like to highlight that this level will still stabilize. So this reduction will stabilize other level perhaps somewhat higher due to the deferment.

This should take another two quarters and around our third quarter this figure will be normalized and we will have a cost of acquisition at the level that we have planned for the year. Already taking away that issue of payment deferment.

We go on to the next slide to speak about gross sales in the affinity sector. We have already mentioned the figure 15% growth year-on-year. We obtained this level even despite the impact of Omicron in January and February, which did have an impact on our sales team as a whole.

It spread throughout Brazil, we did suffered somewhat from this but we were able to deliver figures within what we had imagined and to give you more color. We already have an impact of LO, we have been speeding up the sales potential of the HMOs that have come with this management company and we have confidence there we will reach the levels that we reached last year. The figures of April and May show you that we are within what had been planned once again despite the review of the incentives that we undertook.

We now go on to the next topic, which is churn. We have already mentioned this. We are now on Slide 17. We have reached the lowest churn in the last five quarters. In the last call that was very recent, it was mentioned that there was a normalization of the cancellations under request, and that delinquency was somewhat higher than the historical levels.

Now, this continues on in this quarter. We have not observed any changes and cancellations based on requests. They continue to follow the parameters of percentage on the base and readjustments this has been maintained compared to our historical level, but delinquency continues to be somewhat high and this is what we also observe with the credit -- the bad debts once again due to the delinquency that continues to have a significant weight in our figures.

Now we're carrying out a great deal of surveys in terms of those who canceled because of delinquency, of course, the entire company is focused on addressing this point and the problems are loss of income, inflation they are difficult problems and they are causing pressure on delinquency.

We're also using some strategies to try to mitigate this impact, reviewing our churns to be able to pay your bad debts on installments those who have canceled can return to quality we have become more flexible in this, but this continues to have significant weight.

Another important point and this will probably be a question in the Q&A and it refers to the readjustment of prices we mentioned this in the last quarter call, negotiations were between 12% and 15%, some contracts have already been adjusted during that period.

Now for most of our portfolio that undergoes a readjustment in July, the levels have gone up to 19% to 20% very close to the readjustment of our partners of SMEs. One of our affinity partners, once again is practicing this level.

And before I give the floor to Fred, I would like to quickly refer to our performance and SME nothing has changed, we have an expressive growth of 17% is of the last year. This is a channel with good performance, of course, they were somewhat impacted by Omicron like the Affinity Group but in the second quarter, we see that this is very much in line with what we have planned for the year.

Very well, I would like to thank all of you for your attention and without a doubt, I will be back with you during the Q&A. I will now give the floor to Fred.

Frederido de Aguiar Oldani

Thank you, Elton. Good day to all of you. We begin on Slide 20. Speaking about the quarter highlights. When it comes to our affinity portfolio, I think that Elton has already referred to this thoroughly.

Now, the figures of the first quarter show you that we're converging towards our goal of coming to a positive results in our operation. We see this with a reduction of cancellation which is ongoing. It is sequential at levels that are higher than we believe, but we do see a trend in -- to normalization or cancellations as we attain a different sales level.

And in the coming quarters, they should enable us to meet our target to have more organic growth in the company. In terms of net revenue, we had a minor drop in the year-on-year comparison and in the quarter-on-quarter comparison now, this effect is associated to the portfolio performance and the trade out movement that we observe in the portfolio, and all of this of course has an impact generating this profit and revenue for the quarter.

Our EBITDA reached BRL53.2 million and now despite a drop in revenue, the work that we have done in expenses and cost in the past has enabled us to have a slight expansion in margin. Our EBITDA margin reached 50.3% compared to 30% in the fourth quarter '21.

And it shows you how important these efforts have been in terms of managing costs and expenses considering the inflationary scenario and the increase in costs. We have done very good work holding back our costs in terms of net income, BRL74.1 million. And here, we have a significant growth compared to the fourth quarter '21 when we had several non-recurring effects hampering that quarter. It is also worthwhile mentioning the negative impact and the increase of financial costs because of the interest rate scenarios.

When we look at the past, we had very little interest rates. We are now at more than two digits and, of course, this will continue exerting pressure on the coming quarters.

Our net debt stands at BRL1.4 million, a drop of 7.7%, when compared to the previous quarter. A leverage of somewhat less than 1.4 times net debt EBITDA, our cash flow reaching BRL66.4 million, a minor retraction when compared to the fourth quarter of last year and we are going to mention this in the coming slides.

