

## Q1 2021 Earnings Call

### Company Participants

- Bruno Blatt, Chief Executive Officer
- Elton Carluci, Vice President, Sales, Innovation & New Businesses
- Frederico de Aguiar Oldani, Chief Financial Officer & Investor Relations Officer
- Matthew Kligerman, Founder & Co-Chief Executive Officer, Escale

### Other Participants

- Joseph Giordano, Analyst
- Leandro Bastos, Analyst
- Vinicius Ribeiro, Analyst

### Presentation

#### Operator

Good afternoon, ladies and gentlemen, and thank you for holding. At this point, we would like to welcome you to Qualicorp's Conference Call to discuss the Results for the First Quarter 2021.

We have with us today Mr. Bruno Blatt, the company's CEO; Mr. Fred Oldani, the CFO and IRO; Mr. Elton Carluci, Sales, Innovation and New Business, Vice President; and Mr. Pablo Meneses, Vice President of Operations and Relationship.

Some of the forward-looking statements made during this conference call are projections and refer to future expectations. Such statements are subject to known and unknown risks and uncertainties that may cause certain expectations to not materialize or to be substantially different from what was expected.

This event is being broadcast live via webcast and may be accessed through Qualicorp's website, <http://www.qualicorp.com.br/ri>, where the respective presentation is also available. We would like to inform you that this event will be recorded and participants will be in listen-only mode during the company's presentation. Ensuing this, we will go on to the question-and-answer session when further instructions will be given. (Operator Instructions)

I would now like to turn the floor over to Mr. Bruno Blatt, who will open the conference. You may proceed, sir.

**Bruno Blatt** {BIO 21352052 <GO>}

Good afternoon to all of you. We are here to make a difference in the universe otherwise why bother is very simple phrase, has been repeated at other times with different words, but it does represent a truth that is inspiring. We are here to make a difference and I truly believed in that in a universe that lacks correct actions and victory over commodity, and the courage to use after a year full of pause and doubts and fears, we begin the year 2021 with renewed energy to make the difference.

The first year of the new Quali, a year for resumption of growth to work closer with our clients, to work better with operators and to create new business horizons and to continue our enhancements in the governance and operations of our company. We are aware that we are evolving doing everything right. In this first quarter, we had a challenge due to the enforcement of readjustment and the HMOs, because the readjustment had been suspended in the year 2020. We were faced with a normal seasonality in our business and we had a higher number of clients that canceled.

We had an atypical churn for the first quarter. Of course, this was expected and was aligned with the behavior that we normally have in the third quarter where we have annual readjustment. The good news is that we had a record of sales in the company more than a 100,000 lives entered our base organically. Thanks to the investments we have made in operators, geographic expansion, a better performance of our channels besides expanding incentives and loyalty in our brokerage channel. This organic growth added 52,000 lives more brought in by Muito Mais Saude giving us a positive balance.

We're not going to stop here. In our view, the level of sales presented in this quarter, although being good still does not reflect the full potential that we foresee for Quali. We will gradually accelerate our sales during the coming quarters to have an organic sales level of 45,000 to 50,000 lives per month working ever more efficiently controlling churn to resume our organic growth until the end of the year.

When we look at Slide number 4, although the coronavirus impact was critical, we have the hope and the certainty that all of this will go away and things will go back to normalcy. While this does not happen, Qualicorp continues to invest in social actions with our new way of being. We have invested more than BRL16 million in the fight against the pandemic. And of course we will not shy away from our social mission of helping. In May, we contributed BRL100,000 for a campaign to aid Manaus to create hospital material for the hospitals in the Amazon. And since April, we are participating in a consortium to open 50 COVID beds in the Federal Hospital of Lagoa, in Rio de Janeiro, with an investment of BRL2 million a month to maintain and pay for 2,000 health professionals and the medication will be offered by the Health Ministry.

In the business part of our search for growth, we had several novelties throughout the quarter. For example, they launch of a plan with discount and unemployment insurance besides benefits to obtain medication the broadening of our partnership to work with a PBM, and our partnership with Samp, which is a partnership in Espirito Santo, expanding our product offer in the region. We're seeking for new partnerships to become more consolidated throughout Brazil.

