

## FY 2020 Earnings Call

### Company Participants

- Bruno Blatt, CEO
- Elton Carluci, VP of Commercial, Innovation & New Business
- Frederico de Aguiar Oldani, CFO & IRO

### Other Participants

- Eugenia Cavalheiro, Analyst
- Leandro Bastos, Analyst
- Mauricio Cepeda, Analyst
- Pablo dos Santos Meneses, VP of Operations & Relationships
- Vinicius Ribeiro, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. Thank you for waiting. Welcome to Qualicorp's Conference Call to discuss the Results of the Fourth Quarter of 2020. We have here with us Mr. Bruno Blatt, CEO; Mr. Fred Oldani, CFO and IRO; Mr. Elton Carluci, Sales Innovation and New Business Vice President; and Mr. Pablo Meneses, Vice President of Operations and Relationships.

Some statements in this conference call may be projections or statements about future expectations. Such statements are subject to known and unknown risks and uncertainties that may cause such expectations not to materialize or to be substantially different from what was expected. This event is also being broadcast live via webcast and may be accessed through Qualicorp's website at [www.qualicorp.com.br/ir](http://www.qualicorp.com.br/ir), where the slide deck is also available. This event will be recorded. (Operator Instructions) I would now like to turn the floor over to Mr. Blatt, who will start the conference. Mr. Bruno Blatt, you may proceed.

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

Hello, ladies and gentlemen. Thank you for the opportunity of sharing a little bit about our work, our values and our dreams with you. There's a lot I'd like to share with you in little time about the company. A lot to talk about in terms of our growth and robustness as an organization. But I'd like to go beyond. It's now time to take a step further. The crisis we're going through teaches us to live better with one and other, to think about our attitudes and to take our share of responsibility for improving the world.

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I'd like to talk about semantics the meanings of words to then reach attitudes, words of power. So I'd like to use some words to humbly give you some food for thought. We have been using the phrase, the new quality way of being to express our beliefs in a business that involves millions of people and that has, as a purpose to provide to the largest number families possible, one of the greatest dreams of Brazilians, which is to have a healthcare plan. So let's start by focusing on the word new.

New is what is being born. New is what has no dust accumulated over it. New is what breaks paradigms and takes risks responsibly. New is what has no ties, except for moral ties. And new is not at all related to age because we can see men and women that have many years of experience and are still delighted to explore new pathways. The new at Quali was the strategy we chose to grow respecting our shareholders, our professionals, our brokers and our customers. The new at Quali works on 3 pillars, which have in common a more innovative environment with intensive use of technology and data within the highest corporate governance principles.

The 3 pillars are: growth, customer centricity, people and culture. So the second semantic thinking I'd like to share with you is about our first pillar growth. We want to grow continuously and with quality and that's what we've been doing. Our goal is to transform quality into a multichannel and multiproduct platform using as a foundation, the ecosystem that we already have around our Affinity Group Healthcare plans segment. This is a system that already has many millions of customers, thousands of brokers, hundreds of professional associations and dozens of HMO.

Within our growth initiatives, we've been trying to diversify products and channels in order to broaden our scope of operations. So in recent years, Quali has launched in recent months over 20 new products with a special highlight to the partnerships with regional HMOs and products for families. For example, we closed a partnership with Assim Saude, with Parana Clinicas and with Intermedica Notredame Group. Important HMOs in the country that works in regions and segments where we had a low penetration. We also created family plan with SulAmerica with discounts to include dependents. This week, we took another step with regards to unemployment insurance for our customers.

With Bradesco Saude we launched the hospital plan, in addition to regional plan. We also reinforced our partnership with Unimed, bringing over 10 new partnerships to our platform last year alone. We have many other initiatives being developed and implemented, which we expect to gradually launch and communicate to all of you. But I want to highlight that the organizations are not static. They either grow or lag behind. So growth here has many meanings.

We grow organically, we grow through acquisitions, and we grow every day learning from each other. In 2020, we incorporated client portfolios such as that of Health and Club Care and more recently of Muito Mais Saude. We recently concluded the acquisition of Plural and Oxcorp, the largest acquisition of Quali in the last eight years. All these acquisitions are extremely important for our growth strategy, and they brought fantastic people into our platform, people with a lot of expertise in healthcare. We've been talking a lot about our strategy and our pillars.

