

Conference Call Script - 4Q20

Renata Couto

Good Morning everyone. Thank you for joining us for Afya's fourth quarter and full year 2020 conference call. With me on the call today is Afya's CEO, Virgilio Gibbon and Luis André Blanco, our CFO.

During today's presentation, our executives will make forward-looking statements. Forward-looking statements generally relate to future events or future financial or operating performance and involve known and unknown risk, uncertainties and other factors that may cause our actual results to differ materially from those contemplated by these forward-looking statements.

Forward looking statements in this presentation include, but are not limited to, statements related to our business and financial performance, expectations and guidance for future periods or expectations regarding our strategic product initiatives, and the related benefits and our expectations regarding the market as well as the potential impact from COVID-19. These risks include those more fully described in our filings with the Securities and Exchange Commission. The forward-looking statements in this presentation are based on the information available to us as of the date hereof. You should not rely on them as predictions of future events and we disclaim any obligation to update any forward-looking statements except as required by law.

In addition, management may reference non-IFRS financial measures on this call. The non-IFRS financial measures are not intended to be considered in the isolation or as a substitute for results prepared in accordance with IFRS. We have provided a reconciliation of these non-IFRS financial measures to the most directly comparable IFRS financial measures in this presentation. Let me now turn the call over to Virgilio Gibbon, Afya's CEO and starting with Slide 4.

Virgilio Gibbon, CEO – Slide 4

Thank you, Renata, and thanks everyone for joining us today.

I am extremely proud that Afya has over delivered outstanding results since the IPO. Our performance reflects our superior strategy, great execution, commitment of our team members and the resilience of our business model, especially during a year of a worldwide pandemic.

Since 2017, our Net Revenue has grown almost 6 times and our guidance for the 1H21 is higher than 2019's full year net revenue. We are not only growing fast, our Adjusted Ebitda have grown almost 8 times and increased 13 percentage points in margin in the same period. And there is more, Afya generated operating cash of R\$391 million in 2020, 9x higher than 2017's, reaffirming our tripod of strong growth with high profitability and cash generation and reinforcing our fire power to continue consolidating medical seats, even after achieving the 1,000 seats guided in IPO.

Besides all this incredible growth and profitability figures, we have been creating the largest medical ecosystem in Brazil, with more than 200 thousand physicians and medical students using one of our products. We also have more than 430 partnerships with hospitals and clinics in Brazil. Afya's focus continues to be providing a lifelong learning experience for physicians and to help doctors to transform Brazil's healthcare.

Now lets take a deeper look in 2020 achievements, on page 5:

During the year, we successfully executed our strategy to continue to be the market leader of medical school seats in Brazil, as we have completed 9 acquisitions, since we became public, adding 851 medical seats in less than two years, or approximately 85% of our three-year target shared during our IPO. Importantly, we have a solid track record of integrating acquired companies and delivering cost efficiencies and synergies that can be seen in the margin expansion we are delivering. These acquisitions set us up to deliver continued strong results in the months and years to come. Our medical education business, remains and will continue to be the cornerstone of our business in the short and midterm. We have become extremely efficient at operating medical schools and we continue to see opportunities in this area.

In the beginning of the year, we had to adapt with the agility needed to stay focused on providing the high-quality educational experience that our students had come to

expect from us while at the same time executing on our long-term strategic plan with the pandemic outbreak. We are fortunate that, as a business, we are able to help using our campuses as vaccinations locations and by providing free courses at this time to assist hospitals, medical schools, physicians and nurses to face this difficult times.

The COVID-19 pandemic intensified some behavior shifts, it has caused the acceleration of our long term plan and started to unfold our digital services strategy. As evidenced by the pandemic, the medical community and patients have embraced a digital component to healthcare. We discussed in the past that digital assets were appealing to us so that we can add more services to medical students and professionals, thus maximizing our product offering. So, we furthered our Afya Digital strategy with the acquisition of PEBMED, Iclinic, Medphone and Medical Harbour. These acquisitions enable us to deepen our relationships with our students as well as put our brand in front of many new doctors, nurses and other medical personnel and students, enhancing our competitive position and our capabilities.

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

Our quality and execution was also rewarded this year, Afya was ranked as the winner in the Education sector in the Época Negócios 360 survey and also have won the Golden Tombstone in the Equity category. This award is valued by IBEF SP and recognizes Equity Operations in aspects such as complexity of the transaction, innovation, pricing and others.

To close this first part, we will start to report ESG Metrics in this earning release. Afya's engagement on these themes is generating an incredible impact on society what makes our team very proud e even more committed to our values and strategy. **On the next page, I will present the recent acquisitions that we've concluded this week**

Medical Harbour develops solutions for medical imaging, Radiology, Teleradiology and Medical Education for the health community.

Their solution is divided in two segments, Medical Imaging and Health Education:

On the medical imaging business, the product, Athena DICOM Viewer is a powerful diagnostic tool designed to attend physicians, health professionals, clinics and hospitals. It is certified by ANVISA (Brazilian Health Agency) and has over 24,000 downloads across 180 countries.