Now we are going to continue to sell HMOs throughout the country. To speak about the results, we had sound performance, a growth of 4% in net revenues and a stable adjusted EBITDA with a margin of more than 46%. Our net revenues grew 70% with free cash generation of BRL75 million and ROIC of 48%. This semester we also will pay out BRL560 million dividends.

And at this moment, we are accelerating growth and acquisitions. We have a great deal of enthusiasm, because of the business expansion that are before Quali. The strategy designed for this year based on our three pillars: growth, focus on customers, people and culture, has proven to be assertive. Now without losing our focus on execution, we're going to accelerate sales and deliver ever more positive results in the coming quarters, generating more value for the company in the long-term.

We have a difficult task and we need to understand the present, but we also have movements that will lead us to the future. With this conviction yesterday, we announced our strategic partnership with Escale Health.

On Slide 6, we will explain why to respect our focus to delve even more in the digital world to work with engineering and data scientists, webs, UX, digital merchants. And we have to work on the online and offline work, and we have to deal with each broker as part of our universe, a digital universe that will expand sales and create new growth avenues. All of this to conquer and make our customers loyal.

Now Escale is not only a digital marketing agency, it will generate demand and have conversion into sales. And through the use of data, we will be able to sell the right product to the right customer at the right time. However, we find in Escale, two entrepreneurs that truly value the business and at the same time love people. They are focused on growth and very concerned in doing this the right way with the right values. They are an incredible team with a very strong culture as we are building here at Quali.

During the negotiation process, we had contact with other investors at Escale and we opened up a strategic discussion to fully discuss this partnership. We're very proud to see how we are unanimously joined together in synergies and the potential that is being generated by Quali and Escale. Now this union of cultures with an alignment of interest, it gives me great enthusiasm and makes this partnership highly promising.

I would like to go back to the beginning of our commitment of transforming Quali, a company that will lead to the pride of stockholders, customers and everybody we care for. I am proud to say that everything that we have done so far will continue on. We have passionate debates, passion [ph] actions, we look upon the market and see the impact that we're able to create in the market in the life of every Brazilian who dreams of having a health plan and we're going to continue in this direction being very determined in our goals and respecting the principles of governance and human value. We want a company that will be ever better and a world that will be ever better. If it were not for this why would we be here.

Thank you all and I would now like to give the floor to our VP -- President, Elton Carluci.

## Elton Carluci {BIO 21743831 <GO>}

Hey. Good day to all of you. And thank you, Bruno. As always, it's a pleasure to be with you in another results conference call for Quali. As Bruno has mentioned, we have an important presentation that we would like to make and speak about the strategic M&A we carried out with Escale. I will be very brief in the presentation, and at the end, I will be back to speak further about Escale.

Before speaking about figures, I would like to especially thank Bruno who invited me for this mission to occupy such an important position at Quali. Thank you, Bruno. We're going to support you in the execution of this strategy that is beginning to present sound results in this first quarter. I am convinced that we will attain that sales record in the coming semesters and throughout this year. I would also like to thank the commercial team, especially the Sales Director who has been doing incredible work in this front, and the results are there to be seen. Not to be unfair, besides the support of Bruno, these results would not have been possible without the commitment of Fabio, who is always seeking perfection in our areas, and Fred as well who continues to be highly focused, concerned about the finances of Quali, so that we can focus more resources for a resumption of growth.

Now to go on to Slide number 8. With the additional 100,000 lives in the first quarter, we have attained a historical mark that represents 30% of our growth in affinity. When we compare this with the first quarter of -- excuse me, he says the fourth quarter of '20 and represents 15% growth vis-a-vis the same period last year and 30% growth when we compare this to the fourth quarter.

In the release, you will also be able to see a consistent performance. We had a 5% growth vis-a-vis the fourth quarter of the year '20, and year-on-year, the portfolio had a growth of 20% during the same period, reinforcing our position that it is possible to grow the SMEs without cannibalizing the growth in Affinity. And this will become ever more clear through the coming quarters. And the corporate portfolio had a growth of 7.4% vis-a-vis the fourth quarter. To speak about gross add-ons, the company will continue to accelerate in the Affinity sector, which continues to be our main sector.