Now in the next slide. Here, we have our consolidated results. We had a minor drop in revenues with a slight expansion of EBITDA margin with a very good performance and cost and expenses. And here, you can observe the drop in COGS and SG&A compared to last year and compared to the fourth quarter, last year where the difference is significant associated to savings in several line items.

The management of leads that has gone on to (inaudible) with an important impact. Another line item such as third-party services and they were carried out with personnel. They were carried out by the management at the end of last year to adjust the structure to the new reality of our macroeconomic scenario here.

We would like to highlight the bad debts that stands at BRL24.3 million. Now, what we see here is an excess compared to what was expected the figure should be BRL21 million, but we still have a surplus due to the delinquency. And, of course, this continues to generate pressure in that line item. I have already mentioned, all the other line items in the first slide and I would like to continue on to the next slide to speak about our cash flow.

Now, the cash generation for the quarter was impacted. We have two events that we would like to mention. The first, a reduction of the cash operation something we have been anticipating for several semesters since mid last year, we mentioned that we were making adjustments in this model in the volume and in the way of paying and we implemented this in the fourth quarter of last year and we had mentioned that beginning in the first quarter, it would become clear the change of policy that we had.

We had a drop of 36% vis-a-vis the fourth quarter in terms of commissions. As you can see and this shows you how far we were able to implement this new strategy without having a relevant impact on sales. Now, we carried out surgical changes and in the cash flow, we would have a total value on average but these are activities. Of course, that ended up leading us to this scenario and without having a significant impact on our sales performance, the second line item is working capital.

Now, here we have one-time impacts, temporary differences in accounts receivable, accounts payable with our HMOs. And of course, they should not lead to any sort of concern. We tend to have positive and negative values throughout the quarters, but they do end up leveling out.

Another important point that I would like to mention here. We first had the approval we had yesterday at the Board of Management. We are going to work with BRL1.7 million of funding this is something that will happen during the second quarter to roll the debts that have a maturity at the end of this quarter as well as at the end of the third quarter.

Now, nowadays, we cannot offer you additional details on this operation, but throughout the second quarter when the operation has been fully materialized of course, we will come up with a new communication, informing you on the volume and the different accounts of this operation. This is what we wanted to remark on our performance in the first quarter.

We would now like to go on to the question and answer session.

Questions And Answers

Operator

(Question And Answer)

Thank you. We will now go on to the question-and-answer session. (Operator Instructions). Our first question is from Leandro Bastos from Citi Bank. You may proceed, Mr.Bastos.

Q - Leandro Bastos {BIO 21416405 <GO>}

Hey. Good morning and thank you. We have two points here, the first referring to the adjustment in your incentive model. We have already seen a drop in the cash and commission model for the quarter. Now, as you are already working with this new strategy for some months, perhaps you could share with us the feedback you have had from the channel and from your main partners, the brokers. You said that there's still the effect of deferment, and as this becomes stabilized in the coming quarters, which will be the normal level for that line item.

Secondly, when it comes to the readjustment, simply to confirm if the comment of an average readjustment between 19% and 20% for mid-year. And in this case, which is the competitiveness of the product compared to the SMEs that recently announced their readjustment? Thank you. Thank you very much.

A - Unidentified Speaker

Elton will answer your question very well.

A - Elton Hugo Carluci {BIO 21743831 <GO>}

Leandro, good morning, and thank you for your three questions. Well, I'll begin speaking about the incentives. We are coming from a very important event, where we awarded our sales champions and the program Estamos Juntos. This is a loyalty program, where we work jointly.

Now, I believe that based on the feedback that we received, our main partners who understand the importance of gaining customer loyalty and the importance of generating a portfolio, I can say that this topic for us is one that has been surpassed. We don't hear any noise in that direction because we have a broader portfolio. No health company has what we have in terms of products.

So, this is an issue that has been overcome because of the products and the sales levels that we observed, after that seasonal effects/Omicron that we had in December and January impacting the figures of those two months. But based on the figures of April and May, and based on the initial figures of May, once again, this is an issue that has been fully overcome.

Now, in terms of the deferment and the payment in installments, we will move towards stabilization. This may vary based on sales volume and average ticket. It could be more or less 5%, but it will reach 80%, 90%. That should be the normalized figure, and can vary according to that range based on the behavior of the average ticket because of the mix.