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Our is another word I'd like to talk about. Ours as a plural possessive pronoun that shows respect and belonging. So I would not imagine that one manager alone would have a magic wand to solve all the complex issues of an organization. Ours means team, group, time, plurality. Ours means Brazilians that do something for their country. We donated over BRL 60 million in support actions to combat COVID-19, increasing the number of beds, purchasing masks, distributing quick tests, donating hand sanitizers, taking care of our clients, and we created a social fund that has already helped over 1,000 brokers infected by coronavirus.

We recently launched Qualicult, an action to embrace Brazilian artists that have been hardly hit during the pandemic. I was happy to see our commercial VP, Elton Carlucci, feeling thrilled because he has been a professional musician, and he knows how hard it is to be an artist in this country. Over 90 artists and artistic groups will get up to BRL 8,000 each to continue producing culture. We have had over 1,400 people registered in our programs in the first week they were launched. Now let me talk about our results that will be further explored by our CFO, Fred Oldani.

In spite of all the macroeconomic challenges and the recession caused by the largest pandemic we've seen in our lives, our results have been solid, and we are quite enthusiastic about the coming years. Our consolidated member base has had an expressive growth of 23% in the Affinity Group segment, closing the year with over 1.6 million lives. In this segment, our core business of hospital medical plan has reached almost 1.2 million lives after the gross addition of 447,000 lives, a net addition of 92,000 lives in the year, with an important growth of 8.3%.

Our gross revenue exceeded BRL 2.2 billion in 2020. Our adjusted EBITDA reached BRL 939 million, with 46.3% margins. Our net revenue grew by 5%, achieving BRL 392 million, and our cash generation ex acquisitions was BRL 670 million. In spite of our new M&A cycle, we are proposing the distribution of BRL 570 million in dividends, complementing the other BRL 82 million that we already paid in interest over equity, distributing 100% of our net profit and using all of our contingency reserves from previous years.

I like talking about numbers. I do a thorough follow-up of our investments and costs. So I'm thrilled to share our success with you in numbers. But numbers will only have a meaning when they are related to people and that inspires me the most. So the final semantic thought I'd like to share with you is about people, about my wife, my kids, my friends and each and every employee that I get to know and learn to respect, about pains and daily successes. It's about people. We have a team that is committed to our growth and our new way of being and new way of working. We have had the opportunity to reinforce this team in a little over one year that I have been the CEO of Quali.

We have people like Markus Mordechai [ph] who is a service expert and who already scored a great goal controlling our level of cancellations in the beginning of the year and the recomposition of price plans or Ana Paula Carracedo who is here to organize our compliance and risk area or Eduardo Oliveira, who has been a master in our M&A and business development area. And Alessandro Courbassier who returned to Quali as Commercial Director. But it's unfair to mention names because I'm sure I'm going to leave out many people, many professionals who are in practice, the essence of the New Quali.

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People, I share the pain of each and every person who has lost a loved one or job or a dream. Our goal as a company is to offer more health, more life and better conditions for each person to make their dreams come true. We know that the challenges are huge. After all, the pandemic has achieved alarming levels, affecting the lives of all Brazilians and prolonging the economic crisis in the country and creating barriers to our business. But looking ahead, at 2021, I'm certain that we'll start to harvest the fruits of everything we planted in New Quali in 2020. We will work in each and every one of our strategic pillars and will be able to achieve our main target, which is to resume organic growth in our Affinity segment. Our foundation is solid. The strategy is very well fundamental. Our Qualis are ready to overcome any and all challenges always within the New Quali way of being and acting. Thank you very much. Now I turn the floor over to the Commercial VP, Innovation and New Businesses, Elton Carluci.

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

Thank you, Bruno. Good morning, everyone. It is a pleasure to be here with you in another earnings conference call. Now I'd like to give you a bit more flavor about our results. So I'll start by talking a little bit about sales, especially the Affinity Group products. We might be actually anticipating a little bit of what we would like to talk about during our Q&A session.

In our last results conference call, I talked about the portfolio agreements with our main partners in the Northeast region. At that time, due to the pandemic and our strategy there, we were about 45 days without selling products of that HMO -- those HMOs and that had an impact on the number of lives in the Third Quarter. And as I said previously this effect was partially corrected now in the Fourth Quarter. So we already captured part of those numbers, which led us to a growth of 6.6% in the number of sales as compared to the Third Quarter of 2020.