And we can now go on to Slide number 9, where you will be able to observe how we have been gradually accelerating the sales levels of the company and will continue to do this throughout the year. We listed several initiatives that were put in place in the last quarter, commercial partnerships, ramp-ups, the launch of new products and significant changes in portfolios, a change of efficiency when it comes to our present day channels, and of course, the contribution of the organic sale of companies that have been acquired in the last months.

Still in this slide, we have mapped an incremental potential of 50,000 lives per month. When we look at this vis-a-vis the average of the previous year, it was 27,000 lives on the average. We're referring to increasing the number of lives from 27,000. And, of course, if we are able to achieve this potential, we will get to 45,000 lives per month, something we should be able to put in place during 2021. We have already captured one-third of this

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opportunity in the first quarter. And without a doubt, we will capture an additional third during the second semester.

To go on to Slide number 10 to speak about churn, as expected, we had an increase something atypical for -- something typical for the period where we enforce the adjustments. Something positive is that it was somewhat below the historical behavior and the modeling that we did when we include the adjustment percentage. This reinforces once again that this should have happened in the third quarter of last year, but we're observing it now because of the suspension of the readjustment.

In the graph, when we add readjustments and recomposition, we get to 23% readjustments in the quarter. And due to the recomposition, this percentage was above the average readjustment that was supposed to have been applied the previous year. And we are considering here, not only the 15%, but the recomposition of the 15 months that were not collected. And we will also have age brackets readjustments to be collected in 12 instalments throughout the year.

And in the chart, you can see in blue the churn of the quarter, and the orange line, the average readjustments, and in the dark blue, the excess churn that was caused by the readjustment, and the dark orange dot is the correlation between the excess churn and readjustments, so a correlation between these two indicators.

So this is how we can see that the excess churn of the first quarter which was 5.2% as you can see in the chart. When we calculate the ratio of the excess churn over the average readjustment with recomposition, we get the indicator of 0.22 times. This indicator makes it clear that we are aligned just slightly below the levels of 2020, just a few base points below what the statistical model would predict. So we consider this is aligned with the readjustments that have been applied.

Now I would like to turn the floor over to Fred, and I'll be back in the end of this conference call to talk a little bit about Escale.

**Frederico de Aguiar Oldani** {BIO 16665733 <GO>}

Thank you, Elton. I will start my presentation about the results of the first quarter by giving you the quarter highlights. First, I'd like to talk about the growth of our Affinity portfolio. I think Bruno and Elton have already mentioned the readjustments and the acquisition of MMS' portfolio we acquired at last year, but it has actually added to our base this quarter. So we had record sales and high churn because of the readjustment and the additions coming from MMS. So that's why we had the medical hospital affinity portfolio achieving these numbers in the quarter.

Now about the net revenue, we had a 4.1% increase compared to last year; EBITDA, BRL241.6 million, 42.6% [ph] of adjusted EBITDA margin, which is quite aligned with the average of last year. It's hard to compare to last year numbers because of many non-recurring effects that we saw throughout the year, but this year we expect to have numbers that are easier to be analyzed. So our net profit was BRL114.5 million, 68%

growth year-over-year, boosted by no non-recurring effects for this comparison, and this number reflects our current income and EBITDA levels in the company. Free cash, BRL165 million. We still show our capacity to generate results with effects on cash flow. That's quite characteristic of our business and this will continue in the future, we expect strong cash generation numbers throughout the semester. So we closed the year with the debt level that is 64 [ph] times the EBITDA.

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Now moving on to the next slide, I will talk about the first quarter DRE results. The first point I'd like to highlight was that this was the clear quarter, a quarter without any significant non-recurring effects or any noise that requires us to explain number variations. This quarter reflects well our results considering the current revenue levels at our company. We expect that from now on will focus more on what we're doing in the market, growth and strategies rather than having to justify non-recurring effects, numbers, write-offs and so on and so forth. So we think this is very important. The numbers will be much clearer and easier to be analyzed and understood.