And in the last point in terms of adjustment, yes, 19% to 20% of the price differences will remain the same. Now, despite the readjustment, the portfolio dynamic will help operators make readjustments. You could launch a new product every week, and from the operational viewpoint, this might be complex. But the portfolios have already been adjusted to take in the difference, and this will not change the dynamic considerably. We know which is the percentage of the population that has a company, this is a more stable business. And the price dynamic and the commercial dynamic will be maintained. We don't foresee any change in that scenario, and the list prices after the readjustment will reflect the price differences we have now.

Q - Leandro Bastos {BIO 21416405 <GO>}

Well. Thank you, Elton. Thank you for the answers.

Operator

Our next question comes from Pedro Lima from BTG Pactual. You may proceed, Mr.Lima.

Q - Pedro Bueno Da Rocha Lima {BIO 20309282 <GO>}

Hey. Good morning. And here on our side, our question refers to organic growth, especially the churn variation. We would like to gain an understanding of these strategies you are putting in place to be able to lower the level of churn. And as we will have a hybrid adjustment of prices, which will be the final impact on the company churn? Now, if you could share with us what it is that you're thinking for the rest of the year? Thank you very much.

A - Elton Hugo Carluci {BIO 21743831 <GO>}

Pedro, good morning. This is Elton. Once again, I will begin, and perhaps Fred would like to add to the answer. Now, first of all, the readjustment, let's address that point. We're looking at the second semester with a readjustment of 19% to 20%. That is we -- last year, we had an average of 37%, and the differences are significant.

We have run our planning with figures that are somewhat lower than this. But in fact, we do believe that it will be possible given the level of sales, and some sales activities that we will still implement. We're working with a base scenario that will end up being positive. This has not changed so far. Now, this in terms of gross org adds when it comes to churn, and of course this is important.

The delinquency rate is still not at the level it should have reached. We have a rather slow conversion. It should stabilize. The good news is that it is high, and it still has not stabilized. It has marginal enhancements month-after-month, and this is good news. If it had already stabilized, of course, we would have greater difficulties, and there's some factors that help us. We already observe a better relationship of LTV, CAC for the last harvest.

So, in general, I would say that, yes, those 20% will exert more pressure in cancellation compared to a 15% readjustment. Of course, it will increase pressure, but we're putting aside the gross adds. We're using our gross ads to offset this, and using very flexible policies in clients who default. We have greater discounts for clients, who decide to come back if the product is of lower cost. We can offer payments in installments. Several strategies to decrease the impact, and we believe that with this, it will be possible to mitigate that difference in the readjustment.

And we're not changing our base scenario, as Fred has mentioned.

Q - Pedro Bueno Da Rocha Lima {BIO 20309282 <GO>}

Thank you. Thank you very much.

Operator

Thank you for the question. Our next question comes from Vinicius Ribeiro from UBS. Mr.Ribeiro, you can proceed.

Q - Vinicius Ribeiro {BIO 19720178 <GO>}

Good morning and thank you for taking our questions. We have two. The first question is a follow-up of the first question referring to commissions. We're trying to understand the issue of the deferment of payment. When we see what you have in the balance, we end up with the same figures you had in '21, BRL72 million. Simply to understand that difference of cash commissioning and the commissioning in the balance, should it be that amount? And if we compare these two amounts and what was paid in terms of commissions last year, should we expect an enhancement or a level of stability when we think about the comment of Elton about the BRL19 million?

Now, the second question refers to the bad debts. We have seen a better recovery than we saw in some semesters last year. Was there something specific there, or is this simply a one-time event?

A - Frederido de Aguiar Oldani

So, this is Fred. When it comes to the cash and commissioning, yes, there can always be a difference between these two values. It's an issue of timing between the measurement and the payment, and you could calculate this in one semester and pay it in the next one if an invoice comes in delayed or something. Now, these are one-off events, and, well, we don't have an expectation regarding this. If there's any difference or if there's a specific invoice that hasn't arrived, for example, we will have to readjust this in the monthly accounts.

Now regarding stabilization, nobody has sufficient information to be able to look at our cost of acquisition this quarter. Now, this payment doesn't refer to 100% of commissions. We have three or four different models of incentives. And of course, without the payment, per say, we won't be able to know if it is higher or lower vis-a-vis any quarter last year. And we have to base ourselves on the right details to break down this figure. What we can say is that beginning in the third quarter, this will become very clear, the run rate that we will be working with based on CAC on average.