I would also like to mention that we see this HMO improving throughout 2021. Therefore, our long-term vision is the same. We don't see any relevant impact on the sales dynamics in the long run. And just like in the previous quarter, we also saw here a largest volume of premium, a bit above the 6.6% growth, which will help us supporting our top line because of the mix with higher added value. Still talking about our portfolio, as you probably saw, the churn is still improving. It continues to improve.

When we look at the same period of the previous year, we see a reduction in the absolute numbers of almost 30%, actually 29.9% compared to the previous quarter in 2020. But year-on-year, this has been a 16.5% improvement. Of course when we talk about churn, we need to highlight that this is a seasonal comparison. So of course we have here an effect of the postponement of readjustments that impacted the improvement. So in other words, what I'd like to say here is that part of the cancellation will impact the First Quarter of 2021 numbers. We haven't seen anything very different or concerning from whether the readjustment had been applied in its state base.

Considering the operational improvements that we already saw in our indicators because of the process improvements that we had been implementing at our company. So the readjustment was only postponed to a later time.

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Now talking about SMG -- or SME. You'll see that we have a constant improvement in our base. This is fruit of our organic efforts and the opportunities that we generated here with retention. So you see a growth of 20%, and we've been able to do that in a very interesting and intelligent manner. I've already talked about this topic and other opportunities and you can see the effect here. As Bruno said, in M&A, we concluded the acquisition of Plural and Oxcorp in December, and we see the incremental sales of these companies already impacting our numbers here on the First Quarter. So these are the highlights that I wanted to give you. During the Q&A, we can talk a little bit more about that, if you'd like. Now I'd like to turn the floor over to Fred to give you the main numbers of our company.

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

Hello. Good morning, everyone. So I will start by talking a little bit of our quarter highlights on Slide 13. First, we can see the growth in the Affinity portfolio, especially in the Medical Hospital Affinity portfolio, which was impacted by two effects. First, as Elton said, the reduction in churn. We had a significant reduction in churn in the quarter and the accumulated of the year and the positive impact of the acquisition of Plural, especially in the Fourth Quarter.

But an important point to emphasize here is that although we have the lives already included here in the Fourth Quarter, we almost had no impact on the results coming from the acquisition. That's because the acquisition was concluded in mid-December. So the effective impact of Plural on the Fourth Quarter results and on the 2020 results were practically null, nonexistent. Now revenue was quite stable. There is an important point to mention here is that the comparison base of 2019 had many nonrecurring revenues of brokerage that were recognized in a negotiation done with a specific HMO.

So the comparison -- the baseline comparison was not very good because of that. Our adjusted EBITDA was BRL 190.3 million, a drop of 16.8%, which can be explained by the PDD, the provision for a loss of BRL 33.4 million due to the suspension and recomposition of the 2020 price readjustments. It's important to mention that this is not something recurring or permanent. But considering the dynamics of the readjustment suspension in which we had about BRL 500 million in premiums that will be recouped throughout 2021. We thought it would be good to have a conservative provision due to the risks of not being able to collect part of those amounts throughout 2021, but that's not a recurring effect. The Fourth Quarter EBITDA does not reflect, therefore, our recurring operational EBITDA.

In the accumulated of the year, we have BRL 938.9 million in EBITDA with a relevant impact of such provision. Such provision was of BRL 51 million in the accumulated numbers of the year. Even though we had BRL 57.6 million in net revenue in the Fourth Quarter, totaling BRL 392.1 million in the year, a 5.3% growth compared to 2019. It's also important to talk about cash generation. We have BRL 71.5 million of cash generation in the Fourth Quarter, totaling BRL 670 million in 2020, a quite robust result.

Now on Slide 14, we'd like to talk a little bit about the main line items of our income statement. It's quite clear here that we've had a challenging year because of the

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economic environment. As Bruno said, we had COVID hitting us hard with negative effects. The economy and the numbers of the company also were affected by nonrecurring effects. So it's not as easy to explain as we would like to. So I'd like to highlight a few points here about our 2020 results. So first, I'd like to highlight the good performance on controlling costs and expenses. We had a reduction of costs and SG&A with proceeds redirected to our growth front. So this can be clearly seen here because of the increase in commercial expenses. So we have been trying to get savings from the operations so as to finance our growth front.