Now with regards to results, I think it's worth mentioning some lines below EBITDA. I mean, above EBITDA, I believe the numbers are very clear, but below the EBITDA line, I think it's worth mentioning our financial results. We've had a reduction compared to last year because of the CDI decreases and depreciation and amortization were also impacted compared to last year. But I think this is the new expected level of depreciation and amortization for the coming quarters. We should also mention the reduction in the effective income tax rate, which was about 33% in the quarter.

Moving on to the next slide, I would like to talk about cash flow generation. An important point to be mentioned here as although our cash generation was quite stable throughout recent quarters, I think it's worth mentioning our working capital. Why is that? You probably remember the readjustment that was postponed, that was actually recognized the results of the company in the second semester of 2020 that generated an increase in accounts receivable from customers and accounts payable invoices to HMOs and this is starting to normalize throughout this year with the collection of these values. So we expect to maintain gains in working capital throughout the year of 2021.

So I think this covers the main points about our results. The results are already indicating what type of results we are expecting in the coming months. But of course, we believe that our opportunity to keep on growing our business will be the main leverage to improve our results from now onwards. We will continue investing in our growth fronts and the actions we will implement to improve efficiency in operations and to reduce costs will continue firm, but we intend to use the additional proceeds to keep on investing in our growth fronts as well as in the improvement of our customer service and improving customer relationship.

This closes the presentation about our first quarter results. And I'll turn the floor over to Elton, once again.

**Elton Carluci** {BIO 21743831 <GO>}

Thank you, Fred. As we announced last evening, we've performed and concluded an strategic M&A. And before we continue, we have a message from Matt, one of the co-founders of Escale. So let's hear from him and then I'll continue with the presentation.

## Matthew Kligerman

Good morning. It is a great honor to be here sharing with you and speaking with my accent, my foreign accent, about this spectacular partnership. I'm Matthew Kligerman and me and my partner Ken Diamond are the co-founders of Escale. It is the reason for great proud -- pride to be here with you.

Ken and I are U.S. entrepreneurs and we've come to Brazil looking for adventure. We love Brazil. But we have noticed how hard it is to acquire essential services such as internet plans, cell phone plans, healthcare plans and others. There are complex contracting processes in force. And we see how much big brands lose in terms of customers because of the inefficiencies and how much this impacts acquisition costs. That's why we found Escale to solve those lack of efficiency. In essence, Escale is a machine of customer acquisition in the digital world. We deliver incremental customers to the largest brands in Brazil. We focus on higher added-value products with complex purchasing funnels, such as internet plans, insurance, health care plans, financial products and others.

In 2020, we delivered BRL49 million in lifetime value revenue for our partner brands. We more than doubled last year and we're going to double again this year.

And how do we deliver all of these sales? Well, we interact with millions of potential customers every month with our own digital assets portfolio with plans compartor [ph], content websites and apps related to different purchasing time points, generating qualified leads. And we also manage websites and digital campaigns of our partner brands thus dramatically elevating their performance. And it's not only about lead generation, we also convert the lead that we generate into purchases through our cards and chat box that are integrated with our partners' back-end systems as well as our own inbound sales center.

Our own technological platform integrates data from end-to-end from the interaction with the lead online to the offline conversion. And we use data science to optimize each stage of the sales funnel. Compared to our partner brands, we convert leads into sales with twice conversion efficiency dramatically increase in the volume of sales and this is all based on performance. Our remuneration is based on performance. We are paid for customers that have been activated.

Quali and Escale complement each other. We have an essence in common. Both companies are machines of customer acquisition and our expertise is in attracting digital customers, whereas Quali has been focusing on offline channels. Now we are going to join forces, so that HMOs can better distribute healthcare plans in Brazil, both online and offline.