Now, before that, I don't think it will become clear. And yes, we do have an issue in terms of the installments. The run rate tends to be higher and we don't know if it will be BRL65 million or BRL70 million. It should stabilize it a higher figure, but because of the guidance that we have given, it's a reduction of CAC per life compared to what we had in the second quarter of last year. Now, this is a strategy that remains, and we continue to use this same perspective. It's not easy to observe this in the results, it will take some time; at least two more quarters to have a clear vision, because the possibility of making a mistake is 100%.

I'm sorry, the second question referring to recovery. Now, what happens is that we still have a recovery this year associated to the collection activities we carried out last year. We carried out several recovery collections last year that still have an impact. And in the second quarter, perhaps we will have more information on recovery. What we do expect is that with the normalization of default rates, we will have a lower level of BRL22 million per quarter, I believe, once the delinquency rates, have been normalized.

Q - Vinicius Ribeiro {BIO 19720178 <GO>}

Thank you, Fred. Thank you for the answers.

Operator

Our next question comes from Mauricio Capeda from Credit Suisse. You may proceed, Mr.Capeda.

Q - Mauricio Capeda

Hello, Bruno, Elton, Fred. Thank you for taking my questions. I do have some questions that complement the previous ones. We go back to the SMEs, we have a tactical difference in operators between the prices for SMEs and Affinity groups. If you could perhaps illustrate the magnitude of these difference? What is it that they're seeking?

Now, the second question refers to working capital. You had a certain cash consumption in working capital in the more operational accounts receivables or price transfers. If this relates to your work with people that are in default a possibility of paying in installments, what lies behind this consumption of working capital?

A - Elton Hugo Carluci {BIO 21743831 <GO>}

This is Elton. I will begin, and then Fred will speak about the consumption of our cash flow. Now, the difference that we observe on the streets and that will be maintained. It is a policy, it's not a general rule. We always observe differences between 20% and 30% between Affinity and SME. Depending on the month, it could vary a bit. The exchange of portfolios -- are is not simultaneous. Sometimes, the Affinity group has differences that are below 10%, but we have a change of portfolio of SME or readjustment, and we have to activate each different contract to be able to release our price, and this could take 30 days. And in 30 days, the prices will drop.

Now, when you look at the differences, these price differences tend not to be real. The real differences are between 20% and 30% with most of our partners. And we have several analyses here, and the changes that we implemented in our own strategy to generate and capture leads. And of every 10 that I received, 2, 2.5 have a company; the rest is eligible for affinity as part of the rules of the game.

Now, of course, we work with the companies and if they become inactive, they should not be eligible. But we tend to observe in our base, we have an n number of studies on this. And what comes in at the top of the funnel, there are differences in terms of the generation of leads, and then we work with the necessary enrichment and statistics to see what is eligible for SME and what is not. And this continues to be stable at the top of the funnel, basically. It's a difference in price, and a difference in addressable market for the products.

I would like to give the floor to Fred for additional clarifications.

A - Frederido de Aguiar Oldani

Now, regarding the working capital; yes, the delinquency or default did had an increase. We received something very close to BRL13 million. Yes, and of course it had an impact.

Now, the greater impact was BRL35 million referring to the account arrangements with some of the HMOs, some of the operators. There's always some type of difference that is offset during two or three quarters, and in the first quarter, this represented BRL35 million. This is the main factor associated to your question. Now, these are one-off events that tend to normalize throughout some quarters.

Q - Vinicius Ribeiro {BIO 19720178 <GO>}

Very clear. Thank you, Elton. Thank you, Fred.

Operator

Our next question comes from Stella (Inaudible) from JPMorgan. You may proceed, ma'am.

Q - Analyst

A good morning to all of you. Thank you for taking my question. I have two questions. The first, what is happening with your retention effect if you consider the new company initiatives, and which is the churn that you expect? Thank you.

A - Elton Hugo Carluci {BIO 21743831 <GO>}

Well, this is Elton, Stella. Good morning to you. When it comes to retention, we have implemented quite a number of things. We have an enormous squad here that is working with the issue of loyalty, and we have hundreds of things that were tested that made a great deal of sense, they were implemented. And when the test did not prove to be effective, we did not proceed with the initiative.

Now, our effectiveness increased as part of the score that we have in terms of clustering. We prioritize an important part. We work with our commercial team as well at that time, we have a list of criteria to guarantee that we'll only act when we are demanded, to avoid having self-generated down trade. This does not happen.