This is something we've been talking about for a long time now, and it's becoming more and more clear on the results of the company. It's also important to emphasize the effects of the price readjustment suspension. In our release, you can see a detail about the impacts in more detail. But it's worth mentioning here that the price readjustments generated an additional provision for losses of BRL 51 million, which is a relevant effect on the company's annual results. It's also important to highlight nonrecurring effects that were adjusted for EBITDA purposes. So we had relevant amounts of executives leaving the company and other premiums that you can see there quarter-on-quarter, and it's all very well explained in our release, as I said, but these are not permanent effects.

And when we look ahead, we do not expect any relevant change in our EBITDA margins of our company for the annual comparison. That's an important point. 2020 was a year to put our house in order. We corrected many things, and there were many other actions taken to make sure our numbers would be reflected in the best possible way and that was really important. It needed to be done, but now we think that we have turned the page and the results will be simpler from now on. Now last point here about the results that I'd like to highlight is that, starting last year, we started to attribute JCP, which is also helping us to reduce our tax statement -- income tax statements.

Now Slide 15, cash generation. We have a resilient business with strong cash generation of operating cash. We generated BRL 711 million throughout the year, post CapEx, BRL 670 million. That shows how resilient our business is and the capacity we have to generate value and generate cash at our company. So once again this is something that we see recurring in our company, how able we are to convert EBITDA and profit into cash generation.

So here, on Slide 15, you can see the dividend distribution of BRL 570 million, as Bruno commented. A shareholder return that is quite relevant, an interesting yield, and that shows that our investment case is not only one that has a high-growth potential because of our new business strategy, as Bruno said in his opening remarks, but we also have very defensive business profile with a compensation level to our shareholders that is quite interesting. So this concludes my presentation about the 2020 results and of the Fourth Quarter of 2020 as well. So now I'm open for questions that you might have about the numbers or anything that was mentioned during this presentation. Thank you very much.

## Questions And Answers

### Operator

(Operator Instructions) Mr. Leandro Bastos would like to ask a question.

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

I have 2 questions. My first question is about the readjustments. So you saw in the beginning of the year in terms of price increase collection? Is this having an impact on the results? Now the second question is about the churn. I know you mentioned during the presentation, but can you give us a few more thoughts about the cancellation levels? And finally about the HMOs or administrators, can you also give us a few more comments about that?

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

Good morning, Leandro, this is Fred speaking. So I'll start by answering your second question. So the -- this work that we've been doing with the administrator aims to free BRL 300 million in cash that's now stuck with the administrator. So that's why the contract is being broken. The benefits administrator has no leverage to finance acquisition. So considering the healthcare regulator rules, especially when it comes to adjusted equity, you need to have equity that is enough to pay all of your intangibles. You cannot finance an acquisition through debt because of these rules.

Today we have a debenture of around BRL 300 million in the administrator. So I need to have BRL 300 million in cash, just standing still without any type of use. So this is highly inefficient. So what we are proposing is now to break away from the administrator. What we're going to do is to remove the cash and the debt in equivalent amounts and this part will then be incorporated by Qualicorp SA. So in the end of the day I will move BRL 300 million in debt and BRL 300 million in cash to Qualicorp SA, which will then be able to use the cash for different purposes. So in simple terms, I'm freeing up BRL 300 million in cash that was trapped at Qualicorp administrator.

About your first question, well, in the First Quarter, we started to receive a few installments as price recoupment. It was actually better than we had expected when it comes to the collection. We had a very conservative provision that was put in place, but we still need more time to make sure this is a trend because we have up to 60 or 90 days until -- after the due date. This is a normal time for some delay in payment, collection, and payments.

So we're now getting to know what the month of January was like. It all indicates that this is within the expected level. Although the churn was higher as expected as well, considering the scenario of the price readjustment recoupment at the beginning of the year. Now I'd like to turn the floor over to Elton talk about the churn scenario in the First Quarter.

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

Good morning, everyone. Well as Fred said, we need to talk about how unprecedented this scenario is. The price readjustments were postponed, they are now being recouped. So this is unprecedented. So what I can tell you is that we were a bit more pessimistic when it comes to provision for debt loss. But in practice, the numbers were not that bad.

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We are using this quarter to compare to a typical Third Quarter at Qualicorp. So we were expecting a proportional cancellation to the Third Quarter adjusted by the percentage of the price readjustment.