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Also we are going to help Quali to escalate sales in their digital channels and increase the efficiency of their own funnel for Affinity and SME. Personally, I have never seen Quali as a healthcare company only. I've seen this as something that is much more, a company of generating demand in distributing products. I believe our synergies go way beyond the healthcare industry. And Ken and I founded Escale with the purpose of making people in organization reach their full potential. The new Quali way of being is completely aligned with our mission. We have assessed many different pathways in order to achieve our bold mission. And of all the pathways, the one that excited us the most was that one with Quali.

So to close, I'd like to thank Bruno, Elton, Fred, Pablo, Eduardo, Fernando, Ricardo, and the whole Board of Quali for the efforts in building in this new reality together with us. We are in this together now. When we look back a few years ahead, we will be so proud of everything we've done together. In partnerships, we can achieve the highest and most rewarding summits.

### **Elton Carluci** {BIO 21743831 <GO>}

Okay. Great. After Matt's message, it's much easier for me to present to you. So I'll start here on Slide 16 where you can see our agenda, with five different points. I'll give you some details about the deal, then I'll talk about Escale, then about Escale Health, and then I will tell you what we want in terms of the Quali plus Escale partnership. Then we'll open for questions and answers.

So on Slide 17, I will start by telling you about the details of the transaction. We have acquired a 5% interest of Escale Holding that control several verticals and among them Escale Health. And we acquired 35% interest of Escale Health with a call option another 5% in the next 12 months. It's important to mention that this is an investment that is 100% primary. All the proceeds will be used to expand our business and we do believe that this is a very disruptive model. This investment will certainly help us to accelerate growth. So the values were BRL48.4 million in the Holding, and BRL84.2 million in the Escale Health vertical.

So now moving on to next slide, Slide 18. What does Escale mean to us? As Matthew said, I'm sorry, it's actually slide number 19. So what does Escale mean to us? For us Escale is a player that connects millions of consumers with big brands, a data player, a tech player, a player that will convert customers with optimized acquisition costs. That's what Escale means to us, and this is going to become even clearer as we advance in this partnership.

Now moving on to Slide 20, this is a self-explanatory slide that speaks about the quality of our partners. Over a BRL100 million investments. There is no need for introduction of these investors, Kaszek, QED, Invus, GFC and Redpoint e.Ventures, and the founders are Matt and Ken, investors who saw an opportunity to do something disruptive here in Brazil. I would like to thank Ken and Matt, who enabled Quali to be a part of this new journey, taking this pathway together, that we would definitely accelerate our digital sales in the healthcare industry in Brazil.

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Now moving on to the next slide. Slide 21 tells us about the disruptive model of demand generation, sales conversion and high loyalty. I'll give you further details about this for Escale Health, but this is actually a model that is used in all of Escale's verticals, everything based on data. Millions of data points related to conversion and demand that is generated second in, second out that is directed to a team that will be able to perform the sales conversion in the most seamless way for customers. There is another slide later on, that will give you further details about how everything works in this acquisition funnel.

So now on Slide 22. What is it that we see here? Well, this is how everything works. On the one hand, we have consumers. When the online search for products starts online, you know for products, brands and networks, this is a fragmented process that generates frustration and early cancellation because consumers end up buying the wrong product. So, Escale is here to bridge consumers and brands to create the best possible journey by generating demand, data assignment to operate the end-to-end funnel with the whole conversion technology that is fed by this data science and artificial intelligence model. So I think the point that I'd like to highlight on this slide is that we see Escale as a company that can connect consumers and brands in a unique way. They transform the acquisition difficulties into a memorable experience that will adapt, depending on the consumer profile.

Now on Slide 23, you can see the verticals. We purchased a 5% stake in the Holding that covers all of these verticals home services, health, personal finance and education as well as others that might be created for the Holding and the investment in the health vertical that already distributes Amil, Bradesco, SulAmerica and GNDI products, who are also partners of ours here at Qualicorp. So we can see this amazing synergy in the health vertical.

Now on Slide 24, we can see what Escale does in each one of the segments, optimizing the purchasing journey from end-to-end and the acquisition funnel. And what did we realize once we started having conversations with them and we saw this working in the field. We thought that this is an incremental sales model. The idea is to stack sales and not to cannibalize sales, and we saw the whole engineering process that was underlying the conversion process that creates a potential of up to 3.4 more conversions, more sales with the same investments.