The other medical imaging product is MH PACS Cloud, a high-performance Tele radiology Cloud Infrastructure that allows remote diagnoses and sharing medical images to any location in the world, anywhere, anytime. Both products operates as a SaaS Model.

In the Education Health Solutions, they have Athena Hub, Platform for health education, with a real Virtual Cadaver, Human and Animal Anatomy modules, and analysis of real exams using photorealistic rendering.

Athena Hub is a complete solution allowing teachers and students to access content remotely without losing the quality of teaching in the health field.

Today, Athena Hub is used by more than 50 universities in multiple health programs, also in a SaaS model business.

With these products, Medical Harbour will enhance our Content and Technology for medical education pillar, allowing us to strengthen our presence in universities, hospital and clinics and to integrate this solution into our platform providing better services to our physicians and students.

I invite you to get more details of those acquisitions in the presentations available in our IR website.

Moving to the next page, we discuss our main highlights of 2020

Starting with our topline, 2020 adjusted net revenue increased 61% YoY, reaching R\$ 1.2 billion, mostly due to maturation of our medical school seats and consolidation of acquired companies. Our medical student base was up 67% YoY.

In 2020, we managed to combine high top-line growth with profitability, mainly due to operational leverage and successful integration of acquired companies. On average we gain more than 10pp in EBITDA Margin of the integrated acquisitions YoY. Adjusted EBITDA was up 69% YoY, with 220 basis points margin expansion. Adjusted Net Income was up 72%.

At the end of the fourth quarter, we had approximately R\$1.0 billion in cash on our balance sheet and the Cash Conversion for 2020 reached 76%.

In the fourth quarter we also announced: the acquisition of UNIFIPMOC, increasing our medical seats base in 160 seats and the authorization to operate 2 Mais Médicos campuses, adding 100 seats to our operating base.

We expect to have the final approval of Anti Trust and close this deal in the 2nd quarter

Moving to the Next slide we will detail how Afya's Continuing Medical Education and Digital offerings is serving the entire medical journey.....

Our long term objective is to be the one-stop-shop for physicians in Brazil, and we have already managed to achieve physicians in all stages of their career. Starting with Afya's Medical campuses, we impact medical students since their first glance with medicine, offering first-class technology based education.

After they graduate and become a generalist physician, they have two alternatives to continue their career: first is the medical residency - a competitive path due to the lack of residency programs supply in Brazil. Medcel's platform help this students to prepare for residency test with a total individualized study plan to maximize their approval rates and individual goals.

The second path is the specialization programs, in which they have theoretical and practical classes of more than 60 different specialities, offered by IPEMED.

On the digital health services, we are building a tremendous offering based on our 6 Strategic Pillars: Medical Education Content and Technology; Clinical Decision Tool; Clinical Management Tool; Telemedicine; Electronic prescription and Doctor-Patient Relationship.

With Medical Harbour acquisition we enhanced the Medical Education Content and Technology pillar by offering their solutions to students, physicians and universities to help imaging studies and diagnostics through Athena Hub and Athena DICOM.

In terms of Clinical Decision tool, we brought together Pebmed and Medphone, the 2 leading players on this segment, helping more than 162k medical and health professionals to take daily accurate decisions, minimizing medical errors and medical inflation.

For Clinical management tools and telemedicine, that aim more experienced doctors, we have iClinic and Medicinae, ready to help physicians to manage their clinics and all financial processes between patient and health insurance company.

Last, we are not only serving more than 200k doctors with products to enhance their practice, but we are also offering tools that can connect them to patients with AgendarConsulta, allowing us to create a huge ecosystem for healthcare in Brazil.

We still have many opportunities to grow in the Digital Services. As we are still integrating and extracting synergies between these Health Tech acquisitions, cross selling their products and locking in their clients, our M&A pipeline remains very strong and will help us to strengthen our ecosystem and improve our penetration on each strategic pillar.

Moving to next page, as we discuss guidance achievement and 1H2021

I am extremely proud to announce that we achieved the guidance for the second half 2020 besides all the uncertainties and pandemic environment.

In terms of Adjusted Net revenue we deliver R\$ 642 million, R\$ 2 million above the top of the guidance a great achievement for the semester and for closing 2020. Our adjusted EBITDA margin was also achieved, 45.9% on a guidance of 45.5% to 47%.

We are also issuing the guidance for the first half of 2021. The expected Net Revenue is between R\$ 740 to R\$ 780 million, representing a growth of up to 43% YoY and adjusted EBITDA margin between 46% to 48%, that represents a growth up to 45% YoY. All these figures does not include any acquisition that can be concluded during the first half of 2021.

I will now turn the call over to Luis that will detail our financial results

Luis André Blanco, CFO

Thank you, Virgilio, and good morning everyone.

Moving to next page to discuss the financial highlights of 2020

I am very proud that we were able to continue to growth with great profitability and cash generation this year, I will now pass trough the highlights of our financial results of 2020:

- Both medical seats and students saw significant increases this year.

Operating Medical seats increase 55% YoY, to 1,893 operating seats. Medical students was up 67%, reaching a base of 11,030 students, reflecting medical seats maturation and acquisitions.