And what we saw is that the cancellation level was very similar to historical Third Quarters from 2019 backwards in terms of cancellation. So I'm talking about relative and not absolute numbers in percentage terms. So the quarter was better than we expected and its comparable to a typical quarter at Qualicorp with a price readjustment because the recomposition led to a heavier readjustment. So we think that the numbers are a bit better than we expected, but we still need to wait some more time because this is, as I said, completely unprecedented. We still need a few more months to completely understand the impact this will have on our basis. This will be more clear when we release the First Quarter results, but this is what we have for now.

## Operator

We have a question from Mrs. Eugenia Cavaleiro from JPMorgan.

### Q - Eugenia Cavaleiro {BIO 20781536 <GO>}

I have a question about the development of new products. How have you been establishing new partnerships with regional operators? Can you also share some thoughts on the M&A scenario that you have in mind?

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

Eugenia, thank you for your question. So I'll start by sharing a little bit about our products. We've been launching new products after all the noise that was made, and we had impressive numbers after the launch of our family product, family plus that combo with SulAmerica with a 9% discount for family groups. This product had a good performance, as expected, that started to be captured in December. So we'll see the impact of this on the First Quarter results.

And we also launched a few other products. We purchased a Amil grade portfolio. We launched an SMG for ASO plans in Belo Horizonte and this is something completely new, but we also just launched a SulAmerica product with the family discount and dental plans, and we're now adding another insurance for loss of income and disability. We are going to get the premium from the insurer, and we think that this product will help and this is actually coming as new sales.

So this will generate effects in the long term. This started to be sold in April. But in the long term, this is going to help us and help our customers that will be able to be with us, especially in times of economic uncertainty. So I think this is also going to help us improve our churn indicators. So this is a launch that we did together with SulAmerica, but this insurance is a Qualicorp product only, and we are going to roll this out to other products throughout the year. So we think that the whole member base will be impacted by this. We firmly believe in this product.



We also have other ASO for a small and medium groups that are about to be signed. We expect the launch of new products throughout the quarter. The regional products, once again we're still -- we continue focused on that. So the Fourth Quarter did not see the effect of these launches so much, but we expect to see the impact on the First Quarter results. In any way we're still working hard to fill in the gaps and to look -- seeking opportunities in different locations. So I'd say we are moving forward on this front.

## Operator

Mr. Vinicius Ribeiro from UBS has a question.

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

My question is similar to the previous one, but I'd like to hear from Elton a bit more about this. You said that there was a gap price between the individual healthcare plans and the Affinity plans in a specific HMO because of the readjustment postponement. So I'd like to understand a bit more about this gap between the price for individual plans and the Affinity plan.

Now if we take the readjustment aside, how have you been working on this and this restructuring that took place in 2020 at the company? And what was the impact of this trend in the field with a more normalized price situation? If you could give us any idea about the different regions, that would be nice.

Now my second question for Fred, about impairment. I think that the driver is quite clear, but I'd like to understand how we should think about this. When it comes to the assets at stake. Strategically, for you, this is an asset that will become less important. Is there anything from the accounting perspective, such as discount rates or something like that? That's all.

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

Okay Vinicius, I'll start, and then I will turn the floor over to Elton to talk about the gap of prices. Well the impairment of Gama is about the values that we saw in our balance sheet did not reflect the cash flow generation potential of our business. So last year, we had, had a large impairment and this year, we completed that impairment. We still had some located in that operation. But today we don't have that anymore the numbers of Gama and CRC. So today we think that the numbers reflect the cash generation potential of our company effectively. It's important to highlight that Gama worked hard this year to improve their results. That was an important work that was done.

We revised -- reviewed many contracts, contracts that did not make sense for the company. The company decided to decrease revenue by terminating those contracts and we had an impact on EBITDA and the company stopped consuming cash. The company was consuming a lot of cash and it's now generating cash. So it's no longer a business that consumes cash, but it's actually a business that has a positive EBITDA and generates cash.

The assets are still considered within the range of other products within Affinity, but we think we have the opportunity to explore other businesses that are not currently being explored. The company is quite lean today and we see the opportunity to untrap more value than we've been able to do up until now with those operations. Now I'd like to turn the floor over to Elton to talk about the price gap.

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

Vinicius, well, I talked about this in our previous call. The operator is an important partner of ours. Hapvida has been improving their performance month after month. We'll see what the levels were throughout the Second Quarter, but the First Quarter is already better than the previous quarter. So we've been enhancing this. The gap has decreased because of our pricing strategy, but we are resuming sales -- and since this has been improving month after month, we'll be able to understand in the next three months what the regional expectations are with this new price level.