This as a lifetime value based loyalty. We look at early cancellation and we see whether it makes sense for that purchase to be sold or not and it performs data integration of the funnel. We were quite impressed to see how the data was used in each stage of the process, not only to acquire the leads in a more efficient way, but also to enrich this funnel, so that if need [ph] be the sales rep in the field will understand what is the best lead to be converted, according to their profile or their expertise.

So artificial intelligence will let them know what is the best is for a joe to convert, for example. Because a joe is the person who converts the most customers with that profile at that age bracket in that region, that search for healthcare products, for example. So that's a very interesting model that happens in tenths of seconds. It's really impressive.

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Now all of this will be done in a more integrated fashion with the end-to-end data. And this is how we imagine to put Qualicorp into a completely new conversion level based on this data analytics model. And here to the side, what we do is to deliver value to the customer; and on the other side, all of the data collection, the proprietary data moat. Now this funnel therefore will be fully enriched with a variety of attributions and other factors. So that we can work with the lead in the best way possible.

At the end of the day, of course, this will enable us to have a more efficient acquisition cost. More courage, we will prioritize our leads, and do this at an incredible pace, something that we had never observed before we sat down with Escale to carry out an endless number of tests on the platform. And all of this data will be fed back into the system. If you imagine the number of leads that we have presently at Quali and you joined us with the intelligence, this will enable us to take a leap in our conversion rates and also an enormous leap in terms of incremental sales based on the origination of leads.

We will now go on to Slide number 26 and I'm going to go quickly through this, so that we can speak about the health vertical. Here we have part of the inspiration of Matt and Ken. What is it that they base themselves on to bring Escale Health to Brazil. They took inspiration in companies such as SelectQuote, these are all listed companies, Assurance and wefox, company that operates more in the European market. So this was the opportunity that they foresaw in the health vertical in Brazil and they took inspiration from these three benchmark companies. Of course, for those who wish to know more about the Escale model, and of course, these are excellent benchmarks. I recommend that you service somewhat more about these three companies.

Going on to Slide number 28, what we see to the left is our current distribution model with several deficiencies, of course, all the way from the investment that has been made in the digital part and that ends up being captured by other agents, the disconnection between leads and product conversion, generating the high number of churns, breakups, leading to customer frustration who wants one product ends up with another, and we also have the non-intensive use of data.

And to the right, what is addressed through Escale Health model resolving all of these issues and using the technology that I referred to very briefly in the prior slides. Therefore, they address all of those issues of the inefficiency of the funnel with technology, with data, with artificial intelligence, optimizing the lead and identifying multiple opportunities for selling and cross-selling, doing all of this through a digital process. Once again, one of the most innovative and interesting processes that we have seen operate. And when we held our initial conversations and carried out the due diligence, we received a class over the side. They had already mapped all the fields for enhancement and we were truly impressed with the mapping of efficiency for Qualicorp enabling us to have this joint model.

We now go on to Slide number 29 where we have an example of the digital assets. Besides what we see in Google, Facebook, Instagram and others we have proprietary assets. And through these, they generate demand. Of course, Zelas is a proprietary asset that generates demand without necessarily competing in terms of lead words and in terms of other customers. Once again, a highly interesting app that has offered us a great

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deal of synergy, especially when we began using digital assets not only for sales, but also for cancellations. As partners, we will be able to access to this data and speak to one of our customers who perhaps requires a lower cost HMO something that formerly would have been out of our radar. Now the entire data model uses other external data sources, sites, customer complaints. This is a highly complex engineering based on an X number of situations, enabling us to work with a more assertive conversion and also to enrichen our cognitive models used in the churn or cancellation.

We go to Slide number 31. To summarize in a single slide what this strategic partnership this M&A will represent for Qualicorp, and which are our priorities. Of course, they extend beyond simply increasing sales and reducing churn. How are we going to do this by optimizing the Qualicorp conversion funnel as soon as we're able to close this partnership.