- Adjusted Net revenue for the year, was up 61% year-on-year to R\$ 1.2 billion, reflecting acquisitions, medical school maturation and ticket increase due to the maturation of readjustments. Excluding the acquisition of UniRedentor, UniSL, PEBMED, FCMPB and FESAR, Net Revenue grew by 28% Year over Year, reaching R\$958 million. The increase was primarily driven by organic revenue growth, mainly due to the maturation of medical school seats and an increase in the average ticket.

- We also had a great profitability growth coming from cost efficiencies and synergies extracted from acquisitions. Adjusted EBITDA was up almost 70%, reaching R\$ 563 million with adjusted EBITDA margin expanding 220 bps. Excluding the acquisitions that I mentioned before, adjusted EBITDA was up 40%, reaching R\$ 467 million.
- Adjusted Net Income was up 72% YoY, reaching R\$ 391 million. Our EPS had a great increase of 55%, reaching R\$ 3.15 per share.

Moving on to next page for a discussion of key operating metrics by business unit.

Starting with BU-1. Our average monthly medical tuition fees increased 9% compared to 2019, reaching R\$ 7,975 excluding acquisitions. This reflects a combination of new students enrolling with a higher tuition rate combined with the students graduating with a lower tuition.

Talking about the revenue mix, 74% of our combined tuition fees are derived from medical school, up from 69% in the same period of the prior year. In terms of total tuition fees we reached R\$ 1.2 billion up from R\$ 794 million, an increase of 53% YoY.

With respect to BU-2, we had almost 125 thousand active paying users at quarter end, which includes 107 thousand from WhiteBook. Excluding Whitebook, we saw a 40% increase in active paying students.

In the specialization business we saw a increase of 163% YoY, maily due to the consolidation of Uniredentor.

Now, turning to next page, I will discuss our digital student base and student engagement

In the first graph of the page we can see the evolution of Monthly Active Users in our platforms. We saw a decrease in Medcel's monthly active users in the second semester due to the consupction of the COVID 19 free courses in the platform. There are still some students with these course active, but many of them already finished the course.

Monthly Active Users of WhiteBook reached 163 thousand, 1.5% lower than the third quarter 2020.

On the chart on the right you can see the trend in current consumption. Content that users are consuming include podcasts, learning assessment tools as well as instructional medical webinars. We saw a 24% increase from the first quarter 2020, that means that our students are more engaged with the assets that we are providing them.

Moving to next slide, I will discuss in more details the Net Revenue and EBITDA Growth

We saw a 61% increase in Net Revenue year over year, of which 55% are coming from the consolidation of acquired companies.

On the right side of the page, we show 2020 Adjusted EBITDA.

During the period Adjusted EBITDA increased 69% Year on Year to R\$563 million, with a 220 basis points expansion in margin, 42% of the increase is coming from 2020 acquisitions, the other 58% is coming from synergies extracted from acquired companies that we integrated in our shared services, increased medical seats occupation to 100% and implemented the career plan and integrated curriculum

Moving next to a discussion of Cash Flow

Cash and cash equivalents of R\$1.0 billion at quarter end were 11% higher than at 2019 reflecting the strong cash generation that we had in the year and the proceeds from the follow on process. The majority of these funds is invested in low-risk Brazilian real-denominated instruments.

Total net debt was R\$166 million at quarter end 2020, up from R\$583 million net cash in 2019.

Cash flow generation remained strong in the nine-month period, increasing 27% to R\$391 million which resulted in a cash conversion ratio of 76%, compared to 100% in the same period of 2019. This decrease in cash conversion rate year over year is mainly due the consolidation of Medcel business and our students' renegotiation of overdue monthly installments due to Covid-19 crisis.

I will turn the call back to Virgilio so he can present our ESG program, that we will start to report this quarter

Thank you Luis,

Education and health pillars for Afya's business, are also crucial issues for people's well-being and socio-economic development. This characteristic, inherent to the Company, makes our operations distributed throughout the country revert to positive impacts for local communities.

We operate in regions that have lack of physicians, the health care system is in need of investments and the population does not have access to quality health services. With our regional presence, we manage to attract medical and health professionals to remote regions, to make investment in the local healthcare system, besides providing free consultations for low income population.

The first step to consolidate Afya as a sustainable company was to sign the UN Global Compact, a program developed by the UN to engage companies in the adoption of social and environmental politics.

We are also concerned in our human resource policies with social inclusion, employees well-being, gender equality and people development. More than half of our employees are women, 55% of our management positions belong to women and in our board of directors we have 2 women out of 11 members. More than that, we guarantee at least 3% of disabled employees in Afya.

In the environmental scenario we are running a project to install solar panels in all of our campuses, all the energy used will be generated by our own facilities. We currently have 4 campuses running their own solar panels and 8 campuses are in the middle of the implementation.

ESG commitment is part of our strategy and permeates our core values. We have been advancing year after year on the theme and from now on ESG metrics will be disclosed in the Company's quarter results.

I will now open the conference for the Q&A session, thank you.

Q&A Portion

After Q&A, the operator will turn the call back to Virgilio for closing remarks

Thank you for joining us today and we look forward to speaking with you next quarter.