Of course we are the largest distributor and partner of Hapvida and GNDI because they're now a group, right? And we have had significant performance in the last three months. I'm sure that we are their first partner by far, but we are also discussing about other products. So things are going well. The relationship is great. We just need to be mature enough to understand well the market, where the market is going to stabilize at what price level, but this is an affordable product. That's their proposal. This is a pandemic, people have been losing their revenue. These are price-sensitive consumers, but we'll see what happens in the coming months. I'm not very concerned about this because we've been seeing an improvement month after month, as I said. So it's just a matter of timing and the regional expectations.

Now about gross adds. In the First Quarter, we've seen interesting numbers. This is a fruit of all of these initiatives. We have revenue that is being generated with M&A, and we have leveraged sales in different locations on top of the current base. So the SulAmerica product, for example, helped quite relevantly in the First Quarter. The performance was quite surprising. The product was quite surprising, not only with the increase in number of lives, but that also helped to increase the average premium sold.

So that was quite interesting result that we saw in the First Quarter, and this is going to help attenuate a potential increase in churn that is also natural, as I said, in my previous answer. So this is pretty much what I can tell you about the First Quarter events without mentioning numbers because, as you know, we cannot share any numbers for now.

## **Operator**

(Operator Instructions) Mr. Mauricio from Credit Suisse has a question.

## **Q - Mauricio Cepeda** {BIO 21783651 <GO>}

This is Cepe from Credit Suisse. Talking about the readjustments from a different perspective, we know that readjustments are being challenged and people are talking whether these increases are abusive or not. So can you give us your thoughts about how this is happening and how this is going to unfold in 2021? Now that you have a more

diversified portfolio, how representative is having lower tickets or higher tickets in this mass of additional members that are coming in?

### **Q - Pablo dos Santos Meneses** {BIO 21824064 <GO>}

Thank you for your question. This is Pablo Meneses, Vice President of Operations and Institutional Relationship. I'm going to start by talking about the readjustment projections, and then I'll turn the floor over to my colleague, Elton Carluci. So as a benefits administrator, we wait for the legal and regulatory guidance. Anything that is determined by the authorities is what we're going to comply with.

Now a second point about the readjustments is that we expect that the readjustment levels, this year will be capped within 1 digit only. So these are our expectations, but we still need to wait for the government determinations and the negotiations with HMOs. As a benefit administrators, we fight for our customers, and this is what we've been doing for a long time now. We have returned over BRL 7 billion of non-readjustments to the market because of our hard work to decrease the price readjustments for our customers. Now I turn the floor over to my colleague here.

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

So okay. Talking about our expectations, we have seen growth. Let me tell you what's happening right now. So for our products, we've been leaders, not only with GNDI, but we've also seen an increase in sales of SulAmerica products and Amil products, for example. We've seen great growth in sales of these products as well as with other HMOs and some Unimed cooperatives. So looking at that, we see growth in all products. So it's not only a growth for our verticalized partners products or more affordable prices.

Now, on the contrary, we see a great mix, and we can see the effects here for us with an increase in the average ticket numbers. I'm talking about the average ticket of our stock, not of our portfolio. So for the First Quarter, we're not worried. Things are within what we expected. Of course after the recoupment and the changes in the portfolio, we see that the numbers is quite aligned with our expectations. The growth is not coming only from verticalized products, okay? That was important to mention.

And the total sales premium will be even stronger. Then the increase in the number of lives, the premium will grow more than the number of lives, and that's mainly boosted by this diversified mix I mentioned.

### **Operator**

(Operator Instructions) We are now closing the question-and-answer session. Now I'd like to turn the floor over to Mr. Bruno Blatt for his final remarks.

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

I'd like to close our earnings release conference call by saying that we're now gathered in our office, we've been tested now with the PCR test. So please be safe. Wear a mask and shelter at home. It's not easy. But we keep on thinking about how to increase access to

healthcare to all Brazilians and expand product, channels and different regions. As Fred said, 2020 was a year of great transformation, an incredible transformation of the company.

We've cleaned the house, and we are now ready to make 2021 a special year, even though we have a tense and uncertain scenario for the whole healthcare industry. So thank you very much for your time. Whenever you need, just get in touch. Thank you very much. Be safe.

## Operator

Qualicorp's conference call is now closed. Thank you, all for joining. Have a great day.

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