We're going to begin to optimize our funnel and our conversion bridge will be improved by optimizing acquisition leads. In the affinities and the SME market, we truly believe in a high conversion with the generation online. And when we speak about demand generation, we're always referring to SME markets and the Affinity market.

We are making great strides in the digital strategy, a strategy for the retention and reduction of churn. We should be able to make a leap in this cognitive recognition using everything that Escale has at present. In terms of data, this should be truly impressive and, of course, through this investment we're seeking that competitive edge when it comes to exclusive proprietary assets in demand, the conversion technology, the selling and cross-selling, and of course using this platform based on several tests models that we can test to be able to market other products from Qualicorp.

As you can see all of this is linked to what we have already been doing and what we have conversing -- been conversing with the market, since our Investor Day. Now we're going to reposition Qualicorp as a company with multiple products and we're heading towards that mission of becoming more than a marketplace, we want to become a platform with the integration of e-commerce, not only through our customers, but also for our brokers. And all of this is part of our strategy and will enable us significant time to market, something that we have been planning for the company.

We look at technology, we look at Escale, of course, some of these assets are still confidential. As we conclude our partnership, we will disclose this to the shareholders. But if Qualicorp is able to reach that platform, we will be able to have a clear vision, what it is that we want and how to fulfill the strategic partnership with Escale and fully integrate our businesses.

This is the presentation per se. And at this point, we could now open the floor for the Q&A session.

## Questions And Answers

### Operator

We will no go on to the question-and-answer session. (Operator Instructions) Our first question comes from Vinicius Ribeiro from UBS.

**Q - Vinicius Ribeiro** {BIO 19720178 <GO>}

Good day, or good afternoon to all of you. Thank you for taking my question. Two very quick issues. Referring to your gross adds although this is more qualitative information, if you could speak about new products and new channels, how representative and relevant they are in these new cross adds?

And secondly, something that was not made very clear to me if you could be more objective if your investment is so that Escale can become your digital distribution channel for the company or if your intention is to create another company and you will share part of the economics. What is it exactly that you're going to use all this information that you have invested in this company? Thank you.

**A - Bruno Blatt** {BIO 21352052 <GO>}

Good afternoon, Vinicius. I would like to address both questions and the entire team is here. Initially we have been able to capture benefits in all our plants and some we are more accelerated than in another. Now in terms of products, change in portfolio, we have done this in all the portfolios where this was necessary. This has already been done, some underwent this in the first month. We have one month of sales. Of course, there will be an impact in the second quarter.

In terms of channels, what we have been observing is an increase in some of the channels where we had very few operations. For example, e-commerce and after our reformulation things seem to begin to happen. Of course, this is an expectation and we know that it is a change of habit that will take years to change completely. But we have observed that there is a mixture of everything. We have some synergies and all of the line items.

Now to speak about Escale per se, Escale is one more channel. We're not going to replace our channels. What we are going to do is use the synergy that appears in the funnel. Escale will operate the channels as part of the agreement. We have a very comfortable situation. They will guarantee the flow of leads into our channels, and if we have a surplus demand, they will work on the conversion. So this represents an additional channel. And the proceeds of course will be used to accelerate to escalate the process by expanding the technology and moving forward in the acquisition of leads.

Now should we have a digital asset, that makes sense, a site or something similar, we can also work on an acquisition and add this to our platform. This is what we will be doing with our proceeds.

**Q - Vinicius Ribeiro** {BIO 19720178 <GO>}

Thank you very much.

**Operator**

Our next question comes from Joseph Giordano from J.P. Morgan.

**Q - Joseph Giordano** {BIO 17751061 <GO>}

Good afternoon to all of you. Thank you for taking my question. I would like to speak further about gross adds, which have been the changes in the commercial incentives. To better work on your sales, you have a record level of sales. What is it that you have altered culturally, if there has been a monetary restatement to leverage these sales? And to go back to Escale that we have just discussed, when will we begin to see material gains from the use of intelligence and the capture, conversion and retention of customers? Thank you very much.

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

Thank you for the question, Joseph. And what we have been doing to accelerate our sales is to follow that strategy that we referred to the Qualiday event. It was coming closer to the brokerage channel. The brokerage channel has been performing much better than the historical average, and this is happening in practically all of the markets, and some of them in a more accelerated way, and that place where we speak about present day channels.