Now, in fact, when the client looks for us, we have an indicator that has been through one of the channels or a digital channel carried out a simulation, and there's a reason to think that they're going to cancel.

Now, all of these actions have been very successful, and that is why we have brought the cancellation per request to levels -- to almost historical levels. And this shows that our activities, therefore, were quite successful, but we continue to seek out alternatives. When a new HMO or operator comes in, when we begin to offer a series of offers, we do this again.

Recently in Quali, we have a more operational detail that includes artificial intelligence that works since -- and one since the call center. Any person with minimum training can already work on retention, it's something that is highly intuitive. There are questions, they offer the client score, and see what they should offer and should not offer, not only from the viewpoint of process but also technology. We have made significant strides, and our squads are working on AB tests on hypothesis, testing different possibilities and carrying out what we call surgical work.

And for operator A, we test we test one type of activity; for operator B, another type to see what is truly operating, and if it can be measured through indicators. Of course it continues to be a challenge, and I would love to have several operational problems impacting cancellation because that's much easier to resolve. We have technology and people with deep knowledge of the company and the sector to quickly implement processes.

Now, we do have a significant macro weight based on the percentage of cancellation on default on the survey that we carry out. It has a very high degree of reliability. And when those who say they're going to the sole health system, we check this, and normally, this indicator does not change. So the macro situation does have an impact. And we have down trade, we have the entire range of portfolios. We can work with retention in-house, but there comes a point where we can no longer act. And this is the main challenge, and this is where the squads are working to attempt to reduce the default levels, and so that we can normalize this.

We would like to go into the third quarter, where we have readjustments, with this indicator already normalized with a level, of course, where it will be possible to deliver organic growth in the company. This is our target today. We're speeding up everything, we're not putting aside any efforts until we get to the third quarter, where, of course, we will suffer pressure and additional base points of readjustment. We will see the percentage that I have mentioned of 19% to 20% of readjustment. Well, this is what I had from my side.

Operator

Our next question comes from Ricardo Boiati from Safra Bank. The question came in writing.

The impact of the present-day inflation on future plans and affordability of plans. Is the trade down movement accelerating which are your expectations for an average ticket?

A - Unidentified Speaker

The trade down movement has remained stable vis-a-vis our performance last year. And basically, it is the result of our retention actions. If somebody wanted to cancel and purchase another product, means that we have been able to maintain that person in the company. And we have not had great variations in the number of lives that carry out a downgrade, and the percentage of ticket reduction also continues to be stable. We don't have a change in terms of the number of downgrades vis-a-vis the previous quarter, nor in the percentage of ticket reduction for those changing products.

Operator

(Operator Instructions). Our next question is from Gustavo Tizio. You may proceed.

Q - Analyst

Good morning. Thank you for taking our questions. We have two. We would like to understand the agreement with Onimed [ph] insurance. If this agreement was closed some time ago and if you had a payment during this quarter, if you could give us details. Does this agreement include exclusivities, and if the contract is scalable, if it follows what we saw with Hapvida?

And the second question refers to the competition, which has been has their reaction at present? Any change in behavior, are they increasing their brokerage to be able to compete with you?

A - Elton Hugo Carluci {BIO 21743831 <GO>}

Very good questions. This is Elton. Well, we acquired this operator in last year, I believe, and the payment was made. Now, the details will have to remain confidential. Now, we are convinced of the potential of this product. We have the list of prices and everything else. And very soon, we will be able to sell this. You will be able to see their price positioning. I would not like to anticipate this information. Very soon you will be able to observe the figures. Now, this product has significant potential for the markets where it will be launched. This is what I can remark on this agreement.

Now, regarding the second point, the environment of competition, I will refer to the scenario. Basically, we don't observe any significant changes in this scenario in the product positioning and competition incentives. We -- what we see is something quite constant. Perhaps, as you can see in the number of our gross adds, we monitor everything that is happening and we do not foresee a change of scenario. And when I speak about scenario, I'm not speaking only of affinity groups but also SME or other product launches or individual plans. We look at everything, and our commercial intelligence core has observed all of this, and there are no significant changes.

Q - Analyst

Thank you. Thank you very much. Have a good day.

Operator

The question-and-answer session ends here. We would like to thank all of you for your participation. Now, the presentation of results for the first quarter 2022 ends here. Have a good day.