It's a bit of different strategies and some are close to reaching a 100%, others are just beginning. And of course, I mentioned this previously, we have a great deal of regionalization and different teams. There is no place now that will not make sense for us not to have a team from Qualicorp. We have carried out a mapping and it will make sense to have somebody local speaking to a local operator carrying out sales based on the model that we use with brokerages at one end. So we're using a mix of everything.

The Plural that we acquired has been contributing since December and MMS will begin contributing beginning now in the second quarter. We have had the close of the first quarter and MMS will be an important part of this ramp-up of acquired companies that will make their contribution. That is why when we speak about the second quarter, I think this was included in the guidance and we see how full these opportunity bars are. And perhaps you can work with an estimate of which would be the performance of what we have been doing, because of the closing that just happened and the continuance of this closing in the second quarter.

And as we deeply know what is happening with the model because of the time that we have invested in it, you will understand what we are attempting to do, considering the relevance and the contribution it will have for us. And of course we will be able to do this very gradually. We do have other plans for the funnel. We're going to begin carrying out tests and work on the integration, and we hope to capture 100% of this throughout the year 2021.

There is a curve that has been drawn up here, and of course, if we see that the customers are very enthusiastic, we will go to 100% very soon. At our end nevertheless, we would like to do this very calmly and with the full diligence that a process like this requires because of the importance of lead generation. Now, this is our plan and we will

be focusing on this in the coming months. We're convinced that we will allow the sales to reach a completely different level when we reached fully integrated scale.

**Q - Joseph Giordano** {BIO 17751061 <GO>}

Thank you, Elton.

## Operator

Our next question is by Leandro Bastos, Citi.

**Q - Leandro Bastos** {BIO 21416405 <GO>}

Hello, everyone. Good afternoon. I have one single question about commissioning. Looking at the cash flow, we see a significant increase, almost two-fold increase year-over-year and the sales have been evolving. You're talking about 40,000 to 45,000 lives added per month. So my question is what is the order of magnitude that we can consider in terms of investments and commissions for the company to achieve the growth that you aim to achieve in the medium and short terms? Thank you.

**A - Frederico de Aguiar Oldani** {BIO 16665733 <GO>}

Hi, Leandro. This is Fred speaking. So the growth in commissioning, the comparison is not that clear, because we cannot see the average ticket of new sales. The new sales usually have a higher average ticket. In the first quarter, we saw a new portfolio for family plans in SulAmerica with discounts over dependents, and it worked really well. So in the first quarter, the average ticket was higher.

Our investments were expanded throughout 2020, and I think the first quarter is a good proxy of what we can expect for the coming months. I think this reflects the current level of how much we're spending to acquire lives right now, but we are talking about lives with a higher average ticket that create a higher margin of contribution in lifetime value. But this strategy is aligned with our strategy, which is to be very aggressive in this channel. So this is completely aligned to our strategy and we think this is going to be capped at those levels for the coming quarters.

**Q - Leandro Bastos** {BIO 21416405 <GO>}

Okay. Thank you, Fred. Have a great afternoon.

## Operator

(Operator Instructions) This concludes the question-and-answer session. Now I would like to turn the floor over to Mr. Bruno for his final words.

**A - Bruno Blatt** {BIO 21352052 <GO>}

So, I'd like to say good-bye by thanking our brokers, 43,000 healthcare plan sales representatives connected with Qualicorp helping us to expand access to private healthcare in Brazil. I would also like to thank our partner HMOs who trust us to distribute

their products. And I'd like to thank 2,590 Qualiers who are very resilient working with us, passionate about the transformation we are making in the field who drives our company every day. I would like to thank also Escale's team, Matt and Ken for the trust they have put in us and for believing that together our dreams will be better and greater. Our mission is to take care of lives and to do that increasingly better. I am really happy to see that we're advancing in spite of all the challenges. So thank you, everyone.

FINAL

## Operator

This concludes Qualicorp's conference call. Thank you very much for joining.

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